



# Annual Report 2021

Consolidated Financial Statements

Parent Company's Draft Financial Statements



*This document is an additional version of the official version compliant with Delegated Regulation (EU) 2019/815 of the European Commission (ESEF Regulation - European Single Electronic Format) published on the website at [group.intesasnpaolo.com](http://group.intesasnpaolo.com).*

*This is an English translation of the original Italian document "Bilanci 2021". In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails. The Italian original is available on [group.intesasnpaolo.com](http://group.intesasnpaolo.com).*

*This document contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.*

*Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.*

*All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.*





# Ordinary Shareholders' Meeting of 29 April 2022

## Report and consolidated financial statements of the Intesa Sanpaolo Group 2021

## Report and Parent Company's financial statements 2021



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# **The Intesa Sanpaolo Group**

# The Intesa Sanpaolo Group: presence in Italy

## Banks

INTESA  SANPAOLO

**BANCA 5**  
LA BANCA  
A PORTATA  
DI MANO  
Gruppo INTESA  SANPAOLO

 **FIDEURAM**  
INTESA SANPAOLO PRIVATE BANKING

**IWBank**  
PRIVATE INVESTMENTS



### NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,099	Banca 5	1
	Fideuram	107
	IWBank	9

### NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
739	Fideuram	59

### CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
769	Fideuram	46
	IWBank	6

### SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
644	Fideuram	26
	IWBank	7

### ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
218	Fideuram	10

Figures as at 31 December 2021

## Product Companies

**CARGEAS**  
AMMENDITA

 **FIDEURAM VITA**

 **INTESA SANPAOLO ASSICURA**

 **INTESA SANPAOLO INSURANCE AGENCY**

 **INTESA SANPAOLO R&M SALUTE**

 **INTESA SANPAOLO VITA**

Bancassurance and Pension Funds

 **PRESTITALIA**  **UBI Leasing**

Leasing and Consumer Credit (\*)

 **EURIZON**  
ASSET MANAGEMENT

Asset Management

 **SIREF FIDUCIARIA**

Fiduciary Services

(\*) Leasing and Consumer Credit activities are also carried out directly by Intesa Sanpaolo S.p.A., the Parent Company

# The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices



## AMERICA

Direct Branches	Representative Offices
New York	Washington D.C.

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

## AUSTRALIA/OCEANIA

Direct Branches
Sydney

## ASIA

Direct Branches	Representative Offices
-----------------	------------------------

Abu Dhabi	Beijing
Doha	Beirut
Dubai	Ho Chi Minh City
Hong Kong	Jakarta
Shanghai	Mumbai
Singapore	Seoul
Tokyo	

Country	Subsidiaries	Branches
UAE	Reyl	1

## EUROPE

Direct Branches	Representative Offices
-----------------	------------------------

Frankfurt	Brussels <sup>(1)</sup>
Istanbul	Moscow
London	
Madrid	
Paris	
Warsaw	



Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	35
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	47
Croatia	Privredna Banka Zagreb	153
Czech Republic	VUB Banka	1
Hungary	CIB Bank	61
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram Bank Luxembourg	1
	Intesa Sanpaolo Bank Luxembourg	1
Moldova	Eximbank	17
Romania	Intesa Sanpaolo Bank Romania	33
Russian Federation	Banca Intesa	27
Serbia	Banca Intesa Beograd	147
Slovakia	VUB Banka	167
Slovenia	Intesa Sanpaolo Bank	44
Switzerland	Reyl	3
	Intesa Sanpaolo Private Bank (Suisse) Morval	2
The Netherlands	Intesa Sanpaolo Bank Luxembourg	1
Ukraine	Pravex Bank	45
United Kingdom	Intesa Sanpaolo Private Bank (Suisse) Morval	1

## AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	175

Figures as at 31 December 2021

(1) European Regulatory & Public Affairs

## Product Companies



E-money and Payment Systems



Leasing



Wealth Management





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# Board of Directors, Manager responsible for preparing the Company's financial reports and Independent Auditors

## Board of Directors

Chairman	Gian Maria GROS-PIETRO
Deputy Chairperson	Paolo Andrea COLOMBO
Managing Director and Chief Executive Officer	Carlo MESSINA <sup>(a)</sup>
Directors	Franco CERUTI Roberto FRANCHINI <sup>(1)</sup> <sup>(*)</sup> Anna GATTI Rossella LOCATELLI Maria MAZZARELLA Fabrizio MOSCA <sup>(*)</sup> Milena Teresa MOTTA <sup>(*)</sup> Luciano NEBBIA Bruno PICCA Alberto Maria PISANI <sup>(**)</sup> Livia POMODORO Andrea SIRONI <sup>(2)</sup> Maria Alessandra STEFANELLI Guglielmo WEBER Daniele ZAMBONI Maria Cristina ZOPPO <sup>(*)</sup>

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

Fabrizio DABBENE

## Independent Auditors

EY S.p.A.

(a) General Manager

(\*) Member of the Management Control Committee

(\*\*) Chairman of the Management Control Committee

(1) Was appointed as a Director at the Shareholders' Meeting of 27 April 2020 replacing Corrado Gatti who had ceased to hold office

(2) Was appointed as a Director at the Shareholders' Meeting of 27 April 2020, following co-option by the Board of Directors on 2 December 2019. He resigned with effect 28 February 2022



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## Letter from the Chairman

Distinguished Shareholders,

The year 2021 saw the decline and then the resurgence of the COVID-19 pandemic. In the early months of 2022, in many geographical regions, the decline has been evident. The consequences of the infection for people have tended to become milder and the percentage of asymptomatic infections has increased. The pandemic can be considered to be on its way to becoming a matter of containment, surveillance, completion of the vaccination barrier worldwide, and improvement of the capacity to deal with possible new health emergencies, but it will cease to represent one of the major current problems for the world.

The focus is now on the post-pandemic evolution. The recovery in productive activity has been considerable. Global GDP in 2021 grew by 5.9% compared to 2020. In the Eurozone it rose by 5.2% and in Italy by 6.5%. The strength of the recovery is linked to the origin of the crisis, which was neither financial nor cyclical, but health-related: once health constraints are removed, activity resumes. But not everything will go back to the way it was. Activity has not yet returned to previous levels in many service sectors, such as tourism, which are suffering from health restrictions and caution on the part of potential users. In addition, the waves of the pandemic, and subsequent reopenings, have not been synchronous around the world, which has interrupted and disrupted supply chains. Shortages have arisen in commodities, energy and components. The resulting price increases are essentially due to a supply shock, and they now appear to be even higher, as they are being compared with prices that collapsed during the pandemic, due to the total stoppage in demand as consumers were locked down. As a consequence, the signalling value of price movements has been heightened, and in some cases is not significant.

Concrete actions and financial measures are needed to remedy the supply shortages, and the accompanying exceptional price rises currently worrying operators, even if only to bring the plants and means of transport that have been deactivated back into operation. The high prices that have resulted from these shortages are opening up profitable prospects for the initiatives aimed at overcoming them. The transitory price changes are adding, as an investment incentive, to the desirability of reviewing the geographical deployment of supply chains, which have proven to be excessively vulnerable. It is in the interest of financial institutions to support the necessary investments, not only because they are profitable in their own right, but also because, as a whole, they are beneficial to bringing the entire economic system back into balance. In this respect, restrictive monetary policies would not only fail to alleviate the supply shortages underlying the rising prices, but could even prolong their duration. However, we should not ignore the fact that a trend of increasing prices, even if triggered by a supply shock, can be self-perpetuating, via three avenues: advance purchasing, to get ahead of increases, pushing them up even more; the price-wage-price spiral; and speculation. If these trends were to become established, monetary policies would move in less accommodative directions.

Financial operators find themselves operating in a context that, on the one hand, cannot rule out the prospect of rising interest rates and, on the other, calls for concrete contributions to operations capable of resolving current imbalances, initiating and increasing the necessary production, and speeding up the transformation of the economic system towards sustainability and inclusiveness.

The crisis has shown the directions where the current economic model needs to be improved. There is a need to mitigate its vulnerability from external causes, such as pandemics, and internal factors, related to imperfections in markets and production structures. The alterations to the ecosystem generated by this model need to be stopped. Action is also required on social inequalities, focusing on widespread and inclusive welfare. The challenge for economic players, and for financial institutions in particular, is to promote an economic transition that is not only sustainable from an environmental perspective, but also in social and economic terms. Science and technological progress will be decisive. Significant resources will need to be invested in science, and even more in transforming new knowledge into products and services that are consistent with environmental protection and a socially inclusive “just transition”. Far-sighted strategies must be designed to implement innovative technologies, offering significant opportunities for wide-scale development. Pathways and timeframes must be identified for setting up the elements of new sustainable activities, capable of swiftly replacing those that will be discontinued.

The considerable size of the investments required will need to be accompanied by asset management instruments that provide greater remuneration, linked to their use in innovative directions, while also protecting against the variability of returns on individual investments. Better remuneration of savings, while also bringing them closer to the real assets necessary for social welfare, must be the main mission of financial institutions. The Bank will provide its customers instruments that encourage them to invest more of their savings in the capital of businesses and, at the same time, will assist enterprises in accessing alternative sources of funding

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alongside bank credit. It will help them in choosing development pathways consistent with sustainability objectives, and in formulating appropriate policies.

Intesa Sanpaolo has a primary role in channelling the savings of its customers, who number around 14 million in Italy and 7 million internationally, towards sustainable objectives. The Bank's strategies will be geared towards lending and investing in favour of companies that seek these objectives, giving them access to fast-track treatment. Digital development will be an integral part of the new Business Plan: it will offer better accessibility, for a wider range of services, alongside high levels of professional expertise for all customer needs.

The Intesa Sanpaolo Group's long-standing commitment to sustainability is reflected in its excellent positioning in the main international ESG indices. Intesa Sanpaolo is the only Italian bank listed in the Dow Jones Sustainability Indices and ranks first among European banks in three of the top ESG international assessments (MSCI, Bloomberg ESG Disclosure Score and Sustainalytics).

For several years now, we have been pursuing a comprehensive sustainability strategy that, in addition to reducing our CO<sub>2</sub> emissions, already 60% lower in 2020 than in 2008, is based on supporting businesses, with disbursements from the Circular Economy credit plafond of around 7.7 billion euro since 2018, the issue of green bonds, for a total amount of 3 billion euro since 2017, and the launch of the S-Loan initiative to support the projects of SMEs that improve their sustainability profile. Intesa Sanpaolo has also made a commitment to achieving Net Zero Emissions by 2050, in addition to joining the Net-Zero Banking Alliance (NZBA), as well as the Net Zero Asset Managers Initiative (NZAMI), through Eurizon Capital SGR, Fideuram Asset Management SGR and Fideuram Asset Management Ireland, and the Net Zero Asset Owner Alliance (NZAOA) and the Net Zero Insurance Alliance (NZIA), through the Intesa Sanpaolo Vita Insurance Group.

With around 66 billion euro of new medium/long-term lending provided to Italy's real economy in 2021, the granting of moratoria for 115 billion euro aimed at ensuring continuity for Italian businesses and industry during the pandemic and 400 billion euro of medium/long-term loans for enterprises and households in support of the Italian Recovery and Resilience Plan, Intesa Sanpaolo has confirmed its role as a driver for the country's development.

Innovation will continue to be a cornerstone of our strategy, which identifies innovation and digitalisation as key enablers, both for the products and services offered to customers, and for the optimisation of internal processes and risk management. Open dialogue will be maintained with industry leaders, fintechs and top academics, to learn about new technologies, incubate new ideas, and develop offering models and investment and financing solutions dedicated to innovative start-ups and enterprises. Intesa Sanpaolo, over the years, has completed a process of transformation towards a multi-channel approach. The strength of the Bank's digital offering is reflected in the almost 13 million multi-channel customers and over 8 million customers who use our app, recognised by Forrester as the "Overall Digital Experience Leader" among the apps of the European banks.

With around 1,300 billion euro of customer financial assets, Intesa Sanpaolo is a leading player in investment, protection and asset management services and, alongside its traditional deposit-taking and lending activities, it offers a growing range of services in the personal and corporate protection segment.

The 2021 results reflect the sustainability of Intesa Sanpaolo's earnings, underpinned by the solidity of its capital base and liquidity position, a resilient business model, strategic flexibility in managing operating costs and the quality of its assets. These are all conditions that have allowed us to effectively mitigate the complexity of the environment we work in and that translate into a low risk profile. The solidity of the capital base is well above the prudential requirement. The generation of value for all stakeholders has also been enhanced by the synergies resulting from the merger of UBI Banca, which was successfully achieved without any social costs.

The economic value generated in 2021 – over 20 billion euro – was distributed as follows: 78% to stakeholders, of which 41% to the people that work for us, 15% to Shareholders, and the remainder to suppliers, the government, entities, institutions and communities. A part of the profit has also been allocated to support high social impact projects and help people experiencing significant social and economic vulnerability through the Allowance for charitable, social and cultural contributions.

In consideration of a Group consolidated net income of 4,185 million euro and a Parent Company net income of 2,948 million euro, a proposal is being made to the Ordinary Shareholders' Meeting to distribute cash dividends amounting to 2,931,791,814.36 euro in total on the 2021 net income, which, taking into account the interim dividend of 1,398,728,259.60 euro paid last November, results in a proposal to distribute a remaining dividend of 1,533,063,554.76 euro, equal to 7.89 euro cents per ordinary share, before tax. In addition, a buy-back of own shares is proposed for 3.4 billion euro, as a result of which Shareholders will see their share of Intesa Sanpaolo's total dividends increase, without having to make any investment.

Gian Maria Gros-Pietro

**Intesa Sanpaolo Group  
Report on operations and  
consolidated financial statements**



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# Introduction

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's Consolidated financial statements have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Standards – Interpretations Committee (IFRS-IC), endorsed by the European Commission as provided for by EC Regulation 1606 of 19 July 2002.

The Consolidated financial statements as at 31 December 2021 have been prepared based on the “Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups” issued by the Bank of Italy, in the exercise of powers set forth by Art. 43 of Legislative Decree 136/2015, with Regulation of 22 December 2005, which issued Circular 262/05, as updated and supplemented. These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the financial statements.

In particular, for the 2021 Financial Statements, account was taken of the 7th update of the above-mentioned Circular and of the supplements included in Communication from the Bank of Italy dated 21 December 2021 with regard to the impacts of COVID-19 and measures in support of the economy.

The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows and the Notes to the financial statements and the related comparative information; the Report on operations, on the economic results achieved and on the Group's balance sheet and financial position has also been included.

The Report on operations contains financial information taken from or attributable to the Consolidated financial statements, as well as other information – for example, figures on quarterly trends, and certain Alternative Performance Measures – not taken from or directly attributable to the Consolidated financial statements. In this regard, see the chapter Alternative Performance Measures in the Report on operations and please note that with specific regard to the aftermath of the COVID-19 pandemic, in line with the ESMA guidance, no new measures have been added, nor have any changes been made to the measures used.

As a result of the COVID-19 pandemic scenario, in accordance with the guidance provided by the Authorities from the beginning of the emergency phase, detailed information has been presented both in the Report on operations, in the chapter “Overview of 2021”, and in Parts A, B, C and E of the Notes to the financial statements, on the business environment, the impacts on the business, the risk profile, and the choices made concerning the valuation of assets for the purposes of the 2021 Financial Statements, essentially in line with the presentation adopted in the 2020 Financial Statements.

In support of the comments on the results for the year, the Report on operations also presents and illustrates reclassified income statement and balance sheet schedules.

In the reclassified statements, the figures are normally restated, where necessary and if they are material, for ease of comparison. In particular, the amounts are provided as uniformly as possible with reference to the different periods covered, above all in relation to intervening changes in the scope of consolidation. This uniformity is achieved through “restated” figures, which include/exclude the values of the companies that entered or left the scope of consolidation.

In the 2021 Financial Statements, as a result of the acquisition of the UBI Banca Group, the restated figures have also been accompanied by the “redetermined” figures in order to align/supplement them through management figures. As discussed in more detail below in this Report, in order to provide a like-for-like comparison of the 2021 income statement figures, inclusive of the UBI Banca Group, to take into account the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata in the first half of 2021, which was linked to the acquisition, and inclusive of the entry of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal, use has also been made of management figures, in relation to the nature of the necessary restatements. Accordingly, to present the figures for 2020 “redetermined” on the basis of accounting and management records, reclassified income statement schedules have been prepared in addition to those prepared on the basis of the stated figures at the end of the various periods, and the detail tables have been expanded upon or duplicated with separate indication of the “Redetermined figures”. A reconciliation of these “Redetermined figures” and the accounting figures has been appended to these Financial Statements.

For periods prior to the acquisition, and thus for the first three quarters of 2020, balance sheet figures were subject to line-by-line inclusion of the figures concerning the UBI Banca Group and line-by-line exclusion of balance sheet figures concerning the UBI and ISP branches sold during the first half of 2021, which in the quarterly reclassified balance sheet have by convention been allocated, as “redetermined” figures, to the captions Non-current assets held for sale and discontinued operations and Liabilities associated with non-current assets held for sale and discontinued operations. As regards the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, whose balance sheet values were also restated to enable like-for-like comparison, please note that it was not deemed necessary to “redetermine” the balance sheet figures so as to exclude - on the basis of management data - the items (investments and technical reserves) linked to production from the customers of the branches sold to third parties, as was done in the income statement, since said items were of negligible amounts and hence not relevant for comparability. As a result of the above, since the necessary restatements of the balance sheet data were - as normally happens - based on accounting records, no separate reclassified “redetermined” balance sheet schedules were prepared.

Breakdowns of restatements and reclassifications made as compared to the layout established in Bank of Italy Circular 262 – in addition to the aforementioned “redeterminations” – are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.

Information on corporate governance and ownership structures required by Art. 123 bis of the Consolidated Law on Finance is set forth, as permitted, in a separate report, approved by the Board of Directors and published together with these financial statements, which can be viewed in the Governance section of the Intesa Sanpaolo website, at [group.intesasanpaolo.com](http://group.intesasanpaolo.com). The Consolidated Non-financial Statement prepared pursuant to Legislative Decree 254 of 30 December 2016, which describes the environmental, social and personnel-related matters, has been published – as permitted – as a separate report together with these financial statements and is available for consultation in the Sustainability section of the same website. The information on remuneration required by Art. 123 of the Consolidated Law on Finance and the disclosure required by Basel Pillar 3 are also published and made available on the website in accordance with the related approval processes.








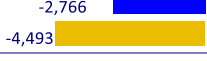

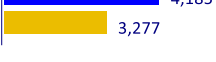


# **Report on operations**



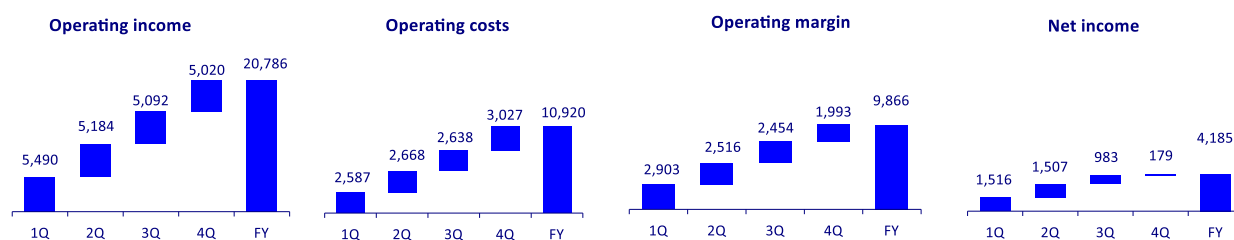
# Overview of 2021

# Income statement figures and Alternative Performance Measures<sup>(\*)</sup>

Consolidated income statement figures - Redetermined figures (millions of euro)		Changes	
		amount	%
Net interest income		-378	-4.6
Net fee and commission income		815	9.3
Income from insurance business		-56	-3.3
Profits (Losses) on financial assets and liabilities designated at fair value		-50	-3.0
Operating income		386	1.9
Operating costs		-119	-1.1
Operating margin		505	5.4
Net adjustments to loans		-1,727	-38.4
Income (Loss) from discontinued operations		-1,530	-96.3
Net income (loss)		908	27.7

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

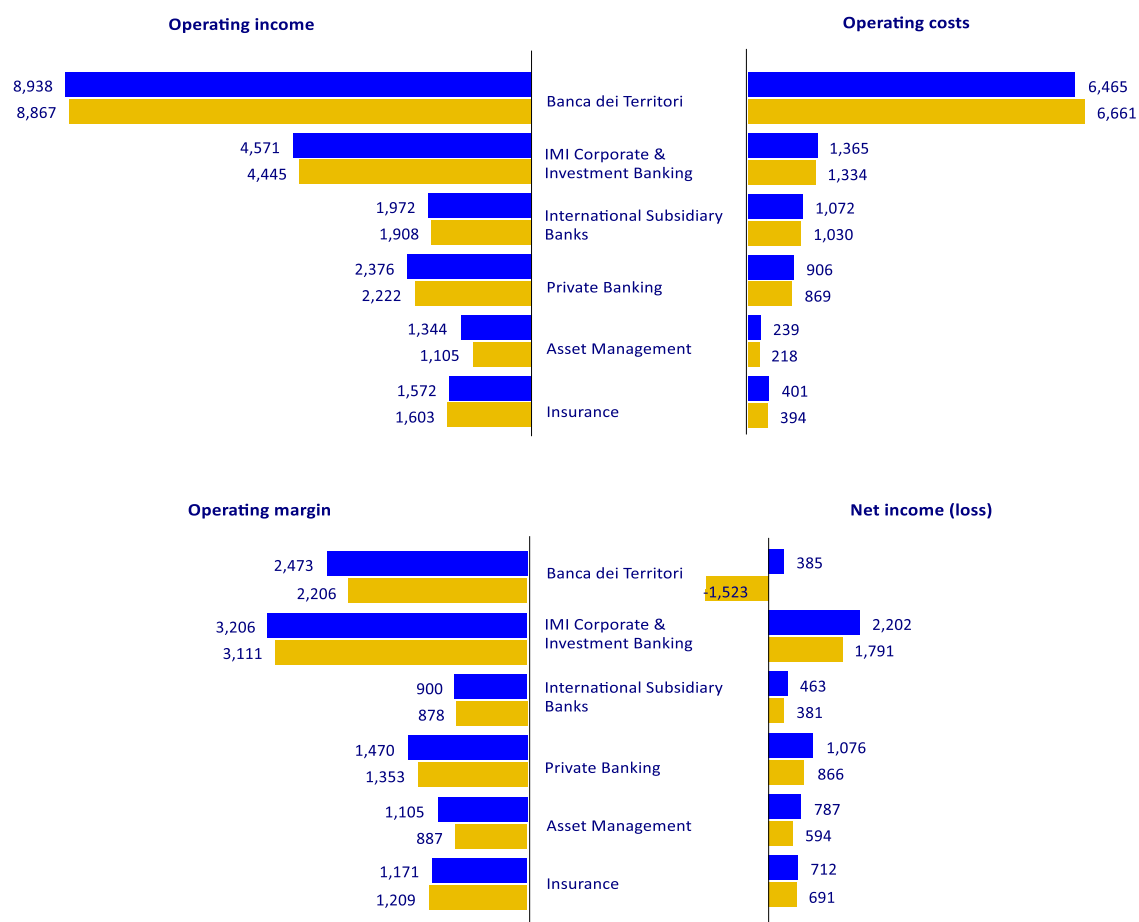
## Quarterly development of main consolidated income statement figures - Redetermined figures (millions of euro)



2021   
 2020 

(\*) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations. In the aftermath of the COVID-19 pandemic, in accordance with the ESMA guidelines, no new measures have been added, nor have any changes been made to the measures normally used.

## Main income statement figures by business area (\*) (millions of euro)













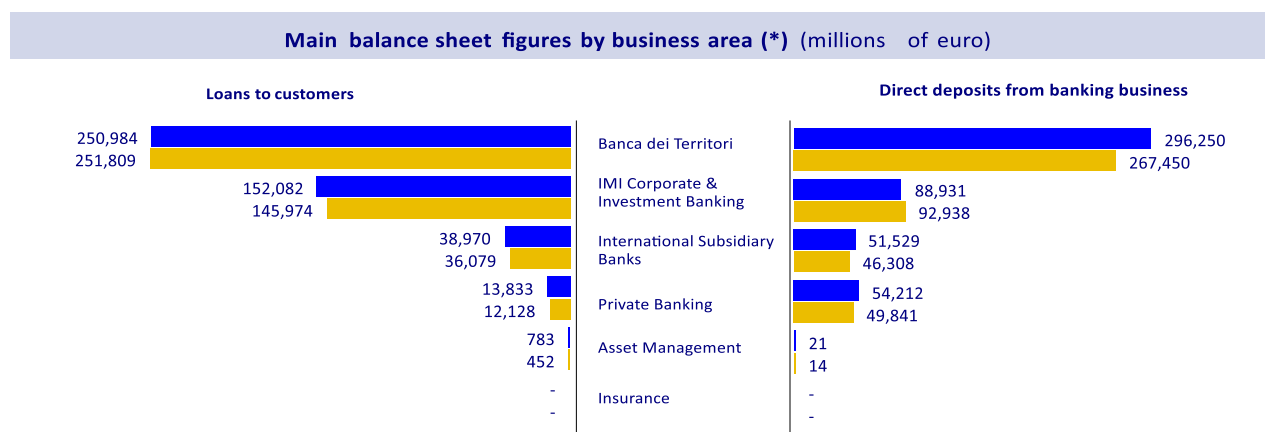
(\*) Excluding Corporate Centre

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents, also due to the revision of the allocation of costs and revenues among Business Units and Corporate Centre, and taking into account discontinued operations. For more details, see the chapter "Breakdown of consolidated results by business area and geographical area".

2021 ■  
2020 ■

# Balance sheet figures and Alternative Performance Measures<sup>(\*)</sup>

Consolidated balance sheet figures (millions of euro)		Changes	
		amount	%
Financial assets	 161,802 161,766	36	-
Financial assets pertaining to insurance companies measured pursuant to IAS 39	 206,885 205,698	1,187	0.6
Loans to customers	 465,254 462,802	2,452	0.5
Total assets	 1,069,003 1,034,002	35,001	3.4
Direct deposits from banking business	 555,565 526,765	28,800	5.5
Direct deposits from insurance business and technical reserves	 204,479 203,211	1,268	0.6
Indirect deposits:	 719,231 658,016	61,215	9.3
<i>of which: Assets under management</i>	 474,405 439,335	35,070	8.0
Shareholders' equity	 63,775 65,894	-2,119	-3.2
Loans to customers / Direct deposits from banking business (%) (Loan to deposit ratio)	 83.7 87.9		



(\*) Excluding Corporate Centre

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

31.12.2021

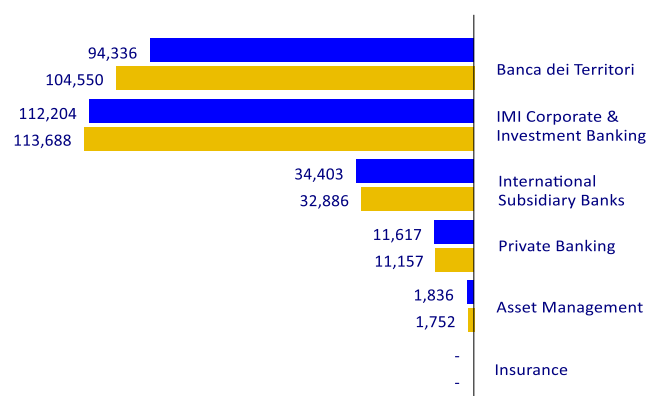
31.12.2020

(\*) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations. In the aftermath of the COVID-19 pandemic, in accordance with the ESMA guidelines, no new measures have been added, nor have any changes been made to the measures normally used.

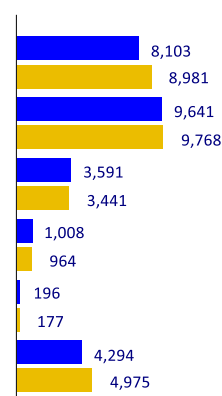
## Other Alternative Performance Measures<sup>(°)</sup>

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

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



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



(\*) Excluding Corporate Centre

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

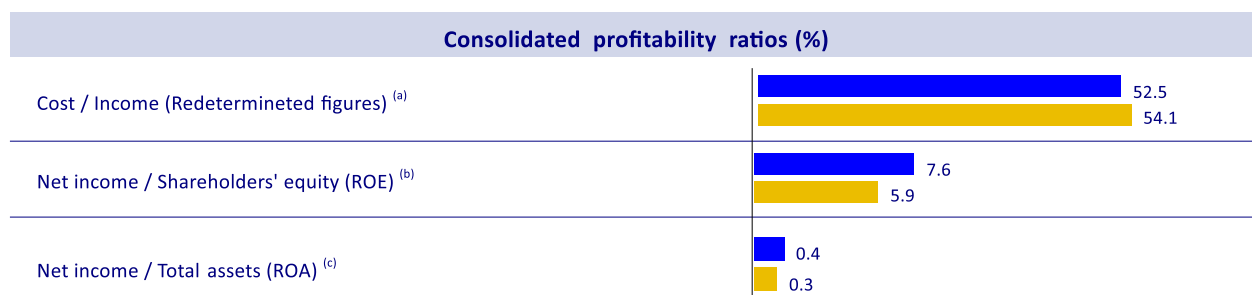
31.12.2021

31.12.2020

<sup>(°)</sup> For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations. In the aftermath of the COVID-19 pandemic, in accordance with the ESMA guidelines, no new measures have been added, nor have any changes been made to the measures normally used.

Information on the stock	2021	2020
Number of ordinary shares (thousands)	19,430,463	19,430,463
Share price at period-end - ordinary share (euro)	2.274	1.910
Average share price for the period - ordinary share (euro)	2.292	1.800
Average market capitalisation (million)	44,535	34,961
Shareholders' equity (million) <sup>(*)</sup>	63,775	65,871
Book value per share (euro) <sup>(*)</sup>	3.304	3.425
Long-term rating	2021	2020
Moody's	Baa1	Baa1
Standard & Poor's Global Ratings	BBB	BBB
Fitch Ratings	BBB	BBB-
DBRS Morningstar	BBB (high)	BBB (high)

(\*) Book value per share does not consider own shares.

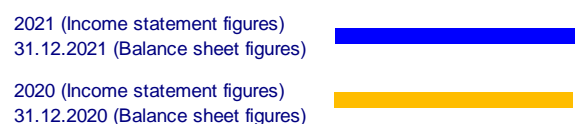


Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

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

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

(c) Ratio between net income and total assets.





### Earnings per share (euro)

Basic earnings per share (basic EPS) <sup>(d)</sup>	0.22	0.18
Diluted earnings per share (diluted EPS) <sup>(e)</sup>	0.22	0.18

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

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

### Consolidated risk ratios (%)

Net bad loans / Loans to customers	0.5	0.9
Net non-performing loans / Loans to customers	1.5	2.3
Cumulated adjustments on bad loans / Gross bad loans to customers	70.4	58.3
Cumulated adjustments on gross non-performing loans / Gross non-performing loans to customers	53.6	48.6

31.12.2021	
31.12.2020	

Operating structure	31.12.2021	31.12.2020	Changes amount
<b>Number of employees (f)</b>	<b>97,698</b>	<b>101,074</b>	<b>-3,376</b>
Italy	75,300	78,243	-2,943
Abroad	22,398	22,831	-433
<b>Number of financial advisors</b>	<b>5,626</b>	<b>5,652</b>	<b>-26</b>
<b>Number of branches (g)</b>	<b>4,719</b>	<b>6,314</b>	<b>-1,595</b>
Italy	3,740	5,299	-1,559
Abroad	979	1,015	-36

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

(f) The workforce indicated refers to the exact number of employees at the end of the period, counting part-time workers as equal to 1 unit. As at 31 December 2020, the employees of the branches that are object of disposal to BPER and BPPB as part of the acquisition of the UBI Banca Group are not included.

(g) Including Retail Branches, Third Sector Branches, SME Branches and Corporate Branches.



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# Overview of 2021

## Intesa Sanpaolo's operating environment in the aftermath of the COVID-19 pandemic

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### Economic trends

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High vaccination levels have reduced the global economy's sensitivity to the resurgence of the COVID-19 pandemic. Despite the succession of new waves of infection, world GDP is estimated to have increased by well over 5%. In the advanced countries, economic growth was mainly driven by a recovery in demand for services related to reopenings, while the expansion in manufacturing and international trade was held back by capacity constraints in global production chains. Inflation is accelerating across the board, although it is still largely attributable to the energy component, which is prompting central banks to remove monetary stimulus measures more quickly than expected. In the US, pre-crisis GDP levels had already been recovered in the first half of the year, and average annual growth exceeded 5%. The strong rise in domestic demand came up against increasing capacity constraints and wage pressures emerged. Inflation reached 7% in December, the highest level since 1982. The Federal Reserve reacted by speeding up the timetable for the removal of the monetary stimulus. In the final months of 2021, it rapidly reduced net purchases of securities, signalling its intention to implement several official rate hikes in 2022. In the Eurozone, GDP growth was at a healthy pace of around 5%, but insufficient to recover pre-crisis levels. Robust economic growth boosted employment levels, with a fall in the unemployment rate. Inflation rose to 2.6% on average over the year, with a peak of 5% in December, half of which was due to the energy component. The European Central Bank, which faces lower inflationary pressures and which in December expected inflation to return below 2% in 2023-24, has maintained very accommodative monetary conditions. After having announced a moderate reduction in the net purchases under the PEPP (Pandemic Emergency Purchase Programme) for the fourth quarter, in December it indicated that the PEPP net purchases would be further reduced in the first quarter of 2022 and suspended altogether from 31 March. Official rates remained unchanged throughout 2021. Rising inflation expectations pushed up medium/long-term rates, while short-term rates continued to be held back by excess liquidity and unchanged official rates. The BTP-Bund spread remained at modest levels. The Euro weakened on currency markets, but its volatility remained relatively low.

Economic activity also picked up sharply in Italy, resulting in GDP growth above 6%, a moderate increase in employment, as well as a fall in the unemployment rate. The economic performance was similar to that seen in the rest of the continent: after a weak start, growth was very strong in the middle quarters of 2021, but slowed down in the final months of the year. The rebound in GDP was almost entirely due to a recovery in domestic demand, with a modest contribution from the trade balance: in addition to private consumption, fixed investment also showed robust increases compared to 2020. Incentives to renovate buildings supported construction activity and the real estate market, which also benefited from the excess savings accumulated in 2020 by some households. Inflation in Italy also accelerated: in December it was 4.2%, with average annual figure estimated at 1.9%.

In this environment, credit access conditions remained relaxed. However, after the strong increase in loans to businesses in 2020, underpinned by liquidity and credit support measures, demand weakened and there was a rapid and sharp slowdown in growth in loans to businesses. The recourse to loans backed by public guarantees continued at a more moderate pace with respect to 2020. In contrast, loans to households returned to a robust pace of growth, driven by loans to households for home purchases. With regard to credit quality, the stock of non-performing loans declined compared to the end of 2020, thanks to the sales and securitisations that intensified towards the end of the year, while the default rate remained historically low. Customer deposits continued the robust growth in the current accounts segment, at double-digit rates for most of 2021, with a partial moderation towards the end of the year. After the exceptional cash reserves accumulated in the first phase of the pandemic, the deposits of non-financial companies also increased in 2021, although the inflow was much smaller than the record figure of 2020. The increase in the amount of deposits from households was significant, fuelled by a savings rate that, although in decline compared to 2020, remained above the pre-COVID level. Household savings were also allocated to forms of financial investment with higher returns. The asset management industry performed strongly. There were substantial inflows into mutual funds, mainly directed towards the equity and balanced segments. Collected premiums for life insurance recovered, driven by unit-linked policies.

## Impacts of the pandemic on operations, business activities and the risk profile

In 2021, in view of the persisting health emergency, the Intesa Sanpaolo Group continued the actions taken in 2020 following the spread of the COVID-19 virus, aimed at protecting the health of employees, suppliers and customers, ensuring business continuity and control of risk, and countering the social and economic effects of the pandemic.

The initiatives concerning business continuity and protection of health were implemented in the following areas:

- prevention of workplace hazards, with the establishment of the personal and collective protection measures required to respond effectively to the public health requirements at national, local and sector level in the various phases of evolution of the pandemic;
- continued large-scale use of smart working, with the associated investments in technological equipment and strengthening of the corporate information technology network to enable protected remote access;
- progressive strengthening of remote channels for contact with customers to facilitate digital interaction (improving the remote offering, expanding the contract dematerialisation and digital signature processes, etc.);
- continued development and strengthening of cybersecurity measures to reduce the risk of fraud attempts against customers and prevent cyber attacks;
- continuous updating of the site access and travel management policies and changes to branch opening hours and procedures.

Many of the above measures have evolved from a tactical basis – aimed at ensuring a timely response to the emergency – to a strategic vision oriented towards addressing structural change in work organisation, business processes, customer interaction, business opportunities and the related risk management. One of the key indicators of this evolution is the growth in smart working, both in the sales network and the head office structures: compared to the “pre-COVID” situation, the number of users enabled for smart working (including the former UBI Group) has risen from around 21,500 to around 78,000 as at 31 December 2021.

As a result, smart working has now become a core element of a new model for work activity based on strengthening individual responsibility and improving work-life balance. This includes the “Next Way of Working” project – aimed at developing new methods of working in the post-COVID period – for which the implementation is continuing of the related real estate and technological measures, which were already initiated in the first part of the year, that will help staff in the structural use of a flexible model for work activity, based on alternating work in the office and from home (see also the section “The 2018-2021 Business Plan and the new 2022-2025 Business Plan” for more details).

Again with a view to staff welfare, following the actions taken in 2020, rapid testing campaigns were carried out in first half of 2021 for staff at several sites in areas with very high levels of COVID-19 virus infections, which resulted in around 26,000 tests. In July, in conjunction with the Italian COVID-19 vaccination campaign and in collaboration with Intesa Sanpaolo RBM Salute, the Intesa Sanpaolo Group offered a free insurance policy for all employees of the Group companies based in Italy to protect them against the remote possibility of any particularly serious adverse reactions to the vaccine.

In the early months 2021, the Group maintained the approach of allowing smart working on a voluntary basis for head office employees and the use of shifts for branch employees.

From June, following the improvement in the health situation in Italy, alongside the intensification of the vaccination campaign, the Group decided to implement the gradual return to the premises of the head office departments, while obviously maintaining all the company's prevention and protection measures and special precautions for employees with certified conditions of vulnerability or disability. The return initially took place with a minimum presence of 20% and an occupancy limit of 50% for the offices in the yellow and white zones. The minimum rate was later raised to 40% with no limitation on occupancy per office. At the same time, the company canteen and shuttle services were gradually restored and a medical questionnaire was developed to be completed by employees for the authorisation for return to their offices.

From July 2021, a new tool also became operational, which enables the planning of on-site attendance, remote work, absences (for holidays or other reasons) and, for some offices, the booking of desks and workspaces. This tool ensures centralised monitoring of total attendance at the head offices.

From August 2021, in compliance with the national regulations, the requirement to show the green certificate (so-called Green Pass) was introduced for access to canteens, company crèches and for the use of the company transport service.

From 15 October, the Green Pass was mandatory for access to all workplaces. Internal rules have therefore been issued to regulate access to workplaces, the organisation of checks and special cases (exempt persons, people coming from outside Italy, etc.).

In general, in the office buildings equipped with thermal scanners and badge readers, there are new devices that enable the daily reading of the QR Code through the ministerial App “VerificaC19”, while in the branches the checks are carried out by the managers and/or designated emergency personnel using smartphones containing the same App. The manual or automatic checks (also on a spot basis) are organised to ensure that all staff, as well as the people who access the Group's premises for various purposes, are controlled, and are conducted by the heads of the organisational units and the designated emergency personnel. The reports of the lack of a Green Pass (with consequent prohibition of access) or of violations are handled by the Safety Department, as the controller, for the reports to the competent authorities (Prefettura) required by law, and by the Personnel Departments for recording unjustified absences and (if there are breaches) for any disciplinary measures. The reading of the Green Pass data does not lead to the acquisition of any health information by the Bank and a specific privacy policy on this subject has been made available to everyone.

In response to the rapid increase in the number of infections caused by the progressive spread of the Omicron variant in the final weeks of the year, the workplace risk mitigation measures were updated, also in response to the progressive reconfiguration of the COVID-19 regulations by the Italian Government.

From 22 December, for the head offices, the obligation of minimum presence in the yellow and white zones was removed, allowing return to the office solely on a voluntary basis and within the limit of 50% per office, alongside the limitation of business trips and meetings.

The new rules in force from 6 December 2021, which introduced the “Super Green Pass” (issued solely upon recovery or vaccination) for certain public and private activities, did not initially lead to any changes for access to workplaces and

company canteens. The duration of the vaccination green pass, initially reduced from 12 months to 9 months, was further lowered to 6 months from 1 February 2022 by the Christmas 2021 Decree (Law Decree no. 221 of 24 December 2021).

In view of the extension of the state of emergency to 31 March 2022 established by the Christmas Decree, the time limit for the option of smart working granted to the frail or severely disabled was also further extended to that date. This provision also applies to employees caring for cohabiting family members who are frail or severely disabled and to employees who have received certification of exceptional health monitoring with a requirement for smart working from home until 31 December 2021. The provision also extends to pregnant and breastfeeding women, as well as people who are exempt from vaccination due to illness or allergies.

Following the change in the quarantine regime introduced by the Law Decree issued at the end of the year (no. 229 of 30 December 2021), and in implementation of the Explanatory Circular of the Ministry of Health of 30 December 2021 and the subsequent Circular of 4 February 2022, which linked the return time to vaccination status, the internal operating instructions for return to the workplace of positive cases and close contacts were progressively updated.

With the extension of the “Super Green Pass” for workplaces to the over-50s, established by Law Decree no. 1 of 7 January 2022 from 15 February 2022 until 15 June 2022, the company rules for access to workplaces were modified by limiting access, for the over-50s, to “Super Green Pass” holders only.

From 1 February 2022, the decree issued at the beginning of the year also only allowed access to certain services, including banking and financial services, to people with at least a “basic” Green Pass. Specific internal instructions were therefore issued to govern compliance with these requirements.

As a result of an amendment to Legislative Decree 81/2008, which strengthened the obligations of “designated personnel” (heads of structures) in relation to monitoring and reporting, the activities of control and supervision of the fulfilment of the obligations in all branches and offices were intensified.

The monitoring system of the Group’s international companies was also strengthened. In particular, due to the worsening of the pandemic in Eastern Europe in the final two months of the year, a specific analysis was carried out of the situation in the most affected countries.

Based on the experience gained in managing the COVID-19 emergency, Intesa Sanpaolo’s Pandemic Plan was updated at the end of 2021.

With regard to the extraordinary measures to support Italy’s economy and its businesses and households, Intesa Sanpaolo was the first bank in Italy to grant moratoria, before the specific regulations came into force.

At the end of 2021, around 950,000 suspension applications had been processed, for a volume of over 115 billion euro<sup>1</sup>, mainly related to the “Cura Italia” measures provided for in Article 56 of Law Decree 18/2020. Applications from business customers accounted for around 77% of the total volumes.

With regard to the expiry of the moratoria pursuant to Law Decree 18/2020, after the extension to 30 June 2021 established by the Budget Act (no. 178 of 30 December 2020), Law Decree no. 73/2021 (“Sostegni bis”) of 25 May further extended the measures until 31 December 2021, subject to certain restrictions, including the requirement for the customer to make an explicit request by 15 June.

At domestic level, as at 31 December 2021, there were around 4.8 billion euro of outstanding moratoria, of which around 90% attributable to business customers, in addition to 6.7 billion euro of terminated moratoria that will reach the term for the resumption of payments in subsequent months, of which 96% relating to business customers. For the aggregate of the outstanding moratoria, requests for further extensions under the above-mentioned “Sostegni bis” Law Decree, received by 15 June, amounted to around 6.7 billion euro, leading to a more gradual redistribution of maturities between the third and fourth quarters of the year.

As a result of the phase-out of the EBA provisions concerning the exemption from forbearance classification (EBA compliant moratoria), the total outstanding moratoria that qualified as such under the Guidelines was 1.1 billion euro.

The expired moratoria that had already met the conditions for the resumption of payments as at 31 December 2021 amounted to 34.7 billion euro. The rate of new defaults on this portfolio in 2021 was around 2.7% and the level of significant overruns was also low. Over the twelve months, both indicators increased slightly again compared to the previous measurements.

The Intesa Sanpaolo Group supported the legislative and non-legislative measures adopted to combat the crisis generated by the COVID-19 pandemic, both in Italy and in the various countries where it operates.

At consolidated level, the exposure value of the outstanding moratoria as at 31 December 2021 was 4.9 billion euro, of which 89% attributable to businesses. The total outstanding moratoria that qualify as such under the EBA Guidelines amounted to 1.1 billion euro.

With regard to the measures to support the production system, the Intesa Sanpaolo Group has provided an overall credit line of 50 billion euro dedicated to loans for businesses. ISP was the first bank in Italy to sign the collaboration protocol with SACE, thus providing immediate support to enterprises under the “Liquidity” Law Decree 23 of 8 April 2020. Overall, also including the SME Fund, 43 billion euro<sup>2</sup> in loans backed by a government guarantee had been granted as at 31 December 2021, of which 11 billion euro from SACE and 32 billion euro from the SME Fund.

At consolidated level, also considering the operations in the other countries where the Group has a presence, the value of exposures subject to loans backed by government guarantee schemes, for which the process has been completed for both the acquisition of guarantees and for disbursement, which may not coincide with each other, totalled 40 billion euro at the end of December 2021.

Moreover, the “Rilancio” Decree (Law Decree 34/2020) introduced a measure to support the relaunch of the construction sector and aimed at renovating real estate in terms of energy efficiency and seismic resistance (so-called 110% Superbonus). Specifically, the provision provides for the accrual of a tax credit of 110% for individual house owners and apartment building

<sup>1</sup> Moratoria granted up to 31 December 2021, including the former UBI Banca Group and considering the sale of branches carried out in the first half of 2021. Net of renewals, reimbursements and repayments moratoria are equal to 46 billion euro.

<sup>2</sup> Including the former UBI Banca Group and considering the sale of branches carried out in the first half.

residents that carry out energy efficiency and seismic resistance renovation work, which can be assigned directly by the customer or the contractor to a financial intermediary. The Group has set up specific solutions both for individual house owners and apartment building residents, as well as businesses that use invoice discounts for the purchase of tax credits and the related settlement, with predefined prices and a dedicated advisory service through a partnership with the company Deloitte. Since the start of operations, requests for the assignment of loans have been finalised for a total of around 2 billion euro.

In 2021, the situation generated by the COVID-19 pandemic continued to affect the dynamics of customer financial assets. Although to a lesser extent than in 2020, the climate of uncertainty generated by the evolution of the health crisis and the possible repercussions on the economic recovery continued to fuel the preference for liquidity, strengthening a trend already in place before the pandemic: in December 2021 direct deposits from banking business, driven by the short-term component, grew by a further 5.5% compared to twelve months earlier, and by as much as 11.3% when compared to the “redetermined”<sup>3</sup> figure of March 2020, which did not yet incorporate the effects of the pandemic.

For indirect customer deposits, there was a return to positive performance for assets under management, thanks to inflows partly driven by the recovery of the market indices. At the end of the year, assets under management of the companies of the Asset Management Division, net of duplications, were up 4.5% compared to 31 December 2020.

With regard to the insurance business, based on management data, in 2021 there was a slight decrease in gross premiums of -3% compared to 2020 for the life business (including the contribution of the former UBI companies) and a net outflow, which reflected the increase in liquidations partly attributable to the higher number of claims resulting from COVID-19. In the non-life business, premiums grew in 2021 compared to 2020, mainly due to the performance of the non-motor business (+12%).

With regard to the impacts of the pandemic on the Group’s operating income in 2021, the net interest income performance was positively affected by both the intermediated volumes in relation to the legislative and non-legislative initiatives implemented to counteract the crisis situations linked to the pandemic, and the benefits deriving from the TLTROs with the ECB, which totalled 132 billion euro as at 31 December 2021.

However, the overall net interest income performance was penalised by the lower contribution from the financial component and the lower interest on non-performing assets as a result of the deleveraging transactions.

As detailed below, the net interest income for 2021, taking into account the “redetermined” figures<sup>4</sup>, totalled 7,900 million euro (-4.6%).

Net fee and commission income, on the other hand, performed very strongly compared to the previous year, reaching 9,540 million euro (+815 million euro, +9.3%), having benefited from both the positive trend in assets under management and the healthy recovery in production.

The income from insurance business totalled 1,629 million euro, slightly down (-3.3%) on the like-for-like figure for 2020. The increase in revenues from the life business, also driven by the strong performance of the financial markets, was more than offset by the slowdown in the non-life business, which was penalised by a rise in claims, particularly in the healthcare business following the period of lockdown.

In terms of operating costs, in 2021 the costs incurred by the Intesa Sanpaolo Group for measures related to the pandemic totalled around 37 million euro in terms of current expenses and 6 million euro for investments, with a decrease on a like-for-like basis of around 51 million euro in current expenses and around 120 million euro in investments compared to the previous year. Operating costs, totalling 10,920 million euro, fell by 119 million euro, or -1.1%, thanks to the measures adopted to further strengthen the control of costs. The cost control and rationalisation prioritised the use of resources, while preserving the initiatives of strategic development and evolution of the business model with a view to the radically altered environment that will emerge once the health crisis has been definitively overcome and that, in part, is already generating significant impacts. In this context, the operating costs also benefited from changes in customer behaviour and internal operational processes. Among the areas most impacted are the costs for business-related travel, cash transport and counting services, and mailing to customers, areas that are heavily affected by the extensive use of digital interaction and the dematerialisation of payments and contracts, which represent cost saving drivers that, combined with continued cost control activities, will be made stable and structural over time.

The cost of credit fell to 59 basis points in December, much lower than the 97 basis points for the full year 2020 (which reduced to 48 basis points when excluding adjustments related to the scenario revision and management overlays applied as a result of the pandemic event). As explained in more detail below, net adjustments to loans in 2021, amounting to 2,766 million euro, included additional provisions of over 1.6 billion euro associated with the acceleration of the de-risking process. Net of these additional adjustments, the cost of credit in 2021 amounted to 25 basis points, having benefited from the improvement in the macroeconomic scenario accompanied by stable net flows of non-performing loans, which resulted in significant write-backs on performing loans.

With regard to the risk profile, the main impacts of the pandemic recorded at consolidated level are summarised below, while a more complete analysis is provided in the specific sections of Part E of the Notes to the consolidated financial statements, which contain the information required by the Bank of Italy in its Communication of 21 December 2021.

With regard to **credit risk**, in line with the approach adopted in 2020 after the beginning of the pandemic, it was decided to calibrate the risk appetite, to avoid pro-cyclical conduct while supporting the economy, maintaining a solid financial and equity position. In line with the approach adopted in 2020, the update of the Credit Risk Appetite Framework, within the overall Risk Appetite Framework, included the forward-looking information needed to reflect the specific impacts of the COVID-19 crisis

<sup>3</sup> The redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and the reallocation to non-current assets held for sale and associated liabilities of the going concerns object of disposal. Further details are provided below in this Report on operations and, in particular, in the Chapter “Balance sheet aggregates”.

<sup>4</sup> The redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management data, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal. Further details are provided below in this Report on operations and, in particular, in the Chapter “Economic results”.



factored into the risk, resilience and vulnerability indicators for companies. An early warning threshold was also introduced for the sectors most affected by the pandemic.

In line with the roll-out plan updated by the Intesa Sanpaolo Group and adopted following the measures set out by the Supervisory Authorities as a result of the emergency COVID-19 crisis, the work continued on the re-estimation, updating and resolution of the remediation plans for the internal credit risk models. At the time of the adoption of the new rating model for the Retail SME segment, the choice was made to continue applying the resilience factor on the economic outlooks, implemented at micro-sector level.

In line with the initiatives implemented since the start of the pandemic, the following continued in 2021:

- actions in support of customers impacted by the emergency through the implementation of the legislative provisions, issued over time, concerning the extension of moratoria and the granting of loans backed by government guarantees, adapted to the specific needs of different customer segments. In particular, with regard to the extensions of the legislative moratoria decided by the Government in the second quarter (May 2021, the so-called “Sostegni” Law Decree) the Bank adapted its processes to the different approach introduced by that decree with respect to previous legislative measures, introducing the specific requirement for a payment extension application by the customer;
- actions linked to proactive credit management, reported periodically to Intesa Sanpaolo’s Risks Committee and Management Control Committee, aimed at ensuring the precise monitoring of the loan portfolio and the timely management of any situations of increased risk, through detailed diagnostics carried out by the relationship managers on the portfolio of active moratoria and the continuous updating of the ratings, used to assess customer risk, considering the effects of the economic situation.

Also as a result of these actions, the flows of new non-performing loans remained very low and below the levels observed in 2019, the last year before the pandemic. In particular, the past-due positions under moratoria that have already met the conditions for resumption of payments, as mentioned above, showed a positive trend in the main credit quality indicators, with low rates of new default flows, up slightly from the previous measurements, and small numbers of significant past-due positions. Moreover, the amount of expired moratoria that had resumed payments increased gradually over the year and represented 75% of the total moratoria granted (net of those terminated on expired loans) as at 31 December 2021.

With regard to the credit assessments, the Group continued to adopt a generally prudent approach, as detailed in the section “The main accounting aspects and the approach adopted by the Intesa Sanpaolo Group” below.

With regard to **market risk**, in 2021 there was a progressive return to orderly functioning of the financial markets, as witnessed by the return of the main parameters within the average values observed over the twelve months prior to the crisis. These dynamics enabled an ordinary management of the Group’s HTCS and trading portfolios not only in terms of turnover, but also in term of risk management, as further highlighted by the main market risk metrics. Indeed, in the current market environment, characterised by low volatility, the managerial VaR measures showed a decrease in the average VaR calculated at Group level for all the financial assets under the Trading and HTCS business models. Specifically, for the trading component alone, this measure fell from an average of 65.3 million euro in 2020 to an average of 26.7 million euro in 2021.

With regard to capital requirements (market risk), as the effects of the outbreak of the COVID-19 pandemic on financial markets diminished, there was a marked reduction in the volatility levels of the main risk factors in 2021. The new volatility levels jointly with a lesser overall exposure of the trading book triggered a reduction in RWAs from 17 billion to 11 billion euro, compared to December 2020.

For **liquidity risk**, in 2021 all indicators (regulatory and internal policy) continued to confirm the solidity of the Group’s liquidity position. Both regulatory indicators (Liquidity Coverage Ratio – LCR – and Net Stable Funding Ratio – NSFR) are still well above the minimum regulatory requirements. Over the twelve months, the Liquidity Coverage Ratio (LCR) of the Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average of 184.5% (159.1% at December 2020). The unencumbered liquidity reserves at the various Group’s treasury departments, including the high-quality liquid assets (HQLAs) and other eligible components, amounted to an average of 181 billion euro (based on 12 monthly observations) and reached a total of 192 billion euro as at 31 December (195 billion euro at the end of 2020). At the end of the year, the Group’s NSFR was 127.3%. All the necessary preventive management and control measures remain in place to detect any signs of potential exacerbation of liquidity conditions.

With regard to **interest rate risk**, in 2021, and in the second half of the year in particular, the strategies and safeguards put in place were implemented to protect net interest income against potential additional negative impacts of the environment resulting from the pandemic. Net interest income was stabilised through measures to cover the viscousness of customer on-demand deposits by entering into hedging derivatives and natural hedges with mortgage loans to customers.

The shift sensitivity of the net interest income, assuming a decrease of -50 basis points in interest rates, amounted to -880 million euro at the end of December 2021, down on the end of 2020 (+131 million euro). This reduction was attributable to the actions described above taken to stabilise net interest income from further negative impacts related to COVID-19, in addition to several methodological refinements. The shift sensitivity of the net interest income, assuming an increase of +50 basis points in interest rates, amounted to +962 million euro at the end of December 2021.

The value shift sensitivity for a rate shock of +100 basis points amounted to -1,756 million euro at the end of December 2021, up (-451 million euro) compared to the figure of -1,305 million euro for December 2020. This change was due, especially in the last quarter of 2021, to the increased fixed-rate lending and to the hedging of on-demand deposits from customers.

With regard to **counterparty risk**, the pandemic resulted in an initial increase in exposures, mainly due to the decline in Euro area interest rates and the general, significant increase in the volatility of the main risk factors. However, no critical issues were encountered in the margining process with market counterparties, despite the sharp increase in collateral calls, by both number and volume, during the weeks of greatest stress on the markets. Margin processes with central counterparties also did not generate any operating issues. The situation on the financial markets has gradually stabilised. The level of exposure to customers gradually increased during 2020, followed by a decrease in 2021, driven by interest rate movements.

Lastly, with regard to **operational risks**, the Group carried out all the initiatives aimed at guaranteeing the continuity of business operations and safeguarding the health of its customers, employees and suppliers, adapting the measures implemented to the changes in the health situation and regulatory requirements. In this context, the model for preventing the risk of infection adopted by Intesa Sanpaolo was assessed by an independent agency (DNV-GL) which certified the full maturity of the model. In view of the acceleration of the digital transformation process, the greater complexity of security measures and the greater use of partnerships and/or outsourcing arrangements with third parties, it was necessary to adapt

the current risk management frameworks to the evolution of the operating context, in order to optimise the Group's Digital Operational Resilience profile.

The effects of the pandemic on the Group's risks continue to be limited, also thanks to the effects of the extraordinary measures put in place from 2020 and continued in 2021.

With regard to credit risk in particular, the extraordinary measures have limited the effects of the pandemic in the current period; however, there may be a deterioration as they are progressively phased out. The extent of the impacts for the Group will be closely related to the actual development of the macroeconomic environment, and in particular to the evolution of the COVID-19 situation, together with any new situations of uncertainty and the long-term effectiveness of the above-mentioned support measures. The Intesa Sanpaolo Group is carefully monitoring the development of the situation, including through specific scenario and stress analyses used to assess the related impacts in terms of profitability and capital adequacy. The results of this monitoring have confirmed that, in the event of an adverse deviation of the scenario from the forecasts of the Central Banks, the Group – also through the implementation of specific actions – would be able to ensure compliance with the regulatory requirements and the stricter limits set internally.

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### The main accounting aspects and the approach adopted by the Intesa Sanpaolo Group

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The year 2021 was undoubtedly characterised by the start of the extensive vaccination campaigns (at least in the more developed countries), with the achievement of a high level of coverage, as was the case for Italy. The effectiveness of the vaccines is particularly evident when comparing the current number of deaths and hospitalisation rates against those in autumn 2020, when the surge in cases forced the authorities to reintroduce stringent restrictive measures. The start of the administration of the third "booster" dose should ensure the containment of new waves of the pandemic, or at least mitigate their severity in terms of hospitalisation rates, with further positive effects on the real economy, which is currently on the road to significant recovery, albeit uneven across the various sectors. Despite the optimism in Italy, in view of the success of the national vaccination campaign and the substantial public and private investment plans in place, it should be remembered that the path to normality is still marked by uncertainties and possible obstacles, mainly related to risks and unexpected events on the health front, primarily consisting of concerns about variants of the virus that could undermine the effectiveness of the vaccination campaigns, as well as the lingering risk of new waves in countries where vaccination coverage has not yet reached sufficient critical mass to avoid new restrictions, with possible repercussions on the real economy of other countries.

#### *Credit Assessments*

In terms of the macroeconomic scenario used in the models for determining expected credit losses, since 2020, following the guidance from the regulators and standard setters, the Group has anchored its macroeconomic forecasts to the projections published by the central banks<sup>5</sup>.

Following the progressive improvements observed in 2021, the economic situation confirmed the recovery both in the final figures for 2021 and in the forecasts for the following three years produced by the regulators and national and international bodies. Consequently, in view of the lower uncertainty in the estimation of the projections and the first final data relating to 2021 confirming this trend, the Group decided to return to the use of the scenarios produced internally by the Research Department as inputs to the ECL models, which ensures consistency with the scenarios used in other valuation processes (e.g. the impairment testing of intangible assets) and forecasting processes (e.g. the new Business Plan).

This is also considered to be a reasonable choice in light of the marked convergence between the forecasts produced internally by the Research Department and the forecasts prepared in the last few quarters by the ECB/Bank of Italy, also confirmed by the consistency found with the latest projections of the European Central Bank and the Bank of Italy, published in mid-December 2021 and updated further (for Italy) in January 2022, to take account of several factors such as the renewed worsening of the pandemic situation and the spike in energy prices.

For a more detailed description of the macroeconomic scenarios produced by the Group's Research Department for the determination of the expected credit loss as at 31 December 2021, see the specific section "The macroeconomic context and the banking system" of this Report. In addition, the Notes to the consolidated financial statements, in a specific Section of Part E (Section 2 Credit risk management and policies), provide a table illustrating the scenarios actually used for the credit assessments, together with additional details on the sensitivity of the ECL to changes in the macroeconomic scenarios.

That said, in terms of the IFRS 9 measurements, the Group has maintained a prudent approach in the estimate of the adjustments, as the COVID-19 emergency cannot yet be considered to be over and, consequently, the management overlays introduced in 2020 to include ad hoc corrective measures in order to take account of potential future worsening of credit risk which might not be captured by the models in use and to better reflect the particularities of the COVID-19 impacts in the measurement of loans, were maintained and in some cases, reinforced. Therefore, given that the underlying reasons continue to apply in substance, the choices already made at the time of the 2020 Annual Report have been maintained, with further calibrations and refinements made in light of the evolution of the overall health and economic situation, starting from the half yearly financial report, which have been further refined for the preparation of the 2021 Annual Report.

Specifically, the overlays aimed at considering the greater vulnerability of positions under moratoria with an increase in the estimates of future default flows were maintained, together with that relating to the mitigation effect on the estimated future default flows deriving from the greater liquidity disbursed through the support of government guarantees. The latter overlay generated significantly reduced effects during the year compared to the previous year, as it was introduced with a time horizon limited to two years starting from mid-2020. The choices made in the 2021 reports (half-yearly report and interim statements) have also been kept substantially unchanged, maintaining the approach, with some refinements, already adopted in the 2020 Annual Report in relation to the extraordinary triggers for sliding into Stage 2, aimed at taking detailed account of the specific and higher vulnerability of the counterparties most heavily impacted by the situation generated by the pandemic. These triggers are applied to exposures not already classified as Stage 2 under the IFRS 9 modelling (after application of the

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<sup>5</sup> ECB Letter to banks: Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic (4 December 2020).



above-mentioned management overlays) in portfolios with prospective vulnerabilities identified by the combination of, on the one hand, the presence of moratoria still outstanding or at the payment resumption phase, for which there is not yet significant evidence of a return to regular debt repayment and, on the other hand, the consideration of risk levels assigned by the ratings. With regard to the risk profiles, in the 2021 Annual Report the prudence of these measures has been reinforced by extending the scope of application of the extraordinary sliding triggers. These triggers also act “downstream” on counterparties not already classified under the ordinary criteria. As at 31 December 2021, the gross exposure classified as Stage 2, following the application of the extraordinary triggers described above, corresponded to over 20% of the total exposure of the portfolio in Stage 2 of around 56 billion euro.

As a whole, the management overlays/extraordinary staging triggers adopted in the 2021 Financial Statements increased the adjustment allowance for performing loans to customers (equal to 2.5 billion euro) by a total amount estimated at around 700 million euro.

Instead, the procyclical effect of the forward-looking assessments acted in the opposite manner. This is particularly significant in the estimate of the ECL for 2021, in light of the scenario that sees a significant economic recovery in the forecast for the three-year period 2022-24, while – if the 2020 Financial Statements are considered – that assessment had an opposite impact, capturing the forecasts of recession at the time to a greater extent.

In light of the above, the impact on the income statement for the year in terms of adjustments to performing loans generated by the above elements (application of the scenarios and management overlays/triggers), came to around 500 million euro in net recoveries (on-balance and off-balance sheet loans), reducing the significant increases applied in 2020, in light of the improved context.

However, that positive effect was partially mitigated by actions on the management models for estimating LGD.

With regard to the classification of credit exposures, after the last extension with the “Sostegni bis” Law Decree, there has been no further action by the Italian government on moratoria. In fact, this Law Decree provided the possibility of benefiting from a further extension of the legislative moratoria until 31 December 2021, a provision that only applied upon request from businesses already eligible for a moratorium previously granted under the “Cura Italia” Decree (expiring on 30 June 2021). The suspension from 1 July onwards only related to the principal, while the interest accruing had to be paid.

The facilitating framework provided by the EBA Guidelines on moratoria expired on 31 March 2021 and therefore in 2021 it was no longer possible to take advantage of the simplified prudential treatment allowed for the classification of “EBA compliant” moratoria. In this context, which included the subsequent extensions of the legislative moratoria, the positions needed to be analysed individually to see if the extensions were to be considered forbearance measures (i.e. linked to a financial difficulty), resulting in classification as Stage 2. Accordingly, starting from the 2021 half yearly report, the Group has adopted the approach of only identifying a small cluster with particularly high credit quality, which the Bank considers is not subject to financial difficulty and therefore does not meet the conditions for classification as forborne. The cluster has been identified based on both the rating and the granular assessment carried out within the commercial/credit action plans aimed at determining the ability of customers to resume payments. For all positions not included in the cluster, on the other hand, the usual case-by-case checks have been carried out by the relationship managers, on whether the conditions have been met for the designation as forborne in accordance with the ordinary rules.

For more details about the credit assessments see Part A – Accounting policies and Part E – Information on risks and relative hedging policies.

#### *Impairment testing of goodwill and intangible assets*

In the current challenging market environment, measuring the recoverable amount of intangible assets is also particularly difficult. In particular, the assumptions adopted for the impairment testing of goodwill and intangible assets have been formulated in an environment still marked by uncertainty, though to a lesser extent than the situation relating to the 2020 Financial Statements, particularly in relation to the health situation, whose deterioration could limit mobility and impact the confidence of consumers and businesses to a greater extent than currently incorporated in estimates, further impeding the recovery of economic activities. The impairment tests have therefore been performed in the knowledge that the current economic situation, influenced by the ECB’s expansive measures and monetary policy approach, and further penalised by the COVID-19 pandemic emergency, impacts expected short- and medium-term cash flows from operating activities, without however affecting the Intesa Sanpaolo Group’s primary sources of income and competitive edges, as has also been demonstrated by the results of the past few years in which forecast targets have consistently been achieved, and the income dynamics for 2021.

The method adopted to carry out the goodwill impairment tests for the 2021 Annual Report was the same as that used in previous years, based on the calculation of the value in use, i.e. the current value of future cash flows that the Group is expected to generate. To this end, individual estimates made internally for the period 2022-2026 have been used that, for the years up to 2025, take into account the forecasts in the 2022-2025 Business Plan, approved by the Board of Directors on 4 February 2021, whereas the flows for 2026 have been estimated through inertial tracking of the flows for 2025, based on the forecasts relating to the macroeconomic scenario, without considering the effect of additional managerial initiatives. The results of the impairment test as at 31 December 2021 showed no need to recognise any goodwill impairment or adjustments to intangible assets with an indefinite life (brand name) with regard to any of the CGUs in the Intesa Sanpaolo Group. In particular, the values in use of each of the CGUs to which goodwill was allocated as at 31 December 2021 were found to be higher than their respective carrying amounts. With regard to the brand name allocated to the Banca dei Territori CGU, it was considered that the CGU no longer had any goodwill allocated to it and, as a result, the recoverable amount of the specific intangible could not be tested as part of the impairment testing of the goodwill based on total cash flows at the level of the CGU. It was therefore decided, in line with the approach adopted for the 2020 Annual Report, to conduct a specific, autonomous valuation of the intangible based on the fair value resulting from an appraisal commissioned from an independent expert who confirmed that the fair value of the intangible was higher than its carrying amount.

Lastly, with regard to the intangible assets with finite useful lives, various business combinations were completed in 2021 that resulted in the recognition, within the Purchase Price Allocation (PPA) envisaged by IFRS 3, of new intangible assets with finite useful lives, relating to asset management and insurance portfolios. The analyses performed as at 31 December 2021 did not identify any critical issues or indicators of impairment in relation to any of the Group’s intangible assets with finite

useful lives, including those recognised in the PPA for the business combinations carried out during the year, and their carrying amounts were therefore confirmed.

For more details of the impairment testing of the goodwill, brand name and other intangible assets with finite useful lives, see Part B - Information on the consolidated balance sheet.

#### *Probability test on deferred tax assets*

In accordance with IAS 12, the book value of deferred tax assets must be tested each year to determine whether it is likely that taxable income will be earned in the future that will ensure their recovery.

Regarding deferred tax assets carried among the Group's assets, including in the 2021 Annual Report, an analysis was conducted to verify whether the projections of future profitability, based on the income forecast resulting from the 2022-2025 Business Plan, are sufficient to ensure the recovery of those deferred tax assets and thus justify recognising and continuing to carrying them (a procedure known as a "probability test").

The probability test was positive for all the deferred tax assets recognised in the financial statements as at 31 December 2021.

For more details see Section 11 "Tax assets and liabilities" of Part B of the Notes to the Consolidated Financial Statements.

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#### **The actions taken in relation to the Group's stakeholders**

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In 2021, Intesa Sanpaolo has continued its commitment to supporting the numerous actions taken from the outset to support the efforts of institutions and society in response to the COVID-19 pandemic, in the knowledge of its responsibility as a major bank in a long and profound emergency situation, which is in many ways still unknown.

Several of the Group's actions and initiatives to support the economic and social recovery of the communities it serves have become fully operational, including:

- the "Rinascimento Firenze" Programme aimed at supporting the revival of the city's economy through impact lending, developed and promoted in collaboration with Fondazione CR Firenze, which provides 60 million euro – through non-repayable grants (10 million euro) and impact loans (50 million euro) – to support small and medium enterprises operating in the arts and crafts, tourism and culture, fashion and lifestyle sectors, as well as start-ups and the agro-industry in the metropolitan area of the city of Florence. It is aimed at businesses that encountered difficulties during the most acute phase of the crisis and intend to relaunch their operations by investing in projects that have a measurable social impact, such as stabilising or increasing their staff numbers, making investments under the new health regulations, and promoting forms of cooperation between competing businesses to increase overall resilience. In 2021, two new tenders were published for specific sectors (start-ups/technology/agritech and agro-industry) to accompany the actions already initiated and implemented;
- locally based programmes aimed at households, self-employed workers, micro-businesses and SMEs, through a solidarity fund that contributed to containing the social and economic emergency linked to unemployment and loss of work and revenue, as a result of the pandemic. In 2021, under these programmes, which were launched at the end of 2020, the Group provided impact loans backed by a pre-established solidarity guarantee fund:
  - "Progetto Vigeveno Solidale", with a total budget of around 700 thousand euro managed by the Diocese of Vigeveno, aimed at supporting the local area through non-repayable grants to households and impact loans for micro-enterprises provided on favourable terms by the Bank and guaranteed by the fund. For this initiative, the Bank has also provided the possibility for private individuals to participate in dedicated fundraising through the For Funding platform;
  - "Programma Torino – Fondo Sorriso" promoted by the Archdiocese of Turin and Fondazione Operti in collaboration with other associations and entrepreneurs in the area and in coordination with the main trade associations, with a fund of 300 thousand euro to guarantee impact loans for micro-enterprises and self-employed workers.

The solidarity initiatives aimed at addressing the consequences of the pandemic also included the support provided by Intesa Sanpaolo and Caritas to the Italian dioceses with the project "Aiutare chi aiuta: un sostegno alle nuove fragilità". This initiative, consisting of twenty-two projects throughout Italy, stems from listening to the urgent needs of communities affected by the severe economic and social crisis, with the aim of reaching ten thousand vulnerable people. Specifically, goods and material aid were provided to the needy (with particular emphasis on providing meals), clothing, medicines, housing and shelter for those experiencing accommodation difficulties, and support in finding work and starting up new businesses for people in difficulty.

Intesa Sanpaolo also made a donation of 100 thousand euro in support of the "A sostegno di chi ha più bisogno" initiative of the organisations Coldiretti, Filiera Italia and Campagna Amica, which distributed 50 kg food parcels of Made in Italy products to households in need throughout Italy during the 2021 Easter period.

In collaboration with Fondazione Cariplo, Intesa Sanpaolo also gifted 3,650 computers and 200 tablets to students in need of essential equipment to follow lessons from home and study in a suitable manner, with the key objective to fight educational poverty and tackle the digital divide. This initiative had the added value, in terms of circular economy and reuse of resources, of recycling refurbished computer equipment that became available following the merger of UBI Banca into Intesa Sanpaolo.

In view of the continued health emergency, the Group ordered the use of the extraordinary credit line established by the Board of Directors on 24 November 2020 to support two initiatives, for a total of 480 thousand euro:

- Fondazione Respiro Libero ONLUS, for the renovation and technological upgrade of the Paediatric Pulmonology Department of the Regina Margherita Hospital in Turin;
- Azienda Ospedaliera Città della Salute e della Scienza di Torino - Le Molinette, for the purchase of two items of equipment for the Kidney Dialysis and Transplant Department.

Intesa Sanpaolo has also launched "Formula", a crowdfunding project aimed at environmental sustainability, social inclusion and personal empowerment for people experiencing difficulties. The initiative involves support for local projects – which anyone can take part in through the For Funding platform – selected together with the Bank's Regional Governance Centres

assisted by Fondazione Cesvi, which supports Intesa Sanpaolo in identifying reliable partners and monitoring and documenting the implementation of each project.

In addition, we report the following initiatives:

- the signing in June of an agreement with the European Investment Bank (EIB), under which Intesa Sanpaolo made over 18 billion euro in new funding available to Italian small and medium-sized businesses to meet the challenge of the post-COVID-19 recovery. This is the first initiative in Italy supporting factoring operations based on the Pan-European Guarantee Fund (EGF), one of the EU's instruments in response to the pandemic. This initiative – specifically devoted to supply chains – is the largest operation supported by the EGF in the European Union as a whole, in terms of the amount of liquidity made available to businesses;
- the provision of over 400 billion euro of medium/long-term loans in support of the National Recovery and Resilience Plan (NRRP), allocated: i) for around 120 billion euro to enterprises with revenues of up to 350 million euro; ii) for around 150 billion euro to enterprises with revenues of over 350 million euro; and iii) for over 140 billion euro to private individuals. The new loan disbursements were focused on the dimensions of green economy, circular economy and ecological transition;
- the collaboration with Fondazione Cariparo, initiated in the third quarter, which confirmed the commitment to social issues with support for the renovation of the historic Cesare Pollini Conservatory in Padua, through conservative restoration work. The project involves the refurbishment of the current building and an extension into a part of Palazzo Foscari, doubling the area available for teachers and students;
- the initiative through which, in the fourth quarter, the Group chose to show its solidarity and support to Slovakia, a country badly hit by the third wave of COVID-19, where Intesa Sanpaolo is present through its subsidiary VUB (Všeobecná Uverová Banka). The intervention in favour of the NGO “WellGiving”, which provides assistance to doctors, health workers and other members of the Slovakian health service, consists of the supply of energy food packages for five weeks and psychological support to the medical staff of the health facilities (around 12,000 people).

## Intesa Sanpaolo in 2021

### Consolidated results

With the gradual improvement in the pandemic situation – except for the last few weeks of the year, marked by the spread of the new Omicron variant – accompanied by a lively recovery in production, above expectations, the Intesa Sanpaolo Group ended the year 2021 with net income of 4,185 million euro, up 27.7% on 3,277 million euro in 2020. It should also be noted that the comparison year benefited from the net positive accounting effect of the acquisition of the UBI Banca Group, amounting to 684 million euro<sup>6</sup>, as well as the significant capital gain from the sale to Nexi of the acquiring payment systems business line (1.1 billion euro), but also included goodwill impairment losses of 912 million euro on Banca dei Territori.

The net income for 2021 reflects the positive performance of the various areas of operations, which allowed significant allocations to be made to accelerate the de-risking process and, more generally, to face the future of the new integrated Group on even more solid foundations.

To enable the analysis of the income performance on a like-for-like basis, the comments below are based on the “redetermined” figures in the reclassified income statement. These figures take account of both the acquisition of the UBI Group and the entry of the 100% equity investments in insurance companies with which the UBI Group had long-term partnerships – completed in the second quarter – and the effects of the related sales of branches in the first half of the year (see in this regard the “Highlights” section below). This is in continuity and consistent with the information presented during the year. Details regarding the calculation of the “redetermined” figures are provided in the chapter “Economic results and balance sheet aggregates”.



Operating income for 2021, totalling 20,786 million euro, increased by 386 million euro (+1.9%), as a result of contrasting performance across the various components.

In a situation of persisting negative market interest rates, net interest income decreased to 7,900 million euro (-4.6%), reflecting lower interest on non-performing assets, due to the progressive reduction of the stocks, and on financial assets in the portfolio (in particular for the assets measured at fair value through other comprehensive income and through profit or loss), only partially offset by the significant improvement in the contribution from transactions with banks, related to the TLTROs with the ECB. The contribution from customer dealing became positive (+0.9%).

Net fee and commission income continued its positive performance, reaching 9,540 million euro, up 9.3%. This performance was driven by management, dealing and consultancy

activities (+11%), in particular individual and collective portfolio management schemes, dealing and placement of securities and distribution of insurance products. Commercial banking also recorded positive performance (+4.9%) mainly linked to collection and payment services, as well as ATM and credit card services. Other fee and commission income – mainly relating to loans, and mortgages in particular – was also up by 11.2%.

Income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, fell slightly to 1,629 million euro (-3.3%), despite the positive performance of net investment result, having been affected by a trend in premiums not aligned to that of claims.

Profits (losses) on financial assets and liabilities designated at fair value amounted to 1,625 million euro, down 3%. In addition to a small reduction in the contribution from sales (-2.9% for “Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost”), the overall performance was affected by the lower contribution from “Profits (losses) on trading and on financial instruments under fair value option” and from the hedging and repurchase of financial liabilities, only partially offset by the significant increase in “Profits (losses) on assets mandatorily measured at fair value through profit or loss”, which benefited from the revaluations of UCIs and higher dividends received.

Other net operating income – a caption which comprises profits on investments carried at equity and other income and expenses from continuing operations – more than doubled to 92 million euro, from the previous 37 million euro. This change was almost entirely attributable to the earnings results of the investments carried at equity, which increased from 49 million euro to 97 million euro.

Operating costs, amounting to 10,920 million euro, continued their decline (-119 million euro, -1.1%), which involved administrative expenses (-5.8% to 2,899 million euro), which benefited from the control measures taken and the initial synergies arising from the integration of the former UBI Group, as well as amortisation and depreciation (-0.6% to 1,248 million euro), also as a result of the write-off of assets of UBI Sistemi e Servizi, merged into the Parent Company in July. In contrast, personnel expenses increased slightly (+1%) to 6,773 million euro, partly due to the rise in the variable component, which more than offset the benefit from the reduction in the average workforce (-3.6%).

<sup>6</sup> As noted in the “Report on operations” in the 2020 Consolidated financial statements, in order to make an overall assessment of the net profit and loss effect of the acquisition of the UBI Banca Group it is also necessary to consider – in addition to the amount included in the caption “Effects of purchase price allocation (net of tax)” in the reclassified consolidated income statement, totalling 2,062 million euro (+2,505 million euro of negative goodwill and -443 million euro of related expenses) – the effects of the charges for integration of 1,378 million euro, net of tax, recognised in the year when the business combination took effect, even though they were not included in the PPA process as required by IFRS 3.



As a result of the revenue and cost performance described above, the operating margin increased by 505 million euro to 9,866 million euro (+5.4%). The cost/income ratio for the period consequently came to 52.5%, compared to 54.1% for 2020.

Net adjustments to loans totalled 2,766 million euro. This caption includes additional provisions totalling 1,615 million euro (206 million euro in the second quarter, 162 million euro in the third quarter and 1,247 million euro in the fourth quarter) to accelerate the NPL deleveraging process, as well as recoveries of 362 million euro on performing loans (both Stage 1 and Stage 2). This compares with 4,493 million euro for 2020, which included 2,247 million euro of adjustments following the revision of the scenario to take account of the COVID-19 impacts. The reduction in 2021 (-1,727 million euro) is attributable for 453 million euro to Stage 3 non-performing exposures (essentially unlikely-to-pay

loans and bad loans), due to the de-risking carried out and relatively stable net inflows from performing loans, with the remainder relating to performing loans, guarantees given and unsecured commitments, on which recoveries were recorded, as mentioned above. The cost of credit – expressed as the ratio of net adjustments to net loans – came to 59 bps (25 bps excluding the above-mentioned additional provisions to accelerate the de-risking process), compared to 97 bps for the 2020 (48 bps excluding the provisions due to the revision of the scenario as a result of the pandemic).

The consolidated income statement also recorded:

- other net provisions and net impairment losses on other assets of 851 million euro, up from the comparison figure of 365 million euro. This caption was mainly comprised of other net provisions (to allowances for risks and charges), including around 295 million euro (of which 126 million euro relating to the second quarter) to strengthen the technical reserves of the insurance segment<sup>7</sup> and 275 million euro pertaining to the Parent Company, mainly for legal disputes;
- other income (a caption which includes realised profits (losses) on investments, equity investments and financial assets at amortised cost other than loans, as well as income and expenses not strictly linked to operations) amounting to 332 million euro (97 million euro in 2020), mainly attributable to the capital gain of 194 million euro recognised on the sale in the first quarter by Fideuram Bank Luxembourg to State Street of the business line relating to its custodian bank services and 97 million euro on the sale to Nexi, in October, of the former UBI acquiring business line (see the “Highlights” section below for more information on these transactions);
- income from discontinued operations of 58 million euro, related to the reclassification of the results of the branches sold by UBI Banca and the Parent Company (recognised by convention under this caption), compared to 1,588 million euro recognised in 2020, which included 1,110 million euro from the capital gain on the sale of Intesa Sanpaolo’s acquiring business line to Nexi, 53 million euro for the income statement components for that business line, and 425 million euro resulting from the reclassification related to the income statement components of the branches sold by the former UBI Banca and the Parent Company.

Following these entries, gross income amounted to 6,639 million euro, an increase of 7.3% (+451 million euro).

Income taxes amounted to 1,623 million euro, against the comparison figure of 1,510 million euro, resulting in a tax rate of 24.4% (in line with 2020), which benefited from the realignment of the tax values of certain intangible assets, recognised in the second quarter for 460 million euro (as detailed below). The following were recognised after tax:

- charges for integration and exit incentives of 439 million euro, of which around 210 million euro (around 320 million euro before tax) related to the voluntary exits envisaged in the agreement of 16 November 2021. This amount compares with the 1,549 million euro recorded in 2020, of which 1,378 million euro related to expenses linked to the integration of the two groups (voluntary exits, IT and consultancy costs);
- effects of purchase price allocation of -39 million euro, compared to the previous +1,960 million euro, which included the 2,062 million euro of negative goodwill related to the acquisition of the UBI Group;
- charges aimed at maintaining the stability of the banking industry totalling 511 million euro (corresponding to 745 million euro before tax), unchanged on 513 million euro (742 million euro before tax) for 2020. This caption consisted almost entirely of the full-year cost for 2021 of the ordinary and additional contributions to (i) the resolution funds of 261 million euro (381 million euro before tax) and (ii) the deposit guarantee funds of 230 million euro (340 million euro before tax), with the latter paid in the second half of the year.

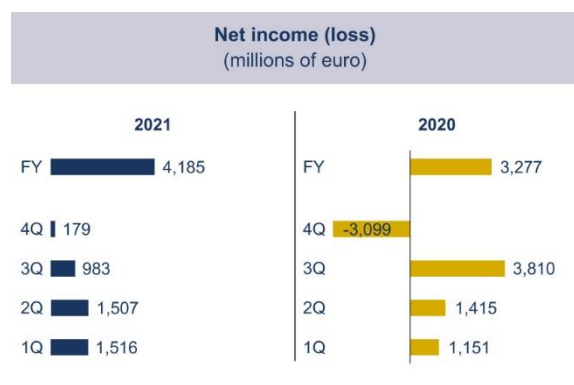
No adjustments to intangible assets were made (912 million euro net of tax in 2020, related to the impairment of goodwill of Banca dei Territori), while a loss attributable to minority interests was recognised of 158 million euro compared to a net income of 387 million euro in 2020, which incorporated the effects of the redetermined items relating to the UBI Group and its insurance companies.

The consolidated income statement for 2021 consequently closed, as already noted, with a net income of 4,185 million euro, compared to 3,277 million euro for the previous year.

<sup>7</sup> Taking into account the claims in excess of premiums issued and on the basis of the estimated future charges on policies in relation to a financial imbalance, also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown.



The consolidated income statement for the fourth quarter reported the following compared to the previous quarter:



- operating income down slightly to 5,020 million euro (-72 million euro, -1.4%). Revenues were held back by the lower contribution from the profits (losses) on financial assets and liabilities designated at fair value (-71.4%), after the significant capital gains realised in the third quarter, and by a moderate decline in net interest income (-2.3%). In contrast, both other net fee and commission income (+8.9%) and income from insurance business (+12.3%) showed a positive trend;

- operating costs increased to 3,027 million euro (+389 million euro, +14.7%). This trend was common to all categories: personnel expenses (+12.2%), due to the increased weight of the variable component with respect to a stable average workforce (-0.1%); amortisation and depreciation (+11.9%), which was affected by the significant capitalisations made during the period, and administrative expenses (+21.9%), in relation to both the

seasonal nature of the various expense captions in the final months of the year, and some of the Parent Company's advertising/promotional projects and initiatives that particularly concerned the fourth quarter.

The combined effect of the revenue and cost performance described above, resulted in a fall in the operating margin to 1,993 million euro (-461 million euro, -18.8%).

The consolidated income statement for the fourth quarter also recorded:

- net adjustments to loans of 1,222 million euro compared to 543 million euro for the three previous months. This caption included an additional provision totalling 1,247 million euro to accelerate the NPL deleveraging;
- other net provisions and net impairment losses on other assets amounted to 415 million euro, compared to 82 million euro for the third quarter. The increase was due in particular to Other net provisions, which recorded provisions of around 170 million euro for the insurance segment, with a view to strengthening the technical reserves, and 84 million euro for the Parent Company, mainly for legal disputes;
- other income of 78 million euro, compared to 63 million euro in the previous three months.

As a result, gross income in the fourth quarter fell to 434 million euro from the previous 1,892 million euro (-77.1%).

This change gave rise to taxes on income for the period of 82 million euro compared to 619 million euro in the previous three months. The following were recognised in the fourth quarter, net of tax: charges for integration and exit incentives of 291 million euro (41 million euro in the third quarter), mainly attributable to the above-mentioned agreement of November 2021; effects of purchase price allocation of +46 million euro (-51 million euro in the third quarter); and levies and charges for the banking system of 22 million euro (210 million euro in the third quarter, which incorporated the estimate of the full year contribution to the deposit guarantee funds).

The loss attributable to minority interests rose to 94 million euro compared to the previous 12 million euro.

The evolution of operations and the significant amount of adjustments and provisions made during the period led to a net income of 179 million euro at the close of the last three months of 2021, compared to 983 million euro in the third quarter.



With regard to the balance sheet aggregates, loans to customers reached 465.3 billion euro as at 31 December 2021, up 0.5% compared to the end of 2020 (0.4% in the fourth quarter).

The overall trend for the aggregate was actually made up of a decrease of 34.1% to 7.1 billion euro in non-performing loans (-22.6% in the quarter), as a result of the de-risking initiatives carried out, which was more than offset by the growth of 1.3% to 433.5 billion euro in commercial banking loans (+1.4% in the quarter), thanks to the strong performance of the medium to long-term disbursements, as well as a recovery in short-term technical forms in the latter part of the year.

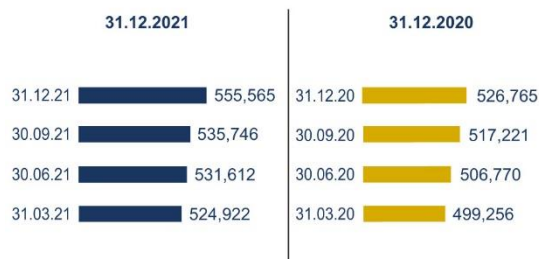
Loans of a financial nature, consisting of repurchase agreements, also increased by 4.5% to 17.6 billion euro, and were subject to some variability during the year (-11.4% in the fourth quarter).

Lastly, loans represented by securities decreased by 2.5% to

7 billion euro (+3% in the quarter).

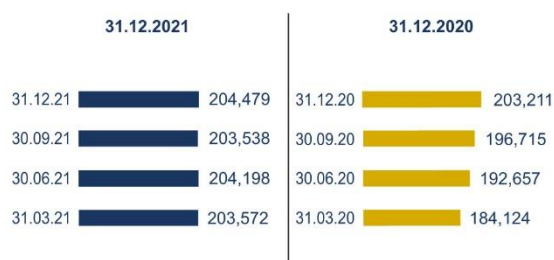
The improvement in the macroeconomic scenario, which helped stabilise the flow of new non-performing loans, and the de-risking policies described below, led to a further improvement in all risk indicators: the incidence of non-performing loans fell to 1.5% in net terms and 3.2% in gross terms, while their coverage ratio increased by five percentage points to 53.6%.

### Direct deposits from banking business (millions of euro)



performed well. Lastly, the financial component of repurchase agreements almost tripled to 2.7 billion euro at the end of 2021 compared with the previous year, despite the reduction in the last three months (-47.4%).

### Direct deposits from insurance business and technical reserves (millions of euro)



attributable to the life business, which accounts for almost all the reserves.

On the funding side, the positive trend in direct customer deposits continued in 2021, increasing overall by 5.5% to 555.6 billion euro (+3.7% in the fourth quarter). The trend continued to be driven by current accounts and deposits, which increased by 8% to 442.5 billion euro (+5.5% over the last three months), more than offsetting the decline for bonds (-10.9% to 62.5 billion euro) and certificates of deposit (-26.3% to 2.9 billion euro), which were affected by volumes of issuances that were lower than the maturing stocks due to the abundant liquidity in deposits.

Subordinated liabilities were also up 6.9% to 12.6 billion euro, following the 1.5-billion-dollar institutional placement in June, while other deposits rose by 6.5% to 32.4 billion euro. Within the latter, the component measured at fair value, almost entirely made up of investment certificates, did not show significant changes, remaining at 12.1 billion euro (-3.1%), while commercial paper

Direct deposits from insurance business – which also include the technical reserves, namely the amounts owed to customers that have taken out traditional policies or policies with significant insurance risk – totalled 204.5 billion euro in December 2021, an increase of 0.6% over the twelve months (+0.5% in the fourth quarter).

This performance was the result of contrasting trends among the different components.

On the one hand, financial liabilities designated at fair value, consisting of unit-linked products, rose progressively to 84.7 million euro, an increase of 5.1% (+2% in the three months), while other insurance deposits, which include subordinated liabilities, increased by 14.9% to 1.5 billion euro (-22.4% in the three months). On the other hand, technical reserves fell by 2.5% to 118.3 billion euro (-0.3% in the three months), entirely

The positive performance of the financial markets, together with the strong results of the placement activities enabled the indirect customer deposits to reach 719.2 billion euro, up 9.3% over the twelve months (+2.2% in the fourth quarter). The positive trend involved both assets under administration – up 12% to 244.8 billion euro (+2.2% over the three months), accounting for 34% of the total aggregate – and assets under management, up 8% to 474.4 billion euro (+2.2% in the last quarter), accounting for 66% of the total.

The growth in assets under management involved all the various components: funds (+10.8% to 176.2 billion euro), portfolio management schemes (+15.5% to 78.9 billion euro), technical reserves and insurance financial liabilities (+1.4% to 186.3 billion euro), pension funds (+14.3% to 12.6 billion euro) and relations with institutional customers (+17.5% to 20.4 billion euro).

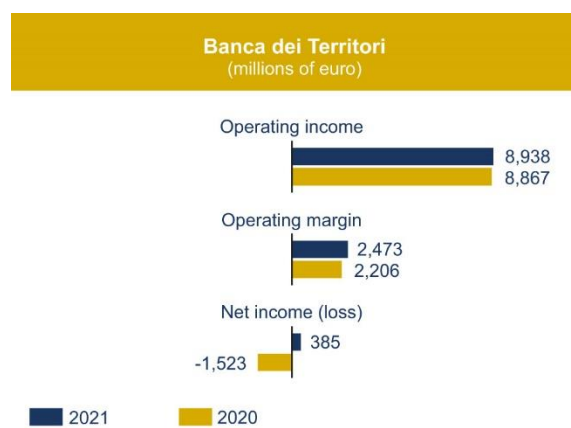
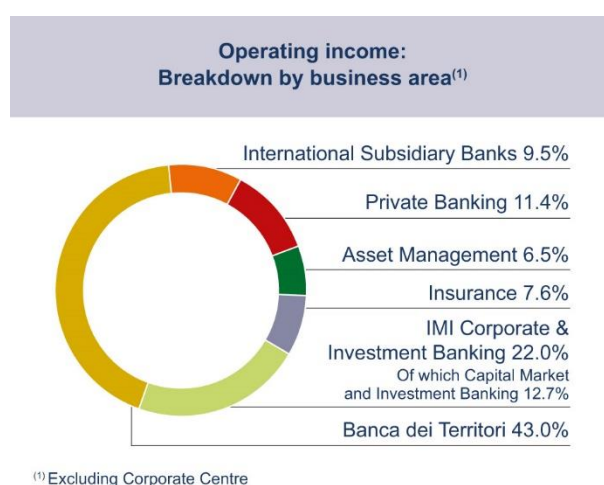
## Results of the Business Units

The Intesa Sanpaolo Group organisational structure is based on six business segments: Banca dei Territori, IMI Corporate & Investment Banking, International Subsidiary Banks, Private Banking, Asset Management and Insurance. In addition, there is the Corporate Centre, which is responsible for guidance, coordination and control of the entire Group, as well as for the Treasury and ALM operations. With regard to the UBI Banca Group, following the integration of the processes, the income statement and balance sheet figures – reported as a separate business unit in the 2020 financial statements – have been assigned to the specific operating Divisions, as described in the chapter “Breakdown of consolidated results by business area and geographical area”.

In addition, in the first half of 2021 a revision was carried out of the allocation methods for costs and revenues between the Business Units and Corporate Centre, also in relation to the need to integrate UBI Banca in accordance with the segment reporting approaches of the Intesa Sanpaolo Group. The related impacts are detailed in the above-mentioned chapter “Breakdown of consolidated results by business area and geographical area”.

As shown in the chart, which summarises the contributions, in terms of operating income from the individual business areas, the majority continue to come from the commercial banking activities in Italy (43%), although significant contributions were also provided by corporate and investment banking, (22%), private banking (11.4%), commercial banking activity abroad (9.5%), insurance business (7.6%) and asset management (6.5%).

Where necessary and where material, the division figures have been restated to reflect the changes in scope of the business units to enable a like-for-like comparison.



In 2021, the operating income of the Banca dei Territori Division – which oversees the traditional lending and deposit collecting activities in Italy and the related financial services – held up well (+0.8%). The positive performance of net fee and commission income (+6.3%), in particular from assets under management and, to a lesser extent, commercial banking, more than offset the decline in net interest income (-5.1%), which was still affected by the historically low interest rates and the effects of the de-risking initiatives. Operating costs of 6,465 million euro were down by 2.9%. The decrease mainly involved administrative expenses (-4.4%), also with regard to real estate and operating services, and personnel expenses (-1.8%), due to the reduction in the workforce as a result of exit incentives. The operating margin therefore came to 2,473 million euro, up 12.1%.

Gross income amounted to 1,130 million euro, compared to a gross loss of 778 million euro in 2020, which was impacted by significant adjustments to loans due to the revision of the scenario

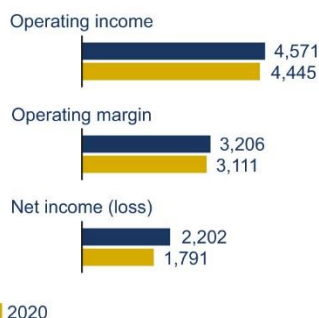
as a result of the pandemic.

Net income amounted to 385 million euro compared to -1,523 million euro in 2020, which included an adjustment (-912 million euro net of tax) for the impairment of goodwill due to the increased carrying amount of the Division following the integration of UBI Banca.

In balance sheet terms, the Division showed an annual growth of 5.4% in total intermediated volumes of loans and deposits. In detail, loans to customers, totalling 251 billion euro, were substantially stable (-0.3%). Direct deposits from banking business, amounting to 296.3 billion euro, were up significantly (+10.8%) in the amounts due to customers component, due to the higher liquidity accumulated on deposits held by individuals and businesses.



### IMI Corporate & Investment Banking (millions of euro)



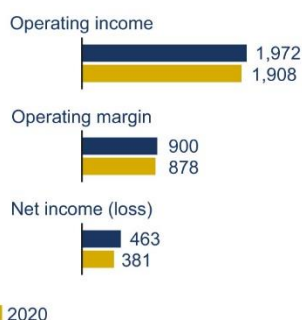
The IMI Corporate & Investment Banking Division – which oversees corporate banking, investment banking and public finance in Italy and abroad – reported a 2.8% increase in operating income for 2021 to 4,571 million euro. Net interest income (+2.2%) was sustained by structured finance transactions; net fee and commission income (+12.1%) benefited from the performance of the investment banking and transaction banking segments; the profits (losses) on financial assets and liabilities designated at fair value (-3.1%) were affected by the lower profits on the securities portfolio, only partly mitigated by the valuation effects due to the debt value adjustment (DVA) correlated with liabilities in the form of certificates.

Operating costs rose by 2.3% in relation to higher personnel expenses. As a result of the combined revenue and cost performance, the operating margin improved by 3.1% to 3,206 million euro.

Having benefited from the recoveries on the performing loan portfolio recorded in 2021, compared to significant adjustments made in 2020 due to the COVID-19 pandemic, gross income rose by 19.7% to 3,182 million euro. The year ended with net income up by 22.9% to 2,202 million euro.

From a balance sheet perspective, the Division's intermediated volumes increased slightly on an annual basis (+0.9%). Loans to customers of 152.1 billion euro increased by +4.2%, attributable to loans for structured finance transactions and global markets transactions, which more than offset the reduction in global corporate loans. Direct deposits from banking business amounted to 88.9 billion euro, down 4.3%, mainly due to the decrease in securities issued by the International Department and amounts due to global corporate customers, only partly offset by the increase in global markets operations and amounts due to financial institutions.

### International Subsidiary Banks (millions of euro)



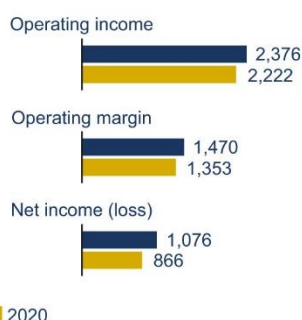
The International Subsidiary Banks Division – which is responsible for the Group's operations on international markets through retail commercial banking subsidiaries – reported net operating income of 1,972 million euro, up 3.4% (+4.1% at constant exchange rates). This performance was driven by net interest income (+2.1%) and net fee and commission income (+8.1%), while other income components remained largely stable. Despite the increase in operating costs (+4.1%), which involved all the components, the operating margin was up 2.5% to 900 million euro.

Gross income grew by 8.3% to 675 million, having benefited from lower adjustments to loans, which more than offset the higher net provisions for risks and charges. The Division closed 2021 with net income of 463 million euro (+21.5%).

In balance sheet terms, at the end of December 2021 the Division's intermediated volumes showed an annual increase of 9.8%, attributable both to direct deposits from banking business (+11.3%), in the amounts due to customers and, to a lesser extent,

in securities issued, and to loans to customers (+8%).

### Private Banking (millions of euro)



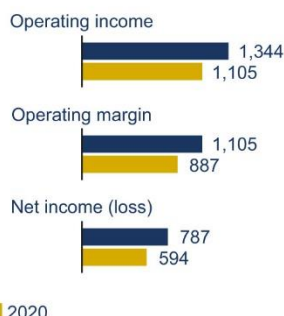
The Private Banking Division – which serves the top customer segment (Private and High Net Worth Individuals), creating value by offering top products and services – posted operating income of 2,376 million euro, up 6.9%. This performance was mainly attributable to net fee and commission income (+9.2%), supported by the growth in average assets under management, which largely offset the fall in net interest income (-15.9%).

Costs increased by 4.3% across all the components.

As a result of the cost and revenue performances described above, the operating margin rose to 1,470 million euro (+8.6%). Gross income rose even more significantly to 1,631 million euro (+26.9%) having incorporated, in addition to the improved operating margin, the capital gain of 194 million euro realised on the sale of the custodian bank business line of Fideuram Bank (Luxembourg), recognised under other income. The Division closed 2021 with net income of 1,076 million euro (+24.2%).

As at 31 December 2021, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 288 billion euro (+36.3 billion euro over the twelve months), of which 163.7 billion euro (+18 billion euro) relating to the assets under management component. This increase was due to the revaluation of assets as well as the positive contribution of net inflows.

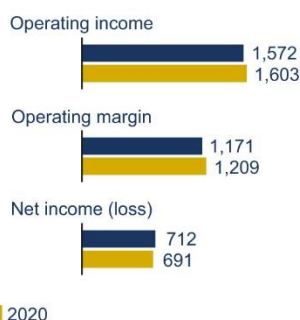
### Asset Management (millions of euro)



■ 2021 ■ 2020

15.3 billion euro (+4.5%) over the twelve months, as a result of the revaluation of assets and net inflows (with the latter posting a positive amount of 6.3 billion euro).

### Insurance (millions of euro)



■ 2021 ■ 2020

Division consequently closed the year with net income of 712 million euro (+3%).

For details of the performance of the direct deposits from insurance business, see the commentary already provided above.

The Asset Management Division – which pursues the mission of developing the best asset management solutions aimed at the Group's customers and its presence on the open market segment through the subsidiary Eurizon Capital SGR and its subsidiaries – posted operating income of 1,344 million euro (+21.6%), over 95% of which consisting of fee and commission income (+19.4%). The growth in the latter was driven by performance fees, management fees, thanks to the increase in assets under management, and placement fees.

Operating costs also increased (+9.6%), particularly personnel expenses (+16.5%), due to the provisions for the incentive system, and administrative expenses (+3.7%). As a result of the above revenue and cost performance, the operating margin reached 1,105 million euro (+24.6%). The Division closed the year with net income of 787 million euro (+32.5%).

Overall, as at 31 December 2021, the assets managed by the Asset Management Division amounted to 354 billion euro, up by

The Insurance Division – which through the Group's insurance companies has the mission of synergically developing the insurance product mix targeting Group customers – generated operating income that was down slightly to 1,572 million euro (-1.9%). The income from insurance business (1,586 million euro, -1.7%) was affected by the decrease of the technical margin, both in the life business, due to a decrease in premiums higher than the decrease in claims and surrenders and technical reserves, and the non-life business, in relation to growth of claims that outpaced the development of net premiums. These changes were only partly offset by the increase in the net investment result. In the presence of a slight increase in operating costs (+1.8%), mainly due to personnel expenses, the operating margin came to 1,171 million euro (-3.1%). Other net provisions, amounting to 334 million euro, including the already mentioned provision of around 295 million euro to strengthen the technical reserves, brought the gross income down to 837 million euro (-29.2%). The

## Highlights

Details are provided below of the significant events during 2021 and some of the key subsequent events.

### Integration of the UBI Banca Group

The process of integration between the Intesa Sanpaolo Group and the UBI Banca Group (ISP-UBI) was structured and conducted with three main objectives:

- i) creating value through a rapid and successful business integration, able to produce significant synergies;
- ii) enhancing the talents of the two Groups (people, skills, distinctive assets);
- iii) creating a European-scale champion that can play a leading role in the evolution of the post-COVID-19 banking sector.

The ISP-UBI Integration Programme was launched in September 2020, which involved the entire Group (over 400 Intesa Sanpaolo and UBI managers) and with robust governance ensured through guidance by the Programme Managers and periodic dedicated meetings at both project and programme level (e.g. Steering Committee, Programme Progress Updates, Strategic Coordination Committee, Project Progress Updates). A granular organisation was also established consisting of 4 “staff” and 25 “vertical” projects with different durations (see the details provided in the corresponding section of the Report on operations in the 2020 Consolidated Financial Statements), over 100 sub-projects and over 3,000 finished products monitored biweekly.

The main milestones of the Programme concerned: the sale of the UBI branches to BPER, completed in February 2021, and the merger of UBI Banca into ISP (and completion of the related IT migration), carried out in April 2021, and the sales of the ISP branches to BPPB and BPER, respectively completed in May and June 2021. Details are provided in the previous Annual Report on all the main activities carried out in the latter part of 2020 and the initial weeks of the current financial year. A summary is provided below of the most significant steps taken during 2021, which led to the almost total completion of the integration activities.

With regard to human resources, on 14 January 2021 Intesa Sanpaolo announced its intention to hire a further 1,000 people, in addition to the 2,500 hires already envisaged in the agreement that the Bank signed on 29 September 2020. Following verification with the Trade Unions that the offer for voluntary exit under the Agreement had been taken up by at least 5,000 people, the Bank announced its willingness to accept the total of over 7,200 voluntary exit applications submitted, which fulfil the requirements, and consequently, as sought by the Trade Unions, to hire 3,500 people.

With a view to facilitating generational change without social impacts, on 16 November 2021 Intesa Sanpaolo signed an agreement with the Group trade union delegations for 2,000 new voluntary exits by 2025, through access to retirement or the Solidarity Fund. At the same time, the Group committed to hiring people on indefinite-term contracts according to a proportion of one hire for each two voluntary exits up to 1,000 people, against the 2,000 additional voluntary exits envisaged, and a further 100 people falling under the agreement signed on 29 September 2020. The new hires will sustain the Group's growth and its new activities and will add to those already envisaged in the agreement of 29 September 2020, resulting in a total of 4,600 new hires in total by December 2025, of which 3,500 by the first half of 2024, against 9,200 people in total leaving the Group by the end of the first quarter 2025, of which 7,200 already by 2023.

In total, including those resulting from previous agreements, the voluntary exits completed in 2021 involved 3,202 employees. Of these, the employees exiting under the 30 September 2020 agreement amounted to 2,839<sup>8</sup>, who were accompanied by a further 691 with effect from 1 January 2022.

On 8 December, the Group II level Bargaining Agreement, which will run from 1 January 2022 to 31 December 2025, was signed with the trade unions. The agreement, which was renewed with the agreement of 3 August 2018 and subsequently amended also upon the integration of the UBI Group, was due to expire on 31 December 2021. In this context, the harmonisation of the regulatory and economic treatment of the staff of the former UBI Group, initiated with the agreement of 14 April 2021, was also completed.

The discussions with the trade unions enabled the establishment of the regulatory framework for an advanced welfare system, where Intesa Sanpaolo's institutions are integrated with those regulated by the national collective bargaining. The aspects regulated concern, in particular, career development paths, work-life balance, inclusion, training, and supplementary pensions.

The transfer to BPER Banca of the former UBI Banca business line, consisting of 455 branches and 132 operating points<sup>9</sup> and a business line owned by UBI Sistemi e Servizi S.c.p.A. (UBI.S, a consortium company controlled by UBI Banca) essentially focused on services to the branches being transferred, took effect on 22 February 2021, after completion of the IT migration over the weekend of 20-21 February. The transaction, one of the largest of its kind ever in Italy, was carried out ensuring full continuity of the branches' operations.

The transfer to BPER of the remaining 31 branches and 2 ISP operating points under the agreement became effective on 21 June 2021, following the completion of the IT migration over the weekend of 19-20 June.

The two migrations to BPER involved a total of around 1.4 million customers.

On 24 May 2021, the sale of 17 branches and 9 operating points of the former UBI Banca to Banca Popolare di Puglia e Basilicata (BPPB) became effective, following the IT migration over the weekend of 22 and 23 May. The transaction is one of the additional commitments required by the AGCM (Italian Competition Authority) when it authorised the Public Purchase and

<sup>8</sup> 1,432 in the first half of the year, 1,266 in the third quarter and 141 in the last three months.

<sup>9</sup> The term “operating points” refers to: 1) points of sale with a bank identification code but without accounting and commercial autonomy, dependent on a Parent Branch, and with no established customer relationships; or 2) for the former UBI Banca Network, “Mini-Treasury Points”, i.e. points of sale with a bank identification code but without accounting autonomy, dependent on a Parent Branch, dedicated to the management of a significant Treasury agreement with an Entity and generally located at the Entity itself; or 3) Corporate/Private Corners, i.e. detached internal offices, without accounting autonomy, set up to look after value-added customers.

Exchange Offer for UBI Banca. The agreement for the transfer of the branches to BPPB was signed by Intesa Sanpaolo on 15 January 2021, while the related agreement with the Trade Unions was signed on 10 February 2021. Over 5,200 people were accompanied in the transfer to BPER and BPPB.

On 29 March 2021, UBI Banca completed the purchase of 35% of Pramerica SGR from Prudential Financial Inc. bringing its holding in the asset management company to 100%, with an investment of 386 million euro. In line with Intesa Sanpaolo's objective of becoming a wealth management and protection company at European level, through a business model based on the possession of its own product factories, following the completion of the merger of UBI Banca into Intesa Sanpaolo, the plan for the merger between Eurizon and Pramerica, aimed at streamlining the Asset Management Division, was submitted to the Supervisory Authorities. On 25 May 2021, on the basis of the authorisation issued by the Bank of Italy on 28 April, the extraordinary shareholders' meetings of the two companies approved the merger by incorporation of Pramerica SGR S.p.A. into Eurizon Capital SGR S.p.A. The merger deed was signed on 27 May, setting 1 July 2021 as the date of legal effect of the transaction. As a consequence, the amendments to the management rules of the funds became effective from that date, with renaming to Eurizon AM.

The merger by incorporation into Eurizon Capital S.A. (Lux) of Pramerica Management Company S.A. (Lux), the management company of Pramerica's Luxembourg Sicavs, and the latter's renaming to Eurizon AM Sicav, approved by the Pramerica Sicav Shareholders' Meeting on 21 June 2021, also took effect on 1 July 2021.

On 1 April and 12 April 2021 – having obtained the necessary authorisations from the competent supervisory authorities – the exercise of the options to acquire 100% of the capital of Aviva Vita S.p.A. (subsequently renamed Assicurazioni Vita S.p.A.) and Lombarda Vita S.p.A., respectively, was carried out.

As already stated in the 2020 Annual Report, on 23 November 2020, UBI Banca signed an agreement with the Aviva Vita Group for the early termination of the partnership in the distribution of life insurance products, in relation to which the Bank held a 20% interest in the share capital of Aviva Vita. The agreement also provided for the exercise of the call option held by UBI Banca to purchase the remaining 80% of the share capital of the subsidiary. The consideration paid upon completion of the transaction was around 413 million euro<sup>10</sup>.

A similar agreement was signed on 23 December 2020 with the Cattolica Assicurazioni Group with which UBI Banca had life bancassurance agreements in place through the company Lombarda Vita in which the Bank had a 40% stake. This agreement was also aimed at the early termination of the partnership and the exercise of the option by UBI Banca to purchase the remaining 60% of the share capital. The agreed consideration was around 300 million euro.

The above agreements were concluded in the light of one of the cornerstones of the UBI Banca integration, namely the distribution of Intesa Sanpaolo Group insurance products to the customers acquired.

Accordingly, from the dates when the options were exercised, the ISP Group held the entire share capital of Aviva Vita and Lombarda Vita, acquiring control of those companies. The two companies became part of the Intesa Sanpaolo Vita Insurance Group in accordance with Article 1 r-bis 1) of the Private Insurance Code and were subject to the (non-participatory) control and management and coordination by Intesa Sanpaolo Vita S.p.A. On 30 May 2021, Aviva Vita S.p.A. changed its name to Assicurazioni Vita S.p.A.

The accounting acquisition date for consolidation purposes was assumed according to convention to be 1 April 2021 for both companies. Accordingly, the closing balances as at 31 March 2021 have been adopted for the purposes of the balance sheet subject to initial consolidation, and for the determination of the fair value of the assets acquired and liabilities assumed through the purchase price allocation envisaged by IFRS 3. Following the completion of the PPA process, a comparison between the total acquisition cost (defined as the sum of the consideration transferred, the fair values of the interests already held and the value of the options at the acquisition date) and the shareholders' equity measured at fair value as at 31 March 2021, identified unallocated remaining differences of 2 million euro for Assicurazioni Vita S.p.A. and 55 million euro for Lombarda Vita S.p.A., which were recognised as goodwill in the 2021 financial statements. Also under the PPA process, at the date of acquisition, specific intangible assets typical of the insurance business, and identified as part of the customer relationship, were valued at 280 million euro for Assicurazioni Vita S.p.A. and 207 million euro for Lombarda Vita S.p.A., respectively.

Following the agreements reached at the end of 2020 between the former UBI Banca and the Aviva Group, on 6 October 2021, with effect from 31 October 2021, a business line of Assicurazioni Vita (formerly Aviva Vita) relating to certain line IV policies and collective agreements was sold to Aviva Life S.p.A., a company controlled by Aviva Italia Holding. The transaction was authorised by IVASS on 28 July 2021. The impact of the transaction on the consolidated income statement was essentially neutral.

Lastly, as part of the project for the reorganisation of the life insurance segment of the ISP Group, effective 31 December 2021 and with accounting and tax effects moved back to 1 January 2021, Assicurazioni Vita S.p.A., Lombarda Vita S.p.A. and BancAssurance Popolari S.p.A.<sup>11</sup> were merged into Intesa Sanpaolo Vita S.p.A. The transaction, whose corporate and authorisation processes were started in May 2021, was approved by IVASS on 28 July 2021. As a result of this merger, Intesa Sanpaolo Insurance Agency became part of the companies subject to control by Intesa Sanpaolo Vita.

With regard to the non-life insurance segment, as already stated in the 2020 Annual Report, on 8 February 2021 Intesa Sanpaolo Vita S.p.A. signed a memorandum of understanding with BNP Paribas Cardif, containing the essential elements of a definitive agreement, signed on 20 February, aimed at governing the acquisition of 100% of Cargeas Assicurazioni S.p.A., a company operating in the bancassurance sector, mainly through the banking network of the former UBI Banca, having distributed solutions in the motor, property, health, credit protection, business and income protection segments.

After having obtained the necessary authorisations from the competent supervisory authorities, the purchase of all the shares of the non-life insurance company from BNP Paribas Cardif was completed on 27 May 2021. From that date Cargeas entered

<sup>10</sup> At the same time as the purchase of 80% of Aviva Vita, UBI Banca also acquired the 80% share held by Aviva Italia Holding of the subordinated loan issued by Aviva Vita in 2019, for a payment of around 40 million euro, corresponding to the nominal value of the loan.

<sup>11</sup> Life insurance company 100% controlled by the former UBI Banca Group. The Company, in turn, controlled 100% of Intesa Sanpaolo Insurance Agency S.p.A., a multi-firm agency that mainly targets medium-large companies with customisable insurance solutions.



the Intesa Sanpaolo Vita Insurance Group, becoming subject to management and coordination by Intesa Sanpaolo Vita, its sole shareholder. The final purchase price paid was around 309 million euro, which, as contractually agreed, took into account the change in shareholders' equity compared to the provisional situation used as reference at the time when the agreements were signed.

The accounting acquisition date for consolidation purposes was assumed according to convention to be 1 June 2021. Accordingly, the closing balances as at 31 May 2021 have been adopted for the purposes of the balance sheet subject to initial consolidation, and for the purposes of determining the fair value of the assets acquired and liabilities assumed. Following the completion of the PPA process, the difference arising from the comparison between the total purchase price and the shareholders' equity measured at fair value as at 31 May 2021 amounted to around 146 million euro, which was allocated to goodwill for the 2021 Annual Report. Also under the PPA process, at the date of acquisition, specific intangible assets typical of the insurance business, and identified as part of the customer relationship, were valued at 64 million euro.

On 12 April 2021, the merger of UBI Banca into the Parent Company Intesa Sanpaolo was completed, preceded – over the weekend of 10 and 11 April – by the IT migration to the Group IT system, which involved around 2.4 million customers and around 14,500 people. Full operation was ensured from the first day after the "Conversion Week-end" on all areas: distribution networks, digital channels (operational already from the Sunday), markets and former UBI Group companies. The merger took effect for accounting and tax purposes on 1 January 2021.

Immediately prior to the merger, the partial demergers of UBI Banca took effect in favour of:

- Fideuram - Intesa Sanpaolo Private Banking, involving the equity investment in IW Bank and the business line of UBI Banca dedicated to providing administrative and online support services to IW Bank;
- Intesa Sanpaolo Private Banking, which concerned the business line consisting of the Top Private Banking unit, with consequent reallocation of the related resulting branches, staff and customers, following the above-mentioned sale to BPER. As a result of and in service of this demerger, Intesa Sanpaolo Private Banking increased its share capital by 12 million euro by issuing 3,000,000 new shares with no par value, assigned to Intesa Sanpaolo as the sole shareholder of the demerged company. In December 2021, these shares were sold by Intesa Sanpaolo to Fideuram – Intesa Sanpaolo Private Banking, which consequently came to hold 100% of the capital of Intesa Sanpaolo Private Banking.

In view of the merger of UBI into ISP, all the representative offices of the former UBI Banca Group were closed, with the sole exception of Shanghai, which ceased operations on 20 May 2021.

Similarly, all the banking assets held in France by UBI Banca were liquidated. On 13 April 2021, following the expiry of the period of time allowed by law for the holders of accounts and other assets to close their accounts and transfer funds, UBI Banca's Nice branch ceased operations with the public and closed the accounts held. The related assets were transferred to the CDC - Caisse des Dépôts et Consignations in order to ensure maximum protection and security for former customers. In July, a request was submitted to the Italian, European and French authorities for the closure of the Nice branch, which took place on 31 August 2021.

The events described above were accompanied, in the early months of 2021, by measures for the organisational development of the Governance Areas and Divisions of the Parent Company Intesa Sanpaolo aimed at integrating the staff and structures of the former UBI Banca Group, in conjunction with the completion of the interviews of all the former UBI personnel and the assignment of managerial roles in the new Group.

Of note in this regard were the changes, in line with the objectives and principles set out in the Integration Programme, to the central organisation and geographical coverage of the Banca dei Territori Division from 26 February 2021. Specifically:

- on 12 April 2021, the new Agribusiness Department became operational, which will be the centre of excellence for agriculture, whose aim is to tap the potential of one of the most important Italian production sectors, while also strengthening the link with local communities, in line with the initiatives envisaged in the National Recovery and Resilience Plan (NRRP). The head office is based in Pavia and has around 77,500 customers and a network of 223 operating points distributed throughout the country, concentrated in particular in the most agricultural areas of the country;
- four new Regional Governance Centres became operational from 12 April 2021 and the scopes of the existing regional governance centres have been redefined. The geographical redistribution of the Regional Governance Centres – which have increased from eight to twelve – not only confirms the effectiveness of the Banca dei Territori Division's service model, which has always focused on the specific local circumstances with a long-term perspective, but has also enabled better use of the professional expertise coming from the former UBI Group. The four new Regional Governance Centres – North Lombardy; South Lombardy; South Piedmont and Liguria; Basilicata, Apulia and Molise – are respectively located in Bergamo, Brescia, Cuneo and Bari, areas in which Intesa Sanpaolo's presence has been particularly strengthened by the acquisition of UBI. The twelve regional governance centres are headed by eight managers from Intesa Sanpaolo and four from UBI;
- a number of existing Departments have also been reorganised, with the common aim of strengthening the Banking Group's main assets: customers, communities and staff. This reorganisation included the creation, within the Impact Department's Non-Profit Sector Commercial Department, of the Monte Pegni (pledge lending) Branches for the management of the disbursement of pledged loans, ensuring the custody of the pledged assets for the entire duration of the loan and selling them where they are not redeemed or renewed;
- from 12 April 2021, the product companies of the former UBI Group came under the coordination of the Corporate Sales & Marketing Department (UBI Factor until its merger into ISP and UBI Leasing) and the Individuals and Retail Companies Sales & Marketing Department (Prestitalia, a company specialising in the provision of salary and pension-backed loans, for which work is underway to merge the agency distribution network with the Agents4You network<sup>12</sup>).

The alignment of the ISP and UBI products in the Individuals, Retail Companies, Enterprises and Non-Profit Sector areas was also completed and implemented during the first half.

<sup>12</sup> The aim is to create a synergy between the two agency networks. In January 2022, the first A4Y staff moved to Prestitalia: in the first phase, the service model involves the sale of salary and pension-backed loans only, with a view to gradually extending the catalogue to all Bank products.

In parallel, a programme of integration of the companies of the former UBI Group was defined and implemented.

In its meeting of 23 March 2021, the Board of Directors of Intesa Sanpaolo approved the merger by incorporation of UBI Sistemi e Servizi S.c.p.A. (effective from 12 July 2021), following the acquisition, by the Parent Company, of the minority interests held by the other Group Companies, and in its meeting of 25 May it approved the merger by incorporation of Unione di Banche Italiane per il Factor - UBI Factor S.p.A. (effective from 25 October 2021) and UBI Academy S.r.l., formerly UBI Academy Società consortile a responsabilità limitata (effective from 30 June 2021). For operational reasons, UBI Academy was transformed into a limited liability company, abandoning its consortium status but without changing its business activity, registered office, capital, tax code and company registration number.

In all three cases, the mergers took place pursuant to Article 2505 of the Italian Civil Code, as they involved wholly-owned subsidiaries, with accounting and tax effects from 1 January 2021.

The merger of UBI Leasing into Intesa Sanpaolo, on the other hand, is envisaged in the second quarter of 2022. On 13 December, the ECB's authorisation of the merger of the company into the Parent Company was obtained, while on 15 December the period of silent consent relating to the authorisation of the merger by the Bank of Italy expired. On 26 January 2022, the merger plan was filed with the Torino Company Register, as envisaged by Article 2501-ter of the Italian Civil Code.

The merger of IW Bank was completed in mid-February 2022. This plan, for which authorisation was received from the ECB on 28 September 2021 and on 29 September from the Bank of Italy, concerned the partial demerger of the entire banking business line of IW Bank and its transfer to the parent company Fideuram - Intesa Sanpaolo Private Banking (first demerger) and, concurrently, from the latter to Intesa Sanpaolo (second demerger), together with the amendment to IW Bank's articles of association, with the change of name to IW Private Investments SIM S.p.A. and the withdrawal of the authorisation to carry out banking activities (articles of association amendments authorised by the Bank of Italy on 11 October 2021 and withdrawal of authorisation communicated by the ECB on 10 November 2021).

As a result of the demerger, IW SIM is now dedicated to the investment services offering (advisory and placement services) for which specific authorisation was requested and obtained from Consob, by order of 1 December 2021.

The signing of the deeds took place on 11 January 2021 with legal effect from 14 February 2022 and completion of the IT migration over the weekend of 12-13 February. You are reminded that: (i) on 28 October 2021, the plan for the partial demerger of IW Bank was filed with the Turin Company Register, as envisaged by Article 2501-ter of the Italian Civil Code, and the related documentation was made available at the company's registered office and the authorised storage system; and (ii) on 23 November 2021, the plan was approved by the Intesa Sanpaolo Board pursuant to article 2505, paragraph 2, of the Italian Civil Code and Article 18.2.2. letter m) of the Articles of Association.

A streamlining initiative was also implemented on the Group's real estate companies: IMMIT - Immobili Italiani S.r.l. (ISP Group) and BPB Immobiliare S.r.l. and Kedomus S.r.l. (former UBI Group). In the second quarter, the steps were completed for the approval by the respective Boards of Directors' and Shareholders' Meetings. On 20 July 2021, the deed of merger by incorporation of IMMIT into BPB Immobiliare was signed, which took effect from 1 September 2021. On that date, the Absorbing company took on the name of the Merged company. The merger of Kedomus S.r.l. into IMMIT (formerly BPB Immobiliare) became effective on 15 September. For both mergers, the operations of the merged companies were posted to the financial statements of the absorbing company, effective from 1 January 2021, also for tax purposes. The corporate operations are being accompanied by the progressive IT migration, whose completion and consequent activation of IMMIT on Intesa Sanpaolo's target instruments is envisaged later this year.

In line with the strategic decision that led to the signing of the agreement with Nexi in 2020, the Board of Directors of Intesa Sanpaolo, in its meeting of 5 May 2021, approved the plan to maximise also the value of the acquiring payment systems business line of the former UBI Banca through its transfer to Nexi. The transaction is in keeping with the strategic partnership launched with the Nexi Group in June 2020 with the contribution of the ISP acquiring business line. As already stated in the 2020 Annual Report, the strengths of this partnership are: (i) the exclusivity of Nexi's partnership in the acquiring segment and (ii) ISP's commitment to distribute Nexi's acquiring services while maintaining the relationship with its customers (sales force dedicated to managing old customers and acquiring new customers).

After having obtained the necessary authorisations, the closing of the transaction took place on 26 October 2021. Also in this case, the transfer of the former UBI Banca acquiring business line to the Nexi Group took place technically by means of a contribution to Nexi Payments and the simultaneous sale to Nexi S.p.A. of the holding in Nexi Payments resulting from the contribution. From a profit and loss perspective, the sale of the business line generated a capital gain of 97 million euro, which was recognised in the consolidated income statement for the fourth quarter. Following the completion of the transaction, the Intesa Sanpaolo network has also been acting as placement agent for Nexi products for former UBI customers.

On 20 August, having completed the submission of the related documentation, the authorisation process formally began for the registration in the Register of Financial Intermediaries of a newly incorporated company (Newco) of the Intesa Sanpaolo Group dedicated to collateral lending. On 18 January 2022, the Bank of Italy issued the authorisation for the Newco to conduct the business of granting loans to the public in the technical form of pledged loans, pursuant to Articles 106 et seq. of Legislative Decree no. 395/1993 (Consolidated Law on Banking). The Company is a Collateral Lending Agency aimed at better focusing and leveraging the core business and the expertise present in the Group, following the acquisition and subsequent merger of UBI Banca, which already had a business line organised to manage collateral lending activities. The business line will be transferred to the Newco, to provide it with the assets and structures necessary to carry out its core business, and will be subject to an assessment by an independent expert pursuant to Article 2343-ter of the Italian Civil Code. The Newco will approve a share capital increase, with the issue of shares reserved to the transferring Parent Company, to service the transaction.

In September, Intesa Sanpaolo and SF Consulting, an investee of the former UBI Banca Group, signed an agreement for support and advisory services for the acquisition of the guarantees provided for by Law 662/1996 (SME Public Guarantee Fund) in relation to corporate loans of up to 30 thousand euro (in accordance with the "Liquidity" Law Decree 23 of 8 April 2020, Article 13 letter m, as amended).

SF Consulting, based on the experience gained at the former UBI Banca Group in the area of Law 662/1996, is able to support Intesa Sanpaolo in the following phases:

- analysis of the documentation necessary for the guarantee applications to Mediocredito Centrale;
- prior assessment of the feasibility of the 90% guarantee applications from SMEs and non-profit sector entities;
- remote support to branches, through a telephone help desk service, both for specialist advice and for the preparation of documentation.

This partnership strengthens the support to the Network, while also reducing the operational impact on the Bank's lending area, helping to encourage the use of public guarantee instruments to stimulate the revival of the Italian economy.

Lastly, on 23 December 2021, the Board of Directors of Intesa Sanpaolo approved the sale to Warburg Pincus, a leading global private equity operator, of 23.3% of the share capital of Zhong Ou Asset Management Co. Ltd., an asset management company focused on the Chinese market, in which former UBI Banca held an interest<sup>13</sup> and which is consolidated at equity.

The transaction is expected to be completed in the second half of 2022, taking into account the time required to complete the process of approval by shareholders and the issuance of the required authorisations.

Given that Zhong OU Asset Management is an associate company, it has not been considered as a discontinued operation in accordance with IFRS 5 and, consequently, only the balance sheet value has been reclassified to discontinued operations for the 2021 Financial Statements.

## Other highlights

Within the process of strengthening and strategic repositioning of the international operations of the Private Banking Division, the following were carried out:

- on 31 March 2021, having obtained the necessary authorisations from the various competent authorities, the transaction was completed for the sale by Fideuram Bank Luxembourg of its custodian banking and fund administration business line to State Street. As already stated in the 2020 Annual Report, on 23 February 2021, in line with the broader strategy of increasing the focus on its core business, Fideuram - Intesa Sanpaolo Private Banking signed an agreement with State Street Bank International GmbH (Luxembourg Branch) for the latter to take over the custodian bank and fund administrator activities carried out by its subsidiary Fideuram Bank Luxembourg. Fideuram - Intesa Sanpaolo Private Banking assigned these services to State Street, in recognition of its ability to reduce operational risks, support the Group's growth plans, foster continuity and provide a high quality service, in keeping with its position as the main international partner that Intesa Sanpaolo Group has used for its securities services since 2010. The capital gain on the transaction, recognised in the consolidated income statement for the first quarter of 2021, amounted to 194 million euro (139 million euro net of tax);
- on 28 May 2021, following the completion of the authorisation process by the ECB and the various financial market supervisory authorities involved, Fideuram - Intesa Sanpaolo Private Banking completed the acquisition of Reyl & Cie S.A., a diversified group headquartered in Geneva with a presence, outside Switzerland, in London, Luxembourg, Malta, Dubai and Singapore.

As already mentioned in the 2020 Annual Report, the agreement, signed between the parties on 7 October 2020, provided for the acquisition of a 69% controlling interest in Reyl and the simultaneous transfer to Reyl & Cie of the controlling interest (98.68%) held in Intesa Sanpaolo Private Bank (Suisse) Morval S.A. (ISPB Morval), acquired in 2018<sup>14</sup>. The agreed price of CHF 240 million for the acquisition of 69% of Reyl was paid in part (CHF 48 million) through the valuation of the 31% of ISPB Morval sold to Reyl's shareholders and for the remainder (CHF 192 million) in cash. The accounting acquisition date for consolidation purposes was assumed according to convention to be 1 June 2021. The comparison between the total acquisition cost and the shareholders' equity at fair value identified a residual difference of 203 million euro using the spot exchange rate as at 31 May 2021, which was recognised as goodwill following the completion of the PPA. Also under the PPA process, at the date of acquisition, specific intangible assets, relating to the activities with customers, were valued for a total amount of 76 million euro.

The parties also signed a shareholders' agreement that includes specific put & call option mechanisms relating to the remaining 31% interest in Reyl's share capital and regulates the governance of the new entity (Reyl and ISPB Morval, for which a legal merger was also envisaged<sup>15</sup>) with ISP maintaining control of all the functions to ensure full implementation of the ISP Group policies.

In addition to confirming the choice of Switzerland as the main hub for the international private banking operations, the partnership will enable Fideuram - ISPB to significantly strengthen its international asset management activities and to continue playing a leading role in the consolidation of the Swiss financial sector.

On 11 January 2022, the partnership announced in August between Reyl & Cie S.A and 1875 Finance Holding A.G. (1875 Finance), a multifamily office and independent asset manager for private and institutional customers based in Geneva, was finalised following the authorisations received from the Swiss (FINMA) and Luxembourg (CSSF) supervisory authorities. The operation was completed through the acquisition by Reyl of a 40% interest in 1875 Finance. The partnership will allow the two companies to create opportunities for transversal development and consequently play an active role in accelerating the consolidation of the asset management industry in Switzerland.

<sup>13</sup> In line with the treatment already reported by UBI Banca in its financial statements, a further 1.7% of the company's share capital is classified as an asset held for sale in accordance with IFRS 5, because it is subject to future sale on the basis of agreements reached between the company's shareholders and managers.

<sup>14</sup> Technically, the acquisition of the interest in Reyl took place through: (i) the cash purchase of 100% of the holding company RB Participations S.A., which in turn holds 30% of Reyl; and (ii) the direct purchase of 39% of Reyl, partly in cash and partly through the transfer of Morval.

<sup>15</sup> The completion of the merger of Intesa Sanpaolo Private Bank (Suisse) Morval into Reyl & Cie took place in January 2022, after having received clearance from the Swiss supervisory authority FINMA, with legal effectiveness and accounting and tax effects from 1 January 2022. The merged entity kept the name of the absorbing company Reyl & Cie S.A.

In June 2021, Intesa Sanpaolo and the Tinexta Group – an Italian group listed on the Star segment of the Italian Stock Exchange and a leader in the provision of specialist services to SMEs in the business areas of digital trust, cybersecurity, credit information & management, innovation & marketing services – launched a strategic partnership for the establishment of a hub for added value non-financial services for around 150,000 small and medium-sized enterprise customers of Intesa Sanpaolo's Banca dei Territori Division. In addition to the commercial agreement, the partnership involves the transfer by Intesa Sanpaolo of its 100% shareholding in Intesa Sanpaolo Forvalue S.p.A.<sup>16</sup> to Innolva S.p.A. (100% controlled by Tinexta) with the subscription of newly issued shares, deriving from a reserved capital increase. The transaction was completed on 21 July 2021 with the transferred company also changing its name to Forvalue on that date.

Following the completion of the transaction, Innolva's share capital is 75% owned by Tinexta, which acquired control of the company, and 25% owned by Intesa Sanpaolo.

Also in June, the Group decided to make use of the voluntary realignment of certain tax values pursuant to Article 110, paragraphs 8 and 8 bis<sup>17</sup> of Law Decree 104 of 14 August 2020 ("August Decree"), which extended the possibility of adjusting the tax values of goodwill and other intangible assets to the higher values recorded in the financial statements for the year ending 31 December 2019 (and still present in the 2020 financial statements), against the payment of a 3% substitute tax.

Intangible assets recognised in the financial statements of the Parent Company Intesa Sanpaolo (and in the consolidated financial statements) were identified for a total realignable value of 1,518.6 million euro, almost entirely attributable to the Sanpaolo IMI brand name, recognised in 2007 at the time of the merger between Banca Intesa and Sanpaolo.

This option was adopted for the 2020 tax return, i.e. for the tax period in which the realignment took place, subject to payment of the substitute tax totalling 45.6 million euro, payable in three equal annual instalments, the first of which was paid at the end of the first half. The tax recognition of the higher values will take place from the financial year 2021, from which the new tax values will be deductible over 50 tax periods<sup>18</sup>.

The Board of Directors of ISP authorised the placing of a tax suspension constraint on the share premium reserve, in an amount equal to the difference between the realigned values and the substitute tax due (1,473 million euro), which was subject to ratification by the next ordinary shareholders' meeting of Intesa Sanpaolo, held on 14 October 2021 (see further below).

From an accounting perspective, the consolidated income statement for the second quarter recorded a net positive impact of 453.3 million euro, resulting from the derecognition of deferred tax liabilities of 498.9 million euro and the recognition of the full substitute tax of 45.6 million euro.

The realignable values identified for the Parent Company were accompanied by additional marginal tax realignments totalling around 26 million euro, relating to goodwill recognised in the financial statements of Intesa Sanpaolo Private Banking and Fideuram Asset Management SGR, authorised by the Boards of Directors of the two companies, which generated a net benefit of 7.5 million euro for the Fideuram sub-group in the consolidated income statement for the second quarter, in addition to that described above for Intesa Sanpaolo.

In July, an agreement was signed between the Intesa Sanpaolo Group and Poste Italiane aimed at reciprocally strengthening the investment activities in the real economy. The partnership includes the acquisition by Poste Italiane of 40% of Eurizon Capital Real Asset SGR ("ECRA"), a subsidiary of Eurizon that has specific expertise in real economy investments (infrastructure, financing and capital investments in companies, etc.).

Poste Vita will give ECRA an investment mandate for a value of about 2.5 billion euro which will take ECRA's assets above 6.5 billion euro, making it a leading player at national level. The joint venture will generate synergies that will enhance the activities of the two Groups and the distribution capacity of Eurizon in the institutional and private banking market.

The Poste Italiane Group will invest in ECRA's capital through the subscription of a dedicated paid capital increase. The completion of the transaction, which is subject to the usual authorisations from the Supervisory Authorities, is expected by the end of the year and will result in the following allocation of the share capital of ECRA:

- 40% (corresponding to 24.5% of the share capital with voting rights) to the Poste Italiane Group;
- 40% (corresponding to 24.5% of the share capital with voting rights) to Intesa Sanpaolo Vita;
- 20% (corresponding to 51% of the share capital with voting rights) to Eurizon.

Assets under management will to all intents and purposes be fully attributable to Eurizon Capital SGR in whose financial statements ECRA will remain 100% consolidated.

On 30 July 2021, the results were announced of the 2021 EU-Wide Stress Test, conducted by the European Banking Authority (EBA), in cooperation with the Bank of Italy, the European Central Bank and the European Systemic Risk Board (ESRB), to which the Intesa Sanpaolo Group was also subject.

Intesa Sanpaolo noted the announcements made by the EBA and fully acknowledged the outcomes of the exercise. The fully loaded CET1 ratio for Intesa Sanpaolo resulting from the stress test for 2023, the final year considered in the exercise, stands at 15.06% under the baseline scenario and 9.38% under the adverse scenario, compared to the starting-point figure of 14.04% recorded as at 31 December 2020.

It should be noted that the 2021 EU-wide stress test does not contain a pass/fail threshold and instead is designed to be used as an important source of information for the purposes of the SREP. The results will assist the competent authorities in assessing Intesa Sanpaolo's ability to meet applicable prudential requirements under stressed scenarios.

Please note that: (i) the adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2021-2023); (ii) the stress test was carried out applying a static balance sheet assumption as of December 2020; therefore, it does not take into account future business strategies and management actions.

<sup>16</sup> The company held a 60% interest in Intesa Sanpaolo Rent Foryou S.p.A., which was not included in the scope of the transaction and was repurchased by Intesa Sanpaolo on 14 May 2021.

<sup>17</sup> Paragraph introduced by Article 1, paragraph 83, of Law 178/2020 ("2021 Budget Act").

<sup>18</sup> Number of tax periods as redetermined by the 2022 Budget Act (Law No. 234 of 30 December 2021) compared to the 18 established by the August Decree.



The fully loaded CET1 ratio under the adverse scenario would be 9.97% restoring the actual neutral effect on capital ratios of the 2018-2021 Long-term Incentive Plan LECOIP 2.0 based on financial instruments, not captured by stress test assumption of a static balance sheet, and considering the sale transactions of the going concerns - related to the acquisition of UBI Banca in 2020 - finalised in the first half of 2021, other things being equal.

On 8 September 2021, ISP announced a share buy-back programme – launched on 13 September and completed on 14 September – to service plans for the assignment of Intesa Sanpaolo ordinary shares free of charge to employees of Intesa Sanpaolo.

The programme has also been implemented in order to grant, when certain conditions occur, severance payments upon early termination of employment.

On the two days of execution of the programme, the Intesa Sanpaolo Group purchased a total of 20,000,000 Intesa Sanpaolo ordinary shares, through its IMI Corporate & Investment Banking Division, representing approximately 0.10% of the share capital of the Parent Company, at an average purchase price of 2.391 euro per share, for a total value of 47,822,401 euro. The Parent Company purchased 16,787,550 shares at an average purchase price of 2.392 euro per share, for a value of 40,155,587 euro.

Purchase transactions were executed in compliance with provisions included in Articles 2357 and following and 2359-bis and following of the Italian Civil Code and within the limits of number of shares and consideration as determined in the resolutions passed by the competent corporate bodies. Specifically, in the case of Intesa Sanpaolo, in accordance with the terms approved by the Shareholders' Meeting of 28 April 2021.

Pursuant to Article 132 of the Consolidated Law on Finance and Article 144 bis of the Issuers' Regulation as amended, purchases were executed on the regulated MTA market managed by Borsa Italiana, in accordance with trading methods laid down in the market rules for these transactions.

Moreover, as for the purchase modality, the transactions were arranged in compliance with the conditions and the restrictions under Article 5 of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014, and Articles 2, 3 and 4 of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.

The number of shares purchased on a daily basis did not exceed 25% of the average daily volume of Intesa Sanpaolo ordinary shares traded in August 2021, which was equal to 68.7 million shares, and 15% of the volume traded on the MTA on each purchase day, in accordance with the additional constraint envisaged by the programme with respect to the above-mentioned regulatory conditions and restrictions.

On 10 September 2021, ISP's Board of Directors approved a transaction for the transfer of a business line of Banca 5 to the Mooney Group. The transaction brings forward the process originally set out in 2019 when ISP, through Banca 5, and the Sisal Group signed an investment agreement aimed at launching a partnership in the payments and e-money sector. Banca 5 and the Sisal Group hold 30% and 70% respectively of Mooney Group S.p.A., the parent company of Mooney S.p.A., an electronic money institution, and Mooney Servizi S.p.A., a company dedicated to commercial activities, to which Banca 5 and the Sisal Group have transferred their respective business lines dedicated to payment services and several commercial activities. With a view to maximising business synergies to support the value creation from the investment and strengthen the ISP Group's strategic positioning in the market for proximity transactional and financial products and services, ISP's Board of Directors approved the proposal of bringing forward the transfer of Banca 5's business line dedicated to the development of products/services distributed by the Mooney Group, which the Agreements signed in 2019 had envisaged for the end of the five-year period in 2024. The transaction, which is due to be completed in the first half of 2022, involves (i) the contribution by Banca 5 of a business line, consisting of asset and liability contracts, intangible assets and employees, to the electronic money institution Mooney in exchange for the issue of ordinary shares of Mooney and (ii) the purchase by Mooney Group of the ordinary shares of Mooney held by Banca 5 following the contribution, for a price of 23.5 million euro, to be paid through the signing of a credit note by Banca 5. In addition to the sale agreement for the business line, on 10 September the parties signed a new five-year Framework Cooperation Agreement, which replaces the existing agreement and covers the remaining lending products that cannot be managed independently by Mooney. As at 31 December 2021, the assets and liabilities of the business line to be sold were classified as assets held for sale.

On 23 December 2021, Intesa Sanpaolo, through its subsidiary Banca 5, and Enel, through its subsidiary Enel X, signed an agreement to acquire 70% of the share capital of Mooney Group from Schumann Investments, controlled by the international private equity fund CVC Capital Partners. Following this operation, which is due to be completed in 2022, Enel X and Banca 5 will each hold a share of 50% of the company, jointly giving life to a European fintech company. This will allow Mooney to accelerate its growth and development in the sector of proximity services, digital payments, mobility and energy services. ISP in turn will be able to acquire new customers and expand the digital service model internationally. The operation involves an outlay for the ISP Group of around 100 million euro.

With a view to further strengthening its international wealth management activities, on 17 September 2021 Fideuram - ISPB, through its Luxembourg subsidiary Fideuram Bank (Luxembourg) S.A., signed an agreement to acquire 100% of Compagnie de Banque Privée Quilvest S.A. (CBPQ), a Luxembourg private bank, with branches in Belgium, with approximately 150 employees, wholly owned by the holding company Quilvest Wealth Management.

The acquisition of CBPQ will lead to the creation of an additional hub in the European Union, alongside Reyl & Cie in Switzerland, for European and international customers, and will enable the development of private banking activities in areas with promising growth prospects, such as Luxembourg and Belgium.

The transaction – subject to the usual regulatory approvals – is expected to be completed by the first half of 2022. Once the acquisition has been completed, the name CBP (Compagnie de Banque Privée) will be maintained and CBPQ will be integrated into Fideuram Bank (Luxembourg), to enhance its support services for Italian and foreign High Net Worth Individual customers, also outside Luxembourg, benefiting from the addition of a team of managers with consolidated expertise in the provision of private banking services to international customers.

The ECB recommendation of 15 December 2020 addressed to all banks to limit the distribution of dividends and the own share buy-back programmes expired on 30 September 2021<sup>19</sup>. Indeed, in a press release on 23 July 2021, the Central Bank had announced its intention not to extend its recommendation beyond that date, stating that the Supervisory Authorities would have therefore resumed the previous supervisory practice of evaluating each bank's capital and dividend distribution plans as part of the normal supervisory cycle, adopting a prospective approach and taking due account of the results of the 2021 stress test.

In light of this guidance, and in line with the 2018-2021 Business Plan, Intesa Sanpaolo's Board of Directors in the meeting of 4 August 2021 envisaged the following:

- a) for the 2020 results, a cash distribution from reserves that, in addition to the dividends already paid in May (694 million euro also in cash), leads to the payment of a total amount corresponding to a payout ratio of 75% of the 3,505 million euro adjusted consolidated net income<sup>20</sup>;
- b) for the 2021 results, the payment of an amount of cash dividends corresponding to a payout ratio of 70% of net income, to be partially distributed as interim dividend in 2021.

With regard to point a), on 13 September, the Board of Directors called an Ordinary Shareholders' Meeting of Intesa Sanpaolo for 14 October 2021 to resolve on the following agenda items:

- the distribution of part of the Extraordinary reserve, in the amount of 1,935,274,145.18 euro, for the 2020 net income,
- the placing of a tax suspension constraint on part of the Share premium reserve, in the amount of 1,473,001,006.40 euro, following the tax realignment of certain intangible assets (see further above).

On 14 October 2021, the Shareholders' Meeting was held, validly constituted, on single call, to pass resolutions as those in attendance through the appointed representative, in accordance with Article 106 of Law Decree 18 dated 17 March 2020, converted by Law 27 dated 24 April 2020, as amended, counted 3,317 holders of voting rights attached to 10,992,742,757 ordinary shares without nominal value equal to 56.57478% of the share capital.

The Shareholders' Meeting approved the cash distribution, with vote in favour of 99.91781% of the ordinary shares represented, of part of the Extraordinary reserve for a total amount of 1,935,274,145.18 euro to be assigned to the 19,430,463,305 ordinary shares constituting the share capital, corresponding to a unit amount of 9.96 euro cents per share. The distribution was made on the first available date after 30 September 2021, namely 20 October 2021 (with coupon presentation on 18 October and record date on 19 October). The amount of 3,118,248.51 euro not distributed in respect of any own shares held by the Bank at the record date was kept in the Extraordinary Reserve.

The Shareholders' Meeting also approved, with vote in favour of 99.99058% of the ordinary shares represented, the placing of a tax suspension constraint, for an amount of 1,473,001,006.40 euro, on part of the share premium reserve following the tax realignment of certain intangible assets.

With regard to point b), the Board of Directors, at its meeting of 4 August 2021, also preliminarily defined an amount of 1.4 billion euro as cash interim dividend to be distributed for the 2021 results.

In accordance with Article 2433-bis of the Italian Civil Code, the approval of the distribution of interim dividends is permitted for companies whose financial statements are subject to independent audit, if that distribution is envisaged by the Articles of Association and if there is a positive opinion on the financial statements of the previous year from the entity engaged for the independent audit and its approval. It is also established that the distribution of interim dividends is not permitted when the latest approved financial statements show losses for the year or previous years.

On 3 November, following the approval of the consolidated results as at 30 September 2021, the Board of Directors approved the distribution of an interim dividend of 1,400,936,404.29 euro on the 2021 results, resulting from the allocation of 7.21 euro cents for each of the 19,430,463,305 ordinary shares, before tax, as there were no inconveniences due to the results expected for the fourth quarter 2021 or recommendations from the regulators regarding capital requirements applicable to Intesa Sanpaolo, which could preclude the distribution, also in view of capital ratios, both those as at 30 September 2021 and those expected to be recorded at the year end, well above the minimum requirements set by supervisory regulations, and, for the Common Equity Tier 1 Ratio in particular, also well above the minimum level of 12% fully loaded and 13% pro-forma fully loaded<sup>21</sup> set by the Group.

The interim dividend was paid out on the first available date following the Board of Directors' resolution, namely 24 November 2021 (with coupon presentation on 22 November and record date on 23 November) for a total of 1,398,728,259.60 euro<sup>22</sup>.

The resolution was passed on the basis of Financial Statements and a Directors' Report, on which the opinion was obtained from the independent auditors appointed pursuant to Article 2433-bis of the Italian Civil Code. The file containing the two documents (the Financial Statements and the Directors' Report), published on the Group's website, will also be filed at Intesa Sanpaolo's registered office until the approval of the 2021 Annual Report, as required by law.

On 20 October 2021, Intesa Sanpaolo resolved to commit to a target of net zero emissions by 2050, both for its own emissions and for its lending and investment portfolios. At the same time, the decision was made to join the Net-Zero Banking Alliance (NZBA), a global alliance of banks under the auspices of the United Nations<sup>23</sup> committed to a joint effort to combat climate change. The Bank also published the first Group-wide Task Force on Climate-related Financial Disclosures (TCFD)

<sup>19</sup> In March 2020, the ECB asked banks not to distribute dividends with the aim of boosting their capacity to absorb losses and to support lending to households, small businesses and corporates during the COVID-19 pandemic. A similar recommendation was made in July, while in December 2020 the ECB reiterated its instruction to banks to exercise extreme prudence with respect to dividends and own share buy-backs, setting specific limits on the amount that can be distributed and requiring prior discussion with their JST to assess the level of distribution envisaged in terms of prudence.

<sup>20</sup> Excluding from the stated net income the items related to the acquisition of UBI Banca consisting of the effect of the purchase price allocation, including negative goodwill, and integration charges, as well as the impairment of goodwill of the Banca dei Territori Division.

<sup>21</sup> Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first-time adoption of IFRS 9 and the non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and DTAs on the acquisition of UBI Banca.

<sup>22</sup> Net of the interim dividend on the 30,626,140 own shares held at the record date, amounting to 2,208,144.69 euro.

<sup>23</sup> The Net-Zero Banking Alliance, under the auspices of the United Nations, brings together banks from around the world that are committed to achieving the goals of the Paris Climate Agreement. The Alliance is promoted by the United Nations Environment Programme Finance Initiative (UNEP FI), the section of the UN Environment Programme dedicated to financial institutions, which Intesa Sanpaolo has joined by signing the Principles for Responsible Banking (PRB).

Report for 2020-2021, which can be found in the Sustainability/Publications section of the Group's website. Subsequently, on 1 November, Intesa Sanpaolo announced its participation, through Eurizon Capital SGR, Fideuram Asset Management SGR and Fideuram Asset Management Ireland, in the Net Zero Asset Managers Initiative (NZAMI), made up of international asset managers committed to supporting the goal of net zero emissions by 2050, and on 20 December, through the Intesa Sanpaolo Vita Insurance Group, in the Net Zero Asset Owner Alliance (NZAOA) and the Net Zero Insurance Alliance (NZIA).

On 29 November 2021, PBZ Invest Ltd. – an asset management company of the ISP Group which has become one of the leading players in the asset management sector in Croatia – changed its name to Eurizon Asset Management Croatia Ltd. and consequently also the name of the funds managed by it. Privredna Banka Zagreb (PBZ) – the Group's bank based in Zagreb – will continue to be the main distribution channel for the investment funds managed by Eurizon Asset Management Croatia.

On 3 December 2021, Intesa Sanpaolo noted the announcement made by the EBA (European Banking Authority) regarding the information from the 2021 EU-wide Transparency Exercise. In order to ensure a sufficient and adequate level of information to the market, the Transparency Exercise, based on COREP/FINREP reporting data, has been conducted annually since 2016. The templates were centrally filled in by the EBA and sent afterwards for verification by banks and supervisors. Banks had the chance to correct any errors detected and to resubmit correct data through the regular supervisory reporting channels, and to add specific information required to further clarify the individual data.

The sale of the holdings in the capital of the Bank of Italy also continued in 2021.

Specifically, holdings totalling 6.3% were sold, as a result of which, as at 31 December 2021, the Intesa Sanpaolo Group held a 14.9% interest in the capital of the Bank of Italy; all the sales took place at a price corresponding to the book value (aligned to the nominal value).

As is known, the Act containing the Government Budget for the year 2022 and the Multi-year Budget for the three-year period 2022-2024 amended the provisions on the capital of the Bank of Italy, establishing that each investor cannot, directly or indirectly, have a holding in the capital in excess of 5% – compared to the previous limit of 3% – and that, as before, any holdings in excess of that limit do not give entitlement to economic or equity rights. Partly as a result of this change in the law, the sale of holdings accelerated significantly in January and February 2022. Specifically, 23 transactions were completed in the first two months of the year, resulting in the sale of additional holdings, representing 9.9% of the share capital; these additional sales also had a price in line with the book value. At the end of the above-mentioned sales, the Intesa Sanpaolo Group came to hold a total of 15,000 units, equal to exactly 5% of the capital of the Bank of Italy, in line with the maximum limits set out by law, for a value of 375 million euro.

The planned merger of VUB Leasing a.s. (VUBL) into its parent company Vseobecna Uverova Banka a.s. (VUB), Group companies both operating in Slovakia, authorised by the ECB on 12 November 2021, became effective on 1 January 2022. The transaction involved the demerger of VUBL's finance lease and consumer credit portfolio and its transfer by merger into the parent company VUB, while VUBL's operating lease portfolio was transferred by merger into a newly created joint stock company, called VUB Operating Leasing a.s., which became operational on 1 January 2022. Following the completion the above steps, VUBL was put into liquidation.

On 3 February 2022, Intesa Sanpaolo announced that it had received notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 March 2022, following the results of the Supervisory Review and Evaluation Process (SREP). The overall requirement to be met in terms of Common Equity Tier 1 ratio is 8.81%.

This is the result of:

- the SREP requirement in terms of Total Capital ratio of 9.79% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.79%, of which 1.01% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020<sup>24</sup>;
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
  - a Capital Conservation Buffer of 2.5%,
  - an O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75%,
  - a Countercyclical Capital Buffer of 0.05%<sup>25</sup>.

The 2022-2025 Business Plan was presented to the financial community on 4 February 2022, as described in the specific paragraph below. The related documentation (press release and presentation) is also available on the Group's website, in the Investor Relations section.

To maximise the key role of the Group's employees in achieving the objectives of the 2022-2025 Business Plan, through a broad-based shareholding in the capital of the Bank, on 15 February the Parent Company's Board of Directors resolved to submit a proposal for capital increases to the Shareholders' Meeting scheduled for 29 April 2022, to serve two long-term incentive plans based on financial instruments of Intesa Sanpaolo S.p.A. and reserved for all Group employees.

The incentive plans, which are subject to authorisations being received from the competent authorities, are the following:

- Performance Share Plan: reserved for risk takers and middle managers, which provides for the assignment of newly issued ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment subject to performance conditions, in relation to specific key objectives to be achieved over the course of the Business Plan;

<sup>24</sup> The regulatory change establishes that the capital instruments not qualifying as Common Equity Tier 1 may be partially used to meet the Pillar 2 requirement.

<sup>25</sup> Calculated taking into account the exposure as at 30 September 2021 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2023, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for the first quarter of 2022).

- Leveraged Employee Co-Investment Plan 3.0 (LECOIP 3.0): reserved for all the other Group employees, this plan provides for i) the assignment of newly issued ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment and ii) the opportunity to subscribe to an Investment Plan in a certain proportion to the number of shares received free of charge. This plan is based on newly issued Intesa Sanpaolo ordinary shares deriving from a capital increase reserved for employees, at a discounted issue price compared with market value.

## The 2018-2021 Business Plan and the new 2022-2025 Business Plan

### The 2018-2021 Business Plan

The 2018-2021 Business Plan, whose pillars and main initiatives have continuously been maintained over the years, has sought to achieve solid and sustainable value creation and distribution for Shareholders and the objective of building a major European bank.

As already stated in previous reports, the Group has also aimed to strengthen its leadership in Corporate Social Responsibility and leave a positive impact on society, while also increasing its own internal inclusion, without any discrimination.

In a highly digitalised and competitive world, the Bank has continued to pursue its goals by leveraging its values and the proven ability of a results oriented delivery machine.

The pillars of the 2018-2021 Business Plan were:

- significant de-risking;
- cost reduction through further simplification of the operating model;
- revenue growth capturing new business opportunities.

The enablers were our people, who are Intesa Sanpaolo's most important resource, and the completion of the digital transformation.

#### *De-risking*

De-risking was the first pillar of the Business Plan, through which the Group aimed to reduce the level of gross non-performing loans as a proportion of total loans, and to develop and implement specific credit strategies, at the origination stage, capable of directing the development and composition of the loan portfolio towards a risk/return profile that is recognised as optimal over the medium/long-term and consistent with the risk appetite and value creation for the Group.

Different instruments were used according to the degree of risk and type of customer.

With regard to the management of bad loans, the partnership with Intrum helped to reduce their size in absolute and relative terms, also by improving the efficiency of the operational KPIs used for performance monitoring, whereas for the containment of unlikely-to-pay exposures (UTPs), the proactive management of loans to businesses has been supported by the partnership with Prelios since the first half of 2020.

The Group exceeded its NPL deleveraging target of around 26 billion euro, set for the entire four-year period of the 2018-2021 Business Plan, by around 11 billion euro. At the end of 2021, non-performing loans before adjustments amounted to 15.2 billion euro bringing the ratio of non-performing loans to total loans to 3.2% gross and 1.5% net, with a cost of risk of 59 basis points (25 basis points excluding the additional adjustments on specific portfolios to accelerate the NPL deleveraging). Based on the EBA methodology, the NPL to total loan ratio stood at 2.4% gross and 1.2% net.

Total non-performing loans (bad, unlikely-to-pay, and past due) amounted – net of adjustments – to 7.1 billion euro, down 34.1% from 10.7 billion euro on 31 December 2020.

In order to strengthen its credit management models, the Intesa Sanpaolo Group has set up the internal Pulse unit – which was strengthened in 2021 thanks to the opening of new centres in Milan and Arezzo – to effectively manage past due payments for the retail segment, by identifying the reasons for the loan repayment difficulties, speeding up the process of recovering arrears and supporting the remediation of the positions, also by proposing negotiation strategies to customers using decision trees.

Lastly, the Active Credit Portfolio Steering Department of the Parent Company is responsible for the active risk management of the loan portfolio, in particular by implementing credit risk projects and hedging transactions aimed at reducing RWAs and extending the application of specific pricing adjustments to direct the strategy of new disbursements towards sectors with a better risk/return profile (Credit Strategies Adjustment - CSA). Around 38.5 billion euro has been disbursed to the best portfolio clusters from the introduction of the CSA in 2019 to December 2021.

In line with the 2018-2021 Business Plan, the ISP Group has undertaken several transactions involving the sale of non-performing loan portfolios. With a view to accelerating this process, in December 2020 the Boards of Directors of ISP and UBI Banca resolved to commence the preparation work for the sale, to be carried out in 2021, of non-performing loans for a total GBV of 4 billion euro (5.9 billion euro prior to the PPA for the loans originating from the former UBI Banca Group), with consequent reclassification of those positions to assets held for sale in accordance with IFRS 5, where the conditions apply, already from the consolidated financial statements as at 31 December 2020. The sales of these loans were all completed in 2021 and did not have a significant impact on the income statement as the net book values had already been aligned to the expected sales prices in the 2020 Annual Report.

To further accelerate the risk reduction process and preventively address a potential increase in the stock of non-performing loans due to the withdrawal of government support linked to the pandemic, an additional set of non-performing loans to be sold (divided into two separate portfolios, of which one was sold at the end of 2021, for a total value of around 1 billion euro in terms of GBV) was identified in the second quarter of 2021, which was also reclassified as non-current assets held for sale in accordance with IFRS 5. In addition, in September a further portfolio of ISP's unlikely-to-pay loans was identified, with a GBV



of 1.1 billion euro, for which preparations were initiated for their sale in 2022. Since the conditions have been met, this portfolio has also been reclassified in this Statement under assets held for sale in accordance with IFRS 5.

Lastly, in December 2021 and January 2022, ISP's Board of Directors approved the launch of activities leading up to the sale of additional portfolios of non-performing loans to be undertaken in 2022. For a part of these, with a GBV of 2.9 billion euro as at 31 December 2021, the requirements were met for classification among assets held for sale pursuant to IFRS 5 in the 2021 financial statements, with the resulting alignment of their book value with their presumed realisable value. The remainder was recognised on the basis of the standard IFRS 9, factoring in a probabilistic scenario of sale at market prices, considering a sale target of 4.8 billion euro in terms of GBV.

Consequently, at the end of the year, also considering a several deleveraging initiatives for single name exposures, the amount of Group non-performing loans reclassified as assets held for sale amounted to 4.5 billion euro in terms of GBV and 1.2 billion euro in terms of NBV, with the latter already aligned to the estimated realisable prices.

### *Cost reduction*

Cost reduction was the Second Pillar of the 2018-2021 Business Plan, through which the Group aimed to reduce the level of both fixed and variable costs on the income statement.

The staff reduction and renewal project set a series of coordinated objectives in terms of reduction in labour costs, reskilling and staff renewal. As a result of the acquisition of UBI Banca, Group personnel numbers reached 97,698 in 2021, with a total cost of around 6.8 billion euro.

The reskilling process involved around 5,750 people from the beginning of the Plan, while the renewal process resulted in the hiring of 1,850 specialist professionals. With regard to professional profiles with flexible work employment contracts, there were around 900 new hires in 2021.

As already noted in the section "Highlights", within the framework of the strategic guidelines for the integration of UBI Banca into the Group, Intesa Sanpaolo reached an agreement with the trade unions on the basis of which it accepted more than 7,200 applications for voluntary redundancy by December 2023, of which 2,839 already implemented in 2021, and at the same time planned 3,500 hires by the first half of 2024. A new trade union agreement was signed in November 2021, which provided for a further 2,000 voluntary exits by the first quarter of 2025 and 1,100 hires by 2025.

The branch strategy project involved the streamlining of the network of bank branches, their supplementation with alternative physical and virtual channels and the search for partnerships with non-captive networks.

At the end of 2021, there were 2,848 retail branches. A total of 1,002 branches were closed in 2021, of which 452 in the fourth quarter. With regard to the Bank's alternative channels, work continued on the renovation of the self-banking services (over 1,000 machines installed, consisting of ATMs, cash and deposit machines, and self-service tills) and development of virtual operations by strengthening both the Online Branch (975 new staff in the year) and the Remote Relationship Manager.

In relation to the integration with non-captive networks, the development continued of Mooney, originating from the agreement between Sisal Pay and Banca 5, which is Italy's leading Proximity Banking & Payments company (around 45 thousand points of sale nationwide).

Overall, the branch strategy activities have extended the Group's coverage to 96% of the Italian population.

Under the real estate scale back project, the costs were reduced for real estate properties through the disposal of redundant spaces, transfer to less costly locations, and renegotiation of leases for existing premises. During the year, 1,002 branches were absorbed and rationalisation measures were implemented on other locations, freeing up 456,000 sqm of space, in addition to the renegotiation of 563 rents.

Lastly, the plan to reduce administrative expenses was implemented through achievement of synergies, the improvement in the efficiency of structure costs, the control of advisory fees, the centralisation of purchasing decisions, and the extension of internal best practice to the Group's international subsidiary banks.

### *Revenues*

The third pillar of the 2018-2021 Business Plan aimed to increase operating income by capturing significant business opportunities in all the Divisions.

To achieve the objective of becoming the top insurance company for non-motor retail products in Italy, Intesa Sanpaolo Assicura continued the integration of Intesa Sanpaolo RBM Salute: work is underway on insourcing the management of complex claims and expanding the operations of new business lines to offer additional cover previously not provided by the acquiree, for example for financial losses due to various types of unforeseen events. In terms of product renewal, the new release of the RBM Salute offering provides increasing customisation, with targeted promotions and remote offerings, both for individuals and companies. With regard to the sales channels, the Intesa Sanpaolo Insurance Agency (ISIA) model has been set up for the sale of non-standard products of the Insurance Division to business customers and retail companies, for which specific marketing initiatives have been launched for the distribution of new policies. The after-sales service has benefited from the implementation of the new multi-channel digital platform and the complete redesign of operating processes, with a view to optimising and improving the efficiency of portfolio and claims management.

With regard to the consolidation of Private Banking's international growth, the optimisation of the international network continued for the Swiss operations through the scale back of premises and the acquisition of control of the Reyl Group, while in Luxembourg the integration of the Private business line of ISP Lux into Fideuram Bank Luxembourg was completed and the agreement was signed for the acquisition of 100% of Compagnie de Banque Privée Quilvest, a Luxembourg private bank.

In Italy, since the start of the Plan, the sales network of the Private Bankers has been strengthened with the addition of over one thousand professionals and the expansion of the use of flexible banking employment contracts. The successful marketing of innovative products is also continuing, including several portfolio management schemes and alternative funds, together with the use of new digital channels.

In the area of Asset Management, a rigorous and transparent process has been adopted to implement the new European rules on ESG (EU Regulation 2019/2088 – Sustainable Finance Disclosure Regulation – SFDR) through a Sustainability Policy that involves the adoption of specific SRI (Sustainable and Responsible Investment)/ESG strategies within the investment process of each fund. This has enabled the achievement of a leadership position in the Italian market with 46% of the product volumes classified as sustainable.

The enhancement of the product range continued in line with the needs and investment objectives of the various customer segments, with products for the conversion of excess reserves and new flexible solutions also focused on ESG issues, alongside the expansion of the range of solutions dedicated to Fideuram - Intesa Sanpaolo Private Banking.

The development and distribution also continued for new digital services such as “Smart Save”, the first digital saving service for investing in mutual funds via app, and the new “Robo-Advisory” infrastructure, while the new “InvestoPro” advanced trading platform was released.

Lastly, as previously announced, an agreement was signed between the Intesa Sanpaolo Group and Poste Italiane for the acquisition by Poste Italiane of 40% of the share capital of Eurizon Capital Real Asset SGR.

The Banca dei Territori Division's strategy for SMEs is aimed at supporting them in their process of growth, particularly through the digitalisation of the product mix: several solutions are being adopted to support the development of remote customer relationships, both during and after sale.

Four protection products have been created (Medical Expense Reimbursement Plan, Serious Illness Policy, Cyber Risk and Directors, Auditors and Executives Civil Liability) and the ESG offering is being developed with five Sustainability Loan lines and the introduction of the ESG Laboratory and ESG advisory services. The Motore Italia programme and the Motore Italia Digitale offering have also been launched, in addition to the first financial products aligned to the National Recovery and Resilience Plan.

Support for the international expansion of companies drew on the dedicated services and offerings to facilitate access to foreign markets, thanks to customer development initiatives on the international ISP network and synergies between the International Subsidiary Banks and Banca dei Territori Divisions.

The continued development of the “Dialogo Industriale” platform enabled managers to liaise with entrepreneurs on an increasingly informed and effective basis. Within this area, developments were released in relation to ESG and implementation work was initiated for integration with ONE - Nuova Concessione, the @gile platform and the new Sector Framework.

To consolidate the IMI CIB Division's leadership position in the Italian market, a number of initiatives have been implemented whose objectives include strengthening the Investment Banking business for Mid Corporate customers and identifying support measures for the businesses most affected by the pandemic. New commercial initiatives have been launched in the areas of cash management and trade finance, and activities have been conducted in support of Italian production sectors.

In the area of Open Banking services, the Group's SmartHub portal was released to provide a single point for customer access to real-time communication solutions using various APIs, for the entire Group.

Lastly, development continued of the originate to share model<sup>26</sup>, also by strengthening relations with institutional investors.

The strategy for the Group's international subsidiary banks continued to focus on optimising the international presence and maximising synergies within the Group, as well as the digital evolution.

In line with the short-medium term IT strategy, the new Core Banking System, already adopted in the Czech Republic and under development in Slovakia, will also be extended to Albania, where preparations are underway for the implementation project.

Worth noting is the development of the IT Services Company (Intesa Sanpaolo International Value Services) focused on supporting and accompanying international subsidiary bank customers towards digital transformation through the provision of solutions and services, with an emphasis on generating value for all stakeholders.

In this regard, the operating activities of ISP IVS in Serbia have been expanded, through the activation of the technical competence centre for the core banking system, in Slovakia, through the activation of the technical competence centre for credit and risk management, and in Italy in relation to infrastructural IT.

The Group's target distribution model is being extended to the sales networks in Slovakia, Croatia, Serbia, Hungary, Slovenia, Romania, Albania and Bosnia, and the advanced advisory model for wealth management is being adopted for the Affluent, Individual and Upper Mass segments in Croatia, Slovenia, Slovakia and Hungary. The pilot phase has been initiated for the integration of the model on the digital platform in Slovenia.

In parallel, the activation continued of the new functions and services of the digital channels, with interventions differentiated according to their state of progress in the Group's various international subsidiary banks.

The Smart Working & Property Optimization project was launched in Slovakia, Hungary and Croatia, as well as dedicated projects in Albania and Slovenia, while more appropriate solutions are being designed in Ukraine.

Lastly, the preparations began for the development of a renewed service model in the Bancassurance area and the strengthening of cooperation with the IMI C&IB and Banca dei Territori Divisions for the development of the commercial offering.

With regard to the development of the wealth management services in China, Yi Tsai completed the advanced advisory model and continued the recruitment of personnel in the various corporate areas.

With regard to the Securities Company, following the acceptance of the application to the CSRC (China Securities Regulatory Commission), contacts with the local regulator are ongoing, for the purpose of obtaining the necessary authorisations.

### *People and Digital Transformation*

The Group continually implements a series of initiatives dedicated to the personnel of Intesa Sanpaolo. The People Care project is aimed at improving quality of life and wellbeing within the company, by increasing employee engagement and sense of belonging. The “Consultation and Support” 24/7 psychological support service was used by more than one thousand staff, also at several international branches. The CareLab initiative, focused on Wellbeing, was expanded with over 600 content items published (including videos, podcasts, articles and theme-based packages) used by over 40 thousand employees. Under the Diversity & Inclusion project, aimed at creating equal opportunities and fostering a high level of people engagement, work is continuing on raising awareness and strengthening inclusion skills, in addition to drawing up the rules to combat sexual harassment, with an awareness-raising campaign on the subject. Intesa Sanpaolo was the first bank in Italy and one of the first in Europe to receive the Gender Equality European & International Standard (GEEIS-Diversity)

<sup>26</sup> The originate to share business model covers financing arrangements with the twin objective of selling shares on the primary or post-primary market, within a holding period declared on origination, and holding the remaining shares.

certification, which assesses and promotes the commitment of companies to diversity and inclusion as strategic elements of an organisation.

The number of people involved in talent management and development programmes in the period 2018-2021 amounted to around 500 staff. The enhancement of employee skills was ensured by providing around 12.8 million training hours in 2021.

The use of smart working continued in response to the COVID-19 emergency, through the adoption of specific technological and IT measures and initiatives, with an overall total of around 78 thousand staff participating at Group level.

With regard to the “Next Way of Working” project, aimed at developing new working methods post-COVID, implementation continued of the real estate measures (work has been completed in Milan<sup>27</sup>, while work on the New Headquarters in Turin is nearing completion) and technological measures (e.g. new work planning tools released) to help staff in the structural use of smart working, based on alternating work in the office and from home.

The 2018-2021 Business Plan envisaged significant investments in digital transformation in all the Group's areas of operations, with a particular focus on developing multichannel, self-banking and remote services, expanding the use of smart working, strengthening IT security, developing data management, and the digital redesign of business processes (sales, credit, transaction and governance).

With regard to the distribution channels, the figures for 2021 confirm the increasing spread of digital services in terms of customers, products and sales. The number of users of multi-channel services has reached around 12.9 million. Access to banking services via the Banking app has also grown, with 8.1 million users having logged on at least once since 2018, while the Online Branch now has around 60 thousand customers.

The products available on digital channels account for around 85% of the offering. Sales through digital channels, also due to the COVID-19 emergency, rose to 32% of the total (from 26% in 2020).

The growing use of digital channels by customers is being accompanied by increasing attention to IT security. In 2021, the extension was completed of the target cyber security model, which now includes all the Group companies.

Thanks to the development of knowledge in advanced analytics and artificial intelligence, commercial operations have been strengthened through more effective service customisation, process automation (e.g. robot process automation) and credit risk mitigation. The Group has developed tools and set up structures to promote innovation, by identifying new trends in technology and finance and developing and using new technologies. Lastly, special attention has been given to the Fintech ecosystem, with the objective of identifying potential partnerships for the development of high-tech products and services.

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### The new 2022-2025 Business Plan

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In recent years, the Intesa Sanpaolo Group has demonstrated its ability to generate value for all its stakeholders, achieving significant results even in difficult external contexts and in particular during the recent COVID-19 crisis.

Today, Intesa Sanpaolo is one of the leading players in the industry and is well positioned to capture future opportunities, thanks to a number of strengths including: proactive and granular risk management; indisputable capital strength; a distinctive business model; a leading ESG position; and consolidated domestic leadership in a country recovering strongly after the pandemic.

In light of the results achieved in the recent past and the main trends that will affect the banking industry and beyond, the Intesa Sanpaolo Group intends to take on the coming years with the objective of continuing to generate value for all stakeholders, while also building the bank of the future: profitable, innovative and sustainable.

In the new Business Plan, the Group has set itself the ambitious goal of becoming a leader in the Wealth Management, Protection and Advisory sectors and will do so through four key pillars:

1. massive de-risking, slashing the cost of risk;
2. structural cost reduction enabled by technology;
3. growth in commissions, driven by Wealth Management, Protection and Advisory;
4. significant ESG commitment, with world-class positioning in social impact and strong focus on climate.

The *first pillar* (“massive de-risking”) aims to further reinforce the strong position in credit management, with a target of an NPL ratio lower than 1% according to the EBA definition and reducing the cost of risk to 40 basis points over the Plan period, through:

- massive NPL stock reduction and continuous pre-emption through a modular strategy;
- a new decisional model for lending, with a sector review of the entire lending model, reinforcing the granular knowledge of risks at macro and micro sector level;
- the proactive management of other risks (e.g. IT, climate, reputational), by adopting the skills and tools capable of handling the integrated management of the other risks faced by the Group.

The *second pillar* (“structural cost reduction”) will allow Intesa Sanpaolo to achieve structural cost reduction through technology, with cost savings of 2 billion euro enabled by around 7 billion euro of investments (of which 5 billion euro in technology and growth) through:

- the creation of a new Digital Bank (ISY Bank) to effectively serve retail customers not using branches, optimise the footprint, reduce cost-to-serve in Italy and progressively on retail customers of the main European international subsidiary banks;
- workforce renewal through new hires and excess capacity re-skilled/upscaled and redeployed to priority initiatives, against planned voluntary exits;
- smart management of the Group's real estate in line with the “Next Way of Working” and proactive management of the current non-strategic real estate assets;
- cost management empowered by advanced analytics, through innovative methods and tools that enable the highly granular identification of previously unidentifiable areas of efficiency improvement;

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<sup>27</sup> Except for the work on the building in Via Verdi 8

- IT efficiency by optimising the Group's IT architecture, insourcing key skills and using external partnerships to modernise the Bank.

The *third pillar* ("growth in commissions") will enable the growth in commissions, driven by Wealth Management, Protection and Advisory, with 100 billion euro growth in assets under management and 57% of Group revenues generated by fee-based business and insurance business, thanks to:

- a dedicated service model for Exclusive customers served in Banca dei Territori, through a dedicated chain of managers, advisory centres and technological platforms, also backed by a dedicated investment centre;
- strengthening the market position in private banking, with an innovative range of products and services, a new omnichannel strategy and the scale-up of the international presence;
- continuous focus on fully-owned product factories (asset management and property and life insurance), with an innovative and improved offering;
- further growth in the payments business, by leveraging the Group's strategic partnerships;
- improve Advisory for all Corporate customers, with positioning as leading Recovery Plan partner for Italian enterprises, by developing a service model capable of positioning ISP as a global advisor for all Corporate customers;
- growth across the International Subsidiary Banks Division's businesses, with a fully-fledged business model focused on growth in commissions in the main European subsidiaries, a continued focus on Wealth Management in China, and strategies focused on selected smaller geographies.

The *fourth pillar* ("strong ESG commitment") will once again demonstrate the Group's ESG commitment, with around 115 billion euro in total allocated to social lending (25 billion euro) and to new lending for the green economy, the circular economy and the green transition (88 billion euro). The Group will continue to invest significantly in a number of key areas such as:

- support to address social needs, through contributions aimed at people in need, youth and seniors;
- the drive for financial inclusion, through social lending (e.g. to non-profit entities and direct support to disadvantaged groups through subsidised loans) and injections of impact capital;
- an ongoing commitment to culture, through the promotion of cultural initiatives;
- the promotion of innovation, both within the Group and by supporting business customers;
- acceleration of the commitment on Net-Zero, by reducing own emissions and those of the financed high-emitting sectors, and supporting the energy transition, in order to balance environmental and social needs;
- support to customers in the ESG/Climate transition, consisting, for example, of strengthening the sustainable lending for Corporates and SMEs, further developing the sustainable lending facilities for the Retail segment and assessing customers based on Intesa Sanpaolo's proprietary ESG scoring.

*People* will remain the most important asset for the success of the Business Plan and the Group will continue to invest in its talents and pursue the empowerment, growth and satisfaction of its People through:

- the "Next Way of Working" project, rethinking working methods and the allocation of real estate space (central and local) and developing the Group's expertise;
- an innovative talent strategy, thanks to dedicated talent management programmes (e.g. "Future Leaders") and a reinforced international footprint;
- supporting diversity and inclusion, with a strong focus on gender balance, and initiatives to broaden the pool of potential future leaders;
- a learning ecosystem to support a major plan for strengthening and expanding people's skills in line with the evolution of the Plan;
- the streamlining of processes, enabled by technology and further streamlining of the operating model.

Based on the guidelines set out in the 2022-2025 Business Plan and the strategic pillars, Intesa Sanpaolo has set itself the following targets for 2025:

- net income of 6.5 billion euro (ROTE at 13.9%);
- operating income of 22.8 billion euro;
- best-in-class Cost/Income, at 46.4%;
- cost of credit at 38 basis points;
- NPLs: gross ratio of 1.6% and net ratio of 0.8% (according to the EBA definition);
- solid level of capitalisation, with fully phased-in CET1 Ratio above 12%, and leverage ratio of 6.2%;
- a cash dividend payout ratio of 70% per year, plus a total of 3.4 billion euro of buybacks in 2022, subject to ECB and Shareholders' Meeting approvals.

Over the period of the 2022-2025 Plan, Intesa Sanpaolo will continue to generate value for all its stakeholders and in particular for:

- shareholders, through more than 22 billion euro to be paid out over the period of the Plan (annual payout ratio of 70%, combined with the above-mentioned buybacks), of which more than 6.6 billion euro already in 2022;
- employees, with a renewed commitment to around 100 thousand families (26.5 billion euro in personnel expenses over the Plan period combined with around 50 million hours of training);
- Italy's economy and society, through the Group's ongoing commitment to help generate value for the economic and social system with 328 billion euro (of which 285 billion euro in Italy) of new lending to the real economy for households and businesses, 17 billion euro of purchases and investments with Intesa Sanpaolo's suppliers, 15 billion euro to the public sector, 25 billion euro of new social lending and 500 million euro of investments/donations for people in need, youth and seniors;
- the environment, with the Group's strong commitment to help reduce emissions and support the green transition through 88 billion euro in new lending for the green economy, the circular economy and the green transition.



## ESG and sustainability

In a global scenario marked by the COVID-19 health emergency, the Intesa Sanpaolo Group implemented the 2018-2021 Business Plan through a strategy based on sustainability and strong local presence and confirmed its financial solidity and its ability to create sustainable value for all its stakeholders, also completing the integration with UBI Banca, with a shared vision. Thanks to its strong commitment to sustainability issues, the Group was able to fulfil its numerous commitments and achieve important results in the last year of the 2018-2021 Business Plan. The foundations were also laid for future challenges, addressed in the new 2022-2025 Business Plan, in which ESG issues are one of the pillars for sustainable value creation and for the further strengthening of Intesa Sanpaolo's leadership in ESG.

Intesa Sanpaolo continues to be a leading model for sustainability, as reflected by its positioning in the main indices and rankings. It is the only Italian bank included in the Dow Jones World and Europe Sustainability Indices and ranks first among its peers by MSCI, Sustainalytics and Bloomberg (ESG Disclosure Score). In 2021, it was also classed the best European bank and the best Italian company for ESG aspects in the Institutional Investor ranking. In October 2021, Intesa Sanpaolo was included in the Euronext - Borsa Italiana MIB ESG Index.

The Intesa Sanpaolo Group has signed up to all the main United Nations initiatives, including the Global Compact, concerning sustainability in the financial sector, which form part of the achievement of the UN Sustainable Development Goals. These consist of the Principles for Responsible Banking, the Principles for Sustainable Insurance, and the Principles for Responsible Investment. Intesa Sanpaolo has been supporting the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since October 2018 and in the fourth quarter of 2021 it published its first TCFD Report, which includes specific climate disclosures in accordance with those Recommendations<sup>28</sup>. In September 2021, the Bank also made a commitment to adopting and implementing the Stakeholder Capitalism Metrics developed by the World Economic Forum.

In demonstration of its commitment to combating climate change, Intesa Sanpaolo announced in October 2021 that it had joined the Net-Zero Banking Alliance (NZBA), committing to achieve Net Zero Emissions by 2050. This commitment was strengthened by the Group, at the end of the year, when Eurizon Capital SGR, Fideuram Asset Management SGR and Fideuram Asset Management Ireland joined the Net Zero Asset Managers Initiative (NZAMI), and the Parent Company of the Insurance Group Intesa Sanpaolo Vita joined the two Net Zero alliances relating to the insurance core business: Net Zero Insurance Alliance (NZIA) and Net Zero Asset Owner Alliance (NZAOA). The strong commitment to the climate objective is reflected in the 2022-2025 Business Plan, presented on 4 February 2022, in which Intesa Sanpaolo has committed to achieving the Net-Zero target on its own emissions as early as 2030 and a target of 100% of electricity purchased from renewable sources at Group level, a target that it has already achieved in Italy in 2021. Also, more than a year ahead of the NZBA deadline, Intesa Sanpaolo submitted Net Zero-aligned emissions reduction targets for 2030 in the Oil & Gas, Power Generation, Automotive and Coal Mining sectors, covering over 60% of the financed emissions of the non-financial companies portfolio in the sectors identified by the NZBA. For coal mining in particular, a phase out by 2025 is envisaged.

The importance of climate change is also reflected in the protection and restoration of "natural capital". To this end, the 2022-2025 Business Plan includes Intesa Sanpaolo's commitment to adopt a specific biodiversity policy and plant 100 million trees directly and through dedicated loans to customers.

Again with a view to sustainability, in July 2021 Intesa Sanpaolo updated the rules for the Group's lending operations in the coal sector, committing to phase out exposures related to coal mining by 2025. In addition, it introduced specific rules for the non-conventional oil & gas sector, providing for the immediate cessation of new loans and the phase out of the exposures subject to the policy by 2030.

The Company adopts and updates specific internal regulations designed to combat climate change, which are applied to all the Group companies in all the countries where they operate.

The internal ISP4ESG programme, created to consolidate Intesa Sanpaolo's leadership in sustainability, is a high-impact initiative that involves all the various Group structures and aims to integrate ESG principles into the business model and strategy. The main activities carried out in 2021 involved, among other things: the ESG/Climate Credit Framework; responding to the ECB's expectations regarding the management of climate and environmental risks; assessing the implications and steps necessary for all Group Divisions to adhere to Net Zero; proposing the new 2022/2025 ESG Plan; and disseminating the ESG culture, also through an internal basic training course. The work continued of the ESG Control Room, which draws on 17 Sustainability Managers, identified in each Area and Division, and supports the Steering Committee in the strategic proposition relating to ESG issues; it performs operating coordination duties for the implementation of the most significant ESG initiatives and evaluates the opportunity and solidity of new initiatives.

Intesa Sanpaolo continues to pay close attention to the ongoing changes in the European regulations on ESG and sustainability reporting, which led to the launch, in August 2021, of a Project focused on Group ESG Reporting, with the aim of creating an integrated and transversal approach through the involvement of various Group structures and companies.

## Financial inclusion and support to production

Intesa Sanpaolo has confirmed its role as a key player in supporting Italy's economic system also during the COVID-19 emergency. In 2021, Intesa Sanpaolo allocated a total of 77 billion euro of new medium/long-term lending to the real economy, of which around 66 billion euro in Italy, including around 55 billion euro to households and small and medium enterprises. Around 10,000 firms were brought back to performing status during the year, saving around 50 thousand jobs. In addition, Intesa Sanpaolo provided over 400 billion euro in medium/long term lending to businesses and households in support of Italy's National Recovery and Resilience Plan (NRRP), with the aim of strengthening the country's growth.

In 2021, the Intesa Sanpaolo Group disbursed new loans for high social impact activities totalling around 20.6 billion euro, representing 26.6% of the total disbursed, 14 billion euro of which in support of business in industry in response to the pandemic. This contributed to the creation of entrepreneurial and employment opportunities as well as helping people in need in various ways: microcredit; anti-usury loans; products and services aimed at associations and non-profit sector entities;

<sup>28</sup> [https://group.intesasnpaolo.com/content/dam/portalgroup/repository-documenti/sostenibilit%C3%A0/inglese/2021/TCFD%20Report\\_2021.11.pdf](https://group.intesasnpaolo.com/content/dam/portalgroup/repository-documenti/sostenibilit%C3%A0/inglese/2021/TCFD%20Report_2021.11.pdf).

products for the most vulnerable social groups to promote their financial inclusion; and support loans for people affected by disaster events.

The Fund for Impact, a credit plafond for social impact activities, was established in 2019 and enables the disbursement of 1.5 billion euro of loans to groups that would otherwise find it difficult to access credit despite their potential. This plafond supports several initiatives, including “per Merito”, the first unsecured credit line dedicated to university students resident in Italy and studying in Italy or abroad, which in 2021 financed students by disbursing 71 million euro (around 162 million euro since the start of 2019), “Mamma@work”, a highly subsidised loan aimed at working mothers to help balance motherhood and work in the early years of their children’s lives (1 million euro disbursed since its launch in 2020, of which 0.8 million euro in 2021) and “XME StudioStation” a loan for families with children to assist distance learning (around 0.5 million euro disbursed in 2021, 1.7 million since the launch in 2020). From July 2021, the new products “per Esempio”, aimed at civil defence volunteers, “per Crescere”, for parents with school-age children and “per avere Cura”, aimed at families with members that are not self-sufficient, have also been made available, in addition to support for working mothers in India and for people over 50 who have lost their jobs or have difficulty accessing pension schemes.

Intesa Sanpaolo is conscious of the fundamental role of financial education as a tool for promoting the social inclusion of the most disadvantaged groups. To this end, in 2021, through the Savings Museum, it continued to provide specific initiatives in this regard, both online and in-person, reaching around 45,600 users, of which 40,000 students and teachers from primary and secondary schools, for a total of 844 hours of training provided, and 5,600 adults, engaged through events, dedicated educational initiatives and in-person visits to the Museum.

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### Promoting jobs and the right to education

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Intesa Sanpaolo has always been keen to invest in young people, also with a view to promoting jobs and the right to education.

“Giovani e Lavoro” (youth and work) is a programme, developed in 2019 by the partnership between Intesa Sanpaolo and Generation Italy, a non-profit foundation created by McKinsey & Company, aimed at offering free training courses to 5 thousand young people aged between 18 and 29 who are currently unemployed, to help them gain the skills that companies are seeking and facilitate their access to the world of work, with the goal of getting at least 75-80% of them hired. In 2021, the Giovani e Lavoro programme saw the participation of 9 thousand young candidates (over 24 thousand from 2019), around 1,600 students interviewed and 750 students trained/being trained (5,200 students interviewed and over 2,200 students trained/being trained since 2019), involving over 2,000 companies since the beginning of the Programme.

In the area of university education, Intesa Sanpaolo is the main sponsor of the Generation4Universities project, developed by Generation Italy and McKinsey & Co., aimed at helping talented final year university students, facing difficulties in realising their potential due to external factors, to start a successful professional career. The programme, which ended in July 2021, involved 70 students from 31 universities and 18 leading Italian companies as potential employers.

Another key initiative is “P Tech”, in partnership with IBM, in which the Intesa Sanpaolo Group is collaborating to combat school dropout and which aims to train young professionals in new digital skills, offering 3 webinars a year for all participants, a 3-day workshop for those interested in finance and tutoring with 20 ISP mentors for 40 young professionals.

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### Innovation, digital transformation and cybersecurity

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In line with the strategic role assigned to digitalisation and multi-channelling, all the more so in the context of the health emergency, Intesa Sanpaolo continued the Group’s process of transformation to establish itself as a digital company, with the progressive major overhaul of the IT platform, enabling increasingly efficient remote interactions between customers and the Bank, and the gradual expansion of the multi-channelling of services aimed at customers, with a focus on the use of mobile devices, confirming the results envisaged by the Business Plan in 2021. Specifically, the Intesa Sanpaolo Mobile app was recognised by Forrester as the “Overall Digital Experience Leader” and cited as best practice in several categories among the European mobile banking apps.

Intesa Sanpaolo’s development in multichannel and digital banking has already led to significant results in terms of customers involved and volume of services offered: in Italy there are around 12.9 million multichannel customers, around 163.6 million digital transactions and 76% of activities digitalised. In addition, digital sales and payments have increased by 76% and 122% respectively compared to 2020, with over 3.6 million digital sales transactions and 47.4 million digital payments in 2021. In confirmation of the excellent results achieved, Intesa Sanpaolo was recognised by EFMA (European Financial Marketing Association) for “AI Sales”, which was selected as the best digital sales innovation programme.

The Group attaches strategic importance to the protection of customer information and actively contributes to Italy’s cyber resilience. In line with the applicable regulations, cybersecurity is governed by guidelines and integrated processes to protect the interests and rights of customers, employees and collaborators. The rules are set out in the Bank’s Integrated Internal Control System, which defines responsibilities at all company levels and cybersecurity practices aligned with the best international standards and certified by national authorities; in 2021, Intesa Sanpaolo worked hard to limit the growing trend of attempted fraud against customers, blocking fraudulent transactions worth several million euros.

In relation to the commitment to cybersecurity, for the second consecutive year, Intesa Sanpaolo ranked first among big Italian corporates in the competition “Cyber Resilience amid a Global Pandemic”, organised by AIPSA (Italian Association of Corporate Security Professionals).

In the knowledge of the fundamental value of innovation for the growth of the new economy, the Group has continued its start-up development programme. In 2021, around 780 start-ups (around 3,420 since 2018) were analysed and 7 acceleration programmes were activated on 209 start-ups assisted (around 600 since 2018) by presenting them to selected investors and other ecosystem players (around 6,150 to date).

## Sustainable investment products and sustainable insurance

Intesa Sanpaolo is also committed to further strengthening its offering of sustainable investment products, which combine financial criteria with environmental, social and governance (ESG) aspects.

At the end of 2021, the total assets of the funds managed by Eurizon and Fideuram that promote, among others, environmental or social characteristics, or that have sustainable investment objectives, classified according to Articles 8 and 9 of the new Sustainable Finance Disclosure Regulation, was over 113 billion euro. Specifically, Eurizon offers a diverse range of products in all the asset classes across 172 funds classified as SFDR Article 8 and Article 9, with around 110 billion euro of assets representing around 46% of the total assets of the Funds managed. Fideuram offers 8 funds classified as SFDR Articles 8 and 9 with a total of 2.6 billion euro of assets (around 3% of the total assets of the Funds managed). Engagement activities are becoming increasingly important for Eurizon, which in 2021 involved 644 issuing companies, 240 of which were involved in engagement on ESG issues (37% of the total and up 40% on 2020).

In 2021, Eurizon integrated sustainability risks into its investment process. This involved the adoption of a Sustainability Policy, which sets out the methods for selecting and monitoring financial instruments adopted by it, and the implementation of the responsibilities at every level with the involvement of numerous corporate bodies and structures. In 2021, the Private Banking Division launched the ESG Programme, for which 11 implementation initiatives have been launched and whose main objectives include: the definition of the Division's strategic positioning with respect to ESG issues; the integration of sustainability into the service model; the inclusion of sustainability factors and risks in the investment process and in the financial advisory activities; and the fulfilment of regulatory obligations.

In line with the Group's objectives and the increasingly strategic importance of integrating ESG factors for the financial and insurance sectors, in 2021 the Insurance Division continued to its development of ESG themes, providing for the implementation of concrete actions and initiatives both to improve its internal governance and to generate a tangible and relevant impact for its customers from an environmental, social and transparency perspective.

## Community support

Intesa Sanpaolo attaches a central role to projects aimed at the social and cultural development of the communities where it operates. In 2021, the Group's commitment to social issues was reflected in around 80 million euro in monetary contributions made to the community (187 million euro in 2020). With respect to 2020, during which the Group had given immediate support to healthcare to deal with the COVID-19 emergency, in 2021 the areas that benefited from the most assistance were art and culture (40.1%), social welfare (21.1%) and education and research (10.3%). In the context of post-pandemic recovery, the Group has resumed its efforts in the spheres that generate a significant social impact for the communities and geographical areas where it operates.

Specifically, in 2021 the Intesa Sanpaolo Allowance for charitable contributions disbursed over 14 million euro in support of around 800 projects carried out by non-profit entities, with almost 90% of the funds allocated within Italy. Overall, at central level, around 470 thousand direct beneficiaries were reached and the target was more than exceeded for reserving a high proportion of resources (over 70%) for measures in favour of the weakest sections of the population, having reached 99%. The main area of intervention continued to be the social sphere. Three focus areas were identified, linked to problems that emerged or were aggravated by the health crisis: psychological support for COVID-19 patients and those most affected by the pandemic; training and job placement for vulnerable individuals; and support for adolescents and young people in situations of vulnerability.

Intesa Sanpaolo, which has always been attentive to inclusion and combating poverty, has set up initiatives to reduce child poverty and support people in need. In this regard, the main objectives achieved during the 2018-2021 Plan included the provision of 24.8 million meals, 1.5 million beds, 296,250 medicines and 249,200 items of clothing.

## Supporting the transition to a sustainable, green and circular economy

In the context of its commitment to foster the transition towards a low-emission economy, through direct actions to mitigate its own emissions and by supporting green initiatives and projects in favour of its customers, Intesa Sanpaolo and the Group have provided 76 billion euro in support of the green economy, the circular economy and the green transition as part of its support for the National Recovery and Resilience Plan (PNRR).

In addition, in 2021 the Bank developed tailor-made training, engagement and coaching initiatives to raise awareness and knowledge of ESG issues among the management and employees of its corporate customers. A dedicated online training platform was made available to companies as part of the Skills4ESG initiative, in addition to conducting ESG workshops, strategic partnerships and surveys.

In 2021, the Group's loans for the green and circular economy came to about 8.7 billion euro, corresponding to 11.2% of the Group's total loans. The offering involves all customer segments: retail (37.4%), corporate and non-profit sector (6.3%), and corporate and project finance (56.3%).

The Intesa Sanpaolo Group confirmed its commitment to the Circular Economy by promoting the dissemination of this model, with the support of the Ellen MacArthur Foundation, and setting up a dedicated credit plafond of 6 billion euro in the 2018-2021 Business Plan, with around 5.5 billion euro disbursed in 2021 (around 7.7 billion euro since the launch of the plafond).

Of the 800 applications analysed by the Innovation Center since the launch of the plafond, by the end of 2021, around 300 circular economy projects worth approximately 3.9 billion euro and around 100 green projects worth approximately 2.6 billion euro had been financed. From 2020, the plafond was also extended to include green loans. Specifically, around 14,000 green mortgages were granted to customers in 2021 for over 2.2 billion euro. Furthermore, to support companies seeking to improve their sustainability profile, Intesa Sanpaolo offers the ESG-Linked S-Loan, designed to assist them in the process of structural change, by linking economic decisions to their environmental and social impacts. Intesa Sanpaolo has allocated a plafond of 2 billion euro for S-Loan, of which 1.2 billion euro was granted in 2021 (1.3 billion euro since the launch

in 2020). The offering was expanded in April 2021 with S-Loan Diversity, in July 2021 with S-Loan Climate Change and in November 2021 with S-Loan Agribusiness and S-Loan Tourism.

The S-Loans and Circular Economy loans are also eligible for the SACE Green guarantee.

Lastly, in 2021, a total of 19 loans were screened for the Equator Principles and achieved financial approval, for an amount granted of 1,427.6 million euro.

In the new 2022-2025 Business Plan, the Group has also committed to providing new lending of 88 billion euro for the green economy, the circular economy and the ecological transition, with a strong focus on supporting corporates and SMEs in the ecological transition.

With regard to funding, Intesa Sanpaolo was the first Italian bank to issue a green bond, which was followed by three other issues for a total of 3 billion euro. The first 500 million euro green bond dedicated to renewable energy and energy efficiency projects was launched in 2017, followed by the 750 million euro green bond focused on the circular economy issued in 2019, the green bond (formerly UBI Banca), also in 2019, for renewable energy and, in 2021, the 1.25 billion euro green bond dedicated to green mortgages for the construction or purchase of energy-efficient properties. Thanks to the latest bond issue, the green bond ratio – the percentage of green bonds outstanding at the end of the year with respect to the total amount of outstanding senior preferred, senior non-preferred and covered bonds aimed at institutional investors (five-year rolling average) – was around 8%.

Lastly, in 2021, the Intesa Sanpaolo Group maintained its leadership in sustainable investments, with assets of over 113 billion euro. Specifically, Eurizon Capital has increased the assets of funds that promote, among others, environmental or social characteristics, or that have sustainable investment objectives, classified according to Articles 8 and 9 of Regulation (EU) 2019/2088 (SFDR), to over 110 billion euro (around 46% of total assets under management). In 2018, the Eurizon Absolute Green Bonds Fund was launched, which, as at June 2021, had invested in around 507 green and thematic bonds, helping to produce around 1,499,918 thousand Megawatt/hour from renewable energy installations and to save over 1.2 million tonnes of CO<sub>2</sub>. In sustainable investments, the new 2022-2025 Business Plan has set a growth target for Eurizon of 156 billion euro of assets under management invested in ESG products in 2025, increasing their level as a proportion of total assets under management from 46% to 60% and the number of new ESG funds out of total new funds from 58% to 70%.

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## The Group's People

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The 2018-2021 Business Plan identified people as one of the key factors for the consolidation and further development of the Group. Thanks to their professionalism, diverse skills and career development pathways, together with major technological investment made to prepare for the digital challenge, Intesa Sanpaolo's people continued to ensure excellence in customer service quality and the full achievement of the Plan's objectives, even in the emergency caused by COVID-19. The central importance of people is ensured through the full protection of rights, with particular regard to the development of industrial relations; protection of employment; empowerment, by promoting training and merit; concrete policies and measures for development; and the strengthening of a modern and integrated corporate welfare system.

In 2021, the Development Policy and Learning Academy Head Office Department continued to implement innovative training models and methods, aimed at promoting multichannel training that maximises ease and flexibility of learning by using various platforms (Apprendo, Myla and Management School). Building on the experience gained in working and training remotely in 2020 as a result of the pandemic, the department has continued to use remote channels.

The training reached a total of around 13 million hours in 2021 (more than 12 million of which in digital mode), and the ratings collected from Group employees were very positive, 87% for digital training and 97% for live training.

The social sustainability culture is disseminated through training on ESG issues: in 2021, more than 74,300 Group employees (77% of the total) benefited from almost 700,000 hours of ESG training (twice as much as in 2020), representing 14% of the total.

The International Talent Program (ITP) is one of the most important talent development initiatives at Group level. By the end of the year, the total number of participants in the programme had exceeded 320, representing an important step towards the goal of the Business Plan, which aims to strengthen the Group's middle management at an increasingly international level.

With regard to the appreciation of diversity and promotion of inclusion, in 2020 the Group published the Principles on Diversity & Inclusion and set up the D&I Operating Committee, responsible for coordinating, discussing and agreeing diversity and inclusion initiatives with all the structures. In April 2021, the Rules for combating sexual harassment were published, a reflection of the strong commitment to preventing and combating all forms of harassment. In addition, a free listening, psychological support and legal information service, managed by external professionals, has been set up for victims of sexual harassment.

To promote female talent within fair and inclusive working environments, initiatives for the development of female professionals and managers continued, including initiatives aimed at the empowerment and growth of high-potential women, which involve job rotation programmes, shadowing, training and empowerment.

Intesa Sanpaolo was the first bank in Italy and one of the first in Europe to receive the Gender Equality European & International Standard (GEEIS-Diversity), an international certification aimed at assessing and promoting the commitment to diversity and inclusion.

The Group distinguished itself during the pandemic for its focus on the health, safety and wellbeing of its people. In 2021, around 78,000 people were enabled for remote working and digital learning was set up for all Group employees. In addition, the Bank focused on enhancing CareLab, the platform entirely focused on wellbeing, available free of charge to the entire Group from May 2020, with over 600 published items, educational content, initiatives and services and 26 webinars organised, also available on demand, with experts and testimonials on all aspects of wellbeing. Intesa Sanpaolo has long adopted an Occupational Health and Safety Management System, which complies with the most advanced international standards. In 2021, it enhanced the system in response to the pandemic emergency, with the development and application of an infection risk management protocol aligned with the best national and international practices, as certified by the assessment of a certifying body that awarded it the highest possible level of readiness.

As revealed by the employee climate survey conducted in 2021 (responded to by 62.3% of Group employees in Italy and 55.7% abroad), Group employees expressed appreciation for their working environment and for Intesa Sanpaolo, with a Group satisfaction index of 79%.



## Economic value generated and distributed

The economic value generated by the Group during the year is calculated in accordance with ABI (Italian Banking Association) instructions and consistent with international reference standards. The calculation is made by reclassifying consolidated income statement items recorded in the financial statements, as required under Bank of Italy Circular 262.

The economic value generated, which in 2021 was over 20 billion euro, came from net income from banking and insurance activities – which therefore takes into account the impairment losses on loans and other financial assets – plus the realised gains and losses on investments in associates and companies subject to joint control, investments and other operating income. The amount of the economic value generated expresses the value of the wealth produced, most of which distributed among the stakeholders with which the Group interacts in various ways on a day-to-day basis. Specifically:

- employees and other staff benefited from almost 41% of the economic value generated, for a total of over 8 billion euro. In addition to staff pay, the total also includes payments to the network of financial advisors;
- suppliers received over 14% of the economic value generated, for a total of almost 3 billion euro in payment for goods and services;
- the Government, Organisations and Institutions recorded a total flow of funds of almost 1.5 billion euro, around 7% of the economic value generated, over 1 billion euro of which referring to indirect taxes and duties, and over 700 million euro to levies and other charges concerning the banking industry, consisting of contributions to resolution and guarantee funds. Numerous social and cultural initiatives and other actions were also undertaken to support the charity funds and issue disbursements by way of social and cultural contributions, also in the wake of the COVID-19 pandemic;
- approximately 15% of the economic value generated was allocated to Shareholders, holders of equity instruments and minority interests, largely in terms of the proposed dividend, for a total of around 3 billion euro. Specifically, the proposed final dividend is 1,533 million euro (in addition to the 1,399 million euro interim dividend paid in November 2021, for a total of 2,932 million euro from the 2021 net income). For more details in this regard see the Proposals to the Shareholders' Meeting in the Intesa Sanpaolo S.p.A. financial statements.

The remaining amount of the economic value generated, around 4.5 billion euro, was withheld by the corporate system and mainly comprises deferred tax assets and liabilities, amortisation and depreciation, and provisions for risks and charges.

Economic value	millions of euro	
Economic value generated	20,037	100.0%
Economic value distributed	-15,527	77.5%
Employees and collaborators	-8,106	40.5%
Suppliers	-2,894	14.4%
Government, Organisations and Institutions, Community	-1,460	7.3%
Shareholders, Holders of equity instruments and Third	-3,067	15.3%
<b>Economic value retained</b>	<b>4,510</b>	<b>22.5%</b>

ECONOMIC VALUE IN 2021



Sustainability and ESG issues are covered in depth in the Consolidated Non-financial Statement (CNFS) drafted in accordance with Italian Legislative Decree 254/2016, a separate report from the Annual Financial Report and available on the Group's website.

Since September 2019, Intesa Sanpaolo has published a voluntary Half-Yearly Consolidated Non-financial Statement containing the key indicators.

## Progetto Cultura

Progetto Cultura is the multi-year programme of initiatives through which Intesa Sanpaolo actively expresses its commitment to promoting art, culture and knowledge, providing a responsible, direct and tangible contribution to Italy's cultural and social growth. The activities are conceived and implemented by the Art, Culture and Historical Heritage Department in dialogue with the main local public and private bodies – such as the Ministry of Culture, museum institutions, local authorities, bank foundations, universities and schools, research centres, museums, associations and non-profit organisations – and with the support of cultural experts such as art historians, curators and restorers. There are also important collaborations with international museums and institutions.

In 2021, the Bank did not interrupt its involvement in cultural activities, in its effort to implement the initiatives included in the plan, in adherence to the restrictions imposed by the pandemic.

The cultural sector has been acknowledged, particularly in post-pandemic recovery strategies, as playing a key role in fostering more innovative, sustainable, and inclusive societies. To this end, Progetto Cultura is a key factor in consolidating Intesa Sanpaolo's leadership in ESG and strengthening its position as an impact bank.

### Gallerie d'Italia

Intesa Sanpaolo's museums – one of the most emblematic features of Progetto Cultura – are spaces open to the community in the centre of Milan, Naples, Vicenza (and soon, in Turin). The historic buildings house the Group's art collections and host temporary exhibitions, educational activities for schools, itineraries for the socially vulnerable, and cultural initiatives.

Due to the health situation, the Gallerie d'Italia were only able to reopen on 26 April. The public were guaranteed a safe visit and activities, in compliance with all COVID prevention measures. Nevertheless, the total number of visitors still reached around 145,000.

**Exhibitions.** The Gallerie d'Italia exhibitions are the result of original scientific projects and make use of loans from national and international museums, in addition to drawing on the Group's art collections. Through the successful combination of scientific quality and engagement with a wide and varied public, Intesa Sanpaolo's exhibition work has gained recognition for its high cultural value.

The exhibitions that opened in autumn 2020 and were interrupted due to the pandemic were prolonged in the initial months of 2021 (in Milan: *Tiepolo. Venezia, Milano, l'Europa*, curated by Fernando Mazzocca and Alessandro Morandotti, in collaboration with Gallerie dell'Accademia di Venezia and Turin University, under the High Patronage of the President of the Italian Republic; *Ma noi ricostruiremo. La Milano bombardata del 1943 nell'Archivio Publifoto Intesa Sanpaolo*, curated by Mario Calabresi; in Naples: *Napoli Liberty. N'aria 'e primmavera*, curated by Fernando Mazzocca and Luisa Martorello; in Vicenza: *Futuro. Arte e società dagli anni Sessanta a domani*, curated by Luca Beatrice and Walter Guadagnini).

Fourteen new exhibitions were opened during the year. In Milan: *Painting is back. Anni Ottanta. La pittura in Italia* (curated by Luca Massimo Barbero); *Grand Tour. Sogno d'Italia da Venezia a Pompei* (curated by Fernando Mazzocca with Stefano Grandesso and Francesco Leone, in collaboration with the National Archaeological Museum of Naples and the Hermitage of St. Petersburg, under the High Patronage of the President of the Italian Republic); dossier exhibitions dedicated to contemporary artists: *Francesca Leone. Ulteriori gradi di libertà, nella città che resiste* (curated by Andrea Viliani); *Jeff Koons. Gazing Ball* (in dialogue with the exhibition at Palazzo Strozzi in Florence); photographic exhibitions: *Carlo Mari. Io Milano. Aprile 2020. La città vista dai Carabinieri attraverso l'occhio di un fotografo* (in collaboration with the Carabinieri Police Force), *Passo a due. Roberto Bolle, Giovanni Gastel* (during OnDance); *Prima della prima. Il rito dell'inaugurazione della Scala nell'Archivio Publifoto Intesa Sanpaolo* (curated by Aldo Grasso). In Naples: the contemporary art exhibition *Los Angeles. State of mind* (curated by Luca Beatrice with the patronage of the Consulate General of the United States of America in Naples). In Vicenza: the inauguration of the new permanent exhibition of Russian icons (curated by Giuseppe Barbieri and Silvia Burini, in collaboration with Università Ca' Foscari di Venezia-Centro Studi sulle Arti della Russia), which includes the temporary exhibition *Valery Koshlyakov. Architetture celesti*; the educational exhibition project *Argilla. Storie di vasi* (curated by Monica Salvadori, Monica Baggio and Luca Zamparo, in collaboration with the University of Padua – Cultural Heritage Department); the dossier exhibition *Venezia che impresa! La grande veduta prospettica di Jacopo de' Barbari* (curated by Angela Munari and Massimo Rossi, in collaboration with Fondazione Querini Stampalia in Venice); the photographic exhibition *Come saremo. L'Italia che ricostruisce. Dall'Archivio Publifoto Intesa Sanpaolo* (curated by Arianna Rinaldo, first presentation at the Cortona On The Move International Festival of Photography). At the Intesa Sanpaolo Skyscraper in Turin: the photographic exhibition *Rimbalzi* (curated by Ilaria Bonacossa and Barbara Costa, as part of Artissima and on the occasion of the Nitto ATP Finals in Turin, a digital exhibition that can be visited on artissima.art and exhibited in part at the Skyscraper); *Cima da Conegliano. Madonna con il Bambino* (two paintings as "special guests" from the Pinacoteca Nazionale in Bologna and the Petit Palais in Paris).

Exhibitions were also organised at other venues within the partnerships: *Alice Visentin. Andante. Ritmo di uno spirito appassionato e lento* (at Fiera Milano City during Miart, in collaboration with Intesa Sanpaolo Private Banking); *Vitalità del tempo. Le collezioni d'arte di Intesa Sanpaolo* (curated by Luca Massimo Barbero, at the Oval Lingotto Fiere in Turin during Artissima, in association with Intesa Sanpaolo Private Banking); *Under the Sky of Venice. 18th century Veneto vedute from the Intesa Sanpaolo collection* (at the Primorye State Art Gallery in Vladivostok during the Eastern Economic Forum, in association with Banca Intesa Russia and the Italian Embassy in Moscow).

**Educational and inclusive activities.** The relationship with schools and accessibility and inclusion are central to the programming of the Gallerie d'Italia, which offer free diverse educational projects curated by Civita Mostre e Musei and built around the permanent collections, temporary exhibitions and the buildings that house them.

Following the interruption due to the pandemic, in autumn, with the start of the 2021-22 school year, around 4,500 children and young people returned to attending the educational programmes. During the closure period, *Careers in (Sm)Art*, a programme of remote meetings and workshops aimed at introducing secondary school pupils to the art professions, produced

by Gallerie d'Italia with the Next Level Association of Turin as part of the PCTO-Percorsi per le Competenze Trasversali e l'Orientamento (255 students from 7 schools, 300 hours of activities) was held online.

The Gallerie offer special projects for people in situations of disability and social hardship, designed in collaboration with sector experts and associations. After the suspension due to the pandemic, around 1,000 vulnerable individuals safely resumed the activities. As part of the efforts aimed at inclusion, the educational exhibition project *Argilla. Storie di vasi* staged at the Gallerie d'Italia of Vicenza (with artworks from the archaeological collection owned by the Group and on loan), featuring audio, video and tactile media for full accessibility, was officially presented on 22 November in the presence of the Minister for Disabilities, Erika Stefani, and the Rector of the University of Padua Daniela Mapelli.

On the International Day of People with Disabilities (3 December), the Gallerie promoted the Inclusion Week, involving employees and the general public with free tours to raise awareness of the culture of integration. The three museums also participated with accessible and inclusive initiatives in the 9th edition of the *Biennale #Arteinsieme - cultura e culture senza barriere* (July - December). The Gallerie d'Italia in Milan, with connections from the Gallerie d'Italia in Naples and Vicenza, hosted the final event (29 November) of the 2021 season of Global Inclusion, a network of companies, non-profit sector associations and universities committed to promoting a new model of inclusive leadership in companies.

*The new Gallerie d'Italia.* During the year, considerable progress was made on the two worksites for the new museums in Turin and Naples, which will enrich the grand "Gallerie d'Italia" project. Both venues are undergoing a major architectural renovation directed by Michele De Lucchi, scheduled for completion in spring 2022. The work on the projects continued with the help of the Bank's other functions, external professionals, the Inspectorates and art historians. The development of the museum itineraries and the scheduling of exhibitions and accompanying events has been completed. Promotion initiatives with journalists and prominent guests have also been increased.

The Turin Gallerie (in Piazza San Carlo, Palazzo Turinetti, around 9,000 square metres, mostly underground), mainly dedicated to photography and the digital world, aim to become one of the top world players in the dissemination of socially relevant content through contemporary visual arts. Alongside major temporary exhibitions, the museum will be a place for the permanent promotion of the Intesa Sanpaolo PubliFoto Archive and a set of artworks from the Group's historical collections, starting with a series of paintings of the ancient Oratory of the Compagnia di San Paolo, an important example of 17th-century Piedmont. Also, within the exhibition *Transformations* by photographer Walter Niedermayr hosted at the CAMERA Foundation in Turin (July-October), a room was dedicated to images of the Palazzo Turinetti transformation project.

The new Gallerie d'Italia in Naples (in Via Toledo, in the former Banco di Napoli building, around 9,000 square metres) will triple the exhibition area compared to the previous venue. In addition to Caravaggio's *Martyrdom of St. Ursula*, a masterpiece of the Intesa Sanpaolo collections, the museum will also host a wide selection of works from the Bank's art assets: Neapolitan and southern Italian paintings and sculptures from the 17th century to the early decades of the 20th century and Attic and Magna Graecia ceramics and artworks from the 20th century art collections. The dialogue with local cultural and social actors will be strengthened, in particular by increasing the educational offering and training activities for young people, families and vulnerable individuals, to provide an increasingly concrete contribution to the creation of opportunities for social integration and cultural growth.

## Art Assets

The Group's art collections contain around 35,000 artworks, including the assets transferred from UBI Banca<sup>29</sup>. Due to its size, completeness – with artworks ranging from archaeology to contemporary art – and the presence of major masterpieces, it is considered one of the largest "corporate collections" in the world, and is the subject of assiduous study, conservation and promotion by Progetto Cultura, with the aim of sharing its beauty and value with the public.

*Conservation.* In 2021, a total of 172 of the Bank's art assets were restored, including the artworks contained in the itineraries of the new museums in Turin and Naples and the important 20th century sculptures of the "Henraux series". The work continued of the Diogene project, an assessment programme concerning the location and state of conservation of artworks present in the Bank's various premises, including the Gallerie d'Italia, or kept in vaults and deposits.

The fifth edition was also held of *Linee di energia*, a programme of conferences on contemporary art restoration organised since 2017 with Fondazione Centro Conservazione e Restauro "La Venaria Reale" and the IGIC-Gruppo Italiano of the Institute for Conservation: the 2021 edition was held in digital live streaming on the theme *Dall'oggetto fotografico all'immagine immateriale* during Artissima in Turin.

*Promotion: museum itineraries at the Gallerie d'Italia and loans.* The renovated display of the collection of Russian icons at the Gallerie d'Italia in Vicenza was presented to the public and the permanent itineraries were established for the new Gallerie in Turin and Naples dedicated to the Bank's artworks.

In addition to the Bank's museum venues, the artworks are shared through loans for temporary exhibitions in Italy and abroad. A total of 166 artworks participated in 44 exhibitions in 2021. The Italian venues included: Castello di Rivoli-Museo d'Arte Contemporanea, Reggia di Venaria Reale, Museo del Novecento in Milan, MART - Museo di arte moderna e contemporanea di Trento e Rovereto, Musei San Domenico in Forlì, Palazzo Ducale in Genoa, Galleria d'Arte Moderna Achille Forti in Verona, Fondazione Pistoia Musei, Palazzo Roverella in Rovigo, and Gallerie d'Arte Antica-Palazzo Barberini in Rome. Of particular note was the *Inferno* exhibition at the Scuderie del Quirinale in Rome, curated by Jean Clair as part of the celebrations of Dante, which featured *La caduta degli angeli ribelli*, a masterpiece of eighteenth-century sculpture that was the subject of new studies for the occasion. The international venues included: Musée d'Orsay et de l'Orangerie in Paris, Schusev State Museum of Architecture in Moscow, and Primorye State Art Gallery in Vladivostok (exhibition *Under the Sky of Venice* dedicated exclusively to 18th century artworks in the collection). Lastly, worth mentioning were the small presentations of

<sup>29</sup> During the year, the challenging process was completed for the integration of the former UBI works into the Group's assets (around 6,000 artworks, of which around 1,000 transferred to BPER).

modern and contemporary artworks in selected art fairs – such as Miart in Milan, Artissima in Turin and Roma Arte in Nuvola – organised to promote awareness of the collection at these events.

The artworks are also shared through loans to museums and cultural institutions in Italy. In 2021, these included the loan to the Fondazione Carivit of the series of fifteenth and sixteenth century frescoes from the Cassa di Risparmio di Viterbo collection originating from Oratorio di Bagnaia, now on display to the public in a new exhibition at Palazzo Gallo in Bagnaia. These operations, which represent “restitutions” of cultural assets to their communities of origin, reflect the Bank’s commitment to promoting local cultural heritage.

*Fair value.* The internal regulations require constant monitoring of the solidity of the economic value of the collections with respect to their market, through the remeasurement of the fair value of the carrying amount of the artworks within the “valuable art assets” class, initiated by the Bank in 2017 and conducted together with the Administration and Tax Department. In 2021, the Bank carried out the annual scenario analysis.

In addition, the Bank has set up the *Art Advisory and Fair Value* unit, within the Artistic Heritage structure, dedicated to providing advisory services for art collection and investment, to support the entire Group and its business activities or customer relations, and to oversee the valuation process for the Group’s valuable art assets.

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## Historical archive

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The Historical Archive, one of the first and most important bank archives in Europe, preserves the historical-documentary material inherited from the institutions that merged into the Group (over 15 km of documentation from 1397 to the early 2000s) and provides public access to the archive material, also in digital form. Among the photographic collections, it manages the Publifoto Archive (around 7 million images), a valuable photographic history of the twentieth century that will be on permanent display in the new Gallerie d’Italia in Turin.

*Protection, digitalisation, inventory and promotion.* With regard to the UBI Banca integration, during the year the Archive was involved in the acquisition of 29 former UBI archives.

The restoration, digitalisation (450,000 pages by 2021) and inventory work continued, as well as the online publication of inventories and the digitalised documents (primarily the minutes of the bank board of directors meetings). Around 94,000 records have been published on the Archive’s website to date. The Archive is at the leading edge in using digital technologies to provide the widest public access to the sources it holds. Work continued on a number of projects using the new method of publishing and linking data on the web known as LOD-Linked Open Data (such as “Archivi che imprese!” on the sources of financing for Italian businesses in the twentieth century and the sharing of data from the EGELI Fund on the seizure of Jewish property in Italy between 1939 and 1945). Significant progress was made on the PAD (digital archives project), which places the Bank among the pioneers in this area and guarantees the preservation and sharing of the native digital documentation produced by the offices of the various departments.

In terms of promotion, the Historical Archive has participated in sector initiatives (such as Archivissima in Turin, Milano Digital Week, Rete Fotografia programmes, and Festival della Diplomazia), exhibition events (such as the digital exhibition *ViteAttraverso. Storie, documenti, voci di ebrei milanesi del '900*) and conferences.

Continuous relations are maintained with the academic world in relation to educational activities and research projects (such as the University of Milan and the La Sapienza University of Rome). The Historical Archive supports study and research by making documents available to students and academics in its study rooms (there were 30 theses in progress in 2021 making use of the Archive’s materials).

The collaborations continued with numerous institutions, including the Fondazione 1563 per l’Arte e la Cultura in Turin, Fondazione del Monte di Lombardia, Fondazione Centro di Documentazione Ebraica Contemporanea in Milan, Fondazione CCR - Centro Conservazione e Restauro “La Venaria Reale”, and the Museimpresa network. Of note was the transfer of the Historical Archive of the Cassa di Risparmio di Firenze to the Fondazione Biblioteche Cassa di Risparmio di Firenze. At international level, the collaboration continued with the European Association for Banking History.

*Publifoto Archive.* The Publifoto Archive is the subject of special attention. In 2021, 13,300 photographs were restored, 6,580 images (and 34 registers) were digitalised and 14,000 items were catalogued. The Publifoto website now provides access to around 8,000 catalogue entries with a total of 50,000 images described<sup>30</sup>. The partnership with the CAMERA Foundation of Turin also continued, through the teaching area which used the Publifoto Archive for educational and research activities. The important highlights were the exhibitions *Ma noi ricostruiremo*, *Prima della Prima*, *Come saremo* and *Rimbalzi* (see the paragraph on *Exhibitions*).

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## Digital promotion of historical-art collections and exhibitions

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Progetto Cultura has intensified the production of digital initiatives on the social channels and websites of the Gallerie d’Italia and the Group, in response to the acceleration towards digitalisation prompted by the pandemic and in line with the importance attached to technological innovation by Intesa Sanpaolo. Digital has shown itself to be an increasingly necessary tool for public access to cultural assets, with great potential in terms of inclusion, and a vehicle for promoting collections and exhibitions. In addition, by complementing the “physical” experience, online activities allow additional aspects to be shared in innovative and engaging ways.

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<sup>30</sup> On the dedicated websites, the files of the Historical Archive and those of the Publifoto Archive recorded around 184,000 page views in 2021.



The initiatives were extremely popular in terms of views and interactions<sup>31</sup>. The survey conducted by Doxa, “Gallerie d'Italia. Web Reputation Benchmark” on the online presence of the Gallerie d'Italia over the period 1 January 2020 - 20 April 2021, compared against a selection of major cultural players, showed positive results in terms of engagement and sentiment. During the lockdown period, particular attention was given to the online promotion of the *Tiepolo* exhibition<sup>32</sup>. The public also appreciated the digital initiatives dedicated to the other current exhibitions and the Group's collections<sup>33</sup>, as well as the content on the worksites for the new Gallerie d'Italia in Turin and Naples<sup>34</sup> and on the Inclusion Week<sup>35</sup>. Alongside the activities on the Gallerie d'Italia and Group platforms, the work also involved the dissemination of content on the company intranet to promote staff engagement.

## Restituzioni

*Restitutions* is a testimony to Intesa Sanpaolo's significant contribution to safeguarding and promoting the Italy's artistic and architectural heritage. It is the largest restoration programme in the world and an exemplary form of public-private partnership, which the Bank has been managing since 1989 in collaboration with the ministerial bodies responsible for protecting art assets. In over thirty years, 2,000 artworks have been recovered and, after restoration, presented and shared with the public through major exhibitions.

In firm renewal of this commitment – also to protect a sector of Italian excellence such as restoration, which has been heavily affected by the pandemic – the Bank launched the 19th edition of the programme in 2019, for which the restoration works concluded in 2021. The results were 223 items restored, originating from all the Italian regions (in addition to two artworks from Paris and Rio de Janeiro); involvement of 54 conservation bodies (Inspectorates, Regional Museum Departments and Autonomous Museums) and 81 owner entities (including museums, churches and archaeological sites); 77 restoration laboratories; and hundreds of art historians engaged in saving and studying the artworks. The final exhibition will be held in April-September 2022 in the new Gallerie d'Italia in Naples.

Within the Restituzioni “monumentali” project, restoration is currently being carried out of a masterpiece of the Venetian Renaissance: the imposing canvas depicting the *Cena di san Gregorio Magno* painted by Paolo Veronese and housed in the Sanctuary of Monte Berico in Vicenza. The work is due to be completed in spring 2022.

## National and international partnerships

Progetto Cultura manages and coordinates partnerships with museums and public and private institutions, both national and international, to support and share initiatives on art, photography, music, archives, books and reading.

*National partnerships.* Intesa Sanpaolo's participation as a partner in numerous initiatives throughout Italy bears witness to the Group's deep-rooted ties with its communities and the Bank's important contribution to the cultural growth of local areas. As in 2020, in 2021 this support was necessary and important for a sector particularly hit by the effects of the pandemic.

Progetto Cultura works continuously in collaboration with bank foundations: the initiatives in 2021 included the “Patto per la Cultura per Firenze” (benefiting a selection of cultural organisations in the Tuscan region, in collaboration with Fondazione CR Firenze), the redevelopment of Teatro Ringhiera in Milan (urban regeneration project of the Municipality of Milan supported together with Fondazione Cariplo), and the restoration and expansion of spaces for the activities of the Conservatorio Statale di Musica Cesare Pollino in Padua (project of the Municipality of Padua supported with Fondazione Cariparo).

Intesa Sanpaolo is a partner in two prestigious contemporary art fairs: Artissima in Turin (which was also an opportunity to promote groups of the Bank's artworks) and Miart in Milan (in which the Bank also participated with an exhibition dedicated to the young artist Alice Visentin).

The collaborations with major Italian museums included: Fondazione Torino Musei (*Viaggio controcorrente* exhibition at the GAM); Castello di Rivoli - Museo di Arte Contemporanea (*Pittura in Persona* exhibition in collaboration with Fondazione Cassa di Risparmio di Cuneo); Museo del Cinema di Torino (*Diabolik alla Mole* exhibition); Pinacoteca di Brera in Milan (including award in 2021 of the “Rosa di Brera” prize to Intesa Sanpaolo and its President Emeritus Giovanni Bazoli for support to the activities of the Pinacoteca and the Biblioteca Braidense); Gallerie dell'Accademia in Venice (*Un capolavoro per Venezia* exhibition); Pinacoteca Ambrosiana (contribution, with Fondazione UBI Banca Popolare Commercio e Industria ONLUS, to the new display in the room dedicated to Leonardo da Vinci); Musei di San Domenico in Forlì (*Dante* exhibition); Palazzo Strozzi in Florence (where the Bank, in addition to being a non-institutional supporter of the Foundation, also

<sup>31</sup> Data provided by the Communications and Corporate Image Department.

<sup>32</sup> Made accessible (30 October 2020 - 2 May 2021) through the production of an innovative virtual experience (with immersive 3D audio technology and a dedicated mini-site), an interactive virtual tour (accompanied by videos and an engaging audio experience), the video series “Sotto un unico cielo” (made in the Veneto and Friuli areas where the painter worked) and podcasts. Overall, the organic content + advertising dedicated to *Tiepolo* on the Gallerie d'Italia and Intesa Sanpaolo social networks generated 52.6 million views and 1 million interactions, and 152,100 views on the Gallerie d'Italia, Progetto Cultura and Intesa Sanpaolo websites.

<sup>33</sup> Such as those dedicated to the exhibitions *Futuro* (3 October 2020 - 27 June 2021; organic content + advertising on the Gallerie d'Italia social networks: 11.9 million views and 323,900 interactions; the Gallerie d'Italia, Progetto Cultura and Intesa Sanpaolo websites: 16,900 page views); *Los Angeles* (28 May - 26 September 2021; organic content + advertising on the Gallerie d'Italia and Intesa Sanpaolo social networks: 9.3 million views and 339,100 interactions; the Gallerie d'Italia, Progetto Cultura and Intesa Sanpaolo websites: 25,000 page views); *Painting is back* (2 June - 3 October 2021, press conference in live-streaming on Intesa Sanpaolo and ANSA websites: 797,000 people reached, 434,600 views and peak of 5,100 users connected simultaneously; organic content + advertising on the Gallerie d'Italia and Intesa Sanpaolo social networks: 8.7 million views and 390,100 interactions; the Gallerie d'Italia, Progetto Cultura and Intesa Sanpaolo websites: 60,800 views).

<sup>34</sup> Organic content + advertising on the Gallerie d'Italia and Intesa Sanpaolo channels: for Turin: 13.5 million views and 7,800 interactions, for Naples: 12.3 million views and 7,000 interactions; Intesa Sanpaolo website: for Turin 3,100 views, for Naples 1,600 views; promotion on the Amplify platform: for Turin 31,000 of coverage, for Naples 35,500; and paid editorial content on third-party publishing platforms: 1.1 million impressions.

<sup>35</sup> The video dedicated to the Inclusion Week generated a total of 4.1 million views and 431,100 social interactions (organic content + advertising), 33,600 views on the Amplify platform and 2,100 page views on the Group and Gallerie d'Italia website.

contributed as a partner to the *Jeff Koons* exhibition); Fondazione Ivan Bruschi in Arezzo; La Quadriennale in Rome; Museo e Real Bosco di Capodimonte in Naples; Museo Archeologico Nazionale in Naples (*Gladiatori* exhibition); Italics - Art&Landscape art gallery consortium (*Panorama* exhibition in Procida - 2022 Italian Capital of Culture); Municipality of Milan - Palazzo Marino (for the traditional Christmas exhibition, this year entitled *Il Rinascimento di Bergamo e Brescia*); and Municipality of Vicenza - Basilica Palladiana (for the *La fabbrica del Rinascimento* exhibition); support for the production of the planning dossier "La città illuminata" for Bergamo Brescia Italian Capital of Culture 2023.

In photography, the partnership continued with Fondazione CAMERA - Centro Italiano per la Fotografia di Torino (an ongoing collaboration since the Centre was founded in 2015) and with Cortona On The Move. International Festival of Photography and Visual Arts (the festival's exhibitions included *Come saremo* dedicated to the Publifoto Archive and *L'Altro*, commissioned by the Bank from the famous photographer Paolo Pellegrin).

As part of its efforts to promote books and reading, Intesa Sanpaolo has been supporting the Turin International Book Fair for 14 years. Also within this area, Intesa Sanpaolo is a partner of the Festival della lettura "La grande invasione" in Ivrea, the Circolo dei Lettori in Milan and Ascoltare, leggere, crescere in Pordenone.

Attention is also given to the promotion of the archives, through support for and participation in Archivissima. Festival and Notte degli Archivi in Turin.

*International partnerships.* In line with Intesa Sanpaolo's global outlook, Progetto Cultura builds exchanges with prestigious international museums, reflecting the Bank's commitment to promoting knowledge of Italy's art heritage.

A special collaboration is under way with The National Gallery in London based on the sharing of a major exhibition project – with the scientific advice of Gabriele Finaldi, director of the London museum – dedicated to Artemisia Gentileschi (the exhibition in London on the painter supported by the Bank, the first stage of the project, ended in January 2021). Under the three-year collaboration agreement with the State Hermitage Museum in St. Petersburg, the *After Raphael 1520-2020* exhibition at the Hermitage, supported by Intesa Sanpaolo, ended in March; the museum is also a prestigious partner of the *Grand Tour* exhibition at the Gallerie d'Italia in Milan. The collaboration between the Primorye State Art Gallery of Vladivostok and Gallerie d'Italia during the Eastern Economic Forum led to the *Under the sky of Venice* exhibition, which presented artworks from the Bank's collection in the Russian museum. Progetto Cultura also took part in the *China Goes Urban* exhibition hosted at MAO-Museo di Arte Orientale in Turin, curated by Politecnico di Torino and Prospekt Photographers with Tsinghua University in Beijing for the 50th Anniversary of Diplomatic Relations between Italy and China.

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#### Training. Gallerie d'Italia Academy and Officina delle idee

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Progetto Cultura provides specialist training to young people, also in view of the occupational-economic value of professions linked to the world of art and culture.

The Executive Course in "Management of artistic-cultural assets and corporate collections" is a project of Gallerie d'Italia Academy, originating from the desire to share the experience gained by Progetto Cultura in the management and promotion of Group's art collections and museums. The aim is to train young managers to manage and promote artistic and cultural assets with civic responsibility and solid skills. It has been created and implemented with the support of Fondazione Compagnia di San Paolo and Fondazione Cariplo, in collaboration with Intesa Sanpaolo Formazione and Fondazione 1563 per l'Arte e la Cultura, and designed with the scientific contribution of Fondazione Scuola dei Beni e delle Attività Culturali and the patronage of the Ministry of Culture. The first edition took place from February to July 2021: almost 900 applications from all over Italy, 37 participating students, 80 lecturers, 10 scholarships made available by the Foundations for the most deserving students, 164 hours of distance learning (144 lessons and 20 webinars), 4 live streams (from the Gallerie d'Italia and the Fondazione 1563 in Turin), and a final event attended by students and institutions. The 2nd edition was launched on 17 December and will start on 11 March 2022.

Also within the Gallerie d'Italia Academy, the first edition was held of the course "Securing works of art in the event of an emergency", organised in collaboration with experts from the Ministry of Culture of the Marche region, which provided training to 20 professionals within the Gallerie d'Italia in Milan on disaster and risk management in relation to the protection of artworks. The training programme, which will soon be offered in the other Gallerie d'Italia museums, is a pioneering initiative in the Italian cultural landscape.

The *Officina delle Idee* initiatives, organised in collaboration with universities and major public and private institutions, are aimed at young graduates and post-graduates who are offered creative, training and professional opportunities, with a view to the connection between scientific research, cultural innovation and social needs. These included the Euploos Project with the Gallerie degli Uffizi in Florence: in continuation of the two previous three-year cycles, support was renewed in 2021 for the project, which involves a multidisciplinary working group made up of young art historians, photographers and computer scientists, who are engaged in the creation of a digital catalogue of the 70,000 drawings kept in the Gabinetto dei Disegni e delle Stampe of the Uffizi (to date, there are around 37,000 scientific records – covering half of the vast GDSU collection – and 15,250 images available for consultation online). Also worth noting is the collaboration with Fondazione CCR - Centro Conservazione e Restauro "La Venaria Reale", involving the loan of artworks from the Bank's 1900s art collections (in particular artworks on paper and photography), used for teaching purposes by the Laboratorio per il Restauro della Carta e della Fotografia in the Degree Course in Conservation and Restoration of Cultural Assets at the University of Turin. In addition, around 100 young art historians work permanently at the Gallerie d'Italia, under the partnership with Civita.

## Publishing and musical initiatives

The Edizioni Gallerie d'Italia - Skira published the catalogues of temporary exhibitions, volumes related to the Historical Archive and the collections, as well as children's books (including *Luna al museo*, a book "without words" to overcome linguistic, cultural and sensory barriers for readers with a view to full accessibility to cultural heritage).

As part of the editorial and musical series *Vox Imago*, dedicated to exploring opera and enriched by digital delivery content available on the website or via app, the 18th edition of *Salome* by Richard Strauss was released in 2021 in the Teatro alla Scala production, conducted by Riccardo Chailly and directed by Damiano Michieletto.

Significant initiatives were also implemented in 2021 for the dissemination of knowledge of ancient, classical and contemporary music: the collaborations continued with major musical organisations for the creation of concert seasons with accompanying initiatives and training programmes for young people, also from disadvantaged groups (the Philharmonic Orchestra of the Teatro Regio in Turin, the Associazione Alessandro Scarlatti of Naples, the Società del Quartetto of Milan, Palazzo Marino in Musica in Milan, the Stresa Festival and the Milano Musica Festival). The introduction of digital programmes during the pandemic enable the broadening of the audience of regular listeners.

## Main risks and uncertainties

The main information on risks and uncertainties to which the Intesa Sanpaolo Group is exposed are described in the Report on operations and in the Notes to the consolidated financial statements.

This section outlines the main risks and uncertainties the Group is exposed to in relation to the situation generated by the COVID-19 pandemic. Further information in this regard is provided in Parts A, B, C and E of the Notes to the consolidated financial statements, as required by the Bank of Italy Communication of 21 December 2021 regarding the updates of the impacts of COVID-19 and the measures in support of the economy.

In addition, as usual, the risks associated with the trends in the global economy and financial markets are discussed in the introduction to the Report on operations, dedicated to the macroeconomic scenario and in the chapter on the outlook of operations.

The assumptions on which our valuations and forecasts are based with regard to the verification of the values of intangible assets and goodwill are described in Part B of the Notes to the consolidated financial statements, in the section on impairment tests.

With regard to deferred tax assets, a description is also provided in Part B of the analysis conducted to verify whether the forecasts of future earnings are sufficient to ensure the recovery of those deferred tax assets and thus justify recognising and continuing to carrying them (probability test). With regard to capital strength, in addition to this Report on operations, details are provided in Part F of the Notes to the consolidated financial statements and in the Basel 3 Pillar 3 Disclosure.

Information on risks at a general level, and in particular on financial risks (credit risks and market risks), operational risks and the risks of insurance companies are detailed in Part E of the Notes to the consolidated financial statements, where the issues relating to climate risk are also reported in accordance with the ESMA guidelines of 29 October 2021 ("European common enforcement priorities for 2021 annual financial reports").

Lastly, with regard to the going concern assumption, the Directors of Intesa Sanpaolo re-affirm that they have a reasonable certainty that the Company will continue in operational existence in the foreseeable future and consequently have prepared the financial statements for 2021 on a going concern basis. The Directors have not detected any uncertainties in the balance sheet and financial structure or in the performance of operations that question the going concern assumption.



# **The macroeconomic context and the banking system**



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# The macroeconomic context and the banking system

## The macroeconomic context

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### The economy and the financial and currency markets

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High vaccination levels in the advanced economies and some of the emerging countries have reduced the global economy's sensitivity to the resurgence of the COVID-19 pandemic. Despite the succession of new waves of infection, world GDP is estimated to have increased by well over 5%. In the advanced countries, economic growth was mainly driven by a recovery in demand for services related to reopenings, while the expansion in manufacturing and international trade was increasingly held back by capacity constraints in global production chains. Inflation is accelerating across the board, although it is still largely attributable to the energy component, which in turn is prompting central banks to remove monetary stimulus measures more quickly than expected.

In the US, pre-crisis GDP levels had already been recovered in the first half of the year, and average annual growth exceeded 5%. The strong rise in domestic demand, also fuelled by expansionary fiscal policies, started to come up against increasing capacity constraints. Falling labour force participation rates and uneven expansion of economic activity fuelled wage pressures. The inflation rate reached 7% in December, the highest level since 1982. The Federal Reserve reacted to signs that the economy was overheating by speeding up the timetable for the removal of the monetary stimulus. In the final months of 2021, it rapidly reduced net purchases of securities, signalling to markets its intention to implement several official rate hikes in 2022.

In the Eurozone, GDP growth was at a healthy pace of around 5%, but insufficient to recover pre-crisis levels. Economic performance was still affected by the waves of infection, particularly at the beginning of the year. After a negative first quarter, growth was very strong in the two middle quarters, but slowed down again to a near standstill in the autumn quarter. Robust economic growth boosted employment levels, with the unemployment rate falling by more than one percentage point from its peak in the third quarter of 2020. Inflation rose to 2.6% on average over the year, with a high of 5.0% in December. Half of the inflation in December was due to the energy component.

The European Central Bank, which faces lower inflationary pressures and which in December expected inflation to return below 2% in 2023-24, has maintained very accommodative monetary conditions. In September it announced a moderate reduction in net purchases under the PEPP (Pandemic Emergency Purchase Programme) for the fourth quarter. In mid-December, it indicated that PEPP net purchases would be further reduced in the first quarter of 2022 and then suspended altogether from 31 March. The intervention will be temporarily mitigated by an increase in APP (Asset Purchase Programme) net purchases in the second and third quarter of 2022. Official rates remained unchanged throughout 2021.

Economic activity also picked up sharply in Italy, resulting in GDP growth above 6%, a moderate increase in employment and, from the second quarter, also a decline in the unemployment rate. The economic performance was similar to that seen in the rest of the continent: after a weak start, growth was very strong in the middle quarters of 2021, but slowed down again in the final months of the year. The rebound in GDP was almost entirely due to a recovery in domestic demand, with a modest contribution from the trade balance: in addition to private consumption, fixed investment also showed robust increases compared to 2020. The strong growth in exports was offset by an equally large increase in imports. Incentives to renovate buildings supported construction activity and the real estate market, which also benefited from the excess savings accumulated in 2020 by some Italian households. Inflation in Italy also accelerated sharply in 2021: in December consumer prices increased by 4.2%, while average annual inflation was estimated at 1.9%.

Rising inflation expectations pushed up medium/long-term rates, while short-term rates continued to be held back by excess liquidity and unchanged official rates. The Btp-Bund spread remained at low levels, with minimums of less than 100 basis points between February and April and a gradual increase to over 130 basis points by the end of the year. The Euro weakened on currency markets, but its volatility remained relatively low.

In 2021, there was a rising trend in the international stock markets, which had already begun at the end of the previous year, and was driven by the acceleration of the vaccination campaign (first in the United States and the United Kingdom and then in the Eurozone countries), which allowed the gradual lifting of restrictions on mobility, with positive effects on the economic recovery and the stock markets.

The finalisation of the National Recovery and Resilience Plans (NRRP), as part of the Next Generation EU programme in the Eurozone, the Biden Administration's announcements of support plans, and the ongoing expansionary monetary policies of the major central banks continued to support stock markets, with a moderate reduction in risk premiums.

The financial results for Italian companies for the second and third quarter of 2021 were generally positive and better than expected for the Italian equity market, increasing the visibility of the 2021 company earnings, with many companies confirming, or slightly improving, their guidance.

In the second half of the year, however, concerns arose due to growing inflationary pressures, linked to rising energy and commodity costs, as well as persistent bottlenecks in global supply chains. Additionally, the announced changes in the monetary policies of the Federal Reserve and the European Central Bank added elements of uncertainty to the overall situation.



The Euro Stoxx index closed 2021 up by 20.4%, the CAC 40 overperformed the European index (+28.9%), and the DAX 30 increased by +15.8%, while the IBEX 35 underperformed (+7.9%). Outside the Eurozone, the Swiss market index SMI rose by 20.3%, while the United Kingdom's FTSE 100 index rose by 14.3%.

In the US equity market, the S&P 500 index was up by +26.9% and the NASDAQ Composite technology stocks index rose by 21.4%. In contrast, the main Asian stock markets posted modest rises: the NIKKEI 225 closed the year at +4.9%, while the Chinese SSE A-Share benchmark posted +4.8%.

The Italian stock market performed well: the FTSE MIB index was up +23%, in line with the FTSE Italia All Share index (+23.7%), while mid-cap stocks actually outperformed the overall index, with the FTSE Italia STAR index up 44.7%.

The European corporate bond markets ended 2021 positively, with risk premiums (measured as asset swap spreads - ASW) down compared to the beginning of the year, despite a negative phase in November due to the combined effect of the diffusion of new variants of the virus and expectations about the European Central Bank's December meeting.

During the year, market sentiment benefited from the acceleration of the vaccination campaign, the improved macroeconomic environment, and the continued technical support provided by central banks. In this regard, we note that the performance of spreads was particularly positive from the second quarter of the year, following the announcement by the European Central Bank in March that purchases under the PEPP over the next months would be conducted "at a significantly higher pace than during the first months" of 2021.

In terms of performance, Investment Grade securities saw their spreads narrow by around 18% from the beginning of the year, with limited differences between financial and industrial issuers. The performance of the higher-risk securities (High Yield) was also positive, with their spreads falling by around 7% on average (Markit iBoxx data).

The primary market recorded solid levels; the willingness of issuers to take advantage of the favourable credit conditions, and the search for yields by investors, led, in general, to a progressive lengthening of the maturities offered.

ESG issues continued to be of great interest to both investors and issuers who, in many cases, have been able to benefit from a lower cost of funding compared to the issuance of securities with the same characteristics, but not linked to sustainability issues (so-called "greenium"). In this market segment (Bloomberg data), total corporate issuances in euros were around 280 billion euro (compared to around 145 billion euro issued in 2020), of which around 150 billion euro issued as green bonds (around 80 billion euro in 2020). In 2021, there was also strong growth in sustainability-linked bonds, a type of sustainable debt whose proceeds are not earmarked for specific projects (as opposed to green bonds, social bonds, and sustainability bonds). This increased flexibility has also allowed issuers that do not have a strictly green profile to take advantage of sustainable finance opportunities.

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## The emerging economies and markets

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After contracting sharply in 2020, emerging markets rebounded, especially in the second quarter of 2021, whereas from the third quarter onwards, energy commodity increases, coupled with new waves of the pandemic, slowed the pace of growth. The strongest growth rates were recorded in Latin America and emerging Europe (with GDP growth in 2021, based on the IMF's October estimates, of 6.3% and 6.0% respectively), while the economic growth estimated for the sub-Saharan region of Africa was more modest (+3.7%).

In the regions with ISP subsidiaries, in the third quarter of 2021 there was an increase in GDP of over 5% in Central and South-Eastern Europe (CEE/SEE), and around 4% in Eastern Europe (EE), with performance at individual country level ranging from +3.2% in the Czech Republic to +6.8% in Hungary in the first area, and from +3.8% in Russia to +2.7% in Ukraine in the second area. The economic recovery was particularly strong in the second quarter (13.5% in the CEE area, 14.8% in the SEE area and 6.1% in the EE area), coinciding with the easing of the restrictions adopted for the COVID-19 emergency. Growth in the third quarter was more subdued in all the European areas, whereas GDP in Egypt rose by 9.8%.

In 2021, the strong demand associated with the recovery pushed up energy commodity prices and, as a result, inflation, especially in Eastern European countries where the latest available data show a rise in the consumer price index of more than 10%. In the regions with ISP subsidiaries, our estimates point to a rise in consumer prices in the CEE/SEE area of 4.4% on average (from 2.8% in 2020 as a whole) – ranging from 1.7% in Bosnia Herzegovina to 5.1% in Romania – and in the EE area of 7% (from 3.3%). In Egypt, where price growth has been slowing since 2017, inflation started to rise again, reaching up to 5.2%. In many countries, inflation rates were beyond the central bank target ranges.

The expansionary measures adopted by central authorities to contain the economic effects of the pandemic and support economic recovery are starting to be phased out in some countries.

With regard to the countries with ISP subsidiaries, rises in key interest rates started to be implemented particularly in the Czech Republic, Hungary, Romania, Russia, Ukraine and Moldova.

Monetary policy rates started to go up again. To counteract inflationary pressures, the central banks of Hungary, the Czech Republic, Poland and Romania further raised policy rates to 2.40% (from 0.60%), 3.75% (from 0.25%), 2.25% (from 0.10%) and 2.0% (from 1.25%), respectively. Due to strong inflationary pressures, the Russian central bank raised the policy rate seven times in 2021 (the last increase was in December, by 100 basis points, to 8.50%), keeping the prospect open, at the last meeting, for further key rate increases at future meetings. In Ukraine, the central bank raised the policy rate five times, from 6.0% to 9.0%. In Moldova, the central bank raised the key interest rate four times from 2.65% to 6.5%. In Egypt, the key interest rate remained unchanged at 9.25%.

Stock markets provided a mixed picture. The MSCI Emerging Market component was marginally negative (-2.2%); the MSCI Latin America and MSCI Asian (ex-Japan) baskets were down -13.1% and -6.4% respectively; in contrast, MSCI Eastern Europe made noteworthy gains (+17.7%). The MSCI BRIC (down 13%) saw opposing trends with large falls in Brazil (-23.5%) and China (-22.8%) against considerable gains in India (+27.7%) and Russia (+13.3%). Brazil was adversely affected by shortcomings in the management of the health emergency, political uncertainty ahead of the upcoming presidential elections and the expectation of new interest rate hikes. China was affected by increased regulatory pressures on some sectors, a slowdown in the pace of economic growth and risk aversion in the real estate sector after the Evergrande case. India was



helped by signs of robust economic recovery. Russia was supported by energy prices, although gains fell somewhat towards the end of the year as geopolitical tensions over Crimea and Kazakhstan escalated.

In the countries with ISP subsidiaries in the CEE/SEE area, share prices were mostly positive, except for Serbia (-5.1%) and Croatia (-2.2%). The strongest gain was in the Czech Republic (+49.3%), accompanied by good performances in Bosnia Herzegovina (+30.7%), Slovenia (+28.1%), Bulgaria (+18.7%), Romania (+17.2%), Hungary (+10.8%) and Poland (+9.6%). Egypt recorded an increase of 5.6%.

In the foreign exchange market, emerging currencies weakened against the greenback as the Federal Reserve is expected to raise the cost of money. The Turkish lira (USD/TRY +79.2%), as well as the Argentine peso (USD/ARS +22.1%) and the Colombian peso (USD/COP +19.1%) in South America suffered the most.

In the non-CEE/SEE countries with ISP subsidiaries, the Russian rouble (USD/RUB +1.0%) and the Egyptian pound (USD/EGP -0.2%) moved essentially sideways. Among the CEE and SEE countries, the Ukrainian Hryvnia (EUR/UAH -10.5%), the Czech Koruna (EUR/CZK -5.1%) and the Moldovan Leu (EUR/MDL -3.4%) strengthened against the Euro. Opposing movements during the year led to marginal variations in the other cases.

In 2021, interest rate hikes by monetary authorities penalised the prices of government bonds issued by emerging countries, resulting in a prevailing rise in yields and spreads in relation to US Treasuries (+48 basis points in the EMBI+ Index sovereign spread). Within the EMBI+ basket, spreads increased on the Latin (+65 basis points) and Emerging Europe (+82 basis points) baskets, while they narrowed in relation to Asia (-22 basis points) and Africa (-18 basis points).

## The Italian banking system

### Interest rates and spreads

Bank lending rates also fell in 2021, reaching new lows, although the declines were very small. With regard to lending flows, the annual average rate on business loans recorded a further slight decrease, driven by the rate on loans of over 1 million euro, while rates on smaller flows, which were up in the autumn 2020, were stable until the summer and then declined slightly again in the latter part of the year. In contrast, the decline stopped for household mortgage lending rates, which increased for fixed-rate transactions, recovering from the significant fall in 2020. However, rates on home loans remained at record lows.

The rate on overall deposits fell slightly, with marginal adjustments for overnight deposits, where the yield is now close to zero. Rates on new time deposits were on average lower than in 2020, fluctuating widely as usual during the year, especially for those offered to non-financial companies. The overall cost of customer deposits continued its very gradual decline. However, the spread between lending and funding rates narrowed further.

As in the previous nine years, the mark-down on on-demand deposits remained negative in 2021, worsening slightly on average compared to 2020 and remaining stable over the year. The mark-up on short-term interest rates decreased due to the decline in short-term lending rates.

### Loans

The credit market continued to be characterised by loose supply conditions, thanks to extensive refinancing by the Eurosystem, good bank capitalisation and improved asset quality. On the other hand, demand for credit from businesses weakened. After the significant increase in loans to businesses in 2020, underpinned by liquidity and credit support measures, there was a rapid and sharp slowdown in growth, which seemed to come to a halt in late 2021. As the extraordinary liquidity needs that emerged from the pandemic crisis subsided, the use of publicly guaranteed financing continued at a more moderate pace than in 2020 since the financial needs of companies gradually normalised. 53 billion euro of loans backed by the Guarantee Fund for SMEs pursuant to Article 13 of the ("Liquidità") Law Decree 23/2020 were disbursed in 2021, following the 98 billion euro cumulated between May and December 2020. The use of government-guaranteed loans helped to accelerate the shift in loans to businesses towards medium/long-term loans, which continued to drive growth in 2021, but at a much lower and slowing pace, while short-term loans continued to decline.

In contrast to the slowdown in loans to businesses, loans to households returned to robust growth after the slowdown in the first phase of the pandemic crisis. From the second quarter their rate of change averaged +3.8% yoy. This performance was underpinned by loans to consumer households for home purchases, which saw continuous growth in disbursements for new mortgage contracts since March, leading to an increase in the stock of over 4% yoy in the second half of the year and 4.7% in December. Consumer credit recovered, although at a rather moderate pace compared to pre-pandemic levels.

With regard to credit quality, there were no particular signs of deterioration. The stock of net bad loans in December was down 28% from the end of 2020. Net bad loans as a percentage of total loans fell to 0.9%, from 1.2% in December 2020. In the fourth quarter of 2021, the default rate in terms of annualised flow of non-performing loans in relation to total performing loans remained at a record low of 1.3%. De-risking by banks continued, with a concentration of significant sales and securitisation of non-performing loans towards the end of the year.

### Funding from customers

Customer deposits continued the robust growth in the overnight deposits segment, which has been underway since 2013 and has accelerated with the pandemic. The rate of growth of overnight deposits remained in double digits for most of 2021, with a partial slowdown towards the end of the year. The strong performance of the on-demand component led to a significant increase in total deposits and total funding from customers, despite the decline in the bond funding. The latter reflects the lower needs for medium/long-term funding, which benefited from the substantial liquidity made available by the ECB, in particular through targeted refinancing operations (TLTRO III).

The growth of deposits continued to be linked to uncertainty and low rates, fuelling the preference for liquidity, together with a savings rate that, although in decline compared to 2020, remained above the pre-COVID level. Balances on company accounts also remained high, although the upward trend was more moderate after the exceptional cash reserves accumulated in the first phase of the pandemic. Deposits of non-financial companies continued to increase, with an inflow from January to December of 49 billion euro in overnight deposits, compared to a record figure of +83 billion euro in 2020. Household overnight deposits increased by as much as 69 billion euro in 2021, a significant amount after the 80 billion euro in 2020, when, however, there was a situation of business closures, falling consumption and disposable income and forced savings.

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#### **Indirect deposits and asset management**

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For assets under administration, the decline in debt securities held in custody by banks on behalf of households continued in 2021. The persistence of this trend reflected the ongoing fall in bank bonds held by retail customers, as well as government bonds. On the other hand, there was a significant increase in the fair value of equities held in custody, both shares and mutual funds.

Assets under management performed strongly in 2021. For mutual funds, the substantial inflows during the year were mainly directed towards the equity and balanced segments. The growth in inflows was driven by the positive performance of stock market indices and the savings accumulated by households, partly allocated to forms of financial investment with higher returns, in an environment of improved confidence thanks to the economic recovery. Portfolio management schemes also showed significant growth. Life insurance picked up overall, driven by new business for unit-linked policies.

# **Income statement and balance sheet aggregates**



# Economic results

## General aspects

A condensed reclassified consolidated income statement has been prepared to give a more immediate understanding of results. The figures are normally restated, where necessary and if they are material, for ease of comparison. In particular, the amounts are provided as uniformly as possible with reference to the different periods covered, above all in relation to intervening changes in the scope of consolidation. This uniformity is achieved through “restated” figures, which include/exclude the values of the companies that entered or left the scope of consolidation, and through “redetermined” figures when, at the time of major or particular transactions, it is appropriate to display side-by-side/supplement the restated figures with redetermined figures, possibly also including management data.

In particular, the restatements involved:

- the line-by-line income statement results of Intesa Sanpaolo RBM Salute, which entered the line-by-line scope of consolidation in the second quarter of 2020 due to the finalisation of the acquisition of majority shareholding of the company;
- the line-by-line income statement results of the Reyl Group companies (Reyl & Cie S.A., RB Participations S.A. and Asteria Investment Managers S.A.), which entered the line-by-line scope of consolidation in the second quarter of 2021 following the acquisition of control by Fideuram - Intesa Sanpaolo Private Banking.

Lastly, for the first three quarters of 2021, to ensure an appropriate commentary on the performances of the items affected, administrative and personnel expenses were restated to reflect the inhousing in 2021 of activities previously outsourced by the UBI Group, resulting in the re-hiring of personnel who had been transferred or seconded to external services.

With particular regard to the acquisition of the UBI Group and the related transactions, it bears recalling that – given the particular nature of the transaction – in 2020 the historical figures were not adjusted to reflect the effects of the consolidation, which took effect from August, retrospectively during the quarters of the year concerned. However, a comparison of the 2021 income statement figures, inclusive of the UBI Group, and the 2020 figures not including them would not be meaningful. Another difference between the periods relates to the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata (BPPB), correlated to the acquisition transaction, carried in the first and second quarters of 2021. Lastly, again in the second quarter of 2021, the acquisition of 100% of the share capital of Cargeas (insurance company operating in the non-life business) by Intesa Sanpaolo Vita was finalised, along with the acquisition of control over Assicurazioni Vita<sup>36</sup> (formerly Aviva Vita) and Lombarda Vita<sup>37</sup> (insurance companies operating in the non-life business), with which UBI had started multi-year partnerships and which were previously consolidated using the equity method on account of the smaller stakes held. The income components of these insurance companies were also affected by the sale of the UBI branches to BPER and BPPB: the branch disposals have resulted in the loss of the margins on the policies sold to customers of those branches.

In consideration of the foregoing, it was decided to provide the reader with a like-for-like comparison in the various periods in the interest of a better understanding of income dynamics. In view of the nature of the necessary restatements, this comparison – which also includes income results at the level of each branch object of disposal – is also based on figures of a management nature. Accordingly, to present the figures “redetermined” (in the following tables the “Redetermined figures”) on the basis of accounting and management records, schedules have been produced in addition to those determined on the basis of stated figures at the end of the various periods, and the detail tables have been expanded upon or duplicated with separate indication of the “Redetermined figures”.

In particular, the “redeterminations” of the figures for the four quarters of 2020 related to:

- the inclusion of the UBI Group’s figures on a line-by-line basis, with the attribution by convention of net income to the caption Minority interests in the “redetermined” income statement, and thus without an impact on net income for the period;
- the line-by-line exclusion of the income results relating to the UBI branches sold in the first quarter of 2021 and the UBI and ISP branches sold in the second quarter of 2021, which by convention have been synthetically allocated to the caption Income (loss) from discontinued operations of the “redetermined” income statement;
- the inclusion of the figures of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas on a line-by-line basis, suitably “redetermined” on the basis of management information to exclude the income statement results linked to production from the customers of the branches sold, with the attribution by convention of net income to the caption Minority interests in the “redetermined” income statement, and thus without an impact on net income for the period;
- the elimination of the contribution to the item Other operating income (expenses) of the result attributable to the insurance companies Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita (previously consolidated using the equity method), with the attribution by convention to the caption Minority interests in the “redetermined” income statement (hence with no impacts on net income), already used to synthetically allocate the income effects of the line-by-line results of the above companies;
- due to the restatement of the 2020 figures, finally, attention should be drawn to the aforementioned reclassification of administrative and personnel expenses in 2021 to reflect the inhousing of activities previously outsourced by the UBI Group, resulting in the re-hiring of personnel who had been transferred or seconded to external services.

<sup>36</sup> Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

<sup>37</sup> Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

The redeterminations of the figures for the first quarter of 2021 related to:

- the line-by-line exclusion of the income results relating to the UBI branches sold in the first quarter of 2021 and the UBI and ISP branches sold in the second quarter of 2021, which by convention have been synthetically allocated to the caption Income (loss) from discontinued operations of the “redetermined” schedule;
- the inclusion of the figures of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas on a line-by-line basis, suitably “redetermined” on the basis of management information to exclude the income statement results linked to production from the customers of the branches sold to BPER, with the attribution by convention of net income to the caption Minority interests in the “redetermined” income statement, and thus without an impact on net income for the period;
- the elimination of the contribution to the item Other operating income (expense) of the result attributable to the insurance companies Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita (previously consolidated using the equity method), with the attribution by convention of net income to the caption Minority interests in the “redetermined” income statement (hence with no impacts on net income), already used to synthetically allocate the income effects of the line-by-line results of the above companies.

The redeterminations of the figures for the second quarter of 2021 related to:

- the line-by-line exclusion of the income results relating to the UBI and ISP branches sold in the second quarter of 2021, which by convention have been synthetically allocated to the caption Income (loss) from discontinued operations of the “redetermined” schedule;
- the inclusion of the insurance company Cargeas’ figures on a line-by-line basis for the months of April and May, with the attribution by convention of net income to the caption Minority interests, and thus without an impact on net income for the period.

There were no redeterminations of the figures for the third and fourth quarters of 2021.

All comments below therefore refer to the “redetermined” values in order to permit uniform comparisons.

Breakdowns of restatements and reclassifications made as compared to the layout established in Bank of Italy Circular 262 – in addition to the aforementioned “redeterminations” – are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.

The reclassifications and aggregations of the consolidated Income statement are as follows:

- dividends relating to shares or units in portfolio and dividends collected or paid within the framework of securities lending, which have been reallocated to the caption Profits (losses) on financial assets and liabilities designated at fair value;
- Profits (losses) on financial assets and liabilities pertaining to insurance companies (measured pursuant to IAS 39, by virtue of the Group’s exercise of the option to defer application of IFRS 9), which include the shares of Net interest income, Dividends and Income from financial assets and liabilities relating to insurance business, have been reclassified, along with net premiums and the balance of income and expenses from insurance business, to the specific caption Income from insurance business, to which the effect of the adjustment of the technical reserve has also been attributed, in respect of the component borne by the insured parties, relating to the impairment of the securities held in the portfolios of the Group’s insurance companies. The claims in excess of premiums accrued have also been included in the caption Other net provisions and net impairment losses on other assets, as well as the estimated provisions for future charges on policies in relation to financial imbalances which were also generated as a result of greater uses of benefits by insured persons on conclusion of the long periods of lockdown;
- differentials on derivatives, classified to the trading book and contracted to hedge transactions in foreign currencies, have been allocated among Net interest income owing to the close correlation;
- periodic fees and commissions on current accounts with positive balances applied to customers (excluding the retail customers and SMEs segment), in accordance with the provisions of the term sheets, which are accounted for as interest income, inasmuch as they cover the financing cost incurred by the Bank;
- Profits (losses) on trading, fair value adjustments in hedge accounting, profits (losses) on financial assets and liabilities measured at fair value through profit or loss, profits (losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income and on sale or repurchase of financial liabilities, which have been reallocated to the single caption Profits (losses) on financial assets and liabilities designated at fair value;
- the share of the premium on the issue of the certificates paid to the networks for their placement, which is reclassified from Profits (Losses) on assets and liabilities designated at fair value to Net fee and commission income;
- the return components of the insurance policies taken out to cover contractual indemnities and retention plans for financial advisors, which are deducted directly from Profits (Losses) on financial assets and liabilities designated at fair value, in accordance with the valuation effect of the assets in question, rather than being presented – as attributable to the advisors – among Other net provisions and net impairment losses on other assets (for valuation effects) or among Net fee and commission income or Other operating income (expenses), depending on the type of insurance policy used (for effects from realisation);
- the operating income of entities operating in sectors entirely distinct from banking and finance, reallocated to Other operating income (expenses), including that of the entities not subject to management and coordination within the framework of the Group (Risanamento and its subsidiaries);
- the administrative expenses relative to recoveries of expenses, taxes and duties, which are deducted from the caption instead of being included among Other income (expenses), and the expenses associated with the “bank tax” paid quarterly to the Hungarian treasury by the CIB Group, which - given the nature of the tax - are accounted for as taxes on income;
- profits and losses on disposal or repurchase of financial assets measured at amortised cost (loans and debt securities representing loans), which have been allocated to Net adjustments to loans;
- Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, the effects on the income statement of the changes in contracts and the net provisions for risks and charges for credit risk relating to commitments and guarantees given, attributed to the single item Net adjustments to loans;

- the reversal in the time value of Employee termination indemnities and Allowances for risks and charges, which have been included among Net interest income, as a phenomenon deriving directly from the application of the amortised cost criterion, in the absence of changes in projected future cash flows, in keeping with the treatment of the time value of financial assets measured at amortised cost;
- Net losses for credit risk associated with financial assets measured at amortised cost other than loans and net impairment losses on equity investments, as well as property and equipment and intangible assets (including property and other assets, such as those resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future), which have been reclassified to Other net provisions and net impairment losses on other assets, which consequently include – in addition to the provisions for risks and charges other than those relating to commitments and guarantees – the valuation effects of the assets other than loans, with the sole exception of impairment losses on intangible assets that have been reclassified to Impairment (net of tax) of goodwill and other intangible assets;
- realised profits (losses) on financial assets measured at amortised cost other than loans, on equity investments and on other investments have been reallocated to Other income (expenses). Accordingly, in addition to the income and expenses not strictly related to operations, this caption represents the summary of the effects from the realisation of assets other than loans. Profits (Losses) realised on debt securities in correlation with trading activity represent an exception; in view of their business model, which involves management closely correlated with the other financial instruments, they are classified to Profits (Losses) on financial assets and liabilities designated at fair value;
- Charges (net of tax) for integration and exit incentives, which are reclassified from Personnel expenses, Other administrative expenses and other captions of the income statement to a separate caption;
- the purely accounting Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3;
- levies and other charges aimed at maintaining the stability of the banking industry, which are reclassified, after tax, to the specific caption;
- Goodwill impairment and impairment losses on other intangible assets, which – where present – are shown, as stated above, net of tax.

As indicated above, in order to ensure a uniform comparison, the analysis of income performance below is based on figures redetermined to take into account the inclusion of the UBI Group and the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita (merged into Intesa Sanpaolo Vita on 31 December 2021) and Cargeas, net of the effects attributable to the branches object of disposal.



## Reclassified income statement

	2021	2020	(millions of euro)	
			Changes	
			amount	%
Net interest income	7,966	7,799	167	2.1
Net fee and commission income	9,634	8,344	1,290	15.5
Income from insurance business	1,586	1,353	233	17.2
Profits (Losses) on financial assets and liabilities designated at fair value	1,626	1,589	37	2.3
Other operating income (expenses)	106	12	94	
<b>Operating income</b>	<b>20,918</b>	<b>19,097</b>	<b>1,821</b>	<b>9.5</b>
Personnel expenses	-6,824	-6,196	628	10.1
Other administrative expenses	-2,892	-2,693	199	7.4
Adjustments to property, equipment and intangible assets	-1,246	-1,159	87	7.5
<b>Operating costs</b>	<b>-10,962</b>	<b>-10,048</b>	<b>914</b>	<b>9.1</b>
<b>Operating margin</b>	<b>9,956</b>	<b>9,049</b>	<b>907</b>	<b>10.0</b>
Net adjustments to loans	-2,772	-4,214	-1,442	-34.2
Other net provisions and net impairment losses on other assets	-848	-346	502	
Other income (expenses)	332	73	259	
Income (Loss) from discontinued operations	-	1,163	-1,163	
<b>Gross income (loss)</b>	<b>6,668</b>	<b>5,725</b>	<b>943</b>	<b>16.5</b>
Taxes on income	-1,622	-1,361	261	19.2
Charges (net of tax) for integration and exit incentives	-439	-1,563	-1,124	-71.9
Effect of purchase price allocation (net of tax)	-39	1,960	-1,999	
Levies and other charges concerning the banking industry (net of tax)	-524	-512	12	2.3
Impairment (net of tax) of goodwill and other intangible assets	-	-912	-912	
Minority interests	141	-60	201	
<b>Net income (loss)</b>	<b>4,185</b>	<b>3,277</b>	<b>908</b>	<b>27.7</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

## Reclassified income statement – Redetermined figures

	2021 Redetermined figures	2020 Redetermined figures	(millions of euro) Changes	
			amount	%
Net interest income	7,900	8,278	-378	-4.6
Net fee and commission income	9,540	8,725	815	9.3
Income from insurance business	1,629	1,685	-56	-3.3
Profits (Losses) on financial assets and liabilities designated at fair value	1,625	1,675	-50	-3.0
Other operating income (expenses)	92	37	55	
<b>Operating income</b>	<b>20,786</b>	<b>20,400</b>	<b>386</b>	<b>1.9</b>
Personnel expenses	-6,773	-6,705	68	1.0
Other administrative expenses	-2,899	-3,078	-179	-5.8
Adjustments to property, equipment and intangible assets	-1,248	-1,256	-8	-0.6
<b>Operating costs</b>	<b>-10,920</b>	<b>-11,039</b>	<b>-119</b>	<b>-1.1</b>
<b>Operating margin</b>	<b>9,866</b>	<b>9,361</b>	<b>505</b>	<b>5.4</b>
Net adjustments to loans	-2,766	-4,493	-1,727	-38.4
Other net provisions and net impairment losses on other assets	-851	-365	486	
Other income (expenses)	332	97	235	
Income (Loss) from discontinued operations	58	1,588	-1,530	-96.3
<b>Gross income (loss)</b>	<b>6,639</b>	<b>6,188</b>	<b>451</b>	<b>7.3</b>
Taxes on income	-1,623	-1,510	113	7.5
Charges (net of tax) for integration and exit incentives	-439	-1,549	-1,110	-71.7
Effect of purchase price allocation (net of tax)	-39	1,960	-1,999	
Levies and other charges concerning the banking industry (net of tax)	-511	-513	-2	-0.4
Impairment (net of tax) of goodwill and other intangible assets	-	-912	-912	
Minority interests	158	-387	545	
<b>Net income (loss)</b>	<b>4,185</b>	<b>3,277</b>	<b>908</b>	<b>27.7</b>

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

## Quarterly development of the reclassified income statement

(millions of euro)

	2020				2019			
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,954	1,999	2,000	2,013	2,191	2,103	1,754	1,751
Net fee and commission income	2,532	2,325	2,382	2,395	2,597	2,141	1,752	1,854
Income from insurance business	410	365	438	373	319	298	367	369
Profits (Losses) on financial assets and liabilities designated at fair value	108	378	344	796	194	130	266	999
Other operating income (expenses)	16	25	16	49	14	1	12	-15
<b>Operating income</b>	<b>5,020</b>	<b>5,092</b>	<b>5,180</b>	<b>5,626</b>	<b>5,315</b>	<b>4,673</b>	<b>4,151</b>	<b>4,958</b>
Personnel expenses	-1,844	-1,643	-1,659	-1,678	-1,824	-1,608	-1,393	-1,371
Other administrative expenses	-845	-693	-706	-648	-889	-662	-585	-557
Adjustments to property, equipment and intangible assets	-338	-302	-300	-306	-321	-304	-269	-265
<b>Operating costs</b>	<b>-3,027</b>	<b>-2,638</b>	<b>-2,665</b>	<b>-2,632</b>	<b>-3,034</b>	<b>-2,574</b>	<b>-2,247</b>	<b>-2,193</b>
<b>Operating margin</b>	<b>1,993</b>	<b>2,454</b>	<b>2,515</b>	<b>2,994</b>	<b>2,281</b>	<b>2,099</b>	<b>1,904</b>	<b>2,765</b>
Net adjustments to loans	-1,222	-543	-599	-408	-1,475	-938	-1,398	-403
Other net provisions and net impairment losses on other assets	-415	-82	-218	-133	-122	-67	262	-419
Other income (expenses)	78	63	-7	198	62	23	-18	6
Income (Loss) from discontinued operations	-	-	-	-	-	-	1,134	29
<b>Gross income (loss)</b>	<b>434</b>	<b>1,892</b>	<b>1,691</b>	<b>2,651</b>	<b>746</b>	<b>1,117</b>	<b>1,884</b>	<b>1,978</b>
Taxes on income	-82	-619	-82	-839	-167	-319	-314	-561
Charges (net of tax) for integration and exit incentives	-291	-41	-55	-52	-1,485	-28	-35	-15
Effect of purchase price allocation (net of tax)	46	-51	-18	-16	-1,227	3,237	-24	-26
Levies and other charges concerning the banking industry (net of tax)	-22	-210	-83	-209	-38	-197	-86	-191
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-912	-	-	-
Minority interests	94	12	54	-19	-16	-	-10	-34
<b>Net income (loss)</b>	<b>179</b>	<b>983</b>	<b>1,507</b>	<b>1,516</b>	<b>-3,099</b>	<b>3,810</b>	<b>1,415</b>	<b>1,151</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

## Quarterly development of the reclassified income statement – Redetermined figures

(millions of euro)

	2021				2020			
	Fourth quarter	Third quarter	Second quarter Redetermined figures	First quarter Redetermined figures	Fourth quarter Redetermined figures	Third quarter Redetermined figures	Second quarter Redetermined figures	First quarter Redetermined figures
Net interest income	1,954	1,999	1,995	1,952	2,072	2,129	2,037	2,040
Net fee and commission income	2,532	2,325	2,370	2,313	2,442	2,147	2,014	2,122
Income from insurance business	410	365	456	398	436	353	456	440
Profits (Losses) on financial assets and liabilities designated at fair value	108	378	344	795	193	127	306	1,049
Other operating income (expenses)	16	25	19	32	6	1	29	1
<b>Operating income</b>	<b>5,020</b>	<b>5,092</b>	<b>5,184</b>	<b>5,490</b>	<b>5,149</b>	<b>4,757</b>	<b>4,842</b>	<b>5,652</b>
Personnel expenses	-1,844	-1,643	-1,657	-1,629	-1,746	-1,648	-1,663	-1,648
Other administrative expenses	-845	-693	-710	-651	-896	-742	-746	-694
Adjustments to property, equipment and intangible assets	-338	-302	-301	-307	-315	-313	-314	-314
<b>Operating costs</b>	<b>-3,027</b>	<b>-2,638</b>	<b>-2,668</b>	<b>-2,587</b>	<b>-2,957</b>	<b>-2,703</b>	<b>-2,723</b>	<b>-2,656</b>
<b>Operating margin</b>	<b>1,993</b>	<b>2,454</b>	<b>2,516</b>	<b>2,903</b>	<b>2,192</b>	<b>2,054</b>	<b>2,119</b>	<b>2,996</b>
Net adjustments to loans	-1,222	-543	-599	-402	-1,440	-972	-1,543	-538
Other net provisions and net impairment losses on other assets	-415	-82	-220	-134	-121	-64	251	-431
Other income (expenses)	78	63	-7	198	62	22	-	13
Income (Loss) from discontinued operations	-	-	10	48	129	80	1,230	149
<b>Gross income (loss)</b>	<b>434</b>	<b>1,892</b>	<b>1,700</b>	<b>2,613</b>	<b>822</b>	<b>1,120</b>	<b>2,057</b>	<b>2,189</b>
Taxes on income	-82	-619	-85	-837	-191	-322	-362	-635
Charges (net of tax) for integration and exit incentives	-291	-41	-55	-52	-1,485	-27	-22	-15
Effect of purchase price allocation (net of tax)	46	-51	-18	-16	-1,227	3,237	-24	-26
Levies and other charges concerning the banking industry (net of tax)	-22	-210	-83	-196	-38	-178	-91	-206
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-912	-	-	-
Minority interests	94	12	48	4	-68	-20	-143	-156
<b>Net income (loss)</b>	<b>179</b>	<b>983</b>	<b>1,507</b>	<b>1,516</b>	<b>-3,099</b>	<b>3,810</b>	<b>1,415</b>	<b>1,151</b>

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

## Operating income

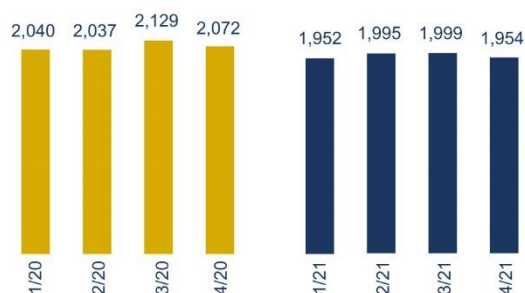
Against the backdrop of a general improvement in the economic scenario conditioned by the pandemic emergency, the Intesa Sanpaolo Group's operating income amounted to 20,786 million euro in 2021, up 1.9% from 20,400 million euro in 2020. This result was driven by the positive performance of net fee and commission income and, to a lesser extent, of other net operating income, only partly offset by the reductions in net interest income, income deriving from insurance business and profits (losses) on financial assets and liabilities designated at fair value.

## Net interest income

	2021	Adjustments	2021 Redetermined figures	2020	Adjustments	2020 Redetermined figures	(millions of euro) Changes (Redetermined figures)	
							amount	%
Relations with customers	7,845	-72	7,773	7,599	413	8,012	-239	-3.0
Securities issued	-1,685	-	-1,685	-1,736	-243	-1,979	-294	-14.9
<b>Customer dealing</b>	<b>6,160</b>	<b>-72</b>	<b>6,088</b>	<b>5,863</b>	<b>170</b>	<b>6,033</b>	<b>55</b>	<b>0.9</b>
Instruments measured at amortised cost which do not constitute loans	533	-	533	468	58	526	7	1.3
Other financial assets and liabilities designated at fair value through profit or loss	-53	-	-53	57	7	64	-117	
Other financial assets designated at fair value through other comprehensive income	640	-	640	768	51	819	-179	-21.9
<b>Financial assets and liabilities</b>	<b>1,120</b>	<b>-</b>	<b>1,120</b>	<b>1,293</b>	<b>116</b>	<b>1,409</b>	<b>-289</b>	<b>-20.5</b>
<b>Relations with banks</b>	<b>724</b>	<b>-</b>	<b>724</b>	<b>587</b>	<b>-14</b>	<b>573</b>	<b>151</b>	<b>26.4</b>
<b>Differentials on hedging derivatives</b>	<b>-601</b>	<b>-</b>	<b>-601</b>	<b>-658</b>	<b>70</b>	<b>-588</b>	<b>13</b>	<b>2.2</b>
<b>Non-performing assets</b>	<b>603</b>	<b>-</b>	<b>603</b>	<b>833</b>	<b>81</b>	<b>914</b>	<b>-311</b>	<b>-34.0</b>
<b>Other net interest income</b>	<b>-40</b>	<b>6</b>	<b>-34</b>	<b>-119</b>	<b>56</b>	<b>-63</b>	<b>-29</b>	<b>-46.0</b>
<b>Net interest income</b>	<b>7,966</b>	<b>-66</b>	<b>7,900</b>	<b>7,799</b>	<b>479</b>	<b>8,278</b>	<b>-378</b>	<b>-4.6</b>

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

**Quarterly development**  
Net interest income - Redetermined figures  
(millions of euro)



Net interest income was 7,900 million euro, down by 4.6% on 2020. In a market context characterised by interest rates that remain within negative territory, the decline was mainly due to financial assets (-20.5%), markedly those designated at fair value. Customer dealing performed well (+0.9%), due to the lower cost of funding from securities issued, only partially offset by the decline in the contribution of relations with customers. Among the other components, there were significant declines in interest on non-performing assets, mainly due to the decrease in NPL volumes, whereas there was an increase in net interest income on relations with banks due to the greater contribution of TLTRO refinancing operations with the ECB, partly offset by the negative contribution of excess liquidity. The balance of differentials on hedging derivatives, which includes the contribution of hedging of core deposits, worsened by 2.2%, while other net interest income, which was also negative, improved on 2020.

					(millions of euro)		
	Fourth quarter (a)	2021		First quarter (d)	Changes %		
		Third quarter (b)	Second quarter (c)		(a/b)	(b/c)	(c/d)
Relations with customers	1,930	1,946	1,961	2,008	-0.8	-0.8	-2.3
Securities issued	-419	-431	-414	-421	-2.8	4.1	-1.7
<b>Customer dealing</b>	<b>1,511</b>	<b>1,515</b>	<b>1,547</b>	<b>1,587</b>	<b>-0.3</b>	<b>-2.1</b>	<b>-2.5</b>
Instruments measured at amortised cost which do not constitute loans	123	132	140	138	-6.8	-5.7	1.4
Other financial assets and liabilities designated at fair value through profit or loss	-28	-18	-4	-3	55.6		33.3
Other financial assets designated at fair value through other comprehensive income	164	166	153	157	-1.2	8.5	-2.5
<b>Financial assets and liabilities</b>	<b>259</b>	<b>280</b>	<b>289</b>	<b>292</b>	<b>-7.5</b>	<b>-3.1</b>	<b>-1.0</b>
<b>Relations with banks</b>	<b>194</b>	<b>204</b>	<b>182</b>	<b>144</b>	<b>-4.9</b>	<b>12.1</b>	<b>26.4</b>
<b>Differentials on hedging derivatives</b>	<b>-148</b>	<b>-141</b>	<b>-160</b>	<b>-152</b>	<b>5.0</b>	<b>-11.9</b>	<b>5.3</b>
<b>Non-performing assets</b>	<b>142</b>	<b>150</b>	<b>149</b>	<b>162</b>	<b>-5.3</b>	<b>0.7</b>	<b>-8.0</b>
<b>Other net interest income</b>	<b>-4</b>	<b>-9</b>	<b>-7</b>	<b>-20</b>	<b>-55.6</b>	<b>28.6</b>	<b>-65.0</b>
<b>Net interest income</b>	<b>1,954</b>	<b>1,999</b>	<b>2,000</b>	<b>2,013</b>	<b>-2.3</b>	<b>-0.1</b>	<b>-0.6</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

					(millions of euro)		
	Fourth quarter (a)	2021		First quarter Redetermined figures (d)	Changes %		
		Third quarter (b)	Second quarter Redetermined figures (c)		(a/b)	(b/c)	(c/d)
Relations with customers	1,930	1,946	1,956	1,941	-0.8	-0.5	0.8
Securities issued	-419	-431	-414	-421	-2.8	4.1	-1.7
<b>Customer dealing</b>	<b>1,511</b>	<b>1,515</b>	<b>1,542</b>	<b>1,520</b>	<b>-0.3</b>	<b>-1.8</b>	<b>1.4</b>
Instruments measured at amortised cost which do not constitute loans	123	132	140	138	-6.8	-5.7	1.4
Other financial assets and liabilities designated at fair value through profit or loss	-28	-18	-4	-3	55.6		33.3
Other financial assets designated at fair value through other comprehensive income	164	166	153	157	-1.2	8.5	-2.5
<b>Financial assets and liabilities</b>	<b>259</b>	<b>280</b>	<b>289</b>	<b>292</b>	<b>-7.5</b>	<b>-3.1</b>	<b>-1.0</b>
<b>Relations with banks</b>	<b>194</b>	<b>204</b>	<b>182</b>	<b>144</b>	<b>-4.9</b>	<b>12.1</b>	<b>26.4</b>
<b>Differentials on hedging derivatives</b>	<b>-148</b>	<b>-141</b>	<b>-160</b>	<b>-152</b>	<b>5.0</b>	<b>-11.9</b>	<b>5.3</b>
<b>Non-performing assets</b>	<b>142</b>	<b>150</b>	<b>149</b>	<b>162</b>	<b>-5.3</b>	<b>0.7</b>	<b>-8.0</b>
<b>Other net interest income</b>	<b>-4</b>	<b>-9</b>	<b>-7</b>	<b>-14</b>	<b>-55.6</b>	<b>28.6</b>	<b>-50.0</b>
<b>Net interest income</b>	<b>1,954</b>	<b>1,999</b>	<b>1,995</b>	<b>1,952</b>	<b>-2.3</b>	<b>0.2</b>	<b>2.2</b>

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

The flow of net interest income recognised in the fourth quarter of 2021 was in line with the first quarter and down moderately on the other two quarters of the year, due mainly to the downtrend in financial assets.



	2021	2020	(millions of euro)	
			Changes	
			amount	%
Banca dei Territori	3,985	4,199	-214	-5.1
IMI Corporate & Investment Banking	2,094	2,048	46	2.2
International Subsidiary Banks	1,337	1,310	27	2.1
Private Banking	212	252	-40	-15.9
Asset Management	-1	-1	-	-
Insurance	-	-	-	-
<b>Total business areas</b>	<b>7,627</b>	<b>7,808</b>	<b>-181</b>	<b>-2.3</b>
Corporate Centre	273	470	-197	-41.9
<b>Intesa Sanpaolo Group (Redetermined figures)</b>	<b>7,900</b>	<b>8,278</b>	<b>-378</b>	<b>-4.6</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

**Business areas  
Net interest income**



The Banca dei Territori Division, which accounts for 52.2% of operating business area results, recorded net interest income of 3,985 million euro, down on 2020 (-5.1%, or -214 million euro), due to the contribution margins conditioned by all-time low rate levels and the deleveraging measures taken as regards NPLs. The net interest income of the IMI Corporate & Investment Banking Division recorded an increase (+2.2%, or +46 million euro), benefiting from the greater contribution from loans to customers, driven by structured finance operations. The net interest income of the International Subsidiary Banks increased (+2.1%) due to the favourable performances of the subsidiary operating in Hungary. The Private Banking Division, which in relative terms has a lesser impact on the consolidated accounts, reduced its contribution to net interest income by 40 million euro (-15.9%).

The downtrend of the net interest income of the Corporate Centre was attributable to the greater cost of excess liquidity in view of the decrease in short-term market rates, which remained in negative territory, and the significant increase in customer deposits.

**Net fee and commission income**

	2021			2020			(millions of euro) Changes	
	Income	Expense	Net	Income	Expense	Net	amount	%
Guarantees given / received	401	-197	204	361	-178	183	21	11.5
Collection and payment services	716	-159	557	649	-163	486	71	14.6
Current accounts	1,441	-	1,441	1,371	-	1,371	70	5.1
Credit and debit cards	787	-417	370	635	-312	323	47	14.6
<b>Commercial banking activities</b>	<b>3,345</b>	<b>-773</b>	<b>2,572</b>	<b>3,016</b>	<b>-653</b>	<b>2,363</b>	<b>209</b>	<b>8.8</b>
Dealing and placement of securities	1,298	-265	1,033	1,082	-242	840	193	23.0
Currency dealing	21	-4	17	18	-3	15	2	13.3
Portfolio management	4,091	-915	3,176	3,368	-809	2,559	617	24.1
Distribution of insurance products	1,622	-	1,622	1,519	-	1,519	103	6.8
Other	450	-173	277	363	-95	268	9	3.4
<b>Management, dealing and consultancy activities</b>	<b>7,482</b>	<b>-1,357</b>	<b>6,125</b>	<b>6,350</b>	<b>-1,149</b>	<b>5,201</b>	<b>924</b>	<b>17.8</b>
<b>Other fee and commission</b>	<b>1,221</b>	<b>-284</b>	<b>937</b>	<b>1,037</b>	<b>-257</b>	<b>780</b>	<b>157</b>	<b>20.1</b>
<b>Total</b>	<b>12,048</b>	<b>-2,414</b>	<b>9,634</b>	<b>10,403</b>	<b>-2,059</b>	<b>8,344</b>	<b>1,290</b>	<b>15.5</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

	2021			Adjustments			(millions of euro) 2021 Redetermined figures	
							amount	%
Guarantees given / received	204	-2	202	183	-6	177	25	14.1
Collection and payment services	557	-5	552	486	6	492	60	12.2
Current accounts	1,441	-29	1,412	1,371	60	1,431	-19	-1.3
Credit and debit cards	370	-6	364	323	-11	312	52	16.7
<b>Commercial banking activities</b>	<b>2,572</b>	<b>-42</b>	<b>2,530</b>	<b>2,363</b>	<b>49</b>	<b>2,412</b>	<b>118</b>	<b>4.9</b>
Dealing and placement of securities	1,033	-26	1,007	840	-67	773	234	30.3
Currency dealing	17	-4	13	15	-9	6	7	
Portfolio management	3,176	-2	3,174	2,559	284	2,843	331	11.6
Distribution of insurance products	1,622	-15	1,607	1,519	48	1,567	40	2.6
Other	277	-2	275	268	16	284	-9	-3.2
<b>Management, dealing and consultancy activities</b>	<b>6,125</b>	<b>-49</b>	<b>6,076</b>	<b>5,201</b>	<b>272</b>	<b>5,473</b>	<b>603</b>	<b>11.0</b>
<b>Other fee and commission</b>	<b>937</b>	<b>-3</b>	<b>934</b>	<b>780</b>	<b>60</b>	<b>840</b>	<b>94</b>	<b>11.2</b>
<b>Total</b>	<b>9,634</b>	<b>-94</b>	<b>9,540</b>	<b>8,344</b>	<b>381</b>	<b>8,725</b>	<b>815</b>	<b>9.3</b>

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

**Quarterly development**  
**Net fee and commission income - Redetermined figures**  
(millions of euro)



In 2021, net fee and commission income amounted to 9,540 million euro, showing rapid growth compared to 2020 (+9.3%).

This performance was supported by the recovery of financial markets and the increase in the placement of financial products, which were reflected in an increase in fee and commission income on management, dealing and financial consultancy (+11%, or +603 million euro); in particular, there was an increase in the contribution relating to individual and collective portfolio management schemes (+11.6%, or +331 million euro, mostly attributable to mutual funds), dealing and placement of securities (+30.3%, or +234 million euro) and the distribution of insurance products (+2.6%, or +40 million euro). The commercial banking component also recorded an increase (+4.9%, or +118 million euro), driven by higher fee and commission income on collection and payment services (+60 million euro), on ATM and credit card services (+52 million euro) and on guarantees given and received (+25 million euro), against a decrease in fee and commission income on current accounts (-19 million). Lastly, there was a higher contribution from other net fee and commission income (+11.2%, or +94 million euro), particularly those relating to income

on land financing.

	2021				(millions of euro) Changes %		
	Fourth quarter (a)	Third quarter (b)	Second quarter (c)	First quarter (d)	(a/b)	(b/c)	(c/d)
Guarantees given / received	52	57	51	44	-8.8	11.8	15.9
Collection and payment services	138	138	139	142	-	-0.7	-2.1
Current accounts	364	352	356	369	3.4	-1.1	-3.5
Credit and debit cards	89	108	107	66	-17.6	0.9	62.1
<b>Commercial banking activities</b>	<b>643</b>	<b>655</b>	<b>653</b>	<b>621</b>	<b>-1.8</b>	<b>0.3</b>	<b>5.2</b>
Dealing and placement of securities	227	207	286	313	9.7	-27.6	-8.6
Currency dealing	4	3	3	7	33.3	-	-57.1
Portfolio management	896	764	781	735	17.3	-2.2	6.3
Distribution of insurance products	417	401	385	419	4.0	4.2	-8.1
Other	109	58	51	59	87.9	13.7	-13.6
<b>Management, dealing and consultancy activities</b>	<b>1,653</b>	<b>1,433</b>	<b>1,506</b>	<b>1,533</b>	<b>15.4</b>	<b>-4.8</b>	<b>-1.8</b>
<b>Other net fee and commission income</b>	<b>236</b>	<b>237</b>	<b>223</b>	<b>241</b>	<b>-0.4</b>	<b>6.3</b>	<b>-7.5</b>
<b>Net fee and commission income</b>	<b>2,532</b>	<b>2,325</b>	<b>2,382</b>	<b>2,395</b>	<b>8.9</b>	<b>-2.4</b>	<b>-0.5</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

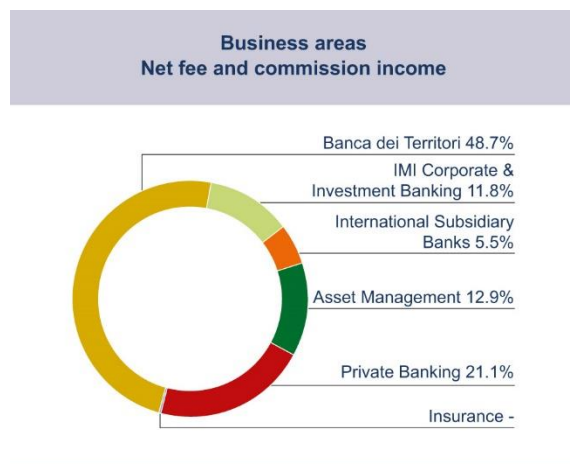
	2021				(millions of euro) Changes %		
	Fourth quarter	Third quarter	Second quarter	First quarter	(a/b)	(b/c)	(b/c)
	(a)	(b)	Redetermined figures (c)	Redetermined figures (d)			
Guarantees given / received	52	57	51	42	-8.8	11.8	21.4
Collection and payment services	138	138	139	137	-	-0.7	1.5
Current accounts	364	352	352	344	3.4	-	2.3
Credit and debit cards	89	108	106	61	-17.6	1.9	73.8
<b>Commercial banking activities</b>	<b>643</b>	<b>655</b>	<b>648</b>	<b>584</b>	<b>-1.8</b>	<b>1.1</b>	<b>11.0</b>
Dealing and placement of securities	227	207	283	290	9.7	-26.9	-2.4
Currency dealing	4	3	3	3	33.3	-	-
Portfolio management	896	764	781	733	17.3	-2.2	6.5
Distribution of insurance products	417	401	383	406	4.0	4.7	-5.7
Other	109	58	50	58	87.9	16.0	-13.8
<b>Management, dealing and consultancy activities</b>	<b>1,653</b>	<b>1,433</b>	<b>1,500</b>	<b>1,490</b>	<b>15.4</b>	<b>-4.5</b>	<b>0.7</b>
<b>Other net fee and commission income</b>	<b>236</b>	<b>237</b>	<b>222</b>	<b>239</b>	<b>-0.4</b>	<b>6.8</b>	<b>-7.1</b>
<b>Net fee and commission income</b>	<b>2,532</b>	<b>2,325</b>	<b>2,370</b>	<b>2,313</b>	<b>8.9</b>	<b>-1.9</b>	<b>2.5</b>

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

At the quarterly level, fee and commission income in the fourth quarter of 2021 was higher than in previous quarters due to the performance of management, dealing and consultancy activities, and in particular portfolio management schemes.

	2021	2020	(millions of euro) Changes	
			amount	%
Banca dei Territori	4,836	4,548	288	6.3
IMI Corporate & Investment Banking	1,176	1,049	127	12.1
International Subsidiary Banks	546	505	41	8.1
Private Banking	2,097	1,921	176	9.2
Asset Management	1,282	1,074	208	19.4
Insurance	2	-3	5	
<b>Total business areas</b>	<b>9,939</b>	<b>9,094</b>	<b>845</b>	<b>9.3</b>
Corporate Centre	-399	-369	30	8.1
<b>Intesa Sanpaolo Group (Redetermined figures)</b>	<b>9,540</b>	<b>8,725</b>	<b>815</b>	<b>9.3</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.



All sectors of activity contributed positively to the Group's fee and commission performance. In detail, the Banca dei Territori Division, which accounts for 48.7% of the total fee and commission income for the business areas, recorded an increase (+6.3%, or +288 million euro) in fee and commission income, specifically that from asset management, due to funds operations and, to a lesser extent, from commercial banking. IMI Corporate & Investment Banking recorded an increase in net fee and commission income of +12.1% (+127 million euro), due to the performance of the investment banking and transaction banking businesses, as did the Asset Management Division (+19.4%, or +208 million euro), due to the increase in performance fees collected during the period, management fees and placement fees; the Private Banking Division recorded an increase of +9.2% (+176 million euro), in relation to the development of average assets under management, and the International Subsidiary Banks Division posted an increase of +8.1% (+41 million euro), essentially due to the contributions of the subsidiaries operating in Serbia, Croatia and Slovakia.

In application of IFRS 15, which requires a breakdown of revenues from contracts with customers (except for revenues from lease contracts, insurance contracts and financial instruments), a breakdown of fee and commission income and expense by business area is provided below.

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (a)	Total 2021 Redetermined figures	Total 2020 Redetermined figures	(millions of euro) Changes	
										amount	%
Guarantees given	91	270	36	2	-	-	-	399	393	6	1.5
Collection and payment services	410	107	181	7	-	-	6	711	673	38	5.6
Current accounts	1,230	34	138	10	-	-	-	1,412	1,431	-19	-1.3
Credit and debit cards	534	3	223	14	-	-	7	781	639	142	22.2
<b>Commercial banking activities</b>	<b>2,265</b>	<b>414</b>	<b>578</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>3,303</b>	<b>3,136</b>	<b>167</b>	<b>5.3</b>
Dealing and placement of securities	1,409	253	23	291	598	-	-1,302	1,272	1,022	250	24.5
Currency dealing	7	2	4	3	-	-	1	17	9	8	88.9
Portfolio management	115	7	23	1,874	2,354	-	-284	4,089	3,657	432	11.8
Distribution of insurance products	863	-	27	717	-	2	-2	1,607	1,567	40	2.6
Other	159	71	13	209	-	-	-4	448	390	58	14.9
<b>Management, dealing and consultancy activities</b>	<b>2,553</b>	<b>333</b>	<b>90</b>	<b>3,094</b>	<b>2,952</b>	<b>2</b>	<b>-1,591</b>	<b>7,433</b>	<b>6,645</b>	<b>788</b>	<b>11.9</b>
<b>Other net fee and commission income</b>	<b>383</b>	<b>547</b>	<b>89</b>	<b>27</b>	<b>159</b>	<b>-</b>	<b>13</b>	<b>1,218</b>	<b>1,136</b>	<b>82</b>	<b>7.2</b>
<b>Fee and commission income</b>	<b>5,201</b>	<b>1,294</b>	<b>757</b>	<b>3,154</b>	<b>3,111</b>	<b>2</b>	<b>-1,565</b>	<b>11,954</b>	<b>10,917</b>	<b>1,037</b>	<b>9.5</b>
<b>Fee and commission expense</b>	<b>-365</b>	<b>-118</b>	<b>-211</b>	<b>-1,057</b>	<b>-1,829</b>	<b>-</b>	<b>1,166</b>	<b>-2,414</b>	<b>-2,192</b>	<b>222</b>	<b>10.1</b>
<b>Net fee and commission income</b>	<b>4,836</b>	<b>1,176</b>	<b>546</b>	<b>2,097</b>	<b>1,282</b>	<b>2</b>	<b>-399</b>	<b>9,540</b>	<b>8,725</b>	<b>815</b>	<b>9.3</b>

(a) The Corporate Centre has been attributed the intersector netting.

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

**Income from insurance business**

Captions (a)	2021			2020			(millions of euro) Changes	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
<b>Technical margin</b>	<b>87</b>	<b>311</b>	<b>398</b>	<b>196</b>	<b>351</b>	<b>547</b>	<b>-149</b>	<b>-27.2</b>
Net insurance premiums (b)	9,442	1,252	10,694	10,056	951	11,007	-313	-2.8
Net charges for insurance claims and surrenders (c)	-9,576	-707	-10,283	-8,979	-403	-9,382	901	9.6
Net charges for changes in technical reserves (d)	-1,493	-1	-1,494	-2,038	-4	-2,042	-548	-26.8
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	1,756	-	1,756	1,277	-	1,277	479	37.5
Net fees on investment contracts (f)	422	-	422	329	-	329	93	28.3
Commission expenses on insurance contracts (g)	-555	-184	-739	-460	-159	-619	120	19.4
Other technical income and expense (h)	91	-49	42	11	-34	-23	65	
<b>Net investment result</b>	<b>1,128</b>	<b>18</b>	<b>1,146</b>	<b>723</b>	<b>10</b>	<b>733</b>	<b>413</b>	<b>56.3</b>
Operating income from investments	9,006	18	9,024	4,557	10	4,567	4,457	97.6
<i>Net interest income</i>	1,876	1	1,877	1,620	3	1,623	254	15.7
<i>Dividends</i>	376	7	383	256	6	262	121	46.2
<i>Gains/losses on disposal</i>	2,544	11	2,555	69	2	71	2,484	
<i>Valuation gains/losses</i>	4,309	-	4,309	2,698	-	2,698	1,611	59.7
<i>Portfolio management fees paid (i)</i>	-99	-1	-100	-86	-1	-87	13	14.9
Gains (losses) on investments pertaining to insured parties	-7,878	-	-7,878	-3,834	-	-3,834	4,044	
<i>Insurance products (j)</i>	-1,753	-	-1,753	-1,354	-	-1,354	399	29.5
<i>Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)</i>	-48	-	-48	57	-	57	-105	
<i>Investment products (l)</i>	-6,077	-	-6,077	-2,537	-	-2,537	3,540	
<b>Income from insurance business gross of consolidation effects</b>	<b>1,215</b>	<b>329</b>	<b>1,544</b>	<b>919</b>	<b>361</b>	<b>1,280</b>	<b>264</b>	<b>20.6</b>
Consolidation effects	42	-	42	73	-	73	-31	-42.5
<b>Income from insurance business</b>	<b>1,257</b>	<b>329</b>	<b>1,586</b>	<b>992</b>	<b>361</b>	<b>1,353</b>	<b>233</b>	<b>17.2</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

(a) The table illustrates the economic components of the insurance business broken down into those regarding:

- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;  
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(k) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(l) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.



Captions (a)	2021			2020			(millions of euro) Changes	
	Redetermined figures			Redetermined figures			amount	%
	Life	Non-life	Total	Life	Non-life	Total		
<b>Technical margin</b>	<b>51</b>	<b>354</b>	<b>405</b>	<b>182</b>	<b>425</b>	<b>607</b>	<b>-202</b>	<b>-33.3</b>
Net insurance premiums (b)	9,848	1,343	11,191	11,730	1,134	12,864	-1,673	-13.0
Net charges for insurance claims and surrenders (c)	-10,319	-734	-11,053	-11,454	-473	-11,927	-874	-7.3
Net charges for changes in technical reserves (d)	-1,266	3	-1,263	-1,512	-8	-1,520	-257	-16.9
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	1,860	-	1,860	1,670	-	1,670	190	11.4
Net fees on investment contracts (f)	435	-	435	296	-	296	139	47.0
Commission expenses on insurance contracts (g)	-598	-204	-802	-555	-190	-745	57	7.7
Other technical income and expense (h)	91	-54	37	7	-38	-31	68	
<b>Net investment result</b>	<b>1,157</b>	<b>25</b>	<b>1,182</b>	<b>986</b>	<b>19</b>	<b>1,005</b>	<b>177</b>	<b>17.6</b>
Operating income from investments	8,896	25	8,921	5,780	19	5,799	3,122	53.8
<i>Net interest income</i>	1,978	4	1,982	2,110	12	2,122	-140	-6.6
<i>Dividends</i>	388	7	395	306	6	312	83	26.6
<i>Gains/losses on disposal</i>	2,449	11	2,460	203	2	205	2,255	
<i>Valuation gains/losses</i>	4,180	5	4,185	3,255	-	3,255	930	28.6
<i>Portfolio management fees paid (i)</i>	-99	-2	-101	-94	-1	-95	6	6.3
Gains (losses) on investments pertaining to insured parties	-7,739	-	-7,739	-4,794	-	-4,794	2,945	61.4
<i>Insurance products (j)</i>	-1,857	-	-1,857	-1,761	-	-1,761	96	5.5
<i>Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)</i>	-48	-	-48	71	-	71	-119	
<i>Investment products (l)</i>	-5,834	-	-5,834	-3,104	-	-3,104	2,730	88.0
<b>Income from insurance business gross of consolidation effects</b>	<b>1,208</b>	<b>379</b>	<b>1,587</b>	<b>1,168</b>	<b>444</b>	<b>1,612</b>	<b>-25</b>	<b>-1.6</b>
Consolidation effects	42	-	42	73	-	73	-31	-42.5
<b>Income from insurance business</b>	<b>1,250</b>	<b>379</b>	<b>1,629</b>	<b>1,241</b>	<b>444</b>	<b>1,685</b>	<b>-56</b>	<b>-3.3</b>

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

(a) The table illustrates the economic components of the insurance business broken down into those regarding:

- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;  
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

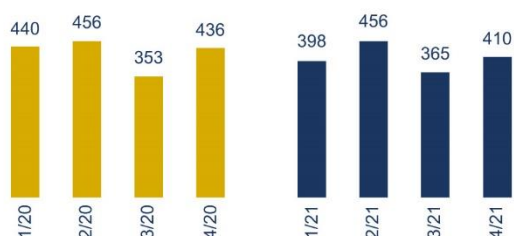
(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(k) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(l) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.

**Quarterly development**  
**Income from insurance business - Redetermined figures**  
(millions of euro)



Income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, also includes the results of Intesa Sanpaolo RBM Salute, following the finalisation of the acquisition of the majority shareholding of the company in May 2020, as well as the contribution of the insurance companies BancAssurance Popolari, Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita, merged into Intesa Sanpaolo Vita at the end of 2021, and Cargeas. In 2021, it was 1,629 million euro, down 3.3% on 2020. The performance is due to the decrease of the technical margin, which was affected by the decline in premiums which was higher than the decrease in charges relating to claims and surrenders, and technical reserves that affected the life business; the technical margin of the non-life business also declined due to growth of claims that outpaced the development of net premiums. These factors were only partly offset by the increase in the net investment result, driven by the favourable trend in the markets, which translated into a rise in operating income from investments of the life business, net of the portion pertaining to insured parties.

Captions (a)					(millions of euro)		
	2021				Changes %		
	Fourth quarter (a)	Third quarter (b)	Second quarter (c)	First quarter (d)	(a/b)	(b/c)	(c/d)
<b>Technical margin</b>	<b>-93</b>	<b>220</b>	<b>112</b>	<b>159</b>		<b>96.4</b>	<b>-29.6</b>
Net insurance premiums (b)	2,824	2,823	2,505	2,542	-	12.7	-1.5
Net charges for insurance claims and surrenders (c)	-2,496	-2,467	-3,016	-2,304	1.2	-18.2	30.9
Net charges for changes in technical reserves (d)	-702	-415	84	-461	69.2		
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	356	416	542	442	-14.4	-23.2	22.6
Net fees on investment contracts (f)	129	108	83	102	19.4	30.1	-18.6
Commission expenses on insurance contracts (g)	-255	-162	-158	-164	57.4	2.5	-3.7
Other technical income and expense (h)	51	-83	72	2			
<b>Net investment result</b>	<b>491</b>	<b>145</b>	<b>308</b>	<b>202</b>		<b>-52.9</b>	<b>52.5</b>
Operating income from investments	3,116	694	2,781	2,433		-75.0	14.3
<i>Net interest income</i>	496	470	526	385	5.5	-10.6	36.6
<i>Dividends</i>	104	112	105	62	-7.1	6.7	69.4
<i>Gains/losses on disposal</i>	807	574	661	513	40.6	-13.2	28.8
<i>Valuation gains/losses</i>	1,696	-393	1,509	1,497			0.8
<i>Portfolio management fees paid (i)</i>	13	-69	-20	-24			-16.7
Gains (losses) on investments pertaining to insured parties	-2,625	-549	-2,473	-2,231		-77.8	10.8
<i>Insurance products (j)</i>	-373	-410	-548	-422	-9.0	-25.2	29.9
<i>Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)</i>	-3	-6	-10	-29	-50	-40.0	-65.5
<i>Investment products (l)</i>	-2,249	-133	-1,915	-1,780		-93.1	7.6
<b>Income from insurance business gross of consolidation effects</b>	<b>398</b>	<b>365</b>	<b>420</b>	<b>361</b>	<b>9.0</b>	<b>-13.1</b>	<b>16.3</b>
Consolidation effects	12	-	18	12	-		50.0
<b>Income from insurance business</b>	<b>410</b>	<b>365</b>	<b>438</b>	<b>373</b>	<b>12.3</b>	<b>-16.7</b>	<b>17.4</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

For notes, see the previous table

Captions (a)	2021				(millions of euro) Changes %		
	Fourth quarter (a)	Third quarter (b)	Second quarter Redetermined figures (c)	First quarter Redetermined figures (d)	(a/b)	(b/c)	(c/d)
<b>Technical margin</b>	<b>-93</b>	<b>220</b>	<b>123</b>	<b>155</b>		<b>78.9</b>	<b>-20.6</b>
Net insurance premiums (b)	2,824	2,823	2,545	2,999	-	10.9	-15.1
Net charges for insurance claims and surrenders (c)	-2,496	-2,467	-3,030	-3,060	1.2	-18.6	-1.0
Net charges for changes in technical reserves (d)	-702	-415	86	-232	69.2		
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	356	416	542	546	-14.4	-23.2	-0.7
Net fees on investment contracts (f)	129	108	83	115	19.4	30.1	-27.8
Commission expenses on insurance contracts (g)	-255	-162	-172	-213	57.4	-5.8	-19.2
Other technical income and expense (h)	51	-83	69	-			-
<b>Net investment result</b>	<b>491</b>	<b>145</b>	<b>315</b>	<b>231</b>		<b>-54.0</b>	<b>36.4</b>
Operating income from investments	3,116	694	2,788	2,323		-75.1	20.0
<i>Net interest income</i>	496	470	527	489	5.5	-10.8	7.8
<i>Dividends</i>	104	112	105	74	-7.1	6.7	41.9
<i>Gains/losses on disposal</i>	807	574	661	418	40.6	-13.2	58.1
<i>Valuation gains/losses</i>	1,696	-393	1,513	1,369			10.5
<i>Portfolio management fees paid (i)</i>	13	-69	-18	-27			-33.3
Gains (losses) on investments pertaining to insured parties	-2,625	-549	-2,473	-2,092		-77.8	18.2
<i>Insurance products (j)</i>	-373	-410	-548	-526	-9.0	-25.2	4.2
<i>Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)</i>	-3	-6	-10	-29	-50.0	-40.0	-65.5
<i>Investment products (l)</i>	-2,249	-133	-1,915	-1,537		-93.1	24.6
<b>Income from insurance business gross of consolidation effects</b>	<b>398</b>	<b>365</b>	<b>438</b>	<b>386</b>	<b>9.0</b>	<b>-16.7</b>	<b>13.5</b>
Consolidation effects	12	-	18	12	-		50.0
<b>Income from insurance business</b>	<b>410</b>	<b>365</b>	<b>456</b>	<b>398</b>	<b>12.3</b>	<b>-20.0</b>	<b>14.6</b>

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

For notes, see the previous tables

In the fourth quarter of 2021, income from insurance business, including both the life and non-life businesses, was higher than in the third quarter, reflecting the positive performance of the net investment result.

Business	(millions of euro)				2020
	2021				
	Periodic premiums	Single premiums	Total	of which new business	
Life insurance business	404	9,042	9,446	8,773	10,057
Premiums issued on traditional products	208	4,885	5,093	4,628	7,418
Premiums issued on unit-linked products	182	3,368	3,550	3,362	1,837
Premiums issued on capitalisation products	2	16	18	10	19
Premiums issued on pension funds	12	773	785	773	783
Non-life insurance business	1,049	277	1,326	234	1,136
Premiums issued	1,087	255	1,342	404	1,197
Change in premium reserves	-38	22	-16	-170	-61
Premiums ceded to reinsurers	-55	-23	-78	-25	-186
Net premiums from insurance products	1,398	9,296	10,694	8,982	11,007
Business on index-linked contracts	-	-	-	-	-
Business on unit-linked contracts	74	8,788	8,862	8,709	7,044
Total business from investment contracts	74	8,788	8,862	8,709	7,044
Total business	1,472	18,084	19,556	17,691	18,051

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

Business	(millions of euro)				2020 Redetermined figures
	2021 Redetermined figures				
	Periodic premiums	Single premiums	Total	of which new business	
Life insurance business	426	9,430	9,856	8,908	11,734
Premiums issued on traditional products	230	5,234	5,464	4,760	8,862
Premiums issued on unit-linked products	182	3,401	3,583	3,362	1,995
Premiums issued on capitalisation products	2	18	20	11	78
Premiums issued on pension funds	12	777	789	775	799
Non-life insurance business	1,049	372	1,421	234	1,304
Premiums issued	1,087	318	1,405	404	1,337
Change in premium reserves	-38	54	16	-170	-33
Premiums ceded to reinsurers	-55	-31	-86	-26	-174
Net premiums from insurance products	1,420	9,771	11,191	9,116	12,864
Business on index-linked contracts	-	-	-	-	-
Business on unit-linked contracts	80	8,893	8,973	8,774	7,501
Total business from investment contracts	80	8,893	8,973	8,774	7,501
Total business	1,500	18,664	20,164	17,890	20,365

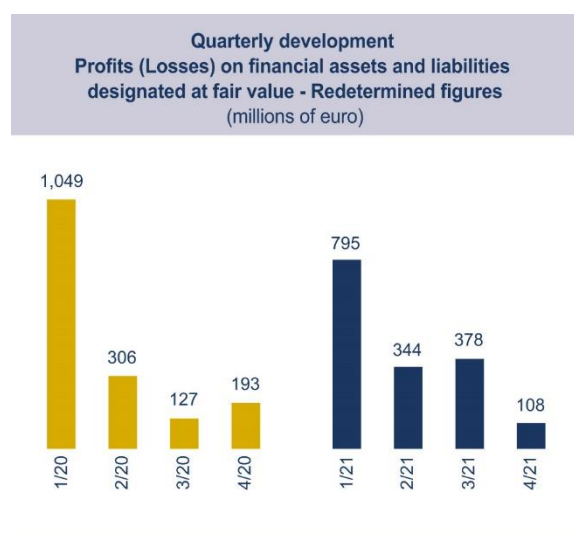
Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion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

Business in the insurance segment amounted to approximately 20.2 billion euro in 2021, essentially in line with 2020 (20.4 billion euro). The decline in traditional policies (-3.4 billion euro) was offset by the growth of unit-linked policies, both those of a primarily insurance nature (+1.6 billion euro) and those of a primarily financial nature belonging to class III (+1.5 billion euro). Non-life business increased progressively to 1.4 billion euro from 1.3 billion euro in the previous year. Total new business amounted to 17.9 billion euro, accounting for 89% of the total premium inflows of the Group's insurance companies, coming mainly from new single-premium contracts.

## Profits (Losses) on financial assets and liabilities designated at fair value

	2021	Adjustments	2021 Redetermined figures	2020	Adjustments	2020 Redetermined figures	(millions of euro) Changes (Redetermined figures)	
							amount	%
Profits (losses) on trading and on financial instruments under fair value option	550	-	550	676	37	713	-163	-22.9
Profits (losses) on hedges under hedge accounting	36	-	36	75	-14	61	-25	-41.0
Profits (losses) on assets mandatorily measured at fair value through profit or loss	168	-1	167	-24	-2	-26	193	
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	945	-	945	906	67	973	-28	-2.9
Profits (losses) on the buyback of financial liabilities	-73	-	-73	-44	-2	-46	27	58.7
<b>Profits (Losses) on financial assets and liabilities designated at fair value</b>	<b>1,626</b>	<b>-1</b>	<b>1,625</b>	<b>1,589</b>	<b>86</b>	<b>1,675</b>	<b>-50</b>	<b>-3.0</b>

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



Profits (losses) on financial assets and liabilities designated at fair value amounted to 1,625 million euro, down 3% on 1,675 million euro in 2020.

The decline was largely attributable to profits (losses) on trading and on financial instruments under fair value option (-163 million euro), essentially due to the declining result of the unrealised and realised components of debt securities held for trading, only partially offset by fair value measurement of derivative contracts. Negative impacts were also attributable to profits (losses) on hedges under hedge accounting (down by 25 million euro), profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost (down by 28 million euro) and losses on the buyback of financial liabilities (+27 million euro), the last of which was due to own account transactions in debt securities on the secondary market and buyback of amounts due to banks and customers.

Conversely, transactions in financial assets measured at fair value through profit or loss performed positively (+193 million euro), mainly due to revaluations of UCI funds, recorded in particular on private-equity, real estate and hedge funds, in addition to greater dividends collected.

	Fourth quarter (a)	2021		First quarter (d)	(millions of euro) Changes %		
		Third quarter (b)	Second quarter (c)		(a/b)	(b/c)	(c/d)
Profits (losses) on trading and on financial instruments under fair value option	112	28	88	322	-68.2		-72.7
Profits (losses) on hedges under hedge accounting	1	-10	1	44			-97.7
Profits (losses) on assets mandatorily measured at fair value through profit or loss	-36	66	83	55		-20.5	50.9
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	42	310	191	402	-86.5	62.3	-52.5
Profits (losses) on the buyback of financial liabilities	-11	-16	-19	-27	-31.3	-15.8	-29.6
<b>Profits (Losses) on financial assets and liabilities designated at fair value</b>	<b>108</b>	<b>378</b>	<b>344</b>	<b>796</b>	<b>-71.4</b>	<b>9.9</b>	<b>-56.8</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

	Fourth quarter (a)	2021		First quarter Redetermined figures (d)	(millions of euro) Changes %		
		Third quarter (b)	Second quarter Redetermined figures (c)		(a/b)	(b/c)	(c/d)
Profits (losses) on trading and on financial instruments under fair value option	112	28	88	322	-68.2		-72.7
Profits (losses) on hedges under hedge accounting	1	-10	1	44			-97.7
Profits (losses) on assets mandatorily measured at fair value through profit or loss	-36	66	83	54		-20.5	53.7
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	42	310	191	402	-86.5	62.3	-52.5
Profits (losses) on the buyback of financial liabilities	-11	-16	-19	-27	-31.3	-15.8	-29.6
<b>Profits (Losses) on financial assets and liabilities designated at fair value</b>	<b>108</b>	<b>378</b>	<b>344</b>	<b>795</b>	<b>-71.4</b>	<b>9.9</b>	<b>-56.7</b>

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

The result for the fourth quarter of 2021 shows a value decisively lower than that of the previous quarters, due to the decline in Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost.

### Other operating income (expenses)

In 2021, other operating income came to 92 million euro, compared to 37 million euro in 2020. This caption includes both operating income and expenses – including those of subsidiaries not subject to management and coordination operating in sectors completely distinct from banking and finance – and profits on investments carried at equity. The increase is mainly due to the caption dividends and profits on investments carried at equity, among which the Chinese associates stand out.

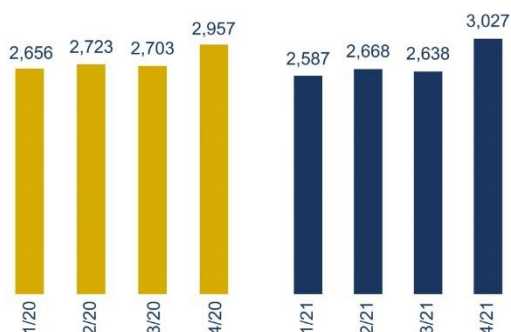


## Operating costs

	2021	Adjustments	2021 Redetermined figures	2020	Adjustments	2020 Redetermined figures	(millions of euro) Changes (Redetermined figures)	
							amount	%
Wages and salaries	4,719	-40	4,679	4,290	347	4,637	42	0.9
Social security charges	1,213	-11	1,202	1,106	92	1,198	4	0.3
Other	892	-	892	800	70	870	22	2.5
<b>Personnel expenses</b>	<b>6,824</b>	<b>-51</b>	<b>6,773</b>	<b>6,196</b>	<b>509</b>	<b>6,705</b>	<b>68</b>	<b>1.0</b>
Information technology expenses	860	6	866	754	114	868	-2	-0.2
Management of real estate assets expenses	350	-1	349	340	42	382	-33	-8.6
General structure costs	395	-1	394	373	26	399	-5	-1.3
Professional and legal expenses	319	7	326	323	100	423	-97	-22.9
Advertising and promotional expenses	142	-	142	134	13	147	-5	-3.4
Indirect personnel costs	51	-	51	45	9	54	-3	-5.6
Other costs	615	-3	612	599	64	663	-51	-7.7
Indirect taxes and duties	1,154	-1	1,153	1,018	152	1,170	-17	-1.5
Recovery of expenses and charges	-994	-	-994	-893	-135	-1,028	-34	-3.3
<b>Administrative expenses</b>	<b>2,892</b>	<b>7</b>	<b>2,899</b>	<b>2,693</b>	<b>385</b>	<b>3,078</b>	<b>-179</b>	<b>-5.8</b>
Property and equipment	579	-	579	547	44	591	-12	-2.0
Intangible assets	667	2	669	612	53	665	4	0.6
<b>Adjustments</b>	<b>1,246</b>	<b>2</b>	<b>1,248</b>	<b>1,159</b>	<b>97</b>	<b>1,256</b>	<b>-8</b>	<b>-0.6</b>
<b>Operating costs</b>	<b>10,962</b>	<b>-42</b>	<b>10,920</b>	<b>10,048</b>	<b>991</b>	<b>11,039</b>	<b>-119</b>	<b>-1.1</b>

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

Quarterly development  
Operating costs - Redetermined figures  
(millions of euro)



In 2021, operating costs amounted to 10,920 million euro, down by 1.1% on 2020.

Personnel expenses came to 6,773 million euro, up slightly (1%), due to greater provisions for the variable component of remuneration, reduced in 2020, and the costs tied to the renewal of the National Collective Bargaining Agreement, phenomena that were only partially offset by the savings attributable to downsizing following the negotiated exits.

Administrative expenses, which amounted to 2,899 million euro, were down by 5.8% on 2020, due in part to the realization of the first synergies deriving from the integration of the UBI Group.

There were also widespread savings on legal and professional fees, property management and other expenses.

In contrast, amortisation and depreciation, which in accordance with IFRS 16 also include the amount relating to rights of use acquired under operating leases, were down slightly (-0.6%) on 2020, relating to property and equipment.

The cost/income ratio for 2021 came to 52.5%, an improvement compared to 2020 (54.1%), reflecting the positive performance of revenues combined with the reduction in costs.

	Fourth quarter (a)	2021 Third quarter (b)	Second quarter (c)	First quarter (d)	(millions of euro) Changes %		
					(a/b)	(b/c)	(c/d)
Wages and salaries	1,276	1,134	1,147	1,162	12.5	-1.1	-1.3
Social security charges	321	288	296	308	11.5	-2.7	-3.9
Other	247	221	216	208	11.8	2.3	3.8
<b>Personnel expenses</b>	<b>1,844</b>	<b>1,643</b>	<b>1,659</b>	<b>1,678</b>	<b>12.2</b>	<b>-1.0</b>	<b>-1.1</b>
Information technology expenses	228	212	222	198	7.5	-4.5	12.1
Management of real estate assets expenses	96	85	82	87	12.9	3.7	-5.7
General structure costs	93	106	104	92	-12.3	1.9	13.0
Professional and legal expenses	102	70	77	70	45.7	-9.1	10.0
Advertising and promotional expenses	68	25	30	19		-16.7	57.9
Indirect personnel costs	16	13	12	10	23.1	8.3	20.0
Other costs	200	145	135	135	37.9	7.4	-
Indirect taxes and duties	351	260	249	294	35.0	4.4	-15.3
Recovery of expenses and charges	-309	-223	-205	-257	38.6	8.8	-20.2
<b>Administrative expenses</b>	<b>845</b>	<b>693</b>	<b>706</b>	<b>648</b>	<b>21.9</b>	<b>-1.8</b>	<b>9.0</b>
Property and equipment	146	142	143	148	2.8	-0.7	-3.4
Intangible assets	192	160	157	158	20.0	1.9	-0.6
<b>Adjustments</b>	<b>338</b>	<b>302</b>	<b>300</b>	<b>306</b>	<b>11.9</b>	<b>0.7</b>	<b>-2.0</b>
<b>Operating costs</b>	<b>3,027</b>	<b>2,638</b>	<b>2,665</b>	<b>2,632</b>	<b>14.7</b>	<b>-1.0</b>	<b>1.3</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

	2021				(millions of euro) Changes %		
	Fourth quarter (a)	Third quarter (b)	Second quarter Redetermined figures (c)	First quarter Redetermined figures (d)	(a/b)	(b/c)	(c/d)
Wages and salaries	1,276	1,134	1,145	1,124	12.5	-1.0	1.9
Social security charges	321	288	295	298	11.5	-2.4	-1.0
Other	247	221	217	207	11.8	1.8	4.8
<b>Personnel expenses</b>	<b>1,844</b>	<b>1,643</b>	<b>1,657</b>	<b>1,629</b>	<b>12.2</b>	<b>-0.8</b>	<b>1.7</b>
Information technology expenses	228	212	224	202	7.5	-5.4	10.9
Management of real estate assets expenses	96	85	82	86	12.9	3.7	-4.7
General structure costs	93	106	104	91	-12.3	1.9	14.3
Professional and legal expenses	102	70	79	75	45.7	-11.4	5.3
Advertising and promotional expenses	68	25	30	19		-16.7	57.9
Indirect personnel costs	16	13	12	10	23.1	8.3	20.0
Other costs	200	145	135	132	37.9	7.4	2.3
Indirect taxes and duties	351	260	249	293	35.0	4.4	-15.0
Recovery of expenses and charges	-309	-223	-205	-257	38.6	8.8	-20.2
<b>Administrative expenses</b>	<b>845</b>	<b>693</b>	<b>710</b>	<b>651</b>	<b>21.9</b>	<b>-2.4</b>	<b>9.1</b>
Property and equipment	146	142	143	148	2.8	-0.7	-3.4
Intangible assets	192	160	158	159	20.0	1.3	-0.6
<b>Adjustments</b>	<b>338</b>	<b>302</b>	<b>301</b>	<b>307</b>	<b>11.9</b>	<b>0.3</b>	<b>-2.0</b>
<b>Operating costs</b>	<b>3,027</b>	<b>2,638</b>	<b>2,668</b>	<b>2,587</b>	<b>14.7</b>	<b>-1.1</b>	<b>3.1</b>

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

The quarterly analysis shows an increase in operating costs in the fourth quarter due to the customary seasonal effects, above all at the level of administrative expenses.

	2021	2020	(millions of euro) Changes	
			amount	%
Banca dei Territori	6,465	6,661	-196	-2.9
IMI Corporate & Investment Banking	1,365	1,334	31	2.3
International Subsidiary Banks	1,072	1,030	42	4.1
Private Banking	906	869	37	4.3
Asset Management	239	218	21	9.6
Insurance	401	394	7	1.8
<b>Total business areas</b>	<b>10,448</b>	<b>10,506</b>	<b>-58</b>	<b>-0.6</b>
Corporate Centre	472	533	-61	-11.4
<b>Intesa Sanpaolo Group (Redetermined figures)</b>	<b>10,920</b>	<b>11,039</b>	<b>-119</b>	<b>-1.1</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

### Business areas Operating costs



At the level of operating costs, the Banca dei Territori Division, which accounts for 61.8% of all costs of the business areas, reported significant savings compared to 2020 (-2.9%, or -196 million euro) thanks to lower administrative expenses, mainly discretionary and concerning services in the real estate and operations sectors, and personnel expenses, in relation to negotiated exits. By contrast, there were moderate cost increases in other sectors of activity, in detail: IMI Corporate & Investment Banking (+2.3%, or +31 million euro), attributable to the rise in personnel expenses, Asset Management (+9.6%, or +21 million euro), attributable to both personnel expenses and administrative expenses, Private Banking (+4.3%, or +37 million euro) and International Subsidiary Banks (+4.1%, or +42 million euro), due to all expense components, and the Insurance Division (+1.8%, or +7 million euro), essentially due to personnel expenses. Lastly, the Corporate Centre reported a reduction in costs of 11.4%, or -61 million euro, above all in relation to synergies on administrative expenses and amortisation/depreciation as a result

of the integration of UBI.

### Operating margin

The operating margin in 2021 amounted to 9,866 million euro, up by 5.4% on 2020, thanks to the increase in revenues, combined with a reduction in operating costs.

### Net adjustments to loans

	2021	Adjustments	2021 Redetermined figures	2020	Adjustments	2020 Redetermined figures	(millions of euro) Changes (Redetermined figures)	
							amount	%
Bad loans	-1,783	6	-1,777	-1,832	-126	-1,958	-181	-9.2
Unlikely to pay	-1,209	-	-1,209	-1,383	-106	-1,489	-280	-18.8
Past due loans	-210	-	-210	-197	-5	-202	8	4.0
<b>Stage 3 loans</b>	<b>-3,202</b>	<b>6</b>	<b>-3,196</b>	<b>-3,412</b>	<b>-237</b>	<b>-3,649</b>	<b>-453</b>	<b>-12.4</b>
of which debt securities	-1	1	-	-	-	-	-	-
<b>Stage 2 loans</b>	<b>169</b>	<b>-</b>	<b>169</b>	<b>-762</b>	<b>-25</b>	<b>-787</b>	<b>956</b>	
of which debt securities	-5	-	-5	-3	-	-3	2	66.7
<b>Stage 1 loans</b>	<b>193</b>	<b>-</b>	<b>193</b>	<b>-16</b>	<b>11</b>	<b>-5</b>	<b>198</b>	
of which debt securities	24	-	24	3	-	3	21	
<b>Net losses/recoveries on impairment of loans</b>	<b>-2,840</b>	<b>6</b>	<b>-2,834</b>	<b>-4,190</b>	<b>-251</b>	<b>-4,441</b>	<b>-1,607</b>	<b>-36.2</b>
<b>Profits/losses from changes in contracts without derecognition</b>	<b>-29</b>	<b>-</b>	<b>-29</b>	<b>-29</b>	<b>-20</b>	<b>-49</b>	<b>-20</b>	<b>-40.8</b>
<b>Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given</b>	<b>97</b>	<b>-</b>	<b>97</b>	<b>5</b>	<b>-8</b>	<b>-3</b>	<b>100</b>	
<b>Net adjustments to loans</b>	<b>-2,772</b>	<b>6</b>	<b>-2,766</b>	<b>-4,214</b>	<b>-279</b>	<b>-4,493</b>	<b>-1,727</b>	<b>-38.4</b>

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

**Quarterly development**  
**Net adjustments to loans - Redetermined figures**  
(millions of euro)



Adjustments to loans, which included an additional allocation of around 1,615 million euro to accelerate the reduction of non-performing loans, amounted to 2,766 million euro, down sharply (-38.4%) on the figure recorded in 2020 (4,493 million euro), which was impacted by higher provisions due to the revision of the scenario following the pandemic. The decrease was driven by net recoveries on loans in Stage 2 and Stage 1 essentially as a result of the various macroeconomic scenarios and the related management overlays considered in the two periods, which in 2020 had entailed, overall, the recognition of 792 million euro of adjustments and in 2021 the recognition of 362 million euro of recoveries, as well as by lower adjustments to non-performing loans in Stage 3 (-453 million euro). The latter were essentially divided amongst bad loans (-181 million euro) and unlikely-to-pay loans (-280 million euro). In 2021, there was a progressive reduction in non-performing loans as a percentage of total loans to 3.2% in December, compared to 4.4% at the end of 2020. Based on the EBA methodology, gross NPL to total loan ratio stood at 2.4%.

The cost of credit, represented by the ratio of net adjustments to net loans, amounted to 59 bps (25 bps excluding the additional allocation to accelerate the reduction in non-performing loans) in 2021, down on the figure for 2020 (97 bps, 48 bps excluding the provisions due to the revision of the scenario last year as a result of the pandemic).

The coverage of non-performing loans in 2021 amounted to 53.6%, up sharply, by 5 percentage points, on the 2020 figure. In detail, bad loans required net adjustments of 1,777 million euro, compared to 1,958 million euro in 2020, presenting a coverage ratio of 70.4%. Net adjustments to unlikely-to-pay loans, totalling 1,209 million euro, were down from 1,489 million euro recorded in 2020, with a coverage ratio of 40.6%. Net impairment losses on past due loans amounted to 210 million euro (202 million euro in 2020), with a coverage ratio of 19.6%, whereas that of forborne positions among non-performing assets was 42.1%. Finally, the coverage of performing loans was 0.5% and incorporates the physiological risk inherent in the loan portfolio.

					(millions of euro)		
	Fourth quarter (a)	2021 Third quarter (b)	Second quarter (c)	First quarter (d)	Changes %		
					(a/b)	(b/c)	(c/d)
Bad loans	-1,094	-141	-393	-155		-64.1	
Unlikely to pay	-448	-442	-152	-167	1.4		-9.0
Past due loans	-65	-60	-65	-20	8.3	-7.7	
<b>Stage 3 loans</b>	<b>-1,607</b>	<b>-643</b>	<b>-610</b>	<b>-342</b>		<b>5.4</b>	<b>78.4</b>
of which debt securities	-	-1	-	-		-	-
<b>Stage 2 loans</b>	<b>241</b>	<b>31</b>	<b>-16</b>	<b>-87</b>			<b>-81.6</b>
of which debt securities	-2	-2	1	-2	-		
<b>Stage 1 loans</b>	<b>123</b>	<b>65</b>	<b>5</b>	<b>-</b>	<b>89.2</b>		<b>-</b>
of which debt securities	13	2	4	5		-50.0	-20.0
<b>Net losses/recoveries on impairment of loans</b>	<b>-1,243</b>	<b>-547</b>	<b>-621</b>	<b>-429</b>		<b>-11.9</b>	<b>44.8</b>
<b>Profits/losses from changes in contracts without derecognition</b>	<b>-4</b>	<b>-7</b>	<b>-6</b>	<b>-12</b>	<b>-42.9</b>	<b>16.7</b>	<b>-50.0</b>
<b>Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given</b>	<b>25</b>	<b>11</b>	<b>28</b>	<b>33</b>		<b>-60.7</b>	<b>-15.2</b>
<b>Net adjustments to loans</b>	<b>-1,222</b>	<b>-543</b>	<b>-599</b>	<b>-408</b>		<b>-9.3</b>	<b>46.8</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

(millions of euro)

	2021						
	Fourth quarter (a)	Third quarter (b)	Second quarter Redetermined figures (c)	First quarter Redetermined figures (d)	(a/b)	(b/c)	(c/d)
Bad loans	-1,094	-141	-393	-149		-64.1	
Unlikely to pay	-448	-442	-152	-167	1.4		-9.0
Past due loans	-65	-60	-65	-20	8.3	-7.7	
<b>Stage 3 loans</b>	<b>-1,607</b>	<b>-643</b>	<b>-610</b>	<b>-336</b>		<b>5.4</b>	<b>81.5</b>
of which debt securities	1	-1	-	-		-	-
<b>Stage 2 loans</b>	<b>241</b>	<b>31</b>	<b>-16</b>	<b>-87</b>			<b>-81.6</b>
of which debt securities	-2	-2	1	-2	-		
<b>Stage 1 loans</b>	<b>123</b>	<b>65</b>	<b>5</b>	<b>-</b>	<b>89.2</b>		<b>-</b>
of which debt securities	13	2	4	5		-50.0	-20.0
<b>Net losses/recoveries on impairment of loans</b>	<b>-1,243</b>	<b>-547</b>	<b>-621</b>	<b>-423</b>		<b>-11.9</b>	<b>46.8</b>
<b>Profits/losses from changes in contracts without derecognition</b>	<b>-4</b>	<b>-7</b>	<b>-6</b>	<b>-12</b>	<b>-42.9</b>	<b>16.7</b>	<b>-50.0</b>
<b>Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given</b>	<b>25</b>	<b>11</b>	<b>28</b>	<b>33</b>		<b>-60.7</b>	<b>-15.2</b>
<b>Net adjustments to loans</b>	<b>-1,222</b>	<b>-543</b>	<b>-599</b>	<b>-402</b>		<b>-9.3</b>	<b>49.0</b>

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

In the fourth quarter of 2021, adjustments to loans rose significantly, due largely to the additional allocation of 1,247 million euro to accelerate the process of reducing non-performing loans.

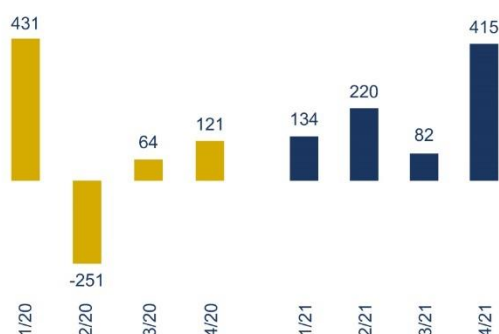
#### Other net provisions and net impairment losses on other assets

	2021	Adjustments	2021 Redetermined figures	2020	Adjustments	2020 Redetermined figures	Changes (Redetermined figures)	
							amount	%
Other net provisions	-698	-2	-700	-191	2	-189	511	
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-28	-	-28	-1	-4	-5	23	
Net impairment losses on other assets	-118	-	-118	-136	-9	-145	-27	-18.6
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-4	-1	-5	-18	-8	-26	-21	-80.8
<b>Other net provisions and net impairment losses on other assets</b>	<b>-848</b>	<b>-3</b>	<b>-851</b>	<b>-346</b>	<b>-19</b>	<b>-365</b>	<b>486</b>	

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



**Quarterly development**  
**Other net provisions and net impairment**  
**losses on other assets - Redetermined figures**  
(millions of euro)



Within the layout of the reclassified Income statement, this caption primarily consists of other net provisions for risks and charges and net impairment losses on other assets and on securities measured at amortised cost and at fair value. In 2021, other net provisions and net impairment losses on other assets amounted to 851 million euro, up sharply from the 365 million euro recognised in the previous year.

The increase recorded was due to other net provisions, which include the provision of approximately 295 million euro in the insurance sector representing the claims in excess of premiums issued and the estimated future charges on annual policies in force, in relation to a financial imbalance which was also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown and provisions for legal expenses of 180 million euro.

	2021				(millions of euro) Changes %		
	Fourth quarter (a)	Third quarter (b)	Second quarter (c)	First quarter (d)	(a/b)	(b/c)	(c/d)
Other net provisions	-304	-77	-196	-121	-60.7		62.0
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-24	-2	7	-9			
Net impairment losses on other assets	-84	-2	-29	-3		-93.1	
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-3	-1	-	-		-	-
<b>Other net provisions and net impairment losses on other assets</b>	<b>-415</b>	<b>-82</b>	<b>-218</b>	<b>-133</b>	<b>-62.4</b>		<b>63.9</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

	2021				(millions of euro) Changes %		
	Fourth quarter (a)	Third quarter (b)	Second quarter Redetermined figures (c)	First quarter Redetermined figures (d)	(a/b)	(b/c)	(c/d)
Other net provisions	-304	-77	-198	-121	-61.1		63.6
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-24	-2	7	-9			
Net impairment losses on other assets	-84	-2	-29	-3		-93.1	
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-3	-1	-	-1		-	
<b>Other net provisions and net impairment losses on other assets</b>	<b>-415</b>	<b>-82</b>	<b>-220</b>	<b>-134</b>	<b>-62.7</b>		<b>64.2</b>

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

The figure for the fourth quarter of 2021 was up considerably on the third quarter, due to the effect of the aforementioned insurance charges (170 million euro), recognised among other net provisions.

**Other income (expenses)**

In this caption of the reclassified Income statement, the “profits (losses) on financial assets measured at amortised cost other than loans, equity investments and other investments” are aggregated together with other income and expenses not strictly linked to operations.

Other income amounted to 332 million euro, compared with the 97 million euro recorded in 2020. The change is mainly attributable to the capital gains realised on the sales by Fideuram Bank (Luxembourg) to State Street of the Custodian Bank and Fund Administration business line (194 million euro) and of the former UBI acquiring business line to Nexi (97 million euro).

**Income (Loss) from discontinued operations**

During the reporting period, the caption amounted to 58 million euro of income, attributable to the reclassification of the profits from branches sold by the UBI Group and the Parent Company. This figure compares with the 1,588 million euro recorded in the previous year, which included the capital gain and income components relating to the business line consisting of the acquiring activities contributed to Nexi (1,163 million euro), as well as the above-mentioned reclassification linked to the disposal of branches (425 million euro).

**Gross income (loss)**

In 2021, income before tax from continuing operations came to 6,639 million euro, up by 7.3% on 2020, which also benefited from the above-mentioned Nexi capital gain.

**Taxes on income**

Current and deferred taxes came to 1,623 million euro, inclusive of the net benefit of approximately 460 million euro due to realignment of the tax values of intangible assets permitted by Law Decree 104/2020, corresponding to an effective tax rate of 24.4%, the same levels as in 2020.

**Charges (net of tax) for integration and exit incentives**

The caption, the main component of which is provisions for risks and charges, amounted to 439 million euro, including approximately 210 million euro (around 320 million euro before taxes) relating to the 2,000 voluntary exits under the trade union agreement of November 2021, compared to 1,549 million euro in the previous year, which reflected the negative effect of UBI integration costs of 1,378 million euro.

**Effect of purchase price allocation (net of tax)**

This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition of investments and/or aggregate assets. In 2021, the caption amounted to -39 million euro, compared to +1,960 million euro recorded in 2020, which included the extraordinary positive effect (2,062 million euro) relating to the recognition of the negative goodwill deriving from the acquisition of the UBI Group.

**Levies and other charges concerning the banking industry (net of tax)**

The caption includes the levies imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management. In 2021, these charges came to 511 million euro, compared to the 513 million euro recorded in the previous year.

The charges recognised during the reporting period may be broken down as follows: 261 million euro attributable to resolution funds, 230 million euro to deposit guarantee funds, 19 million euro to levies recognised by international subsidiary banks and 1 million euro to the Atlante Fund.

**Impairment (net of tax) of goodwill and other intangible assets**

In 2021, there was no goodwill impairment, whereas in 2020 912 million euro had been recognised to fully offset the goodwill attributable to the Banca dei Territori Division, also related to the increase in the accounting value of the Division following the integration with UBI Banca.

**Minority interests**

In 2021, the caption showed a positive sign of 158 million euro of net losses attributable to minorities relating to companies within the scope of line-by-line consolidation, essentially relating to Intesa Sanpaolo RBM Salute. The figure recorded in 2020, which was negative by 387 million euro, included the reclassification into this caption of profit relating to the UBI Group, attributable to minority interests as it preceded the acquisition, as well as that of Intesa Sanpaolo RBM Salute.

**Net income (loss)**

Thanks to a general improvement in the economic situation, which benefited from the gradual easing of pandemic restrictions, and to the efforts devoted to integration activities, the Intesa Sanpaolo Group achieved excellent results in 2021, with a consolidated net income of 4,185 million euro, up considerably (+27.7%) on the 3,277 million euro earned in 2020. This growth bears out the sustainable profitability of the business model, in the form of robust revenues, accurate operating cost management and effective control of the cost of risk, and represents a solid springboard for the new 2022-2025 Business Plan.

# Balance sheet aggregates

## General aspects

A reclassified condensed Balance sheet has been prepared to permit a more immediate understanding of the Group's assets and liabilities.

The format adopted includes not only the figures for the reporting period, but also the comparative figures. In the interest of consistent comparison, the figures for previous periods are normally restated, where necessary and material, including to account for changes in the scope of consolidation.

In particular, the restatements involved:

- the inclusion on a line-by-line basis of the balance sheet results of Intesa Sanpaolo RBM Salute, which entered the line-by-line scope of consolidation, as already mentioned, in the second quarter of 2020;
- the inclusion on a line-by-line basis of the balance sheet results of Reyl & Cie S.A., RB Participations S.A. and Asteria Investment Managers S.A. (Reyl Group), which entered into the scope of consolidation in the second quarter of 2021, as described above;
- the inclusion on a line-by-line basis of the balance sheet results of the insurance companies Assicurazioni Vita<sup>38</sup> (formerly Aviva Vita), Lombarda Vita<sup>39</sup> and Cargeas, as specified in more detail below.

With regard to the UBI Group acquisition, given that the figures as at 31 December 2020 were already uniform, in order to permit a significant comparison at the quarterly level as well, for periods prior to the acquisition, and thus for the first three quarters of 2020, balance sheet figures were subject to line-by-line inclusion of the figures concerning the UBI Group and line-by-line exclusion of balance sheet figures concerning the UBI and ISP branches sold in the first and second quarters of 2021, which in the quarterly reclassified balance sheet have by convention been allocated to the captions Non-current assets held for sale and Liabilities associated with non-current assets held for sale ("Redetermined" figures).

As regards the inclusion of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, whose balance sheet values were restated as illustrated above, please note that it was not deemed necessary to "redetermine" the balance sheet figures so as to exclude - on the basis of management data - the items (investments and technical reserves) linked to production from the customers of the branches sold to third parties, as was done in the income statement, since said items were of negligible amounts and hence not relevant for comparability.

Certain aggregations and reclassifications are then made with respect to the model provided in Circular 262/2005 of the Bank of Italy. Breakdowns of restatements, aggregations and reclassifications are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

In view of the payment of the 2021 interim dividend by the Parent Company, consistent with the corresponding financial statement, a specific caption was added to the reclassified Balance sheet, within the captions of shareholders' equity. In addition, following the update to Bank of Italy Circular 262, which provides that the caption "Cash and cash equivalents" include all "demand" loans, in the technical forms of current accounts and deposits, to banks and central banks (with the exception of the reserve requirement), the specific caption Cash and cash equivalents, previously included in Other assets, was opened accordingly in the reclassified Balance sheet.

Aggregations and reclassifications of captions of the reclassified Balance sheet refer to:

- the separate presentation of financial assets constituting Due from banks and Loans to customers, regardless of the accounting portfolios to which they have been allocated;
- the separate presentation of financial assets not constituting loans, divided into financial assets measured at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, net of the amounts reclassified to Due from banks and Loans to customers;
- the separate presentation of financial assets and liabilities pertaining to the insurance business, measured pursuant to IAS 39, in application of the deferral approach, by the Group's insurance companies;
- the aggregation in one single caption of Property and equipment and Intangible assets, broken down into the sub-captions Assets owned and Rights of use acquired under lease;
- the inclusion of Hedging derivatives and Fair value changes of financial assets/liabilities in hedged portfolios under Other assets/liabilities;
- the inclusion of the technical insurance reserves reassured with third parties under Other assets;
- the separate presentation of Due to banks at amortised cost;
- the aggregation of Due to customers at amortised cost and Securities issued into one caption;
- the aggregation into one caption (Allowances for risks and charges) of allowances for specific purposes (Employee termination indemnities, Allowances for risks and charges, Allowances for commitments and financial guarantees given);
- the reclassification of Lease payables to a specific sub-caption of Other liabilities;
- the presentation of Reserves as an aggregate and net of any own shares.

<sup>38</sup> Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

<sup>39</sup> Merged by incorporation into Intesa Sanpaolo Vita on 31 December 2021.

## Reclassified balance sheet

Assets	31.12.2021	31.12.2020	(millions of euro)	
			Changes	
			amount	%
Cash and cash equivalents	14,756	14,630	126	0.9
Due from banks	162,121	105,261	56,860	54.0
Loans to customers	465,254	462,802	2,452	0.5
<i>Loans to customers measured at amortised cost</i>	463,458	461,373	2,085	0.5
<i>Loans to customers designated at fair value through other comprehensive income and through profit or loss</i>	1,796	1,429	367	25.7
Financial assets measured at amortised cost which do not constitute loans	43,325	47,102	-3,777	-8.0
Financial assets at fair value through profit or loss	51,636	57,074	-5,438	-9.5
Financial assets at fair value through other comprehensive income	66,841	57,590	9,251	16.1
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	206,800	205,537	1,263	0.6
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	85	161	-76	-47.2
Investments in associates and companies subject to joint control	1,652	1,671	-19	-1.1
Property, equipment and intangible assets	20,134	19,131	1,003	5.2
<i>Assets owned</i>	18,613	17,311	1,302	7.5
<i>Rights of use acquired under leases</i>	1,521	1,820	-299	-16.4
Tax assets	18,808	19,777	-969	-4.9
Non-current assets held for sale and discontinued operations	1,422	28,702	-27,280	-95.0
Other assets	16,169	14,564	1,605	11.0
<b>Total Assets</b>	<b>1,069,003</b>	<b>1,034,002</b>	<b>35,001</b>	<b>3.4</b>
Liabilities	31.12.2021	31.12.2020	Changes	
			amount	%
Due to banks at amortised cost	165,250	115,944	49,306	42.5
Due to customers at amortised cost and securities issued	543,418	514,229	29,189	5.7
Financial liabilities held for trading	56,306	59,044	-2,738	-4.6
Financial liabilities designated at fair value	3,674	3,032	642	21.2
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,139	2,023	116	5.7
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	84,770	80,699	4,071	5.0
Tax liabilities	2,285	3,370	-1,085	-32.2
Liabilities associated with non-current assets held for sale and discontinued operations	30	35,676	-35,646	
Other liabilities	21,954	24,365	-2,411	-9.9
<i>of which lease payables</i>	1,394	1,762	-368	-20.9
Technical reserves	118,296	121,360	-3,064	-2.5
Allowances for risks and charges	6,815	7,194	-379	-5.3
<i>of which allowances for commitments and financial guarantees given</i>	508	626	-118	-18.8
Share capital	10,084	10,084	-	-
Reserves	44,856	44,775	81	0.2
Valuation reserves	-709	-515	194	37.7
Valuation reserves pertaining to insurance companies	476	809	-333	-41.2
Interim dividend	-1,399	-	1,399	-
Equity instruments	6,282	7,464	-1,182	-15.8
Minority interests	291	1,172	-881	-75.2
Net income (loss)	4,185	3,277	908	27.7
<b>Total liabilities and shareholders' equity</b>	<b>1,069,003</b>	<b>1,034,002</b>	<b>35,001</b>	<b>3.4</b>

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

## Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2021				2020			
	31/12	30/9	30/6	31/3	31/12	30/9 Redetermined figures	30/6 Redetermined figures	31/3 Redetermined figures
Cash and cash equivalents	14,756	15,133	14,628	13,709	14,630	13,791	15,189	12,808
Due from banks	162,121	164,890	148,205	128,188	105,261	80,901	70,709	74,062
Loans to customers	465,254	463,295	463,297	464,661	462,802	464,438	464,001	466,721
<i>Loans to customers measured at amortised cost</i>	<i>463,458</i>	<i>460,903</i>	<i>461,348</i>	<i>463,129</i>	<i>461,373</i>	<i>462,973</i>	<i>462,538</i>	<i>465,242</i>
<i>Loans to customers designated at fair value through other comprehensive income and through profit or loss</i>	<i>1,796</i>	<i>2,392</i>	<i>1,949</i>	<i>1,532</i>	<i>1,429</i>	<i>1,465</i>	<i>1,463</i>	<i>1,479</i>
Financial assets measured at amortised cost which do not constitute loans	43,325	41,286	42,615	44,857	47,102	43,453	41,926	35,744
Financial assets at fair value through profit or loss	51,636	59,924	59,826	55,455	57,074	61,248	62,151	57,190
Financial assets at fair value through other comprehensive income	66,841	63,589	66,415	60,778	57,590	80,626	83,536	81,220
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	206,800	205,631	206,138	206,388	205,537	197,806	194,504	186,749
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	85	82	80	79	161	155	156	153
Investments in associates and companies subject to joint control	1,652	1,738	1,707	1,708	1,671	1,536	1,517	1,324
Property, equipment and intangible assets	20,134	19,408	19,451	18,908	19,131	19,508	21,086	20,700
<i>Assets owned</i>	<i>18,613</i>	<i>17,800</i>	<i>17,815</i>	<i>17,158</i>	<i>17,311</i>	<i>17,744</i>	<i>19,299</i>	<i>18,877</i>
<i>Rights of use acquired under leases</i>	<i>1,521</i>	<i>1,608</i>	<i>1,636</i>	<i>1,750</i>	<i>1,820</i>	<i>1,764</i>	<i>1,787</i>	<i>1,823</i>
Tax assets	18,808	18,805	19,014	19,582	19,777	19,490	19,575	19,869
Non-current assets held for sale and discontinued operations	1,422	3,181	1,566	3,169	28,702	29,504	29,235	27,460
Other assets	16,169	14,456	14,653	14,499	14,564	14,750	19,035	19,219
<b>Total Assets</b>	<b>1,069,003</b>	<b>1,071,418</b>	<b>1,057,595</b>	<b>1,031,981</b>	<b>1,034,002</b>	<b>1,027,206</b>	<b>1,022,620</b>	<b>1,003,219</b>

Liabilities	2021				2020			
	31/12	30/9	30/6	31/3	31/12	30/9 Redetermined figures	30/6 Redetermined figures	31/3 Redetermined figures
Due to banks at amortised cost	165,250	179,514	164,840	151,746	115,944	118,555	125,315	134,613
Due to customers at amortised cost and securities issued	543,418	523,699	519,223	512,263	514,229	505,284	495,185	490,011
Financial liabilities held for trading	56,306	57,533	57,335	53,544	59,044	57,024	55,731	54,997
Financial liabilities designated at fair value	3,674	3,266	3,361	3,116	3,032	2,978	2,288	845
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,139	2,563	2,518	2,414	2,023	1,957	1,889	937
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	84,770	83,093	83,010	82,040	80,699	77,304	76,370	72,019
Tax liabilities	2,285	2,618	2,490	3,303	3,370	2,879	2,751	3,079
Liabilities associated with non-current assets held for sale and discontinued operations	30	1,404	78	3,585	35,676	34,737	33,858	30,038
Other liabilities	21,954	24,955	31,674	26,283	24,365	32,237	38,970	31,448
<i>of which lease payables</i>	<i>1,394</i>	<i>1,519</i>	<i>1,570</i>	<i>1,708</i>	<i>1,762</i>	<i>1,734</i>	<i>1,744</i>	<i>1,768</i>
Technical reserves	118,296	118,616	119,475	119,943	121,360	118,337	115,308	111,516
Allowances for risks and charges	6,815	6,873	7,041	7,437	7,194	6,529	5,163	5,784
<i>of which allowances for commitments and financial guarantees given</i>	<i>508</i>	<i>534</i>	<i>548</i>	<i>576</i>	<i>626</i>	<i>547</i>	<i>559</i>	<i>514</i>
Share capital	10,084	10,084	10,084	10,084	10,084	10,076	9,086	9,086
Reserves	44,856	46,508	46,671	47,529	44,775	44,787	42,419	42,380
Valuation reserves	-709	-569	-476	-738	-515	-894	-1,441	-1,833
Valuation reserves pertaining to insurance companies	476	677	661	777	809	596	403	182
Interim dividend	-1,399	-	-	-	-	-	-	-
Equity instruments	6,282	6,279	6,269	6,202	7,464	7,446	5,971	5,972
Minority interests	291	299	318	937	1,172	998	10,788	10,994
Net income (loss)	4,185	4,006	3,023	1,516	3,277	6,376	2,566	1,151
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,069,003</b>	<b>1,071,418</b>	<b>1,057,595</b>	<b>1,031,981</b>	<b>1,034,002</b>	<b>1,027,206</b>	<b>1,022,620</b>	<b>1,003,219</b>

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and the reallocation of the going concerns object of disposal to non-current assets held for sale and discontinued operations and associated liabilities.

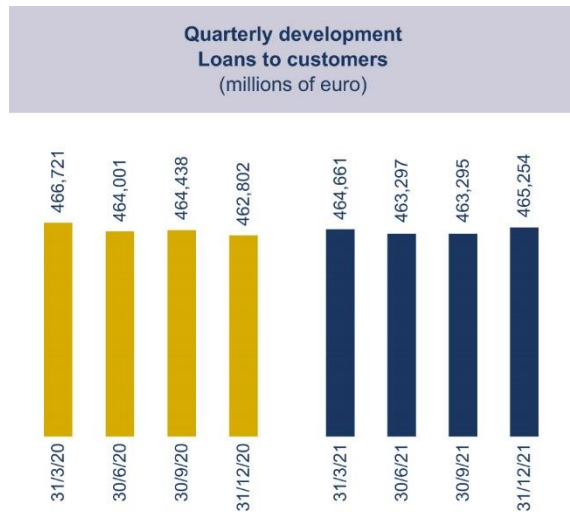
## BANKING BUSINESS

## Loans to customers

## Loans to customers: breakdown

	31.12.2021		31.12.2020		(millions of euro) Changes	
		% breakdown		% breakdown	amount	%
Current accounts	21,727	4.7	21,006	4.5	721	3.4
Mortgages	250,940	53.9	248,802	53.8	2,138	0.9
Advances and other loans	160,874	34.6	158,193	34.2	2,681	1.7
<b>Commercial banking loans</b>	<b>433,541</b>	<b>93.2</b>	<b>428,001</b>	<b>92.5</b>	<b>5,540</b>	<b>1.3</b>
Repurchase agreements	17,621	3.8	16,864	3.6	757	4.5
Loans represented by securities	7,015	1.5	7,194	1.6	-179	-2.5
Non-performing loans	7,077	1.5	10,743	2.3	-3,666	-34.1
<b>Loans to customers</b>	<b>465,254</b>	<b>100.0</b>	<b>462,802</b>	<b>100.0</b>	<b>2,452</b>	<b>0.5</b>

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



The Group's loans to customers exceeded 465 billion euro as at 31 December 2021, marking a moderate year-to-date increase (+0.5%). This trend was due to trade receivables: current accounts were up by 0.7 billion euro, mortgage loans by 2.1 billion euro and the short-term component of advances and loans by 2.7 billion euro. Conversely, non-performing loans further declined (-3.7 billion euro), due in part to deleveraging measures, and amounted to approximately 7 billion euro.

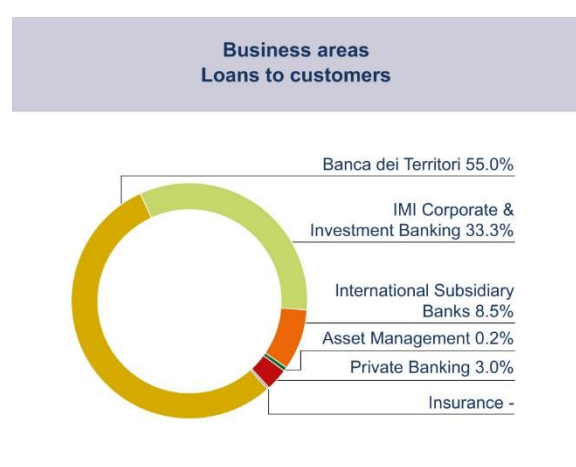
In the domestic medium/long-term loan market, disbursements to households in 2021 (including the small business accounts having similar needs to family businesses) amounted to 23 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 17.9 billion euro. Loans granted by the new Agribusiness department amounted to nearly 2 billion euro. The medium/long-term disbursements to customers of the IMI Corporate & Investment Banking Division amounted to 21.8 billion euro. Overall disbursements within Italy, inclusive of the loans to the non-profit sector, disbursements through third-party networks and through UBI Leasing and Prestitalia, were approximately 66 billion euro. If the activities of the international subsidiary banks are included, the

Group's medium/long-term disbursements reached 77.4 billion euro.

As at 31 December 2021, the Intesa Sanpaolo Group's share of the Italian domestic market was estimated at 20.3% for total loans to customers.

	31.12.2021	31.12.2020	(millions of euro)	
			Changes	
			amount	%
Banca dei Territori	250,984	251,809	-825	-0.3
IMI Corporate & Investment Banking	152,082	145,974	6,108	4.2
International Subsidiary Banks	38,970	36,079	2,891	8.0
Private Banking	13,833	12,128	1,705	14.1
Asset Management	783	452	331	73.2
Insurance	-	-	-	-
<b>Total business areas</b>	<b>456,652</b>	<b>446,442</b>	<b>10,210</b>	<b>2.3</b>
Corporate Centre	8,602	16,360	-7,758	-47.4
<b>Intesa Sanpaolo Group</b>	<b>465,254</b>	<b>462,802</b>	<b>2,452</b>	<b>0.5</b>

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



In the analysis by business area, Banca dei Territori, which accounts for 55% of the aggregate for the Group's operating companies, was substantially stable year to date (-0.3%), due to the good performance of medium/long-term loans to private individuals which offset the downward trend in short-term credit, mainly aimed at businesses. The IMI Corporate & Investment Banking Division reported growth of 6.1 billion euro (+4.2%), attributable to loans for structured finance transactions and global markets. The loans of the International Subsidiary Banks Division grew (+2.9 billion euro, or +8%), specifically due to the contributions of the subsidiaries operating in Slovakia, Croatia, Egypt and Serbia. Turning to the other divisions, whose loans are of relatively modest amounts in light of their specific businesses, there were gains by both the loans of the Private Banking Division (+14.1%) and Asset Management Division. Conversely, the Corporate Centre's loans on central assets declined.



**Loans to customers: credit quality**

	31.12.2021		31.12.2020		(millions of euro) Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Bad loans	2,130	0.5	4,003	0.9	-1,873
Unlikely to pay	4,325	0.9	6,223	1.3	-1,898
Past due loans	622	0.1	517	0.1	105
<b>Non-Performing Loans</b>	<b>7,077</b>	<b>1.5</b>	<b>10,743</b>	<b>2.3</b>	<b>-3,666</b>
<i>Non-performing loans in Stage 3 (subject to impairment)</i>	<i>7,038</i>	<i>1.5</i>	<i>10,686</i>	<i>2.3</i>	<i>-3,648</i>
<i>Non-performing loans designated at fair value through profit or loss</i>	<i>39</i>	<i>-</i>	<i>57</i>	<i>-</i>	<i>-18</i>
<b>Performing loans</b>	<b>451,143</b>	<b>97.0</b>	<b>444,843</b>	<b>96.1</b>	<b>6,300</b>
<i>Stage 2</i>	<i>54,389</i>	<i>11.7</i>	<i>69,023</i>	<i>14.9</i>	<i>-14,634</i>
<i>Stage 1</i>	<i>395,755</i>	<i>85.1</i>	<i>374,742</i>	<i>81.0</i>	<i>21,013</i>
<i>Performing loans designated at fair value through profit or loss</i>	<i>999</i>	<i>0.2</i>	<i>1,078</i>	<i>0.2</i>	<i>-79</i>
<b>Performing loans represented by securities</b>	<b>7,015</b>	<b>1.5</b>	<b>7,194</b>	<b>1.6</b>	<b>-179</b>
<i>Stage 2</i>	<i>865</i>	<i>0.2</i>	<i>3,060</i>	<i>0.7</i>	<i>-2,195</i>
<i>Stage 1</i>	<i>6,150</i>	<i>1.3</i>	<i>4,134</i>	<i>0.9</i>	<i>2,016</i>
<b>Loans held for trading</b>	<b>19</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>-3</b>
<b>Total loans to customers</b>	<b>465,254</b>	<b>100.0</b>	<b>462,802</b>	<b>100.0</b>	<b>2,452</b>
<i>of which forbore performing</i>	<i>8,103</i>		<i>5,256</i>		<i>2,847</i>
<i>of which forbore non-performing</i>	<i>2,644</i>		<i>3,542</i>		<i>-898</i>
<b>Loans to customers classified as discontinued operations</b>	<b>1,206</b>		<b>26,140</b>		<b>-24,934</b>

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

(\*) As at 31 December 2021, this caption refers to the portfolios, or single name exposures, of bad/unlikely to pay loans (total net exposure of 1,206 million euro) to be sold in 2022.

As at 31 December 2020, this caption included the portfolios of bad/unlikely to pay loans (net exposure of 1,189 million euro, of which 742 million euro pertaining to the UBI Group), together with the non-performing and performing loans included in the going concerns to be sold to BPER and BPPB (net exposure of 24,951 million euro, of which 23,510 million euro pertaining to the UBI Group).

As at 31 December 2021, the Group's net non-performing loans amounted to 7.1 billion euro, an all-time low. The double-digit reduction (-34.1%) from the beginning of the year confirms the virtuous trend already recorded in previous years. The non-performing assets percentage of total net loans to customers amounted to 1.5% (1.2% according to the EBA definition), a low proportion and down on the 2.3% recorded in December 2020 (1.9% according to the EBA definition), with an increased coverage ratio for non-performing loans up to 53.6%.

In further detail, at the end of December bad loans came to 2.1 billion euro, net of adjustments (-46.8%), and represented 0.5% of total net loans. As at that same date, the coverage ratio came to 70.4% (86.2% including the write-offs applied). Loans included in the unlikely-to-pay category amounted to 4.3 billion euro, down by 30.5%, accounting for 0.9% of total net loans to customers, with a coverage ratio of 40.6%. Past due loans amounted to 622 million euro (+20.3%), with a coverage ratio of 19.6%. Within the non-performing loan category, forbore exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 2.6 billion euro, with a coverage ratio of 42.1%, while forbore exposures in the performing loans category amounted to 8.1 billion euro.

The coverage ratio of performing loans was 0.5%.

Captions	31.12.2021			31.12.2020			(millions of euro) Change
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	7,194	-5,064	2,130	9,594	-5,591	4,003	-1,873
Unlikely to pay	7,281	-2,956	4,325	10,678	-4,455	6,223	-1,898
Past due loans	774	-152	622	627	-110	517	105
<b>Non-Performing Loans</b>	<b>15,249</b>	<b>-8,172</b>	<b>7,077</b>	<b>20,899</b>	<b>-10,156</b>	<b>10,743</b>	<b>-3,666</b>
<i>Non-performing loans in Stage 3 (subject to impairment)</i>	15,202	-8,164	7,038	20,818	-10,132	10,686	-3,648
<i>Non-performing loans designated at fair value through profit or loss</i>	47	-8	39	81	-24	57	-18
<b>Performing loans</b>	<b>453,596</b>	<b>-2,453</b>	<b>451,143</b>	<b>447,650</b>	<b>-2,807</b>	<b>444,843</b>	<b>6,300</b>
<i>Stage 2</i>	56,129	-1,740	54,389	71,037	-2,014	69,023	-14,634
<i>Stage 1</i>	396,468	-713	395,755	375,535	-793	374,742	21,013
<i>Performing loans designated at fair value through profit or loss</i>	999	-	999	1,078	-	1,078	-79
<b>Performing loans represented by securities</b>	<b>7,039</b>	<b>-24</b>	<b>7,015</b>	<b>7,231</b>	<b>-37</b>	<b>7,194</b>	<b>-179</b>
<i>Stage 2</i>	882	-17	865	3,090	-30	3,060	-2,195
<i>Stage 1</i>	6,157	-7	6,150	4,141	-7	4,134	2,016
<b>Loans held for trading</b>	<b>19</b>	<b>-</b>	<b>19</b>	<b>22</b>	<b>-</b>	<b>22</b>	<b>-3</b>
<b>Total loans to customers</b>	<b>475,903</b>	<b>-10,649</b>	<b>465,254</b>	<b>475,802</b>	<b>-13,000</b>	<b>462,802</b>	<b>2,452</b>
<i>of which forbore performing</i>	8,616	-513	8,103	5,560	-304	5,256	2,847
<i>of which forbore non-performing</i>	4,568	-1,924	2,644	5,902	-2,360	3,542	-898
<b>Loans to customers classified as discontinued operations (*)</b>	<b>4,504</b>	<b>-3,298</b>	<b>1,206</b>	<b>29,602</b>	<b>-3,462</b>	<b>26,140</b>	<b>-24,934</b>

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

(\*) As at 31 December 2021, this caption refers to the portfolios, or single name exposures, of bad/unlikely to pay loans (total gross exposure of 4,504 million euro, adjustments of 3,298 million euro and total net exposure of 1,206 million euro) to be sold in 2022.

As at 31 December 2020, this caption included the portfolio of bad/unlikely to pay loans (gross exposure of 3,956 million euro, adjustments of 2,767 million euro and net exposure of 1,189 million euro; of which gross exposure of 801 million euro, adjustments of 59 million euro and net exposure of 742 million euro pertaining to the UBI Group), together with the non-performing and performing loans included in the going concerns to be sold to BPER and BPPB (gross exposure of 25,646 million euro, adjustments of 695 million euro and net exposure of 24,951 million euro; of which gross exposure of 24,196 million euro, adjustments of 686 million euro and net exposure of 23,510 million euro pertaining to the UBI Group).

At the end of 2021, the Group's gross non-performing loans had fallen to 15.2 billion euro, a decrease of 5.7 billion euro (-27%) compared to December 2020. This trend was mainly driven by the de-risking initiatives continued during the year, but also by the relative stability of inflows from performing loans already at all-time lows: gross inflows amounted to 3.5 billion euro (of which 1.1 billion euro in the fourth quarter), compared to 3.7 billion euro in 2020, whereas net inflows, i.e. net of outflows to performing loans, remained basically unchanged at 2.5 billion euro.

The table shows that the reduction over the 12 months concerned 60% unlikely-to-pay exposures (-3.4 billion euro; -31.8%) and the remainder of bad loans (-2.4 billion euro; -25%), against an increase in past due exposures (+0.1 billion euro; +23.4%).

As may be seen from a comparison of the two tables, at the end of the year, considering the various de-risking initiatives involving single name exposures, the amount of Group non-performing loans classified as assets held for sale pursuant to IFRS 5, where the requirements had been met, totalled a gross book value (GBV) of 4.5 billion euro and a net book value (NBV) of 1.2 billion euro. These figures may be compared with 4 billion euro gross and 1.2 billion euro net in December 2020. As previously reported, these latter 2020 figures included the non-performing loans for which the boards of directors of Intesa Sanpaolo and UBI Banca had approved the launch of activities leading up to their sale in December 2020 in line with the 2018-2021 Business Plan. The transactions involving these loans were all concluded in 2021.

In order to further expedite the de-risking process, during the year new sets of non-performing loans were identified and reclassified among assets held for sale (in the second quarter with a total value in terms of GBV of around 1 billion euro and in the third quarter with a GBV of around 1.1 billion euro), part of which were already sold in the fourth quarter. In addition, in December 2021 and January 2022, ISP's Board of Directors approved the launch of activities leading up to the sale of additional portfolios of non-performing loans to be undertaken in 2022. For a part of these, with a GBV of 2.9 billion euro as at 31 December 2021, the requirements were met for classification among assets held for sale pursuant to IFRS 5 in the 2021 financial statements, with the resulting alignment of their book value with their presumed realisable value. The remainder was classified on the basis of the standard IFRS 9, factoring in a probabilistic scenario of sale at market prices, considering a sale target of 4.8 billion euro in terms of GBV.

## Other banking business financial assets and liabilities: breakdown

Type of financial instruments	(millions of euro)				
	Other financial assets designated at fair value through profit or loss	Other financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL financial assets	Financial liabilities held for trading (*)
<b>Debt securities issued by Governments</b>					
31.12.2021	20,361	49,536	24,845	94,742	X
31.12.2020	19,553	42,574	30,732	92,859	X
Changes amount (**)	808	6,962	-5,887	1,883	X
Changes % (**)	4.1	16.4	-19.2	2.0	X
<b>Other debt securities</b>					
31.12.2021	3,020	14,032	18,480	35,532	X
31.12.2020	3,368	11,311	16,370	31,049	X
Changes amount (**)	-348	2,721	2,110	4,483	X
Changes % (**)	-10.3	24.1	12.9	14.4	X
<b>Equities</b>					
31.12.2021	1,192	3,273	X	4,465	X
31.12.2020	1,058	3,705	X	4,763	X
Changes amount (**)	134	-432	X	-298	X
Changes % (**)	12.7	-11.7	X	-6.3	X
<b>Quotas of UCI</b>					
31.12.2021	3,943	X	X	3,943	X
31.12.2020	3,187	X	X	3,187	X
Changes amount (**)	756	X	X	756	X
Changes % (**)	23.7	X	X	23.7	X
<b>Due to banks and to customers</b>					
31.12.2021	X	X	X	X	-22,262
31.12.2020	X	X	X	X	-15,945
Changes amount (**)	X	X	X	X	6,317
Changes % (**)	X	X	X	X	39.6
<b>Financial derivatives</b>					
31.12.2021	20,895	X	X	20,895	-23,239
31.12.2020	28,292	X	X	28,292	-31,850
Changes amount (**)	-7,397	X	X	-7,397	-8,611
Changes % (**)	-26.1	X	X	-26.1	-27.0
<b>Credit derivatives</b>					
31.12.2021	2,225	X	X	2,225	-2,332
31.12.2020	1,616	X	X	1,616	-1,745
Changes amount (**)	609	X	X	609	587
Changes % (**)	37.7	X	X	37.7	33.6
<b>TOTAL 31.12.2021</b>	<b>51,636</b>	<b>66,841</b>	<b>43,325</b>	<b>161,802</b>	<b>-47,833</b>
<b>TOTAL 31.12.2020</b>	<b>57,074</b>	<b>57,590</b>	<b>47,102</b>	<b>161,766</b>	<b>-49,540</b>
<b>Changes amount (**)</b>	<b>-5,438</b>	<b>9,251</b>	<b>-3,777</b>	<b>36</b>	<b>-1,707</b>
<b>Changes % (**)</b>	<b>-9.5</b>	<b>16.1</b>	<b>-8.0</b>	<b>-</b>	<b>-3.4</b>

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

(\*) The amount of the item does not include certificates which are included in the direct deposits from banking business table.

The table above shows the breakdown of other financial assets and liabilities, excluding insurance companies. Financial liabilities held for trading do not include certificates, which are included in the direct deposits from banking business aggregates.

The Intesa Sanpaolo Group's other financial assets, excluding those of the insurance companies, amounted to 162 billion euro, essentially unchanged compared to the values as at 31 December 2020, whereas financial liabilities held for trading came to 48 billion euro, down by 3.4%.

The stability of total financial assets is the result of the increase in debt securities (+6.4 billion euro) and quotas of UCIs (+0.8 billion euro), whereas financial derivatives declined (-7.4 billion euro). The decline in financial liabilities held for trading was due to the performance of financial derivatives (-8.6 billion euro), largely offset by the increase in amounts due to banks and customers (+6.3 billion euro).

Financial assets measured at fair value through profit or loss amounted to approximately 52 billion euro, recording a decrease (-9.5%, or -5.4 billion euro), essentially due to the decline in financial derivatives (-7.4 billion euro).

Financial assets at fair value through other comprehensive income amounted to approximately 67 billion euro, up by 16.1% year-to-date driven by exposures to government bonds (+7 billion euro) and other debt securities (+2.7 billion euro). HTCS debt securities have been classified almost exclusively to Stage 1 (99.7%).

On the other hand, instruments measured at amortised cost which do not constitute loans amounted to 43.3 billion euro, down by 8%. HTC debt securities have primarily been classified to Stage 1 (91%).

#### Debt securities: stage allocation

(millions of euro)			
Debt securities: stage allocation	Other financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL
<b>Stage 1</b>			
31.12.2021	63,367	39,467	102,834
31.12.2020	52,586	42,516	95,102
Changes amount	10,781	-3,049	7,732
Changes %	20.5	-7.2	8.1
<b>Stage 2</b>			
31.12.2021	201	3,844	4,045
31.12.2020	1,299	4,573	5,872
Changes amount	-1,098	-729	-1,827
Changes %	-84.5	-15.9	-31.1
<b>Stage 3</b>			
31.12.2021	-	14	14
31.12.2020	-	13	13
Changes amount	-	1	1
Changes %	-	7.7	7.7
<b>TOTAL 31.12.2021</b>	<b>63,568</b>	<b>43,325</b>	<b>106,893</b>
<b>TOTAL 31.12.2020</b>	<b>53,885</b>	<b>47,102</b>	<b>100,987</b>
<b>Changes amount</b>	<b>9,683</b>	<b>-3,777</b>	<b>5,906</b>
<b>Changes %</b>	<b>18.0</b>	<b>-8.0</b>	<b>5.8</b>

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

#### Customer financial assets

(millions of euro)						
	31.12.2021	%	31.12.2020	%	Changes amount	%
		breakdown		breakdown		
Direct deposits from banking business	555,565	43.5	526,765	44.4	28,800	5.5
Direct deposits from insurance business and technical reserves	204,479	16.0	203,211	17.1	1,268	0.6
Indirect customer deposits	719,231	56.4	658,016	55.5	61,215	9.3
Netting (a)	-202,963	-15.9	-201,892	-17.0	1,071	0.5
<b>Customer financial assets</b>	<b>1,276,312</b>	<b>100.0</b>	<b>1,186,100</b>	<b>100.0</b>	<b>90,212</b>	<b>7.6</b>

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

(a) Netting refers to components of indirect deposits which are also included in direct customer deposits (financial liabilities of the insurance business designated at fair value, technical reserves).

As at 31 December 2021, customer financial assets exceeded 1,276 billion euro, showing a considerable increase over the twelve months (+7.6%, or +90.2 billion euro), approximately two-thirds of which was driven by indirect customer deposits (+9.3%, or +61.2 billion euro), with the remainder due to direct deposits from banking (+5.5%, or +28.8 billion euro) and insurance business (+0.6%, or +1.3 billion euro).

**Direct deposits from banking business**

The table below sets out amounts due to customers, securities issued, including those designated at fair value and certificates, which represent an alternative form of funding to bonds.

	31.12.2021		31.12.2020		(millions of euro) Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	442,520	79.7	409,598	77.7	32,922	8.0
Repurchase agreements and securities lending	2,691	0.5	944	0.2	1,747	
Bonds	62,452	11.2	70,060	13.3	-7,608	-10.9
Certificates of deposit	2,931	0.5	3,976	0.8	-1,045	-26.3
Subordinated liabilities	12,599	2.3	11,786	2.2	813	6.9
Other deposits	32,372	5.8	30,401	5.8	1,971	6.5
of which designated at fair value (*)	12,147	2.2	12,536	2.4	-389	-3.1
<b>Direct deposits from banking business</b>	<b>555,565</b>	<b>100.0</b>	<b>526,765</b>	<b>100.0</b>	<b>28,800</b>	<b>5.5</b>

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

(\*) Figures relating to investment certificates and other forms of funding included in the Balance sheet under "Financial liabilities held for trading" and "Financial liabilities designated at fair value". Specifically:

- as at 31 December 2021, this caption consisted of 8,473 million euro of certificates classified under "Financial liabilities held for trading" and 3,674 million euro of certificates (3,670 million euro) and other forms of funding (4 million euro) classified under "Liabilities designated at fair value";  
- as at 31 December 2020, this caption consisted of 9,504 million euro of certificates classified under "Financial liabilities held for trading" and 3,032 million euro of certificates (3,028 million euro) and other forms of funding (4 million euro) classified under "Liabilities designated at fair value".

**Quarterly development**  
**Direct deposits from banking business**  
(millions of euro)

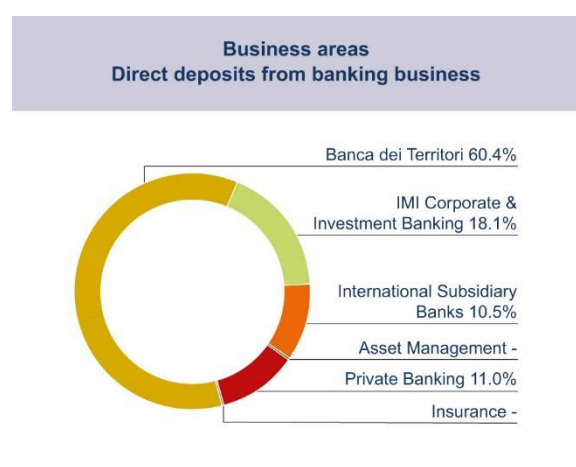


The Group's direct deposits from banking business came to 556 billion euro, up by nearly 29 billion euro on the beginning of the year.

The performance was mainly due to the increase in current accounts and deposits (+8%, or +32.9 billion euro); a positive impact is also to be attributed to repurchase agreements and securities lending (+1.7 billion euro) and other deposits (+2 billion euro), which benefited from the growth of commercial papers; conversely, there was a decrease in bonds (-7.6 billion euro), in the presence of abundant liquidity in deposits. As at 31 December 2021, the Intesa Sanpaolo Group's share of direct deposits (deposits and bonds) stood at 22.3% of the domestic market.

	31.12.2021	31.12.2020	(millions of euro) Changes	
			amount	%
Banca dei Territori	296,250	267,450	28,800	10.8
IMI Corporate & Investment Banking	88,931	92,938	-4,007	-4.3
International Subsidiary Banks	51,529	46,308	5,221	11.3
Private Banking	54,212	49,841	4,371	8.8
Asset Management	21	14	7	50.0
Insurance	-	-	-	-
<b>Total business areas</b>	<b>490,943</b>	<b>456,551</b>	<b>34,392</b>	<b>7.5</b>
Corporate Centre	64,622	70,214	-5,592	-8.0
<b>Intesa Sanpaolo Group</b>	<b>555,565</b>	<b>526,765</b>	<b>28,800</b>	<b>5.5</b>

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



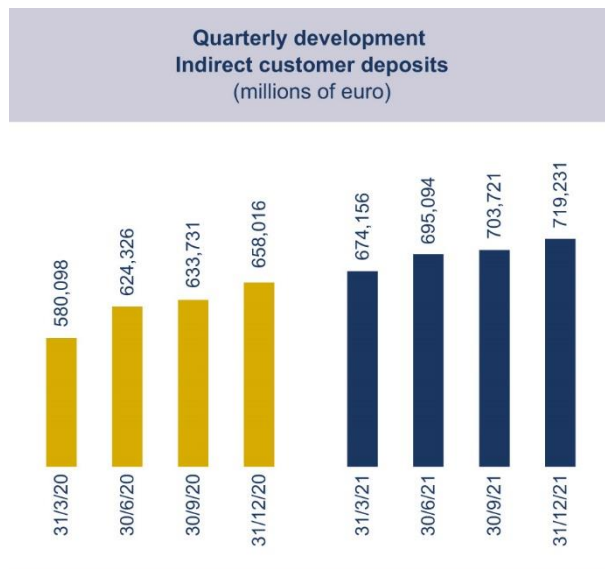
In the analysis of funding by business segments, the Banca dei Territori Division, which accounts for 60.4% of the aggregate of the Group's business areas, increased significantly (+28.8 billion euro, or +10.8%), in the amounts due to customers component, owing to the greater liquidity accumulated in deposits by retail customers and SMEs as they await the benefits of the ongoing economic recovery. There were also increases by the International Subsidiary Banks Division (+5.2 billion euro, or +11.3%) attributable to the funding performance of the subsidiaries operating in Slovakia, Croatia, Egypt and Hungary, and the Private Banking Division (+4.4 billion euro, or +8.8%). Conversely, the IMI Corporate & Investment Banking Division recorded a decline of 4 billion euro (-4.3%) due mainly to the decrease in the International Department and amounts due to global corporate customers. The decrease in Corporate Centre funding is largely attributable to the reduction of the stock of wholesale securities.

**Indirect customer deposits**

	31.12.2021		31.12.2020		(millions of euro) Changes	
		% breakdown		% breakdown	amount	%
Mutual funds <sup>(a)</sup>	176,220	24.5	159,003	24.2	17,217	10.8
Open-ended pension funds and individual pension plans	12,585	1.8	11,006	1.7	1,579	14.3
Portfolio management	78,879	11.0	68,268	10.4	10,611	15.5
Technical reserves and financial liabilities of the insurance business	186,343	25.9	183,708	27.9	2,635	1.4
Relations with institutional customers	20,378	2.8	17,350	2.6	3,028	17.5
<b>Assets under management</b>	<b>474,405</b>	<b>66.0</b>	<b>439,335</b>	<b>66.8</b>	<b>35,070</b>	<b>8.0</b>
<b>Assets under administration and in custody</b>	<b>244,826</b>	<b>34.0</b>	<b>218,681</b>	<b>33.2</b>	<b>26,145</b>	<b>12.0</b>
<b>Indirect customer deposits</b>	<b>719,231</b>	<b>100.0</b>	<b>658,016</b>	<b>100.0</b>	<b>61,215</b>	<b>9.3</b>

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

(a) This caption does not include funds held by Group insurance companies and managed by the Group's asset management companies, whose values are included in the technical reserves, and the funds established by third parties and managed by Group companies, whose values are included in assets under administration and in custody.



As at 31 December 2021, indirect customer deposits had risen to 719 billion euro, driven by the positive financial market performance and robust placement activity by the Group's distribution networks. The growth, attributable to the balanced development of the assets under management and administration components, was 9.3% year-to-date.

Assets under management, which at over 474 billion euro account for two-thirds of the total aggregate, increased significantly (+8%, or +35.1 billion euro), approximately one-half of which is attributable to mutual funds (+17.2 billion euro), portfolio management schemes (+10.6 billion euro), relations with institutional customers (+3 billion euro) and technical reserves and insurance financial liabilities (+2.6 billion euro). Open pension funds and individual pension policies (+1.6 billion euro) also grew. In 2021, the new life business of the insurance companies of the Intesa Sanpaolo Group, including pension products, amounted to 17.7 billion euro. Assets under administration also increased (+12%, or +26.1 billion euro), concentrated in securities and third-party products in custody.

**Net interbank position**

As at 31 March 2021, net interbank position came to a negative balance of approximately 3 billion euro, lower than the nearly 11 billion euro recorded at the end of 2020. This performance reflects more robust growth of interbank loans - up by 54% to over 162 billion euro due to the increased balances with central banks - than in amounts due to banks, which rose by 42.5% to more than 165 billion euro. The latter consist primarily of the amount due to the ECB for outstanding TLTROs (132 billion euro compared to 83 billion euro at the end of 2020<sup>40</sup>).

<sup>40</sup> 36 billion euro received in March (settlement date of 27 March 2021), 11 billion euro received in June (settlement date of 24 June 2021), 1.5 billion euro received in September (settlement date of 29 September 2021) and 0.5 billion euro received in December (settlement date of 22 December 2021)



## INSURANCE BUSINESS

## Financial assets and liabilities pertaining to insurance companies pursuant to IAS 39

(millions of euro)

Type of financial instruments	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39			Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	TOTAL Financial assets pertaining to insurance companies measured pursuant to IAS 39	Financial liabilities pertaining to insurance companies measured pursuant to IAS 39 (*)
	Financial assets held for trading and hedging derivatives	Financial assets designated at fair value	Financial assets available for sale			
<b>Debt securities issued by Governments</b>						
31.12.2021	123	3,772	71,782	-	75,677	X
31.12.2020	128	3,888	77,230	-	81,246	X
Changes amount	-5	-116	-5,448	-	-5,569	X
Changes %	-3.9	-3.0	-7.1	-	-6.9	X
<b>Other debt securities</b>						
31.12.2021	668	1,021	16,758	-	18,447	X
31.12.2020	25	1,283	19,086	-	20,394	X
Changes amount	643	-262	-2,328	-	-1,947	X
Changes %		-20.4	-12.2		-9.5	X
<b>Equities</b>						
31.12.2021	-	3,510	2,262	-	5,772	X
31.12.2020	-	2,798	1,842	-	4,640	X
Changes amount	-	712	420	-	1,132	X
Changes %	-	25.4	22.8	-	24.4	X
<b>Quotas of UCI</b>						
31.12.2021	171	92,017	13,621	-	105,809	X
31.12.2020	185	84,178	13,545	-	97,908	X
Changes amount	-14	7,839	76	-	7,901	X
Changes %	-7.6	9.3	0.6	-	8.1	X
<b>Due from banks and loans to customers</b>						
31.12.2021	-	739	-	85	824	X
31.12.2020	-	818	-	161	979	X
Changes amount	-	-79	-	-76	-155	X
Changes %	-	-9.7	-	-47.2	-15.8	X
<b>Due to banks</b>						
31.12.2021	X	X	X	X	X	-623 (**)
31.12.2020	X	X	X	X	X	-704 (**)
Changes amount	X	X	X	X	X	-81
Changes %	X	X	X	X	X	-11.5
<b>Financial derivatives</b>						
31.12.2021	356	-	-	-	356	-103 (***)
31.12.2020	531	-	-	-	531	-167 (***)
Changes amount	-175	-	-	-	-175	-64
Changes %	-33.0	-	-	-	-33.0	-38.3
<b>Credit derivatives</b>						
31.12.2021	-	-	-	-	-	- (***)
31.12.2020	-	-	-	-	-	- (***)
Changes amount	-	-	-	-	-	-
Changes %	-	-	-	-	-	-
<b>TOTAL 31.12.2021</b>	<b>1,318</b>	<b>101,059</b>	<b>104,423</b>	<b>85</b>	<b>206,885</b>	<b>-726</b>
<b>TOTAL 31.12.2020</b>	<b>869</b>	<b>92,965</b>	<b>111,703</b>	<b>161</b>	<b>205,698</b>	<b>-871</b>
<b>Changes amount</b>	<b>449</b>	<b>8,094</b>	<b>-7,280</b>	<b>-76</b>	<b>1,187</b>	<b>-145</b>
<b>Changes %</b>	<b>51.7</b>	<b>8.7</b>	<b>-6.5</b>	<b>-47.2</b>	<b>0.6</b>	<b>-16.6</b>

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

(\*) This amount does not include "Financial liabilities of the insurance business designated at fair value" included in the table on direct deposits from insurance business.

(\*\*) Value included in the Balance Sheet under "Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39".

(\*\*\*) Value included in the Balance Sheet under "Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39".

Financial assets and liabilities pertaining to insurance companies pursuant to IAS 39, summarised in the table above, amounted to 207 billion euro and 726 million euro, respectively. Financial assets increased slightly year-to-date (+0.6%) as a result of the uptrend in financial assets designated at fair value (+8.7%), and in particular quotas of UCIs and equities, which more than offset the decline in financial assets available for sale (-6.5%), markedly government debt securities and other debt securities.

### Direct deposits from insurance business and technical reserves

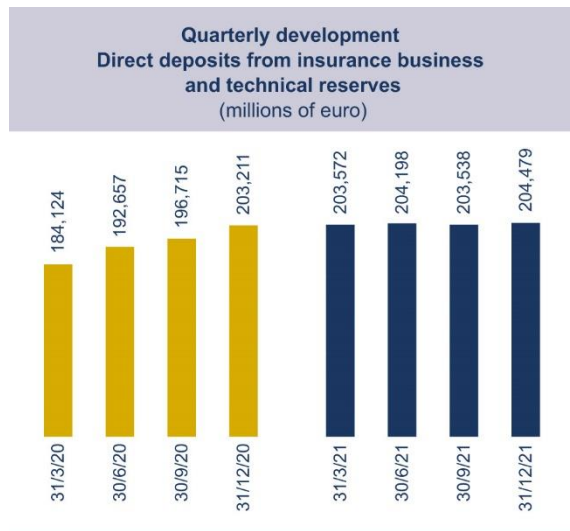
	31.12.2021		31.12.2020		(millions of euro) Changes	
		% breakdown		% breakdown	amount	%
<b>Financial liabilities of the insurance business designated at fair value IAS39 (*)</b>	<b>84,667</b>	<b>41.4</b>	<b>80,532</b>	<b>39.6</b>	<b>4,135</b>	<b>5.1</b>
Index-linked products	-	-	-	-	-	-
Unit-linked products	84,667	41.4	80,532	39.6	4,135	5.1
<b>Technical reserves</b>	<b>118,296</b>	<b>57.9</b>	<b>121,360</b>	<b>59.8</b>	<b>-3,064</b>	<b>-2.5</b>
Life business	116,540	57.0	119,632	58.9	-3,092	-2.6
Mathematical reserves	99,110	48.5	99,920	49.2	-810	-0.8
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	9,217	4.5	8,463	4.2	754	8.9
Other reserves	8,213	4.0	11,249	5.5	-3,036	-27.0
Non-life business	1,756	0.9	1,728	0.9	28	1.6
<b>Other insurance deposits (***)</b>	<b>1,516</b>	<b>0.7</b>	<b>1,319</b>	<b>0.6</b>	<b>197</b>	<b>14.9</b>
<b>Direct deposits from insurance business and technical reserves</b>	<b>204,479</b>	<b>100.0</b>	<b>203,211</b>	<b>100.0</b>	<b>1,268</b>	<b>0.6</b>

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

(\*) Values included in the Balance Sheet under Financial liabilities pertaining to insurance companies measured at fair value to IAS 39.

(\*\*) This caption includes unit- and index-linked policies with significant insurance risk.

(\*\*\*) Values included in the Balance Sheet under Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39. The caption includes subordinated liabilities.



Direct deposits from insurance business exceeded 204 billion euro as at 31 December 2021, up (+0.6%, or +1.3 billion euro) compared to December 2020. On the positive side, financial liabilities designated at fair value, consisting of unit-linked products, increased by 4.1 billion euro (+5.1%), as did other deposits from insurance business, which include subordinated liabilities, up by 0.2 billion euro (+14.9%). Technical reserves, which constitute the amounts owed to customers taking out traditional policies or policies with significant insurance risk, recorded a decrease of 3.1 billion euro (-2.5%), attributable to the life business, which accounts for almost all reserves.

## NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. As at 31 December 2021, assets held for sale amounted to 1.4 billion euro and the associated liabilities to 30 million euro. The significant decrease from the December 2020 values may be attributed to the disposal of the business lines to BPER and Banca Popolare di Puglia e Basilicata. Assets held for sale as at 31 December 2021 include the non-performing loan portfolios of Intesa Sanpaolo, including those from UBI Banca, Intesa Sanpaolo Provis and UBI Leasing, which will be sold as part of the Group's de-risking strategies in 2022. Likewise, assets held for sale include single-name non-performing credit exposures subject to already approved transactions expected to be closed after 31 December 2021. Overall, non-performing loans allocated to assets held for sale amounted to 1.2 billion euro net of adjustments.

## SHAREHOLDERS' EQUITY

As at 31 December 2021, the Group's shareholders' equity, including the net income for the period, came to 63,775 million euro compared to the 65,894 million euro at the beginning of the year. The decrease is mainly attributable to equity instruments (-1.2 billion euro); the aggregate includes the 4.2 billion euro of net income accrued in the year and reflects the payment of 694 million euro of dividends in May and the interim dividend of 1.4 billion in November, in addition to the distribution of 1.9 billion euro of reserves in October.

## Valuation reserves

	Reserve 31.12.2020	Change of the period	(millions of euro) Reserve 31.12.2021
Financial assets designated at fair value through other comprehensive income (debt instruments)	200	-532	-332
Financial assets designated at fair value through other comprehensive income (equities)	-112	-35	-147
Property and equipment	1,569	29	1,598
Cash flow hedges	-781	174	-607
Foreign exchange differences	-1,184	96	-1,088
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-103	26	-77
Actuarial profits (losses) on defined benefit pension plans	-422	5	-417
Portion of the valuation reserves connected with investments carried at equity	10	43	53
Legally-required revaluations	308	-	308
<b>Valuation reserves (excluding valuation reserves pertaining to insurance companies)</b>	<b>-515</b>	<b>-194</b>	<b>-709</b>
<b>Valuation reserves pertaining to insurance companies</b>	<b>809</b>	<b>-333</b>	<b>476</b>

At 31 December 2021, banking valuation reserves were negative (-709 million euro), increasing compared to 31 December 2020 (-515 million euro), mainly due to the effect of the reserves on debt securities (-332 million euro), which had a positive value of 200 million euro at the beginning of the year; on the other hand, cash flow hedging reserves declined from -781 million euro in December 2020 to -607 million euro in December 2021, as did those on foreign exchange differences. The valuation reserves of the insurance companies amounted to a positive 476 million euro, compared with 809 million euro at the end of 2020.

**Reconciliation of the Parent Company's shareholders' equity and net income (loss) with consolidated shareholders' equity and net income (loss)**

	(millions of euro)	
	Shareholders' equity	Net income (loss) of which as at 31.12.2021
<b>Parent Company's balances as at 31 December 2021</b>	<b>54,299</b>	<b>2,948</b>
Effect of consolidation of subsidiaries subject to control	3,212	4,630
Effect of valuation at equity of companies subject to joint control and other significant equity investments	-136	111
Elimination of adjustments to equity investments and recognition of impairment of goodwill	6,458	247
Dividends collected during the period	-	-3,754
Other	-58	3
<b>Consolidated balances as at 31 December 2021</b>	<b>63,775</b>	<b>4,185</b>

**OWN FUNDS AND CAPITAL RATIOS**

Own funds and capital ratios	(millions of euro)		
	31.12.2021	31.12.2020	31.12.2020
	IFRS 9 "Fully loaded"	IFRS 9 "Transitional"	IFRS 9 "Transitional"
<b>Own funds</b>			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	45,735	47,247	51,070
Additional Tier 1 capital (AT1) net of regulatory adjustments	6,264	6,264	7,486
<b>TIER 1 CAPITAL</b>	<b>51,999</b>	<b>53,511</b>	<b>58,556</b>
Tier 2 capital net of regulatory adjustments	9,857	8,941	9,377
<b>TOTAL OWN FUNDS</b>	<b>61,856</b>	<b>62,452</b>	<b>67,933</b>
<b>Risk-weighted assets</b>			
Credit and counterparty risks	289,622	288,691	299,564
Market and settlement risk	12,792	12,792	19,521
Operational risks	25,305	25,305	27,559
Other specific risks (a)	115	115	428
<b>RISK-WEIGHTED ASSETS</b>	<b>327,834</b>	<b>326,903</b>	<b>347,072</b>
<b>% Capital ratios</b>			
Common Equity Tier 1 capital ratio	14.0%	14.5%	14.7%
Tier 1 capital ratio	15.9%	16.4%	16.9%
Total capital ratio	18.9%	19.1%	19.6%

(a) The caption includes all other elements not contemplated in the foregoing captions that are considered when calculating total capital requirements.

Own Funds, risk-weighted assets and the capital ratios as at 31 December 2021 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended respectively by Directive 2019/878/EU (CRD V) and by Regulation (EU) 2019/876 (CRR II), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.

The regulations governing own funds, which provided for the gradual introduction of the Basel 3 framework, are now in full effect, following the conclusion in 2018 of the specific transitional period during which some elements to be fully included in or deducted from Common Equity when the framework is "fully loaded" only had a partial percent impact on Common Equity Tier 1 capital. The Intesa Sanpaolo Group chose to take the "static approach" to adopting IFRS 9 envisaged in Regulation (EU) 2017/2395. This approach permits the re-inclusion in Common Equity of a gradually decreasing amount, ending in 2022 (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022), of the impact of IFRS 9, calculated net of the tax effect, based on the comparison of the IAS 39 adjustments as at 31 December 2017 and the IFRS 9 adjustments as at 1 January 2018, excluding the reclassification of financial instruments, and after eliminating the shortfall as at 31 December 2017.

Regulation (EU) 2017/2395 also lays down the reporting obligations that entities are required to publish, while charging the EBA with issuing specific guidelines on this subject. In implementation of the Regulation, the EBA issued specific guidelines according to which banks that adopt a transitional treatment of the impact of IFRS 9 (such as the static approach mentioned above) are required to publish, with quarterly frequency, the fully loaded consolidated figures (as if the transitional treatment had not been applied) and the transitional consolidated figures for Common Equity Tier 1 (CET1) capital, Tier 1 capital, total capital, total risk-weighted assets, capital ratios and the leverage ratio.

*Own funds*

As at 31 December 2021, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, Own Funds amounted to 62,452 million euro; as at that same date, considering the full inclusion of the impact of IFRS 9, Own Funds stood at 61,856 million euro. Own funds calculated considering the full impact of IFRS 9 (i.e., on a “fully-loaded” basis) take account of the provisions of the 2019 Budget Act calling for the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs have been considered at 50% of their book value for the purposes of calculating transitional own funds, in accordance with Article 473bis of the CRR with regard to the application of the static approach, whereas they have been fully included among deductible elements in fully-loaded own funds. The impact of such DTAs on fully-loaded own funds is nonetheless temporary since they will be phased out by 2028.

In addition, the Group has not yet adopted the new IFRS 9 transitional rules relating to adjustments to loans after 31 December 2019 or the reintroduction of the prudential filter for exposures to central governments classified to the FVOCI category, both introduced by the European Commission in Regulation (EU) 2020/873 of 24 June 2020.

Own funds also take into account the applicable amount, subject to deduction from CET1, related to the minimum coverage of losses on non-performing exposures, known as Minimum Loss Coverage, based on the provisions of Regulation (EU) 2019/630 of 17 April 2019.

For the purposes of calculating own funds as at 31 December 2021 the net income for 2021 was considered, less the related dividend, calculated according to the payout ratio envisaged in the 2018-2021 Business Plan (70% for 2021) and other foreseeable charges; as previously reported, on 24 November 2021 Intesa Sanpaolo distributed 1.4 billion euro of interim dividends on 2021 net income.

*Risk-weighted assets*

As at 31 December 2021, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets came to 326,903 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. As at that same date, considering the full inclusion of the impact of IFRS 9, risk-weighted assets stood at 327,834 million euro. The decline on 31 December 2020 was largely due to the sale of the branches to BPER finalised in February 2021 and, residually, in June 2021.

Common Equity Tier 1 Capital and risk-weighted assets as at 31 December 2021 take account of the impact of the application of the “Danish Compromise” (Art. 49.1 of Regulation (EU) 575/2013), as per the specific authorisation received from the ECB in 2019, according to which insurance investments are treated as risk-weighted assets instead of being deducted from capital.

*Solvency ratios*

On the basis of the foregoing, solvency ratios as at 31 December 2021, calculated taking account of the transitional treatment of the impact of IFRS 9 (IFRS 9 Transitional), amounted to a Common Equity Tier 1 ratio of 14.5%, a Tier 1 ratio of 16.4% and a Total capital ratio of 19.1%. Considering the full inclusion of the impact of IFRS 9 (IFRS 9 Fully Loaded), solvency ratios as at 31 December 2021 were as follows: a Common Equity Tier 1 ratio of 14.0%, a Tier 1 ratio of 15.9% and a Total capital ratio of 18.9%.

It should be noted that Intesa Sanpaolo was subject to the 2021 EU-Wide Stress Test, conducted by the European Banking Authority (EBA), in cooperation with the Bank of Italy, the European Central Bank and the European Systemic Risk Board (ESRB). Intesa Sanpaolo takes note of the announcements made by the EBA on 30 July 2021 on the EU-Wide Stress Test, fully acknowledging the outcomes of this exercise. The fully loaded CET1 ratio for Intesa Sanpaolo resulting from the stress test for 2023, the final year considered in the exercise, stands at 15.06% under the baseline scenario and 9.38% under the adverse scenario, compared to the starting-point figure of 14.04% recorded as at 31 December 2020. The fully loaded CET1 ratio under the adverse scenario would be 9.97% restoring the actual neutral effect on capital ratios of the 2018-2021 Long-term Incentive Plan LECOIP 2.0 based on financial instruments, not captured by stress test assumption of a static balance sheet, and considering the sale transactions of the going concerns - related to the acquisition of UBI Banca in 2020 - finalised in the first half of 2021, other things being equal.

On 3 February 2022, Intesa Sanpaolo announced that it had received notification of the ECB’s final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 March 2022, following the results of the Supervisory Review and Evaluation Process (SREP). The overall requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.81% on a fully loaded basis, considering the countercyclical capital buffer requirements established at the date by the competent national authorities for the various countries in which the Group is present.

## Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

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

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

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

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

## Performance of risk-weighted assets

(millions of euro)	
<b>Risk-weighted assets as at 31.12.2020</b>	<b>347,072</b>
Credit and counterparty risk	-10,873
Market and settlement risk	-6,729
Operational risks	-2,254
Other specific risks	-313
<b>Risk-weighted assets as at 31.12.2021</b>	<b>326,903</b>

In 2021, credit risk decreased by approximately 10.9 billion euro in terms of risk-weighted assets. This decrease is mainly due to the finalisation, in the first quarter of the year, of the sale to BPER of the former UBI Banca branches, together with phenomena relating to the recomposition of the portfolio and mitigation of risk. The reduction in weighted assets relating to market risks (-6.7 billion euro) was essentially due to the removal of the COVID scenarios from the observation window for calculating VaR and lower average exposure to Italian government bonds. Operational risks showed a decrease in weighted assets of approximately 2.3 billion euro attributable to the update in parameters used to calculate the share of the portfolio measured using internal models and the application of the AMA approach to the former UBI Banca's portfolio. The increase relating to specific risks (-0.3 billion euro) is mainly due to the decrease in the weight of contributions to the guarantee fund by a central counterparty.





# **Breakdown of consolidated results by business area and geographical area**



# Breakdown of consolidated results by business area and geographical area

The Intesa Sanpaolo Group organisational structure is based on six Business Units. In addition, there is the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.



The Intesa Sanpaolo Group's segment reporting is based on the elements that management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8. In addition to reflecting the operating responsibilities assigned in accordance with the Group's organisational structure, the business areas are an aggregation of business lines similar in the type of products and services they sell.

Following the integration of UBI Banca, the UBI Group's income statement and balance sheet figures – previously represented as a separate Business Unit – were assigned to the specific operating Divisions.

In detail, the customers of the Parent Company UBI Banca were assigned to the Divisions based on the criteria defined in the Service Model adopted by the Intesa Sanpaolo Group, while the legal entities subject to line-by-line consolidation in the UBI Group were attributed to the Business Units of the Intesa Sanpaolo Group as shown below:

- Prestitalia, UBI Leasing and UBI Factor were included in the Banca dei Territori Division; in addition, UBI Factor was merged into the Parent Company Intesa Sanpaolo on 25 October 2021;
- Pramerica SGR and Pramerica Management Company were included in the Asset Management Division and from 1 July 2021 they were merged into Eurizon Capital SGR and Eurizon Capital SA, respectively;
- IW Bank was included in the Private Banking Division;
- BancAssurance Popolari was included in the Insurance Division and merged into Intesa Sanpaolo Vita on 31 December 2021.

The income statement effects relating to the branches object of disposal were conventionally and synthetically allocated – based on the "redetermined" figures described for the consolidated figures – to the caption Income (loss) from discontinued operations of the Corporate Centre.

Moreover, division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary and if they are material. In particular, the restatement concerned:

- inclusion in the Insurance Division of the income statement and balance sheet results of Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas Assicurazioni (net of the effects attributable to the branches object of disposal, as indicated in the comments on the consolidated income statement results), which entered the line-by-line scope of consolidation due to the finalisation of the acquisition of 100% of the capital; Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita were merged into Intesa Sanpaolo Vita on 31 December 2021;
- inclusion in the Private Banking Division, of the income statement and balance sheet results of the Reyl Group, which entered the line-by-line scope of consolidation in the second quarter of 2021 due to the finalisation of the acquisition of the majority shareholding by Fideuram Intesa Sanpaolo Private Banking.

In addition, during 2021 a revision was carried out of the allocation methods for costs and revenues between the Business Units and Corporate Centre, also in relation to the need to integrate UBI Banca in accordance with the segment reporting approaches of the Intesa Sanpaolo Group.

More specifically, as regards revenues, the context featuring market interest rates that continue to be negative and the growth in the cost of excess liquidity led to the suspension of the management retrocession by the Corporate Centre to Banca dei Territori of the figurative model hedging of core deposits modelled for interest rate risk. Likewise, the introduction of a regulatory limit of NSFR of 100% entailed the introduction of an equivalent limit also for Global Markets operations of the IMI C&IB Division, limiting the benefits in favour of the Division. Moreover, the Divisions were assigned certain fee and commission expenses which, due to the fine-tuning of the reporting methods, were identified as pertinent to the business operations performed by the Divisions.

As part of a gradual fine-tuning of the approaches and allocation methods for costs, it was decided to fully allocate the costs connected to the provision of service activities and to charge back to the Divisions most of the costs connected with the "guidance and control activities".

Specifically regarding the latter category of costs, though not directly attributable to the Divisions, it was decided to allocate them to the Divisions to strengthen the approach of joint accountability for institutional, strategic or guidance and control initiatives, also to favour increased attention to the consumption of resources, irrespective of the nature of the expense considered in each case.

Lastly, the methodology for allocating the levies and charges for the banking industry was revised, due to the allocation to the Divisions of the specific component relating to the Deposit Guarantee Scheme, which was accurately recalculated based on the guaranteed deposits collected by the various business units. The possibility of collecting deposits from retail customers at more favourable conditions than those of the wholesale market is a benefit for the business units which was considered appropriate to correlate with the costs incurred to guarantee the deposits collected, to improve the representation of the net profitability actually generated.

The most significant impacts quantified on the Corporate Centre in 2021 regarded:

- around 710 million euro in higher net interest income, of which around 600 million euro relating to the elimination of the recognition to the Banca dei Territori Division of the benefit of the interest rate risk model on demand deposits, and around 110 million euro attributable to the increase to 100% of the internal NSFR assigned to the Global Markets area of the IMI C&IB Division;
- around 90 million euro due to lower fee and commission income paid to third parties for electronic services, credit recovery and other services, primarily attributable to the Banca dei Territori Division and, to a lesser extent, to the IMI C&IB Division, based on sustainable criteria of correlation with the business conducted by the Divisions;
- around 720 million euro in lower operating costs due to the full allocation to the Divisions of all costs connected with the provision of service activities (around 160 million euro), completing a fine-tuning process launched in 2020 in line with the business approach of the Internal Pricing Model, as well as the transfer to the Divisions, based on suitable drivers, of most of the costs connected with "guidance and control activities" (around 560 million euro);
- around 230 million euro in lower charges relating to the Deposit Guarantee Scheme, represented in the reclassified income statement in the caption Levies and other charges concerning the banking industry (net of tax), specifically reallocated to the Banca dei Territori Division and, to a lesser extent, to the Private Division and the International Subsidiary Banks Division.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in 2021 compared to the like-for-like comparison data, based on the "redetermined" figures approach described for the consolidated data.

The following itemised analysis of the business areas illustrates the income statement figures and the main balance sheet aggregates. Finally, for each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated. RWAs were determined in accordance with the provisions in force (Circular 285) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013, amended by Regulation (EU) 2019/876 of 20 May 2019, known as CRR II, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws. Absorbed capital also takes account of the regulatory changes introduced by the ECB with effect from 12 March 2020, allowing the Pillar 2 requirement to be met partially using equity instruments not classified as Common Equity Tier 1. For each Division, the absorbed capital is supplemented, where necessary, with management data on "economic" capital to take into account the risks not covered by the regulatory metric.

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	(millions of euro) Total (Redetermined figures)
<b>Operating income</b>								
2021	8,938	4,571	1,972	2,376	1,344	1,572	13	20,786
2020	8,867	4,445	1,908	2,222	1,105	1,603	250	20,400
% change	0.8	2.8	3.4	6.9	21.6	-1.9	-94.8	1.9
<b>Operating costs</b>								
2021	-6,465	-1,365	-1,072	-906	-239	-401	-472	-10,920
2020	-6,661	-1,334	-1,030	-869	-218	-394	-533	-11,039
% change	-2.9	2.3	4.1	4.3	9.6	1.8	-11.4	-1.1
<b>Operating margin</b>								
2021	2,473	3,206	900	1,470	1,105	1,171	-459	9,866
2020	2,206	3,111	878	1,353	887	1,209	-283	9,361
% change	12.1	3.1	2.5	8.6	24.6	-3.1	62.2	5.4
<b>Net income (loss)</b>								
2021	385	2,202	463	1,076	787	712	-1,440	4,185
2020	-1,523	1,791	381	866	594	691	477	3,277
% change		22.9	21.5	24.2	32.5	3.0		27.7

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	(millions of euro) Total
<b>Loans to customers</b>								
31.12.2021	250,984	152,082	38,970	13,833	783	-	8,602	465,254
31.12.2020	251,809	145,974	36,079	12,128	452	-	16,360	462,802
% change	-0.3	4.2	8.0	14.1	73.2	-	-47.4	0.5
<b>Direct deposits from banking business</b>								
31.12.2021	296,250	88,931	51,529	54,212	21	-	64,622	555,565
31.12.2020	267,450	92,938	46,308	49,841	14	-	70,214	526,765
% change	10.8	-4.3	11.3	8.8	50.0	-	-8.0	5.5
<b>Risk-weighted assets</b>								
31.12.2021	94,336	112,204	34,403	11,617	1,836	-	72,507	326,903
31.12.2020	104,550	113,688	32,886	11,157	1,752	-	83,039	347,072
% change	-9.8	-1.3	4.6	4.1	4.8	-	-12.7	-5.8
<b>Absorbed capital</b>								
31.12.2021	8,103	9,641	3,591	1,008	196	4,294	4,015	30,848
31.12.2020	8,981	9,768	3,441	964	177	4,975	5,188	33,494
% change	-9.8	-1.3	4.4	4.6	10.7	-13.7	-22.6	-7.9

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

## BUSINESS AREAS

## Banca dei Territori

Income statement	2021	2020	(millions of euro)	
			Changes	
			amount	%
Net interest income	3,985	4,199	-214	-5.1
Net fee and commission income	4,836	4,548	288	6.3
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	103	109	-6	-5.5
Other operating income (expenses)	14	11	3	27.3
<b>Operating income</b>	<b>8,938</b>	<b>8,867</b>	<b>71</b>	<b>0.8</b>
Personnel expenses	-3,526	-3,590	-64	-1.8
Other administrative expenses	-2,933	-3,067	-134	-4.4
Adjustments to property, equipment and intangible assets	-6	-4	2	50.0
<b>Operating costs</b>	<b>-6,465</b>	<b>-6,661</b>	<b>-196</b>	<b>-2.9</b>
<b>Operating margin</b>	<b>2,473</b>	<b>2,206</b>	<b>267</b>	<b>12.1</b>
Net adjustments to loans	-1,235	-2,909	-1,674	-57.5
Other net provisions and net impairment losses on other assets	-120	-104	16	15.4
Other income (expenses)	12	29	-17	-58.6
Income (Loss) from discontinued operations	-	-	-	-
<b>Gross income (loss)</b>	<b>1,130</b>	<b>-778</b>	<b>1,908</b>	
Taxes on income	-358	331	-689	
Charges (net of tax) for integration and exit incentives	-180	-16	164	
Effect of purchase price allocation (net of tax)	-15	-6	9	
Levies and other charges concerning the banking industry (net of tax)	-190	-142	48	33.8
Impairment (net of tax) of goodwill and other intangible assets	-	-912	-912	
Minority interests	-2	-	2	-
<b>Net income (loss)</b>	<b>385</b>	<b>-1,523</b>	<b>1,908</b>	

	31.12.2021	31.12.2020	(millions of euro)	
			Changes	
			amount	%
Loans to customers	250,984	251,809	-825	-0.3
Direct deposits from banking business	296,250	267,450	28,800	10.8
Risk-weighted assets	94,336	104,550	-10,214	-9.8
Absorbed capital	8,103	8,981	-878	-9.8

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

Faced with a general improvement in the economic scenario marked by the pandemic emergency, the revenues of the **Banca dei Territori Division** for 2021, amounting to 8,938 million euro and accounting for over 40% of the Group's consolidated revenues, remained steady (+0.8%) on the previous year, due to the efficacy of the sales network and the reinforcement of remote sales through digital channels in support of customers.

Specifically, there was a significant increase in net fee and commission income (+6.3%), particularly in the assets under management, due to transactions in funds and, to a lesser extent, in the commercial banking segment in the collection and payment services component, including electronic services, and loans and guarantees. Conversely, net interest income was down by 5.1%, as margins were impacted by interest rates at historical lows and due to the deleveraging of NPLs. Among the other revenue components, which however provide a marginal contribution to the Division's income, profits (losses) on financial assets and liabilities designated at fair value decreased (-6 million euro), while other operating income increased (+3 million euro). Operating costs, equal to 6,465 million euro, were down by 2.9%, thanks to the containment of administrative expenses, mainly discretionary expenses, as well as of service costs in the real estate and operations sectors, and savings in personnel expenses, mainly attributable to negotiated exits. As a result of the foregoing, the operating margin amounted to 2,473 million euro, up 12.1% on 2020. Gross income amounted to 1,130 million euro, compared to a gross loss of 778 million euro in the previous year, which was impacted by significant adjustments to loans due to the revision of the scenario as a result of the pandemic. Lastly, after allocation to the Division of taxes of 358 million euro, levies and other

charges concerning the banking industry of 190 million euro, charges for integration of 180 million euro and other negative captions for 17 million euro, net income came to 385 million euro, compared to -1,523 million euro in 2020, which included the adjustment of 912 million euro to fully write down the goodwill connected to the increase in the carrying amount of the Division resulting from the integration of UBI Banca.

In quarterly terms, there was a decrease in the operating margin in the fourth quarter compared with the third, attributable to the natural increase in operating costs typical of year-end, which more than offset the increase in operating income. This trend was reflected in the gross income and in the net income.

The balance sheet figures at the end of December 2021 showed growth in total intermediated volumes of loans and deposits on an annual basis (+5.4%). In detail, loans to customers, equal to 250,984 million euro, were substantially stable (-0.3%) resulting from the good performance of medium/long-term loans to private individuals, which offset the downward trend in short-term credit, mainly aimed at businesses. Direct deposits from banking business, amounting to 296,250 million euro, grew significantly (+28.8 billion euro, or +10.8%) in the amounts due to customers component, due to the higher liquidity accumulated on deposits held by individuals and businesses waiting to benefit from the economic recovery under way.



<b>Business</b>	Traditional lending and deposit collection operations in Italy and associated financial services.
<b>Mission</b>	<p>To serve Retail, Exclusive, and Small and Medium Enterprise customers, creating value through:</p> <ul style="list-style-type: none"> <li>– widespread local coverage;</li> <li>– focus on the characteristics of local markets, and the needs of customer segments serviced;</li> <li>– development of service levels to customers using different channels in order to improve the efficiency of the commercial offering;</li> </ul> <ul style="list-style-type: none"> <li>– development and management of products and services for the target customers, as well as of leasing, factoring and subsidised finance products for the Group in Italy;</li> <li>– the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres and branches as points of reference for the Group at local level.</li> </ul>
<b>Organisational structure</b>	
Individuals and Retail Companies Sales & Marketing, SME Sales & Marketing	Overseeing the Retail sector, which consists of the segments Individuals, Affluent and Retail Companies, the Exclusive sector (retail customers with high asset and wealth standing and complex financial needs) and the SME area (small businesses, businesses and top businesses with high complexity and potential for growth).
Agribusiness Department	Serving agriculture and agribusiness.
Product companies	<p>Banca 5: a “proximity bank”, operating throughout the country in non-captive points of sale, focused on instant banking and targeting categories of customers who rarely use banking products and services.</p> <p>Prestitalia: a financial intermediary operating in the Italian market of consumer credit, specialising in the salary-backed loans segment.</p>
Impact Department	Aimed at developing the initiatives of Impact Bank and serving non-profit organisations.
<b>Distribution structure</b>	<p>Over 3,400 branches, including Retail and Business branches, distributed broadly throughout Italy, the Agribusiness branches dedicated to companies operating in agribusiness, and Impact branches dedicated to the non-profit sector. Since 12 April 2021, the date of the merger by incorporation of UBI Banca into Intesa Sanpaolo, the territorial structure is divided into 12 Regional Governance Centres, in each of which there are (to favour the commercial focus and guarantee a better control of the service level) three Commercial Managers, specialised for “commercial territory” (Retail, Exclusive and SME), which report directly to the Regional Director and that coordinate around 320 commercial areas.</p>

## Individuals and Retail Companies Sales & Marketing, SME Sales & Marketing

### Investment and Pension Funds

The advanced advisory paid service “Valore Insieme”, launched in 2017, proposes an innovative global advisory model, which focuses on structured listening to needs and a comprehensive vision over all of the customer’s assets, including real estate, also assisting customers in planning the transfer of wealth to their loved ones. With the goal of assisting customers in transforming from savers to investors, products were conceived to meet the needs of customers interested in gradually entering the markets, reducing their excess liquidity on current accounts, with a view to increased diversification of customers’ portfolios. In that regard, the asset management offering was expanded, with the Eurizon Strategia Inflazione, Eurizon Emerging Leaders ESG 50, Eurizon Investi Graduale ESG 30 and Epsilon Risparmio funds, the “Eurizon GP Risparmio” portfolio management scheme and, in the area of bancassurance, the Risparmio Insurance multi-line policy. The offering of funds was also expanded in the Best Expertise portfolio, the Eurizon Next range and the range of fixed-term funds, the insurance investment product Patrimonio PerGiovani Insurance, dedicated to young beneficiaries, to help them realise a future project, was restyled, as well as the Mi Curo dei Miei policy, targeted to those who intend to protect the future of their loved ones. The placement of certificates also continued, with a range differentiated in terms of type of structure, protection, time horizon and currency. For the purpose of improving the efficiency and quality of advice on investments for individuals, project activities are under way for the adoption of the BlackRock “Aladdin Wealth” solution, to replace the current portfolio analysis engines and the introduce the new Robo4Advisor and RoboAdvisor functionalities.

### Personal loans

“PerTe Prestito Diretto”, the special-purpose loan for multi-channel current account holders that can be applied for via Internet Banking and using the Intesa Sanpaolo Mobile App, based on agreements with merchants, further developed its range of goods and services during the year, from the best brands offered on the market, with zero APR and Annual Effective Global Rate due to the contribution of the merchant, offering a range focused on issues of innovation, sustainable mobility and the environment. Thanks to Fund For Impact, a tool envisaged in the 2018-2021 Business Plan that makes it possible to promote credit inclusion projects for individuals and households, three new initiatives were implemented: “per Esempio”, dedicated to volunteers in the civil service to support expenses connected with starting their first work experiences; “per Crescere”, dedicated to parents of children attending primary or secondary school and with needs linked to their school education and training; and “per avere Cura”, targeted to employees and freelance workers who have been certified as having a serious disability, and to working caregivers who assist a non-self-sufficient family member.

### Mortgages

The “Green - Mutuo Domus” offer enables customers potentially interested in purchasing a property with energy class A or B or restructuring resulting in moving up by at least one class, to fulfil their dreams of purchasing a property with low environmental impact or energy requalification of their home.

### Protection and Welfare

The new Salute (Healthcare) range from XME Protezione, developed with Intesa Sanpaolo RBM Salute, offers innovative, wider protection that adapts to the customer’s lifestyle. It offers the option to choose for each insured person different guarantees and levels of protection (Base, Silver, Gold and Premium) with new guarantees and limits of liability for coverage of Hospitalisation and Surgery, Diagnostics and Tests, Prevention and Medications and Physical Therapy, as well as a wide range of other coverage, including Ophthalmology and eye health, a widespread network of clinics that can be used throughout the country and the possibility to obtain insurance until 70 years of age and remain protected up to 80 for many guarantees. In particular, concurrent with the COVID-19 vaccination campaign, persons insured through the Hospitalisation and Surgery module by 30 November 2022 will benefit from free insurance coverage of any adverse reactions to vaccinations or hospitalisation due to contagion of those already vaccinated, up to the end of May 2022.

In the area of development of insurance coverage for the Business world, the protection range expanded with the “Cyber Protection Business” policy, covering IT risks, and the “RC Amministratori, Sindaci e Dirigenti” policy, which provides companies and persons who hold managerial functions in companies with coverage for any request for compensation deriving from the commission of an actual or alleged unlawful act, even in the case of gross negligence, in exercising their duties.

In the area of Welfare services, the healthcare offering was expanded with the “Piano Sanitario Rimborso Spese Mediche” (Reimbursement of Medical Expenses) plan and the “Collettiva Malattie Gravi” (Collective Serious Illness) policy of Intesa Sanpaolo RBM Salute, products dedicated to SMEs, Retail companies, non-profit organisations and VAT-registered individuals, which can offer, to homogeneous categories of workers (employees and other) access to medical services and indemnities in the event of serious illnesses. In the area of Payment Protection Insurance, the ProteggiMutuo and ProteggiPrestito policies were restyled in order to improve the value for money of the offering for customers.

In May, Intesa Sanpaolo Insurance Agency began operations. This is a new agency with the purpose of providing tailor-made Protection, Welfare and Life insurance solutions to SMEs and Retail companies, which have more complex insurance needs that cannot be addressed by the standard products distributed.

### Young people

Intesa Sanpaolo continues to bring young people closer to the banking world through digital, smart and captivating solutions, such as “XME Conto UP!”, a current account for children and young people under the age of 18, thanks to the choice of partners loved by young people, such as Panini and Swatch. With the intention of making the transactional offer for young people under 35 and under 18 completely free of charge, during the year, additional costs and fees were eliminated for the target. New prepaid cards created as a result of agreements with several universities were also launched, to support students in enjoying university. In order to strengthen its positioning in relation to young people, in accordance with the purposes of Law Decree no. 73/2021 (“Sostegni Bis”), the Bank decreased the costs of its mortgage

offering, by raising the maximum age to 35 years and 11 months, with the Bank bearing the substitute tax also for customers with ISEE (Equivalent Financial Situation Index) higher than 40,000 euro, for the Mutuo Giovani mortgage, and with competitive interest rates and the elimination of preliminary and instalment collection fees, for the offering of mortgages guaranteed by the Primary Residence Guarantee Fund. The "Giovani e Lavoro" project continued in 2021 with its extension to new regions. This project supports the employment of young people aged 18 to 29, offering targeted training, free of charge, both for young people and for the participating businesses, for professional positions the businesses concretely need to fill, favouring in the effective matching of labour demand and supply.

#### Transactional products and digital payments

The new Exclusive Card is the credit card dedicated to customers seeking effective, prestigious solutions to their lifestyle needs. Made of white metal and delivered in an elegant package accompanied by a welcome card, it combines a high credit limit with a set of services designed for people who spend time and money on travel, cultural activities, well-being and health, and demand solutions capable of fulfilling their wishes and needs in real

time. With the Exclusive Credit Card, customers have a dedicated concierge 24-7, wherever they are in the world, for assistance and bookings, a set of insurance coverage free of charge for travel, purchases, medical assistance and events, pet insurance coverage, and a "preferential" line for welcoming and assistance at the HUB branches, which is also extended to services of the online branch. In line with Intesa Sanpaolo's vocation to be an impact bank, 50% of interbank commissions received for purchases made using the Exclusive Credit Card will be donated to solidarity and social inclusion projects promoted by the For Funding crowdfunding platform. The new Exclusive Debit Card was issued for customers with high spending or income capacity, a tool for withdrawals and payments, which can be used to make purchases with a monthly credit limit of up to 150,000 euro and offers a dedicated concierge service.

To support the widespread use of cards and digital payments, in the frontier of innovation, the evolution of existing products and the development of new services continued, such as the option to immediately use a payment card acquired through the Bank's online channels (Instant Issuing), enabling it for the various digital payment services available (Apple Pay, Samsung Pay and Google Pay) or to make fully secure e-commerce purchases, and the extension to the towns of Bergamo and Genoa of the functionality of paying for parking using the Intesa Sanpaolo Mobile App and to the Municipality of Turin of the agreements to digitally obtain the certification of registry information needed for mortgage applications. The enabling of BANCOMAT Pay on Intesa Sanpaolo-Nexi POS continued. This service allows merchant customers to expand the options of cashless collection in shops and online, by accepting e-commerce payments using the BANCOMAT Pay network ordered by customers with the service, at Intesa Sanpaolo or other banks, by confirming the push notification on the payer's smartphone and, through mobile or in-store payments, by generating a QR code directly on the digital collection devices (App and/or POS).

Intesa Sanpaolo entered into a contract with Nexi Payments, effective at the start of November 2021, for the transfer of the POS acquiring business line of the former UBI. From that date, the operational methods of management are those in place for Intesa Sanpaolo customers.

#### Multichannel Project

In 2021, the development of multi-channel and digital banking continued, with 12.9 million multi-channel customers at the end of the year (96% of total customers) and 8.1 million active users on the App, the introduction of new multi-channel customer journeys and the expansion of those available, to improve the offering and the customer experience, increasing the remote usability of the services offered by the digital channels. Almost all the

products in the retail catalogue, including current accounts, credit, debit and prepaid cards, including customised cards, personal loans and non-banking products, such as smartphones, tablets and PCs, can be purchased via Internet Banking and/or the Mobile App. The expansion of the range of products available also via the App continued, most recently with the revamping of the motor policies ViaggiaConMe and the applications for the XME Prestito Facile and XME Prestito Giovani loans. The Intesa Sanpaolo Mobile App, a new version of which was released in July, was recognised by Forrester Research as a Digital Leader among European banking apps. The new App, featuring simple, accessible navigation, includes Everyday Banking functionality, which customers can use to keep their accounts, cards and transactions under control, new sections to check payment of instalments of mortgage loans and loans and to be informed on computer fraud, new services to best manage expenses and take advantage of the potential of the app as an index of financial well-being, and the "Spese Georeferenziate" and "Stile digitale" services.

The development of digitisation of business customers continued with the upgrading of the Inbiz platform towards an increasingly multi-channel relationship with customers. Through the new digital identity and signature model My Key Inbiz, customers can remotely manage ordinary and extraordinary operations, also signing contracts with the Bank and access the remote document exchange service. As part of the various Inbiz offerings available, defined based on the needs of customers, starting with Inbiz Start, a free solution for business customers which supports remote signing of contracts, for companies operating on Inbiz Imprese Evoluto or Corporate, the new International Module is available, an innovative digital platform dedicated to customers operating internationally and interested in exploring new markets, which provides, in a single dashboard, the tools and information needed to optimise international business in order to develop the internationalisation of the customer's business. As part of the Digital Business Transformation, several new sales processes were released, to digitalise and dematerialise the Bank's offering, including those relating to short-term loans and commercial cards, and the digitalisation of the sales and after-sales processes of the factoring product through the Near Banking platform continued, enriched with new modules and functions.

The online branch, which, thanks to 19 offices throughout the country interacts with customers by remotely offering products, services and comprehensive support, continued its expansion. In addition, the remote branches, through the remote managers, offer personalised remote advisory services, available during extended hours, in synergy with the physical branches and the online branch.

## Agreements

To renew and consolidate a more than ten-year partnership, Intesa Sanpaolo signed a new three-year agreement with Confindustria, which provides dedicated credit of 150 billion euro for companies, to favour a revitalisation of the economy following the pandemic emergency, along the lines of the National Recovery and Resilience Plan (NRRP), based on three drivers “Competitiveness, Innovation and Sustainability”, and focusing on: digitalisation and innovation, sustainability, enhancement of financial and capital structure, strengthening of the role of supply chains, development of managerial skills and competencies, encouraging female entrepreneurship and smart working. New agreements were signed in the area of artisan companies and, in particular, with Confartigianato Imprese and CNA, the National Confederation of Artisans, to support their member companies, renewing and expanding the process of cooperation and commitment initiated during the extreme stage of the health crisis to supplement the extraordinary measures implemented by the government with support actions implemented by the Bank, and to allow companies to best make use of the opportunities offered by the Superbonus 110% and other tax incentives introduced by the “Rilancio” Decree of 2020, also supporting them in executing renovation works and liquidating their tax credits through discounts on invoices. Support to liquidity, relaunch of investments for the Transition 4.0 plan, sustainable growth, company welfare solutions, initiatives for women entrepreneurs, social inclusion and extraordinary finance projects are the focus of these partnerships. Moreover, the agreements with the Confindustria member associations Federlegno Arredo, Anima Federazione Meccanica Varia, UCIMU and SMI - Sistema Moda Italia and with the associations Confcommercio, and FIPE - Federazione Italiana Pubblici Esercizi, were renewed and expanded, in line with the evolution of the regulatory framework regarding actions to support liquidity and the recovery of companies’ investments, with attention also to the issues of sustainability and impact banking. Agreements were also signed with all the associations in the Tourism industry to support the sector and the relaunch of the Italian hotel industry.

## Loans

In order to aid businesses in investing in technological upgrades, the Bank made available solutions and services linked to the National Transition 4.0 Plan, introduced by the 2021 Budget Act, which envisages measures to stimulate investments in innovation, due to tax benefits granted, such as tax credits for companies investing in capital goods, research, development, innovation and training on innovative issues: from consulting to identify investment priorities in the area of digitisation, to the offer of loans to support investment, to solutions for renting capital goods, in alternative to purchases, to consulting on certification and tax benefits or for access to European financing programmes. To support the recovery of Italian SMEs and mid-caps, accompanying them in the phase of relaunching Italy following the difficulties caused by the pandemic crisis and assisting them in preparing for tomorrow’s challenges, the “Motore Italia” programme was launched, a structured plan of measures and solutions providing a credit limit of 50 billion euro in new credit for liquidity and investments in the digital and sustainable transition, in line with the objectives of the National Recovery and Resilience Plan. Within this programme, the dedicated initiative “Motore Italia Digitale” was developed. This is a set of solutions designed to provide financial support to the digital transformation, starting with the D-Loan, which offers businesses the option to choose from a list one or more digital KPIs (multi-channel offering and digital payments, digital chat with customers and suppliers, digital infrastructure and IT security and digital organisation) and to benefit from a decrease in the interest rate applied on disbursement, as a result of the commitment to invest in the selected digital areas, reporting the realisation of the investment in their financial statements. With reference to the instruments made available since 2020 to enable customers to benefit from the Superbonus, Ecobonus and other tax bonuses for construction, significant process simplifications and digital innovations were introduced to guarantee a more efficient, intuitive and timely service in the process of certification and assignment of the receivable. As part of the range of medium/long-term loans, the new version of “NOVA+”, created with the objective of aligning with the Next Generation EU sustainability and digital strategies and capturing the opportunities offered by the Transition 4.0 plan, meets the needs of companies interested in investing in green and digital research, development and innovation and enhancing intellectual property.

In line with the objective of acting as a point of reference for companies in integrating sustainability principles into their business models, thanks to agreements with top-level partners, Intesa Sanpaolo has made available to its corporate customers a specialised, modular ESG advisory service at favourable conditions, to provide companies with support to initially measure and improve their governance, social and environmental performance and promote and communicate the results achieved. The innovative S-Loan offering, which supports companies with the process of sustainable growth, making it possible to finance their investments benefiting from an interest rate discount upon achieving the improvement objectives set and certified, was expanded by adding the Diversity, Climate Change, Agribusiness and Tourism lines to the ESG line. For companies in the hotel sector that intend to make investments to redevelop structures and services, Suite Loan was also developed. This allows customers to choose one or more KPIs based on the need to redevelop the property and benefit from an interest rate discount applied at the time of disbursement, following a commitment to invest in the shared objectives, with a possible further reduction if the increase in the star rating is obtained and reported in the financial statements. The Bank’s initiative of donations to charitable causes present on the For Funding platform for each S-Loan disbursed was also launched, with a view to expanding the positive impact on society generated by the loan.

In collaboration with SACE, Intesa Sanpaolo launched a specific line of loans backed by 80% Green Guarantees from SACE, to support projects pursuing environmental objectives (climate change, environmental protection and circular economy), up to an amount of 15 million euro and for a maximum term of 20 years.

The offering of Bonds, an innovative solution that enables companies interested in financing their investments and developing their business to use capital made available by institutional actors that otherwise would not be accessible, was expanded with the addition of three Elite Lounges from Borsa Italiana, with the participation of around 100 companies, to assist SMEs in training processes. The offering was expanded with the Guaranteed Bond, which, thanks to the guarantee from the Central Guarantee Fund, grants customers benefits in terms of price.



### Sviluppo Filiere

The “Programma Filiere”, an innovative form of credit launched by Intesa Sanpaolo to favour access to credit for suppliers by taking advantage of their role in the production chain, reached around 800 participating lead companies, with a potential of 19,000 suppliers, and counting over 700 companies participating in confirming, a tool that can be used to finance receivables claimed by suppliers from lead companies. Several innovative agreements were signed as part of the programme, which extended the model to the downstream chain (customer chain), as well as the first chain agreement focused on sustainability.

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### Agribusiness Department

Created in April 2021, the Agribusiness Department is composed of 223 branches located throughout Italy. This Department was formed to provide the appropriate focus on a sector which accounts for 11% of the GDP and employs around 1.5 million people, as a start-up dedicated to the field of agriculture and agribusiness, and has around 77,500 customers deriving from Retail Companies and SME. The Department - which has deep roots in local areas - brings together different people and skills within the Bank, guaranteeing high added value and a specialised relationship, with high-tech contents that facilitate development in terms of innovation and expansion in the sector. This area includes the Agribusiness S-Loan offering, a solution dedicated to corporations in the sector interested in protecting themselves against climate change risks and taking advantage of the main opportunities deriving from the adoption of more sustainable business models.

The new Department's operations led to the definition of important agreements for developing production chains (in the milk and dairy sector for high quality production and conversion from traditional production to ORGANIC and NON-GMO production, for fish farming, for truffles and for the new Apofruit varieties, in the cultivation of fruit trees) or for specific projects (Italian Hazelnut Orchard Project), with a partnership agreement with Loacker for specific loans to producers. These activities are accompanied by typical sector actions (advances on CAP - Common Agricultural Policy contributions and Rural Development Plans).

At the end of 2021, the Department managed lending operations of over 12 billion euro with short-term loans representing around 25% of the total and financial assets of around 6 billion euro, almost fully comprised of company liquidity.

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### Impact Department

The Impact Department is dedicated to managing non-profit customers and coordinating the activation and management of the Fund for Impact. With the merger of UBI, in April 2021 the sales network reached 106 branches. At the end of 2021, the number of customers came to around 102,000, financial assets amounted to 9 billion euro, of which 6.9 billion euro in direct deposits, while lending operations presented an approved amount of 3.7 billion euro (of which 2.8 billion euro had been used). During the year, the support for local organisations continued through the use of the Solievo and Sostegno agreements (for a total disbursed of around 35 million euro), facilitating access to government credit measures. Numerous commercial agreements and arrangements were signed with institutional partners, to facilitate access to credit: Unione Italia Ciechi e Ipovedenti, Associazione Nazionale Atleti Olimpici Azzurri, Federazione Italiana Sport Equestri, Arcidiocesi di Milano, Diocesi di Bergamo, Diocesi di Brescia, Fondazione Antiusura La Scialuppa, Fondazione Antiusura Famiglia e Sussidiarietà and Fondazione Antiusura Finetica. Moreover, an agreement was launched with AON to promote an insurance policy dedicated exclusively to the world of volunteering. The cycle of meetings entitled “Noi ripartiamo” (Let's Restart) was implemented to concentrate skills and strategies of the non-profit sector to be developed within the National Recovery and Resilience Plan, and the Open Academy was launched, to provide all colleagues in the Department up-to-date information on the world of social economy and the non-profit sector. Lastly, new Terzo Valore projects were once again published on the For Funding platform, including the implementation of the Centro Mondialità Sviluppo Reciproco in Tanzania, the creation of a shelter home in Parma operated by the San Cristoforo association and the restructuring of a Club House for rugby in the province of Prato.

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### Product companies

**Banca 5** (formerly Banca ITB), is the first online bank in Italy to operate in the payment system sector and dedicated exclusively to a non-captive network of points of sale. It is authorised for the deposit-taking activity and to exercise lending activities in their various forms, for all the financial and banking operations and services permitted. At the end of 2019, the agreement between Banca 5 and SisalPay was finalised to set up a newco, which in November 2020 was named Mooney, with the objective of offering banking products and payment and transactional services at over 40,000 merchants located throughout the entire country. The new network, which has been fully operational since the beginning of 2020, adds to the offering of products and services of Banca 5 and SisalPay. At the end of 2021, through its subsidiary Banca 5, Intesa Sanpaolo and Enel, through its subsidiary Enel X, signed an agreement to acquire 70% of the share capital of Mooney Group from Schumann Investments, controlled by the international private equity fund CVC Capital Partners. Following this operation, Enel X and Banca 5, which currently already hold 30% of the share capital of Mooney Group, will each hold a share of 50% of the company, jointly giving life to a European fintech company. Thanks to the partnership between Intesa Sanpaolo and Enel, Mooney will accelerate its growth and development in the sector of proximity services, digital payments, mobility and energy services.

As at 31 December 2021, around 44,600 non-captive points of sale were authorised to offer Banca 5 services, including withdrawals and bank transfers (reserved to customers of Intesa Sanpaolo). To strengthen Mooney's sales network, the offer including “Smart POS” terminals - a technology that makes the provision of services simpler and quicker - ensures that authorised merchants can even more widely distribute the range of products and services of Banca 5. At the end of the year,

around 800 non-captive points of sale participated in the “Smart POS” offer. There are also around 23,000 retail customers using the Banca 5 app, with around 43,000 cards sold and around 3,600 active payment accounts.

**Prestitalia**, acquired from UBI, is now (since 12 April) the “product company” of the Intesa Sanpaolo Group for salary-backed loans and advances on employee termination indemnities. A financial company that operates in the consumer credit market, highly specialised in salary-backed loans, it is one of the leading operators in the sector, with an average stock of around 1.8 billion euro. In 2021, it disbursed total volumes of around 636 million euro, with around 32,600 applications approved. The range of products includes XME Prestito Pensionati INPS, XME Anticipo TFS (a product reserved to former government employees interested in using all or part of their severance indemnity without waiting the long time periods typical of the public authorities) and XME Prestito Cessione del Quinto, which offers a solution for government employees as well as one reserved for private sector employees.

## IMI Corporate & Investment Banking

Income statement	2021	2020	(millions of euro)	
			Changes amount	%
Net interest income	2,094	2,048	46	2.2
Net fee and commission income	1,176	1,049	127	12.1
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	1,299	1,341	-42	-3.1
Other operating income (expenses)	2	7	-5	-71.4
<b>Operating income</b>	<b>4,571</b>	<b>4,445</b>	<b>126</b>	<b>2.8</b>
Personnel expenses	-503	-466	37	7.9
Other administrative expenses	-841	-847	-6	-0.7
Adjustments to property, equipment and intangible assets	-21	-21	-	-
<b>Operating costs</b>	<b>-1,365</b>	<b>-1,334</b>	<b>31</b>	<b>2.3</b>
<b>Operating margin</b>	<b>3,206</b>	<b>3,111</b>	<b>95</b>	<b>3.1</b>
Net adjustments to loans	21	-477	498	
Other net provisions and net impairment losses on other assets	-45	-41	4	9.8
Other income (expenses)	-	65	-65	
Income (Loss) from discontinued operations	-	-	-	-
<b>Gross income (loss)</b>	<b>3,182</b>	<b>2,658</b>	<b>524</b>	<b>19.7</b>
Taxes on income	-976	-848	128	15.1
Charges (net of tax) for integration and exit incentives	-24	-19	5	26.3
Effect of purchase price allocation (net of tax)	20	-	20	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
<b>Net income (loss)</b>	<b>2,202</b>	<b>1,791</b>	<b>411</b>	<b>22.9</b>

	31.12.2021	31.12.2020	(millions of euro)	
			Changes amount	%
Loans to customers	152,082	145,974	6,108	4.2
Direct deposits from banking business (a)	88,931	92,938	-4,007	-4.3
Risk-weighted assets	112,204	113,688	-1,484	-1.3
Absorbed capital	9,641	9,768	-127	-1.3

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

(a) The item includes certificates.

In 2021, the **IMI Corporate & Investment Banking Division** recorded operating income of 4,571 million euro (representing over 20% of the Group's consolidated total), up 2.8% compared to 2020.

In detail, net interest income of 2.094 million euro was up by 2.2%, benefiting from the greater contribution of loans to customers, supported by structured finance business. Net fee and commission income, amounting to 1,176 million euro, increased by 12.1%, due to the performance of the investment banking and transaction banking segments. Profits on financial assets and liabilities designated at fair value, amounting to 1,299 million euro, decreased (-3.1%), mainly owing to lower profits on the securities portfolio, partly mitigated by the valuation effects due to the debt value adjustment (DVA) correlated with liabilities comprised of certificates. Operating costs amounted to 1,365 million euro (+2.3%) in relation to greater personnel expenses. As a result of the above revenue and cost trends, the operating margin came to 3,206 million euro, up 3.1% compared to the value recorded in the previous year. Gross income, amounting to 3,182 million euro, was up 19.7%, benefiting from the recoveries on the performing loan portfolio recorded in the current year, compared to significant adjustments made in 2020 due to the COVID-19 pandemic. Lastly, net income reached 2,202 million euro (+22.9%).

In the fourth quarter of 2021, the IMI Corporate & Investment Banking Division recorded a decrease in operating margin compared to the third quarter, due to lower revenues deriving from financial assets and liabilities at fair value and the seasonal nature of operating costs typical of year-end. The same trend recurred at the level of gross income and net income.



The Division's intermediated volumes increased slightly since the beginning of the year (+0.9%). In detail, loans to customers of 152,082 million euro increased by 6.1 billion euro (+4.2%), attributable to loans for structured finance transactions and global markets transactions, which widely offset the reduction in global corporate loans. Direct deposits from banking business amounted to 88,931 million euro, down by 4 billion euro (-4.3%) mainly due to the decrease in securities issued by the International Department and amounts due to global corporate customers, only partly offset by the increase in global markets operations and amounts due to financial institutions.

Business	Corporate and transaction banking, investment banking, and public finance and capital markets, in Italy and abroad.
Mission	To act as a strategic, global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of hubs, branches, representation offices and subsidiaries that engage in corporate banking operations. To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and sustainable investments, including by pursuing international growth opportunities in countries of strategic interest to the Group. To provide all customers of the Intesa Sanpaolo Group with specialised skills in the areas of Investment Banking, Structured Finance, Capital Markets and Transaction Banking.
Organisational structure	
Global Corporate Department	<p>The Department develops and manages relationships with Italian and foreign corporates with diversified needs and multinational presence, and with domestic Public Entities. It ensures the provision of a global, integrated offering of products and services by specific economic sector for customers under its remit, integrating traditional commercial banking products and services with those of investment banking and capital markets, pursuing cross-selling of products and services overseen by the IMI Corporate &amp; Investment Banking Division, by other Divisions and by the Group's product companies. It avails itself centrally of the commercial action of the Industry units, and locally of the Italian network (Areas) and of the international network of the International Department. The coverage is also completed through two units specifically dedicated to strategic investment banking deals to support industries (Global Strategic Coverage) and geographical areas (Network Origination Coverage). The specialisation by industry includes all industrial sectors: Automotive &amp; Industrials; Basic Materials &amp; Healthcare; Energy; Food &amp; Beverage and Distribution; Infrastructure &amp; Real Estate Partners; Public Finance; Retail and Luxury; Telecom, Media and Technology.</p>
International Department	<p>The Department ensures the international development of the Division in agreement with the other relationship and product structures, ensures the correct management of operational and commercial activities of the hubs, international branches and representative offices and oversees the management of the international subsidiary banks (Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Brasil - Banco Multiplo, Banca Intesa - Russia and Intesa Sanpaolo IMI Securities Corp.), ensuring their overall coordination.</p>
Global Banking & Sovereign Institutions Department	<p>The Department is responsible for commercial relationships with financial institutions on domestic and international markets, with a dedicated service model organised by customer segment (i.e., Banks, Insurance Companies, Asset Managers, Financial Sponsors, Sovereign Funds and Governments). Commercial development activity, which is particularly diversified and innovative, takes the form of proposing integrated solutions that facilitate the cross-selling of Capital Markets, Investment Banking, Commercial Banking and Transaction Banking products.</p>
Global Transaction Banking Department	<p>The Department is responsible for transaction banking products and services for the entire Group. It develops a wide range of digital products and services to meet customers' investment and working capital optimisation needs in Italy and abroad.</p>
Global Markets and Investment Banking	<p>The scope of the structure includes capital markets activities, including management of the portfolio and ownership risk through direct or indirect access to markets, structured finance, M&amp;A advisory and primary markets (equity and debt capital markets).</p>
Distribution structure	<p>In Italy, the IMI Corporate &amp; Investment Banking Division has a total of 25 branches dedicated to corporate customers and public customers. At the international level, it operates in 25 countries in support of the cross-border operations of its customers through a specialised network of hubs, branches, representative offices and subsidiaries that engage in corporate banking activity.</p>

## Global Corporate Department

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In 2021, the Global Corporate Department confirmed its role as strategic and financial partner to its Italian and international customers, supporting them by organising and participating in a number of financing and investment banking transactions. Owing to the specialised expertise linked to the Industry model and the origination capacity of the two teams dedicated to developing strategic investment banking and structured finance transactions, support continued to be provided to important international counterparties with a view to sector and geographical diversification.

During the year, the measures continued to support corporate customers to manage the economic and financial consequences of the COVID-19 health emergency, also continuing to ensure full operations of customers with dedicated remote processes. Moreover, operations were launched for the assignment of the Superbonus and Ecobonus tax receivables through Intesa Sanpaolo's commitment to acquire the receivable from various players in the sector, such as E.on, Sorigenia, Evolvere and IREN, while additional new agreements are being discussed. The Bank intends to continue to play an active role in supporting the revival of the Italian economy, supporting the National Recovery and Resilience Plan, including through development of its production chains, an indispensable engine of the Italian economy. This includes, by way of example, the agreements signed with Tecnica Group, Gucci and Enel, also to initiate a process of improving social and environmental sustainability of the entire production chains. The Group participated in numerous syndicated loans, including those to Massimo Zanetti Beverage Group, Padania Acque, General Motors, Alstom, Acciona Energia Financiacion and VSMPO-AVISMA, BayWa, Stellantis, Alibaba Group Holding, Emirates Global Aluminium, Autogrill, OCSIT (Organismo Centrale di Stoccaggio Italiano) and Frasers Group. In 2021, the Department strengthened its coverage on ESG issues, with dedicated resources to offer the best service and support to customers in their sustainability strategies and energy transitions, using the financial instruments offered. Due to its specialised expertise on ESG issues, the Group participated in various syndicated loans, including those in favour of Tod's, Endesa, Fincantieri, Lavazza, Volkswagen AG, Leonardo, ENEL, Ferrovie dello Stato Italiane, A2A, Telecom Italia, Acque Bresciane, Iberdrola, Naturgy Energy, Southern Company, Vena Energy, Unibail-Rodamco-Westfield, America Movil, ABInbev, Terna, Lendlease Europe Finance, KPN, Vodafone, GlobalFoundries and Majid Al Futtaim. Moreover, numerous bilateral ESG loans were concluded, including those for EDF, Pirelli, Aena, Prada, Sacmi and Snam, La Doria, Pasta Garofalo, Feralpi and PreZero. Interest rate hedges have been structured on some of these loans, which entail a reward mechanism based on the achievement of the ESG/Circular Economy targets set out in the loan. Attention should also be drawn to support for acquisition financing in important transactions completed during the year, such as, for example, the acquisition of ordinary shares of ASTM by Nuova Argo Finanziaria, the acquisition of ordinary shares of Adapteo by West Street Infrastructure Partners and, in the role of sole lender, the acquisition of Soenergy by Sinergas.

The Bank participated in various project financing transactions, including loans to F2i, Stafford, Invenergy, LightsourceBP, Q-Energy, OPDEnergy, Finerge, Energy Asset Group, ReNew Power, Obton, Autostrada Pedemontana Lombarda and the consortium headed by the Plenary Group for the construction of a new hospital in Footscray (Melbourne, Australia). Regarding M&A, the Group acted, inter alia, as financial advisor in the acquisition of shares of Telepass by Partners Group, of a portfolio of solar plants of Octopus Renewables by A2A and of ordinary shares of Cerved by Ion Capital. In Debt Capital Markets, the Bank acted as bookrunner in numerous issues, including 2i Rete Gas, Altice, ASTM, Atlantia, Carnival, Cemex, Cellnex, Cheniere Energy, Eni, EP Infrastructure, FNM, General Motors, IGT, Italgas, Merlin Properties, Nestlé, Polynt, Saipem, Sasol, SES, Stellantis, Technip Energies, Telefonica, United Group BV, Vinci, Volkswagen and WeBuild. Moreover, it also completed Green issues, including Acea, Engie, ERG, Ferrovie dello Stato, Iberdrola, Leasys, RWE and TIM, a Social Hybrid issue with EDF, a Transition issue with Snam and Sustainability-Linked issues with A2A, Enel and Hera. In the Equity Capital Markets business, among others, the Bank acted as joint Global Coordinator for the IPO of Ariston Holding and the capital increase of Autogrill, in addition to acting as Financial Co-Advisor of Vivendi for the spin-off of Universal Music.

## International Department

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During the year, the International Department continued to monitor the COVID-19 emergency on the entire international network of the IMI Corporate & Investment Banking Division, by activating all the technological and organisational solutions necessary to protect the health of employees and stakeholders, as well as for business continuity on the international markets.

The Accelerate programme continued, and was also extended to Global Transaction Banking products. That programme was launched by the Division with the goal of boosting business with international customers, as part of the International Growth strategic initiative. Commercial and organisational development intensified also through the programme IMI C&IB International Next, launched in the last quarter of 2020, which envisages a number of initiatives to adapt the sales model and organisational structure of the international network to the new challenges posed by the changed scenario (e.g. Brexit). In that context, the European Hub was set up. Based in Milan, it oversees the operations of the Intesa Sanpaolo branches in the European Union (Frankfurt, Madrid, Paris and Warsaw), and the new UK&MEA area of responsibility was created, based in London, which oversees the international branches of London, Istanbul, Dubai, Abu Dhabi and Doha and the representative offices of Moscow, Beirut and Cairo. The transfer of the Amsterdam branch of Intesa Sanpaolo Bank Luxembourg to Intesa Sanpaolo, within the European Hub, took effect in January 2022.

As planned, the foreign branch in Sydney launched its operations in the first half of 2021. The Division's current international network is present in 25 countries through 15 wholesale branches, 9 representative offices (in addition to the Brussels office at Group level, reporting to European Regulatory & Public Affairs and in charge of managing relations with supranational regulators), 4 corporate banks (Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Brasil S.A. and Banca Intesa - Russia) and Intesa Sanpaolo IMI Securities Corporation.

## Global Banking &amp; Sovereign Institutions Department

In a challenging market scenario that is continuously evolving for all domestic and international operators, the Department continued to assist its customers in important operating and extraordinary finance deals, confirming the sharp growth in operations and results recorded over the last few years. In the domestic and international banking sectors, the Group provided advice, arranging and financing in transactions to optimise and strengthen capital structure, both on the equity and debt markets, as well as in the refinancing and sale of performing and problematic assets. Among others, as regards the Italian market, these included the roles of global coordinator and bookrunner in the issue of convertible bond and a senior bond by Nexi, as well as advisor to Mercury UK for the merger of Nexi and SIA, the role of global coordinator in the IPO of Intermonte Sim, the roles of bookrunner in the “green” covered bond of Credit Agricole Italia, in the covered bond of Mediobanca, the Tier 2 issue of Banco BPM and the covered bond issue that marked the return of Carige to the market, as well as the role of sole arranger & underwriter of a term loan for Istituto di Credito Sportivo. On international markets, due to positioning that is growing significantly, we note several roles of joint bookrunner in strategically important deals, such as the IPO on the Amsterdam stock exchange of Allfunds, a leading platform in integrated solutions on funds, the senior issues by Natwest and the senior unsecured OpCo by UBS, as well as participation in numerous issues in USD, EUR and GBP for leading North American banking groups, including Goldman Sachs, JP Morgan, Morgan Stanley, Citi, Bank of America and Toronto Dominion. Also in the international arena, specifically on the North American market, Intesa Sanpaolo became the leading bank in trade finance for numerous regional banks. Significant results were also achieved in transaction banking, both in securities services and in cash services. In addition to the physiological growth of inflows due to the economic recovery, the commitment to trade resulted in new mandates from Italian and European customers.

Business with non-banking financial institutions and governments delivered very positive results, swiftly taking advantage of the opportunities offered by the market scenario. Within this framework, important business continued with government customers, committed to managing the new debt deriving from measures in support of the economy. Specifically of note are the roles on behalf of the Ministry of the Economy and Finance in the placement of BTPs (in particular, the two new Futura long-term issues) and, internationally, the financing operations for government entities in the Middle East and the role of joint lead manager in several bonds issues of CEE governments. Mention should also be made of the role in various significant ESG transactions, including, in particular, the placement of Green BTP by the Ministry of the Economy and Finance and the Social Bond by CDP, to support Italian SMEs and Mid Caps located mainly in the south of Italy. Also of note is the role performed in the issue by Poste Italiane of the subordinate perpetual hybrid bond to strengthen the leverage ratio and Tier 1 ratio of BancoPosta, as well as the Solvency II ratio of Poste Vita. Lastly, due to its systemic significance, large size and social and economic implications, the 20-billion-euro inaugural issue by the European Union under the Next Generation EU plan, in which the Intesa Sanpaolo acted as joint lead manager and bookrunner, is worthy of note. In relation to operations with players in the near-banking field, mention should be made of the financing for SME lending platforms with government guarantee (Credimi, Borsa del Credito), and the financing for the largest consumer credit companies (Compass and Agos Ducato), in addition to securitisations such as those on assignment of one-fifth of salary loans with Fincontinuo, Vivibanca and Dynamica Retail and on VAT receivables with Banca Sistema. At international level, the Bank participated in the refinancing of Euronext, as part of the operation of acquisition of Borsa Italiana, acting as joint bookrunner in the share capital increase, and as joint lead manager in the placement on the market of senior notes issued by Euronext, and was the only Italian bank involved in the placement of the senior bonds issued by the London Stock Exchange to reimburse the loans granted in 2020 for the acquisition of Refinitiv. As regards asset management customers, in 2021, the growth trend was confirmed, with the Group increasingly present on international markets with innovative financing transactions, specifically benefiting several important alternative funds. In particular, the areas explored were those of subscription financing (including, among others, Ares, Pollen, AXA IM and Azimut), portfolio financing, with specific focus on the senior loans of the lending transactions with State guarantee as part of the UK CBILLS and RLS programmes (with PIMCO and Varde) and, lastly, NAV Financing, with the first financing transaction to an international fund. In the real estate sector, the focus on transactions respecting ESG issues and innovation in the real estate field was confirmed, both as regards core investments and selected urban regeneration projects. In this area, Intesa Sanpaolo acted as mandated lead arranger for the first Green Loan subscribed by Generali RE SGR on behalf of the Rubens Fund, structured a sustainability-linked loan to support the project for redevelopment of the former Manifattura Tabacchi area in Florence by Aermont Capital and CDP Immobiliare, and financed the Fondo Infrastrutture per la Crescita promoted by Azimut SGR and the Fondo Geras of REAM SGR.

Transactions with financial institutions on emerging markets continued to be managed consistently with the reference context, with a selective strategy of mainly short-term loans, focused on risk management. The pivotal role of the Bank's support to commercial operations and exports of its financial and industrial customers was confirmed, with the assumption of risk concentrated mainly in the Middle East, Africa, former CIS countries, Brazil and Asia. As regards Structured Deals, the recovery in commodity prices favoured the participation in several pre-export financing operations, while as regards export credit, the Bank was involved in negotiations relating to the financing of numerous infrastructure projects, especially in Sub-Saharan Africa and former CIS countries. The continuation of the pandemic slowed the finalisation of the main loan contracts, many of which are now expected to be signed in the first quarter of 2022. Lending for supply chain financing remains significant, especially in the New York and London branches, but is gradually increasing in Asia and the rest of Europe. As regards Private Equity Funds, the Group was involved in a considerable number of significant transactions, also on foreign markets, continuing the trend of strengthening its positioning. On the Italian market, as part of the voluntary takeover bid launched by a consortium headed by NB Renaissance Partners on Sicit, a leading company in the production of biostimulants for agriculture and retardants for the gypsum industry, which operates through a business model founded on the circular economy, we note the roles of sole financial advisor, global coordinator and sustainability coordinator of acquisition financing. Moreover, it is worth noting the role of MLA, bookrunner and underwriter for the bond issue for the acquisition of Polynt-Reichhold, to support Black Diamond, and the role of joint bookrunner in the bond issue for the acquisition of Lutech, to support Apax Partners. In transactions with private equity funds on international markets, the Bank acted as MLA & bookrunner in the loan for the acquisition of Morrison by CD&R and the role of bookrunner in the loan for the acquisition of Medline by a consortium comprised of Carlyle, Blackstone and H&F, the largest LBO transaction in the North American market in 2021. With regard to fund financing, the Bank further consolidated its international presence due to, among others,

the role of MLA and bookrunner in financing the Baring Private Equity Asia VIII fund (Hong Kong) and in the facility for Glendower SOF V (USA).

With regard to sovereign wealth funds and pension funds, due to the further consolidation of the relationships with the leading players in the sector in 2021, the Group, typically acting as MLA, was able to assist its long-term partners (Mubadala, Wren House/KIA, APG, GIC, PIF and TWF) and new customers (e.g. ADQ and CDPQ) in numerous transactions carried out in their chosen sectors, above all Energy, Infrastructure and TMT, in all the main geographical areas worldwide. In particular, it acted as MLA in the syndicated loans to PIF (the largest financing transaction to a sovereign fund realised to date) and TWF, as MLA and bookrunner in the “green” secured term loan funding a significant real estate development of QIA in London, and the loans to the sovereign fund ADQ as part of the acquisitions in the pharmaceutical sector (the Egyptian company Amoun Pharmaceutical) and the agricultural and food sector (the French company Louis Dreyfus Company). Non-recourse financing of infrastructure also successfully continued. In this regard, the Bank acted as MLA and swap provider in the term loan to North Sea Midstream Partners, a company that manages the assets in the North Sea held by Wren House/KIA and supported the KPN/APG joint venture to develop fibre optics in the Netherlands. The Bank also participated, as MLA, in the acquisition and take-private transaction by a pool of investors including Mubadala of the UK company Calisen, operating in the smart meters sector. Lastly, also worthy of note are the deals realised with the subsidiaries of sovereign funds, such as the refinancing of Global Foundries (Mubadala) and Al Dahra Holding Sole (ADQ), the financing of Cepsa (Mubadala), as well as the construction loan for a wind energy project in the US held by Invenergy (CDPQ).

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### Global Transaction Banking Department

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During 2021, the Global Transaction Banking Department contributed to supporting domestic and international companies which, in a year that continued to be marked by the pandemic, undertook digital transformation and international development programmes. The migration of business, corporate and SME customers deriving from UBI was also completed: the Department participated in integration programmes to close product gaps, organised a task force dedicated to the migration from the previous corporate banking system and defined suitable levels of assistance and support in terms of specialised consulting. The digital offering was consolidated for cash management, payments, open banking and trade finance and, due to the ever-increasing level of innovation achieved, was awarded numerous times at national and international level during the year. That offering is based on the adoption of solutions that implement digital transformation processes in businesses: the Department supported the Group, in the areas under its remit, in implementing Motore Italia and, due to the offering of Intesa Sanpaolo Formazione, guided businesses in developing their digital skills and in internationalisation. The Department also contributed to the development of supply chain finance platforms by identifying strategic partnerships to support the Italian supply chains by optimising liquidity and streamlining operations. The commercial trading company Exetra significantly consolidated its support to Italian SMEs, with coverage of the various geographical hubs, and this made it possible to close the year with significant levels of turnover.

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### Global Markets & Investment Banking

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The events occurring in 2021, including the increase in inflation, the fresh wave of the pandemic and the unexpected policies of the Central Banks created a highly challenging market context. With regard to the Global Market Securities area, despite significant liquidity, there was a high level of uncertainty in all asset classes. In general, the demand to hedge financial risks grew, while the Equity and Credit segments saw intense activity on the primary market. On the secondary market, there were various shifts in portfolios, with greater interest in securities with higher returns, especially subordinated bank securities and high yield securities. The commercial action of the Market Hub contributed to the growth in intermediated volumes (especially in Equity) and the integration of the trading operations of the UBI Group into the Group's operating models, promoting the digitalisation of customer orders.

The activities carried out by the Global Market Solutions and Financing Unit confirmed the leadership position in Italy of IMI C&IB both in support for customers in the management of financial risk, including with innovative ESG-linked solutions, and in the securitisation and asset-based financing sectors. The unit structured, financed and distributed solutions for customers and the Group, designed to optimise funding and economic and regulatory capital, deconsolidate performing and non-performing assets and improve the net financial position of its customers. The unit also consolidated the international presence of IMI C&IB, supporting corporate and financial institution customers inside and outside Europe with risk management and financially, as well as important foreign investors in the acquisition of granular portfolios both in Italy and the main international jurisdictions.

In managing its proprietary portfolios, the Finance & Investments Department implemented highly diversified investments in terms of geography, privileging interest rate risk hedging and medium/long-term maturities, with specific focus on ESG issuers. In the second half of the year, following the change in the Fed's monetary policy, a more prudent strategy was adopted regarding new investments. On the credit market, investments pursued strategies of sector and geographical diversification, with increasing attention to issuer's ESG profiles. New investments were made on emerging markets equipped with sound fundamentals and limited geopolitical risks. The Department guaranteed the financing of proprietary portfolios and the management of liquidity positions. Management and optimisation supported operations in derivatives with customers. During the last quarter of 2021, investments continued with a view to reallocating the portfolio due to the impacts of the CRR2 Regulation, in force from 1 July. On the whole, the portfolio showed steady, robust growth in value.

Primary market activity in the European and global equity markets saw a sharp increase in volumes compared to the previous year. In this area, the Equity Capital Markets team strengthened its oversight of the Italian market, acting as joint global coordinator in various transactions. Activities in the international arena were particularly significant, where IMI C&IB participated in the main transactions carried out, acting in various roles in the IPOs of Allfunds and Acciona Energia and the capital increases of Nordex, Vonovia (the largest capital increases in Europe in the last four years), Cellnex and Euronext. IMI

C&IB also acted as coordinator of collection of acceptances as part of the public takeover bids of Credit Agricole on Credito Valtellinese, Ion on Cerved, NB on Sicit, Marbles on Retelit and Apollo on Reno de Medici, which allowed the Division to confirm its leadership role in takeover bids in Italy. Lastly, during the year, it was also specialist or corporate broker for over 50 companies listed on the Italian market, thereby confirming its leadership in that market segment.

On the Italian bond market, IMI C&IB's Debt Capital Markets confirmed its top position by number of transactions and volumes. In all business segments, IMI C&IB acted as joint bookrunner in the bond issues of leading Italian and foreign issuers. It also participated in numerous ESG issues.

The IMI C&IB Division provided its M&A Advisory services in numerous transactions among the most significant announced or concluded in Italy, including: in the Energy sector, to F2i in the acquisition of Ital Gas Storage and to Acea and A2A in the trading of photovoltaic portfolios; in the Industrial sector, to Italcir in the acquisition of Equipe Cerámicas, to Reno de Medici in the acquisition of Eska, to NB Renaissance in the acquisition of Sicit Group through voluntary takeover bid; in the Infrastructure sector, to Atlantia in the disposal of a share of Telepass; in the TMT sector, to TIM in the disposal of a minority share in FiberCop to KKR and Fastweb.

The Structured Finance team worked in a particularly lively context in terms of both Italian and international transaction flows. While maintaining a selective approach in pursuing new opportunities, it consolidated its leadership in Italy, successfully concluding numerous financing transactions to support important industrial operators and financial investors, and continued to strengthen its competitive positioning on foreign markets, in line with the new operating models adopted by the Group and, specifically, with the international growth strategy of the IMI C&IB Division. As part of the international reorganisation of the Division, in the second half of 2021, the new Europe Structured Finance Desk was established, with the goal of increasing the proximity of the offering and the specialist coverage of customers in the Eurozone.

In 2021, the Corporate Finance Mid-Cap Department was established, which operated transversally at Group level, creating synergies with the other Divisions through its investment banking and structured finance capabilities. The operations with Banca dei Territori, to support Italian mid-caps in investment banking and structured finance transactions were joined by those with International Subsidiary Banks, to support the international banks of the Group with the know-how and scope of IMI C&IB. During 2021, various ECM, M&A and structured finance transactions were concluded, and initiatives were implemented to increase the synergies with the Private Banking Division.



## International Subsidiary Banks

Income statement	2021	2020	(millions of euro)	
			Changes amount	%
Net interest income	1,337	1,310	27	2.1
Net fee and commission income	546	505	41	8.1
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	127	131	-4	-3.1
Other operating income (expenses)	-38	-38	-	-
<b>Operating income</b>	<b>1,972</b>	<b>1,908</b>	<b>64</b>	<b>3.4</b>
Personnel expenses	-554	-527	27	5.1
Other administrative expenses	-401	-393	8	2.0
Adjustments to property, equipment and intangible assets	-117	-110	7	6.4
<b>Operating costs</b>	<b>-1,072</b>	<b>-1,030</b>	<b>42</b>	<b>4.1</b>
<b>Operating margin</b>	<b>900</b>	<b>878</b>	<b>22</b>	<b>2.5</b>
Net adjustments to loans	-157	-247	-90	-36.4
Other net provisions and net impairment losses on other assets	-74	-15	59	
Other income (expenses)	6	7	-1	-14.3
Income (Loss) from discontinued operations	-	-	-	-
<b>Gross income (loss)</b>	<b>675</b>	<b>623</b>	<b>52</b>	<b>8.3</b>
Taxes on income	-143	-125	18	14.4
Charges (net of tax) for integration and exit incentives	-43	-59	-16	-27.1
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-26	-58	-32	-55.2
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
<b>Net income (loss)</b>	<b>463</b>	<b>381</b>	<b>82</b>	<b>21.5</b>

	31.12.2021	31.12.2020	(millions of euro)	
			Changes amount	%
Loans to customers	38,970	36,079	2,891	8.0
Direct deposits from banking business	51,529	46,308	5,221	11.3
Risk-weighted assets	34,403	32,886	1,517	4.6
Absorbed capital	3,591	3,441	150	4.4

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

The **International Subsidiary Banks Division** is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking.

In 2021, the Division's operating income came to 1,972 million euro, up 3.4% compared to the previous year (+4.1% at constant exchange rates). A detailed analysis shows that net interest income came to 1,337 million euro (+2.1%), mainly thanks to the favourable trend reported by CIB Bank (+35 million euro), which more than offset the decline recorded by PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (-9 million euro) – and VUB Banka (-7 million euro). Net fee and commission income, equal to 546 million euro, grew significantly (+8.1%), mainly due to the contribution of Banca Intesa Beograd, including Intesa Leasing Beograd (+14 million euro), PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (+13 million euro) – and VUB Banka (+13 million euro). Among the other revenue components, net profits (losses) on financial assets and liabilities designated at fair value decreased (-3.1%), while other operating costs remained stable. Operating costs amounted to 1,072 million euro (+4.1%; +4.8% at constant exchange rates) due to the growth in all components.

As a result of the above revenue and cost trends, the operating margin increased (+2.5%) to 900 million euro. Gross income, equal to 675 million euro, grew by 8.3%, benefiting from lower adjustments to loans, which exceeded the higher net provisions for risks and charges. The Division closed 2021 with net income of 463 million euro (+21.5%).



At the quarterly level, in the fourth quarter of 2021 the operating margin recorded a decline compared with the third quarter, as a result of the increase in operating costs typical of the end of the year and, to a lesser extent, the decrease in operating income. Moreover, gross income and net income were adversely impacted by the allocation of higher net provisions.

The Division's intermediated volumes grew at the end of December 2021 (+9.8%), compared to the beginning of the year, owing to direct deposits from banking business (+11.3%), both as regards amounts due to customers and, to a lesser extent, securities issued, and to loans to customers (+8%). The performance of deposits is mainly attributable to the subsidiaries operating in Slovakia, Croatia, Egypt and Hungary, while the performance of loans is attributable to subsidiaries active in Slovakia, Croatia, Egypt and Serbia.

In 2021, the International Subsidiary Banks Division continued the process of moving towards a common operating model in the areas of governance, control/support, commercial strategy, and information technology.

With the aim of reinforcing and optimising the international subsidiary banks' presence in their territories of reference, the development plan of the Slovenian bank continued, within the framework of the South-Eastern Europe Hub (Croatia, Bosnia and Slovenia). With regard to the Central Europe Hub (Slovakia, Czech Republic and Hungary), the alignment of the operating models and the strengthening of commercial synergies in the Retail and Corporate sectors continued. The refocusing process continues in Ukraine.

In commercial dealings, the extension of the advisory model for wealth management services dedicated to Affluent, Private and Upper Mass customer segments continued in Croatia, Slovenia, Slovakia and Hungary. Instead, with regard to the service model, the extension of the target distribution model of the Group in Slovakia, Croatia, Serbia, Hungary, Slovenia, Romania, Albania and Bosnia continued (with the conversion of 191 branches). There was also a full recovery in operations consistent with the redefinition of priorities following the impacts of COVID-19.

In the area of Information Technology, the stabilisation phase was completed, with the resulting closure of the project of migration to the new Core Banking System (FlexCube) in the Czech Republic, while in Slovakia the feasibility study was completed for the purpose of identifying new technological solutions (to support the process of full technological and operational convergence) with the resulting definition of the approach in the phase of implementing the new platform. Moreover, in line with the short-medium term IT strategy, these activities were also extended to Albania, where the preparation for the implementation project is under way.

During the year, the activities regarding the evolution of the IT services company (ISP International Value Services – ISP IVS) also continued, through expansion of the operating activities of the Serbian branch, due to the activation of the technical competence centre for the Core Banking System, and the Slovak branch, through activation of the technical competence centre for Credit&Risk Management and the Italian branch, through the start-up of the competence centre for managing infrastructural services. The new corporate governance was also established, the centralised strategic and functional governance mechanisms were launched and the activities to transfer the remaining IT services set out in the work plan were completed.

With regard to digital evolution, functionalities and services offered continued to be expanded in Croatia, Hungary, Egypt, Slovenia and Albania. The commercial launch was carried out in Serbia, while the IT analyses and development regarding Digital integration continued in Slovakia and Romania.

Lastly, with regard to the development of wealth management operations in China, following the launch of the business in the first half of 2020, the sale of the financial products to High Net Worth Individual customers continued through the expansion of the range of products and the sales network. With regard to the establishment of the Securities Company, following the acceptance of the application to the CSRC (China Securities Regulatory Commission), contacts with the local regulator are ongoing, for the purpose of obtaining the necessary authorisations.

<b>Business</b>	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates.
<b>Mission</b>	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches and other foreign offices of the IMI Corporate & Investment Banking Division.
<b>Organisational structure</b>	
South-Eastern Europe Hub (SEE HUB)	Presence in Croatia, Bosnia-Herzegovina and Slovenia.
Central Europe Hub (CE HUB)	Presences in Slovakia, Hungary and the Czech Republic.
Other banks	Presence in Albania, Romania, Serbia, Egypt, Ukraine and Moldova.
<b>Distribution structure</b>	925 branches in 12 countries.

#### South-Eastern Europe Hub (SEE HUB)

In 2021, the operating income of the **Privredna Banka Zagreb** group amounted to 440 million euro, up on 2020 (+2.4%), mainly owing to the favourable performance of other operating costs, fee and commission income and, to a lesser extent, net profits (losses) on financial assets and liabilities designated at fair value. Operating costs of 184 million euro decreased slightly (-0.3%), due to lower administrative expenses. The operating margin came to 256 million euro (+4.5%). Gross income amounted to 211 million euro (+21.5%), and was positively influenced by the lower adjustments to loans; net income was 164 million euro (+44.5%).

**Intesa Sanpaolo Banka Bosna i Hercegovina** closed 2021 with an operating margin of 23 million euro, up on the previous year (+4.5%). This performance is attributable to the increase in operating income, which more than offset the increase in operating costs. Gross income, amounting to 20 million euro, and net income, which came to 16 million euro, both recorded significant increases.

**Intesa Sanpaolo Bank (Slovenia)** reported an operating income of 69 million euro, up slightly on 2020 (+0.9%), due to the growth in net fee and commission income and, to a lesser extent, net interest income, which offset the drop in other net operating income and profits (losses) on financial assets and liabilities designated at fair value. Operating costs increased slightly on the previous year (+1.5%). Gross income and net income, amounting to 26 million euro and 18 million euro, respectively, recorded increases of more than 30%, benefiting from lower adjustments to loans.

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### Central Europe Hub (CE HUB)

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The **VUB Banka** Group achieved an operating margin of 237 million euro, up compared to 2020 (+3.4%), mainly due to the favourable trend in operating income (+2.3%). Gross income amounted to 166 million euro, up by 4.2%. Net income came to 113 million euro (+37.1%).

The **CIB Bank** Group had operating income of 207 million euro, up by 16.9% on 2020, mainly due to the positive performance of net interest income. Operating costs rose by 2.9%. Net income amounted to 44 million euro, and more than doubled on the previous year.

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### Other banks

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**Intesa Sanpaolo Bank Albania** (including Veneto Banka Sh.A.) realised an operating margin of 18 million euro, up by 10.3% on 2020, due to the increase in revenues, mainly driven by an increase in net interest income. Gross income, amounting to 9.5 million euro, and net income (4.2 million euro) were lower than the previous year, negatively influenced by higher net provisions and net impairment losses on other assets.

**Intesa Sanpaolo Bank Romania** reported an operating margin of 10 million euro, down on the previous year (-27.3%), due to both the decrease in operating income (-5.2%), mainly attributable to profits (losses) on financial assets and liabilities designated at fair value and higher operating costs (+5.3%). The company closed 2021 with net income of 1.9 million euro, compared to net income of 0.2 million euro in the previous year.

**Banca Intesa Beograd**, including Intesa Leasing Beograd, reported an operating margin of 169 million euro, up 7.4% on 2020. Operating income increased by 7.9%, mainly due to the favourable performance of net fee and commission income. Operating costs increased (+8.7%) compared with the previous year. Gross income amounted to 131 million euro (+10.7%), and net income was 90 million euro (+10.1%).

**Bank of Alexandria**, which benefited from the revaluation of the Egyptian pound, reported an operating margin of 217 million euro, up by 2.1% on the previous year (+4.8% at constant exchange rates). Operating income of 371 million euro increased (+2.0%; +4.8% at constant exchange rates), primarily due to the positive performance of net fee and commission income and profits (losses) on financial assets and liabilities designated at fair value. Operating costs rose (+2.0%; +4.8% at constant exchange rates). Net income came to 118 million euro, down 6.2% on 2020 (-3.7% at constant exchange rates).

**Pravex** reported a negative operating margin (-5.4 million euro), down compared with the previous year, due to higher operating costs (+9.8%), despite the increase in operating income (+9.8%). The net loss of 7.9 million euro worsened compared to 2020 (-71.7%).

**Eximbank** generated an operating margin of 1.9 million euro, more than double that of 2020, mainly due to the positive performance of operating income. The net income of 1.2 million euro compares to a net loss of -1.3 million euro in the previous year, also due to lower adjustments to loans and other assets.

## Private Banking

Income statement	2021	2020	(millions of euro)	
			Changes	
			amount	%
Net interest income	212	252	-40	-15.9
Net fee and commission income	2,097	1,921	176	9.2
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	46	47	-1	-2.1
Other operating income (expenses)	21	2	19	
<b>Operating income</b>	<b>2,376</b>	<b>2,222</b>	<b>154</b>	<b>6.9</b>
Personnel expenses	-483	-466	17	3.6
Other administrative expenses	-350	-335	15	4.5
Adjustments to property, equipment and intangible assets	-73	-68	5	7.4
<b>Operating costs</b>	<b>-906</b>	<b>-869</b>	<b>37</b>	<b>4.3</b>
<b>Operating margin</b>	<b>1,470</b>	<b>1,353</b>	<b>117</b>	<b>8.6</b>
Net adjustments to loans	3	-18	21	
Other net provisions and net impairment losses on other assets	-37	-46	-9	-19.6
Other income (expenses)	195	-4	199	
Income (Loss) from discontinued operations	-	-	-	-
<b>Gross income (loss)</b>	<b>1,631</b>	<b>1,285</b>	<b>346</b>	<b>26.9</b>
Taxes on income	-481	-378	103	27.2
Charges (net of tax) for integration and exit incentives	-40	-32	8	25.0
Effect of purchase price allocation (net of tax)	-22	-2	20	
Levies and other charges concerning the banking industry (net of tax)	-15	-12	3	25.0
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	3	5	-2	-40.0
<b>Net income (loss)</b>	<b>1,076</b>	<b>866</b>	<b>210</b>	<b>24.2</b>

	31.12.2021	31.12.2020	(millions of euro)	
			Changes	
			amount	%
Assets under management <sup>(1)</sup>	163,705	145,706	17,999	12.4
Risk-weighted assets	11,617	11,157	460	4.1
Absorbed capital	1,008	964	44	4.6

(1) Figures restated in line with consolidated reporting criteria of indirect customer deposits.

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

The **Private Banking Division** serves the top customer segment (Private and High Net Worth Individuals), creating value by offering top products and services. The Division coordinates the operations of Fideuram, Sanpaolo Invest, Intesa Sanpaolo Private Banking, Fideuram Asset Management SGR (formerly Fideuram Investimenti), SIREF Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) Morval, Fideuram Asset Management Ireland, Fideuram Bank (Luxembourg) and, starting from the third quarter, also IW Bank and the Swiss banking group Reyl. An equity investment of 69% of the share capital of Reyl & Cie SA was acquired, with the concurrent contribution to Reyl of the entire equity investment held by Fideuram in Intesa Sanpaolo Private Bank (Suisse) Morval.

In 2021, the Division achieved gross income of 1,631 million euro, up by 346 million euro (+26.9%) compared to the previous year. The significant increase is largely attributable to the capital gain of 194 million euro realised on the sale of the custodian bank business line of Fideuram Bank (Luxembourg), posted under other income. The operating margin also showed a positive performance (+117 million euro), thanks to the increase in operating income (+154 million euro) which largely offset the higher operating costs (+37 million euro), attributable to all expense components. The revenue performance is attributable to the growth in net fee and commission income (+176 million euro), primarily recurring income supported by the development of the average assets under management, and in other net operating income (+19 million euro). By contrast, net interest income showed a downward trend (-40 million euro), penalised by lower interest income on debt securities.

The Division closed 2021 with net income of 1,076 million euro, up by 24.2% compared to the previous year.

The values of assets gathered have been recognised in accordance with the reporting criteria for indirect customer deposits used in the Intesa Sanpaolo Group's consolidated financial statements, involving in particular the elimination of customer current accounts correlated with investment transactions, bonds and certificates that, despite being part of customers' assets, are already included in direct customer deposits. In addition, third-party products were reallocated from assets under management to assets under administration.

As at 31 December 2021, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 288 billion euro (+36.3 billion euro on an annual basis). This performance was due to the revaluation of assets as well as the positive contribution of net inflows. The assets under management component amounted to 163.7 billion euro (+18 billion euro).

In 2021, numerous corporate transactions were carried out, relating to both the integration of the former UBI Group and the expansion of the international network. In particular, in addition to the above, the following is noted:

- partial demerger to Intesa Sanpaolo Private Banking of the business line of UBI Banca comprised of the “TOP Private Banking” division, organised to provide operations and services for customers and companies with significant wealth;
- partial demerger to Fideuram of full ownership of IW Bank, along with the UBI Banca business line formed by the units dedicated to performing servicing activities for IW Bank, named “IWB Service Business Line”;
- the acquisition by Fideuram Bank (Luxembourg) of the Wealth Management and Private Banking business line of Intesa Sanpaolo Bank Luxembourg;
- the merger by incorporation into Fideuram of the French subsidiary Financière Fideuram.
- the acquisition by Reyl & Cie S.A. of a 40% share of 1875 Finance Holding, a Swiss asset management company.

The following transactions were also launched:

- the partial demerger of IW Bank in favour of Fideuram of a going concern comprised of banking relationships and banking assets;
- the partial demerger of Fideuram in favour of Intesa Sanpaolo of assets composed of performing mortgages and the related funding and personnel;
- the transformation of IW Bank into an investment company (Società di Intermediazione Mobiliare);
- the merger by incorporation into Reyl & Cie of Intesa Sanpaolo Private Bank (Suisse) Morval;
- the establishment by Fideuram Asset Management (Ireland) of a new investment company in the United Kingdom in order to conduct the business currently managed by the London branch;
- the acquisition by Fideuram Bank (Luxembourg) of Compagnie de Banque Privée Quilvest S.A., a Luxembourg private bank with branches in Belgium.

<b>Business</b>	Generating new inflows of assets and managing them, using a network of financial advisors and in-house private bankers serving a customer base with high savings potential.
<b>Mission</b>	Improve and broaden the product portfolio and increase the service levels by allowing the customers to choose the network which best satisfies their needs; assist customers in the informed management of their wealth, based on a detailed analysis of their real requirements and risk profile; and offering fully transparent financial and pensions advice in accordance with the regulations.
<b>Organisational structure</b>	
Fideuram and Sanpaolo Invest	Dedicated to the production, management and distribution of financial products and services to high profile customers, using a network of 4,829 Fideuram and Sanpaolo Invest financial advisors.
Intesa Sanpaolo Private Banking	Bank dedicated to private customers (with over 1 million euro in financial assets), providing financial services which are designed to preserve and increase wealth and provide continuity, using a network of 967 in-house private bankers and 89 independent professionals with agency agreements.
IW Bank	Bank specialising in financial advisory and planning services for individuals and households, with a distinctive commercial offering in trading and on digital channels. It operates using a network of 629 financial advisors.
Reyl & Cie	Swiss bank dedicated to developing international private customers, which operates through a group of companies specialising in wealth management and private banking. In the second quarter of 2021, Fideuram contributed to Reyl its equity investment in Intesa Sanpaolo Private Bank (Suisse) Morval. It operates using a total network of 69 private bankers.
SIREF Fiduciaria	Company specialised in the provision of fiduciary services.
Fideuram Bank (Luxembourg)	Luxembourg bank which, following the acquisition of the Wealth Management and Private Banking business line of Intesa Sanpaolo Bank Luxembourg, operates through a network of 11 private bankers.
<b>Distribution structure</b>	Network of 270 branches in Italy, 8 branches abroad and 6,594 financial advisors.

## Asset Management

Income statement	2021	2020	(millions of euro)	
			Changes amount	%
Net interest income	-1	-1	-	-
Net fee and commission income	1,282	1,074	208	19.4
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	-4	-1	3	
Other operating income (expenses)	67	33	34	
<b>Operating income</b>	<b>1,344</b>	<b>1,105</b>	<b>239</b>	<b>21.6</b>
Personnel expenses	-120	-103	17	16.5
Other administrative expenses	-112	-108	4	3.7
Adjustments to property, equipment and intangible assets	-7	-7	-	-
<b>Operating costs</b>	<b>-239</b>	<b>-218</b>	<b>21</b>	<b>9.6</b>
<b>Operating margin</b>	<b>1,105</b>	<b>887</b>	<b>218</b>	<b>24.6</b>
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-	-	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
<b>Gross income (loss)</b>	<b>1,105</b>	<b>887</b>	<b>218</b>	<b>24.6</b>
Taxes on income	-296	-242	54	22.3
Charges (net of tax) for integration and exit incentives	-8	-2	6	
Effect of purchase price allocation (net of tax)	-4	-	4	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-10	-49	-39	-79.6
<b>Net income (loss)</b>	<b>787</b>	<b>594</b>	<b>193</b>	<b>32.5</b>

	31.12.2021	31.12.2020	(millions of euro)	
			Changes amount	%
Assets under management	354,048	338,752	15,296	4.5
Risk-weighted assets	1,836	1,752	84	4.8
Absorbed capital	196	177	19	10.7

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

The **Asset Management Division** pursues the mission of developing the best asset management solutions aimed at the Group's customers and its presence on the open market segment through the subsidiary Eurizon Capital SGR and its subsidiaries. The scope of the Division includes the asset management activities of the UBI Banca Group, which were integrated through the merger by incorporation of Pramerica SGR into Eurizon Capital SGR and of Pramerica Management Company SA into Eurizon Capital SA, effective 1 July 2021.

Operating income in 2021, amounting to 1,344 million euro, showed a significant increase (+21.6%) on the previous year, mainly attributable to the growth in fee and commission income (+208 million euro) sustained above all by operations in mutual funds and, to a lesser extent, to the greater contribution from the Chinese subsidiary consolidated at equity (+28 million euro) and other operating income. In particular, net fee and commission income benefited from the sharp growth of performance fees and placement fees collected during the period. Management fees also increased, thanks to the increase of assets under management given by the positive performance of funding and the favourable tone of the financial markets. The performance of operating costs (+9.6%) is mainly attributable to the increase in personnel expenses associated with the provisions relating to the incentive system and, to a lesser extent, administrative expenses. The Division's cost/income ratio decreased to below 18%. As a result of the above revenue and cost trends, the operating margin came to 1.105 million euro, up 24.6% on 2020. The Division closed the year with net income of 787 million euro (+32.5%).

As at 31 December 2021, assets managed by the Asset Management Division totalled 354 billion euro, up by 15.3 billion euro (+4.5%) over the twelve months. The increase in volumes of assets managed is attributable both to the revaluation related to the positive performance of the markets and the net inflows, which came to 6.3 billion euro, attributable to mutual funds



(+8.6 billion euro) which offset the outflows from insurance/pension products (-1.6 billion euro) and portfolio management for retail and private customers (-0.7 billion euro).

As at 31 December 2021, Eurizon Capital's Italian market share of assets under management was 16.8% (gross of duplications). Excluding the closed-end funds segment, in which the company has a limited presence, the share of assets under management at the end of December rose to 17.3%.

<b>Business</b>	Asset management.
<b>Mission</b>	To provide collective (UCI) and individual asset management products to the Group's internal banking networks and develop its presence on the open market through specific distribution agreements with other networks and institutional investors.
<b>Organisational structure</b>	
Eurizon Capital SGR (Italy)	Specialised in asset management on behalf of both retail customers (mutual funds and portfolio management schemes) and institutional customers, to which it offers a wide range of investment products and services.
Epsilon SGR (Italy)	Specialised in portfolio management on quantitative bases. It is a 100% subsidiary of Eurizon Capital SGR.
Eurizon Capital Real Asset SGR (Italy)	Specialised in alternative investments. As at 31 December 2021, it is 51% owned by Eurizon Capital SGR, with the remaining 49% held by Intesa Sanpaolo Vita.
Eurizon Capital S.A. (Luxembourg)	The company manages and distributes Luxembourg UCI products aimed at retail and institutional customers and offers a wide range of services dedicated to institutional investors. It specialises in limited tracking error (LTE) management and money market products. It is a 100% subsidiary of Eurizon Capital SGR.
Eurizon Capital Asia Limited (Hong Kong)	A company wholly owned by Eurizon Capital SGR, established to develop consulting activities on financial instruments, portfolio management and distribution in the Asian market.
Eurizon Asset Management Slovakia (Slovakia)	A Slovak asset management company, 100%-owned by Eurizon Capital SGR, which heads up Eurizon Asset Management Hungary and Eurizon Asset Management Croatia d.o.o. (Eastern European asset management hub). Eurizon Asset Management Slovakia promotes and manages Slovak mutual funds.
Eurizon Asset Management Croatia d.o.o. (Croatia)	A Croatian asset management company and wholly owned subsidiary of the Slovak company Eurizon Asset Management Slovakia. It promotes and manages Croatian mutual funds and offers individual portfolio management services to retail and institutional customers.
Eurizon Asset Management Hungary (Hungary)	A Hungarian asset management company and wholly owned subsidiary of the Slovak company Eurizon Asset Management Slovakia. It promotes and manages Hungarian mutual funds and offers individual portfolio management services to retail and institutional customers.
Eurizon SLJ Capital (England)	An English company controlled by Eurizon Capital SGR through a 65% interest, which conducts research and provides investment and advisory services.
Penghua Fund Management Company Limited (China)	Chinese fund manager 49%-owned by Eurizon Capital SGR.

## Insurance

Income statement	2021	2020	(millions of euro)	
			Changes amount	%
Net interest income	-	-	-	-
Net fee and commission income	2	-3	5	
Income from insurance business	1,586	1,613	-27	-1.7
Profits (Losses) on financial assets and liabilities designated at fair value	-	1	-1	
Other operating income (expenses)	-16	-8	8	
<b>Operating income</b>	<b>1,572</b>	<b>1,603</b>	<b>-31</b>	<b>-1.9</b>
Personnel expenses	-143	-138	5	3.6
Other administrative expenses	-238	-236	2	0.8
Adjustments to property, equipment and intangible assets	-20	-20	-	-
<b>Operating costs</b>	<b>-401</b>	<b>-394</b>	<b>7</b>	<b>1.8</b>
<b>Operating margin</b>	<b>1,171</b>	<b>1,209</b>	<b>-38</b>	<b>-3.1</b>
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-334	-26	308	
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
<b>Gross income (loss)</b>	<b>837</b>	<b>1,183</b>	<b>-346</b>	<b>-29.2</b>
Taxes on income	-211	-275	-64	-23.3
Charges (net of tax) for integration and exit incentives	-42	-16	26	
Effect of purchase price allocation (net of tax)	-52	-24	28	
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	180	-177	357	
<b>Net income (loss)</b>	<b>712</b>	<b>691</b>	<b>21</b>	<b>3.0</b>

	31.12.2021	31.12.2020	(millions of euro)	
			Changes amount	%
Direct deposits from insurance business <sup>(1)</sup>	204,481	203,214	1,267	0.6
Risk-weighted assets	-	-	-	-
Absorbed capital	4,294	4,975	-681	-13.7

(1) Including the subordinated securities issued by the companies.

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

The **Insurance Division** includes Intesa Sanpaolo Vita, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo RBM Salute, with the mission of synergically developing the insurance product mix targeting Group customers. BancAssurance Popolari, Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita (incorporated into Intesa Sanpaolo Vita at the end of 2021) and Cargeas Assicurazioni, net of the effects attributable to the branches object of disposal, as well as Intesa Sanpaolo Insurance Agency, are included in the scope of the Insurance Division.

In 2021, the Division reported income from insurance business of 1,586 million euro, down by 27 million euro (-1.7%) on the previous year. The performance is due to the decrease of the technical margin, both in the life business, due to a decrease in premiums higher than the decrease in claims and surrenders and technical reserves, and the non-life business, in relation to growth of claims that outpaced the development of net premiums. These factors were only partly offset by the increase in the net investment result, driven by the favourable trend in the markets, which translated into a rise in operating income from investments of the life business, net of the portion pertaining to insured parties.

Gross income, equal to 837 million euro, decreased by 346 million euro (-29.2%), mainly attributable to other net provisions, which include the provision of around 295 million euro representing the claims in excess of premiums issued and the estimated future charges on policies, in relation to a financial imbalance which was also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown. The increase in operating costs (+1.8%) also contributed to the decrease in gross income.

The cost/income ratio, at 25.5%, remained at very good levels, slightly above those recorded in 2020.

Lastly, net income amounted to 712 million euro (+3%), after the attribution of taxes of 211 million euro, charges for integration and exit incentives of 42 million euro, effects of purchase price allocation for 52 million euro and minority interests recording 180 million euro of losses which include the portion pertaining to third parties of the losses recognised as a result of the provisions described above.

Direct deposits from insurance business, amounting to 204,481 million euro, were up slightly (+0.6%, or +1.3 billion euro) over the twelve months, mainly due to the growth of financial liabilities measured at fair value, comprised of unit-linked products, largely offset by the decline in technical reserves.

The Division's collected premiums for life policies and pension products amounted to 18.8 billion euro, down by around 2% on the previous year, attributable to traditional products (-34%), in line with the strategy of focusing the offer on products with a lower capital impact, also considering the current level of government bond yields. Premiums on pension products were also down slightly. Conversely, unit-linked products grew significantly (+27%).

Collected premiums for the protection business totalled 1.4 billion euro, up by around 5% on 2020, restated to include Intesa Sanpaolo RBM Salute and Cargeas for a like-for-like comparison. There was an increase in non-motor products (excluding CPI - Credit Protection Insurance), which are the focus of the 2018-2021 Business Plan, equal to 12%.

Business	Life and non-life insurance.
Mission	Develop the offering of insurance products for the Group's customers.
Organisational structure	
Intesa Sanpaolo Vita	Insurance parent company specialised in offering insurance, pension and personal and asset protection services within Banca dei Territori. The company is the sole owner of Intesa Sanpaolo Life, Intesa Sanpaolo Assicura and Intesa Sanpaolo Insurance Agency and has a 70.3% interest in Intesa Sanpaolo RBM Salute and a 49% interest in Intesa Sanpaolo Smart Care. The latter, dedicated to marketing hardware and software products and providing electronic assistance services, is 51%-owned by Intesa Sanpaolo (Banca dei Territori Division). Lastly, it holds 49% of Eurizon Capital Real Asset SGR, a company operational since 31 December 2019, 51%-owned by Eurizon Capital SGR (Asset Management Division), which promotes itself as a hub of distinctive expertise in alternative investments and the private market.
Intesa Sanpaolo Life	Specialised in life insurance products with a higher financial content, such as unit-linked products.
Fideuram Vita	Specialised in offering insurance, pension and personal and asset protection products in service of the Private Banking Division.
Intesa Sanpaolo Assicura	Dedicated to the non-life business, it offers customers a wide range of products capable of covering personal injury, damage to vehicles and to the home and loan protection.
Cargeas Assicurazioni	Specialised in the non-life business, it manages motor, home and healthcare products, and coverage for SMEs.
Intesa Sanpaolo RBM Salute	Specialised in the health care business.
Intesa Sanpaolo Insurance Agency	Agency that performs insurance mediation activities of both life and non-life products.

## Corporate Centre

The Corporate Centre is responsible for guidance, coordination and control of the whole Group, as well as for the NPE Department, Treasury and Strategic ALM. The income statement figures for the Corporate Centre were redetermined in light of the revision of the criteria of allocation of costs and revenues to the operating Divisions, illustrated in the introduction to this chapter.

The Corporate Centre Departments generated a negative operating margin of 459 million euro in 2021, compared to -283 million euro in the previous year. That performance is essentially attributable to the decrease in operating income, mainly attributable to the reduction in net interest income, due to the higher cost of excess liquidity in view of the decrease in short-term market rates, always on negative ground, and the significant increase in customer deposits. On the other hand, there was significant containment of operating costs primarily in relation to synergies on administrative expenses and depreciation and amortisation resulting from the integration of UBI. The gross loss amounted to -1,921 million euro compared to gross income of 330 million euro in 2020, which included income from discontinued operations of 1,588 million euro attributable to the acquiring business line contributed to Nexi (1,163 million euro), as well as the reclassification of the profits from the branches sold by the UBI Group and the Parent Company (425 million euro). The period ended with net loss of -1,440 million euro, compared to net income of +477 million euro recorded in the previous year which included the extraordinary positive effect (2,062 million euro) relating to the recognition of the negative goodwill relating to the acquisition of the UBI Group, net of the charges for integration for UBI (-1,378 million euro). The income statement of the Corporate Centre includes more than half of the charges imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management, essentially related to the resolution funds. These charges amounted - after tax - to 280 million euro, compared with 301 million euro in 2020.

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## Treasury services

The Group Treasury and Finance includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks (ALM) and settlement risks.

Also in 2021, Intesa Sanpaolo confirmed its systemic role as a “critical participant” in the ECB’s settlement systems, (T2 for cash and T2S for securities), certifying that it met requirements in December.

2021 was a highly important year for moving forward with all Eurosystem institutional projects following several slowdowns linked to the pandemic. Specifically, with regard to the “Consolidation” (new Target2) project, in the last quarter, Intesa Sanpaolo completed the software development phase of the new system and began the test period on internal applications, on network connections and on user functionalities to establish the migration planned for November 2022. As regards the TIPS - TARGET Instant Payment Settlement (instant payment settlement service managed by the ECB) an important milestone was reached in November 2021 with the launch of Intesa Sanpaolo’s operations within the system, enabling it to reach a much wider base of European consumers and thus actively contribute to the development of large scale instant means of payment. Lastly, for the ECMS - Eurosystem Collateral Management System (centralised collateral management system, the last of the ECB’s Target Services, which will start in November 2023) the design phases of impact assessment and setting up of the functional requirements have been completed, in preparation for software development, which will take up most of 2022.

During the year, due to the quick implementation of vaccination programmes against the pandemic, the governments of the main western economies were able to ease the restrictive measures previously introduced, relaunching the global demand for goods and services. The speed and intensity of that phenomenon surprised global infrastructure and caused great difficulty to the global procurement and distribution chain of goods and services. The vigorous recovery, also associated with a sharp demand for transition to a more sustainable economy in relation to the environment, clashed with global logistical problems, generating sharp rises in energy and commodities prices. Therefore, several inflationary dynamics, which had been calmed for many years now, raised their head again, leading to the financial markets including new, less expansive monetary policies by the main Central Banks.

In Europe, the extensive liquidity injected into the market by the ECB through its bond purchase programmes and TLTRO auctions at favourable conditions kept interest rates low throughout 2021. At its latest meeting in December, the ECB officially announced that the Pandemic Emergency Purchase Programme (PEPP) will conclude at the end of March 2022. The Euribor recorded record lows for all maturities near the end of the year.

The cost curves of the Bank’s funds remained more or less stable throughout the twelve months. The sound liquidity position of Intesa Sanpaolo partially decreased its interest in short-term funding and effectively limited its operations on the securities market, with the only objective of keeping the outstanding stable.

In the United States, interest rates remained stable, with the Funds Target Rate remaining in the range of 0-0.25% throughout 2021. Market liquidity remained abundant for the entire year.

In November, the Fed began tapering securities purchases, which will definitively stop in March 2022. In its latest meeting in December, citing inflationary pressures and the improvement in the labour market, the Fed also showed clear signs that it was ready to raise interest rates before the dates previously announced, paving the way for expectations of three raises of 25 bps in 2022 and a further three in 2023, which the futures market has already promptly incorporated into its interest rates.

In terms of medium/long-term funding operations, the total amount of Intesa Sanpaolo Group securities placed on the domestic market via its own networks and direct listings was 3.9 billion euro in 2021. Among the securities placed, there was a prevalence (91%) of the component consisting of structured financial instruments, mainly comprised of index-linked

structures. A breakdown by average maturity shows that 51% is comprised of instruments with maturities up to 5 years, 35% of 6- and 7-year securities, and the remaining 14% of 8- and 10-year securities.

During the year, institutional unsecured funding transactions were completed for a total of around 6.26 billion euro, of which 6.15 billion euro through senior preferred and non-preferred and subordinated bond issues placed with institutional investors and 110 million euro through the issue of bonds and certificates by the IMI Corporate & Investment Banking Division, also placed with institutional investors.

In particular, the first issue of senior non-preferred bonds was finalised in February. This is a fixed rate bond for a total amount of 1.75 billion euro issued in two tranches: 750 million euro with a 10-year maturity and 1 billion with a 5-year maturity.

The following issues were also finalised: (i) a 7-year fixed-rate senior preferred bond issue of 1.25 billion euro, intended for institutional investors. The bond falls under the "green" category and is intended to finance green residential mortgages granted for the construction or purchase of energy-efficient properties (class A or B), as well as renovations that allow the improvement by at least two energy classes. The bond follows the issue of Intesa Sanpaolo's first Green Bond in 2017 focused on renewable energy, as well as the next one in 2019 focused on the Circular Economy; (ii) a 3-year fixed-rate senior preferred bond issue of 22.5 billion JPY (equivalent to approximately 174 million euro) on the Asian market; (iii) a fixed-rate T2 subordinated issue of 1.5 billion USD (equivalent to approximately 1.23 billion euro) on the US market. The bond was issued in June in two tranches: a 750 million USD 11-year and a 750 million USD 21-year, both callable, on the tenth and twentieth year, respectively; and (iv) a 7-year floating-rate senior preferred bond for 1 billion euro, placed with Cassa Depositi e Prestiti (the proceeds from the bond will be used for the strategic programme of loans and initiatives named "Motore Italia", to provide financial support to Italian SMEs and mid-caps).

Finally, private placements were made in Euro, GBP, JPY, RON and USD for a total value of 750 million euro. Within the latter, it is worth mentioning a deal concluded in March for 300 million GBP (equal to around 347 million euro) concerning 15-year fixed-rate senior preferred bonds targeted to the UK market.

In January 2021, as part of the programme guaranteed by ISP OBG, the 17th and 18th series for 1.175 billion euro and 1.572 billion euro respectively were redeemed in advance.

Moreover, two additional new series were issued: the 45th and 46th, for an amount of 1.35 billion euro each. The securities are floating rate with a maturity of 15 years for the 45th series and 16 years for the 46th series, both listed on the Luxembourg Stock Exchange with a DBRS rating of A (High). The securities were subscribed by the Parent Company and are eligible on the Eurosystem.

With regard to the covered bond issue programme guaranteed by ISP CB Pubblico, in January 2021 the 3rd series matured for an amount of 1.5 billion euro. Then, in February, the 14th series was issued for an amount of 1 billion euro. The floating-rate, 5-year security, listed on the Luxembourg Stock Exchange with an A2 rating from Moody's, was subscribed by the Parent Company and is eligible for the Eurosystem.

Under the covered bond issue programme guaranteed by ISP CB Ipotecario, the 11th series matured in January 2021 for an amount of 1.353 billion euro, and no new issues were made.

In April, following the merger of UBI Banca into the Intesa Sanpaolo Group, the Covered Bond CB1 programme was acquired. In June, under that issue programme, the 30th series was partially redeemed for an amount of 200 million euro.

A fourth securitisation on a portfolio of residential mortgages was completed in December by the special purpose vehicle company Brera Sec, which issued two classes of notes for a total of 7.66 billion euro, which were subscribed by Intesa Sanpaolo. Only the senior class, amounting to 6.94 billion euro, with an A (High) rating from DBRS and A1 from Moody's, is eligible with the Eurosystem.

For the management of collateral, Intesa Sanpaolo also uses the A.Ba.Co. (Collateralised Bank Assets) procedure, which allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy: at 31 December 2021 the amount outstanding, gross of the haircuts applicable to loans lodged as pledge by the Group, amounted to approximately 17.67 billion euro.

The launch of vaccination campaigns favoured a strong steepening of the US interest rate curve which has reached pre-pandemic levels on maturities over 10 years. On the other hand, with regard to the Eurozone, the delay in the spread of vaccines slowed down the normalization of rates, while credit spreads remained at extremely compressed levels thanks to monetary policy stimuli.

In January 2021, the compression of credit spreads made it possible to implement a rotation of the asset allocation on government and corporate markets, with a moderate increase in credit sensitivity in peripheral countries. The low exposure to interest rate risk meant that the portfolio's performance was not affected by the recovery of long-term maturities.

In the second half of the year, the prospect of a gradual reduction in monetary stimulus measures did not disturb the general risk-on pictures, and only in the second half of September did equity and credit markets temporarily feel the effects of fears about the persistence of the inflationary acceleration and the excess leverage achieved in some sectors of the Chinese economy. However, 2021 ended with spread levels close to the low values of the current cyclical phase, despite the continuing uncertainties regarding the evolution of the pandemic. The spreads of the Italian government issuer showed signs of weakness in view of the institutional maturities of January 2022. During the second half, portfolio turnover remained low and aimed at keeping a moderate risk profile.

In the repo business, Italian government bond volumes were slightly lower than in the previous year, while interest rates were lower than the Deposit Facility rate, specifically in the last quarter.

The spread between core nation and Italian government rates slightly narrowed over the year. The expansion recorded at the end of each quarter and in December was the exception; rates were decisively negative at the end of the year.



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## Strategic ALM

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With regard to the Group's Asset & Liability Management (ALM), operational management of the financial risks of the Group's banking book is carried out by Group Treasury and Finance under the supervision of the CRO Area. Interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve and the sensitivity of net interest income; moreover, specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group Financial Risk Committee - ALCO - Assets & Liabilities Committee session, within the limits established by the Board of Directors: the Group Treasury and Finance structure actively supports the Committee's decision-making activity by formulating analyses and proposals. The structural component of liquidity risk is managed, based on the policies defined at Group level, by monitoring the current and future short and long-term liquidity balances, defining the funding plan on the various channels and instruments (domestic/international, retail/corporate, secured/unsecured, preferred/non preferred/subordinate), while observing the liquidity indicators (LCR1M, NSFR and the other RAF indicators) and the loan-deposit gap targets of the Business Units.

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## Chief IT, Digital and Innovation Officer Governance Area

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At the beginning of 2018 the Chief IT, Digital and Innovation Governance Area was established, to drive the Group's digital transformation, by upgrading the architecture of IT systems and processes, introducing new digital platforms, innovating the experiences of customers and employees and strengthening IT security controls. The Area is constantly evolving to respond increasingly effectively to digitalisation and play a pro-active role in designing and developing solutions. In this regard, the Group continued the recruitment of new digital professionals (such as data scientists and cyber-security experts), the evolution of working methods in view of shorter time-to-market, and maintained constant focus on ongoing improvement of service levels and the use of modern technologies. In cooperation with the Business Units and Governance Areas, the Area continued the implementation of the 2018-2021 projects plan.

Also in 2021, Intesa Sanpaolo's ongoing commitment to innovation of the methods of interaction with customers continued, through the digitalisation and integration of contact channels to improve the range and user experience. This commitment resulted in Forrester Research naming the Intesa Sanpaolo Mobile App as a Digital Leader in Europe, specifically for its functionality and user experience.

With the goal of redesigning interactions with Business customers to provide products and services based on a digital, omnichannel experience, the new, fully digital process of Commercial Cards was extended to the entire network and the new credit granting process was released to all branches in the Banca dei Territori Division Network and the Corporate Areas of the IMI Corporate & Investment Banking Division. The new Retail Rating Model was issued, which speeds up and automates the calculation process, facilitating relations with customers. The new, fully digital Customer Journey for MiFID profiling and for natural persons to open a deposit under administration was activated on all channels. The new, advanced online trading service InvestoPro, dedicated to private investors, was activated. In the area of Bancassurance, to meet customers' insurance needs in terms of Health, Home and Household, the XME Protezione lifecycle was activated and the RBM Salute was integrated into the Insurance App. In order to disseminate the culture of digital payments to all customers and increasingly enable sales experiences integrated between the physical and on-line channels, BANCOMAT Pay was activated on the entire POS fleet of Intesa Sanpaolo-Nexi, the Instant Issuing service was activated, as well as the Smart Control platform, which generates virtual cards to make remote commercial purchases.

Specifically, in the Business and Corporate area, the new Investment section of NDCE Business was extended to all customers subscribing the My Key Business. Inbiz Start was released, which enables remote signing of contracts and the option to carry out remote recognition of users; the Dynamic Discounting service was released, to use liquidity to pay invoices in advance through a discount agreed between the buyer and the supplier; the platform that simplifies the processing of advances against electronic and hard copy invoices; and the factoring product management journeys were upgraded and digitalised by redesigning the workflow of the Near Banking platform to best support all the players involved.

In the area of the Open Digital Bank, which expands the Bank's product offering, adding both third party products/services and selling its own products/services on third party channels: an initial version of the Smart Hub portal reserved to corporate customers was released; the IBAN Check functionality was activated from a multibank viewpoint, to verify the existence and matching of IBANs, and a new Loans Customer Journey was implemented, which can also be accessed by potential customers in open mode, redirecting customers to the Bank's channels from the commercial sites of the main players involved. Following the measures implemented in response to the COVID-19 emergency, the digital transformation processes continued, to enable all customers and employees to operate remotely in a fully effective, efficient and safe manner, through the dissemination and development of new technologies and tools to facilitate remote collaboration, interaction and sharing of information, while moving forward with the commitment to reducing environmental impacts with a view to increased sustainability. The anti-fraud protection systems for data, infrastructure and the identities used to access IT systems were also strengthened and internal security safeguards were also reinforced.

As part of the agreement signed with TIM and Google, activities began to develop the Google Cloud Platform in Italy (which will meet the higher international standards of security and confidentiality of information and was designed based on the regulatory requirements and in agreement with the stricter requirements of Intesa Sanpaolo), as well as the activities to migrate the applications and the creation of the new Region Clouds in Italy was launched, based on green solutions which will lower CO<sub>2</sub> emissions. Moreover, the Openingfuture portal - a communications hub for news on co-created initiatives made available to local areas - was released and the initial training initiatives were launched for students, SMEs and start-ups.

During 2021, the single risk model was released at Group level, and the first Wealth Management applications were released in the area of Banca dei Territori and Fideuram Intesa Sanpaolo Private Banking of the Aladdin platform from BlackRock, which was adopted as the solution for end-to-end risk, asset and wealth management at Group level.

During the year, the additional streamlining of loan management continued, by reinforcing and upgrading tools and processes also to support de-risking operations. The digitalisation of credit granting and management processes also continued, specifically to support the creditworthiness analysis, which covers 75% of Group loans.

The measures required by the changing regulatory context also continued, including those to complete the activities as part of the Targeted Review of Internal Models. Long-term initiatives to enhance the Group's anti-financial crime safeguards continued, with the revision of the processes and tools to combat money laundering and terrorist financing and the establishment of a Competence Centre in which the monitoring of customers' operations for reporting suspicious transactions will be centralised, for the entry into force of Directive (EU) 65/2014 ("MiFID II") and Regulation (EU) 600/2014 ("MiFIR").

## GEOGRAPHICAL AREAS

	Italy	Europe	Rest of the World	(millions of euro) Total
<b>Operating income (Redetermined figures)</b>				
2021	16,454	3,471	861	20,786
2020	16,485	3,148	767	20,400
% change	-0.2	10.3	12.3	1.9
<b>Loans to customers</b>				
31.12.2021	383,765	61,711	19,778	465,254
31.12.2020	392,185	55,217	15,400	462,802
% change	-2.1	11.8	28.4	0.5
<b>Direct deposits from banking business</b>				
31.12.2021	480,993	66,453	8,119	555,565
31.12.2020	453,127	65,981	7,657	526,765
% change	6.1	0.7	6.0	5.5

Breakdown by geographical area is carried out with reference to the location of Group entities.

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

With regard to the subdivision by geographical areas of operations, carried out with regard to the location of the entities comprising the Group, activities continued to be concentrated primarily in the Italian market. Italy accounted for 79% of revenues, 82% of loans to customers and 87% of direct deposits from banking business.

Abroad, the Group has a presence in the Netherlands, Ireland, Luxembourg, the United Kingdom and Switzerland, and in the countries of Central and South-Eastern Europe (Albania, Bosnia and Herzegovina, Croatia, Czech Republic, Romania, Serbia, Slovakia, Slovenia and Hungary), in the Russian Federation, Ukraine, Moldova and in the Mediterranean area (Egypt), in addition to Brazil and the United Arab Emirates.

With regard to operating performance in 2021, loans to customers were down in Italy and grew in Europe and the Rest of the World, while direct deposits from banking business grew in Italy and in the Rest of the World, with a slight increase in Europe. Revenues showed substantial stability in Italy and growth in Europe and the Rest of the World.



# **Corporate governance and remuneration policies**



# Corporate Governance and remuneration policies

## Corporate Governance

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

For a more detailed description of the corporate governance system, reference should be made to the “Report on Corporate Governance and Ownership Structures” – available in the “Governance” section of the Company’s website – prepared in accordance with Article 123-bis of the Consolidated Law on Finance, which requires issuers to provide the market yearly with detailed information, identified by the said Article, on their ownership structures, their compliance with a corporate governance code, their corporate bodies structure and operation as well as their corporate governance practices.

### Shareholder base

According to records in the Shareholders’ Register and the most recent available information, shareholders with stakes represented by shares with voting rights exceeding 3% of capital – threshold that, if exceeded, requires disclosure to both the company and Consob<sup>41</sup>, pursuant to current Italian legislation (Art. 120 of the Consolidated Law on Finance “CLF”) – are shown in the table below. It should be noted that JP Morgan Chase & Co. on 21 December 2021 declared as per form 120 B to hold an aggregate investment equal to 4.571%, of which only 0.963% represented by holding of voting shares<sup>42</sup>.

Shareholder	Ordinary shares	% held
Compagnia di San Paolo	1,188,947,304	6.119%
BlackRock Inc. <sup>(1)</sup>	972,416,733	5.005%
Fondazione Cariplo	767,029,267	3.948%

<sup>(1)</sup> BlackRock Inc. holds, as a fund management company, an aggregate investment equal to 5.066%, as per form 120 B dated 4 December 2020.

### One-tier governance system

Intesa Sanpaolo adopts the one-tier governance system and therefore operates through a Board of Directors, within which guidance and strategic supervision powers converge; the control functions are carried out by the Management Control Committee, established within the Board of Directors, made up entirely of Independent Directors appointed by the Shareholders’ Meeting; the Managing Director and CEO supervises the company’s management to the extent of his assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board of Directors.

The practical application of the one-tier system to the Bank’s structure is marked by a clear division of roles and responsibilities between the Governing Bodies:

- the Board of Directors of the Company is assigned the guidance and strategic supervision duties and the duty to resolve on all the relevant corporate deeds;
- the internal Board Committees support the Board of Directors in carrying out its functions in order to facilitate the taking of fully informed decisions;
- the Management Control Committee performs the powers and functions conferred by the current regulations upon the body with the control function and upon the internal control and audit committee, pursuant to Legislative Decree 39/2010;
- the Managing Director and CEO performs the day-to-day management function, within the scope of the powers delegated by the Board of Directors;
- the Managers support the Managing Director and CEO in performing the day-to-day management function: as Managerial Committees, in performing the tasks and powers assigned to them by the Board of Directors and detailed within the scope of specific Regulations which govern the functioning thereof.

<sup>41</sup> Pursuant to Article 119-bis(7) of the Issuers’ Regulation, companies and licensed parties holding shares as assets under management may request exemption from the disclosure obligations if the managed shares are more than 3% and less than 5%.

<sup>42</sup> In its previous declaration as per form mod 120 B dated 2 June 2021, the Company declared to hold an aggregate investment equal to 6.854%, of which 1.284% represented by holding of voting shares.

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## The Shareholders' Meeting

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The Shareholders' Meeting is the body deemed to represent all shareholders and its resolutions, passed in accordance with the law and the Articles of Association, are binding on all shareholders, irrespective of their attendance or dissent.

In the one-tier system adopted by the Bank, the ordinary Shareholders' Meeting resolves, amongst other things, on:

- the approval of the financial statements and allocation of net income;
- the appointment, revocation and determination of remuneration with respect to the positions of Board Member, Chairman and Deputy Chairperson of the Board of Directors and Chair and member of the Management Control Committee;
- the approval of the Board Members' and personnel's remuneration policies, as well as the plans based on financial instruments;
- the appointment of the statutory audit mandate and the determination of the relative fees, upon the reasoned proposal of the Management Control Committee and, where the conditions are met, the revocation or amendment of said mandate, upon consultation with the same Committee;
- the other matters entrusted to its authority by law or by the Articles of Association.

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

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The Board of Directors is composed of a minimum of 15 up to a maximum of 19 members, including non-shareholders, appointed by the Shareholders' Meeting on the basis of slates submitted by Shareholders. Board Members remain in office for three financial years until the date of the next Shareholders' Meeting called to approve the financial statements and the proposal for allocation of net income in accordance with Article 2364 of the Italian Civil Code and may be re-elected.

The Shareholders' Meeting of Intesa Sanpaolo, held on 30 April 2019, determined the number of members of the Board of Directors as 19 and appointed the Board of Directors for the 2019/2020/2021 financial years, electing as its Chairman Gian Maria Gros-Pietro and as Deputy Chairperson Paolo Andrea Colombo. The election took place on the basis of slates of candidates who meet the requirements envisaged by law and by the Articles of Association. The Shareholders' Meeting of 27 April 2020 subsequently supplemented the Board, following the resignation of two Directors.

The Board of Directors is responsible for corporate management: it may therefore undertake all transactions considered necessary, useful or appropriate in achieving the corporate purpose, relating to both ordinary and extraordinary administration. The Board has guidance and strategic supervision duties over the Company and the duty to pass resolutions on all the most important corporate actions.

With regard to its corporate management duties, the Board of Directors, without prejudice to the powers reserved for it, delegates to the Managing Director the necessary and appropriate powers to ensure consistency in day-to-day management, in implementation of the guidelines decided by the same Board. The Board of Directors determines the content, limits and methods of exercise of the powers granted to the Managing Director and CEO and establishes the methods whereby the Board of Directors is to receive information concerning the delegated activity.

The Board of Directors' meeting held on 2 May 2019 appointed Carlo Messina as Managing Director, thereby granting him the necessary and appropriate powers to ensure consistency with day-to-day management, in implementation of the guidelines decided by the Board.

The Managing Director is the Chief Executive Officer and General Manager and supervises the company's management to the extent of his assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board of Directors. He determines and issues operational directives and is responsible for personnel management.

The Board of Directors has established four internal committees, the prerogatives and duties of which comply with the provisions of the Articles of Association and the Supervisory regulations in force:

- **Nomination Committee:** it performs investigative and consulting functions to support the Board of Directors in the process of appointment or co-option of the Board Members to ensure that the composition of the body, in terms of size and professionalism, makes it possible to fulfil its duties efficiently, and as part of the process for the appointment of the Bodies of the main subsidiaries.
- **Remuneration Committee:** it proposes, advises and enquires on remuneration and incentive matters, thereby supporting the Board of Directors.
- **Risks Committee:** it supports the Board of Directors in the performance of strategic supervision functions regarding risks and the internal control system, and performs the other duties assigned to it pursuant to the law or by the Board of Directors.
- **Committee for transactions with related parties:** it carries out the tasks assigned to it by the rules on transactions with related parties and associated entities; in particular, it issues its opinion on the transactions that fall within the scope of application of the rules and of the internal regulations.



## The Management Control Committee

The Management Control Committee, established as part of the Board of Directors, consists of 5 members of the Board of Directors elected by the Meeting of 30 April 2019, who appointed as its Chair Alberto Maria Pisani. The Shareholders' Meeting of 27 April 2020 replaced a member of the Committee, following the resignation of another member. All Committee members meet the independence requirements defined by the Articles of Association.

The Management Control Committee performs the duties assigned by current legislation to the control body of a parent company of a banking group heading a financial conglomerate and issuing listed shares and also operates as the Internal Control and Audit Committee pursuant to Article 19, paragraph 2, letter c) of Legislative Decree no. 39/2010.

The Management Control Committee oversees, amongst other things:

- compliance with legal and regulatory provisions and the Articles of Association and the principles of correct management;
- the adequacy, efficiency and functionality of the company's organisational structure and administrative-accounting system and its suitability to correctly represent the company operations;
- the adequacy, efficiency and functionality of the internal control system and risk management process;
- compliance with the regulations applicable to Intesa Sanpaolo as the Parent Company of a banking group issuing shares listed on regulated markets.

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

## The operating structure

### *Divisions, Governance Areas and Head Office Departments reporting directly to the Managing Director and CEO*

The Parent Company is divided into six Divisions, comprising business line aggregations with similar characteristics in terms of products and services provided and in terms of regulatory framework, nine Governance Areas and two Head Office Departments in a direct reporting line to the Managing Director and CEO, which exercise guidance, coordination, control, support and service functions at Group level, as detailed below:

- Divisions
  - Banca dei Territori Division;
  - IMI Corporate & Investment Banking Division;
  - International Subsidiary Banks Division;
  - Private Banking Division;
  - Asset Management Division;
  - Insurance Division.
- Governance Areas/Head Office Departments reporting directly to the Managing Director and CEO
  - Chief Operating Officer Governance Area;
  - Chief IT, Digital and Innovation Officer Governance Area;
  - Chief Cost Management Officer Governance Area;
  - Chief Lending Officer Governance Area;
  - Chief Financial Officer Governance Area;
  - Chief Risk Officer Governance Area;
  - Chief Compliance Officer Governance Area;
  - Chief Governance Officer Governance Area;
  - Chief Institutional Affairs & External Communication Officer Governance Area;
  - Strategic Support Head Office Department;
  - Safety and Protection Head Office Department.

In addition to the aforesaid structures, the Chief Audit Officer reports directly to the Board of Directors to ensure his necessary autonomy and independence.

The duties assigned to the Governance Areas, the Strategic Support Head Office Department and the Safety and Protection Head Office Department are outlined below:

### *Chief Operating Officer (COO) Governance Area*

The Chief Operating Officer (COO) Governance Area is responsible for:

- supporting the Managing Director and CEO in defining the Group's general policies within the scope of Human Resource Development and Management, in line with the company's strategies and objectives, with a view to renewing and creating value, as well as in compliance with current regulations;
- ensuring the remuneration governance process, supporting the Corporate Bodies in the definition and approval of the Remuneration Policies, as envisaged by Intesa Sanpaolo Group's Remuneration and Incentive Guidelines, also ensuring, for the Group, the monitoring and governance of labour costs, in line with the company's strategies and objectives;
- proposing to the Managing Director and CEO the definition and evolution of organisational models aimed at enhancing the Group's organisational effectiveness and efficiency, in line with the company's strategies and objectives, ensuring implementation thereof;
- ensuring, for the Group, the definition of the guidelines and policies relating to Trade Union Affairs and Welfare and the related implementation, in line with the company's strategies and objectives and in compliance with current regulations;

- ensuring, for the Group, the definition of the guidelines and policies relating to physical security and their implementation;
- encouraging people's development and training, improving the quality of corporate life, developing an inclusive and attentive approach towards diversity, including through dedicated initiatives.

#### **Chief IT, Digital and Innovation Officer (CITDIO) Governance Area**

The Chief IT, Digital and Innovation Officer (CITDIO) Governance Area is responsible for:

- supporting, in line with the Business Owners' requirements, the definition and development of innovation initiatives, technologies and solutions;
- ensuring the implementation of the initiatives identified by the Business Owners in line with the objectives of the Business Plan by directing actions within a logic of digital transformation and innovation;
- defining the Group's ICT strategy, policies and guidelines - including architectural, methodological and technological standards -, in line with corporate objectives and priorities, and overseeing their implementation;
- overseeing the complexity of IT systems, operations and processes with a view to the continuous innovation of technological solutions, in order to guarantee the Group's constant projection towards a dimension that is evolved and consistent with digitalisation advances, in compliance with the expenditure and investment levels assigned;
- coordinating the definition and implementation of the data governance system to ensure a high level of quality and meet regulatory and business requirements;
- ensuring, for the Group, the definition and implementation of the guidelines and policies on cybersecurity, IT security and business continuity in line with the company's strategies and objectives and in compliance with current regulations;
- ensuring the information flows to the Corporate Bodies provided for by the Internal Control System and the governance documents within the respective areas of responsibility.

#### **Chief Cost Management Officer (CCMO) Governance Area**

The Chief Cost Management Officer (CCMO) Governance Area is responsible for:

- supporting the Corporate Bodies in defining guidelines and policies regarding Group cost management, real estate, logistics and procurement in accordance with the corporate strategies and objectives;
- coordinating the implementation of guidelines and policies of cost management, real estate, logistics and procurement by the relevant Group departments in charge, also in other corporate areas;
- collaborating with the Chief Financial Officer Governance Area and with the Chief IT Digital and Innovation Officer Governance Area, contributing to the definition of the investment initiatives promoted by the same CITDIO Area, the Divisions/Business Units and the other Governance Areas, in line with the objectives of the Business Plan;
- ensuring compliance with the guidelines and policies in the above-mentioned areas through the appropriate operational control mechanisms and guarantee, in line with the Business Plan, the attainment of the cost management.

#### **Chief Lending Officer (CLO) Governance Area**

The Chief Lending Officer (CLO) Governance Area is responsible for:

- making material lending 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 within the scope of their responsibility, including through compliance opinions;
- ensuring the proactive management of credit and guaranteeing the management and the monitoring of the Group's non-performing loans, within the respective area of responsibility;
- ensuring the correct classification and valuation for financial reporting purposes of positions under its responsibility that are classified as non-performing loans;
- managing the stocks and flows of bad loans managed within the Group;
- conceiving and managing transactions for the sale of individual NPE positions or portfolios, credit exposures and other assets within scope, with the collaboration of other competent functions;
- performing monitoring and control on outsourced activities, including monitoring the performance KPIs of outsourcers, directly making decisions, or submitting them to the competent Bodies, regarding proposals exceeding the powers delegated to the Outsourcers;
- contributing to the process of formulating the proposal of the Credit Strategies in the analysis of the impacts on the granting of loans and their definition in relation to the relevant credit management variables, without prejudice to the finalisation powers within the remit of the Chief Financial Officer Governance Area;
- coordinating the implementation of Credit Management Guidance by the relevant Group business units, also in the various corporate contexts;
- analysing the evolution of the cost of credit within the Group, also taking into account the application of the aforesaid Credit Strategies;
- allocating and validating the ratings to the relevant positions, also providing support in the definition of the rating allocation processes and tools;
- defining the reference regulations on credit matters, the requirements for the development of credit instruments and contributing to the formulation of the proposals for the assignment of credit granting and management powers, without prejudice to the finalisation powers within the remit of the Chief Risk Officer Governance Area;
- promoting initiatives aimed at disseminating and developing a credit culture;
- ensuring, consistently with the guidelines of the Chief Risk Officer Governance Area and in compliance with the Credit Policies, the first level systematic supervision of the relevant credit portfolio, identifying phenomena referring to specific credit aggregates characterised by high levels of anomalies for which to activate the appropriate risk mitigation measures.

**Chief Financial Officer (CFO) Governance Area**

The Chief Financial Officer (CFO) Governance Area is responsible for:

- assisting 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;
- coordinating the implementation of said guidelines and policies by the relevant Group business units, and in other corporate areas as appropriate;
- overseeing Asset and Liability Management (ALM) activities, the management of the Treasury securities portfolio, the Funding Plan, the integrated management of liquidity risks as well as financial and regulatory risks, ensuring the satisfaction of funding requirements at Group level;
- define the Group's future qualitative and quantitative objectives through strategic planning, budgeting, capital management, internal assessment of capital adequacy and liquidity position (ICAAP/LAAP), Recovery and Resolution Plan monitoring and carrying out the continuous analysis of the economic and financial results;
- overseeing studies and research on investments, economy and markets;
- overseeing the Credit Portfolio Management at Group level, supporting the Divisions in the active management of credit risk, with the aim of improving the risk-return profile of the loan portfolio in order to create value for shareholders, through targeted credit strategies and participation in market operations on performing and non-performing loan portfolios;
- ensuring the management of communications and relations with investors, financial analysts and rating agencies and overseeing the Group's areas of social and environmental responsibility, by planning, managing and monitoring policies and tool for sustainability.

The Chief Financial Officer Governance Area also includes the Manager responsible for preparing the Company's financial reports, who ensures the accurate and timely presentation of income statement and balance sheet results of the Bank and of the entire Group, as well as compliance with the relative accounting and supervisory obligations, performing quality control of the processes governing administrative and financial reporting disclosures to the market, pursuant to the appropriate regulations. The Area also ensures compliance with tax obligations.

**Chief Risk Officer (CRO) Governance Area**

The Chief Risk Officer (CRO) Governance Area is responsible for:

- governing the macro-process of definition, approval, control and implementation of the Group's Risk Appetite Framework (RAF) with the support of the other corporate functions involved;
- consistent with corporate strategies and objectives, assisting the Bodies in defining and implementing guidelines and policies on risk management;
- coordinating the implementation of guidelines and policies on risk management by the relevant Group business units, also in the various corporate contexts;
- measuring and controlling the Group's exposure to the various types of risk, also verifying the implementation of the guidelines and policies mentioned as above;
- performing 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);
- performing level II monitoring and controls for monitoring risks other than credit risk;
- continuously and iteratively validating risk measurement and management systems – used both for the determination of capital requirements and for non-regulatory purposes - in order to assess their compliance with regulatory provisions, operational company demands and manage the internal validation process at Group level.

**Chief Compliance Officer (CCO) Governance Area**

The Chief Compliance Officer (CCO) Governance Area is responsible for:

- ensuring at Group level governance of compliance risk, including conduct risk, both in its operational component and in its reputational, also through the adoption of a graded compliance model for regulations that require specific forms of specialized governance;
- defining, in line with Company strategies and objectives, the guidelines and policies to be adopted to ensure compliance with the Group's regulations, integrating the the model of the assessment and management of compliance risk in the Risk Appetite Framework;
- coordinating the implementation of compliance guidelines and policies by the Group's designated units, including companies inside the Group;
- collaborating with the other corporate control functions in order to achieve an efficient integration of the risk management process;
- managing the interactions with Corporate Bodies and Supervisory Authorities as regards compliance issues

#### **Chief Governance Officer (CGO) Governance Area;**

The Chief Governance Officer (CGO) Governance Area is responsible for:

- ensuring assistance and advice to the Corporate Bodies in defining the strategies concerning extraordinary finance transactions for the Group, in line with the corporate objectives;
- overseeing, closely with the Business Divisions, the analysis of the evolutionary trends of the domestic and international markets of relevance to the Group, to identify potential targets and/or partnerships and/or extraordinary corporate transactions in line with the Group's growth and/or rationalisation strategies;
- ensuring compliance with the guidelines and policies regarding the governance of the investment portfolio and the achievement of results in line with the Business Plan, safeguarding the best protection of the Group's interests;
- ensuring assistance and legal advice to the Corporate Bodies of the Parent Company and to Top Management, overseeing the proper implementation of corporate and supervisory regulations on the subject of governance and institutional obligations at Group level;
- managing the activities associated with the functioning of all the Corporate Bodies and providing support for the related processes;
- overseeing the legal risk at Group level, managing litigation and the related operational risk and defining, in these areas, the guidelines through directives and instructions;
- providing legal advice and assistance to the Group's structures, following regulatory and case law literature, including at European and international level, ensuring the correct regulatory framework of all new initiatives and supporting the compliance function in the identification and interpretation for the purposes of managing the risk of non-compliance;
- ensuring the protection and enhancement of the cultural, archival and historical-artistic heritage of the Group, according to programmatic guidelines that enhance its institutional profile.

#### **Chief Institutional Affairs and External Communication Officer (CIAECO) Governance Area**

The Chief Institutional Affairs and External Communication Officer (CIAECO) Governance Area is responsible for:

- promoting a coordinated, dynamic and result-oriented approach in the management of the Group's institutional and external relations in order to support the growth and development of the Group's activities;
- overseeing the Group's institutional relations, promoting and directing relations with institutions, regulators and supervisors, at the national, European and international level;
- overseeing external relations for the Group, promoting solid relations with stakeholders and reference partners and national and international media;
- supporting the reputation and promoting the Group's image and identity by disseminating its ethical, social and cultural values, in line with the company's mission.

#### **Chief Audit Officer (CAO)**

The Chief Audit Officer (CAO), who reports directly to the Board of Directors (and, on its behalf, to its Chairman), functionally reporting to the Management Control Committee, without prejudice to the appropriate sharing of information with the Managing Director and CEO, is responsible for:

- ensuring constant and independent auditing of the regular performance of the Bank and Group operations and processes for the purpose of preventing or identifying any anomalous or risky conduct or situation, assessing the operations of the internal control system and its adequacy in guaranteeing the effectiveness and efficiency of company processes, safeguarding asset value and loss protection, and the reliability and completeness of accounting and management reports, and the compliance of transactions with corporate governance policies and with internal and external regulations;
- providing consultancy to the Group's departments, also through participation in projects, for the purpose of adding value and improving effectiveness of control, risk management, compliance and internal governance processes;
- ensuring supervision of the internal control system of the Group's subsidiaries, also by exercising governance of, and guidance to, the respective Internal Audit functions;
- supporting corporate governance and ensuring that Top Management, the Corporate Bodies and the competent Authorities (European Central Bank, Bank of Italy, Consob, etc.) promptly and systematically receive information on the status of the control system and on the outcome of activities performed and on the progress of any corrective measures;
- supporting the "231 Model" Surveillance Body in ensuring constant and independent verification of the regular performance of operations and processes, to prevent or detect anomalous and risky conduct or events, and in monitoring the compliance and effectiveness of the rules in the 231 Model;
- ensuring the proper conduct of the internal process for managing whistleblowing reports.

The Strategic Support Head Office Department is responsible for:

- assisting the Managing Director and CEO in all his internal and external activities, also in the institutional and representative areas;
- guaranteeing a specialised support to the Managing Director and CEO by collecting, assessing and reviewing strategic documents and implementing technical analysis, also in relation to the Board Bodies activities, with a particular focus on the optimization of the Steering Committee functioning;
- overseeing selected initiatives in Italy and abroad, by assisting the Managing Director and CEO in extraordinary transactions, negotiations and corporate projects of relevant impact in which he is directly involved;
- supporting the Steering Committee President in the performance of his duties;
- coordinating specific inter-divisional and inter-functional activities by ensuring the coherence and development of synergies in line with Group's strategic guidelines;
- facilitating relationships with and among the Governance Areas and Business Units, in order to strengthen the cooperation mechanisms.

The Safety and Protection Head Office Department is tasked with ensuring, for the Group, the monitoring of the risk of non-compliance with reference to the following areas:

- Personal Data Protection, pursuant to Legislative Decree 101/2018 (adapting national legislation to the provisions of EU Regulation 2016/679 - General Data Protection Regulation or GDPR);
- Protection of Health and Safety in the workplace, pursuant to Legislative Decree 81/2008;
- Environmental protection, pursuant to Italian Legislative Decree 152/2006.

## Remuneration and incentive policies

Over the last few years, international bodies and regulators have paid increasing attention to the issue of remuneration across different sectors, including, in particular, that of listed companies, banks and banking groups, as well as insurance, assets under management and investment firms, with the aim of guiding operators towards the adoption of remuneration policies and remuneration systems that are consistent with the principles – intensified following the economic and financial crisis – governing the process for drawing up and approving the remuneration and incentive policies, the compensation structure and their transparency.

The regulatory framework has undergone a significant evolution - which is still ongoing - both at the European level and at the national level, in each of the above-mentioned sectors<sup>43</sup>.

With reference to listed companies, Art. 123-ter of the Consolidated Law on Finance ("CLF") provides for the obligation to prepare and make available to the public a report on remuneration, divided into two sections (the first illustrating the company's policy in relation to remuneration and the procedures used for the adoption and implementation of this policy, the second providing information on the remuneration paid), to be drawn up including the information set out in the Issuers' Regulation, and to be submitted to the Shareholders' Meeting resolution. Until 2019, the Shareholders' Meeting was called upon to issue its opinion with an advisory vote on the first section of the policy; in 2019, in implementation of the so-called Shareholders' Rights Directive II (Directive (EU) 2017/828), Article 123-ter of the CLF was amended thereby requiring, among other things, that the Shareholders' Meeting cast a binding vote on the first section of the report and an advisory vote on the second section. In 2020, the Issuers' Regulations - in the part relating to the report on remuneration policy and compensation paid - was also amended in implementation of the Shareholders' Rights Directive, with the aim of enhancing transparency vis-à-vis shareholders. Also in terms of the self-governance of listed companies, remuneration is regulated by the Corporate Governance Code, which in January 2020 was superseded by the new "Corporate Governance Code", applicable from the first financial year after 31 December 2020.

In the banking sector, remuneration and incentive policies and practices are the subject of specific regulations at European and national level. These regulations have changed significantly over time. More specifically, and among other things, in implementation of the so-called CRD III (Directive 2010/76/EU) and taking into account the guidelines and criteria defined internationally (including the principles and standards of the Financial Stability Board, the methodologies of the Basel Committee on Banking Supervision, and the Guidelines issued by CEBS), the Bank of Italy, with a measure dated 30 March 2011, issued Supervisory Provisions containing a harmonised set of regulations of remuneration policies, systems and practices in banks and banking groups, relating to the processing and control process, the remuneration structure and the disclosure obligations to the public, thereby requiring, among other things, the approval of the remuneration and incentive policies by the shareholders' meeting, in order to achieve remuneration systems in line with the long-term corporate strategies and objectives connected with company results, appropriately adjusted to take into account all risks, consistently with the capital and liquidity levels required to fulfil the activities undertaken and, in any case, such as to avoid distorted incentives that could lead to regulatory violations or excessive risk-taking for the bank and the system as a whole.

The Bank of Italy intervened once again in the matter with the two recommendations contained in the communications dated 2 March 2012 and 13 March 2013, highlighting in general the need for banks to establish a strategy that is aligned to the objective of preserving the stability of the business, also from a forward-looking perspective, as well as maintaining the conditions of capital adequacy and prudent management of liquidity risk. Subsequently, in 2014, the Supervisory Provisions on remuneration policies and practices - contained in Bank of Italy Circular no. 285/2013 - were revised to implement the regulations contained in the so-called CRD IV (Directive 2013/36/EU). In implementation of CRD IV, in 2014, the European Commission issued the Regulatory Technical Standards (RTS) relating to qualitative and quantitative criteria for the identification of categories of personnel whose professional activities have a material impact on the institution's risk profile (so-called "Risk Takers"). In December 2015, the EBA, based on the provisions contained in CRD IV, published the update of the "Guidelines on sound remuneration policies", drawn up by its predecessor CEBS, defining in detail the rules relating to the remuneration structure, remuneration policies and the related governance and implementation processes. The indications of these Guidelines were implemented by the Bank of Italy which, in 2018, updated the regulations on remuneration policies and practices referred to in Circular 285. Lastly, in 2019 CRD V (Directive 2019/878/EU) and Regulation (EU) 2019/876 (CRR II) were issued. Following the adoption of CRD V, the EBA revised (i) the regulatory technical standards (RTS) on the criteria to identify Risk Takers, which formed the basis for Commission Delegated Regulation (EU) 2021/923 published on 9 June 2021; and (ii) the Guidelines on sound remuneration policies, publishing a new version in July 2021, applicable from 31 December 2021. The Bank of Italy implemented CRD V and the essential contents of the new EBA Guidelines with the 37th update of Circular 285/2013, published on 24 November 2021.

With regard to the insurance sector, ISVAP (now IVASS), with regulation No. 39 of 9 June 2011, laid down the principles regarding the decision-making processes, structure and disclosure obligations for the remuneration policies of insurance

<sup>43</sup>Please note that the regulatory framework described in this paragraph is up to date as at the date of publication of this document while the following paragraphs refer to the provisions of the 2021 Group Remuneration and Incentive Policies approved by the Intesa Sanpaolo Shareholders' Meeting held on 28 April 2021.



companies. Regulation No. 39 was subsequently replaced by IVASS Regulation No. 38 of 3 July 2018 on the corporate governance of insurance companies and groups, which implements the Solvency II Directive (Directive 2009/138/EC) and the guidelines issued by the European Insurance and Occupational Pensions Authority (EIOPA) on the corporate governance system, and incorporates the provisions of ISVAP Regulation No. 39 of 9 June 2011 concerning remuneration policies. Furthermore, on 5 July 2018 IVASS sent a Letter to the market regarding the guidelines on the application of the principle of proportionality in the corporate governance system.

With regard to the asset management sector, the provisions of the Joint Bank of Italy/Consob Regulation on remuneration (issued pursuant to Article 6, paragraph 2-bis, of the Consolidated Law on Finance) – updated on 27 April 2017 to transpose the rules on remuneration and incentive policies and practices set out in Directive 2014/91/EU (UCITS V Directive) into Italian law and included, from December 2019, in the Bank of Italy Regulation implementing Articles 4-undecies and 6, paragraph 1, sub-paragraphs b) and c-bis) of the Consolidated Law on Finance – also apply to asset management companies belonging to banking groups, differently according to whether or not the asset management company is classed as significant.

Lastly, as regards investment firms, the provisions on remuneration under Directive (EU) 2019/2034 of 27 November 2019 on the prudential supervision of investment firms (and also containing provisions on remuneration), are still to be transposed into Italian law. Said Directive is accompanied by, among others, Commission Delegated Regulation (EU) 2021/2154, which sets out regulatory technical standards specifying the criteria to identify categories of staff whose professional activities have a material impact on the risk profile of the investment firm ("risk takers"), effective as of 12 December 2021.

That being said, Intesa Sanpaolo has always extensively focused its attention on remuneration matters, on relative regulation compliance and on maximum transparency to the market.

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## Procedures for adoption and implementation of the remuneration policies

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### The role of Corporate Bodies

#### The Shareholders' Meeting

The Articles of Association require the Shareholders' Meeting to approve the Board Members' and personnel's remuneration policies, as well as the plans based on financial instruments.

In this context, it shall approve the criteria for determining the severance payments to be granted in the event of early termination of the employment agreement or early termination of office, including the limits set for such payments as provided by the regulations currently in force and shall also determine, with the qualified majority threshold defined by the supervisory regulations in force, a ratio between the variable and fixed individual remuneration of the personnel above the ratio of 1:1, but in any case not exceeding the maximum established by the same regulations.

The Shareholders' Meeting determines the remuneration for the members of the Board of Directors and the Management Control Committee and the remuneration for the offices of Chairman and Deputy Chairperson of the Board of Directors and Chair of the Management Control Committee.

In addition, the Shareholders' Meeting resolves with a non-binding vote on the annual disclosure of the remuneration paid pursuant to Article 123-ter of the Consolidated Law on Finance.

#### The Board of Directors

The Board of Directors may determine, in addition to the fixed remuneration determined by the Shareholders' Meeting and in compliance with the remuneration policies approved by the Shareholders' Meeting, the remuneration of the Board Members to whom the Board itself assigns further special duties in compliance with the Articles of Association, including the office of Managing Director and General Manager.

The Board of Directors is responsible for the drafting of the remuneration and incentive policy to be submitted to the Shareholders' Meeting and the definition of the remuneration and incentive systems for persons for whom the supervisory regulations require that this task be performed by the body with strategic supervision functions, including the identification of parameters used to evaluate performance objectives and the definition of the variable remuneration deriving from the application of said systems.

The Board of Directors is tasked with determining the remuneration due to the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of Legislative Decree 58 of 24 February 1998, as well as to all other Top Risk Takers of the Group and the higher-level Executives of the Corporate Control Functions, in accordance with the provisions of the current legislation.

#### Remuneration Committee

The Remuneration Committee was set up by the Board of Directors in order to support with all activities concerning remuneration.

The Committee supports the Board of Directors in preparing proposals to submit to the Shareholders' Meeting.

The Committee is responsible for formulating remuneration proposals for the Managing Director and CEO and for the members of the Board of Directors to whom additional special offices are assigned pursuant to the Articles of Association, as well as with regard to the remuneration systems for the Group Top Risk Takers and the higher-level Executives of the Corporate Control Functions, also taking into account the proposal of the Risks Committee and the Management Control Committee insofar as within its competence.

### Risks Committee

Without prejudice to the responsibilities of the Remuneration Committee, the Risks Committee supports the Board of Directors by analysing the Remuneration and Incentive Policies to verify their link with current and prospective risks and the capital strength and levels of liquidity of the Group, with specific regard to the performance targets (KPIs) assigned by the Incentive System to the Group Top Risk Takers not belonging to the Corporate Control Functions and similar roles.

In order to strengthen the independence of the Corporate Control Functions, the Risks Committee (together with the Management Control Committee) expresses its opinion on the Incentive System for the Chief Risk Officer and the Head of the Internal Validation and Controls Head Office Department.

### The Management Control Committee

In order to strengthen the independence of the Corporate Control Functions, the Management Control Committee expresses its opinion on the Incentive System for the Top Risk Takers belonging to the Company Control Functions, the higher-level personnel and similar roles. This opinion is expressed in a joint meeting with the Risks Committee with regard to the Incentive System for the Chief Risk Officer and the Head of the Internal Validation and Controls Head Office Department.

### The Chief Operating Officer and the Corporate Control Functions

As mentioned above, the Shareholders' Meeting is responsible for approving remuneration policies for employees upon proposal of the Board of Directors and with the involvement of the Remuneration Committee.

The Chief Operating Officer is responsible for drawing up the aforementioned remuneration policies, that undergo the relative approval procedure, involving the following, to the extent of their responsibilities, as envisaged by the Regulations:

- the Chief Risk Officer Governance Area, in order to ensure consistency of the remuneration policies and resulting incentive systems with the Group's Risk Appetite Framework (RAF);
- the Planning and Control Head Office Department, in order to ensure consistency of the remuneration policies and resultant incentive systems with:
  - the strategic short-and medium-long term objectives of the Companies and of the Group;
  - the level of capitalisation and liquidity of the Companies and of the Group;
- The Chief Compliance Officer Governance Area, in order to verify compliance of the remuneration policies and resulting incentive systems with rules, regulations, codes of ethics and standards of conduct applicable to the Group.

The Chief Audit Officer, in accordance with the guidelines of the Supervisory Authority, verifies compliance of the remuneration implementation procedures with the relevant policies, informing the Board of Directors and the Shareholders' Meeting on the results of the verifications conducted.

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## Remuneration of the members of the Board of Directors

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### Remuneration of Board Members

The Bank's Articles of Association envisage that the members of the Board of Directors be entitled, in addition to the reimbursement of expenses incurred due to their office, to a fixed remuneration for the services rendered, which is determined for the entire period of their office by the Shareholders' Meeting at the time of their appointment. Upon appointment, the Shareholders' Meeting also determines the supplementary remuneration of the offices of Chairman and Deputy Chairperson of the Board of Directors.

An insurance policy for administrative liability is signed in favour of the members of the Board of Directors according to the terms submitted to the Shareholders' Meeting.

### Remuneration of the Managing Director and CEO

Pursuant to the Articles of Association, the Managing Director also acts as the General Manager of Intesa Sanpaolo.

The Managing Director and General Manager is entitled to receive a fixed and variable remuneration determined by the Board of Directors in line with the remuneration policies approved by the Shareholders' Meeting.

The Board of Directors, upon the proposal of the Remuneration Committee, determined the remuneration of the Managing Director. This amount is in addition to the amount due as a Board Member. The Managing Director, in his capacity as General Manager, is entitled to receive the gross annual remuneration, the short and long-term incentive system and the supplementary pension scheme, and to receive the additional fringe benefits for the position determined by the Board of Directors in accordance with the Remuneration and Incentive Scheme Policies for employees.

### Remuneration for participation in the Management Control Committee

Under the Articles of Association, the Shareholders' Meeting is required, at the time of the appointment of the Management Control Committee and for the entire term of office thereof, to set a specific remuneration for the Board Members of that Committee, consisting exclusively of a fixed amount, which is equal for each Member and higher for the Chair.

### Remuneration for participation in the other Board Committees

With regard to the work carried out by Board Members as members of the Board Committees, the Board of Directors, pursuant to the Articles of Association, establishes an additional fixed remuneration for said Board Members, in line with the Remuneration and Incentive Policies approved by the Shareholders' Meeting. The Board of Directors supplemented the remuneration for the position of Board Member with an attendance fee in relation to the actual participation of the members in the work of the Committees, with a further annual gross fixed remuneration for the Chairs of such Committees.



## Remuneration policy for employees and staff not bound by an employment agreement

The remuneration policies of the Intesa Sanpaolo Group are based on the following principles:

- a) alignment of the conduct held by management and personnel to the interests of all Stakeholders, with a focus on creating value for Shareholders, as well as on the social impact generated on the Communities;
- b) correlation between remuneration and risks undertaken, through:
  - direction of management and personnel conduct towards the achievement of objectives within a framework of rules aimed at controlling corporate risks;
  - remuneration systems aligned with prudent financial and non-financial risk management policies (including legal and reputational risks), in line with what is defined in the Group's Risk Appetite Framework;
  - the definition of a sufficiently high fixed component to allow the variable portion to decline significantly, even down to zero, upon occurrence of pre-defined conditions.
- c) orientation towards medium-long term objectives, taking into account the Group Risk Tolerance through the definition of a set of Incentive Systems that allow performance to be oriented over a period of accrual longer than one year and to share the medium-long term results consequent to the implementation of the Business Plan;
- d) merit, to guarantee better matching with actual performance and the managerial quality identified, through:
  - remuneration flexibility linking the variable component to the results achieved and risks assumed;
  - focus on key staff members with high managerial skills, to whom competitive salary brackets compared with the reference market are reserved;
  - differentiation of the best performances to which variable bonus levels significantly in excess of the average are to be assigned;
- e) equity, in order to promote proper conduct and standardise treatment in terms of remuneration, through:
  - the correlation between the person's fixed remuneration and the level of responsibility managed, measured through the adoption of a Global Banding system<sup>44</sup>, certified by a leading consultancy firm or the seniority/professional role;
  - differentiation of target salaries and the ratio of the variable component to the total remuneration according to the relevant professional category and/or geographical market, with Banding bracket or seniority/professional role being equal;
- f) gender neutrality, through:
  - ensuring equal pay for equal work, regardless of gender;
  - focus on the gender pay gap and its evolution over time;
- g) sustainability, to limit expense deriving from application of the policy to values compatible with the available economic and financial means, through:
  - mechanisms to adjust allocations to the overall incentive provisions according to corporate profitability and the Group's results;
  - selective reviews of fixed remuneration based on strict market benchmarks;
  - the determination of appropriate caps on both total incentives and the amount of individual bonuses;
- h) compliance with legislative and regulatory provisions, with the codes of conduct and other self-regulatory instruments with a focus on the Group Risk Takers (and, among these, on the Key Managers, i.e. Top Risk Takers), on Legal Entity Risk Takers and on the Corporate Control Functions;
- i) fairness in customer relations.

Remuneration of Group employees is broken down into the following:

- a) fixed and/or recurring component;
- b) variable and/or non-recurring component.

### a.1 Fixed remuneration

The fixed component of remuneration for employees is determined on the basis of pre-established non-discretionary criteria such as contract conditions, role held, responsibilities assigned and the employee's specific experience and skills.

In full compliance with the provisions of law, the fixed component includes:

- the gross annual remuneration reflecting the staff member's professional experience and seniority of service;
- allowances tied to the role held, not connected to any type of performance indicator and assigned in a non-discretionary manner to the Risk Takers<sup>45</sup> and to the Middle Management<sup>46</sup> belonging to the Corporate Control Functions and to the heads of commercial roles within the scope of the Banca dei Territori Division local network;
- allowances paid to expatriate personnel in order to cover for any differences in cost, quality of life and/or remuneration levels of the target reference market;
- allowances and/or fees deriving from offices held in corporate bodies, provided that these are not reversed to the companies to which they belong;
- any benefits designed to increase employee motivation and loyalty of the resources and assigned on a non-discretionary basis. The benefits paid to Group employees may be of a contractual nature (e.g., supplementary pension, health benefits, etc.) or the result of remuneration policy decisions (e.g., company car) and, therefore, have different treatment with respect to different categories of personnel.

<sup>44</sup> The Global Banding System adopted by the Intesa Sanpaolo Group is based on the grouping in homogeneous categories of managerial positions that are similar by levels of complexity/responsibility managed, measured using the international IPE (International Position Evaluation) methodology.

<sup>45</sup> Italy, Slovakia and Croatia.

<sup>46</sup> Italy, Egypt and China.

## a.2 Recurring remuneration

For Non-employee Financial Advisors (hereinafter also “Financial Advisors”) and Financial Agents, the “recurring” component consists of commissions, which make up the stable and ordinary portion of remuneration.

In particular, for Financial Advisors, commissions remunerate their activity of placement, management and assistance to customers, and cover the costs they incur in carrying out their activities. For Financial Advisors given additional responsibilities of commercial coordination and supervision of specific activities and/or teams of Financial Advisors, the “recurring” remuneration consists of supervision commissions, for coordinating and supervising a team of Financial Advisors operating within their area of expertise, and of development commissions, for the development and growth in size of the team of Financial Advisors they supervise.

As regards Financial agents, with reference to the employees of Intesa Sanpaolo Agents4you (Financial Agents), the recurring commissions remunerate the placement of banking and insurance products under mandate; an additional coordination fee is also paid to Team Leaders for their ancillary responsibility of supervising the commercial activity. With reference to Prestitalia's Financial Agents, who specialise in pension-backed or salary-backed loans, the recurring remuneration is divided into three components: ordinary, recurrent and additional commissions by production segments, as detailed in the Report on Remuneration.

## b.1 Variable remuneration

The variable component is linked to employee's performance and aligned to the results actually achieved and the risks prudentially assumed, and consists of:

- short-term variable component, paid through the annual Incentive Systems and the Broad-based Short-Term Plan (PVR);
- long-term variable component, paid through the POP (Performance-based Option Plan) Plan, targeted at the Top Management, Risk Takers and Key Managers<sup>47</sup>, the LECOIP 2.0 Plan, targeted at Middle Managers (not included in the POP Plan) and the remaining Personnel<sup>48</sup> and any other long-term incentive plans (e.g. Multi-year loyalty plan for some employees from the UBI Top Private Network);
- the carried interest, i.e. the share in the profits of the UCITS or AIF received by personnel as compensation for the management of the UCITS or AIF<sup>49</sup>;
- any variable short- and long-term components, tied to the period of employment in the company (stability, non-competition, one-off retention agreements) or extraordinary agreements (entry bonus);
- any discretionary benefits.

The assignment of guaranteed bonuses is not envisaged, with the sole exception of limited cases of recently hired employees (signing bonus), without prejudice to thorough assessment and analysis of market practice, solely for the first year.

The distinction of the variable remuneration in a short-term and a long-term component promotes both attraction and retention of resources, allows performance to be oriented over a period of accrual longer than one year and to share the medium-long term results consequent to the implementation of the Business Plan;

## b.2 Non-recurring remuneration

For the Financial Advisors, the “non-recurring” component is represented by the commissions paid as annual incentives, with the aim of driving the sales activity to reach specific targets, taking into account both the long-term company strategies and objectives of the Networks they belong to and the correctness of customer relations.

Moreover:

- a 2018-2021 Long-term Incentive Plan has been set up for around 5,000 Financial Advisors of the Fideuram and Sanpaolo Invest Networks, to support the achievement of the results stated in the Business Plan for the Private Banking Division and ensure they are maintained over time;
- for the new Financial Advisors of Fideuram, Intesa Sanpaolo Private Banking and Sanpaolo Invest, a specific non-recurring component is envisaged as part of their recruitment offer.

## The remuneration pay mix

In accordance with the regulatory guidelines, the Intesa Sanpaolo Group traditionally adopts a pay mix that is appropriately “balanced” between the fixed (or recurring) component and the variable (or non-recurring) component, in order to:

- allow flexible management of labour costs, as the variable portion may significantly decline, even down to zero, depending on the performance actually achieved during the year in question;
- discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risk.

In order to achieve the above objectives, it is standard Group practice to establish ex ante limitations in terms of balanced maximums for variable remuneration, through the definition of specific caps on the increase of bonuses in relation to any over-performance.

As a general rule of thumb, the aforesaid cap to the variable remuneration was determined:

- at 100% of fixed remuneration for roles not included amongst Corporate Control Functions, save as otherwise specified in the Report on Remuneration;
- at 33% of fixed remuneration for roles belonging to the Corporate Control Functions and similar roles.<sup>50</sup>

<sup>47</sup> Key Managers means those among the Executive Directors who are not Risk Takers. Note that this is with regard to the Italy perimeter.

<sup>48</sup> Italy Perimeter.

<sup>49</sup> The portion of *pro rata* profit assigned to personnel by virtue of any investments made by them in the UCITS or AIF, provided that they are proportional to the actual percentage of participation in the UCITS or AIF and not exceeding the return recognised to the other investors. For a proper implementation of the regulation, managers must therefore be able to clearly identify the portions of profit which exceed the *pro rata* profit of the investments and that qualify as carried interest.

The calculation of the variable remuneration takes into account both the short-term component relating to the Incentive System or PVR and the long-term component assigned through the long-term Incentive Plans (POP Plan and LECOIP 2.0 Plan), as well as any variable components linked to seniority or exceptional components. In particular, the POP and LECOIP 2.0 Plans have an impact on the pro-rata variable remuneration for the entire accrual period.

The maximum limit established by the general criteria (1:1) has been raised to 2:1, as provided for by CRD IV, permitted by the Bank of Italy's Supervisory Provisions and approved by the Shareholders' Meeting, for Risk Takers<sup>51</sup> not belonging to the Corporate Control Functions and similar roles and for specific and limited professional sectors and highly profitable business segments<sup>52</sup>.

Furthermore, starting from 2019, using the option granted by the Supervisory Provisions, the maximum limit on the variable remuneration has been raised above 2:1 up to a maximum of 4:1 for personnel in the "Investments" category of the Group's asset management companies, who work exclusively for the same Asset Management Company.

Lastly, the 2021 Shareholders' Meeting approved the raising to 2:1 of the ratio between non-recurring and recurring remuneration also for the Non-employee Financial Advisors of the Group Companies, more specifically of the Fideuram Group companies, in connection with a recruitment offer to encourage the transfer of assets.

However, in terms of cap compliance between fixed and variable remuneration (1:1), appropriate pay mix differentiations were identified with reference to the various professional or business segments, in line with the results obtained by means of specific benchmark analyses related to the leading European global banks that also ensure compliance with the internal equity principle, given the use of common benchmarks for each cluster.

The adequacy of the amounts is further verified in comparison to market practices, with ongoing participation in national and international remuneration surveys; for management roles and other particular business positions, the comparison is based on specific peer groups, in order to evaluate the competitive alignment with the most appropriate reference market.

In relation to market data, the Intesa Sanpaolo Group aims to align the overall remuneration with median values, notwithstanding the possibility to make the appropriate differentiations for particularly critical positions and/or resources with high management skills.

The correlation between remuneration, risk and performance is ensured for all employees through:

- the use of a balanced pay mix, as the fixed component is sufficiently high to allow the variable portion, which is never guaranteed, to decline significantly, even down to zero, upon occurrence of the conditions specified below;
- the application of the principle of merit, under which significantly higher-than-average bonuses are awarded for the best performances;
- the introduction, on the basis of the "financial sustainability principle", of a structured mechanism for funding the variable component (bonus pool), which correlates the amount to be allocated to incentives for all company segments to the performance of a Group parameter, currently identified as Gross Income;
- the use of a solidarity mechanism between Group and Division results, according to which the amount of total bonuses paid to the employees of each Division depends in part on the Group's overall performance (reflected in the size of the bonus pool) and in part on the performance of the specific Division, measured in terms of the degree of expected contribution to the Group's Gross Income;
- the observance of the access conditions provided for in international and national regulations, namely:
  - at Group level, the achievement of capital adequacy and liquidity levels and, in any event, compliance with the limits envisaged in the RAF;
  - at individual level, the propriety of conduct (e.g. absence of disciplinary measures resulting in one or more days of suspension);
- the measurement of performance across multiple dimensions, both quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (strategic actions or projects – including, for 2021, the transversal Group KPI "Environmental, Social and Governance (ESG)" – and managerial qualities), and covering different scopes (Group/Department/Individual). The following are some examples of indicators for performance drivers:
  - Profitability: Operating Income/Risk Weighted Assets, Revenues/Assets, Income from Insurance Business/Mathematical Reserves;
  - Growth: Net Inflows, Gross Banking Product (Loans + Direct Customer Deposits + Indirect Customer Deposits), Income from insurance business;
  - Productivity: Cost/Income, Reduction in operating costs, Full Combined Ratio;
  - Cost of risk/sustainability: Gross NPL Ratio, Gross flows from performing to NPE, Operating Losses/Operating Income, Concentration Risk, Maintaining Liquidity Coverage Ratio target levels, Incidence of ratings and expired reviews on the total portfolio;
- the use of corrective mechanisms that act as de-multipliers of the bonus accrued: a mechanism that measures the level of residual structural risk, so-called Q-factor, and two other corrective mechanisms, distinguished by relevant cluster (Business and Governance Top Risk Takers and Business Risk Takers operating in the market area), which operate on the basis of the risks assumed (for the first cluster, with respect to capital adequacy and, for the second cluster, with

<sup>50</sup> "Similar roles" to the Corporate Control Functions for the purposes of the Remuneration Discipline means the Manager responsible for preparing the Company's financial reports and the Head of the Safety and Protection Head Office Department in his capacity as Data Protection Officer.

<sup>51</sup> Excluding the non-executive members of the Board of Directors of Intesa Sanpaolo and the Group Risk Takers operating in Slovakia, Slovenia, Moldova and Romania.

<sup>52</sup> Private Bankers, chains of Investment Banking, Insurance and Private Banking investment managers, Treasury and Finance, commercial chain of the Asset Management Division dedicated to the non-captive market, Heads managing and developing products of the Insurance Division, Heads of the Financial Institutions Department, Global Relationship Managers of the Global Corporate Department and the Financial Institutions Department, Heads of the Corporate and Financial Institutions Desks of the Hubs present in the International Department as well as Mortgage Specialists, Personal Bankers and Senior Customer Advisors within the Všeobecná Úverová Banka (VUB) Network.

respect to the limits set in the Risk Appetite Framework for specific risks such as market risk, interest rate risk and the ceiling on the overall position in Italian government bonds classified as HTC).

It is expressly prohibited for individual employees to undertake personal hedging or insurance strategies on the remuneration or other aspects that may alter or undermine the effects of the alignment with company risk inherent in the remuneration mechanisms described.

Remuneration may not be paid in forms, instruments or methods aimed at avoiding provisions of law.

The termination of the employment agreement involving personnel with state pension or seniority pension rights and/or "Assicurazione generale obbligatoria" (AGO) pension treatment does not result in loss of the right to payment of the entitled amounts, even deferred. In all other cases, the Bank has the right to award any amounts, depending on the specific situations, upon termination of the employment agreement, also through consensual retrenchment agreements providing termination payments. In recent years, the Bank has signed specific agreements with the trade unions with regard to the "solidarity fund", applied to employees of all levels, including executives, which also govern the treatment of sums payable to personnel upon termination of the employment agreement in the event of extraordinary transactions and/or company reorganisations.

According to the Supervisory Provisions on remuneration, any type and/or form of severance payment agreed in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the provisions of the National Collective Bargaining Agreement concerning payments related to the indemnity for failed notice constitutes the so-called severance, including any compensation paid according to the non-competition agreement limited to the portion exceeding the last year of fixed remuneration.

In the Intesa Sanpaolo Group, the principles for the definition of these payments - inspired to both the correlation between severance pay and ongoing performance criteria and the control of potential litigations – are:

- ensuring compliance with regulatory capital adequacy requirements;
- no reward for failure;
- unobjectability of individual behaviour (consistency with compliance breaches' criteria).

Pursuant to these criteria and the Supervisory Provisions on remuneration, when negotiating this kind of remunerations, the Group defined that those payments:

- are equal, as a maximum amount, to 24 months of fixed salary, and are determined in a different manner for each cluster, in order to take into due consideration the overall evaluation of the work of the person and having particular regard to the Group's capitalisation, liquidity and profitability levels and to the presence or absence of individual sanctions imposed by the Supervisory Authority;
- are paid according to the methods set for short-term variable remuneration, for each cluster;
- are included in the calculation of the ratio between the respective variable remuneration and the fixed remuneration of the last year of employment in the company, not including the sums agreed upon and paid:
  - based on a non-competition agreement, for the portion which, for each year of duration of the agreement, does not exceed the last year of fixed remuneration;
  - within an agreement reached in order to settle a current or potential dispute (wherever reached), if calculated according to a predefined calculation formula approved by the Shareholders' Meeting in advance.



**Intesa Sanpaolo stock**





# Intesa Sanpaolo stock

## Stock price performance

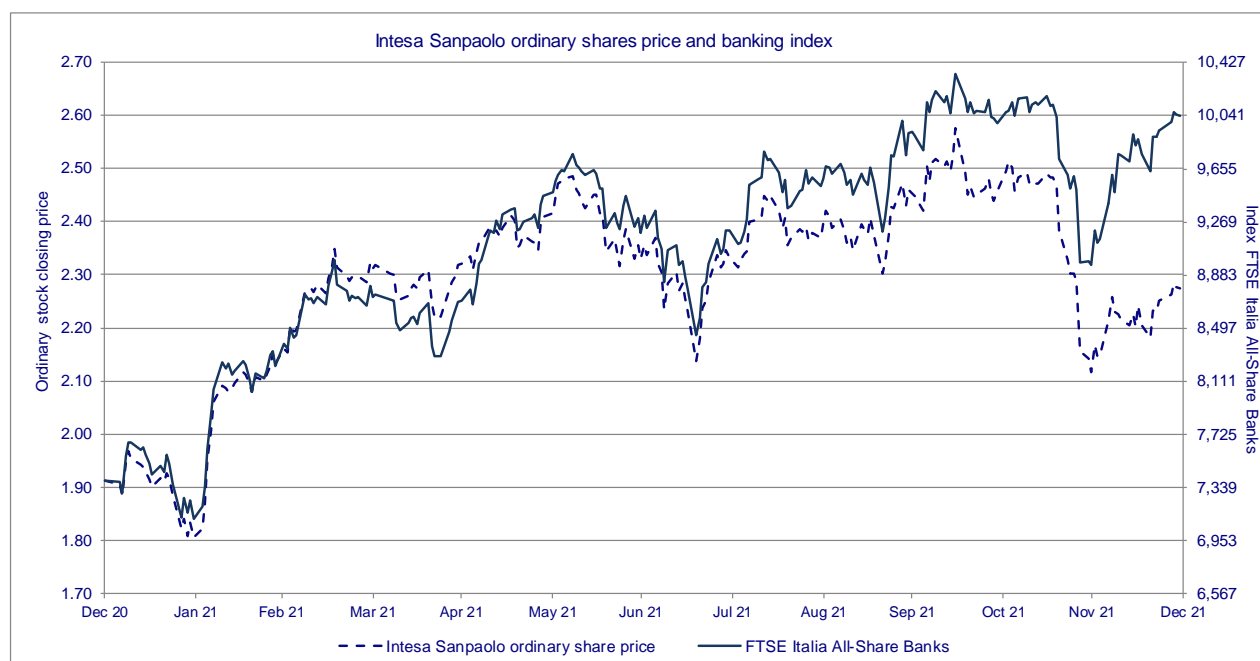
In 2021, the upward trend that had begun in November 2020 continued, driven by the acceleration of the vaccination campaign, which allowed the gradual lifting of health restrictions, with positive effects on the economic recovery and the stock markets.

The European banking index rose by 36.2%, performing more strongly than the Euro Stoxx index which ended the year up 20.4%.

The Italian banking index grew by 35.9%, in line with the trend for the industry at European level, driven by forecasts of economic recovery, little evidence of deterioration in asset quality and expectations of continued domestic consolidation, with a performance that showed a more significant improvement than the FTSE MIB index, which ended 2021 up 23%.

The performance of the Intesa Sanpaolo ordinary shares during the year mirrored that of the banking sector indices, with a decline in January, when it reached its minimum, a sharp rise in February, a subsequent upward trend until the beginning of June and then a decline until the third week of July, followed by a progressive rise until mid-October, when it reached its peak, a sharp fall in November and a partial recovery in December, closing the year up 18.9% compared to 2020.

Intesa Sanpaolo's capitalisation rose to 44.2 billion euro at the end of 2021, from 37.2 billion euro at the end of 2020.



## Earnings per share

Intesa Sanpaolo's share capital consists solely of ordinary shares.

Net income attributable to ordinary shares was determined considering the dividends proposed and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, in equal weight to all outstanding shares. The Earnings Per Share (EPS) indicator is presented both in the "basic" and in the "diluted" formula: basic EPS is calculated by dividing income theoretically attributable to holders of shares by the weighted average number of the shares outstanding (excluding own shares repurchased); diluted EPS takes into account the effect of any future issues.

	Ordinary Shares				
	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Weighted average number of shares	19,377,549,407	18,240,491,151	17,474,056,021	16,772,376,006	15,837,253,005
Income attributable to the various categories of shares (millions of euro)	4,185	3,277	4,182	4,050	6,900
Basic EPS (euro)	0.22	0.18	0.24	0.24	0.44
Diluted EPS (euro)	0.22	0.18	0.24	0.24	0.44

## Price/book value

The indicator reflects the value attributed by the market to the share capital of a listed company, and hence indirectly to the company's overall assets. Although it measures the confidence which financial analysts and the financial community have in the company's income prospects and capital strength, the indicator is significantly affected by the external factors that influence stock prices.

Also for the Intesa Sanpaolo Group, the level and performance of the indicator – as at 31 December 2021 calculated on both average figures and year-end figures – are influenced by the dynamics of the market and its industry sector. The comparative figures for the years 2017 to 2020 are annual averages.

	(millions of euro)					
	31.12.2021	2021	2020	2019	2018	2017
Market capitalisation	44,185	44,535	34,961	36,911	44,947	44,820
Group's shareholders' equity	63,775	64,823	60,920	54,996	53,646	52,558
<b>Price / book value</b>	<b>0.69</b>	<b>0.69</b>	<b>0.57</b>	<b>0.67</b>	<b>0.84</b>	<b>0.85</b>

## Payout ratio

This ratio is the relationship between the amount allocated for the remuneration of shareholders and the total amount of net income produced.

	(millions of euro)				
	2021	2020	2019	2018	2017
Net consolidated income <sup>(*)</sup>	4,185	3,505	4,182	4,050	7,316
Dividends <sup>(**)</sup>	2,932	2,626	-	3,449	3,419
<b>Payout ratio</b>	<b>70%</b>	<b>75%</b>	<b>-</b>	<b>85%</b>	<b>47%</b>

(\*) For the purpose of calculating the payout, the consolidated net income for 2020, equal to 3,277 million euro, was adjusted, excluding the items related to the acquisition of UBI Banca consisting of the effects of purchase price allocation, including negative goodwill (+2,062 million euro) and charges for integration (-1,378 million euro), as well as the impairment of goodwill of the Banca dei Territori Division (-912 million euro).

(\*\*) For 2021, 2020 and 2017 the amounts assigned were partially from reserves. In November 2021, an interim dividend was distributed totalling 1,399 million euro (net of the undistributed portion for own shares held at the record date, for a total of around 2 million euro).

In compliance with the provisions of the Supervisory Authority – which, in its communication of 23 July 2021, confirmed the expiry on 30 September 2021 of its recommendation to limit the distribution of dividends and own share buybacks – and in line with the 2018-2021 Business Plan, which provided for cash dividends from the 2021 results corresponding to a payout ratio of 70% of consolidated net income, the Intesa Sanpaolo Board of Directors approved the following for 2021:

- on 3 November 2021, in compliance with the provisions of paragraph 4 of Article 2433-bis of the Italian Civil Code, the distribution of an interim dividend for 2021 totalling 1,399 million euro, corresponding to a unit dividend of 7.21 euro cents per ordinary share (excluding own shares held at the record date). The dividend was paid out on 24 November 2021;

- on 4 February 2022, the proposal to the Shareholders' Meeting to assign a dividend per share of 6.69 euro cents to the 19,430,463,305 outstanding ordinary shares for a total of 1,300 million euro, as well as a partial distribution of the free portion of the share premium reserve for a total of 233 million euro, in the amount of 1.20 euro cents per share. Based on the above, the dividend for 2021 would amount to 15.1 euro cents per share, for a total dividend of 2,932 million euro and a payout ratio of 70% of consolidated net income.

For 2020, the Shareholders' Meeting of 28 April 2021 approved the cash distribution of 3.57 euro cents per share, partly from the share premium reserve, for a total dividend of 694 million euro, equal to the maximum allowed by the European Central Bank Recommendation of 15 December 2020, within the limit of 20 basis points of the consolidated Common Equity Tier 1 ratio at 31 December 2020. This allocation was then accompanied by an additional cash distribution, approved by the Shareholders' Meeting of 14 October 2021, for a total of 1,932 million euro, corresponding to a unit amount of 9.96 euro cents for each of the outstanding ordinary shares (excluding own shares held at the record date), which was paid out on 20 October 2021. The overall dividend paid out on the result for 2020 consequently amounted to 2,626 million euro, which, in relation to the 2020 consolidated net income – adjusted to take into account the components relating to the acquisition of UBI Banca, as well as the related adjustment of the goodwill of the Banca dei Territori – resulted in a payout ratio for 2020 of 75%.

With regard to the year 2019 shown in the table, you are reminded that following the revision on 31 March 2020 of the proposals to the Shareholders' Meeting approved by the Board of Directors on 25 February 2020, the net income for 2019 – after the allocations to the Allowance for charitable, social and cultural contributions – was assigned to the extraordinary reserve, in accordance with the Recommendation of the European Central Bank of 27 March 2020 regarding dividend policies during the COVID-19 pandemic.

Lastly, you are reminded that the 2022-2025 Business Plan, approved by the Board of Directors on 4 February 2022, indicated that one of the main objectives was solid and sustainable value creation and distribution. In this regard, a 70% payout ratio was envisaged for each year of the Plan together with an additional return of capital to Shareholders for 2022, to be achieved through the buyback of own shares and their subsequent annulment, with timing and methods to be announced in accordance with the regulations, for a total of 3.4 billion euro. The transaction, the amount of which is equivalent to the suspended dividend for 2019, will be proposed at the next Shareholders' Meeting on 29 April 2022 subject to approval by the ECB.

### Dividend yield

This indicator measures percentage return on the shares, calculated as the ratio between dividends assigned for the year and market price in the reference year. This return, determined on the basis of average annual stock prices, maintained sustainable levels over time, also taking into account financial market trends. The dividend yield for 2019 was affected – as noted above – by the Recommendations of the European Central Bank in the aftermath of the COVID-19 pandemic. As shown in the table, since 2018 Intesa Sanpaolo's share capital has consisted solely of ordinary shares.

	2021	2020	2019	2018	(in euro) 2017
Ordinary share					
Dividend per share	0.151	0.135	-	0.197	0.203
Average stock price	2.292	1.799	2.108	2.567	2.678
Dividend yield	6.59%	7.50%	-	7.67%	7.58%
Savings share					
Dividend per share	-	-	-	-	0.214
Average stock price	-	-	-	-	2.517
Dividend yield	-	-	-	-	8.50%

### Rating

Summarised below are the main actions on the ratings of Intesa Sanpaolo decided by the international rating agencies in 2021:

- on 11 March, S&P Global Ratings affirmed Intesa Sanpaolo's ratings of "BBB/A-2" and revised the outlook from "negative" to "stable", mirroring that on Italy. The rating action reflected Intesa Sanpaolo's proven resilience to the stress scenario represented by the pandemic and reduced likelihood of lowering the ratings in the absence of a similar action on the sovereign. On 23 November 2021, S&P further revised Intesa Sanpaolo's outlook from "stable" to "positive", following the similar action on the Italian sovereign rating dated 22 October;
- on 12 May, Moody's changed the outlook on Intesa Sanpaolo's long-term senior unsecured debt rating of "Baa1" from "negative" to "stable", to reflect the bank's proven ability to generate profit and the high capital buffers considered capable of balancing the expected moderate deterioration in the bank's asset risk;
- on 11 June, DBRS Morningstar confirmed the "BBB (high)"/"R-1 (low)" ratings of Intesa Sanpaolo with a "negative" trend. On 5 November, the Agency revised the trend on the long-term and short-term ratings from "negative" to "stable", following a similar action on the sovereign rating dated 29 October;

- on 17 December, Fitch upgraded Intesa Sanpaolo's long-term ratings to "BBB" (from "BBB-") and short-term ratings to "F2" (from "F3") with "stable" outlook, aligning them with those of Italy, upgraded on 3 December. The improvement in economic performance and better growth prospects resulted in an upgrade of Intesa Sanpaolo's Viability rating from "bbb-" to "bbb".

The ratings assigned to Intesa Sanpaolo by the main international agencies are shown below.

	DBRS Morningstar	RATING AGENCY		
		Fitch Ratings	Moody's	S&P Global Ratings
Short-term debt	R-1 (low) <sup>(1)</sup>	F2	P-2	A-2
Long-term senior debt	BBB (high)	BBB	Baa1 <sup>(2)</sup>	BBB
Outlook / Trend Long-term senior debt	Stable	Stable	Stable	Positive
Viability	-	bbb	-	-

(1) Stable trend.

(2) Senior debt rating. The rating on deposits is "Baa1" with stable outlook.

# **Alternative Performance Measures and Other information**



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# Alternative Performance Measures

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## Introduction

Pursuant to Article 16 of Regulation 1095/2010/EU, the European Securities and Markets Authority (ESMA) has issued specific Guidelines<sup>53</sup> on the presentation criteria for Alternative Performance Measures (APMs) included by European issuers in regulated information (including the Report on operations in the annual financial statements, in the half-yearly report and in the interim statements), where such measures are not defined or provided for in the rules on financial reporting. These guidelines, in force since 3 July 2016, are designed to promote the utility and transparency of APMs included in the regulated information, by confirming a shared approach to the use of such measures, in order to improve their comparability, reliability, comprehensibility and consistency over time, with resulting benefits for end users. Consob<sup>54</sup> has transposed the Guidelines in Italy and incorporated them into its supervisory practices.

According to the definition provided in the ESMA Guidelines, an Alternative Performance Measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs are typically based on financial statement line captions prepared in accordance with applicable financial reporting rules. What sets them apart is that APMs are not defined in the financial reporting framework, yet their use is still widespread, with the role of conveying a view of the entity's performance that is closer to the management's perspective than would be possible using only the defined measures.

Measures published in application of prudential rules, including the rules laid down in the Regulation and Directive on capital requirements (CRR/CRD IV), physical or non-financial measures and social and environmental measures do not come within the narrow definition of APMs.

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## Intesa Sanpaolo's Alternative Performance Measures

In accordance with Legislative Decree 38 of 28 February 2005, Intesa Sanpaolo prepares its financial statements in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Standards - Interpretations Committee (IFRS-IC), endorsed by the European Commission, as provided for by EC Regulation 1606 of 19 July 2002, based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy (Circular 262/2005 as amended), and disclosed in detail in Part A of the Notes to the financial statements.

To facilitate the understanding of the income statement and balance sheet figures, Intesa Sanpaolo also uses various Alternative Performance Measures (APMs) to provide a clear, concise and immediate account of the operating results and the financial position and performance achieved. Intesa Sanpaolo's APMs – commonly used in banking and finance – are also used by the management in decision-making processes of both operational and strategic nature.

It should be noted in this regard that the Alternative Performance Measures used are complementary to the measures defined within the IFRS framework. The measures – described below in accordance with the above-mentioned ESMA Guidelines – include the margins of the reclassified income statement and the aggregates of the reclassified balance sheet, in addition to other measures calculated on the basis of the figures presented in the financial statements. The figures used are thoroughly reconciled with the related figures defined in the IFRS framework through the disclosures provided in the Report on operations and reconciliation statements included in the Attachments to the Financial Statements. The figures used are normally restated for like-for-like comparison when the restatement is necessary and material, or "redetermined" where, on the occasion of important or particular transactions, it is appropriate to combine the restated figures with the redetermined figures, also using management information<sup>55</sup>.

In the aftermath of the COVID-19 pandemic, in accordance with the ESMA guidelines, no new measures have been added, nor have any changes been made to the measures normally used.

## Margins of the reclassified income statement

With regard to the reclassified income statement, the following aggregates and margins have been identified as Alternative Performance Measures.

**Operating income:** this aggregate includes core income and other income/expenses strictly correlated with operating activity. It is calculated as the sum of the following captions of the reclassified income statement:

- Net interest income;
- Net fee and commission income;

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<sup>53</sup> Guidelines on Alternative Performance Measures (APMs) - ESMA/2015/1415en.

<sup>54</sup> Consob Communication No. 0092543 of 3 December 2015

<sup>55</sup> The use of "redetermined figures" only took place in 2021, in connection with the acquisition of the UBI Banca Group, to enable a like-for-like presentation of the figures.



- Income from insurance business;
- Profits (Losses) on financial assets and liabilities designated at fair value;
- Other operating income (expenses).

**Operating costs:** this aggregate includes costs and expenses relating to the operating activity presented in the following captions of the reclassified income statement:

- Personnel expenses;
- Administrative expenses;
- Adjustments to property, equipment and intangible assets.

**Operating margin:** obtained from the difference between Operating income and Operating costs, as described above, it represents the result of operations.

**Gross income:** operating margin that takes into account the effects of adjustments, provisions and impairments and realised gains/losses on loans and other assets. It is obtained by subtracting/adding the following captions of the reclassified income statement to the operating margin:

- Net adjustments to loans;
- Other net provisions and net impairment losses on other assets;
- Other income (expenses);
- Income (Loss) from discontinued operations.

Lastly, net income or loss includes income components outside the company management (taxes, levies and charges aimed at maintaining the stability of the banking system), items of an “accounting” nature (effects of the purchase price allocation and impairment of goodwill and other intangible assets), as well as expenses related to restructuring/reorganisation processes. The following captions of the reclassified income statement are included:

- Taxes on income;
- Charges (net of tax) for integration and exit incentives;
- Effect of purchase price allocation (net of tax);
- Levies and other charges concerning the banking industry (net of tax);
- Impairment (net of tax) of goodwill and other intangible assets;
- Minority interests.

For detailed information on the breakdown of the individual captions of the reclassified income statement cited above, see the specific chapter of the Report on operations on financial performance. Reconciliations of the individual captions of the reclassified income statement with the captions of the financial statements are presented in an attachment to the financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

### Aggregates of the reclassified Balance sheet

With regard to the reclassified Balance sheet, which is primarily intended to provide summary with respect to the financial statements, the following have been identified as Alternative Performance Measures, while the specific chapter of this Report on operations provides details of the remaining captions of the reclassified Balance sheet derived directly from the financial statements. Reconciliations of the individual captions of the reclassified Balance sheet with the captions of the financial statements are presented in an attachment to the financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

#### *Due from banks*

The aggregate includes the captions typical of lending business with banks.

This caption mainly consists of amounts Due from banks included in the Financial assets measured at amortised cost. It also includes any amounts due from banks classified under Financial assets held for trading, Financial assets designated at fair value, Financial assets mandatorily measured at fair value and Financial assets measured at fair value through other comprehensive income.

#### *Loans to customers*

The aggregate includes the captions typical of lending business with customers.

It mainly consists of amounts due from customers classified as Financial assets measured at amortised cost, attributable to loans to customers and, to a lesser extent, exposures in securities (issued by non-financial companies, public entities and others) representing loans to customers. It also includes any loans to customers classified under Financial assets held for trading, Financial assets designated at fair value, Financial assets mandatorily measured at fair value and Financial assets measured at fair value through other comprehensive income.

#### *Financial assets*

This aggregate comprises financial assets and liabilities of banking business (thereby excluding financial assets and liabilities pertaining to the insurance companies). In detail, the following captions of the reclassified balance sheet assets are included: Financial assets measured at amortised cost which do not constitute loans; Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income. The aggregate also includes Financial liabilities held for trading in reclassified balance sheet liabilities, considered net of investment certificates, as they are included in direct deposits from banking business.

*Financial assets measured at amortised cost which do not constitute loans*

The aggregate includes portions of Financial assets measured at amortised cost (both amounts due from banks and loans to customers) not held for financing purposes. These are essentially debt securities of banks, governments, financial institutions and insurance companies.

*Financial assets at fair value through profit or loss*

These include Financial assets held for trading, designated at fair value and mandatorily measured at fair value, other than those representing loans to customers and loans to banks, which are classified to the specific aggregates described above. The breakdown of this caption is provided in the detail table included in the comment on balance sheet aggregates.

*Financial assets measured at fair value through other comprehensive income*

These include Financial assets measured at fair value through other comprehensive income, except for portions that represent loans to customers and due from banks, which are classified to the specific aggregates described above. The breakdown of this caption is provided in the detail table included in the comment on balance sheet aggregates.

*Customer financial assets*

The aggregate represents total financial assets deposited by customers of the Group, in the various types of direct deposits from banking and insurance business and indirect deposits, as defined below. In order to avoid duplications, the aggregate is constructed by netting those components of indirect customer deposits that also constitute types of direct deposits.

*Direct deposits from banking business*

The aggregate includes captions relating to funding from customers. In addition to the financial liabilities measured at amortised cost represented by amounts Due to customers (net of lease payables reclassified to Other liabilities) and Securities issued, it also includes funding – in the form of investment certificates and, to a marginal extent, other instruments - classified under the captions Financial liabilities held for trading and Financial liabilities designated at fair value.

*Direct deposits from insurance business and technical reserves*

The aggregate, which is composed of the funding captions relating to the insurance business, includes the Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39 (given the application of the deferral approach by the Group's insurance companies). Direct deposits from insurance business also include Technical reserves, which represent the amount due to customers who have taken out traditional policies or policies with significant insurance risk. Finally, it includes Subordinated liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (in respect of the aforementioned application of the deferral approach).

*Indirect customer deposits*

The aggregate refers to investment and distribution activity - for securities, mutual funds, portfolio management schemes and insurance - carried out on behalf of third parties or in connection with the management of securities portfolios. The assets are measured at market value. Indirect customer deposits are broken down into Assets under management (mutual funds, portfolio management schemes, insurance policies, pension funds and individual pension policies) and Assets under administration (all securities under administration and custody not attributable to Assets under management: government bonds, Equities, Third-party bonds, etc.).

For all the Alternative Performance Measures indicated above, detailed disclosures regarding the aggregates are provided in the text and tables in the Report on operations and attachments to the financial statements, together with the statements reconciling the official financial statements prescribed by the Bank of Italy with the reclassified financial statements. Where the comparative figures have been restated and/or redetermined<sup>56</sup>, a detailed reconciliation is provided in the attachments to the financial statements.

**Other Alternative Performance Measures**

In addition to the Alternative Performance Measures represented by the margins of the reclassified income statement and the aggregates of the reclassified balance sheet described above, Intesa Sanpaolo also publishes the following APMs.

**Profitability ratios***Cost/income ratio*

The measure is calculated as the ratio of operating costs (personnel expenses, administrative expenses and amortisation and depreciation) to the operating income presented in the Reclassified income statement and provides a synthetic overview of operating efficiency. For information regarding the breakdown of the captions included in the numerator and denominator of this ratio, see the above and the reconciliation statements attached to the financial statements for a detailed reconciliation.

*ROE – Return On Equity*

This measure is calculated as the ratio of the net income or loss to shareholders' equity and represents the profitability generated by the shareholders' equity available. Specifically:

- the net income or loss presented in the Income statement is used in the numerator; in exceptional cases only, net income or loss may be adjusted to account for any non-recurring components, which are thoroughly identified within the framework of each of the measures affected. In the interim situations, net income or loss is annualised (except for any non-recurring components, not annualised);

<sup>56</sup> See footnote above.

- in the denominator, the consolidated shareholders' equity considered is the amount pertaining to the Group at the end of the year/period and does not take into account the AT1 capital instruments and the net income or loss for the year/period.

#### *ROA – Return On Assets*

The measure is calculated by comparing the net income or loss to total assets and provides an overview of the profitability of company assets. Specifically:

- the net income or loss presented in the Income statement is used in the numerator; in exceptional cases only, net income or loss may be adjusted to account for any non-recurring components, which are thoroughly identified within the framework of each of the measures affected. In the interim situations, net income or loss is annualised (except for any non-recurring components, not annualised);
- in the denominator, period/year-end total assets are used.

#### *Price/Book value*

The measure, which reflects the value attributed by the market to Intesa Sanpaolo, and thus indirectly to its overall assets, is calculated by comparing the market capitalisation to shareholders' equity. It is published on the basis of a time series consisting of data from the last 5 years/periods, in addition to the calculation on the basis of period-end values at the reporting date. Specifically:

- the average capitalisation for the reporting period/year is used in the numerator. Average capitalisation is calculated on the basis of the average price of the shares (arithmetic average of the daily closing prices of trading on Borsa Italiana), multiplied by the weighted number of shares during the reporting period/year.  
In addition to average capitalisation, the period/year-end capitalisation is also published, which is used to calculate the price/book value on the basis of period/year-end figures. Period/year-end capitalisation is calculated by multiplying the closing price of trading on Borsa Italiana on the last trading day, multiplied by the number of shares at the end of the period/year;
- the average shareholders' equity attributable to the Group, calculated as the semi-sum of shareholders' equity at the beginning and end of the period/year, is used in the denominator. In addition to average shareholders' equity, the value of shareholders' equity at the end of the period/year is published in order to calculate the price/book value on the basis of period/year-end figures.

#### *Payout ratio*

This measure, published in table form in the Annual Report based on a time series consisting of data from the last 5 financial years, is the ratio between the amount assigned for the remuneration of shareholders and the total amount of the net income produced. Specifically:

- the amount of cash dividends that have been proposed or approved for distribution to the shareholders, inclusive of any amounts arising from the distribution of available reserves, is used in the numerator;
- the net income or loss presented in the consolidated income statement is used in the denominator, only exceptionally adjusted to account for any non-recurring items, which are duly identified.

#### *Dividend Yield*

This measure, published in table form in the Annual Report based on a time series consisting of data from the last 5 financial years, refers to the percentage return on the shares, calculated as the ratio between the dividend and the market price. Specifically:

- the amount of the dividend per share proposed/approved is used in the numerator;
- the average price of the share, calculated as the annual arithmetic average of the daily closing prices of trading on Borsa Italiana, is used in the denominator.

#### *Risk ratios*

##### *Net bad loans/Loans to customers*

The measure is calculated as the ratio of bad loans to total Loans to customers, thus providing an overview of the loan portfolio quality. The figures are taken from the financial statements, i.e. net of the related adjustments, and do not include loans to be sold that are recognised as assets held for sale. For the definition of the aggregate Loans to customers, see the above.

##### *Net non-performing loans/Loans to customers*

The measure is calculated as the ratio of the amount of Non-performing loans (bad loans, unlikely-to-pay loans and past due loans) to total Loans to customers, thus providing an overview of the loan portfolio quality. The figures are taken from the financial statements, i.e. net of the related adjustments, and do not include loans to be sold that are recognised as assets held for sale. For the definition of the aggregate Loans to customers, see the above.

##### *Cumulated adjustments on bad loans/Gross bad loans to customers*

This measure is calculated as the ratio of the total amount of cumulated adjustments on Bad loans to customers to the amount of Bad loans to customers gross of adjustments, thus providing an overview of the coverage ratio for bad loans. The values do not include loans to be sold that are recognised as assets held for sale. For the definition of the aggregate Loans to customers, see the above.

##### *Cumulated adjustments on non-performing loans/Gross non-performing loans*

This measure is calculated as the ratio of the amount of Non-performing loans (bad loans, unlikely-to-pay loans and past due loans) to the amount of Non-performing loans gross of the related adjustments, thus providing an overview of the coverage

ratio for Non-performing loans. The values do not include loans to be sold that are recognised as assets held for sale. For the definition of the aggregate Loans to customers, see the above.

#### *Cost of credit/Cost of risk*

This measure is calculated as the ratio of the amount of net adjustments to loans for the period/year in the reclassified income statement to the amount of Loans to customers at period/year-end, thus providing an overview of the incidence of adjustments on the portfolio during the period/year. For the definition of the aggregate Loans to customers, see the above. In the interim statements, the numerator is annualised.

#### *Other measures*

##### *Loan-to-deposit ratio*

This measure is calculated as the ratio of Loans to customers to the amount of Direct deposits from banking business, thus providing an overview of the structure of the customer lending and deposit activity. For the definitions of the aggregates Loans to customers and Direct deposits from banking business, see the above.

##### *Absorbed capital*

Absorbed capital is a measure of the risk capital associated with each Group Division in relation to its specific operations. For each Division, the absorbed capital is calculated on the basis of the Risk Weighted Assets (RWAs) measured in accordance with the applicable regulations and supplemented, where necessary, with management data on “economic” capital<sup>57</sup> to take into account the risks not covered by the regulatory metric.

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<sup>57</sup> Economic capital consists of an internal estimate of the maximum “unexpected” loss the Group may incur in a given time horizon and considering the desired level of confidence. It aims to quantify the potential economic losses related to the individual risks to which the Group is exposed.

## Other information

With regard to information to be included in the annual report as required by specific provisions please note the following:

- the list of Group companies and subsidiaries is provided in the Notes to the consolidated financial statements (Part A and Part B - Assets - Section 7), in accordance with the provisions of the Bank of Italy;
- the Notes to the consolidated financial statements also contain (Part E – Information on risks and relative hedging policies – Introduction) information concerning obligations under Art. 15 of the Consob Market Regulation 20249/2017 (as amended), with respect to subsidiaries established and regulated under the laws of non-EU countries;
- to enable a comprehensive understanding, all the information relating to the Bank's and the Group's connections and transactions with related parties, not only that required by IAS 24 but also that required by Article 5, paragraph 8, of Consob Regulation 17221 of 12 March 2010 (adopted pursuant to Article 2391-bis of the Italian Civil Code), is provided in Part H of the Notes to the consolidated financial statements;
- the information on the own shares of the Parent Company Intesa Sanpaolo held and traded at consolidated level is provided in Part F of the Notes to the consolidated financial statements;
- with regard to the information on the Corporate Governance system and the ownership structure of Intesa Sanpaolo, pursuant to Article 123-bis of the Consolidated Law on Finance, in addition to the summary provided in the chapter "Corporate Governance and remuneration policies" of this Report, see the document "Report on Corporate Governance and Ownership Structures" available in the Governance section of the Group's website, at [www.group.intesasanpaolo.com](http://www.group.intesasanpaolo.com);
- with regard to the information on the remuneration paid to members of the Management and control bodies, General Managers and Key Managers and on the Parent Company shares held by them, as well as the assignment of financial instruments to board members and general managers or employees pursuant to Article 123 ter of the Consolidated Law on Finance, in addition to the summary provided in the chapter "Corporate Governance and remuneration policies" of this Report, see the specific "Report on remuneration policy and compensation paid" published in the "Governance" section of the Group's website;
- the public disclosure concerning Basel 3 Pillar 3 contained in a specific separate file, is published on the Group's website in the Governance, Risk Management section;
- the Country-by-Country Reporting required by Article 89 of the Directive 2013/36/EU of the European Parliament and of the Council (CRD IV) is also published on the Group's website in the Governance, Risk Management section;
- lastly, with regard to the non-financial information required by Legislative Decree 254 of 30 December 2016 implementing Directive 2014/95/EU, Intesa Sanpaolo has opted to present this information in a separate report prepared at consolidated level, called "Consolidated Non-Financial Statement", which is available for consultation in the "Sustainability" section of the Group's website.

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## Forecast for 2022

The geopolitical risks deriving from the Russia-Ukraine war weigh on the economic scenario for 2022, with repercussions on the energy market, the trend in inflation and, thus, on growth. There will be a sharper reduction in the pace of growth of activities, compared to the global average, in the Eurozone and in Italy. Inflation should remain very high on average for the year. The Federal Reserve will begin a phase of official rate hikes, which is expected to be accompanied by a reduction in reinvestment of portfolio maturities towards the end of the year, in order to accelerate the removal of the monetary stimulus. In the Eurozone, the ECB will reduce net purchases of bonds, and may raise official interest rates by the end of the year. The rise in medium/long-term interest rates is expected to continue in 2022. The approaching end of the legislature in Italy could also affect the Btp-Bund spread.

In 2022, both in the CEE/SEE area, in Eastern Europe and in Russia, GDP growth is expected to slow due to the reflections of the conflict, the effects of high commodity prices and potential new waves of the pandemic. With specific regard to Russia, the continuing tensions with the West - also in relation to the scenario of sanctions - with regard to the Ukrainian crisis are, on the one hand, supporting natural gas and oil prices, and, on the other, raising the risk of a harsh downwards impact on growth prospects (and economic recession) and upwards impact on inflation.

In Egypt, partly as a result of the launch of major infrastructure projects announced by the local authorities, growth is expected to remain on a long-term trend estimated at still over 5% by the IMF.

In the Italian banking system, the forecast is for a slow recovery in lending to businesses. On one hand, financing needs may be partly met using the cash buffer deposited by businesses with banks, while on the other, an increase in the demand for credit linked to higher production costs cannot be ruled out. Loans to households are expected to grow at a stronger pace than those to businesses, driven by mortgage loans for home purchases in an environment of good momentum in the residential property market, which in turn is caused by the new housing and working needs that have emerged as a result of the pandemic, in addition to tax incentives, the recovery in house prices, continued low interest rates and the mobilisation of some of the excess savings accumulated by households.

Customer deposits should see continued good growth, but with a gradual slowdown. Conditions will remain for moderate growth in current accounts, mainly due to a possible continued climate of uncertainty. Households are expected to gradually shift their portfolios towards higher-yielding forms of investment. The large balances on current accounts and the substantial contribution from ECB refinancing will continue to keep the cost of funding low. The interest rates on loans will remain low, in particular in real terms.

The good resilience of the asset management and life insurance industries is expected to hold strong, also under conditions of tension on the financial markets. Inflows of investments to these segments may be fuelled by the significant flows of, probably excess, cash into bank deposits in past years and in 2021. Another determining factor will be the demand for advice in connection with choices to move from savings to investment.

In 2022, the Intesa Sanpaolo Group is expected to record revenue growth and continuous cost management, driving increases in operating margin and, also due to a strong reduction in the cost of risk, in gross income, and a net income exceeding 5 billion euro.

The Group's dividend policy envisages the distribution of cash dividends corresponding to a payout ratio of 70% on the 2022 results.

The Board of Directors

Milan, 1 March 2022





**Intesa Sanpaolo Group  
Consolidated financial  
statements**



# **Consolidated financial statements**

## Consolidated balance sheet

		(millions of euro)			
Assets		31.12.2021	31.12.2020	Changes amount	%
10.	Cash and cash equivalents	14,756	13,733	1,023	7.4
20.	Financial assets measured at fair value through profit or loss	52,731	58,246	-5,515	-9.5
	<i>a) financial assets held for trading</i>	47,181	53,165	-5,984	-11.3
	<i>b) financial assets designated at fair value</i>	4	3	1	33.3
	<i>c) other financial assets mandatorily measured at fair value</i>	5,546	5,078	468	9.2
30.	Financial assets measured at fair value through other comprehensive income	67,580	57,858	9,722	16.8
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	206,800	177,170	29,630	16.7
40.	Financial assets measured at amortised cost	668,866	612,481	56,385	9.2
	<i>a) due from banks</i>	163,937	107,316	56,621	52.8
	<i>b) loans to customers</i>	504,929	505,165	-236	-0.0
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	85	71	14	19.7
50.	Hedging derivatives	1,732	1,134	598	52.7
60.	Fair value change of financial assets in hedged portfolios (+/-)	392	2,400	-2,008	-83.7
70.	Investments in associates and companies subject to joint control	1,652	1,996	-344	-17.2
80.	Technical insurance reserves reassured with third parties	208	93	115	
90.	Property and equipment	10,792	10,850	-58	-0.5
100.	Intangible assets	9,342	8,194	1,148	14.0
	<i>of which:</i>				
	<i>- goodwill</i>	3,574	3,154	420	13.3
110.	Tax assets	18,808	19,503	-695	-3.6
	<i>a) current</i>	3,555	2,326	1,229	52.8
	<i>b) deferred</i>	15,253	17,177	-1,924	-11.2
120.	Non-current assets held for sale and discontinued operations	1,422	28,702	-27,280	-95.0
130.	Other assets	13,837	10,183	3,654	35.9
<b>Total assets</b>		<b>1,069,003</b>	<b>1,002,614</b>	<b>66,389</b>	<b>6.6</b>

## Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2021	31.12.2020	Changes amount	%
10.	Financial liabilities measured at amortised cost	710,055	630,146	79,909	12.7
	<i>a) due to banks</i>	165,258	115,947	49,311	42.5
	<i>b) due to customers</i>	458,239	422,365	35,874	8.5
	<i>c) securities issued</i>	86,558	91,834	-5,276	-5.7
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,146	1,935	211	10.9
20.	Financial liabilities held for trading	56,306	59,033	-2,727	-4.6
30.	Financial liabilities designated at fair value	3,674	3,032	642	21.2
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	84,770	77,207	7,563	9.8
40.	Hedging derivatives	4,868	7,088	-2,220	-31.3
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	53	733	-680	-92.8
60.	Tax liabilities	2,285	3,029	-744	-24.6
	<i>a) current</i>	363	284	79	27.8
	<i>b) deferred</i>	1,922	2,745	-823	-30.0
70.	Liabilities associated with non-current assets held for sale and discontinued operations	30	35,676	-35,646	-99.9
80.	Other liabilities	15,639	14,439	1,200	8.3
90.	Employee termination indemnities	1,099	1,200	-101	-8.4
100.	Allowances for risks and charges	5,716	5,964	-248	-4.2
	<i>a) commitments and guarantees given</i>	508	626	-118	-18.8
	<i>b) post-employment benefits</i>	290	324	-34	-10.5
	<i>c) other allowances for risks and charges</i>	4,918	5,014	-96	-1.9
110.	Technical reserves	118,296	96,811	21,485	22.2
120.	Valuation reserves	-709	-515	194	37.7
125.	Valuation reserves pertaining to insurance companies	476	809	-333	-41.2
130.	Redeemable shares	-	-	-	-
140.	Equity instruments	6,282	7,441	-1,159	-15.6
150.	Reserves	17,706	17,461	245	1.4
155.	Interim dividend (-)	-1,399	-	1,399	-
160.	Share premium reserve	27,286	27,444	-158	-0.6
170.	Share capital	10,084	10,084	-	-
180.	Treasury shares (-)	-136	-130	6	4.6
190.	Minority interests (+/-)	291	450	-159	-35.3
200.	Net income (loss) (+/-)	4,185	3,277	908	27.7
<b>Total liabilities and shareholders' equity</b>		<b>1,069,003</b>	<b>1,002,614</b>	<b>66,389</b>	<b>6.6</b>

## Consolidated income statement

(millions of euro)

	2021	2020	Changes amount	%
10. Interest and similar income	10,473	10,183	290	2.8
<i>of which: interest income calculated using the effective interest rate method</i>	10,039	10,277	-238	-2.3
20. Interest and similar expense	-2,480	-2,451	29	1.2
<b>30. Interest margin</b>	<b>7,993</b>	<b>7,732</b>	<b>261</b>	<b>3.4</b>
40. Fee and commission income	12,087	10,312	1,775	17.2
50. Fee and commission expense	-2,723	-2,334	389	16.7
<b>60. Net fee and commission income</b>	<b>9,364</b>	<b>7,978</b>	<b>1,386</b>	<b>17.4</b>
70. Dividend and similar income	161	86	75	87.2
80. Profits (Losses) on trading	503	628	-125	-19.9
90. Fair value adjustments in hedge accounting	36	71	-35	-49.3
100. Profits (Losses) on disposal or repurchase of:	758	633	125	19.7
<i>a) financial assets measured at amortised cost</i>	201	-193	394	
<i>b) financial assets measured at fair value through other comprehensive income</i>	611	870	-259	-29.8
<i>c) financial liabilities</i>	-54	-44	10	22.7
110. Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	71	-9	80	
<i>a) financial assets and liabilities designated at fair value</i>	-42	57	-99	
<i>b) other financial assets mandatorily measured at fair value</i>	113	-66	179	
115. Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	4,754	3,463	1,291	37.3
<b>120. Net interest and other banking income</b>	<b>23,640</b>	<b>20,582</b>	<b>3,058</b>	<b>14.9</b>
130. Net losses/recoveries for credit risks associated with:	-2,843	-4,364	-1,521	-34.9
<i>a) financial assets measured at amortised cost</i>	-2,813	-4,356	-1,543	-35.4
<i>b) financial assets measured at fair value through other comprehensive income</i>	-30	-8	22	
135. Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-26	-81	-55	-67.9
140. Profits (Losses) on changes in contracts without derecognition	-29	-29	-	-
<b>150. Net income from banking activities</b>	<b>20,742</b>	<b>16,108</b>	<b>4,634</b>	<b>28.8</b>
160. Net insurance premiums	10,557	10,842	-285	-2.6
170. Other net insurance income (expense)	-13,525	-12,802	723	5.6
<b>180. Net income from banking and insurance activities</b>	<b>17,774</b>	<b>14,148</b>	<b>3,626</b>	<b>25.6</b>
190. Administrative expenses:	-12,012	-12,160	-148	-1.2
<i>a) personnel expenses</i>	-7,187	-7,562	-375	-5.0
<i>b) other administrative expenses</i>	-4,825	-4,598	227	4.9
200. Net provisions for risks and charges	-374	-793	-419	-52.8
<i>a) commitments and guarantees given</i>	97	4	93	
<i>b) other net provisions</i>	-471	-797	-326	-40.9
210. Net adjustments to / recoveries on property and equipment	-659	-578	81	14.0
220. Net adjustments to / recoveries on intangible assets	-934	-818	116	14.2
230. Other operating expenses (income)	980	3,347	-2,367	-70.7
<b>240. Operating expenses</b>	<b>-12,999</b>	<b>-11,002</b>	<b>1,997</b>	<b>18.2</b>
250. Profits (Losses) on investments in associates and companies subject to joint control	138	-16	154	
260. Valuation differences on property, equipment and intangible assets measured at fair value	-21	-42	-21	-50.0
270. Goodwill impairment	-	-981	-981	
280. Profits (Losses) on disposal of investments	289	101	188	
<b>290. Income (Loss) before tax from continuing operations</b>	<b>5,181</b>	<b>2,208</b>	<b>2,973</b>	
300. Taxes on income from continuing operations	-1,138	-59	1,079	
<b>310. Income (Loss) after tax from continuing operations</b>	<b>4,043</b>	<b>2,149</b>	<b>1,894</b>	<b>88.1</b>
320. Income (Loss) after tax from discontinued operations	-	1,136	-1,136	
<b>330. Net income (loss)</b>	<b>4,043</b>	<b>3,285</b>	<b>758</b>	<b>23.1</b>
340. Minority interests	142	-8	150	
<b>350. Parent Company's net income (loss)</b>	<b>4,185</b>	<b>3,277</b>	<b>908</b>	<b>27.7</b>
<b>Basic EPS – Euro</b>	<b>0.22</b>	<b>0.18</b>		
<b>Diluted EPS - Euro</b>	<b>0.22</b>	<b>0.18</b>		

## Statement of consolidated comprehensive income

		(millions of euro)			
		2021	2020	Changes amount	%
<b>10.</b>	<b>Net income (Loss)</b>	<b>4,043</b>	<b>3,285</b>	<b>758</b>	<b>23.1</b>
	<b>Other comprehensive income (net of tax) that may not be reclassified to the income statement</b>	<b>23</b>	<b>-354</b>	<b>377</b>	
20.	Equity instruments designated at fair value through other comprehensive income	-37	-284	-247	-87.0
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	26	-103	129	
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	30	46	-16	-34.8
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	4	-13	17	
80.	Non current assets classified as held for sale	-	-	-	
90.	Share of valuation reserves connected with investments carried at equity	-	-	-	
	<b>Other comprehensive income (net of tax) that may be reclassified to the income statement</b>	<b>-543</b>	<b>340</b>	<b>-883</b>	
100.	Hedges of foreign investments	-	-	-	
110.	Foreign exchange differences	103	-239	342	
120.	Cash flow hedges	127	180	-53	-29.4
130.	Hedging instruments (not designated elements)	-	-	-	
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	-530	142	-672	
145.	Financial assets measured at fair value through other comprehensive income, pertaining to Insurance companies	-286	273	-559	
150.	Non-current assets held for sale and discontinued operations	-	-	-	
160.	Share of valuation reserves connected with investments carried at equity	43	-16	59	
<b>170.</b>	<b>Total other comprehensive income (net of tax)</b>	<b>-520</b>	<b>-14</b>	<b>506</b>	
<b>180.</b>	<b>Total comprehensive income (captions 10 + 170)</b>	<b>3,523</b>	<b>3,271</b>	<b>252</b>	<b>7.7</b>
<b>190.</b>	<b>Total consolidated comprehensive income pertaining to minority interests</b>	<b>-135</b>	<b>46</b>	<b>-181</b>	
<b>200.</b>	<b>Total consolidated comprehensive income pertaining to the Parent Company</b>	<b>3,658</b>	<b>3,225</b>	<b>433</b>	<b>13.4</b>



## Changes in consolidated shareholders' equity as at 31 December 2021

(millions of euro)

	31.12.2021														(millions of euro)
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Interim dividend	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests	
	ordinary shares	other shares		retained earnings	other										
AMOUNTS AS AT 31.12.2020	10,241	-	27,463	16,790	992	-570	809	7,441	-	-130	3,285	66,321	65,871	450	
Changes in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
AMOUNTS AS AT 1.1.2021	10,241	-	27,463	16,790	992	-570	809	7,441	-	-130	3,285	66,321	65,871	450	
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)															
Reserves	-	-	-	2,736	-	-	-	-	-	-	-2,736	-	-	-	
Dividends and other allocations	-	-	-	-	-	-	-	-	-	-	-549	-549	-549	-	
CHANGES IN THE PERIOD															
Changes in reserves	-	-	7	-	97	-	-	-	-	-	-	104	100	4	
Operations on shareholders' equity															
Issue of new shares	-	-	-	-	-	-	-	-	-	63	-	63	63	-	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-69	-	-69	-69	-	
Interim dividend	-	-	-	-	-	-	-	-	-1,399	-	-	-1,399	-1,399	-	
Dividends	-	-	-161	-1,932	-	-	-	-	-	-	-	-2,093	-2,093	-	
Changes in equity instruments	-	-	-	-	-	-	-	-1,159	-	-	-	-1,159	-1,159	-	
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-18	-	-	-658	-	-	-	-	-	-	-	-676	-648	-28	
Total comprehensive income for the period	-	-	-	-	-	-187	-333	-	-	-	4,043	3,523	3,658	-135	
SHAREHOLDERS' EQUITY AS AT 31.12.2021	10,223	-	27,309	16,936	1,089	-757	476	6,282	-1,399	-136	4,043	64,066	63,775	291	
- Group	10,084	-	27,286	16,617	1,089	-709	476	6,282	-1,399	-136	4,185	63,775			
- minority interests	139	-	23	319	-	-48	-	-	-	-	-142	291			

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

## Changes in consolidated shareholders' equity as at 31 December 2020

(millions of euro)

	31.12.2020												
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other								
AMOUNTS AS AT 31.12.2019	9,455	-	25,095	12,462	779	-251	504	4,103	-104	4,172	56,215	55,968	247
Changes in opening balances	-	-	-	-	-	-	-	-	-	-	-	-	-
AMOUNTS AS AT 1.1.2020	9,455	-	25,095	12,462	779	-251	504	4,103	-104	4,172	56,215	55,968	247
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)													
Reserves	-	-	-	4,160	-	-	-	-	-	-4,160	-	-	-
Dividends and other allocations	-	-	-	-29	-	-	-	-	-	-12	-41	-12	-29
CHANGES IN THE PERIOD													
Changes in reserves	-	-	5	-	213	-	-	-	-	-	218	218	-
Operations on shareholders' equity													
Issue of new shares	999	-	2,364	-	-	-	-	-	15	-	3,378	3,378	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-41	-	-41	-41	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	-	3,338	-	-	3,338	3,338	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-213	-	-1	197	-	-	-	-	-	-	-17	-203	186
Total comprehensive income for the period	-	-	-	-	-	-319	305	-	-	3,285	3,271	3,225	46
SHAREHOLDERS' EQUITY AS AT 31.12.2020	10,241	-	27,463	16,790	992	-570	809	7,441	-130	3,285	66,321	65,871	450
- Group	10,084	-	27,444	16,469	992	-515	809	7,441	-130	3,277	65,871		
- minority interests	157	-	19	321	-	-55	-	-	-	8	450		

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

## Consolidated statement of cash flows

(millions of euro)

	2021	2020
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Cash flow from operations</b>	<b>10,854</b>	<b>7,210</b>
Net income (loss) (+/-)	4,043	3,285
Gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit and loss (-/+)	-49	-5,174
Gains/losses on financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (-/+)	-1,670	-2,356
Gains/losses on hedging activities (-/+)	-36	-71
Gains/losses on hedging activities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (-/+)	-	-
Net losses/recoveries for credit risk (+/-)	3,621	4,957
Adjustments to/net recoveries on property, equipment and intangible assets (+/-)	1,592	2,377
Net provisions for risks and charges and other costs/revenues (+/-)	374	793
Net insurance premiums to be collected (-)	13	-
Other insurance revenues/charges to be collected (-/+)	3,266	3,508
Taxes, duties and tax credits to be paid/collected(+/-)	1,638	-370
Net adjustments to/recoveries on discontinued operations net of tax effect (+/-)	-	-
Other adjustments (+/-)	-1,938	261
<b>2. Cash flow from / used in financial assets</b>	<b>-36,147</b>	<b>-56,372</b>
Financial assets held for trading	6,276	-5,206
Financial assets designated at fair value	-27	203
Other financial assets mandatorily measured at fair value	-1,068	252
Financial assets measured at fair value through other comprehensive income	-9,351	28,421
Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	4,678	-5,786
Financial assets measured at amortised cost	-32,999	-73,318
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	302	139
Other assets	-3,958	-1,077
<b>3. Cash flow from / used in financial liabilities (*)</b>	<b>34,098</b>	<b>47,433</b>
Financial liabilities measured at amortised cost	45,278	29,528
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	112	1,108
Financial liabilities held for trading	-2,581	12,769
Financial liabilities designated at fair value	626	2,609
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	-276	150
Other liabilities	-9,061	1,269
<b>Net cash flow from (used in) operating activities</b>	<b>8,805</b>	<b>-1,729</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash flow from</b>	<b>166</b>	<b>1,520</b>
Sales of investments in associates and companies subject to joint control	4	102
Dividends collected on investments in associates and companies subject to joint control	48	23
Sales of property and equipment	96	96
Sales of intangible assets	18	5
Sales of subsidiaries and business branches	-	1,294
<b>2. Cash flow used in</b>	<b>-2,392</b>	<b>-1,877</b>
Purchases of investments in associates and companies subject to joint control	-54	-52
Purchases of property and equipment	-775	-430
Purchases of intangible assets	-1,117	-1,006
Purchases of subsidiaries and business branches	-446	-389
<b>Net cash flow from (used in) investing activities</b>	<b>-2,226</b>	<b>-357</b>
<b>C. FINANCING ACTIVITIES</b>		
Issues/purchases of treasury shares	-6	-26
Share capital increases	-1,532	2,749
Dividend distribution and other	-4,041	-41
Disposal/acquisition of minority interests in subsidiaries	-14	-1
<b>Net cash flow from (used in) financing activities</b>	<b>-5,593</b>	<b>2,681</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>986</b>	<b>595</b>
<b>RECONCILIATION</b>		
<b>Financial statement captions</b>		
Cash and cash equivalents at beginning of period	13,733	13,222
Net increase (decrease) in cash and cash equivalents	986	595
Cash and cash equivalents: foreign exchange effect	37	-84
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>14,756</b>	<b>13,733</b>

LEGEND: (+) from (-) used in

(\*) With regard to the disclosure required by par. 44 B of IAS 7, it is noted that the changes in liabilities deriving from financing activities amount to +34.1 billion euro (cash flow used) and comprise +55.0 billion euro in cash flows, -10.5 billion euro in fair value changes and -10.4 billion euro in other changes.

# **Notes to the consolidated financial statements**



# Part A – Accounting policies

## A.1 – GENERAL CRITERIA

### SECTION 1 – DECLARATION OF COMPLIANCE WITH IAS/IFRS

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's consolidated financial statements have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Standards – Interpretations Committee (IFRS-IC) and endorsed by the European Commission as provided for by EC Regulation 1606 of 19 July 2002.

The consolidated financial statements as at 31 December 2021 have been prepared based on the “Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups” issued by the Bank of Italy, in the exercise of powers set forth by Article 43 of Legislative Decree 136/2015<sup>(\*)</sup>, with Regulation of 22 December 2005, which issued Circular 262/05, and with the subsequent updates of 18 November 2009, 21 January 2014, 22 December 2014, 15 December 2015, 22 December 2017, 30 November 2018 and 29 October 2021<sup>58</sup>.

These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the consolidated financial statements.

The financial statements have been prepared using the IAS/IFRS in force as at 31 December 2021 (including the SIC and IFRS-IC interpretation documents) as listed in the attachments to these financial statements.

The table below shows the new standards or amendments to existing ones, together with the related European Commission endorsement regulations, which came into force in 2021.

#### IFRS endorsed as at 31.12.2021 in force since 2021

Regulation endorsement	Title	Effective date
2097/2020	Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9	01/01/2021 First financial year starting on or after 01/01/2021
25/2021	Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01/01/2021 First financial year starting on or after 01/01/2021
1421/2021	Amendment to IFRS 16 Leases - Covid-19-Related Rent Concessions beyond 30 June 2021	01/04/2021 First financial year starting on or after 01/01/2021

As may be seen from the foregoing table, some amendments to existing accounting standards are applicable on a mandatory basis for the first time starting in 2021, with regard to the IBOR Reform.

Specifically, Regulation 25/2021 of 13 January 2021 endorsed “Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16” published by the IASB on 27 August 2020 regarding phase two of the IASB's interest rate reform project. This relates to the developments concerning the revision or replacement of certain interest rate benchmarks used to set interest rates in various jurisdictions, such as LIBOR and, in Europe, EONIA, based on the indications from the G20 and the Financial Stability Board. As known, the IASB dealt with the possible accounting impacts of the reform of benchmark interest rates through a project organised in two phases. The first phase specifically regarded the possible accounting impacts of hedge accounting in the period prior to the replacement of the existing benchmark rates with the new interest rates (pre-replacement issue) and was completed with the publication of Regulation no. 34/2020.

The second phase of the project was completed with the publication of Regulation no. 25/2021, regarding the possible accounting impacts of the application of the new interest rates (replacement issue). The main amendments introduced concern the accounting treatment of amendments to existing contracts and to hedge accounting.

With regard to the first aspect – under IFRS 9, but also similarly in application of IFRS 16 to leases and IFRS 4 to insurance

(\*) Art. 43 of Legislative Decree 136/2015 confirmed to the Bank of Italy the powers concerning the layouts of financial statements already previously attributed to the same Authority by Legislative Decree 38/2005.

<sup>58</sup> With communication of the Bank of Italy dated 21 December 2021, the provisions governing the financial statements of Banks (Circular 262) were supplemented with regard to the impacts of COVID-19 and measures in support of the economy adopted to deal with the pandemic.

contracts – it is clarified that amendments resulting from the IBOR Reform relating to the replacement of the existing IBOR rate with the new risk-free rate, do not constitute a derecognition event but are to be considered a modification from an accounting standpoint. To this end, a practical expedient has been introduced allowing such amendments, if made as a direct consequence of the IBOR Reform and applied on equivalent economic bases, to be represented with a prospective adjustment of the effective interest rate, with impacts on net interest income in future periods.

The amendment from the IASB provides several examples of changes that give rise to a new basis economically equivalent to the previous basis:

- the replacement of the interest rate benchmark with an alternative benchmark rate with the addition of a fixed spread necessary to compensate for the basis difference between the existing interest rate benchmark and the alternative benchmark rate;
- changes to the reset period, reset dates or the number of days between coupon payment dates in order to implement the reform of an interest rate benchmark; and
- the addition of a fallback provision to the contractual terms of a financial asset or financial liability to enable any change described in the two above points to be implemented.

The guidance prepared by the IASB requires that the terms must be “substantially similar”. Thus, to apply the relief, the interest rate must be substantially the same before and after replacement, even though a quantitative demonstration is not required. In general terms, each economically equivalent transaction is defined to ensure a fair transaction at the new, alternative rate for both parties to the contract. That aspect can be easily demonstrated if the change is made in compliance with a protocol or a methodology accepted by the market, designed for that purpose.

In relation to the hedge accounting, several exceptions have been introduced to IAS 39 (and to IFRS 9 for those who have also adopted it for hedges) that make it possible not to apply discontinuation following an update of the documentation of the hedging relationship - due to modification of the hedged risk, the hedged underlying or the hedging derivative, or of the method for verifying hedge effectiveness - in the case of modifications required as a direct consequence of the IBOR Reform and applied on equivalent economic bases. Any cases of ineffectiveness must nonetheless be recognised in the income statement.

No impacts on the Intesa Sanpaolo Group are foreseen for the modifications with the characteristics envisaged by the standard, in line with the objective of the amendments introduced by the IASB aimed at preventing distortions in the financial statements as a result of the reform.

Disclosure is to be further enhanced, with qualitative and quantitative disclosure requirements with regard to the nature and risks associated with the IBOR reform, the management of such risks and progress in the process of transitioning to the new rates. For details, see Section 5 - Other Aspects, below.

Regulation 2097/2020 of 15 December 2020, endorsing the extension of the temporary exemption from applying IFRS 9 (amendments to IFRS 4 Insurance Contracts) published by the IASB on 25 June 2020, came into force from 1 January 2021. In view of the IASB's decision to postpone the date of first-time adoption of IFRS 17 until 1 January 2023 – also made on 25 June 2020 – the authorisation to postpone the application of IFRS 9 (the “Deferral Approach”) was also extended until 1 January 2023 in order to remedy the temporary accounting consequences of the mismatch between the date of entry into force of IFRS 9 - Financial Instruments and that of the future IFRS 17 - Insurance Contracts.

Lastly, Regulation 1421/2021 of 30 August 2021 on “Covid-19-related rent concessions after 30 June 2021”, transposing the amendments published by the IASB on 31 March 2021 was applicable from 2021. This extended by one year the period of application of the amendment to IFRS 16 Leases issued in May 2020, which facilitates lessees in accounting for Covid-19-related concessions.

The original amendment was issued in order to provide a practical expedient to lessees, i.e. the option not to apply the rules of accounting for lease modifications in the event of rent concessions as a direct result of the COVID-19 pandemic (such as suspensions or temporary decreases in payments). The facilitation previously applied to concessions relating to rents originally due by 30 June 2021.

In response to the requests received from interested parties and the continuation of the COVID-19 pandemic, the IASB extended the application of the practical expedient to cover concessions for rental payments originally due by 30 June 2022, provided that the other conditions for applying the practical expedient are met, i.e. the revised consideration is substantially equal to or less than the original consideration and no other substantial modifications have been made to the terms of the lease contract. The amendments are applicable from 1 April 2021 for financial years starting on or after 1 January 2021.

The Intesa Sanpaolo Group has chosen not to apply this practical expedient with effect from 2020, including in view of the immateriality of its impacts on the Group. Accordingly, these additional amendments are not relevant to the Group.

The table below shows the new standards and amendments to existing ones, together with the related EU endorsement regulations, which will become mandatory on 1 January 2022 – for financial statements reflecting the calendar year – or after this date, and for which the Intesa Sanpaolo Group has not exercised the option of early adoption.



## IFRS endorsed as at 31.12.2021 applicable subsequent to 31.12.2021

Regulation endorsement	Title	Effective date
1080/2021	Amendments to IAS 16 Property, Plant and Equipment, IAS 37 Provision, Contingent Liabilities and Contingent Assets, IAS 41 Agriculture, IFRS 1 First-time Adoption of International Reporting Standards, IFRS 3 Business Combinations and IFRS 9 Financial Instruments	01/01/2022 First financial year starting on or after 01/01/2022
2036/2021	IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023
	Amendments to IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023

With reference to endorsement regulations that implement changes to existing accounting standards or new IAS/IFRS, the publication in the Official Journal of the EU dated 23 November 2021 of Regulation no. 2036/2021 of 19 November which endorses the new accounting standard IFRS 17 “Insurance Contracts” is of particular importance. The standard was published in May 2017 and was subject to amendments published on 25 June 2020, which postponed the date of first-time adoption of the standard to 1 January 2023.

In this regard, the Regulation sets out the endorsement of IFRS 17 at European level and, on an optional basis, to exempt intergenerationally-mutualised and cash flow matched contracts from the application of the obligation of grouping into annual cohorts pursuant to IFRS 17.

The issue of annual cohorts was the subject of significant debate, and EFRAG, in its Final Endorsement Advice of 31 March 2021, while providing an overall favourable opinion on the endorsement of the standard, failed to reach an agreement with several members of the Board that supported endorsement of the entire Standard and others contrary to those provisions. The introduction of the option in question satisfies the request of the European insurance industry, including the companies in the Intesa Sanpaolo Group, regarding the option not to apply the concept of annual cohorts in accordance with the provisions of IFRS 17.

*IFRS 17 – Provisions of the standard*

IFRS 17 replaces IFRS 4, which, from the time of its initial publication, was considered an interim standard and – as such – its objectives did not include establishing a single approach for the presentation of insurance contracts, referring to the accounting models set out in local regulations of the individual countries. Addressing this aspect – together with better disclosure regarding the operating performance of the insurance company – forms the basis of the new standard. Accordingly, the significance of the impacts deriving from its application will vary according to the “distance” between the current practices – in each jurisdiction – compared to the model adopted by the new standard.

The main provisions of the standard are illustrated below:

- initial recognition of the insurance liability: when the contract is signed with the policyholder, the insurance entity recognises a liability whose amount represents the sum of the present value of the expected contractual cash flows (discounted also taking account of an appropriate risk margin, for non-financial risks) and the contractual service margin (the present value of the future profits);
- subsequent measurement of the insurance liability: IFRS 17 requires the measurement at each reporting period of the above elements (cash flows and contractual service margin), to verify the consistency of the estimates with the current market conditions. The effects of any mismatches must be immediately recorded in the financial statements: in profit or loss for changes relating to events that have already occurred in the past or as a reduction of the contractual service margin when the changes relate to future events;
- grouping of contracts: the application of IFRS 17 involves the identification of “portfolios” of insurance contracts (groups of contracts that are subject to similar risks and managed together). Each portfolio is then broken down into groups composed of contracts with the same expiry and similar characteristics of expected profitability. In this regard, the standard establishes clear separations (also in terms of disclosure) between the contracts defined as “onerous” and the remaining contracts;
- measurement of the insurance revenue: IFRS 17 requires the presentation in profit or loss of the earnings “by margins” achieved during the life of the policies, i.e. when the entity provides the services to the insured, instead of recognising the revenue at the time of entering into the contract;
- measurement of the performance: with a view to improving (and harmonising) the disclosure of the performance of the insurance companies, a distinct and separate presentation is required of the two main components that typically contribute to making up the earnings of insurance undertakings: the first, which represents the profit from the “coverage” provided (the “technical margin”) and the second, which brings together all the financial components (results of investments, effects of financial variables used in the valuations of the contracts, etc.). Changes in the estimates of the premiums (cash flows to be received) and payments (cash flows to be paid) are recognised in profit or loss, but are “spread” over the entire remaining contractual lifetime of the policies concerned;
- contract modifications: following contract modifications (agreed between the parties or due to regulatory changes) whose presence at inception would have resulted in the exclusion of the contract from the insurance area, IFRS 17 requires the derecognition and accompanying recognition of a new entry, measured according to the accounting standards that refer to it;

- approach for contracts with direct participation features: a specific approach is established for contracts that give the policyholders direct participation in the results of (some) assets held by the insurance company, according to which the entities have the option of recognising those changes in liabilities (due to variations in the yields of the hedging assets, and therefore essentially related to the variable component of revenue) in other comprehensive income.

IFRS 17 therefore introduces new criteria for determining the earnings of insurance companies, also with a view to achieving better comparability of the financial disclosure produced by the competitors in the sector. These new criteria will lead to potential impacts in the design of new insurance products, as well as their pricing, and to new risk management approaches in relation to asset and liability management. The financial disclosure will see the introduction of new key performance indicators based on product margins compared to the current collected premiums used as a reference at both national and international level.

Lastly, the insurance companies will need to design a new target operational model that will enable the management of the new earnings measurements established by the standard, with significant investments both in terms of internal processes and information technology.

With regard to the Intesa Sanpaolo Group, the project to implement IFRS 17 in the companies of the Insurance Division began in June 2019 and is divided into several streams:

- definition of the methodological framework: the key topics have been identified, corresponding to the related methods (defined in the Technical Papers) in terms of product classification, determination of future cash flows and calculation of the "contractual service margin" or CSM, i.e. the new financial statement caption introduced by the standard, representing the company's future profits;
- evolution of information systems: the migration to the new SAP accounting system was completed in 2020 for all the companies except for the former UBI and Cargeas. During 2021, the implementation phase was started, aimed at including the part of the processes relating to the calculation of the forward-looking measures introduced by IFRS 17 into the accounting and financial reporting process. In October 2021, the migration of the technical accounting system to the SAP, DATA HUB and SAP FPSL system for the companies was started;
- the Big Picture of these projects, which includes the mapping of applications and their IT interfaces, defined in December 2020, was also confirmed for the former UBI companies in the life segment and for Intesa Sanpaolo RBM Salute;
- development of training activities for the entire duration of the project allocated across the technical and operational areas and top management;
- changes to processes and internal procedures: design work began on the new processes that are to be established in view of IFRS 17 and identification of the corporate functions involved;
- Parallel Run 2022: the sharing of operating scenarios was started for the IFRS 4/Local Gap and IFRS 17 lines for 2022. The IFRS 17 go live is planned for April 2022.

In order to assess the impacts on financial position upon First-Time Adoption (FTA) and the impacts on financial performance and representation of the results, the Insurance Division periodically conducts preliminary/sensitivity simulations (Financial Impact Assessments or "FIAs"). At the time of each simulation, a higher degree of complexity and adherence to the new Standard is achieved, so as to be able to assess the impact of the methodological choices being consolidated. The outcome of such simulations is still in the process of settling and at present it is impossible to quantify the final expected impact of the IFRS 17 introduction.

As regards the new life insurance companies that were formerly UBI, which joined the Insurance Division in 2020, in May 2021 the IFRS 17 project activities began, for the purpose of aligning the activities under way at the level of the insurance group.

For the purpose of completeness, also note Regulation no. 1080/2021 of 28 June 2021, which implements several less material amendments, published by the IASB on 14 May 2020, to the international accounting standards IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRS 3 Business Combinations. The amendments, which are not expected to have significant impacts on the Group, regard:

- IAS 16 – Cost components: introduces a prohibition on deducting the amounts received from the sale of articles produced while the company was preparing the asset for the intended use from the cost of property, plant and equipment. The company must recognise such proceeds from sales and the related costs in the income statement;
- IAS 37 – Onerous contracts: it is clarified that to assess whether a contract is onerous, all costs directly related to the contract, rather than incremental costs necessary for fulfilling the contract, must be included in the estimate. Accordingly, the assessment of whether a contract is onerous includes the incremental costs (for example, the cost of the direct materials used in processing), as well as all costs that the entity cannot avoid as a consequence of entering into the contract (for example, the portion of personnel expenses and depreciation of the machinery employed to fulfil the contract);
- IFRS 3 – Reference to Conceptual Framework: the reference to the new version of the 2018 Conceptual Framework was updated and an exception added to the requirements for recognising contingent liabilities pursuant to IFRS 3, in order to avoid modifications to pre-existing accounting methods. In addition, the prohibition on recognising contingent assets (i.e., assets whose existence will only be confirmed by uncertain future events) in business combinations was explicitly stated (previously, this prohibition was explicitly stated only in the Basis for Conclusion).

The Regulation in question also endorses the customary annual improvements, the Annual Improvements to IFRS Standards 2018-2020 Cycle, which clarify the formulation or correct errors, oversights or conflicts between the requirements of the Standards. Those minor amendments included changes to IFRS 9 Financial Instruments, providing several clarifications on the fees and commissions to be included in the 10% test for derecognising financial liabilities. In that regard, it is specified that only fees paid or collected between the parties are to be included, not fees directly attributable to third parties.

The amendments in question apply from 1 January 2022.

The table below shows the new international financial reporting standards or amendments to existing standards that have not yet been endorsed by the European Commission.

## IFRS not endorsed as at 31.12.2021

Standard/ Interpretation	Amendments	Date of issue
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	23/01/2020
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date	15/07/2020
IAS 1	Presentation of Financial Statements: Disclosure of accounting policies and IFRS Practice Statement 2: Disclosure of accounting policies	12/02/2021
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	12/02/2021
IAS 12	Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	7/05/2021
IFRS 17	Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	9/12/2021

As regards the IASB documents amending existing accounting standards pending endorsement, the following is noted:

- **Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”**, published on 23 January 2020 to propose certain narrow-scope amendments to IAS 1 Presentation of Financial Statements in order to clarify how to classify payables and other liabilities as current or non-current. The proposal in question clarifies - without amending - the current requirements of IAS 1; the clarifications aim to promote consistency in applying IAS 1 across companies to determine whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date are to be classified as current (due or potentially to be paid within one year) or non-current. A subsequent publication dated 15 July 2020 postponed the date of entry into force of the amendments by one year, until 1 January 2023 instead of 2022, without introducing additional amendments;
- **Disclosure of Accounting Policies – Amendments to IAS 1 and Practice Statement 2**: on 12 February 2021, the IASB issued narrow scope amendments to IAS 1 “Presentation of Financial Statements” and the IFRS Practice Statement 2 “Making Materiality Judgements”. The amendments aim to help companies in deciding which accounting policies to disclose in order to provide more useful information to investors and other primary users of financial statements. The amendments to IAS 1 require companies to provide information on material accounting policies, i.e. those that make it possible to understand the information reported in the financial statements on material transactions, for example, if:
  - the entity changes its accounting policy during the year, with resulting material effects on the financial statements;
  - the entity selected an accounting policy from the options set out in the IFRS;
  - an accounting policy was developed pursuant to IAS 8, without a specific reference standard;
  - the accounting policy pertains to a factor requiring the significant development of judgments and assumptions;
  - the transactions are complex and difficult for users of the financial statements to understand, for example, when a several IFRSs are applied to a class of material transactions.

In any case, entity-specific information is more useful than standard disclosures that replicate the provisions of the IFRSs. Instead, it is not necessary to illustrate the accounting policies relating to immaterial transactions or events and, in any case, that information must not obscure material information.

The amendments take effect for annual periods starting on or after 1 January 2023, following European endorsement.

- **Definition of Accounting Estimates – Amendments to IAS 8**: in February 2021, the Board issued several amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The amendments aim to clarify how to distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because the changes in accounting estimates are applied prospectively only to future transactions and events, while changes in accounting policies are generally applied retrospectively to past transactions and other events.

In this regard, the definition of accounting estimate is added – monetary amounts in financial statements that are subject to measurement uncertainty – and the interaction between accounting estimates and accounting policy is clarified, specifying that, in some cases, operators may have to use accounting estimates to achieve the objectives of their accounting policy. It is specified that accounting estimates are the result of measurement techniques that require the use of judgements or assumptions (input to develop accounting estimates). Measurement technique shall mean both estimation techniques, such as techniques used to estimate impairment applying the IFRS 9 model and valuation techniques, such as techniques used to measure the fair value of an asset or liability applying IFRS 13.

As a result, a change in accounting estimates may derive:

- a) from new information or new developments, provided that these are not corrections of errors, in line with the previous definition; and
- b) from a change in input or measurement technique used to develop an accounting estimate, unless these are corrections of errors from previous years. In this regard, the doubt arose that the effect of a change in a measurement technique could be interpreted both as a change in estimates and as a change in an accounting policy.

In the Basis for Conclusion, the Board noted that the changes made may not resolve all the application doubts identified by stakeholders. In these cases, when any uncertainty remains, it could be helpful to consider the requirement in paragraph 35: when it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the entity treats the change as a change in an accounting estimate.

The amendments take effect for annual periods starting on or after 1 January 2023, following endorsement by the European Commission.

- Deferred Tax related to Assets arising from a Single Transaction – Amendments to IAS 12: on 7 May 2021, the IFRS published the amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12”, to specify how entities should account for deferred tax relating to transactions such as leases and decommissioning obligations. The amendments in question specified that the exemption from recognition of a deferred tax liability or asset does not apply in the event of initial recognition of an asset or liability in a transaction that gives rise to equal amounts of taxable and deductible temporary differences (even if at the time of the transaction it does not impact on either the book value of profit or the taxable profit/tax loss).

The case related to the above is applicable to the accounting of lease transactions in which the lessee initially recognises in the Balance sheet the right of use and the corresponding lease liability, which are generally of equal amounts. Based on the applicable tax legislation, equal amounts of taxable and deductible temporary differences may arise. As mentioned, the amendment published specifies that in those cases, the exemption set out in paragraphs 15 and 24 of IAS 12 shall not apply and the lessee shall recognise the resulting deferred tax liabilities and assets.

The amendments take effect for financial years starting on or after 1 January 2023, with early application permitted, following endorsement by the European Commission.

- Initial Application of IFRS 17 and IFRS 9 – Comparative Information: on 9 December 2021, the IASB published the document “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”, which contains some narrow-scope amendments to the requirements for transition to IFRS 17 Insurance Contracts; no other amendments to the provisions of IFRS 17 are envisaged. As is known, many insurance companies will simultaneously apply, for the first time, both IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments, and several insurance companies have informed the Board of possible significant temporary accounting misalignments on application of the new standards, which could make it more difficult to communicate accounting changes to investors. Those misalignments could occur when IFRS 9 is not applied in accounting for financial assets in comparison periods presented on first-time adoption of IFRS 17 and IFRS 9. Insurance companies may defer the date of adoption of IFRS 9 up to 1 January 2023, which is thus the initial application date of the standard. With regard to preparation of comparative periods, pursuant to IFRS 9 it is permitted, but not required, to restate the comparison periods. For financial instruments derecognised before the date of initial application (i.e. prior to 1 January 2023 for insurance companies) restatement is not permitted, even in the event of voluntary restatement of the comparison period. Vice versa, under IFRS 17, it is required that the comparison period be restated. The proposed amendment deals with this issue by introducing an option to represent comparative information relating to specific financial assets in line with IFRS 9. Applying the amendment, the entity is authorised to present comparative information on specific financial assets as if the classification and measurement requirements of IFRS 9 were applied to them. No amendments to the requirements for transition to IFRS 9 are envisaged.

In summary, an entity jointly applying IFRS 17 and IFRS 9 for the first time can choose to apply the classification overlay for the purpose of preparing the comparative information for specific financial assets in line with IFRS 9. Any difference between the previous carrying amount of the financial asset and that at the transition date resulting from the application of the overlay must be recognised in opening shareholders' equity (shareholders' equity reserve or OCI reserve, depending on the case).

More specifically, the classification overlay proposal:

- is applicable to financial assets that are not restated in the comparison period pursuant to IFRS 9;
- aligns the classification of these financial assets with the expected classification in accordance with IFRS 9, using reasonable and supportable information, without, however, requiring the application of the impairment requirements set out in IFRS 9;
- is optional, selecting which financial assets to which to apply it (on an instrument-by-instrument basis).

For the purpose of completeness, note that, for entities that first apply IFRS 17 but already apply IFRS 9, specific provisions are set out that permit the redesignation of financial assets linked to insurance contracts that were derecognised during the comparison period.

## SECTION 2 – GENERAL PREPARATION PRINCIPLES

The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows, the Notes to the consolidated financial statements and the related comparative information; the Report on operations prepared by the Directors, on the economic results achieved and on the Intesa Sanpaolo Group's balance sheet and financial position has also been included. In compliance with the provisions of Article 5 of Legislative Decree 38/2005, the financial statements have been drawn up in euro as functional currency.

The amounts indicated in the Consolidated financial statements and in the Notes to the consolidated financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.

The financial statements are prepared with the application of the general principles set out by IAS 1 and the specific financial reporting standards endorsed by the European Commission and illustrated in Part A.2 of these Notes to the consolidated financial statements, as well as in compliance with the general assumptions set forth by the Conceptual Framework for the preparation and presentation of Financial Statements issued by IASB.

No exceptions to the application of IAS/IFRS have been made.

The Report on operations and the Notes to the consolidated financial statements contain all information required by the IAS/IFRS, by current regulations, by the Bank of Italy, by Consob (Italian Securities and Exchange Commission) and by the European Securities and Markets Authority - ESMA, in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair presentation of the Group's situation. In addition, account was taken of documents providing interpretation and support with the application of accounting standards in relation to the



impacts of COVID-19 issued by European regulatory and supervisory authorities and the standard-setters illustrated in further detail in Section 5 - Other aspects.

As regards the information by business segment, during 2021 a revision was carried out of the allocation methods for costs and revenues between the Business Units and Corporate Centre, also in relation to the need to integrate UBI Banca in accordance with the segment reporting approaches of the Intesa Sanpaolo Group.

More specifically, as regards revenues, the context featuring market interest rates that continue to be negative and the growth in the cost of excess liquidity led to the suspension of the management retrocession by the Corporate Centre to Banca dei Territori of the figurative model hedging of core deposits modelled for interest rate risk. Likewise, the introduction of a regulatory limit of NSFR of 100% entailed the introduction of an equivalent limit also for Global Market operations of the IMI C&IB Division, limiting the benefits in favour of the Division. Moreover, the Divisions were assigned certain fee and commission expenses which, due to the fine-tuning of the reporting methods, were identified as pertinent to the business operations performed by the Divisions.

As part of a gradual fine-tuning of the approaches and allocation methods for costs, it was decided to fully allocate the costs connected to the provision of service activities and to charge back to the Divisions most of the costs connected with the “guidance and control activities”.

Specifically regarding the latter category of costs, though not directly attributable to the Divisions, it was decided to allocate them to the Divisions to strengthen the approach of joint accountability for institutional, strategic or guidance and control initiatives, also to favour increased attention to the consumption of resources, irrespective of the nature of the expense considered in each case.

Lastly, the methodology for allocating the levies and charges for the banking industry was revised, due to the allocation to the Divisions of the specific component relating to the Deposit Guarantee Scheme, which was accurately recalculated based on the guaranteed deposits collected by the various business units. The possibility of collecting deposits from retail customers at more favourable conditions than those of the wholesale market is a benefit for the business units which was considered appropriate to correlate with the costs incurred to guarantee the deposits collected, to improve the representation of the net profitability actually generated.

The most significant impacts quantified on the Corporate Centre in 2021 regarded:

- around 710 million euro in higher net interest income, of which around 600 million euro relating to the elimination of the recognition to the Banca dei Territori Division of the benefit of the interest rate risk model on demand deposits, and around 110 million euro attributable to the increase to 100% of the internal NSFR assigned to the Global Markets area of the IMI C&IB Division;
- around 90 million euro due to lower fee and commission expense paid to third parties for electronic services, credit recovery and other services, primarily attributable to the Banca dei Territori Division and, to a lesser extent, to the IMI C&IB Division, based on sustainable criteria of correlation with the business conducted by the Divisions;
- around 720 million euro in lower operating costs due to the full allocation to the Divisions of all costs connected with the provision of services (around 160 million euro), completing a fine-tuning process launched in 2020 in line with the business approach of the Internal Pricing Model, as well as the transfer to the Divisions, based on suitable drivers, of most of the costs connected with “guidance and control activities” (around 560 million euro);
- around 230 million euro in lower charges relating to the Deposit Guarantee Scheme, represented in the reclassified income statement in the caption Levies and other charges concerning the banking industry (net of tax), specifically reallocated to the Banca dei Territori Division and, to a lesser extent, to the Private Division and the International Subsidiary Banks Division.

The balance sheets and the related details in the Notes present, in accordance with IFRS 5, among components related to discontinued operations bad loans or UTP portfolios or single positions that will be subject to sale in 2022, the investment in Zhong Ou Asset Management Co. Ltd. (ZOAM), whose closing, once the authorisation process has been completed, is expected by the end of 2022, as well as the assets and liabilities relating to the Banca 5 business line dedicated to payment operations, and several commercial activities which will be transferred to Mooney in the first half of 2022.

The financial statement forms and the Notes to the financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2020.

In that regard, comparison data were also provided, where pertinent, in compliance with the provisions of the 7th update to Circular 262, which, as main changes to representation in the financial statements, required that:

- i) several categories of financial assets (on demand receivables due from banks and purchased and originated credit-impaired loans) be represented in the same manner set out in harmonised European reporting (FINREP);
- ii) with regard to intangible assets, specific information be provided on software that is not an integral part of hardware, in accordance with IAS 38;
- iii) fee and commission income and expense be illustrated in accordance with a different detailed layout;
- iv) contributions to the Resolution Fund and Deposit Guarantee Schemes have separate disclosure in the captions.

With reference to the UBI Group entering the scope of consolidation in August 2020, it is noted that the income statement accounts, as well as the tables of the notes to the consolidated financial statements referring to the previous year were not restated to include the income statement amounts of the UBI Group for the 12 months, and, therefore, are not readily comparable with the 2021 figures.

The Attachments include the reconciliation statements to the Balance sheet and Income statement figures originally published in the 2020 financial statements, together with specific reconciliations between the latter and the reclassified statements (restated and redetermined) included in the Report on operations accompanying these financial statements.

## Contents of financial statement forms

### Balance sheet and Income statement

The compulsory forms of the Balance sheet and Income statement are made up of captions, sub-captions and further detailed information (specified as the "of which" items in the captions and sub-captions).

Following the Group's decision to exercise the option of adopting the Deferral Approach, provided for by IFRS 9 "Financial Instruments" also for banking-led financial conglomerates, under which the financial assets and liabilities of subsidiary insurance companies continue to be recognised in the financial statements in accordance with IAS 39, specific Balance sheet and Income statement captions have been added to the consolidated financial statement layouts established in Circular 262 to present the valuation of assets and liabilities pertaining to insurance companies and the related profit or loss effects measured in accordance with IAS 39.

In the interests of completeness, it should be noted that with regard to the compulsory forms defined by the Bank of Italy, captions which do not have amounts for the reporting year and the previous year have also been shown. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

### Statement of comprehensive income

The statement of comprehensive income shows, starting from the net income/(loss) for the year, the income components recognised as a balancing entry in valuation reserves, net of the tax effect, in compliance with international financial reporting standards.

Consolidated comprehensive income is represented by providing separate recognition of the income components that will not be reversed to the income statement in the future and those which, conversely, could later be reclassified to income/(loss) for the year under specific conditions. The statement also distinguishes between the portion of income pertaining to the Parent Company and that pertaining to minority interests. Similarly to the Balance sheet and the Income statement, with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for the reporting year and the previous year are in any case included. Negative amounts are preceded by the minus sign.

### Changes in shareholders' equity

The statement of changes in shareholders' equity presents shareholders' equity accounts and changes which occurred in the reference year and in the previous year, broken down in share capital, reserves, reserves from retained earnings, valuation reserves and net income. Treasury shares are deducted from shareholders' equity. The table is presented by inverting the rows and the columns with respect to the same form provided for by the updating of Bank of Italy Circular 262/2005.

### Statement of cash flows

The statement of cash flows registered in the reference year and in the previous year is prepared using the indirect method, on the basis of which cash flows from operating activities are represented by net income adjusted for the effects of non-cash transactions.

Cash flows are broken down into flows from operating activities, from investing activities and from financing activities.

In the form, cash flows generated in the year are indicated without sign, whereas cash flows absorbed are preceded by the minus sign.

## Contents of the Notes to the consolidated financial statements

The Notes to the consolidated financial statements include the information provided for by International Financial Reporting Standards and Circular 262 issued by the Bank of Italy on 22 December 2005 and subsequently amended, applicable for the preparation of these financial statements. As already mentioned in relation to the financial statements, as a result of the application of the Deferral Approach by the Group's insurance companies, the disclosures in the explanatory notes envisaged by Circular 262 have been supplemented with the tables required by the previous 4th update of Circular 262 to present the information required by IAS 39.

## SECTION 3 – SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

### Scope of consolidation

The Consolidated financial statements include Intesa Sanpaolo and the companies that it directly and indirectly controls and consider in the scope of consolidation – as specifically set out by IAS/IFRS – also the companies operating in dissimilar sectors from the Parent Company as well as private equity investments. Similarly, structured entities are included when the requisite of effective control recurs, even if there is no stake in the company.

Companies are considered subsidiaries where Intesa Sanpaolo is exposed to, or has rights to, variable returns from its involvement with them, and has the ability to affect those returns by exercising its own power over the entity in question.

Control only exists if all of the following conditions are met:

- the power to direct the relevant activities of the subsidiary;
- the exposure, or rights, to variable returns from the involvement with the investee;
- the ability to use the power over the investee to affect the amount of the investor's returns.

Companies are considered as subject to joint control if control is directly or indirectly contractually shared by the Parent Company with one or more other parties external to the Group, or where the decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Companies are considered associates, that is subject to significant influence, when Intesa Sanpaolo, directly or indirectly, holds 20% or more of the voting rights (including "potential" voting rights) or when the Parent Company – despite a lower percentage of voting rights due to specific legal agreements such as the participation of voting syndicates – has the power of participating in the determination of the financial and operating policies of the company.

Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital are excluded from the scope of consolidation and are classified based on the provisions of IFRS 9, since they are of limited absolute amount, or since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, and does not have access to management policies and may exercise limited governance rights to safeguard its economic interest.

Equity investments held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation. These equity investments are included in the category of Financial assets measured at fair value through profit or loss.

Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

The amendments made in the consolidation scope compared to 31 December 2020 concern the inclusion in the line-by-line scope of consolidation of:

- RB Participations;
- Reyl & Cie;
- Asteria Investment Managers;
- Cargeas Assicurazioni;
- Assicurazioni Vita (former Aviva Vita) and Lombarda Vita, then merged by incorporation into Intesa Sanpaolo Vita as of 31 December 2021;
- Exetra;
- Intesa Sanpaolo House Luxembourg.

The exits regarded Intesa Sanpaolo Forvalue (contributed to Innolva, 75% owned by Tinexta and 25% by Intesa Sanpaolo) as well as the companies indicated below, now consolidated according to the equity method in view of the limited materiality and significance of the interests held:

- UBI Finance CB 2;
- Morval Bank & Trust Cayman Ltd.;
- UBI Finance;
- ISP CB Ipotecario;
- ISP OBG;
- ISP CB Pubblico.

The companies listed below are no longer in the scope of line-by-line consolidation, as they were subject to merger by incorporation within the Group (thus, without impacts at consolidated level):

- BancAssurance Popolari, merged into Intesa Sanpaolo Vita as of 31 December 2021;
- UBI Banca, merged into Intesa Sanpaolo;
- UBI Sistemi e Servizi (UBI.S), merged into Intesa Sanpaolo;
- UBI Factor, merged by incorporation into Intesa Sanpaolo;
- Pramerica SGR, merged into Eurizon Capital;
- Pramerica Management Company, merged into Eurizon Capital S.A. Luxembourg;
- Kedomus (former UBI Group), merged into the new IMMIT;
- Financière Fideuram, merged by incorporation into Fideuram - Intesa Sanpaolo Private Banking.

Lastly, for completeness, please note the following changes of name:

- UBI Sicura into Intesa Sanpaolo Insurance Agency;



- Vub Asset Management sprav. spol. A.S. into Eurizon Asset Management Slovakia Sprav. Spol. A.S.;
- Cib Investment Fund Management Ltd., into Eurizon Asset Management Hungary Ltd.;
- BPB Immobiliare into IMMIT - Immobili Italiani;
- Pbz Invest D.O.O. into Eurizon Asset Management Croazia Ltd.

The following table lists the investments in exclusively controlled companies at 31 December 2021.

## 1. Exclusively controlled companies

Companies	Place of business	Registered office	Type of relationship (a)	INVESTMENT		Votes available (b)
				Direct ownership	% held	
1 Asteria Investment Managers S.A. Capital Chf 14,000,000	Geneva	Geneva	1	REYL & Cie	64.00	
2 Banca 5 S.p.A. Capital Eur 30,000,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
3 Banca Comerciala Eximbank S.A. Capital Mdl 1,250,000,000	Chişinău	Chişinău	1	Intesa Sanpaolo	100.00	
4 Banca Intesa AD Beograd Capital Rsd 21,315,900,000	Novi Beograd	Beograd	1	Intesa San Paolo Holding International	100.00	
5 Bank of Alexandria Capital Egp 800,000,000	Cairo	Cairo	1	Intesa Sanpaolo	80.00	
6 Banka Intesa Sanpaolo d.d. (d) Capital Eur 22,173,218	Koper	Koper	1	Intesa Sanpaolo Privredna Banka Zagreb	48.13 51.00	99.13
7 Cargeas Assicurazioni S.p.A. Capital Eur 32,812,000	Milano	Milano	1	Intesa Sanpaolo Vita	100.00	
8 Cib Bank Ltd. Capital Huf 50,000,000,003	Budapest	Budapest	1	Intesa Sanpaolo	100.00	
9 CIB Insurance Broker Ltd. Capital Huf 10,000,000	Budapest	Budapest	1	Cib Bank	100.00	
10 CIB Leasing Ltd. Capital Huf 53,000,000	Budapest	Budapest	1	Cib Bank	100.00	
11 CIB Rent Operative Leasing Ltd. Capital Huf 5,000,000	Budapest	Budapest	1	Cib Bank	100.00	
12 Colline e oltre S.p.A. (h) Capital Eur 50,000	Pavia	Pavia	1	Intesa Sanpaolo	51.00	
13 Compagnia Italiana Finanziaria - CIF S.r.l. Capital Eur 10,000	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture	61.45	
14 Consorzio Studi e ricerche fiscali Gruppo Intesa Sanpaolo (h) Capital Eur 258,228	Roma	Roma	1	Eurizon Capital SGR Fideuram Intesa Sanpaolo Private Banking Intesa Sanpaolo Intesa Sanpaolo Vita	5.00 7.50 80.00 7.50	100.00
15 Duomo Funding Plc (e)	Dublin	Dublin	2	Intesa Sanpaolo	-	
16 Epsilon SGR S.p.A. Capital Eur 5,200,000	Milano	Milano	1	Eurizon Capital SGR	100.00	
17 Etoile François Premier S.a.r.l. (c) Capital Eur 5,000	Paris	Paris	1	Risanamento Europa	100.00	
18 Eurizon Asset Management Croatia Ltd. Capital Hrk 5,000,000	Zagreb	Zagreb	1	Eurizon asset Management Slovakia Sprav. Spol.	100.00	
19 Eurizon Asset Management Hungary Ltd. Capital Huf 600,000,000	Budapest	Budapest	1	Eurizon asset Management Slovakia Sprav. Spol.	100.00	
20 Eurizon Asset Management Slovakia Sprav. Spol. A.S. Capital Eur 4,093,560	Bratislava	Bratislava	1	Eurizon Capital SGR	100.00	
21 Eurizon Asia Capital limited (già Eurizon Capital (HK) Limited) (h) Capital Hkd 78,000,000	Hong Kong	West Kowloon	1	Eurizon Capital SGR	100.00	
22 Eurizon Capital Real Asset SGR S.p.A.(h) Capital Eur 2,500,000	Milano	Milano	1	Eurizon Capital SGR Intesa Sanpaolo Vita	51.00 49.00	100.00
23 Eurizon Capital S.A. Capital Eur 7,974,600	Luxembourg	Luxembourg	1	Eurizon Capital SGR	100.00	
24 Eurizon Capital SGR S.p.A. Capital Eur 99,000,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
25 Eurizon Slj Capital Ltd. Capital Gbp 1,001,000	London	London	1	Eurizon Capital SGR Eurizon Capital SGR	65.00	

Companies	Place of business	Registered office	Type of relationship (a)	INVESTMENT		Votes available (b)
				Direct ownership	% held	
26 Exelia S.r.l. (h) Capital Ron 8,252,600	Brasov	Brasov	1	Intesa Sanpaolo Holding International	100.00	
27 Exetra S.p.A. Capital Eur 158,000	Milano	Milano	1	Intesa Sanpaolo	85.00	
28 Fideuram - Intesa Sanpaolo Private Banking S.p.A. Capital Eur 300,000,000	Torino	Torino	1	Intesa Sanpaolo	100.00	
29 Fideuram Asset Management (Ireland) Dac (già Fideuram Asset Management (Ireland) Ltd.) Capital Eur 1,000,000	Dublin	Dublin	1	Fideuram - Intesa Sanpaolo Private Banking	100.00	
30 Fideuram Asset Management SGR Capital Eur 25,870,000	Milano	Milano	1	Fideuram - Intesa Sanpaolo Private Banking	99.52	
31 Fideuram Asset Management Uk (h) Capital Gbp 100,000	London	London	1	Fideuram Asset Management (Ireland)	100.00	
32 Fideuram Bank (Luxembourg) S.A. Capital Eur 40,000,000	Luxembourg	Luxembourg	1	Fideuram Intesa Sanpaolo Private Banking	100.00	
33 Fideuram Vita S.p.A.  Capital Eur 357,446,836	Roma	Roma	1	Fideuram Intesa Sanpaolo Private Banking	19.99	
				Intesa Sanpaolo	80.01	
					100.00	
34 Gap Manco Sarl (h) Capital Eur 12,500	Luxembourg	Luxembourg	1	REYL & Cie	100.00	
35 Iberia Distressed Asset Manager Sarl (h) Capital Eur 12,500	Luxembourg	Luxembourg	1	REYL Finance (MEA)	100.00	
36 IIF SME Manager Ltd. (h) Capital Usd 1,000	George Town	George Town	1	Asteria Investment Managers	100.00	
37 IMI Capital Markets USA Corp. Capital Usd 5,000	New York	New York	1	IMI Investments	100.00	
38 IMI Finance Luxembourg S.A. (h) Capital Eur 100,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
39 IMI Investments S.A. Capital Eur 21,660,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
40 IMMIT - Immobili Italiani S.r.l. Capital Eur 185,680,000	Bergamo	Bergamo	1	Intesa Sanpaolo	100.00	
41 Immobiliare Cascina Rubina S.r.l. (c) Capital Eur 10,000	Milano	Milano	1	Risanamento	100.00	
42 IN.FRA - Investire nelle Infrastrutture S.r.l. Capital Eur 10,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
43 Iniziative Logistiche S.r.l. Capital Eur 10,000	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture	60.02	
44 Intesa Invest A.D. Beograd (h) Capital Rsd 236,975,800	Beograd	Beograd	1	Banca Intesa AD Beograd	100.00	
45 Intesa Leasing (Closed Joint-Stock Company) Capital Rub 3,000,000	Moscow	Moscow	1	Joint-Stock Company Banca Intesa	100.00	
46 Intesa Leasing d.o.o. Beograd Capital Rsd 960,374,301	Beograd	Beograd	1	Banca Intesa AD Beograd	100.00	
47 Intesa Sanpaolo (Qingdao) Service Company Limited Capital Cny 80,000,000	Qingdao	Qingdao	1	Intesa Sanpaolo	100.00	
48 Intesa Sanpaolo Agents4you S.p.A. (h) Capital Eur 120,000	Torino	Torino	1	Intesa Sanpaolo	100.00	
49 Intesa Sanpaolo Assicura S.p.A. Capital Eur 27,912,258	Torino	Torino	1	Intesa Sanpaolo Vita	100.00	
50 Intesa Sanpaolo Bank Albania Sh.A. Capital All 5,562,517,674	Tirana	Tirana	1	Intesa Sanpaolo	100.00	
51 Intesa Sanpaolo Bank Ireland Plc Capital Eur 400,500,000	Dublin	Dublin	1	Intesa Sanpaolo	100.00	
52 Intesa Sanpaolo Bank Luxembourg S.A. Capital Eur 1,389,370,555	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	

Companies	Place of business	Registered office	Type of relationship (a)	INVESTMENT		Votes available (b)
				Direct ownership	% held	
53 Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Capital Bm 44,782,000	Sarajevo	Sarajevo	1	Privredna Banka Zagreb	99.99	100.00
54 Intesa Sanpaolo Brasil S.A. - Banco Multiplo Capital Brl 934,378,309	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo Intesa Sanpaolo Holding International	99.90 0.10	100.00
55 Intesa Sanpaolo Casa S.p.A. (h) Capital Eur 1,000,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
56 Intesa Sanpaolo Expo Institutional Contact S.r.l. (h) Capital Eur 50,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
57 Intesa Sanpaolo Formazione S.p.A (h) Capital Eur 174,600	Milano	Milano	1	Intesa Sanpaolo	100.00	
58 Intesa Sanpaolo Funding LLC (già Intesa Funding LLC) Capital Usd 25,000	New York	Wilmington	1	Intesa Sanpaolo	100.00	
59 Intesa Sanpaolo Harbournmaster III S.A. Capital Eur 5,500,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
60 Intesa Sanpaolo Highline S.r.l. (h) Capital Eur 500,000	Torino	Torino	1	Intesa Sanpaolo	100.00	
61 Intesa Sanpaolo Holding International S.A. Capital Eur 2,157,957,270	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
62 Intesa Sanpaolo House Luxembourg S.A. Capital Eur 24,990,317	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
63 Intesa Sanpaolo Imi Securities Corp. Capital Usd 44,500,000	New York	New York	1	IMI Capital Markets USA Corp.	100.00	
64 Intesa Sanpaolo Innovation Center S.p.A. Capital Eur 9,254,940	Torino	Torino	1	Intesa Sanpaolo Intesa Sanpaolo Vita	99.99 0.01	100.00
65 Intesa Sanpaolo Insurance Agency S.p.A. Capital Eur 500,000	Torino	Torino	1	Intesa Sanpaolo Vita	100.00	
66 Intesa Sanpaolo International Value Services Ltd. Capital Hrk 100,000	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International	100.00	
67 Intesa Sanpaolo Life Designed activity company (già Intesa Sanpaolo Life Ltd.) Capital Eur 625,000	Dublin	Dublin	1	Intesa Sanpaolo Vita	100.00	
68 Intesa Sanpaolo Private Argentina S.A. (h) Capital Ars 13,404,506	Buenos Aires	Buenos Aires	1	Fideuram Intesa Sanpaolo Private Banking Intesa Sanpaolo Private Bank (Suisse) Morval	4.97 95.03	100.00
69 Intesa Sanpaolo Private Bank (Suisse) Morval S.A. Capital Chf 22,217,000	Geneva	Geneva	1	REYL & Cie	100.00	
70 Intesa Sanpaolo Private Banking S.p.A. Capital Eur 117,497,424	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking	100.00	
71 Intesa Sanpaolo Provis S.p.A. Capital Eur 6,725,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
72 Intesa Sanpaolo RBM Salute S.p.A. (g) Capital Eur 269,000,000	Venezia	Venezia	1	Intesa Sanpaolo Vita	70.26	
73 Intesa Sanpaolo RE.O.CO. S.p.A. Capital Eur 13,000,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
74 Intesa Sanpaolo Rent FORYOU S.p.A. (i) Capital Eur 630,000	Torino	Torino	1	Intesa Sanpaolo	60.00	
75 Intesa Sanpaolo Romania S.A. Commercial Bank Capital Ron 1,156,639,410	Bucharest	Bucharest	1	Intesa Sanpaolo Intesa Sanpaolo Holding International	99.73 0.27	100.00
76 Intesa Sanpaolo Servicos e empreendimentos Ltda. em Liquidacao (h) Capital Brl 3,283,320	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo	100.00	
77 Intesa Sanpaolo Servitia S.A. Capital Eur 1,500,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	

Companies	Place of business	Registered office	Type of relationship (a)	INVESTMENT		Votes available (b)
				Direct ownership	% held	
78 Intesa Sanpaolo Smart Care S.r.l. Capital Eur 1,633,000	Torino	Torino	1	Intesa Sanpaolo Intesa Sanpaolo Vita	51.01 <u>48.99</u> 100.00	
79 Intesa Sanpaolo Vita S.p.A. Capital Eur 320,422,509	Torino	Torino	1	Intesa Sanpaolo	99.99	
80 Inveniam S.A. (h) Capital Chf 50,000	Zurich	Zurich	1	REYL Private Office Luxemburg	100.00	
81 ISP CB Ipotecario S.r.l. (h) Capital Eur 120,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
82 ISP CB Pubbico S.r.l. (h) Capital Eur 120,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
83 ISP OBG S.r.l. (h) Capital Eur 42,038	Milano	Milano	1	Intesa Sanpaolo	60.00	
84 IW BANK S.p.A. Capital Eur 67,950,000	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking	100.00	
85 Joint-Stock Company Banca Intesa Capital Rub 10,820,180,800	Moscow	Moscow	1	Intesa Sanpaolo Intesa Sanpaolo Holding International	46.98 <u>53.02</u> 100.00	
86 Lux Gest Asset Management S.A. Capital Eur 200,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Bank Luxembourg	100.00	
87 Mecenate S.r.l. in liquidazione (h) Capital Eur 10,000	Arezzo	Arezzo	1	Intesa Sanpaolo	95.00	
88 Milano Santa Giulia S.p.A. (c) Capital Eur 139,041	Milano	Milano	1	Risanamento	100.00	
89 Morval Bank & Trust Cayman Ltd. (h) Capital Eur 7,850,000	George Town	George Town	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.00	
90 Morval Vonwiller Advisors S.A. (h) Capital Uyu 495,000	Montevideo	Montevideo	1	Intesa Sanpaolo Private Bank (Suisse) Morval	100.00	
91 MSG Comparto Quarto S.r.l. (c) Capital Eur 20,000	Milano	Milano	1	Milano Santa Giulia	100.00	
92 MSG Comparto Secondo S.r.l. (c) Capital Eur 50,000	Milano	Milano	1	Milano Santa Giulia	100.00	
93 MSG Comparto Terzo S.r.l. (c) Capital Eur 20,000	Milano	Milano	1	Milano Santa Giulia	100.00	
94 Neva S.G.R S.p.A. (già Imi Fondi Chiusi S.p.A.) (h) Capital Eur 2,000,000	Torino	Torino	1	Intesa Sanpaolo Innovation Center	100.00	
95 New CO 123 S.p.A. (h) Capital Eur 600,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
96 Obviam AG S.A. (h) Capital Chf 500,000	Bern	Bern	1	Asteria Investment Managers	100.00	
97 OOO Intesa Realty Russia (h) Capital Rub 10,000	Moscow	Moscow	1	Intesa Sanpaolo	100.00	
98 Oro Italia Trading S.p.a. in liquidazione (h) Capital Eur 500,000	Arezzo	Arezzo	1	Intesa Sanpaolo	100.00	
99 PBZ Card d.o.o. Capital Hrk 43,422,200	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
100 PBZ Leasing d.o.o. Capital Hrk 15,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
101 PBZ Stambena Stedionica d.d. Capital Hrk 115,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb	100.00	
102 Porta Nuova Gioia Capital Eur 6,585,050	Milano	Milano	1	Intesa Sanpaolo	100.00	
103 Portugal Real Estate Opportunities Manager Sarl (h) Capital Eur 12,500	Luxembourg	Luxembourg	1	REYL Finance (MEA)	100.00	
104 Pravex Bank Public Joint-Stock Company Capital Uah 979,089,724	Kiev	Kiev	1	Intesa Sanpaolo	100.00	

Companies	Place of business	Registered office	Type of relationship (a)	INVESTMENT		Votes available (b)
				Direct ownership	% held	
105 Prestitalia S.p.A. Capital Eur 205,722,715	Bergamo	Bergamo	1	Intesa Sanpaolo	100.00	
106 Private Equity International S.A. (f) Capital Eur 107,000,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo	94.39	100.00
107 Privredna Banka Zagreb d.d. Capital Hrk 1,907,476,900	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International	97.47	
108 Qingdao Yicai Fund Distribution Co. Ltd. Capital Cny 491,000,000	Qingdao	Qingdao	1	Intesa Sanpaolo	100.00	
109 RB Participations S.A. Capital Chf 100,000	Geneva	Geneva	1	Fideuram Intesa Sanpaolo Private Banking	100.00	
110 Recovery Property Utilisation and Services Zrt. Capital Huf 20,000,000	Budapest	Budapest	1	Cib Bank	100.00	
111 REYL & Cie (Malta) Holding Ltd. (h) Capital Eur 730,000	Valletta	Valletta	1	REYL & Cie	100.00	
112 REYL & Cie (Malta) Ltd. (h) Capital Eur 730,000	Valletta	Valletta	1	REYL & Cie (Malta) Holding	100.00	
113 REYL & Cie S.A. (l) Capital Chf 31,500,001	Geneva	Geneva	1	Fideuram Intesa Sanpaolo Private Banking RB Participations	39.00 30.00	
					69.00	
114 REYL & CO (UK) Llp. (h) Capital Gbp 2,500,000	London	London	1	REYL & CO Holdings	100.00	
115 REYL & CO Holdings Ltd. (h) Capital Gbp 2,400,000	London	London	1	REYL & Cie	100.00	
116 REYL Finance (MEA) Ltd. (h) Capital Usd 2,875,000	Dubai	Dubai	1	REYL & Cie	100.00	
117 REYL Overseas S.A. (h) Capital Chf 500,000	Zurich	Zurich	1	REYL & Cie	100.00	
118 REYL Prime Solution S.A. en Liquidation (h) Capital Chf 100,000	Geneva	Geneva	1	REYL & Cie	100.00	
119 REYL Private Office Luxembourg Sarl (h) Capital Eur 50,000	Luxembourg	Luxembourg	1	REYL & Cie	100.00	
120 REYL Singapore Holding Pte. Ltd. (h) Capital Sgd 1,201	Singapore	Singapore	1	REYL & Cie	75.00	
121 REYL Singapore Pte. Ltd. (h) Capital Sgd 500,000	Singapore	Singapore	1	REYL & Cie REYL Singapore Holding Pte.	76.00 24.00	
					100.00	
122 Ri. Rental S.r.l. (c) Capital Eur 10,000	Milano	Milano	1	Risanamento	100.00	
123 Risanamento Europa S.r.l. (c) Capital Eur 10,000	Milano	Milano	1	Risanamento	100.00	
124 Risanamento S.p.A. (c) Capital Eur 197,951,784	Milano	Milano	1	Intesa Sanpaolo	48.88	
125 Romulus Funding Corporation (e)	New York	New York	2	Intesa Sanpaolo	-	
126 Sanpaolo Invest SIM S.p.A. Capital Eur 15,264,760	Torino	Torino	1	Fideuram Intesa Sanpaolo Private Banking	100.00	
127 Società Benefit Cimarosa 1 S.p.A. (h) Capital Eur 100,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
128 Società Italiana di Revisione e Fiduciaria – S.I.R.E.F. S.p.A. Capital Eur 2,600,000	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking	100.00	
129 SRM Studi e Ricerche per il Mezzogiorno (h) Capital Eur 90,000	Napoli	Napoli	1	Intesa Sanpaolo	60.00	25.00
130 Sviluppo Comparto 3 S.r.l. (c) Capital Eur 50,000	Milano	Milano	1	Milano Santa Giulia	100.00	
131 UBI Finance CB 2 S.r.l. in liquidazione (h) Capital Eur 10,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
132 UBI Finance S.r.l. (h) Capital Eur 10,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
133 UBI Leasing S.p.A. Capital Eur 383,714,623	Brescia	Brescia	1	Intesa Sanpaolo	100.00	
134 UBI Trustee S.A. (h) Capital Eur 250,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	

	Companies	Place of business	Registered office	Type of relationship (a)	INVESTMENT		Votes available (b)
					Direct ownership	% held	
135	Vseobecna Uverova Banka A.S. Capital Eur 430,819,064	Bratislava	Bratislava	1	Intesa Sanpaolo Holding International	100.00	
136	VUB Leasing A.S. Capital Eur 46,600,000	Bratislava	Bratislava	1	Vseobecna Uverova Banka	100.00	
137	Vub Operating Leasing (h) Capital Eur 25,000	Bratislava	Bratislava	1	Vseobecna Uverova Banka	100.00	

(a) Type of relationship:

- 1 - majority of voting rights at Ordinary Shareholders' Meeting;  
2 - other forms of control.

(b) Where different from the % portion, the availability of the votes in the Ordinary Shareholders' Meeting is indicated, distinguishing between the effective and potential voting rights, where applicable.

(c) Company not subject to the management and coordination activities pursuant to art. 2497 and following of the Italian Civil Code.

(d) Minority shareholders are subject to a legal commitment to purchase the remaining 0.87% of share capital.

(e) Company controlled pursuant to IFRS 10, although the Group does not hold any equity stake in the company capital.

(f) On 23 December 2016, the subsidiary Private Equity International issued a new category of class C shares, equal to 5.6% of the company's capital. These shares do not carry the right to vote in the shareholders' meeting and their return is dependent on the financial performance of certain investments held by Private Equity International.

(g) Please note that there are put and call option agreements on 29.7% of share capital held by minority shareholders.

(h) Company consolidated using the equity method given its limited materiality.

(i) Please note that there are put and call option agreements on 40% of share capital held by minority shareholders.

(l) Please note that there are put and call option agreements on 31% of share capital held by minority shareholders.

## 2. Significant evaluations and assumptions in determining the scope of consolidation

As stated above, companies are considered subsidiaries where Intesa Sanpaolo is exposed to, or has rights to, variable returns from its involvement with them, and has the ability to affect those returns by exercising its own power over the entity in question.

Control only exists if all of the following conditions are met:

- the power to direct the relevant activities of the subsidiary;
- the exposure, or rights, to variable returns from the involvement with the investee;
- the ability to use the power over the investee to affect the amount of the investor's returns.

In particular, the Group considers the following factors in evaluating the existence of control:

- the purpose and the structure of the investee in order to identify its aims and relevant activities, or the activities that significantly affect the investee's returns, and how those activities are governed;
- power, in order to understand whether the Group has the contractual right to manage the relevant activities;
- the exposure to variable returns from the investee in order to evaluate whether the return recognised by the Group is subject to variations depending on the investee's returns.

Furthermore, in order to evaluate the existence of control, potential principal-agent relationships are taken into consideration. In order to evaluate whether the investee is acting as a principal or an agent, the Group takes account of the following factors:

- the decision-making power on the relevant activities of the subsidiary;
- the rights of other parties;
- the payments to which the Group is entitled;
- the Group's exposure to variable returns resulting from any investment in the investee.

IFRS 10 identifies relevant activities as activities of the investee that significantly affect the investee's returns.

In general terms, when the relevant activities are managed through voting rights, the following factors determine evidence of control:

- direct ownership, or indirect ownership through its subsidiaries, of more than half the voting rights of an entity, unless in exceptional circumstances it can be clearly demonstrated that such ownership does not constitute control;
- ownership of half, or less, of the votes which can be cast at the shareholders' meeting, and the practical ability unilaterally to govern the relevant activities through:
  - the control of more than half the voting rights as enshrined in an agreement with other investors;
  - the power to determine the financial and operational policies of the entity, as conferred by the Articles of Association or by contract;
  - the power to nominate or remove the majority of the members of the Board of Directors or of the equivalent corporate governance body;
  - the power to cast the majority of the votes at meetings of the Board of Directors or of the equivalent corporate governance body.



In order to exercise power, it is necessary for the rights that the Group has over the investee to be material; to be material, the Group must have the ability to use its rights when decisions relating to relevant activities are taken. The existence and the effect of potential voting rights, where material, are taken into consideration in evaluating whether power exists to shape the managerial and financial policies of another entity.

Sometimes the Group has "de facto" control over certain entities when it possesses rights to determine unilaterally the relevant activities of the investee, even though it does not have the majority of the voting rights.

On the contrary, cases may emerge where the Group, though holding more than half of the voting rights, does not control the investee since, consequently to agreements with other investors, the exposure to variable returns from the involvement with the investees is not considered significant.

Subsidiaries can also include "structured entities" in which the voting rights are not the dominant factor in deciding who controls the entity; this includes special purpose vehicles (SPEs/SPVs) and investment funds. Structured entities are considered to be controlled where:

- the Group has powers enshrined in contractual rights allowing it to govern the relevant activities; and
- the Group is exposed to the variable returns deriving from such activities.

### 3. Investments in subsidiaries with minority interests

#### 3.1 Minority interests, minority voting rights and dividends distributed to minorities

Companies	Minority interests %	Minority voting rights % (1)	Dividends distributed to minority shareholders
1 Asteria Investment Managers SA	36.00	36.00	
2 Bank of Alexandria	20.00	20.00	
3 Banca Intesa Sanpaolo D.D.	0.87	0.87	
4 Compagnia Italiana Finanziaria - CIF S.r.l.	38.55	38.55	
5 Eurizon SLJ Capital Limited	35.00	35.00	
6 Exetra S.p.A.	15.00	15.00	
7 Fideuram Asset Management SGR	0.48	0.48	
8 Iniziative Logistiche S.r.l.	39.98	39.98	
9 Intesa Sanpaolo Banka D.D. Bosna I Hercegovina	0.01		
10 Intesa Sanpaolo RBM Salute S.p.A.	29.74	29.74	
11 Intesa Sanpaolo Rent FORYOU S.p.A.	40.00	40.00	
12 Intesa Sanpaolo Vita S.p.A.	0.01	0.01	
13 Private Equity International S.A.	5.61		
14 Privredna Banka Zagreb DD	0.91	0.91	
15 Reyl & Cie S.A.	31.00	31.00	
16 Risanamento S.p.A.	51.12	51.12	

(1) Available voting rights at Ordinary Shareholders' Meeting.

#### 3.2 Investments in companies with significant minority interests: financial highlights

Companies	Total assets	Cash and cash equivalents	Financial assets	Property, equipment and intangible assets	Financial liabilities	Shareholders' equity	Interest margin	Net interest and other banking income	Operating expenses	Income (loss) before tax from continuing operations	Income (loss) after tax from continuing operations	Income (loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Consolidated comprehensive income (3) = (1) + (2)
															(millions of euro)
1 Bank of Alexandria	6,647	134	6,168	233	5,458	656	331	386	-170	184	118	-	118	-3	115
2 Gruppo Risanamento	753	5	-	690	518	99	-8	-11	-14	-25	-25	-	-25	-	-25

### 4. Significant restrictions

The following are significant restrictions on the transfer of resources within the Intesa Sanpaolo Group.

On 23 December 2016, the subsidiary Private Equity International issued a new category of class C shares, equal to 5.6% of the company's capital. These shares do not have voting rights at the shareholders' meeting and their yield is related to the economic results of certain investments held by the same Private Equity International.

Moreover, the Intesa Sanpaolo Group is subject to supervisory rules provided by Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), amended by Directive 2019/878/EU (CRD V) and Regulation (EU) 2019/876 (CRR II), respectively, and controls financial institutions subject to the same or similar regulations aiming to maintain an adequate level of regulatory capital in relation to risks taken; therefore, the ability of subsidiary banks or financial institutions to distribute capital or dividends is dependent on the fulfilment of the regulatory thresholds set in those regulations.

Lastly, within the Group there are insurance companies subject to the Solvency Capital Requirements of Insurance companies established by the Solvency II legislation.

## 5. Other information

In preparing the Intesa Sanpaolo consolidated financial statements, the financial statements of all subsidiaries have the same financial year-end.

### Consolidation methods

#### *Full consolidation*

This method involves the “line by line” aggregation of the individual amounts reported in the balance sheets and income statements of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests, in a specific caption, in equity and in the result for the period, the residual value is eliminated against the book value of the subsidiaries concerned.

Any positive differences arising on consolidation, after the allocation to the assets and liabilities of the consolidated subsidiary, are recorded under Intangible assets as goodwill or other intangible assets. Negative differences are recognised in the income statement.

Assets, liabilities, income and expenses between consolidated companies are totally eliminated.

Business combinations must be accounted for using the “acquisition method” in accordance with IFRS 3, whereby identifiable assets acquired or liabilities assumed (including contingent liabilities) are recognised at their fair value at the acquisition date. Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value or in proportion to the minority investment in the net identifiable assets of the acquired company. Any excess of the consideration transferred (being the fair value of the assets sold, the liabilities incurred and the equity instruments issued) over the fair value recognition of minority interests with respect to the fair value of the assets acquired and the liabilities assumed is recognised as goodwill. If the consideration is lower, the difference is taken to the income statement.

The “acquisition method” is applied starting from the acquisition date, that is from the moment in which control of the acquired company is obtained. Therefore, the economic results of a subsidiary acquired in the reference period are included in the Consolidated financial statements starting from the acquisition date. Likewise, economic results of a subsidiary sold are included in the Consolidated financial statements until the date in which control ceased.

The difference between sale price and book value at the date of disposal (including foreign exchange differences recorded in shareholders’ equity on consolidation, over time) is accounted for in the income statement.

Where necessary – and without prejudice to absolutely marginal cases – the financial statements of companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.

#### *Measurement using the equity method*

Associates and companies subject to joint control are consolidated with the equity method.

The equity method requires the initial recognition of the equity investment at cost and its subsequent value adjustment based on the stake in the shareholders’ equity of the company.

Any difference between the value of the equity investment and the shareholders’ equity of the company involved is recorded in the book value of the company.

The valuation of the portion of shareholders’ equity does not consider any potential voting rights.

The portion of the company’s results for the period pertaining to the Group is recorded in a specific caption of the consolidated income statement.

If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.

For consolidation of companies subject to joint control and investments in associates, the most recent approved (annual or interim) figures have been used. In certain marginal cases, the companies do not apply IAS/IFRS and, therefore, for such companies it was verified that the adoption of IAS/IFRS would not have produced significant effects on the Intesa Sanpaolo Group’s Consolidated financial statements.

#### *Conversion of financial statements in currencies other than the euro*

The financial statements of the companies which do not operate in the eurozone are translated into euro applying to the assets and liabilities in the balance sheet the spot exchange rate at period-end and to the income statement the average exchange rate.

Foreign exchange differences from the conversion of the financial statements of such companies, deriving from the application of different foreign exchange rates to assets and liabilities and the income statement, are recorded in Valuation reserves under shareholders’ equity. Foreign exchange differences on the shareholders’ equity of the subsidiaries are also recorded in Valuation reserves.

All foreign exchange differences are reversed to the income statement of the year in which the foreign operation is sold.

## SECTION 4 – SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Below we remind the main events after the reporting date, referring, for the specific details, as well as for other, less significant developments not mentioned herein, to the information set out in the Report on operations of these Consolidated Financial Statements, in the paragraph “Overview of 2021”:

- on 3 February 2022, the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 March 2022, following the results of the Supervisory Review and Evaluation Process (SREP) was announced. The requirement to be met in terms of Common Equity Tier 1 ratio is 8.81%;
- on 4 February 2022, the 2022-2025 Business Plan was approved and presented to the financial community;
- on 14 February 2022, the demerger of the banking business line of IW Bank took effect, together with the amendment to IW Bank's articles of association, with the change of name to IW Private Investment SIM S.p.A. and the withdrawal of the authorisation to carry out banking activities, with the resulting focus of the business on investments services;
- on 15 February 2022, the Parent Company's Board of Directors decided to propose capital increases at the Shareholders' Meeting scheduled for 29 April, to serve two long-term incentive plans based on financial instruments of Intesa Sanpaolo S.p.A. and reserved for all Group employees.

In addition, in January and February 2022, 23 transactions were finalised regarding the sale of a stake totalling 9.9% of the capital of the Bank of Italy, based on a consideration equal to the book value (aligned with the nominal value). The Intesa Sanpaolo Group thus holds a total of 15,000 units, equal to exactly 5% of the capital of the Bank of Italy, in line with the maximum limit set out by law, for a value of 375 million euro.

Lastly, it should be noted that after the reporting date, as an event subsequent to the end of 2021 that does not give rise to adjustments in relation to that year, on 24 February 2022 a military conflict broke out between Russia and Ukraine, countries in which the Intesa Sanpaolo Group has equity investments. The Group is present in Ukraine with its subsidiary Pravex, which is relatively small in size after the reorganisations carried out in recent years (loans to customers of 154 million euro and customer deposits of 249 million euro), with a net book value of 55 million euro in the consolidated financial statements, and in Russia with its subsidiary Banca Intesa Russia, which is also small in size (loans to customers of 0.7 billion euro, customer deposits of 0.3 billion euro and amounts due from banks of 0.2 billion euro), with a net book value of 175 million euro in the consolidated financial statements. With regard to Russia, the rest of the Group has business and loan relationships with large companies that have significant and consolidated business relationships with European and international customers and a significant share of revenues deriving from the export of raw materials and commodities. Specifically, on-balance sheet exposure to customers as at 31 December 2021 was equal to 3.9 billion euro<sup>59</sup>, net of ECA (Export Credit Agencies) guarantees of about 1 billion euro, and the large majority of this exposure is to groups with very strong credit and liquidity ratios, reflected in the investment grade rating assigned by the major international rating agencies.

The operations of the Ukrainian subsidiary and the protection of employees will continue to be carefully monitored in relation to the evolution of the political situation, which, due to the small size of the business in the country, is not likely to affect the Group's earnings and financial prospects. The Intesa Sanpaolo Group will also carefully monitor any decisions made at EU and international level, which it will comply with, as well as their possible impact on the Group's operations in Russia or with Russian counterparties, in relation to which it is extremely difficult to make any forecasts.

## SECTION 5 - OTHER ASPECTS

### RISKS, UNCERTAINTIES AND IMPACTS OF THE COVID-19 PANDEMIC

In its communication of 15 December 2020 concerning the “impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS” (subject to a subsequent limited update on 21 December 2021), the Bank of Italy, supplemented the provisions governing bank financial statements set out in “Circular 262 - Bank financial statements: layouts and preparation”, with the aim of providing the market information on the effects that the COVID-19 outbreak and the consequent measures to support the economy have had on the strategies, objectives and risk management policies, and on the operating performance and financial position of intermediaries.

In defining the additions, the Bank of Italy took into account, where applicable, the documents published essentially in 2020 and, to a lesser extent, in 2021 by the European regulatory and supervisory bodies and by the standard setters aimed at clarifying the methods of application of the IAS/IFRS in the context of the pandemic, with particular reference to IFRS 9, as well as to the required information for the amendment to IFRS 16 COVID-19-Related Rent Concessions.

In fact, during these two years, in line with the evolution of the health and economic situation, a variety of regulatory measures were put in place, mainly providing interpretation and support for the application of accounting standards in relation to the impacts of COVID-19. The following table shows the most relevant documents and their scope of application.

<sup>59</sup> There are also off-balance sheet exposures to customers of 1 billion euro net of ECA guarantees (of which 0.8 billion euro in undrawn committed lines) and off-balance sheet exposures to banks of 1.1 billion euro (no undrawn committed lines). There are no material on-balance sheet exposures to banks.

Issuing body	Date	Title	Classifications	Main topic	
				Measurement	Financial reporting
EBA	25.3.20	Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID 19 measures	X		
ESMA	25.3.20	Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9		X	
IFRS Foundation	27.3.20	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		X	
ECB	1.4.20	IFRS 9 in the context of the coronavirus (COVID 19) pandemic		X	
EBA	2.4.20	Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis	X		
ESMA	20.5.20	Implications of the COVID-19 outbreak on the half-yearly financial reports			X
EBA	2.6.20	Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis	X		X
ESMA	28.10.20	European common enforcement priorities for 2020 annual financial reports			X
EBA	2.12.20	Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis	X		
ECB	4.12.20	Identification and measurement of credit risk in the context of the coronavirus (COVID 19) pandemic	X	X	
ESMA	29.10.21	European common enforcement priorities for 2021 annual financial reports	X	X	X
ESMA	16.12.21	Report on the application of the IFRS 7 and IFRS 9 requirements regarding banks' expected credit losses (ECL)	X	X	X

The measures adopted by the regulators, aimed essentially at clarifying the treatment of moratoria, indicating the minimum conditions for clear financial reporting in this context, uniformly guiding the definition of prospective scenarios and allowing flexibility in defining credit assessments, have gradually strengthened and adapted the regulatory framework - that was already being developed in the first months of 2020 and was progressively fine-tuned during the previous year and substantially confirmed also in 2021 - to the evolving situation. In effect, the ESMA documents introduced in 2021 do not contain substantial new changes, rather, they provide an overall framework of the various requests, better clarifying the purposes and application methods. It should be noted, however, that the guidelines provided by the regulators allow / invite the intermediaries to exercise flexibility and their own expert judgment in making decisions, bearing in mind that the guidelines provided do not constitute a "relaxation" of the rules but rather the granting of further necessary discretion in the current context.

For the Financial Statements at 31 December 2021, the Group has therefore decided to maintain the approaches adopted starting from the 2020 Half-yearly Report, summarised in the following paragraphs and further detailed in Part E, with the appropriate refinements and adjustments stemming from the longer time frame available for their implementation as well as the evolution of the related health and economic situation.

In these circumstances, it should be stressed that from the very beginning of the dramatic public health and social emergency that swept Italy, Intesa Sanpaolo has been fully committed to tackling the difficult situation effectively, whilst ensuring the continuity of its processes and services, in spite of considerable operating costs and additional investments. As illustrated in more detail in the Report on operations, the main solutions successfully adopted to deal with the emergency, mitigate the risk, and ensure continuity of service, related to remote working, measures adopted at the branches, process digitisation, and actions taken on the systemic processes.

Although the COVID-19 outbreak did not lead to the suspension of the Group's activities or the disappearance of the reference markets in which it operates, it nevertheless contributed to creating a climate of extreme uncertainty, which has not yet been eliminated by the results of vaccination campaigns. In this regard, it bears recalling that the preparation of the consolidated financial statements in accordance with IFRS requires - as usual - that the management make estimates and assumptions that affect the amount reported in the financial statements concerning assets, liabilities, income and expenses recognised in the financial year, as well as other comprehensive income. As indicated in greater detail in the specific paragraph of these Notes (Part A - A2 – Main financial statement captions - Use of estimates and assumptions in preparing financial reports), the estimates made by the management are based on historical experience and other reasonable assumptions. The main areas of uncertainty in the estimate include those relating to loan losses, the fair value of financial instruments (including derivatives), corporate income taxes, employee benefits, goodwill and intangible assets, the fair value of identifiable assets and liabilities following business combinations, impairment of non-financial assets, derecognition of financial assets and liabilities and provisions for risks and charges. COVID-19, as the first global pandemic in over a century, continues to affect the markets in which the Group operates. Governments around the world have imposed on the one hand a series of specific measures to contain the pandemic, including travel restrictions and quarantines and, on the other hand, they are trying to avoid the economic slowdown and favour a rapid recovery once the health crisis is over.

This has caused and continues to cause greater volatility and uncertainty in the financial sector and markets, which has also been reflected in key areas for determination of estimates. The Bank therefore used estimates, assumptions and judgments that reflect this uncertainty. In the current situation of uncertainty, the Group's assessments are also supported, as detailed below, by sensitivity analyses, subject to specific disclosure, to provide users of the financial statements a more complete and transparent understanding of these phenomena.

#### *Intesa Sanpaolo Group macroeconomic scenarios for the valuation of loans in the 2021 financial statements*

2021 was undoubtedly characterised by the start of extensive vaccination campaigns (at least in the more developed countries), reaching (also in Italy) a high coverage ratio and effectiveness in slowing hospitalisations and, as a result, deaths, avoiding the reintroduction of strict restrictive measures, even when faced with new variants of the virus. The Italian scenario thus seems to be one of optimism, considering the success of the national vaccination campaign and the major public and private investment plans under way and planned, though the path to normality is still marked by uncertainties and possible obstacles, mainly related to risks and unexpected events on the health front.

That being said, regarding the macroeconomic scenario used in the models for determining expected credit losses, note that in June 2020, following the indications from the regulators and standard setters, the Group anchored its macroeconomic forecasts to the projections published by the central banks. In light of the context described to this point, in a macroeconomic scenario of significant recovery, and considering the lesser uncertainties that characterise the process of estimating the projections, the Group decided to return to using the scenarios produced internally by the Parent Company's Research Department as input to the ECL models, thus once again ensuring substantial uniformity between the scenarios used in the other measurement/forecasting processes (impairment tests, budgeting, etc.), especially with regard to the new Business Plan starting in 2022. That choice seems reasonable also in light of the marked convergence between the forecasts produced internally by the Research Department and the forecasts prepared in the last few quarters by the ECB/Bank of Italy, also confirmed by the substantial consistency confirmed with the latest projections of the European Central Bank and the Bank of Italy, published in mid-December 2021 and updated further (for Italy) in January 2022, to take account of several factors such as the worsening in the pandemic scenario once again at the end of 2021 and the spike in energy prices. In any event, the forecasts of the internal scenario used for IFRS 9 modelling should be considered together with the choices made regarding managerial overlays and triggers for sliding into Stage 2 illustrated below.

For a table illustration of the scenarios actually used in the valuation of loans, please refer to the specific section of Part E of these Notes which also contains, as specified below, further details on the sensitivity of the ECL to changes in macroeconomic scenarios.

#### *Sensitivity analysis in the light of alternative scenarios*

As already done in previous years and as also recommended in the recent ESMA guidelines (document "European common enforcement priorities for 2021 annual financial reports"), in its Notes to the financial statements the Group provides sensitivity analyses on the issues indicated below in order to allow users of the financial statements a better understanding of the Group's valuation choices in this particular context. In particular, reference should be made to the following parts of these Notes regarding:

- the effects of a change in one or more non-observable parameters used in the valuation techniques adopted to determine the fair value, the financial assets and liabilities measured at fair value level 3 (Part A - A.4.2 Valuation processes and sensitivity);
- sensitivity analysis for real estate assets measured at fair value. The analysis essentially concerned the properties of the Parent Company Intesa Sanpaolo, which represent the Core perimeter of the Group's real estate assets (Part A - A.4.5 Fair value hierarchy - Sensitivity of property valuations);
- sensitivity of the Value in use of Cash Generating Units for which intangible assets with indefinite useful lives remain (Part B – Assets: Section 10 Intangible assets);
- sensitivity to changes in interest rates of net defined benefit liabilities (Part B - Liabilities: Section 10.5 Post-employment defined benefit plans);
- sensitivity analysis of IFRS 9 ECL in order to analyse the variability with respect to individual alternative scenarios (Part E - Section 2 Credit risk management and policies);
- sensitivity of net interest income, assuming a change in interest rates, and sensitivity analysis of the banking book to price risk for listed assets recognised in the HTCS category (Part E - Banking book: interest rate risk and e price risk);
- scenario analysis relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices for trading activity (Part E - Trading book: interest rate risk and price risk);
- sensitivity of the fair value of the portfolio of financial assets of insurance companies with respect to interest rate movements, credit spreads and equity prices (Part E - Insurance risks: Financial risks).

#### *Measurement of goodwill in the COVID-19 scenario*

In the current challenging market environment, measuring the recoverable amount of intangible assets is also particularly difficult. Therefore, also for the Financial Statements as at 31 December 2021, the effects of the COVID-19 pandemic were carefully considered in conducting the annual impairment testing of goodwill. For more details of impairment testing on goodwill and brand name, reference is made to Part B - Information on the Consolidated balance sheet (See Part B – Assets: Section 10 Intangible assets - Information on intangible assets and goodwill).



*Probability test on deferred taxation in the COVID-19 scenario*

As provided for by in IAS 12, a deferred tax asset (or DTA) must be recognised for all deductible temporary differences to the extent that it is probable that taxable income will be earned that can offset the deductible temporary differences. Deferred tax assets are then divided into “eligible” deferred tax assets and “ineligible” deferred tax assets. While for the former Italian regulations set out a specific mechanism for conversion into tax credits which legitimises, in and of itself, their recognition in the financial statements (see Part B – Assets: Section 11 Deferred Tax Assets and Liabilities), the amount of “ineligible” deferred tax assets is tested to determine whether it is likely that taxable income will be earned in the future that will ensure their recovery (probability test). Therefore, also in the current pandemic, the Group carried out that test, without the effects of the pandemic giving rise to negative impacts. For a more detailed illustration, refer to Part B – Assets: Section 11 Deferred Tax Assets and Liabilities - Probability test on deferred taxation.

*Loan classification and valuation in the COVID-19 scenario*

As shown by the relevant legislation on the subject, mentioned above, the scenario resulting from the COVID-19 pandemic had a particular impact on the issues of classification of credit exposures, specifically the aspects linked to payment moratoria, as well as for the purpose of determining the Expected Credit Loss (ECL) pursuant to IFRS 9.

In terms of classification of credit exposures, the COVID-19 outbreak primarily resulted in the need, also recognised by the banking system and institutions (governments and regulators), to offer general payment suspension measures (moratoria) to already performing customers, using simplified procedures and without any penalties for the parties involved – both banks and customers. These measures, partly governed by national regulations and partly decided autonomously by the banks, were the subject of a specific regulation, summarised in the EBA Guidelines (“Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis”). In summary, the granting by banks and financial intermediaries - according to the aforementioned Guidelines - of legislative moratoria, or even private ones (as long as in relation to an objective context-related need that affects several financed parties and not the individual loan), does not automatically constitute a default event, with consequent classification of the loan as non-performing, or a forbearance measure, with resulting transfer to Stage 2. The EBA sets out the conditions for the qualification of general payment moratoria, for the purpose of applicability of the exemption (terms for the granting and the duration of the moratoria).

More in detail, with regard to classification of the positions subject to payment moratoria linked to the COVID-19 pandemic, in line with the guidance provided by the various regulators that have commented on this aspect, it is specified that up to 30 September 2020, performing positions that were subject to those measures (both legislative moratoria or moratoria decided autonomously by the Group) were treated as follows:

- they were not normally classified as Stage 2 (or considered as forborne according to the prudential rules). Solely for positions with companies with a high risk, where the Bank decided to grant a moratorium, specific assessments were made to verify whether or not to consider the renegotiation as a forbearance measure, with consequent transfer to Stage 2;
- they were not classified as non-performing (Stage 3). In particular, performing loans that are subject to a moratorium are not classified as past due, because the moratorium deactivates the past due count for the loans that are subject to the measure. Moreover, the adoption of a moratorium is not considered an automatic trigger of unlikelihood to pay.

Moratoria granted to customers already classified under non-performing loans are subject to a specific assessment and considered forbearance measures.

Starting from 1 October 2020, following the first phase-out of the afore-mentioned EBA Guidelines on moratoria, the Group started to assess on a case-by-case basis whether the granting of a new moratorium on a performing loan constituted forbearance measures.

Following the second wave of COVID-19 which hit Europe in mid-October, the EBA reconsidered the issue, and in its communication of 2 December 2020, it:

- re-opened the option to grant moratoria according to the pre-existing guidelines, up to 31 March 2021;
- introduced a nine-month cap for new moratoria or the extension of an existing moratorium. The cap applied to the granting of non-consecutive periods of suspension (in this case, the durations of the various periods are added together). The nine-month cap did not apply retroactively to moratoria granted up to 30 September 2020.

In December 2020, the Group aligned itself to the provisions of the amendment issued by the EBA on 2 December, restoring the framework in force up to 30 September, described above, while introducing a case-by-case assessment of the classification as forborne for moratoria with a duration of more than nine months, as required by the EBA. With reference to the legislative moratoria granted to domestic SMEs, previously extended by the “Cura Italia” Decree in March 2020, Budget Act no. 178 of December 2020 set out an additional legal extension to 30 June 2021. Therefore, the Intesa Sanpaolo Group took the necessary actions to comply with the provisions of Italian law. In particular, a centralised approach was adopted, with the mass extension of the legislative moratoria until 30 June 2021. With regard to classification as forbearance, given the time frames imposed by law for the extension, the Group opted for a centralised analysis, though granular at the level of single position, identifying the positions to be marked as forborne in accordance with risk-based criteria.

Lastly, the “Sostegni bis” Law Decree provided the possibility of benefiting from a further extension of legislative moratoria until 31 December 2021. That provision was valid only upon request from businesses already eligible for a moratorium previously granted under the “Cura Italia” Decree (as stated, expired on 30 June 2021). Requests for extension had to be formalised by customers by 15 June. The suspension from 1 July onwards only related to the principal, while the interest accruing had to be paid. Regarding the new extension, the Group’s choice – in view of the large number of outstanding moratoria and the consequent potential requests from customers, to be managed in a very short time – was to identify a small



cluster with particularly high credit quality, which the Bank considers not to be subject to financial difficulty and therefore does not meet the conditions for classification as forborne. The cluster has been identified based on both the rating and the granular assessment carried out within the commercial/credit action plans aimed at determining the ability of customers to resume payments. For all positions not included in the cluster, the case-by-case checks were carried out by the relationship managers.

Considering that no legislative measures were subsequently decided by the Italian authorities, any further extensions of existing moratoria/granting of new suspensions shall thus follow the ordinary credit processes.

With regard to loan valuation, the ISP Group has adopted a prudential approach since the quarterly report at 31 March 2020 regarding the adjustment of the ECL results stemming from the IFRS 9 models in use, in the context of the uncertain but expected further worsening of economic conditions - even dramatic in the short term - while taking into account the effects of the public support measures made promptly available by the national authorities and supported by the accommodative policy of the ECB.

This approach was gradually rendered more sophisticated and consistent in 2021 and 2020 by defining management overlays, which were gradually enriched following the improved perception of the evolution of the crisis (partly drawn up in the ECL estimates starting from the updates of the macroeconomic forecasts previously described), the definition of new frameworks to assess expected vulnerabilities, as well as the results of the operational responses adopted by the Group (e.g. re-rating campaigns, campaigns to revitalise and restructure the Businesses segment, priority analysis of the portfolio of moratoria, etc.). All the initiatives were characterised by timeliness and intensity and were supported by adequate monitoring of prospective risk in the set up and managerial decision phase.

For a more in-depth discussion of the aspects briefly summarised herein, in particular for management overlay issues adopted by the Group in the context of the COVID-19 pandemic, please refer to Part E - Section 2: Credit risk management policies of these Financial Statements.

#### *Economic impacts resulting from COVID-19 on the 2021 consolidated financial statements*

In referring to the specific paragraph in the Report on operations for detailed information regarding “The impacts of the pandemic on operations, business activities and the risk profile” and, for the most detailed aspects, Part E - Section 2 Credit risk management and policies, it is specified that, although the economic scenario is improving, confirmed by both the final figures for 2021 and the forecasts for the following three-year period drawn up by the various authorities, the Group has retained a prudent approach in estimating impairment losses, as the COVID-19 emergency cannot be deemed over.

Therefore, the management overlays introduced in 2020 to include ad hoc corrective measures in order to take account of potential future worsening of credit risk which might not be captured by the models in use and to better reflect the particularities of the COVID-19 impacts in the measurement of loans, were maintained and in some cases, reinforced. Specifically, the overlays aimed at considering the greater vulnerability of positions under moratoria with an increase in the estimates of future default flows were maintained, together with that relating to the mitigation effect on the estimated future default flows deriving from the greater liquidity disbursed through the support of government guarantees. The latter overlay generated significantly reduced effects during the year compared to the previous year, as it was introduced with a time horizon limited to two years starting from mid-2020.

As a whole, the management overlays/extraordinary staging triggers adopted in the 2021 Financial Statements increased the adjustment allowance for performing loans to customers (equal to 2.5 billion euro) by a total amount estimated at around 700 million euro.

Instead, the procyclical effect of the forward-looking assessments acted in the opposite manner. This is particularly significant in the estimate of the ECL for 2021, in light of the scenario that sees a significant economic recovery in the forecast for the three-year period 2022-24, while – if the 2020 Financial Statements are considered – that assessment had an opposite impact, capturing the forecasts of recession at the time to a greater extent.

In light of the above, the impact on the income statement for the year in terms of adjustments to performing loans generated by the above elements (application of the scenarios and management overlays/triggers), came to around 500 million euro in net recoveries (on-balance sheet loans and unsecured loans), reducing the significant increases applied in 2020, in light of the improved context.

However, that positive effect was partially mitigated by actions on the management models for estimating LGD.

To complete the disclosure, in line with the provisions of said Communication of 21 December 2021 of the Bank of Italy, which supplements Circular 262, also see the quantitative information on the loans subject to COVID-19 support measures and the related net adjustments for credit risk published, respectively:

- in Part B – Information on the Consolidated balance sheet – Assets, in the tables:
  - 3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross amount and total adjustments;
  - 4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross amount and total adjustments;
- in Part C – Information on the Consolidated income statement:
  - 8.1a Net adjustments for credit risk associated with loans measured at amortised cost subject to COVID-19 support measures: breakdown;
  - 8.2a Net adjustments for credit risk associated with loans measured at fair value through other comprehensive income subject to COVID-19 support measures: breakdown;

Lastly, for quantitative information on transfers between different stages of credit risk and loans subject to COVID-19 support measures broken down by category of non-performing exposures, refer to the following tables in Part E (Section 2 “Risks of the prudential consolidation”) in these Consolidated Financial Statements:

- A.1.3a Loans subject to COVID-19 support measures: transfers between stages of credit risk (gross amounts);
- A.1.5a Loans subject to COVID-19 support measures: gross and net amounts.

**CHANGES IN CONTRACTS DUE TO COVID-19**

The detailed information required by the specific instructions of Circular 262 of the Bank of Italy on changes in contracts due to COVID-19 in light of the provisions of IFRS 9 and IFRS 16 is provided below.

*Changes in contracts and derecognition (IFRS 9)*

The moratoria granted by the Group, in line with the EBA guidelines, comply with some specific requirements. More specifically, they must:

- be offered without distinction to a large group of (performing) borrowers or following legislative provisions;
- not provide a waiver of contractual interest or principal but solely a deferral/extension of payments.

Since the granted moratoria provide solely a deferral/extension of the period in which payments are due, the application of a moratorium does not therefore entail the derecognition of the loan.

*Amendment to IFRS 16*

Although the subject in question is not relevant for the Group, it is specified that with reference to lease contracts (on the lessee side), having assessed the nature of the existing contracts and the active role played by the Bank in supporting the economy, Intesa Sanpaolo decided not to apply the “practical expedient” introduced under IFRS 16 - Leases on discounts and deferral of payments on existing lease contracts payables.

**ADDITIONAL INFORMATION ON THE INTEREST RATE BENCHMARK REFORM**

Based on the instructions in Circular 262, this section sets out the disclosure in accordance with IFRS 7, paragraphs 24 I and 24 J relating to the Interest Rate Benchmark Reform (IBOR Reform).

Specifically, the table below shows the quantitative information on financial instruments – divided into financial assets, financial liabilities and derivative contracts – which still had to transition to an alternative benchmark rate as at 31 December 2021, broken down by significant interest rate benchmark index subject to IBOR Reform. The Group considers a contract as not having transitioned to an alternative benchmark when the interest under the contract is linked to a benchmark index that is still impacted by the IBOR Reform, even if this includes an adequate fallback clause for managing the cessation of the existing benchmark.

	(millions of euro)				
	Loans and advances - gross value	Debt securities (assets) - nominal value	Deposits (liabilities) - nominal value	Debt securities issued (liabilities) - nominal value	Derivatives - notional
<b>Referenced to EONIA</b>	5,375	-	1,203	-	32,629
<b>Referenced to LIBOR USD</b>	11,774	1,146	811	236	605,689
<i>of which expiring after 30.06.2023</i>	9,462	1,146	714	17	231,701
<b>Referenced to LIBOR other currency (all tenors)</b>	1,597	-	-	-	56,353
<i>of which: GBP</i>	1,403	-	-	-	51,262
<i>of which: JYP</i>	23	-	-	-	113
<i>of which: CHF</i>	171	-	-	-	1,836
<i>of which: EUR</i>	-	-	-	-	3,142
<b>Other IBORs</b>	38	24	-	-	-
<b>Total</b>	<b>18,784</b>	<b>1,170</b>	<b>2,014</b>	<b>236</b>	<b>694,671</b>

The disclosure does not include financial instruments linked to the Euribor, as that parameter was reformed in November 2019, through the adoption of a hybrid calculation method, which fully meets the requirements for critical benchmarks set out in the Benchmark Regulation EU 2016/1011 and the IOSCO principles. Therefore, it is not deemed that there is uncertainty on the timing or the amount of cash flows linked to the Euribor, and the financial instruments linked to this benchmark are not considered as instruments impacted by the reform.

This information on the IBOR Reform does illustrate the instruments linked to the LIBOR in various currencies (specifically, the USD, GBP, JPY, CHF and EUR LIBOR), in addition to those linked to the EONIA in Europe.

Referring to Part E - Information on risks and relative hedging policies - for a more detailed analysis on the nature and risks the Group is exposed to with regard to the financial instruments impacted by the IBOR Reform and the methods for managing the transition, in light of the regulatory changes and the activities implemented by the Group, no critical issues are envisaged in completing the transition by the set deadlines. Specifically, to manage the stock of existing instruments, the Group set out the mass adoption of the new Risk Free Rates (RFR) on the financial instruments newly subscribed, thus abandoning the use of the benchmarks impacted by the reform and stabilising the stock of transactions to be transitioned, on the one hand, while

setting up the solutions for the transition to the new RFR, defined based on the main international recommendations, capable of minimising the financial impacts of the transition, on the other.

With regard to financial instruments other than derivatives, the transition activities were implemented mainly in the second half of 2021, and there were no specific critical issues regarding compliance with the deadlines envisaged by the reform. Specifically, the residual financial assets and liabilities linked to the EONIA and LIBOR in the four currencies other than USD are mainly attributable to instruments containing fallback clauses that guarantee the transition to the new RFR after 31 December 2021.

More in detail, the financial instruments linked to the EONIA mainly refer to active and passive margins of CSAs (Credit Support Annex) and, to a lesser extent, to collateral of repos and securities lending. With regard to the former, the Bank joined the ISDA 2021 EONIA Collateral Agreements Fallbacks Protocol and, therefore, CSAs with counterparties participating in the protocol have incorporated fallback clauses. Instead, for CSAs with non-participating counterparties, bilateral agreements were made to either insert fallback clauses or transition to index linking to the €STR flat rate, with the resulting monetary offsetting. For the collateral for repos and securities lending (GMRA, GMSLA), of residual amounts compared to the CSAs, as no protocols similar to those used for the CSAs are available, a process was activated, which is being completed, to transform the benchmark rates through bilateral agreements.

With specific reference to instruments linked to the USD LIBOR, the transition must be carried out by 30 June 2023 (the last date of publication of only the 1-week and 2-month USD LIBOR rates was 31 December 2021). Therefore, for the purpose of managing the transition to the new RFR, only the financial instruments with maturities after that date are concerned, the details of which are shown separately in the table. The date on which the USD LIBOR will no longer be used does not give rise to specific uncertainties except for those linked to trading timescales, which could be deferred by the counterparties.

The instruments linked to the GBP LIBOR are loans which have previously been mapped to differentiate the approaches to the transition, based on the role held by the bank in the Group (bilateral loans, syndicated loans with the Group bank as the lead bank and syndicated loans with another lead bank outside the Group) on which actions were implemented to renegotiate the benchmarks to ensure the adoption of indexes different from the LIBOR in accordance with the main international recommendations disseminated and recognised by market operators (specifically, the SONIA index - Sterling Over Night Interest Average). The decrease in the stock of instruments linked to the GBP LIBOR and the concurrent increase in those linked to the new RFR will therefore gradually occur at the time of the first deadline for calculating interest following 31 December 2021. Actions were also implemented for transition to the respective RFRs for loans linked to the JPY LIBOR and CHF LIBOR.

With specific reference to derivative contracts linked to the EONIA and the LIBOR, exposures decreased sharply over the year compared to 31 December 2020 as a result of the transition, mainly carried out in the last quarter of the year, and as a result of the transition process implemented by the central clearing counterparties (CCP) both regarding contracts linked to the EONIA and for the GBP, CHF, JPY and EUR LIBOR. Specifically, note that for derivative contracts linked to the EONIA (i.e. the EONIA Overnight Indexed Swaps), fallback clauses were inserted in all derivatives with that underlying, through bilateral amendments. For derivatives linked to the LIBOR subject to cessation as at 31 December 2021, the ISDA 2020 IBOR Fallbacks Protocol was applied, incorporating the fallback clauses in the contracts with participating counterparties. The residual derivatives not included in that protocol were replaced by contracts linked to the corresponding RFR.

For derivatives linked to the USD LIBOR, the same considerations set out above for other financial instruments apply.

For a full overview of the disclosure required by IFRS 7, paragraph 24H, on the uncertainty arising from interest rate benchmark reform on hedging relationships and the notional amount of hedging derivatives, refer to the specific section set out in Part E – Information on risks and relative hedging policies.

## OTHER ASPECTS

### Option for the national fiscal consolidation provisions

Intesa Sanpaolo and the Group's Italian companies have adopted the "national fiscal consolidation", set forth by Articles 117-129 of the Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides an option, based on which the total net income or fiscal loss of every subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries) and, consequently, a sole tax debit/credit. Based on this option, Group companies that opted for the "national fiscal consolidation" determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent Company. In 2021, following the merger of UBI Banca into Intesa Sanpaolo, the fiscal consolidation in place at the former UBI Group was interrupted, with retroactive effect from 1 January 2021, and the consolidated companies joined the fiscal consolidation of by the merging company.

### Set up of a VAT Group

Intesa Sanpaolo and all of the Italian companies in the Group that meet the requirements for participation opted to set up the VAT Group, governed by Articles from 70-bis to 70-duodecies of Presidential Decree 633/1972.

This option takes effect from 1 January 2019 and has a duration of three years, automatically renewed each year, unless revoked.

As a result of this option, the tax will not apply to either the provision of services and sales of goods between participating parties, with a few exceptions. Sales of goods and provision of services by a participating party to an external party shall be considered made out by the Group. Sales of goods and provision of services by an external party to a participating party shall be considered made to the Group. Considering that the same option had also been exercised in the former UBI Group, up to the date of merger of UBI Banca, two separate VAT Groups were present at the same time within the Intesa Sanpaolo Group. On 12 April 2021, the companies already part of the VAT Group of UBI Banca joined that of Intesa Sanpaolo, with the sole

exception of IW Bank, whose entry was postponed to 1 January 2022, concurrent with the first renewal of the Group VAT option.

#### **“Cooperative compliance” regime**

Intesa Sanpaolo applied for and obtained from the Italian Revenue Agency admission to the “cooperative compliance” regime set out in Legislative Decree 128/2015. The admission is effective from the tax period 2017.

The purpose of this regime is to promote the use of enhanced forms of communication and cooperation based on the reciprocal trust between the tax authorities and the taxpayer, as well as favouring the prevention and resolution of tax disputes, in the common interest of the parties.

Under the regime, Intesa Sanpaolo is required to maintain an appropriate system of recognition, measurement and management of tax risk as well as act in a cooperative and transparent manner, and the Italian Revenue Agency is required to promote a relationship based on the principles of transparency, cooperation and fairness. The gradual adoption of this regime by the main Italian subsidiaries is now also under way.

In addition to Intesa Sanpaolo, the following companies applied for admission and were admitted to the regime: Fideuram (with effect from 2018), as well as Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Fideuram Vita, Eurizon SGR and Epsilon SGR (with effect from 2019). Intesa Sanpaolo Private Banking, Fideuram Asset Management SGR, Sanpaolo Invest SIM and S.I.R.E.F were admitted in 2021 with effect from 2020.

#### **Auditing**

EY S.p.A. audited the Consolidated financial statements, in execution of the Shareholders' Meeting resolution of 30 April 2019, which appointed the company as independent auditor for the years from 2021 to 2029, included.

#### **Other aspects**

A reformulation of the rules on the transparency of government grants laid down in Article 1, paragraphs 125-129 of Law No. 124/2017 has been introduced in Article 35 of Law Decree 34/2019 (the “Growth Decree”), converted by Law No. 58/2019. This reformulation indicates that the scope of transparency obligations applies to information regarding grants, subsidies, advantages, contributions or aid, in cash or in kind, “not of a general character and which do not represent consideration, remuneration or compensation” effectively disbursed by public authorities and the entities indicated in Article 2-bis of Legislative Decree 33/2013.

In the light of this reformulation, additional interpretative clarification provided in Assonime Circular No. 32 of 23 December 2019 has confirmed that the transparency obligation applies to awards of economic benefits arising from a bilateral relationship between a public entity and a specific beneficiary. Sums received by a company as consideration for a service rendered, as remuneration for an assignment received or as compensation for damages are expressly excluded. Economic advantages received in application of a general regime, such as tax or contribution relief accessible to all parties who meet certain conditions, are also excluded.

In consideration of the above, there were no cases to report in 2021 for the Group's Italian companies.

In the interest of completeness, reference should also be made to the National State Aid Registry, available for public consultation on the relevant website, in which aid measures and the related individual aid packages granted and recorded in the system by the managing entities are published, although, given the foregoing, for the Group's Italian companies the circumstances indicated therein for the year 2021 are not subject to financial statement transparency obligations pursuant to paragraphs 125 and 125-bis.

## A.2 – MAIN FINANCIAL STATEMENT CAPTIONS

To ensure uniformity in the accounting policies used for the financial statements, the Intesa Sanpaolo Group has adopted an internal set of rules and policies for the various operational and organisational areas.

The methodological document used for the application of the accounting standards is the Group Accounting Policies, which describes the application models adopted by the Group, within the framework of the standards and the legislation applicable to the various companies/subsidiaries, and sets out the choices made when the regulations envisage alternative or optional accounting treatments.

With regard to the valuation processes, the Group, in the document “Guidelines for the valuation of Balance Sheet Items”, has drawn up the principles and regulatory framework for the valuation of the Balance sheet items and the roles and responsibilities of the Corporate Bodies, the Manager responsible for preparing the Company’s financial reports and the Parent Company’s corporate functions involved in the valuation process; the prerequisites for the existing valuation processes and the control system necessary to ensure proper valuation; the general valuation processes based on accounting standards specific to the various categories of Balance sheet items being measured (assets and liabilities); and the rules for guidance and coordination of Group Companies on the valuation of Balance sheet items.

The guidelines and policies also include the Business Model Rules, the Rules on the measurement of expected credit loss in accordance with IFRS 9 (Impairment Policy), and the “Rules for Valuation of Financial Instruments at Fair Value” (former Fair Value Policy), in addition to more specific documents relating to non-performing loans, equity investments, and the management of hedging financial instruments.

Finally, with regard to prudential supervision, the Group has drawn up a specific document called Harmonised Prudential Supervision Rules.

In general, these documents are approved by the competent Corporate Bodies. They are updated by the management structures in response to needs arising both from external factors (e.g. changes in regulations) and from internal factors within the Group (e.g. new operations and products) and are subject to a specific approval process, based on the significance and scope of the changes made.

The criteria adopted by the subsidiary insurance companies are discussed in a specific chapter at the bottom of this section. In fact, as a result of the Intesa Sanpaolo Group’s decision, as a financial conglomerate primarily engaged in banking activities, to exercise the option of adopting the Deferral Approach, the financial assets and liabilities of the subsidiary insurance companies continue to be recognised in accordance with the provisions of IAS 39, while awaiting the entry into force of the new international financial reporting standard on insurance contracts, starting 1 January 2023<sup>60</sup>.

### 1. Financial assets measured at fair value through profit or loss (FVTPL)

#### *Classification criteria*

This category contains the financial assets not classified as Financial assets measured at fair value through other comprehensive income or as Financial assets measured at amortised cost. This caption includes in particular:

- financial assets held for trading, essentially consisting of debt securities and equity instruments and the positive value of derivative contracts held for trading;
- financial assets mandatorily measured at fair value through profit or loss, consisting of financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding (SPPI Test not passed) or that are not held under a Hold to Collect business model or a Hold to Collect and Sell business model;
- financial assets designated at fair value, i.e. financial assets that are defined as such upon initial recognition and when the conditions apply. In relation to this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss only if it eliminates or significantly reduces a measurement inconsistency.

This caption therefore includes:

- debt securities and loans that are included in an Other/Trading business model (i.e., that do not come under the Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are not part of a Hold to Collect and Sell business model;
- equity instruments – that do not qualify as investments in subsidiaries, associates or joint ventures – held for trading purposes or for which the option was not exercised, upon initial recognition, to designate them at fair value through other comprehensive income;
- quotas of UCI (Undertakings for Collective Investment).

This caption also includes the derivatives, recognised under financial assets held for trading, which are presented as assets if the fair value is positive and as liabilities if the fair value is negative. The positive and negative current values arising from

<sup>60</sup>Regulation no. 2036/2021 of 19 November 2021 which endorses the new accounting standard IFRS 17 “Insurance Contracts” was published in the Official Journal of the EU on 23 November 2021. In this regard we note that on 25 June 2020, the IASB published the final version of the “Amendments to IFRS 17 Insurance Contracts” which confirmed the deferral of the date of first-time mandatory adoption of the Standard to 1 January 2023 (instead of 1 January 2022 previously proposed in the ED 2019/4), with the concurrent possibility of an extension to the same date of the “Deferral approach” in the application of IFRS 9. This was endorsed by the European Commission with the publication of Regulation 2097/2020 “Extension of the Temporary Exemption from Applying IFRS 9 (amendments to IFRS 4)” on 15 December 2020.



transactions with the same counterparty – also between derivatives allocated to the trading book and hedging derivatives, as envisaged by the Bank of Italy Circular 262 – may be offset only when the legal right to offset amounts recognised for accounting purposes currently exists and the net settlement of positions subject to offsetting is carried out.

Derivatives also include those embedded in combined financial contracts – where the host contract is a financial liability – which are subject to separate accounting when:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments, even though separate, fully meet the definition of derivative;
- the combined instruments are not measured at fair value with changes in fair value recognised through profit or loss.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through profit or loss to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and that date is considered as the initial recognition date for the credit risk stage assignment for impairment purposes.

For more information regarding the classification criteria for the financial instruments see the paragraph below “Classification drivers for the financial assets”.

#### **Recognition criteria**

Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments, at disbursement date for loans and at trade date for derivative contracts.

On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

#### **Measurement criteria**

After initial recognition, the financial assets measured at fair value through profit or loss are recorded at fair value. The effects of the application of this measurement criterion are recorded in the Income statement.

For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc.. For equities and derivative instruments that have equities as underlying assets, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.

For more information regarding the criteria for the determination of fair value, see the Section “A.4 – Information on Fair Value”.

#### **Derecognition criteria**

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.

When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity’s continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.

Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

## **2. Financial assets measured at fair value through other comprehensive income (FVOCI)**

#### **Classification criteria**

This category includes the financial assets that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved both through the collection of expected contractual cash flows and through sale (Hold to Collect and Sell business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI Test” passed).

This caption also includes equity instruments, not held for trading, for which the option was exercised upon initial recognition of their designation at fair value through other comprehensive income.

In particular, this caption includes:

- debt securities that can be attributed to a Hold to Collect and Sell business model and that have passed the SPPI test;
- equity interests, that do not qualify as investments in subsidiaries, associates or joint ventures and are not held for trading, for which the option has been exercised of their designation at fair value through other comprehensive income;

- loans that are attributable to a Hold to Collect and Sell business model and have passed the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are part of a Hold to Collect and Sell business model.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets.

In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through other comprehensive income to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is allocated as an adjustment to the fair value of the financial asset at the reclassification date. In the event of reclassification to the fair value through profit or loss category, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to net income (loss).

For more information regarding the classification criteria for the financial instruments see the paragraph below "Classification drivers for the financial assets".

### **Recognition criteria**

Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

### **Measurement criteria**

After initial recognition, the Assets classified at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with the recognition in profit or loss of the impact resulting from the application of the amortised cost, the impairment effects and any exchange rate effect, whereas the other gains and losses resulting from a change in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised. Upon the total or partial sale, the cumulative gain or loss in the valuation reserve is transferred, in whole or in part, to the Income statement.

Equity instruments, for which the choice has been made to classify them in this category, are measured at fair value and the amounts recognised in Other comprehensive income cannot be subsequently transferred to profit or loss, not even if they are sold. The only component related to these equities that is recognised through profit or loss is their dividends.

Fair value is determined on the basis of the criteria already described for Financial assets measured at fair value through profit or loss.

For the equity instruments included in this category, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.

For more information regarding the criteria for the determination of fair value, see the Section "A.4 – Information on Fair Value".

Financial assets measured at fair value through other comprehensive income – both in the form of debt securities and loans – are subject to the verification of the significant increase in credit risk (impairment) required by IFRS 9, in the same way as Assets measured at amortised cost, with the consequent recognition through profit or loss of a value adjustment to cover the expected losses. More specifically, for instruments classified as stage 1 (i.e., financial assets at origination, when not impaired, and instruments for which there has not been a significant increase in credit risk since the initial recognition date), a 12-month expected loss is recognised on the initial recognition date and at each subsequent reporting date. For instruments classified as stage 2 (performing for which there has been a significant increase in credit risk since the initial recognition date) and as stage 3 (credit-impaired exposures), a lifetime expected loss for the financial instrument is recognised.

Equity instruments are not subject to the impairment process.

See the paragraph below "Impairment of financial assets" for more details.

### **Derecognition criteria**

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.

When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.

Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.



### 3. Financial assets measured at amortised cost

#### **Classification criteria**

This category includes the financial assets (in particular loans and debt securities) that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Hold to Collect business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI Test” passed).

More specifically, the following are recognised in this caption:

- loans to banks in their various forms that meet the requirements referred to above;
- loans to customers in their various forms that meet the requirements referred to above;
- debt securities that meet the requirements referred to above.

This category also includes the operating loans and receivables connected to the provision of financial activities and services as defined by the Consolidated Law on Banking and the Consolidated Law on Finance (e.g. for the distribution of financial products and servicing activities).

According to the general rules established by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the amortised cost category to one of the other two categories established by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. Gains and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised through profit or loss in the event of reclassification to Financial assets measured at fair value through profit or loss and under Shareholders' equity, in the specific valuation reserve, in the event of reclassification to Financial assets measured at fair value through other comprehensive income.

For more information regarding the classification criteria for the financial instruments see the paragraph below “Classification drivers for the financial assets”.

#### **Recognition criteria**

Initial recognition of the financial asset occurs at settlement date for debt securities and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

In particular, for loans, the disbursement date is usually the same as the date of signing of the contract. Should this not be the case, a commitment to disburse funds is made along with the subscription of the contract, which will cease to exist upon disbursement of the loan. The loan is recognised based on its fair value, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.

Repurchase agreements and reverse repurchase agreements are recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as payables for the spot amount received, whereas reverse repurchase agreements are recognised as receivables for the spot amount paid.

#### **Measurement criteria**

After the initial recognition, these financial assets are measured at amortised cost, using the effective interest method. The assets are recognised in the Balance sheet at an amount equal to their initial carrying amount less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest method) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income directly attributable to the individual asset) and adjusted by any provision for losses. The effective interest rate is the rate that exactly discounts estimated future cash payments of the asset, as principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to that financial asset. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/income directly attributable to a financial asset over its expected lifetime.

The amortised cost method is not used for assets, measured at historical cost, whose short duration makes the effect of discounting negligible, or for assets without a definite maturity or revocable loans.

The measurement criteria, as described in more detail in the paragraph “Impairment of financial assets”, are closely linked to the inclusion of these instruments in one of the three stages of credit risk established by IFRS 9, the last of which (stage 3) consists of non-performing financial assets and the remaining (stages 1 and 2) of performing financial assets.

With regard to the accounting representation of the above measurement effects, the adjustments for this type of asset are recognised in profit or loss:

- on initial recognition, for an amount equal to the 12-month expected credit loss;
- on subsequent measurement of the asset, when the credit risk has not increased significantly since initial recognition, in relation to changes in the amount of adjustments for the 12-month expected credit losses;
- on subsequent measurement of the asset, when the credit risk has increased significantly since initial recognition, in relation to the recognition of adjustments for expected credit losses over the contractually agreed remaining lifetime of the asset;

- on subsequent measurement of the asset, where – after a significant increase in credit risk has occurred since initial recognition – the increase is no longer “significant” due to the alignment of the cumulative value adjustments to take account of the change from a lifetime expected credit loss to a 12-month expected credit loss for the instrument.

These financial assets, when they are performing, are subject to an assessment, aimed at establishing the value adjustments to be recognised in the financial statements, at the level of individual loan (or “tranches” of securities), according to the risk parameters consisting of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), derived from the AIRB models, and duly adjusted to take account of the provisions of IFRS 9.

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset – classified as “non-performing”, like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss, to be recognised through profit or loss, is established based on individual measurement or determined according to uniform categories and, then, individually allocated to each position, and, as detailed in the paragraph “Impairment of financial assets”, takes account of forward-looking information and possible alternative recovery scenarios.

Non-performing assets include financial assets classified as bad, unlikely-to-pay or past due by over ninety days according to the rules issued by the Bank of Italy, in line with the IAS/IFRS and EU Supervisory Regulations.

The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest.

If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the Income statement. The size of the recovery must not lead the carrying value of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Recoveries on impairment with time value effects are recognised in net interest income.

In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual conditions may be subsequently modified by the parties to the contract. When the contractual clauses are subject to change during the lifetime of an instrument, it is necessary to verify whether the original asset should continue to be recognised in the Balance sheet or whether, instead, the original instrument needs to be derecognised and a new financial instrument needs to be recognised.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are “substantial”. The assessment of the “substantial nature” of the change must be made using both qualitative and quantitative information. In some cases, in fact, it may be clear, without resorting to complex analysis, that the changes introduced substantially modify the characteristics and/or contractual flows of a particular asset while, in other cases, further analysis (including quantitative analysis) will need to be carried out to assess the effects of the changes and verify whether or not to derecognise the asset and recognise a new financial instrument.

The qualitative and quantitative analyses aimed at defining the “substantial nature” of contractual changes made to a financial asset must therefore consider:

- the purposes for which the changes were made: e.g. renegotiations for commercial reasons and forbearance measures due to financial difficulties of the counterparty:
  - the former, aimed at “retaining” the customer, involve a borrower that is not in financial difficulty. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These operations involve a change in the original conditions of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, 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 could borrow from another intermediary and the bank would incur a decrease in expected future revenues;
  - the latter, carried out for “reasons of credit risk” (forbearance measures), relate to the bank’s attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the changes, are not normally substantially transferred and, consequently, the accounting representation that provides the most relevant information for the readers of the financial statements (apart from the triggers discussed below) is “modification accounting” – which involves the recognition through profit or loss of the difference between the carrying value and the present value of the modified cash flows discounted at the original interest rate – rather than derecognition;
- the presence of specific triggers that affect the contractual characteristics and/or cash flows of the financial instrument (such as, for example, a change in currency or a modification of the type of risk the financial instrument is exposed to, when correlated to equity and commodity parameters), which are considered to result in derecognition due to their impact (expected to be significant) on the original contractual cash flows.

Conversely, the amendments to financial assets following the Interest Rate Benchmark Reform (so-called IBOR Reform), relating to the change in the basis for determining contractual cash flows (the replacement of the existing interest rate benchmark with an alternative benchmark rate), do not constitute a derecognition event, but are to be considered a modification from an accounting standpoint. Such amendments, if made as a direct consequence of the IBOR Reform and applied on equivalent economic bases, are represented with a prospective adjustment of the effective interest rate - by applying paragraph B5.4.5 of IFRS 9 instead of modification accounting, with impacts on net interest income in future periods.

#### **Derecognition criteria**

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.

When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity’s continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.

Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the

asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

#### 4. Hedging transactions

The Intesa Sanpaolo Group has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).

##### **Classification criteria: type of hedge**

Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.

The following types of hedging transactions are used:

- fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the Balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39 endorsed by the European Commission. Fair value macro hedges are aimed at reducing fluctuations in the fair value, as a result of interest rate risk, of a sum of money flowing from a portfolio of financial assets or liabilities. Net amounts resulting from mismatches between assets and liabilities cannot be subject to macro hedges;
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with Balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

Only hedging transactions which involve counterparties outside the Group may qualify for hedge accounting.

The choice made by the Group to take advantage of the possibility of continuing to fully apply the IAS 39 rules for hedging relationships means that the equity instruments classified as Financial assets measured at fair value through other comprehensive income (FVOCI) cannot be measured as hedged items for price or exchange rate risk, since these instruments are not recognised through profit or loss, not even if they are sold (except for dividends that are recognised through profit or loss).

##### **Recognition criteria**

Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.

A relationship qualifies as a hedging relationship, and is appropriately reported in the financial statements only if, all of the following conditions are met:

- at the inception of the hedge, the hedging relationship is formally designated and documented, including the company's risk management objectives and strategy in undertaking the hedge. This documentation includes the identification of the hedging instrument, the item or transaction hedged, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposures to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged;
- the hedge is expected to be highly effective;
- the planned transaction hedged, to hedge the cash flows, is highly probable and has an exposure to changes in cash flows that could have effects on the Income statement;
- the effectiveness of the hedge can be reliably measured;
- the hedge is measured on an ongoing basis and is considered highly effective for all the financial years in which it was designated.

##### **Measurement criteria**

Hedging derivatives are measured at fair value. In particular:

- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the Income statement of the gains and losses referred to both the hedged item (with regard to the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect. In case of fair value macro hedges, fair value changes related to the hedged risk of assets and liabilities in hedged portfolios are allocated to the Balance sheet under caption 60. "Fair value change of financial assets in hedged portfolios" or under caption 50. "Fair value change of financial liabilities in hedged portfolios";
- in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the Income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction. A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.

Effectiveness is assessed at every close of annual or interim financial statements using:

- prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- retrospective tests, which demonstrate the effectiveness of the hedge for the reference period, or measure how much the effective results diverge from perfect coverage.

Fair value hedge accounting is discontinued prospectively in the following cases:

- the hedging instrument expires or is sold, terminated, or exercised;
- the hedge no longer meets the hedge accounting criteria described above;
- the entity revokes the designation.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the Balance sheet. If the assets or liabilities hedged are measured at amortised cost, the higher or lower value resulting from the fair value measurement due to the hedge becoming ineffective is recognised through profit or loss, using the effective interest rate method. When a fair value macrohedging relationship is discontinued, the cumulative change in fair value losses carried under caption 60 "Fair value change of financial assets in hedged portfolios" or caption 50. "Fair value change of financial liabilities in hedged portfolios" are transferred to the Income statement among interest income or expense over the residual life of the original hedging relationships, without prejudice to verification that the requirements have been met.

An entity must discontinue cash flow hedge accounting prospectively in each of the following circumstances:

- a) the hedging instrument expires or is sold, terminated, or exercised (for this purpose the replacement or exchange of one hedging instrument with another hedging instrument is not a conclusion or termination if that replacement or exchange forms part of an entity's documented hedging strategy). In this case the total profit (or loss) on the hedging instrument continues to be recognised directly in shareholders' equity until the end of the reporting period in which the hedge became effective and it continues to be recognised separately until the programmed transaction, being hedged, occurs;
- b) the hedge no longer meets the criteria for hedge accounting. In this case the total profit or loss on the hedging instrument is recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective and continues to be recognised separately in shareholders' equity until the programmed transaction occurs;
- c) it is no longer considered that the future transaction will occur, in which case any related total profit or loss on the hedging instrument recognised directly in equity starting from the reporting period in which the hedge became effective must be recognised through profit or loss;
- d) the entity revokes the designation. For hedges of a programmed transaction, total profits or losses on the hedging instrument recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective continue to be recognised separately in shareholders' equity until the programmed transaction occurs or it is expected that it will no longer occur.

As an exception to the provisions of IAS 39 discontinuation following an update of the documentation of the hedging relationship (due to modification of the hedged risk, the hedged underlying or the hedging derivative, or of the method for verifying hedge effectiveness) does not apply in the case of modifications required as a direct consequence of the Interest Rate Benchmark Reform (so-called IBOR Reform) and applied on equivalent economic bases..

## 5. Investments in associates and companies subject to joint control

### **Classification, recognition and measurement criteria**

The caption includes investments in companies subject to joint control and associates.

Entities are considered to be companies subject to joint control if control is contractually shared between the Group and one or more other parties, or where the decisions about the relevant activities require the unanimous consent from all parties sharing control.

Companies are considered subject to significant influence (associates) when the Group holds 20% or more of the voting rights (including "potential" voting rights) or if it – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates.

Certain companies in which the Group holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.

The investments in associates and companies subject to joint control are measured at cost and accounted for according to the equity method. If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.

If the recoverable amount is lower than the carrying value, the difference is recorded in the Income statement.

If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the Income statement.

### **Derecognition criteria**

Investments in associates and companies subject to joint control are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, substantially transferring all the risks and rewards connected to the assets.

## 6. Property and equipment

### *Classification criteria*

Property and equipment include land, owner-occupied property, investment property, valuable art assets, technical plants, furniture and fittings and any type of equipment that are expected to be used during more than one period.

Property and equipment held for use in the production or supply of goods and services are classified as “Property and equipment used in operations”, in accordance with IAS 16. Real estate owned for investment purposes (to obtain rental income or gains on the capital invested) is classified as “Investment property” based on IAS 40.

This caption also includes property and equipment classified in accordance with IAS 2 - Inventories, which refer both to assets resulting from the enforcement of guarantees or from purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not meet the requirements for classification in the previous categories, and to the real estate portfolio of the Group's real estate companies, including building sites, properties under construction, properties completed for sale and real estate development initiatives, held for sale.

Finally, this caption also includes the rights of use acquired through leases and relating to the use of an item of property and equipment (for the lessee companies) and the assets leased under operating leases (for the lessor companies).

### *Recognition criteria*

Property and equipment are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be operational.

Extraordinary maintenance expenses which lead to a rise in future economic benefits are attributed to increase the value of assets, while other ordinary maintenance costs are recorded in the Income statement.

### *Measurement criteria*

Property and equipment are measured at cost, net of depreciation and impairment losses, except for owner-occupied properties and valuable art assets, which are measured according to the revaluation model.

The investment properties are measured with the fair value method.

For the property and equipment subject to assessment according to the revaluation model:

- if the carrying value of an asset is increased following a revaluation, the increase must be recognised in the Statement of comprehensive income and accumulated in the shareholders' equity under the caption revaluation reserve; conversely, in the case where an impairment loss on the same asset recognised previously in the Income statement is recovered, it must be recognised as income;
- if the carrying value of an asset is decreased following the revaluation, the decrease must be recognised in the Statement of comprehensive income to the extent in which there are possible credit balances in the revaluation reserve referring to this asset; otherwise, this reduction is recorded in the Income statement.

Property and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount is the cost of the goods (or the net value recalculated if the method adopted for the valuation is the one of the value recalculation) net of the residual value at the end of the depreciation period, if significant. Buildings are depreciated for a portion deemed to be suitable to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in the carrying value of the assets. In order to determine the useful life of the various types of assets and the corresponding depreciation rates, the Group's real estate assets have been divided into four clusters: (i) historical properties (useful life of 65 years), (ii) Entire buildings (useful life of 33 years), (iii) Banking branches (useful life of 20 years) and (iv) Other properties (useful life of 20 years). These clusters do not include the New Intesa Sanpaolo Headquarters in Turin, for which the useful life was estimated through a specific analysis which considered the innovative characteristics of the work, featuring strategic importance and extensive architectonic value, built using complex technologies, and having few, or even zero peers not only within the Group's real estate assets but also in general. Other property and equipment is depreciated based on the following useful lives: furniture from 5 to 10 years, plants from 4 to 10 years, hardware and IT equipment for a period from 4 to 8 years and, lastly, other assets from 3 to 13 years.

The following are not depreciated:

- land, irrespective of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life;
- the valuable art assets, the other historical, artistic and decorative assets, since their useful life cannot be estimated and their value is normally destined to increase over time;
- the investment properties, as required by IAS 40, are measured at fair value through profit or loss, and therefore they must not be depreciated.

If there is some evidence that property and equipment measured at cost may have been impaired, the carrying amount of the asset and its recoverable amount are compared. Any impairment losses are recorded in the Income statement.

If the reasons for impairment cease to exist, a value recovery is recorded and may not exceed the value that the asset would have had, net of depreciation, determined in the absence of previous impairment losses.

With regard to the property and equipment recognised in accordance with IAS 2, these are measured at the lesser of cost and net realisable value, without prejudice to the comparison between the asset's carrying amount and its recoverable amount where there is an indication that the asset may have been impaired. Any impairment losses are recorded in the Income statement.



## Property and equipment consisting of the right-of-use of assets subject to leases

According to IFRS 16, a lease is a contract or part of a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

According to IFRS 16, leases are accounted for on the basis of the right of use model, where, at the initial date, the lessee has a financial obligation to make payments due to the lessor to compensate for its right of use of the underlying asset during the lease term.

When the asset is made available to the lessee for use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.

In particular, the right of use acquired with a lease is measured as the sum of the present value of the future payments over the term of the contract, the lease payments made at or before the commencement date, the lease incentives received, if any, the initial direct costs and any estimated costs of dismantling or restoring the underlying asset.

The financial liability recognised corresponds to the present value of the payments to be made for the lease.

With regard to the discount rate, based on the requirements of IFRS 16, the Group uses the implicit interest rate for each lease contract, when it is available. For leases from the lessee's point of view, in some cases, for example for rental agreements, the implicit interest rate cannot always be readily determined without using estimates and assumptions (the lessee does not have enough information about the unguaranteed residual value of the leased asset). In these cases, the Group has developed a methodology for setting the incremental interest rate as an alternative to the implicit interest rate and has decided to adopt the Funds Transfer Pricing (FTP) method. This is based on an unsecured and amortising rate curve, which envisages lease payments for the lease contract that are typically constant over the lease term, rather than a single payment upon maturity. The FTP method takes into account the creditworthiness of the lessee, the term of the lease, as well as the economic environment in which the transaction takes place and is therefore in line with the requirements of the standard.

The lease term is determined taking into account:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;
- periods covered by an option to terminate the lease if the lessee is reasonably certain to exercise that option.

During the course of the lease term a lessee shall:

- measure the right-of-use at cost less accumulated depreciation and accumulated impairment losses determined and recognised based on the provisions of IAS 36 "Impairment of assets", adjusted to take account of any remeasurement of the lease liability;
- increase the liability arising from the lease following the accrual of interest expense calculated at the interest rate implicit in the lease or alternatively at the incremental borrowing rate, and decrease it for payments of principal and interest made.

If changes are made to the lease payments, then the lease liability must be remeasured and the impact of the remeasurement of the liability is recognised against the right-of-use asset.

### ***Derecognition criteria***

Property and equipment are derecognised from the Balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

## 7. Intangible assets

### ***Classification criteria***

Intangible assets consist of goodwill and other intangible assets governed by IAS 38. They may include the rights of use acquired under a lease and relating to the use of an intangible asset (for lessees) and assets leased under an operating lease (for lessors).

Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include goodwill, which represents the positive difference between purchase price and fair value of assets and liabilities pertaining to the acquired company.

### ***Recognition and measurement criteria***

Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. If this is not the case, the cost of the intangible asset is recorded in the Income statement in the year in which it was incurred.

For assets with finite useful life, the cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected from the asset. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment testing.

If there is any indication that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the Income statement, is equal to the difference between the carrying value of the assets and the recoverable amount.

In particular, intangible assets include:

- technology-related intangibles, such as software, which are amortised on the basis of their expected technological obsolescence and generally over a period not exceeding seven years; in particular, the costs incurred internally for the development of software projects are considered as intangible assets and are recognised under assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability of making the intangible

asset available for use or sale, iii) the future economic benefits to be generated by the asset can be demonstrated. Software development capitalised costs only comprise the costs directly attributable to the development process. Capitalised software development costs are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity from the beginning of production over the product's estimated life;

- customer-related intangibles generally represented, in business combinations, by asset management relations, non-financial activities related to provision of services and insurance portfolios. Such assets, with a finite life, are originally measured by the discounting, using a rate representing the time value of money and the asset's specific risks, of the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. For asset management relations and non-financial activities related to provision of services, they are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration and, for relations from insurance contracts, generally in decreasing portions corresponding to the duration of the contract in case of relations with predetermined expiry (residual lives of the policies);
- marketing-related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered as having indefinite life since it is deemed to contribute for an indefinite period of time to the formation of income flows.

Lastly, intangible assets include goodwill.

With respect to business combinations, goodwill may be recorded when the positive difference between the consideration transferred and the fair value recognition, if any, of minority interests, and the fair value of shareholders' equity acquired is representative of the future income-generation potential of the equity investment.

If this difference is negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the Income statement.

Once a year (or every time that there is evidence of impairment losses), an impairment test is carried out for goodwill. This requires the identification of the Cash Generating Unit (or CGU) to which goodwill is allocated. The cash-generating units of the Intesa Sanpaolo Group correspond to the operating divisions presented in segment reporting. Any impairment losses are determined on the basis of the difference between the recognition value of goodwill and its recoverable amount, if lower. The recoverable amount is equal to the higher between the fair value of the cash-generating unit, less any cost to sell, and the relative value in use. The consequent adjustments are posted in the Income statement.

With regard to the intangible asset represented by the brand name, if the reference CGU does not have any goodwill allocated and, as a result, it is not possible to test the recoverable amount of the specific intangible as part of the impairment test of the goodwill based on total cash flows at the level of the CGU, then an independent and specific valuation is made on the basis of the fair value certified by the appraisal of an independent expert.

#### ***Derecognition criteria***

Intangible assets are derecognised from the Balance sheet on disposal and if no future economic benefits are expected.

### **8. Other assets**

Other assets essentially consist of items awaiting classification and items not attributable to the other balance-sheet captions, including receivables arising from the supply of goods and non-financial services, sundry tax items other than those recognised in their own caption (e.g., connected to withholding agent activities), gold, silver and precious metal, and accrued income other than that capitalised on the related financial assets, including the income resulting from contracts with customers in accordance with IFRS 15, paragraphs 116 and following. As required by paragraphs 91 and following of IFRS 15, the costs incurred for the acquisition and fulfilment of long-term contracts with customers are capitalised and amortised when they are incremental and are expected to be recovered.

### **9. Non-current assets held for sale and discontinued operations and related liabilities**

Non-current assets/liabilities for which a disposal process has commenced and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. These assets/liabilities are measured at the lower of the carrying amount and fair value less cost to sell, except for some type of assets (e.g., financial assets within the scope of IFRS 9) for which IFRS 5 specifically establishes that the measurement principles of the applicable accounting standard must be used.

Non-current assets held for sale and discontinued operations may include portfolios of assets for which there are no prices in an active market. In such case, where an agreement has been reached with the purchaser, they are measured at fair value by referring to the sale prices resulting from that agreement. Where there is no agreement, they are measured using specific valuation techniques based on the asset and, where necessary, by employing external fairness opinions.

The income and charges (net of tax effect) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the Income statement in a separate caption.

### **10. Current and deferred tax**

Taxes on income, calculated according to domestic tax regulations, are accounted for as a cost on an accruals basis, in line with the method followed to include, in the financial statements, the costs and income that generated them. Therefore, they represent the balance of current and deferred income taxes for the year. Current tax assets and liabilities include the balances of the Group companies due to the relevant Italian and foreign tax authorities relating to direct taxation. More specifically,



these captions include the net balance of tax liabilities from previous years and the current year, calculated on the basis of a prudent estimate of the tax charges due for the year, assessed according to the tax regulations currently in force, and the current tax assets represented by advances, by withholding taxes borne or other tax credits. The risk inherent in such proceedings and the risks inherent in proceedings where preliminary disbursements have not been requested are evaluated in applying the principles contained in IAS 37 regarding the best estimate of the economic resources required.

Considering the Group's adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Group companies are managed separately from an administrative standpoint.

Deferred taxation is calculated according to the Balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.

Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (so-called probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are offset.

If deferred tax assets and liabilities refer to items affecting the Income statement, the balancing entry is represented by taxes on income.

Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, measurements of financial assets recognised at fair value through other comprehensive income or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).

Latent taxation on equity reserves that will become taxable "however used" is charged against shareholders' equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited directly to a specific reserve named "Reserve pursuant to Article 21 of Legislative Decree 213/98", which qualify for deferred taxation, is charged directly against this reserve. No provision is made for reserves subject to latent taxation only in the event of distribution, since the size of the available reserves which have already been taxed leads to the belief that no transactions will be undertaken which may cause taxation of the untaxed reserves.

Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the accrual basis principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.

Latent taxation on shareholders' equity items of consolidated companies is not recorded in the financial statements if it is unlikely that any tax liability will actually arise, also bearing in mind the permanent nature of the investment.

## 11. Allowances for risks and charges

### *Allowances for risks and charges for commitments and guarantees given*

This sub-caption of the allowances for risks and charges contains the allowances for credit risk recognised for loan commitments and guarantees given that come under the scope of the IFRS 9 impairment rules. For these cases, in general, the methods described for financial assets measured at amortised cost or at fair value through other comprehensive income are adopted for the assignment to the three credit risk stages and the calculation of the expected credit loss.

This aggregate also includes allowances for risks and charges made to cover other types of commitments and guarantees given that, due to their specific characteristics, do not fall under the scope of impairment pursuant to IFRS 9.

### *Post-employment benefits*

Company post-employment benefits are based on agreements and qualify as defined benefit plans. Liabilities related to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected Unit Credit Method. This method sets out that future obligations are forecast using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each year of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The discounting rate is determined on the basis of market returns, surveyed as at the date of measurement, on high-quality corporate bonds, taking account of the residual average life of the liability. The present value of the liability at the reporting date is also adjusted by the fair value of any plan assets.

Actuarial profits and losses (namely the changes in the current value of the obligation resulting from changes in the actuarial assumptions and adjustments based on past experience) are recognised in the statement of comprehensive income.

### *Other allowances*

Other allowances for risks and charges record provisions related to legal obligations or connected to labour relationships or to litigations, also of a fiscal nature, originating from a past event for which a disbursement will probably arise to settle the obligations, provided that the amount of the disbursement may be estimated reliably.

Consequently, a provision is recognised when, and only when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date and takes into account the risks and uncertainties that inevitably surround many events and circumstances. Where time value is significant, provisions are discounted using current market rates. Provisions and increases due to time value are recorded in the Income statement.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation or when the obligation is settled, the provision should be reversed.

The caption also includes long-term benefits to employees, whose charges are determined with the same actuarial criteria described for post-employment benefits. Actuarial profits and losses are all immediately recognised in the Income statement.

## 12. Financial liabilities measured at amortised cost

### *Classification criteria*

Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.

It also includes the payables recorded by the entity in the capacity of lessee in lease transactions.

### *Recognition criteria*

Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which usually coincides with the time of collection of the sums deposited or the issue of debt securities.

Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.

Lease payables are recognised at the present value of the future lease payments, discounted using the implicit interest rate of the transaction or, where it cannot be determined, the marginal financing rate.

### *Measurement criteria*

After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.

An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.

Lease payables are remeasured when there is a lease modification (e.g. a change in the contract which is not accounted for/considered as a separate contract); the effect of the remeasurement will be a corresponding adjustment to the right-of-use asset.

### *Derecognition criteria*

Financial liabilities are derecognised from the Balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the Income statement.

Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

## 13. Financial liabilities held for trading

### *Recognition criteria*

These financial instruments are recognised at the subscription or issue date at the fair value of the instrument, without taking into account directly attributable transaction costs or revenues.

This liability category includes, in particular, the negative fair value of trading derivatives, as well as embedded derivatives with a negative fair value separated from liabilities measured at amortised cost.

It also includes liabilities determined by short selling generated by trading of securities and certificates forming part of the trading business model.

### *Measurement criteria*

All financial liabilities held for trading are measured at fair value through profit or loss.

### *Derecognition criteria*

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed of with the substantial transfer of all the risks and rewards connected to it.

## 14. Financial liabilities designated at fair value

### *Classification criteria*

Financial liabilities designated at fair value are recorded under this caption, on the basis of the fair value option given to companies by IFRS 9 and in compliance with the cases contemplated in the reference regulations.

This category of liabilities includes certificates that form part of the banking book business model.

### *Recognition criteria*

These liabilities are recorded at fair value as at the date of issue, including the value of any embedded derivatives, net of placement fees paid.

**Measurement criteria**

These liabilities are measured at fair value according to the following rules established by IFRS 9:

- changes in fair value attributable to changes in own credit risk must be recognised in the statement of comprehensive income (shareholders' equity);
- the remaining changes in fair value must be recognised in the Income statement.

The amounts recognised in the statement of comprehensive income are not subsequently recycled to the Income statement. This method of accounting must not be applied when recognition of the effects of own credit risk on shareholders' equity results in or accentuates an accounting mismatch in the Income statement. In this case, gains and losses associated with the liability, including those resulting from changes in own credit risk, must be recognised in the Income statement.

**Derecognition criteria**

The financial liabilities designated at fair value are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed with the substantial transfer of all the risks and rewards connected to it.

**15. Foreign currency transactions****Definition**

The foreign currency is a currency that is not the functional currency of the entity, which is in turn the currency of the primary economic environment in which the entity operates.

**Initial recognition**

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

**Subsequent measurement**

At every close of annual or interim financial statements, captions in foreign currency are measured as follows:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit or loss, any exchange component of that gain or loss is recognised through profit or loss.

**16. Other information****Own shares**

Any own shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

**Accruals, prepayments and deferrals**

Accruals, prepayments and deferrals for the year that include income and charges for the year, accrued on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities to which they are related.

**Leasehold improvements**

The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. These costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

**Employee termination indemnities**

Employee termination indemnities qualify as a "post-employment benefit" classified as:

- a "defined contribution plan" to the extent of the portions accruing from 1 January 2007 (the date the reform of the supplementary pension schemes came into force pursuant to Legislative Decree 252 of 5 December 2005) when the employee opted for the complementary pension scheme or decided to allocate such portions to the INPS (the Italian Social Security Institute) Treasury fund. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation;
- a "defined benefit plan" to the extent of the portions of employee termination indemnities accrued until 31 December 2006.

These amounts are recognised at their actuarial value determined using the "Projected Unit Credit Method", without applying the pro-rata of the service rendered. Indeed, the current service cost of employee termination indemnities is almost entirely accrued and its revaluation in the years to come is not expected to generate significant benefits for employees.

For the purposes of discounting, the rate used is the market yield of high-quality corporate bonds taking into account the average remaining life of the liability, weighted based on the percentage amount paid and advanced, for each maturity, with respect to the total to be paid and advanced until the expiry of the entire obligation.

The plan's costs are recorded under personnel expenses, while actuarial profits and losses are recognised in the statement of comprehensive income.

#### **Share-based payments**

Share-based payments are recorded in the Income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.

In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned.

The combination of the two values supplies the fair value of the assigned instrument.

Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

#### **Employee benefits**

Employee benefits are defined as all forms of consideration given by an entity in exchange for service rendered by employees. Employee benefits are divided into:

- short-term benefits (other than termination benefits or equity compensation benefits) that are expected to be paid in full within twelve months after the end of the period in which the employees render the related service and recognised in full through profit or loss when they become due (this category includes, for example, wages, salaries and "extraordinary" benefits);
- post-employment benefits payable after the conclusion of employment that require the entity to provide future benefits to employees. These include employee termination indemnities and pension funds, which are in turn divided into defined contribution plans and defined benefit plans or company pension funds;
- termination benefits, i.e. compensation that the company recognises to the staff members upon termination of the employment agreement, following the company's decision to terminate the employment relationship prior to the normal retirement date;
- long-term benefits, other than those above, that are not expected to be paid in full within twelve months after the end of the period in which the employee rendered their service.

#### **Offsetting of financial instruments**

According to IAS 32, paragraph 42, financial assets and financial liabilities are offset and the net amount presented in the financial statements when an entity:

- has a legal enforceable right of set off which is currently exercisable in all circumstances, both in the ordinary course of business or in the event of default, insolvency or bankruptcy of the parties;
- intends to settle the transactions on a net basis or on a gross settlement basis whose substantive effects are equivalent to a net settlement.

For derivative instruments covered by netting agreements that meet the above requirements, Bank of Italy Circular 262 also requires the offsetting to be performed between trading and hedging derivatives, with the mismatches to be presented on a net basis. The net balance is usually allocated to the trading book rather than to the hedging derivatives, based on the actual amount of the mismatch between trading and hedging derivatives.

In compliance with the requirements of IFRS 7, more detailed information is provided in the tables contained in Part B – Other information of these Notes to the financial statements, which present the following:

- the carrying amounts of assets and liabilities that meet the requirements of IAS 32, paragraph 42, before and after offsetting;
- the exposures subject to master netting agreements that have not been offset but have the potential to be offset following specific circumstances;
- the collateral associated with them.

#### **Tax credits related to the "Cura Italia" and "Rilancio" Law Decrees acquired as a result of transfer by direct beneficiaries or previous purchasers (e.g. ecobonus)**

Law Decrees no. 18/2020 ("Cura Italia" Decree) and no. 34/2020 ("Rilancio" Decree) introduced tax incentives related to both investment expenditure (e.g. ecobonus and seismicbonus) and current expenditure (e.g. rents for non-residential premises). These tax incentives apply to households or businesses, are linked to a percentage of the expenditure incurred (in some cases up to 110%) and are granted in the form of tax credits or tax deductions (with option for conversion into tax credits). The main features of these tax credits are: i) the possibility of using them for offsetting; ii) their transferability to third-party purchasers; and iii) their non-refundability by the Treasury.

The accounting for tax credits acquired from a third party (transferee of the tax credit) is not covered by a specific international accounting standard. IAS 8 requires, in cases where there is a circumstance not explicitly addressed by an IAS/IFRS accounting standard, that management develop an accounting policy to ensure relevant and reliable disclosure of such transactions.

To this end, the Intesa Sanpaolo Group, in view of the guidance provided by the Authorities, in the document Accounting treatment of tax credits acquired pursuant to the 'Cura Italia' and 'Rilancio' Law Decrees published on 5 January 2021 by the Coordination Committee between the Bank of Italy, Consob and IVASS concerning the application of IAS/IFRS has adopted an accounting policy that refers to the accounting rules established by IFRS 9, applying the provisions that are consistent with the characteristics of the transaction. The Group purchases the credits according to its tax capacity, for the purpose of holding them and using them for future offsets. As a result these credits come under a hold to collect business model and are recognised at amortised cost, with the remuneration recognised in net interest income during the period of recovery. The measurement of these credits is carried out considering the cash flows from the estimated future offsets. The accounting

framework established by IFRS 9 for calculating expected losses does not apply in this case: the ECL is not calculated on these tax credits, as there is no counterparty credit risk, because the credit is realised through offsetting against payables and not through collection. As specified in the joint document from the Authorities, as mentioned above, given that the purchased tax credits do not qualify as tax assets, public subsidies, intangible assets or financial assets under the international accounting standards, the most appropriate classification, for their presentation in the financial statements, is the residual classification under Other Assets in the Balance sheet.

### **TLTRO III**

The TLTRO III (Targeted Longer Term Refinancing Operations) seek to preserve favourable bank lending conditions and support the defined monetary policy stance. Some of the parameters that characterise these transactions, established by the ECB on 6 June 2019 were subsequently revised to make improvements, most recently on 10 December 2020, in light of the economic impact of the continuation of the COVID-19 emergency. The amount of funding that each bank can obtain depends on the amount of loans granted to non-financial companies and households at particular reporting dates (so-called eligible loans). The operations have been conducted on a quarterly basis, from September 2019, and each operation has a duration of three years.

The interest rate for each operation is set at a level equal to the average interest rate on the Eurosystem's main refinancing operations (MROs), currently 0%, except for the special interest rate period from 24 June 2020 to 23 June 2022, when a rate of 50 basis points lower will apply. Banks granting net eligible loans above a benchmark net lending can receive an interest rate reduction. Specifically, the favourable rate applied will be equal to the average rate on deposits with the central bank (Deposit Facility), currently -0.5%, for the entire duration of the respective operation, except for the special interest rate period where an additional reduction of 50 basis points will be added (but in any event not higher than -1%). The interest is paid in arrears at the maturity date of each TLTRO III transaction or at the time of early repayment.

It is also noted that, on 6 January 2021, ESMA issued a Public Statement with the aim of promoting transparency in the banks' IFRS financial reports concerning the accounting treatment of TLTRO III: in light of the significant numerical impacts of the operations in question and of the level of judgment required for defining the accounting policy, ESMA highlighted the importance of providing in the financial statements an adequate level of transparency on the accounting treatment of operations.

The Intesa Sanpaolo Group applies the accounting treatment determined in accordance with IFRS 9 to TLTRO III transactions, treating the refinancing conditions established by the ECB as market rates within the Eurosystem's monetary policy measures.

Under the Group's accounting policy, the special interest rates for the period from 24 June 2020 to 23 June 2022 are recognised in accordance with IFRS 9 as floating rates applicable to the reporting period, because the Governing Council of the ECB may at any time change the interest rate of TLTRO III operations prospectively (as it did in April and December 2020). The interest is therefore recognised periodically based on the interest rate of the instrument for each period (-0.5% until 24 June 2020, -1% until 23 June 2022, and -0.5% thereafter and until maturity, based on current rates) as required by paragraph B5.4.5 of IFRS 9.

A requirement for the recognition of the favourable interest rates – in keeping with the approach already adopted for TLTRO II – is a reliable estimate of the achievement of the benchmark net lending, which the Group performs through forecast reports on the lending performance monitored at set dates, approved by an appropriate level of management. Please refer to Part C with reference to the interest recognised in the period and the achievement of the benchmarks.

In the event of changes to the forecasts on the achievement of those targets, the IFRS 9 provisions on the revision of cash flow estimates apply.

### **Recognition of revenues and costs**

Revenues are gross flows of economic benefits deriving from the performance of the company's ordinary business and are recognised when control of the goods or services is transferred to the customer, at an amount that represents the amount of consideration that the company considers it is entitled to. In particular, revenues are recognised by applying a model that must meet the following criteria:

- identification of the contract, defined as an agreement in which the parties are committed to perform their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sale prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is satisfied by transferring a promised good or service to a customer.

The transaction price is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services promised. It may include fixed or variable amounts or both. Revenues from variable fees are recognised in the Income statement if they can be reliably estimated and only if it is highly likely that all or a significant part of this fee will not need to be reversed from the Income statement in future periods. Where there is a high level of uncertainty related to the nature of the consideration, it will be recognised only when this uncertainty is resolved.

Revenues may be recognised:

- at a specific point in time, when the entity satisfies a performance obligation by transferring a promised good or service to the customer, or
- over time, as the entity satisfies a performance obligation by transferring a promised good or service to the customer.

The good is transferred when, or in the period when, the customer acquires control of the good.



In particular:

- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued up to the reporting date, relating to financial derivatives:
  - a) hedging interest-generating assets and liabilities;
  - b) classified in the Balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit or loss (fair value option) in management terms;
  - c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
- overdue interest, which may be provided for by the relevant contracts is recorded in the Income statement solely at the time of collection;
- dividends are posted in the Income statement when their distribution is approved, unless this date is not known or the information is not immediately available, in which case they may be recognised when they are collected;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate is recognised under interest;
- profits and losses from securities trading are recognised in the Income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, or when the performance obligation towards the customer is satisfied.

Costs are recognised in the Income statement on an accruals basis. Costs relating to the receipt and performance of contracts with customers are recognised in the Income statement in the periods when the related revenues are recognised.

#### ***Use of estimates and assumptions in preparing financial reports***

The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the Balance sheet and Income statement, and on the potential assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, also founded on past experience, which are used to formulate reasonable assumptions in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.

If there are greater uncertainties and/or the assets being measured are particularly material, the valuation is supported by specific fairness opinions from external appraisers/experts.

The main cases for which subjective evaluations are required to be made by corporate management include:

- the measurement of impairment losses on loans, investments, and, generally, other financial assets;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the fair value measurement of real estate and valuable art assets;
- the measurement of personnel funds and allowances for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets;
- the demographic (linked to the estimated mortality of insured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the basis for calculating integrative reserves provided for in insurance regulations, in addition to the shadow reserves, and liability adequacy test provided for in IFRS 4.

For some of the types listed above, the main factors subject to estimates by the Group and which determine the carrying value of assets and liabilities in the financial statements can be identified. The following are noted, by way of example:

- to determine the fair value of financial instruments not listed on active markets, if the use of parameters that cannot be obtained from the market is necessary, the main estimates regard, on one hand, development of future cash flows (or even income flows, in the case of equities), possibly conditional on future events and, on the other, the level of specific input parameters not listed on active markets;
- the estimates for the assignment of loans and debt securities classified as Financial assets measured at amortised cost and Financial assets measured at fair value through other comprehensive income to the three credit risk stages required by IFRS 9 and to calculate the related expected credit losses involve:
  - the determination of the parameters for a significant increase in credit risk, essentially based on models for measuring the probability of default (PD) upon origination of the financial assets and at the reporting date;
  - the inclusion of forward-looking factors, including macroeconomic factors, for the determination of the PD and LGD;
  - the determination of the likelihood of sale of impaired financial assets, through the realisation of market positions;
- to determine the future cash flow estimates from non-performing loans, a number of items are considered: the expected recovery times, the presumed realisable value of guarantees and the costs to be sustained for the recovery of credit exposure;
- to determine the value in use of intangible assets with an indefinite life (brand name and goodwill) with regard to the Cash-Generating Units (CGU) comprising the Group, the future cash flows in the forecasting period of the analysis and the flows used to determine the terminal value, generated by the CGU, are subject to estimate, separately and appropriately discounted. Also the cost of capital is among the items subject to estimate;
- to determine the value in use of intangible assets with a finite life (asset management and insurance portfolios) with regard to the CGUs comprising the Group, the useful life is subject to estimate, on the one hand, as well as the future cash flows arising from the asset, on the other. The cost of capital is subject to estimate in the case of intangible assets with a finite life as well;

- the fair value measurement of real estate and valuable art assets is based on valuations prepared by qualified independent firms. Lease rentals, selling prices, discount rates and capitalisation rates are estimated in order to conduct the appraisals of the properties, while to conduct the appraisals on the valuable art assets, the estimate of the value is gathered from the performance of the exchanges of similar works (in terms of technique, size, subject) by the same author or regional movements and schools that are close with regard to style and technique;
- to measure post-employment benefits, the present value of the obligations is subject to estimate, taking into account the flows, appropriately discounted, arising from past time-series analyses and the demographic curve;
- to measure allowances for risks and charges, the amount of outflows necessary to fulfil the obligations is estimated, where possible, taking into account the effective probability of having to utilise resources;
- to determine the value of deferred tax items, the likelihood of an effective future tax burden is estimated (taxable temporary differences) and the level of reasonable certainty – if it exists – of future taxable amounts at the time when the tax deductibility occurs (deductible temporary differences and tax losses carried forward).

#### **The classification drivers for financial assets**

The classification of the financial assets into the three categories established by the standard depends on two classification drivers: the business model used to manage the financial instruments and the contractual cash flow characteristics of the financial assets (or SPPI Test).

The classification of the financial assets derives from the combined effect of the two drivers mentioned above, as described below:

- Financial assets measured at amortised cost: assets that pass the SPPI test and come under the Hold to Collect (HTC) business model;
- Financial assets measured at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and come under the Hold to Collect and Sell (HTCS) business model;
- Financial assets measured at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test of the contractual cash flow characteristics (SPPI test not passed).

#### **SPPI test**

For a financial asset to be classified as at amortised cost or at FVOCI – in addition to the analysis of the business model – the contractual terms of the asset must also provide, on specified dates, for cash flows that are solely payments of principal and interest (SPPI). This analysis must be carried out for loans and debt securities in particular.

The SPPI test must be carried out on each individual financial instrument at the time of recognition in the Balance sheet. After initial recognition, and as long as it is recognised in the Balance sheet, the asset is no longer subject to new assessment for the purposes of the SPPI test. If a financial instrument is derecognised and a new financial asset is recognised, the SPPI test must be performed on the new asset.

For the application of the SPPI test, IFRS 9 provides the following definitions:

- Principal: this is the fair value of the financial asset at initial recognition. This value may change over the life of the financial instrument, for example as a result of repayments of part of the principal;
- Interest: this is the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks and costs and a profit margin.

In assessing whether the contractual flows of a financial asset can be defined as SPPI, IFRS 9 refers to the general concept of a 'basic lending arrangement', which is independent of the legal form of the asset. When contract terms introduce exposure to risks or volatility in the contractual cash flows that is inconsistent with the definition of a basic lending arrangement, such as exposure to changes in share or commodity prices, the contractual cash flows do not meet the definition of SPPI. The application of the classification driver based on contractual cash flows sometimes requires a subjective judgement and, consequently, the establishment of internal application policies.

In cases of modified time value of money – for example, when the interest rate of the financial asset is recalculated periodically, but the frequency of the recalculation or the frequency of payment of the coupons does not reflect the nature of the interest rate (such as when the interest rate is recalculated monthly on the basis of a one-year rate) or when the interest rate is recalculated regularly on the basis of an average of particular short or medium-to-long term rates – an entity should assess, using both quantitative and qualitative information, whether the contractual cash flows still meet the definition of SPPI (benchmark cash flows test). If the test shows that the (undiscounted) contractual cash flows are "significantly different" from the (also undiscounted) cash flows of a benchmark instrument (i.e. without the modified time value element), the contractual cash flows cannot be considered to meet the definition of SPPI.

The standard requires specific analyses ("look through test") to be performed and these are therefore also conducted on multiple contractually linked instruments (CLIs) that create concentrations of credit risk for debt repayment and on non-recourse assets, for example in cases where the loan can only be enforced on specified assets of the debtor or on the cash flows from specified assets.

The presence of contractual clauses that may change the frequency or amount of the contractual cash flows must also be considered to determine whether those cash flows meet the requirements to be considered as SPPIs (e.g. prepayment options, the possibility of deferring contractually agreed cash flows, embedded derivative instruments, subordinated instruments, etc.).

However, as envisaged by IFRS 9, a contractual cash flow characteristic does not affect the classification of the financial asset if it could have only a de minimis effect on the contractual cash flows of the financial asset (in each year and cumulatively). Similarly, if a cash flow characteristic is not genuine, i.e. if it affects the instrument's contractual cash flows only



on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur, it does not affect the classification of the financial asset.

For operations in debt securities, the Intesa Sanpaolo Group uses the services offered by well-known info-providers for the performance of the SPPI Tests. This choice, on one hand, provides front office staff who deal in securities with an immediate result for the performance of the test, enabling the streamlining of purchasing processes, and, on the other hand, provides access to market approaches shared by numerous operators and audit firms. Only in cases where the securities are not managed by info-providers, the test is carried out manually using a proprietary tool based on an internally developed methodology (decision-making trees).

A proprietary tool based on an internally developed methodology (decision-making trees) has also been developed for carrying out the SPPI test for the lending processes. In particular, given the significant differences in characteristics, the procedure differs between products related to a contractual standard (typically the retail loan portfolio) and tailor-made loans (typically the corporate loan portfolio).

For standard products, the SPPI test is carried out during the structuring of the contractual standard, through the “New Product Coordination” process, and the result of the test is applied to all the individual relationships related to the same catalogue product. For tailor-made products, on the other hand, the SPPI test is carried out for each new credit line/relationship submitted to the decision-making body through the use of the proprietary tool.

The decision-making trees – included in the proprietary tool – have been produced internally (both for debt securities and loans) and capture the possible non-SPPI compliant characteristics. They take account of the instructions provided by IFRS 9, as well as the interpretations of the standard made by the Group. The trees are used both for the implementation of the rules of the proprietary tool and for the verification and validation of the methodology adopted by the info-providers.

### *Business model*

With regard to the business models, IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed:

- Hold to Collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the portfolios associated to it. The inclusion of the portfolio of financial assets in this business model does not necessarily result in the inability to sell the instruments, but the frequency, value and timing of sales in prior periods, the reasons for the sales, and the expectations about future sales, need to be considered;
- Hold to Collect and Sell (HTCS): this is a mixed business model whose objective is achieved by collecting the contractual cash flows of the financial assets in portfolio and (also) through the sale of the financial assets, which is an integral part of the strategy. Both activities (collection of contractual flows and sale) are indispensable for achieving the business model's objective. Accordingly, sales are more frequent and significant than for an HTC business model and are an integral part of the strategies pursued;
- Other/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not come under the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured based on fair value.

The business model reflects the way in which financial assets are managed to generate cash flows for the benefit of the entity and is defined by top management with the appropriate involvement of the business structures. It is observed by considering the way in which financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows derive from the collection of contractual flows, from the sale of the financial assets, or from both. This assessment is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as ‘worst case’ or ‘stress case’ scenarios. For example, if an entity expects that it will sell a particular portfolio of financial assets only in a stress case scenario, that scenario does not affect the entity's assessment of the business model for those assets if the entity reasonably expects that such a scenario will not occur.

The business model does not depend on management's intentions regarding an individual financial instrument, but refers to the way in which groups of financial assets are managed in order to achieve a specific business objective.

In summary, the business model:

- reflects the way in which financial assets are managed to generate cash flows;
- is defined by top management, with the appropriate involvement of the business structures;
- must be observable by considering the way the financial assets are managed.

In operational terms, the assessment of the business model is carried out in line with the company's organisation, the specialisation of the business functions, the risk cascading model, and the assignment of delegated powers (limits). All relevant factors available at the date of the assessment are used in the assessment of the business model. The above information includes the strategy, the risks and their management, the remuneration policies, the reporting, and the amount of the sales. In the analysis of the business model, the elements investigated must be consistent with each other and, in particular, must be consistent with the strategy pursued. Evidence of activities not in line with the strategy must be analysed and duly justified.

In this regard, and in relation to the business models under which the financial assets are held, a specific set of “Business Model Rules” (approved by the competent levels of governance) has been drafted for the Parent Company and Banking Group Companies. It defines and sets out the components of the business model in relation to the financial assets included in the portfolios managed as part of the operations of the Intesa Sanpaolo Group's business structures. In further detail, the mapping of the business model adopted by the various structures through which the Group operates, with regard to both loans and receivables and debt securities, takes account of the structure of the division model and the Corporate Centre; this

structure has been identified as the relevant level for formulating and representing the various business models applied by the Group's risk-taking centres.

Within the Chief Risk Officer Area, the Financial and Market Risks Head Office Department of the Parent Company provides high-level supervision of the procedure required for determining the business model within which a given set of assets is held and verifies the need for any updates (to be incorporated, at least annually, in the Business Model Rules document).

#### *Monitoring of the business model*

The monitoring of the reference business model of the various structures through which the Group operates is performed by the Financial and Market Risks Head Office Department, which uses indicators intended to verify the consistency of the declared strategy with that pursued within the business models; these indicators, differentiated for the various business models, have been developed in accordance with IFRS 9 and corporate rules and procedures.

For the Hold to Collect portfolios, the Group has set limits for frequent but not significant sales to be considered eligible (individually or in aggregate), or for infrequent sales even if their amount is significant, and the parameters have also been established for identifying sales as being consistent with that business model because they relate to an increase in credit risk or for securities nearing maturity.

More specifically, within an HTC business model, sales are allowed:

- in the event of an increase in credit risk, which occurs:
  - for securities, when there is a downgrade of predetermined notches with respect to the rating upon origination. The approach adopted differentiates the number of notches according to the rating upon origination, in line with the method used to identify significant deterioration, i.e. for the staging assignment;
  - for loans, if they are sales of non-performing loans or loans classified as stage 2;
- for securities nearing maturity (i.e., according to the Group rules, in the 6 months preceding maturity), provided that the amount collected is close to the current value of the remaining contractual flows;
- when they are frequent but not significant in terms of value or occasional even if significant in terms of value, subject to authorisation assessment by the competent Control bodies. In order to determine these aspects, thresholds of frequency and significance have been set:
  - frequency is defined as the percentage ratio between the number of positions sold over the year and the number of portfolio positions;
  - significance is defined as the percentage ratio between the nominal value of the sales during the current year and the nominal value of the instruments held in the portfolio.

With regard to the determination of the "Risks" and the "Reporting" for the HTCS and Trading business models, the provisions of the RAF and Market Risk Charter and of internal policies in the area of market risk controls apply in principle, and measures are concurrently established for monitoring the consistency of the HTCS and Other/Trading business models.

With regard to the HTCS business model, IFRS 9 does not provide for the need for limits on the frequency or the value of the sales. However, the Group has established indicators for debt securities only in order to ensure that they are properly assigned to the chosen business model over time. These indicators are:

- The holding period, which measures the time for which a certain instrument has been held in portfolio;
- Turnover rate, which measures the speed with which positions in portfolio turn over during a predefined period of time.

Within the framework of the monitoring of the indicators set out above, limits and early-warning thresholds apply according to the overall strategies pursued by the HTCS portfolio.

Finally, with regard to debt or equity securities held for trading, a measure of the consistency of inclusion in the chosen business model applies, represented by the indicator of "expected average permanence" (so-called Vintage) which measures the observed holding period of all securities in portfolio.

The monitoring measures relating to the various business models are subject to regular reporting through technical committees.

#### *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.

The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions recur (for example review of market interest rates).

After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost is different depending on the fact that financial assets/liabilities have fixed or floating rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or floating) over the life of the loan. For financial assets/liabilities with a floating rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate, the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in

the Income statement as income or loss.

Measurement at amortised cost is applied for the financial assets measured at amortised cost and for the financial assets measured at fair value through other comprehensive income, as well as the financial liabilities measured at amortised cost.

Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.

Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the customer. These commissions, which must be directly attributable to the single financial asset or liability, modify the original effective return, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for retrocession, for non-use, for advance termination. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions for services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction (e.g. facility and arrangement fees).

With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation in syndicated loans and lastly, up-front fees correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front fees correlated to loans disbursed at rates below market rates, income for the participation in syndicated loans and brokerage commissions received.

For debt securities not measured at fair value through profit or loss, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since immaterial.

Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and remuneration paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/review expenses for the annual update of prospectuses, the costs for the use of indexes and commissions which originate during the life of the bond issue.

Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective rate of return of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous recognition in the Income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, structured liabilities that are not measured at fair value through profit or loss, for which the embedded derivative has been separated from the financial instrument, are also measured at amortised cost.

As specified by IFRS 9, in some cases, a financial asset is considered credit-impaired at initial recognition because the credit risk is very high, and in the case of a purchase it is purchased at a deep discount (with respect to the initial disbursement value). If these financial assets, based on the application of the classification drivers (SPPI Test and business model), are classified as assets measured at amortised cost or at fair value through other comprehensive income, they are classed as Purchased or Originated Credit Impaired (POCI) assets and are subject to special treatment for the impairment process. In addition, for the financial assets classed as POCI, the credit-adjusted effective interest rate is calculated, at the initial recognition date, which requires the inclusion of the initial expected credit losses in the cash flow estimates. This credit-adjusted effective interest rate is used for the application of the amortised cost and the consequent calculation of interest.

For non-performing loans arising from business combinations, the difference between the initial recognition amount (the fair value determined in the PPA) of the POCIs and the previous carrying amount at the acquired entity is split into two components: one related to the lower recoverable cash flows estimated at fair value, which therefore include the expected credit losses over their entire remaining life, and the other related to the discounting of those lower recoverable cash flows. Please note that the reversal of discounting (connected with the estimate of recoverable cash flows attributed to non-performing loans at the moment of the PPA) is recognised, on a pro-rata basis, among interest income so as to supplement the contractual interest rate with the higher return resulting from the lower value attributed to the recoverable cash flows, which, as mentioned above, take into account the expected losses over the entire remaining life of the POCI assets.

The amortised cost measurement criterion is not applied to hedged financial assets/liabilities for which fair value changes related to the risk hedged are recorded through profit or loss. The financial instrument is again measured at amortised cost in the case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraphs relating to financial assets and liabilities measured at amortised cost, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable loans.

## Impairment of assets

### Impairment of financial assets

At each reporting date, pursuant to IFRS 9, financial assets other than those measured at fair value through profit or loss are subject to an assessment aimed at verifying whether there is any evidence that the carrying value of the assets may not be fully recoverable. A similar analysis is also performed for loan commitments and for guarantees given that must be tested for impairment under IFRS 9.

In preparation for the determination of the impairment losses, at each reporting date the financial instruments must be assigned to the following categories (Stage Assignment or Staging):

- Stage 1: comprising financial instruments for which, from their initial recognition up to the reporting date, there is no evidence of a significant increase in credit risk;
- Stage 2: it comprises financial assets that have had a significant increase in credit risk since initial recognition;
- Stage 3: if there is evidence of impairment, these financial assets – in line with any other assets pertaining to the same counterparty – are considered impaired and are therefore included in Stage 3.

The impaired exposures consist of financial assets classified in the categories of bad loans, unlikely-to-pay (UTP) loans and exposures past due by more than ninety days, defined in Bank of Italy Circular 272/2008.

Before illustrating the methods for determining the impairment of performing and non-performing financial assets, it is noted that the treatment described below must be read along with the measures introduced – also as per instructions from regulators – as a result of the COVID-19 pandemic, which are outlined in general in Section 5 of this Part A of the Notes to the financial statements and described in more detail in Part E – Section 1 Credit risk (2.3 Methods for measuring expected losses).

### Impairment of performing financial assets

For financial assets for which there is no evidence of impairment (unimpaired financial instruments), it is necessary to check whether there are indicators that the credit risk of the individual transaction has increased significantly since initial recognition.

This check, in terms of classification (or, more precisely, staging) and measurement, has the following consequences:

- where these indicators exist, the financial asset is included in stage 2. In this case, in compliance with international accounting standards and despite the absence of an actual impairment, the measurement consists of the recognition of value adjustments equal to the lifetime expected credit losses of the financial instrument. These adjustments are subject to revision at each subsequent reporting date, both to periodically check their consistency with the continuously updated loss estimates and to take account – if the indicators of “significantly increased” credit risk are no longer present – of the change in the forecast period for the calculation of the expected credit loss;
- where these indicators do not exist, the financial asset is included in stage 1. In this case, in compliance with international accounting standards and despite the absence of an actual impairment, the measurement consists of the recognition of the 12-month expected credit losses for the specific financial instrument. These adjustments are subject to revision at each subsequent reporting date both to periodically check their consistency with the continuously updated loss estimates and to take into account – if there are indicators that the credit risk has “significantly increased” – the change in the forecast period for the calculation of the expected loss.

With regard to the measurement of financial assets and, in particular, the identification of the “significant increase” in credit risk (a necessary and sufficient condition for the classification of the asset being measured as stage 2), the following factors constitute the key elements to be taken into account, in accordance with the standard and its operational implementation by the Intesa Sanpaolo Group:

- the variation (beyond set thresholds) of the lifetime probabilities of default compared to the time of initial recognition of the financial instrument. This is therefore an assessment made on a “relative” basis, which constitutes the main driver;
- the presence of a past due position that – subject to the materiality thresholds identified by the regulations – has been in that status for at least 30 days. If these circumstances apply, the credit risk of the exposure is considered to have “significantly increased” and the exposure is therefore transferred to stage 2 (when the exposure was previously included in stage 1);
- the presence of forbearance measures, which – again on a presumption basis – result in the classification of the exposures under those whose credit risk has “significantly increased” since initial recognition;
- lastly, for banks belonging to the international scope, some of the indicators from the credit monitoring systems specifically used by each bank are also considered for the purposes of the transfer between “stages” where appropriate. This refers in particular to the watch lists, i.e. the credit monitoring systems that – based on the current credit quality of the borrower – place performing exposures above a certain level of risk within a particular range.

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

The significant deterioration is therefore based on the increase in the lifetime PD caused by downgrades of the position from its origination to the reporting (observation) date, as well as the change in the forecast of the future macroeconomic factors.

The above-mentioned “relative” change in lifetime PD is an indicator of the increase or decrease in credit risk during the reporting period. To establish whether, in accordance with IFRS 9, any increase in credit risk can be considered “significant” (and therefore entail a transition between stages), it is necessary to set specific thresholds. Increases in lifetime PD below these thresholds are not considered significant and, consequently, do not result in the transfer of individual credit



lines/tranches of debt securities from stage 1 to stage 2. However, this transfer is required if there are relative increases in PD above these thresholds. The thresholds used have been estimated based on a process of simulations and optimisations of forecast performance, carried out using granular historical portfolio data. Specific thresholds are set for the Corporate, Retail, Large Corporate and Retail SME models and extended to the other models based on methodological affinity. The thresholds differ in terms of residual maturity, annual granularity and rating class.

The determination of the thresholds has been calibrated to find a suitable balance between the performance indicators relating to the ability of the thresholds to:

- detect stage 2 positions before their transition to default;
- identify positions for which a return to stage 1 is due to an actual improvement in credit rating.

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

Once the allocation of the exposures to the various credit risk stages has been established, the expected credit losses (ECL) are determined at individual transaction or securities tranche level, using the IRB/Business models, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate corrections are made to ensure compliance with the specific requirements of IFRS 9.

The following definitions apply for PD, LGD and EAD:

- PD (Probability of Default): likelihood of migrating from performing to non-performing status over the period of one year. In models consistent with supervisory provisions, the PD factor is typically quantified through the rating. In the Intesa Sanpaolo Group, the PD values are derived from internal rating models where available, supplemented by external ratings or segment/portfolio average figures;
- LGD (Loss Given Default): percentage loss in the event of default. In the models consistent with supervisory provisions, it is quantified through the historical experience of discounted recoveries on exposures that have become non-performing;
- EAD (Exposure At Default) or credit equivalent: amount of the exposure at the time of default.

As mentioned above, in order to comply with IFRS 9, specific adjustments had to be made to these factors, including in particular:

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

In relation to the multi-period EAD, in line with IFRS 9 the Intesa Sanpaolo Group refers to the plans at amortised cost for both loans and debt securities, regardless of the measurement method used (amortised cost or fair value through other comprehensive income). For loan commitments (margins), on the other hand, the EAD is assumed to be equal to the nominal amount weighted according to a specific Credit Conversion Factor (CCF).

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

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

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

- national accounts and inflation of the top 6 Eurozone countries, the United States and Japan;

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

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

The alternative paths are selected using external information. In particular:

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

The percentile value identified is used, for the most likely scenario, to determine the variations corresponding to a probability gap, calculated through statistical analysis of the historical distribution of the observations. The two (positive and negative) changes with respect to the most-likely scenario are then used to calculate the level of the individual identified indices, reconstructing the two alternative paths (one positive and one negative) for each of them that represent the input for the determination of the Add-On. The probability gap used is identified based on the variability characteristics of the series, to obtain a significant deviation from the most-likely scenario.

In addition to defining the alternative paths, a map of possible additional factors is maintained, i.e., adverse idiosyncratic events or scenarios, not explicitly incorporated in the time series used for the construction of the most-likely scenario or in the alternative paths, which can generate further significant effects on expected losses.

The following is assessed for these events/scenarios:

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

The map of additional factors also draws on the list of risk factors contained in the forecast reports of the IMF (World Economic Outlook) and the European Commission and may change over time.

Within the assessment of the time frame for the additional factors, note is made if the factor cannot be placed within a specific time period, which makes its incorporation into the most-likely scenario or alternative paths unfeasible.

The assessments made take account of the fact that the consensus estimates may include forecasts that already incorporate the total or partial realisation of one or more risk factors in their estimates, which means that the alternative paths may already incorporate these additional factors to some extent.

Where there is considerable uncertainty in the national and international macroeconomic forecasts, as well as significant deviations in terms of best-case forecasts with respect to the TTC scenario, prudential factors may be introduced in relation to the deviations in the minimum and maximum values of the variables based on the above-mentioned consensus or historical figures.

The above macroeconomic scenarios (most likely and alternative scenarios) are used in internal models to determine the point-in-time (PIT) parameters.

Specifically, the time series of default rates acquired from the Bank of Italy are differentiated over the main economic macro-sectors (e.g. consumer households, family businesses, construction) and, for each of these, specific satellite models establish the relationships with the macroeconomic variables in order to obtain the forecast default rates. In turn, these impact the TTC transition matrices between rating classes and thus provide the PIT transition matrices for each scenario (most likely and alternative scenarios). These give rise to the lifetime conditional PD.

In particular, the TTC matrices are calculated using internal default rates for the Corporate, Retail SME and Retail segments, whereas the Bank of Italy system rates are used for the Low Default segments, because the internal time series data for those segments is less extensive. The forward-looking point-in-time matrices, on the other hand, are calculated using the system default rates for all the segments.

A similar process is used to determine the PIT LGD grids.

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

### **Impairment of non-performing financial assets**

Non-performing loans are represented by bad loans, unlikely to pay and past due positions by more than 90 days.

Non-performing loans classified as bad loans are subject to the following measurement methods:

- analytical-statistical measurement, which is used for exposures of less than 2 million euro and is based on the use of specific LGD grids, plus an Add-On to take account of information linked to the evolution of the current conditions related to management variables highly correlated with the loss performance and forward-looking information relating to the impact of expected future macroeconomic scenarios (as described in the previous paragraphs);

- analytical-specific measurement, which is used for customers with exposures exceeding 2 million euro and is based on the impairment percentages allocated by the manager, following specific analysis and measurements, also based on the evolution of the current conditions, plus an Add-On to take account of forward-looking information, and in particular information relating to the impact of future macroeconomic scenarios (except for bad loans backed by mortgage collateral or relating to property leases for which the impact of future scenarios is included through the method used to determine the haircuts to the value of the properties pledged as collateral).

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

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

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

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

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

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

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

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

For bad loans in particular, a series of elements are relevant, which differ according to the characteristics of the positions, and must be thoroughly and prudently assessed, including the following, listed merely as examples:

- nature of the credit, whether preferential or unsecured;
- net asset value of the borrowers/third party collateral providers;
- complexity of existing or potential litigation and/or the underlying legal issues;
- exposure of the borrowers to the banking system and other creditors;
- last available financial statements;
- legal status of the borrowers and any pending insolvency and/or individual proceedings.

In order to determine the estimated realisable value of loans secured by real estate, and to take into account both the time series of recoveries and the forward-looking information in accordance with IFRS 9, an approach is applied focused on the valuation of real estate based on the expected average auction price and the related reduction in the observed price, with the calculation of average haircuts that differ according to the type of real estate collateral (residential, commercial, industrial and land). Accordingly, to avoid duplications, a macroeconomic Add-On is not used in the analytical-specific measurement for bad mortgage loans, because the forward-looking component is already taken into account through the haircut.

For real-estate bad loans arising from lease contracts, in view of the particular nature of the product (lack of auctions), the haircut is estimated as the depreciation of the asset with respect to the appraised value observed at the time of classification as non-performing and the actual price of sale.

In addition, for unlikely-to-pay loans, the measurement is based on a qualitative and quantitative analysis of the borrower's financial position and on precise assessment of the risk situation.

The calculation of the impairment loss involves the valuation of the future cash flows that the borrower is considered to be able to generate and that will also be used to service the financial debt. This estimate must be made based on two alternative approaches:

- the going concern approach: the operating cash flows of the borrower (or the beneficial owner) continue to be generated and are used to repay the financial debts contracted. The going concern assumption does not rule out the realisation of collateral, but only to the extent that this can take place without affecting the borrower's ability to



- generate future cash flows. The going concern approach is also used in cases where the recoverability of the exposure is based on the possible sale of assets by the borrower or on extraordinary transactions. Similarly to the case of bad loans, haircuts are also used in measuring real-estate collateral for unlikely-to-pay positions. For going-concern positions, these haircuts are determined on the basis of the haircuts applied in the liquidation process (gone-concern bad loan or UTP position), while applying a calibration factor equal to the probability of migration of the UTP positions to the bad loan category;
- the gone concern approach: applicable in cases when it is believed that the borrower's cash flows will cease. This is a scenario that can apply to positions that are expected to be classified as bad loans. In this context, assuming that shareholders' interventions and/or extraordinary operations to restructure debt in turnaround situations are not reasonably feasible, recovery of the credit is essentially based on the value of the collateral that secures the Bank's credit claim, net of the application of a haircut (determined as for bad loans) and, alternatively, on the realisable value of the assets, taking into account the liabilities and possible pre-emptive claims;
  - the analytical-statistical measurement, performed for bad loans and unlikely-to-pay loans of less than 2 million euro and for past-due loans has specific features according to the type of exposure involved.

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

For unlikely-to-pay loans, the measurement is performed using statistical LGD grids estimated specifically for positions classified as unlikely-to-pay loans, in line with the estimated LGD grids for bad loans. The estimation model for the LGD grid for unlikely-to-pay loans is similar to the one described above for bad loans and calculates the expected loss rate of the relationship being valued according to its characteristics. The LGD for unlikely-to-pay loans is obtained by recalibrating the bad loan LGD using the Danger Rate module. The Danger Rate is a multiplying correction factor to apply to the bad loan LGD, in order to take into account the loss rates that can be recorded in the various default statuses (Unlikely-to-Pay and/or past due). The Danger Rate is estimated using the information available on the status of entry into default and on the status changes of the counterparties once the default has occurred.

In addition, for the two subclasses of the "Unlikely-to-Pay Loans" risk status ("Non-Forborne Unlikely-to-Pay Loans" and "Forborne Unlikely-to-Pay Loans"), differentiated grids are estimated to take into account the characteristics of the Forborne loans, which, in addition to having lower average loss levels due to the effect of the Forbearance Measures, are also affected by the regulatory constraints that prevent their return to performing loan status before 12 months from the date of the renegotiation.

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

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

With regard to the inclusion of current and forward looking information, it should be noted that, for non-performing exposures, a statistically estimated component (Adds On from macroeconomic scenario) linked to the most-likely and downside scenarios expected over the period of the next three years is also considered, according to the criteria already described.

In fact, as required by IFRS 9, the effects of the forward-looking scenario on LGD estimates must also be considered and the aforementioned component is aimed at capturing the non-linearity of the relationship between the macroeconomic variables and ECL measurement, by analysing the forecast uncertainty of the variables used for the preparation of the most-likely scenario. It is based on the methodological framework that is used for performing loans, but ignores the upside scenario from a prudential perspective and only considers the average downside and most-likely scenarios over the period of the next three years.

Furthermore, an additional factor is applied to the analytical/statistical measurement firmly based on internal management variables, in particular the level of past and prospective NPL ratio envisaged by the NPL Plan, which, on the basis of long-term observation, is statistically correlated with the loss performance. This factor makes the LGD estimate more sensitive to changes in the current and future economic/management context.

Also in terms of future scenarios, with regard to the unlikely to pay category, which includes positions that are still performing but show signs of difficulty, both for positions with analytical-specific measurement and those with analytical-statistical measurement, when there are no effective forbearance measures, an additional component shall be applied (in addition to the aforementioned add on from the macroeconomic scenario) to reduce the recoverable amount of the positions based on their vintage in the risk status and the absence of movements and/or recoveries in a specific period of time.

With regard to the alternative recovery scenarios, the Intesa Sanpaolo Group, in relation to the objectives of reducing the stock of outstanding non-performing loans, included in its business plans, and the commitments made to the Supervisory

Authorities, with specific regard to the NPL Strategy, considers the sale of particular portfolios as the strategy that, in certain conditions, can maximise the cash flow recovery, also considering the recovery times.

In its “NPL Guidance” published in March 2017, the ECB also requested banks with non-performing loans above the average of European banks to establish a strategy aimed at achieving a progressive reduction in those loans.

Consequently, the “ordinary” scenario, which assumes a recovery strategy based on the collection of credit, typically through legal actions, mandates to credit recovery companies and the realisation of mortgage collateral, is also been accompanied - where applicable and as an alternative recovery strategy - by the scenario of the sale of the loan.

In compliance with the “NPL Guidance” the business strategies regarding NPL reduction are illustrated in the “NPL plan”, a document approved by the Board of Directors to be sent to the Supervisory Authority and updated annually.

Where said document identifies disposal objectives and strategies and, as a result, a portfolio of non-performing loans that may be disposed of, until the disposal objectives are reached, the loans and receivables included in that portfolio shall be measured taking account of both the amount recoverable through operating activities and market valuations (based on external appraisals) and/or sales prices, if already defined.

In particular, where the “NPL plan” identifies a larger loan portfolio that may be sold represented by Group loans that are disposable (thus, for example, positions that are not involved in disputes, as per precise indication by the management structures and which are not subject to synthetic securitisation), in relation to the sales objectives, the book value of said portfolio is determined by weighting the amount recoverable through operating activities with the amount recoverable through sale.

More specifically, the recoverable amount of disposable non-performing loans is quantified as the average between (i) the value in the event of sale (fair value) and (ii) the collection amount, weighted on the basis of the percentage of the loans eligible for sale - determined as the ratio between the target volume of loans to be sold and the respective non bankruptcy-remote portfolios having the same profile, i.e. as a percentage that adequately reflects the probability of sale of the portfolios whose disposal is considered highly probable. The “collection amount” was determined according to the already shown ordinary methods adopted by the Group for the impairment of non-performing loans, i.e. based on the individual measurement of the exposures exceeding a defined threshold and based on an analytical-statistical measurement for the others. The measurement of the value in the event of sale is carried out by an external expert, based on market valuations.

However, where the “NPL plan” specifically identifies the positions to be sold, those positions shall be measured exclusively taking account of the market values established by external experts, based on a specific fairness opinion or, if already defined through a binding agreement with the buyer, the sales price. Those loans are also reclassified as assets held for sale.

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

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

- 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:
  - o percentage cover of 100% and a vintage (understood as the period of time in “bad loan” status) of >1 year;
  - o 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.

#### ***Impairment of investments in associates and companies subject to joint control***

At each Balance sheet date the investments in associates and companies subject to joint control are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.

The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative and quantitative indicators.

Qualitative indicators include:

- the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market;
- the announcement/initiation of insolvency proceedings or restructuring plans;
- the downgrading by more than two rating classes;
- failure to discharge payment obligations for debt securities issued fully and in a timely manner;
- use of industrial policy tools aimed at responding to a serious crisis or allowing companies to face restructuring/reorganisation processes.

Quantitative indicators include:

- a reduction in fair value of over 30% below the carrying value or for a period of over 24 months;
- a market capitalisation lower than the company's net book value, in the case of securities listed on active markets, a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill, or distribution by the investee of a dividend that is higher than its total income.

The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.

The recoverable amount consists of the higher of the fair value and the value in use, less costs to sell.

For an illustration of the valuation techniques used to determine fair value, see the specific Section A.4 – Information on fair value.

Value in use is the present value of expected future cash flows from the asset; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, which may affect the appreciation by market participants of expected future cash flows from the asset.

Value in use is determined by discounting future cash flows.

#### **Impairment of non-financial assets**

Property, equipment and intangible assets with definite useful life are subject to impairment testing if there is the indication that the book value of the asset may no longer be recovered. The recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use, if determinable and if it is higher than fair value.

For property and equipment other than real estate and valuable art assets and intangible assets (other than those recognised following business combinations) it is assumed that the carrying amount normally corresponds to the value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment in case of damages, exit from the production process or other similar non-recurring circumstances.

As clarified in the discussion of "Property and equipment and intangible assets", the Group measures owner-occupied properties and valuable art assets according to the revaluation model; in this case, any impairment loss on a revalued asset must be treated as a decrease in the revaluation up to the relevant amount, after which any difference is taken to the Income statement.

As described in Part A.4 Information on fair value - Fair value of real estate and valuable art assets, for owner-occupied properties each year a scenario analysis is conducted on trends in the real-estate market to assess whether there are any significant deviations in the value of the assets. If significant changes are identified (+ or - 10%), an updated appraisal is prepared to adjust the fair value of the asset to the valuations of the real estate market. If there are no significant differences, the value is redetermined through a new expert appraisal every two years for "trophy assets" (i.e. particularly prestigious properties used by management functions located in the main cities where the bank is based or properties of particular historical and artistic interest because they are listed by the Ministry for Cultural Heritage and Activities) and every three years for other owner-occupied properties.

For the valuable art assets, the revaluation is carried out by means of a new expert appraisal every three years. However, a scenario analysis is carried out annually to identify any appreciable changes in value in order to bring forward the valuation. If the annual monitoring identifies a possible positive or negative value deviation of more than 15% for individual works of artists in the bank's collections and comparable on the basis of objective criteria (size, technique, period of production, etc.), new appraisals are commissioned.

Intangible assets recognised following a business combination and in application of IFRS 3 are subjected to an impairment test at each reporting date to assess whether there is objective evidence that the asset may have been impaired.

Intangible assets with a finite life, represented by the value of the asset management portfolio and the value of the insurance portfolio, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.

Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash-Generating Unit (CGU) to which the values are attributed at the time of the business combinations. The amount of any impairment is determined on the basis of the difference between the CGU's book value and its recoverable amount represented by the higher of the fair value, less costs to sell, and the value in use.

The book value of the CGUs must be determined in a manner consistent with the criterion used to determine their recoverable amount. For a banking business, the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these form part of the core business.

In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore the CGUs' book value must include financial assets/liabilities in accordance with the scope of the recoverable amount estimate process. Consequently, these assets and liabilities must be properly allocated to the associated CGUs.

On this basis, the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.

Thus, the carrying amount of the CGUs consisting of companies that belong to a single operating division or consist of a single legal entity (Asset Management, Private Banking, Insurance and International Subsidiary Banks) is determined by summing the individual book values of each company in the consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their net book value, taking into account any goodwill and intangibles recorded upon acquisition (net of subsequent amortisations and any write-downs) and the consolidation entries. With regard to the determination of the carrying value of the other two divisions (Banca dei Territori and IMI Corporate & Investment Banking), given that the Parent Company and other banks contribute to the management of these divisions, and this subdivision is not represented in the accounting information, the overall carrying value of the CGUs cannot be determined on the basis of book values. As a consequence, the use of operational factors is required to make the subdivision following a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting information. The operational driver is identified as the "regulatory capital" determined by the Financial and Market Risks Department structures for each operating division: it represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision rules. The resulting book values already take into account the effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.

For an illustration of the valuation techniques used to determine fair value, see Section A.4 – Information on fair value.

The value in use of a CGU is determined by estimating the present value of future cash flows that may be expected to be generated by the CGU. These cash flows are determined by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan or other external information available. The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity, using an appropriate growth rate "g" for the purposes of the so-called Terminal value. The "g" rate is determined by assuming that the growth factor is the lower of the average growth rate for the forecasting period of the analysis and the average rate of increase in the Gross Domestic Product in the countries where the cash flows are generated.

For the determination of the value in use, the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates used incorporate the risk free component and the premiums for the risk associated with the equity component observed over a sufficiently long time period to reflect different market conditions and economic cycles. In addition, given the diverse risks of the respective operating areas, different Beta coefficients are used for each CGU. All the resulting rates have been adjusted to take into account the "Country Risk".

The cash flows produced by the international subsidiaries are estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

With regard to the intangible asset represented by the brand name, if the reference CGU does not have any goodwill allocated and, as a result, it is not possible to test the recoverable amount of the specific intangible as part of the impairment test of the goodwill based on total cash flows at the level of the CGU, then an independent and specific valuation is made on the basis of the fair value certified by the appraisal of an independent expert.

#### **Business combinations**

Business combinations are governed by IFRS 3.

The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.

To this end, control is deemed to have transferred when the investor is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns by exercising its power over the investee.

IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity investments, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.

The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange usually coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.

The consideration transferred as part of a business combination is equal to the sum of the fair value, at the exchange date, of the transferred assets, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.

In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the purchase price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see Section A.4 – Information on fair value and note that, in the case of shares quoted on active markets, fair value is represented by Stock Exchange price at acquisition date or, should that not be available, the last price available.

Purchase price at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.



Acquisition costs refer to the charges incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees as well as debt securities' or equities' registration and issue costs.

Acquisition costs must be recognised as charges when incurred and when the related services are provided, except for the costs relating to the issue of debt securities or equities which must be recognised in accordance with IAS 32.

Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at acquisition date.

Moreover, as specifically required by IFRS 3, for each business combination, any minority interest in the acquired company can be recognised at fair value (therefore increasing the consideration transferred) or in proportion to the minority investment in the net identifiable assets of the acquired companies.

If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying value is taken to Income statement.

Excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased, where present, by minority interests (determined as above) as well as the fair value of the stakes already held by the acquirer, and the fair value of acquired assets and liabilities should be recognised as goodwill. Conversely, such difference is taken to the Income statement when the latter exceed the sum of the consideration, minority interests and the fair value of the stakes already held.

The accounting for business combination can be determined provisionally by the end of the year in which the combination is realised and must be completed within twelve months of the acquisition date.

In accordance with IFRS 10, acquisitions of further stakes in companies which are already controlled are accounted for as a capital transaction or as a transaction with shareholders acting in their capacity as shareholders. For this reason, the difference between the cost of the acquisition and the book value of the minority stakes acquired is posted to group shareholders' equity; in the same way, the sale of minority stakes without ceding control, does not generate gains or losses in the Income statement but is posted to group shareholders' equity.

The following transactions are outside the scope of business combinations: transactions aimed at acquiring control over one or more entities which are not part of the company's business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction, these are accounted for safeguarding the continuing values in the financial statements of the acquirer.

Mergers are examples of combinations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.

Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:

- if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
- if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values.

### **Criteria for the preparation of segment reporting**

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.

The Intesa Sanpaolo Group's organisational model is structured according to six business segments with specific operational responsibilities: Banca dei Territori, IMI Corporate & Investment Banking, International Subsidiary Banks, Asset Management, Private Banking and Insurance. In addition to these operating areas there is also the Corporate Centre which is responsible for guidance, coordination and control of the whole Group. The Corporate Centre also includes the following support structures: Treasury, NPE Department and the Strategic Asset & Liability Management (ALM) activities. During 2021, following the integration of the UBI Group, the relative Income statement and Balance sheet figures – which in the 2020 financial statements had been provisionally represented as a separate Business Division – have been assigned to the specific operating Divisions.

For the purposes of preparation of the Segment Reporting, the Income statement and Balance sheet results attributed to the various business sectors were calculated according to the accounting principles used in the preparation and presentation of the consolidated financial statements. Use of the same accounting standards allows segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified Income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group's results<sup>61</sup>.

The contribution of the various Divisions and of the Corporate Centre to the Group's overall Income statement results is determined according to the methods described below:

<sup>61</sup>During 2021, a revision was carried out of the allocation methods for costs and revenues between the Business Units and Corporate Centre, also in relation to the need to integrate UBI Banca in accordance with the segment reporting approaches of the Intesa Sanpaolo Group. For further details and for the quantification of the related impacts, please refer to the previous Part A.1 - General criteria: Section 2 - General preparation principles.

- application of the contribution model with Internal Fund Transfer Pricing (FTP), differentiated on the basis of the maturity of the individual transaction, for the correct attribution of net interest income;
- application, by virtue of specific contractual agreements between the Group Banks/Companies, of retrocession rules for economic components relative to transactions which set out the distribution of results between product factories/service units and relationship entities/customer units;
- direct cost debiting to each Business Division and to the Corporate Centre;
- application of the Group business accounting model, for the part within its remit, for the charging of the costs for the services provided by the central structures of the Parent Company belonging to the Corporate Centre to the Business Divisions and other Structures of the Corporate Centre, as well as the costs relating to the performance of steering and control activities;
- application of customer portfolio/segmentation logics for the assignment to each Division and to the Corporate Centre of the economic results of operations with customers and of the net adjustments to loans.

Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.

The economic results of the business operational segments are disclosed net of intragroup relations within each segment and gross of intragroup relations between different business operational segments.

For each Division and for the Corporate Centre, the absorbed capital is also calculated on the basis of the Risk Weighted Assets (RWAs) determined in accordance with the applicable regulations and supplemented, where necessary, with management data on "economic" capital to take into account the risks not covered by the regulatory metric.

To complete business operational segment reporting, the most relevant Income statement data and Balance sheet aggregates referred to the geographical areas in which the Group operates are also given. Geographical areas are defined on the basis of the territorial breakdown of Group activities. Three main geographical areas have been identified, based on the residence of the legal entities making up the Group: Italy, Europe and Rest of the World.

### **Insurance assets and liabilities**

The Intesa Sanpaolo Group has decided to exercise the option of adopting the Deferral Approach, according to which the financial assets and liabilities of the subsidiary insurance companies continue to be recognised in accordance with the provisions of IAS 39, while awaiting the entry into force of the new international financial reporting standard on insurance contracts (IFRS 17), from 1 January 2023<sup>62</sup>. For completeness, an outline is provided below of:

- the classification and measurement criteria for the financial assets and liabilities used by the Group's insurance companies, with more details provided in Part A "Accounting policies" of the Notes to the consolidated financial statements of the 2017 Annual Report. However, a description has not been provided of the recognition and derecognition criteria, because they are essentially in line with the applicable provisions of IFRS 9 and IAS 39;
- the approaches adopted for specific products of the insurance segment.

For details of the treatment of financial statement captions of the insurance companies other than those of a financial nature, see the information provided above, as the companies of the banking group and the companies of the insurance segment use the same accounting policies.

## **1. Financial assets held for trading**

### **Classification criteria**

This category includes financial assets held for trading, essentially represented by debt securities and equities and the positive value of derivative contracts held for trading. Derivative contracts also include those embedded in combined financial instruments which are subject to separate accounting when:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments, even though separate, fully meet the definition of derivative;
- the combined instruments are not measured at fair value with changes in fair value recognised through profit or loss.

Derivatives are stated as assets if their fair value is positive and as liabilities if their fair value is negative. The positive and negative current values arising from transactions with the same counterparty may be offset only when the legal right to offset amounts recognised for accounting purposes currently exists and the net settlement of positions subject to offsetting is carried out.

The reclassifications to other categories of financial assets are not permitted unless there is an event that is unusual and highly unlikely to recur in the near term.

In such cases debt securities and equities not held for trading may be reclassified into other categories established by IAS 39 if the conditions for their recognition apply (Investments held to maturity, Financial assets available for sale, Loans). The transfer value is the fair value at the time of the reclassification. On reclassification, the presence of any embedded derivative contracts, that have to be separated, is assessed.

### **Measurement criteria**

After initial recognition, financial assets held for trading are recorded at fair value. The effects of the application of this measurement criterion are recorded in the Income statement.

For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which

<sup>62</sup> Regulation no. 2036/2021 of 19 November 2021 which endorses the new accounting standard IFRS 17 "Insurance Contracts" was published in the Official Journal of the EU on 23 November 2021. In this regard we note that on 25 June 2020, the IASB published the final version of the "Amendments to IFRS 17 Insurance Contracts" which confirmed the deferral of the date of first-time mandatory adoption of the Standard to 1 January 2023 (instead of 1 January 2022 previously proposed in the ED 2019/4), with the concurrent possibility of an extension to the same date of the "Deferral approach" in the application of IFRS 9. This was endorsed by the European Commission with the publication of Regulation 2097/2020 "Extension of the Temporary Exemption from Applying IFRS 9 (amendments to IFRS 4)" on 15 December 2020.

consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc. Equities, quotas of UCI and derivatives which have equities as underlying assets, which are not quoted on an active market, for which it is not possible to determine a reliable fair value according to the guidelines listed above, are maintained at cost.

## 2. Financial assets available for sale

### *Classification criteria*

This category includes the financial assets that do not fall within any of the other categories such as Loans, Financial assets held for trading, Investments held to maturity or Financial assets measured at fair value through profit or loss. In particular, this caption is made up of i) bonds which are not held for trading and which are not included in Loans and Receivables, in Investments held to maturity or designated at fair value through profit or loss, ii) equity investments which are not held for trading and do not qualify as investments in subsidiaries, associates or entities subject to joint control, including private equity investments and private equity funds as well as iii) the portions of syndicated loans that, from inception, are destined for sale. In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Investments held to maturity. Moreover, debt securities may be reclassified into the category Investments held to maturity as well as under Loans, when there is the intention to hold them in the foreseeable future and when the recognition criteria are met. The transfer value is the fair value at the time of the reclassification.

### *Measurement criteria*

After initial recognition, Financial assets available for sale are measured at fair value, through the recording in the Income statement of the value corresponding to amortised cost, while gains or losses deriving from a change in fair value are recorded in a specific reserve in shareholders' equity, until the financial asset is derecognised or a permanent loss occurs. On the total or partial sale of the financial asset or on recognition of a loss, the cumulated profit or loss must be reversed, all or in part, to the Income statement.

Fair value is determined on the basis of the criteria already illustrated for financial assets held for trading.

Equities included in this category and quotas of UCI which have equities as underlying assets, which are not quoted on an active market, for which it is not possible to determine a reliable fair value, are maintained at cost.

Financial assets available for sale are assessed to identify if they show objective evidence of an impairment loss.

If such evidence exists, the loss is measured as the difference between the carrying value of the asset and its fair value.

Should the reasons for impairment cease to exist, following an event occurred after the registration of the impairment, value recoveries are posted through the Income statement in the case of loans or debt securities, and through shareholders' equity in the case of equities. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

## 3. Investments held to maturity

### *Classification criteria*

Quoted debt securities with fixed or determinable payments and fixed maturity, which the entity has the positive intention and ability to hold to maturity, are classified in this category.

In the cases provided for by the accounting standards, reclassifications are only permitted towards the category of Financial assets available for sale. If during a year, prior to expiry, more than an insignificant amount classified under this category is sold or reclassified, the remaining investments held to maturity are reclassified as Financial assets available for sale and the portfolio in question may not be used for the next two years, unless the sales and reclassifications:

- are so close to maturity or the financial asset's call date that changes in the market interest rate would not have a significant effect on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

### *Measurement criteria*

After the initial recognition, Investments held to maturity are measured at amortised cost, using the effective interest method.

Profits or losses referred to investments held to maturity are recorded in the Income statement when assets are derecognised or impaired, and through the amortisation process of the difference between book value and the value reimbursable at maturity.

Investments held to maturity are assessed to identify if they show objective evidence of an impairment loss.

If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the Income statement.

If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the Income statement. The size of the recovery must not lead the carrying value of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.



#### 4. Loans

##### **Classification criteria**

Loans include loans to customers and due from banks, both disbursed directly and acquired from third parties, which entail fixed or in any case determinable payments, which are not quoted on an active market and which are not classified at inception in Financial assets available for sale.

The caption Loans also includes commercial loans, repurchase agreements with the obligation to resell at a later date, and securities underwritten at issue or via private placements, with determined or determinable payments, not quoted in active markets.

Reclassifications to the other categories of financial assets established in IAS 39 are not permitted.

##### **Measurement criteria**

After initial recognition, loans are measured at amortised cost, equal to initial value increased/decreased by principal repayments, adjustments/recoveries and amortisation – calculated applying the effective interest method – of the difference between amount disbursed and amount to be reimbursed at maturity, typically attributable to the costs/revenues directly connected to the single loan. The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.

The amortised cost method is not used for loans whose short maturity implies that the application of the discounting approach leads to immaterial effects. Such loans are recorded at historical cost. An analogous measurement criterion is applied to loans with unspecified maturity or with notice period.

Loans are reassessed for the purpose of identifying those which, due to events occurred after initial recognition, show objective evidence of possible impairment. These include bad loans, unlikely-to-pay or past due loans according to the rules issued by the Bank of Italy, consistent with IAS/IFRS and EU supervisory regulations.

Non-performing loans undergo an individual measurement process, or the calculation of the expected loss for homogeneous categories and analytical allocation to each position, and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.

Expected cash flows consider forecast recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure.

The original effective rate of each loan remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest.

The impairment loss is recorded in the Income statement.

The original value of loans is reinstated in subsequent periods to the extent that the reasons which had led to the impairment cease to exist, provided that such valuation is objectively attributed to an event which occurred subsequent to the impairment. The recovery is recorded in the Income statement and must not lead the carrying amount of the loan to exceed the amortised cost had no impairment losses been recognised in previous periods.

Recoveries on impairment include time value effects.

Loans for which no objective evidence of loss has emerged from individual measurement are subject to measurement of a collective adjustment. Such measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time series and other objective elements observable at measurement date, which enable the latent loss to be estimated for each loan category. Measurement also considers the risk connected to the borrower's country of residence.

Collective adjustments are recorded in the Income statement.

#### 5. Financial assets measured at fair value through profit or loss

##### **Classification criteria**

IAS/IFRS endorsed by the European Commission enable the classification as financial instruments measured at fair value through profit and loss of any financial asset thus defined at the moment of acquisition, in compliance with the cases contemplated in the reference regulations.

Reclassifications to the other categories of financial assets are not permitted.

The Group classifies investments with respect to insurance policies in this category.

##### **Measurement criteria**

After initial recognition, the financial instruments in question are measured at fair value. The effects of the application of this measurement criterion are recorded in the Income statement.

#### 6. Payables and securities issued

##### **Classification criteria**

Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.

It also includes the payables recorded by the entity in the capacity of lessee in finance lease transactions.

**Measurement criteria**

After initial recognition, financial liabilities are measured at amortised cost with the effective interest method. An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.

**7. Financial liabilities held for trading****Recognition criteria**

These financial instruments are recognised at the subscription or issue date at cost, which reflects the fair value of the instrument, without taking into account directly attributable transaction costs or revenues.

This liability category includes, specifically, the negative value of trading derivatives as well as the negative value of embedded derivatives in combined contracts but which are not closely correlated to the latter. It also includes liabilities determined by short selling generated by securities trading activities.

**Derecognition criteria**

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed of with the substantial transfer of all the risks and rewards connected to it.

**8. Financial liabilities designated at fair value through profit or loss****Classification criteria**

Financial liabilities designated at fair value through profit or loss are recorded under this caption, on the basis of the fair value option given to companies by IAS 39, in compliance with the cases contemplated in the reference regulations.

The Group exercised the fair value option for liabilities, designating insurance products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary profit-sharing features. Investments relating to such forms of deposits, as already reported, were also designated at fair value, thereby eliminating or considerably reducing “accounting biases” that would otherwise have arisen from measuring assets and liabilities on the basis of different accounting criteria.

**Measurement criteria**

These liabilities are designated at fair value through profit or loss.

**9. Insurance products**

Products for which insurance risk is deemed significant include: temporary first class death policies and income and mixed policies with guaranteed fixed conversion rates at the time of issue, and certain types of unit-linked policies and damage cover. As regards these products, the IAS/IFRS substantially confirm the national accounting standards concerning insurance. In brief, IFRS 4 sets forth that:

- gross premiums are to be recorded in the Income statement under income; they include all amounts matured during the year as a result of insurance contracts signed, net of cancellations; likewise, all premiums ceded to reinsurers are recorded under current year costs;
- with respect to gross premiums, the corresponding commitment towards the insured is accrued in technical reserves, such amount being calculated on a contract-by-contract basis in accordance with applicable local accounting principles;
- the insurance products entered under separate management are valued by applying “shadow accounting”, whereby the differences between the carrying value and the market value of securities classified as securities available for sale are allocated to technical reserves as regards the insured parties' portion and to shareholders' equity as regards the insurance companies' portion. If, on the other hand, the securities are measured at fair value through profit or loss, the difference between the carrying value and the market value is recorded in the Income statement giving rise to a change in technical reserves equal to the amount of the insured parties' portion;
- in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions of the various products associated with each portfolio management;
- liabilities related to products with discretionary participation features are given as a whole with no distinction between the guaranteed component and the discretionary participation feature.

In accordance with IFRS 4, the Group assesses the prospective adequacy of the carrying amount of recorded liabilities using the Liability Adequacy Test (LAT).

**10. Financial products included under separate management**

Financial products included under separate management, despite their not being subject to significant insurance risk, and which therefore contain discretionary participation features, include the majority of life policies and mixed first branch policies, as well as fifth branch capitalisation policies. These are accounted for according to the principles set forth in IFRS 4:

- the products are shown in the financial statements according to principles that essentially reflect those locally in force on the subject, any premiums, payments and changes in technical reserves being recorded in the Income statement;
- as stated in the previous paragraph, shadow accounting is applied to the insurance products entered under separate management which, therefore, have discretionary participation features;
- in determining shadow accounting, the Group uses the retrocession average rate and the minimum guaranteed rate established in accordance with the contractual conditions of the various products associated with each portfolio management;

- liabilities related to products with discretionary participation features are given as a whole with no distinction between the guaranteed component and the discretionary participation feature.

#### 11. Financial products not included under separate management

Financial products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary participation features, are stated in the financial statements as financial liabilities and are measured at fair value, on the basis of the envisaged option (Fair Value Option), or at amortised cost. These financial products are essentially index-linked policies and part of the unit-linked ones, as well as policies with specific assets not included under separate management. These products are accounted for according to the principles set forth in IAS 39, as summarised below:

- the portion of index- and unit-linked policies that are considered investment contracts are measured at fair value, whereas the specific asset products not included under separate management are measured at amortised cost;
- the Income statement does not reflect the premiums relating to these products, but just the revenue components, represented by fees and commissions, and the cost components, comprising provisions and other charges; it also reflects the costs or revenues represented by the changes in the fair value of the liabilities incurred against these contracts. More specifically, the international accounting and financial reporting standards, contained in IAS 39 and IFRS 15, provide that, for the liabilities designated at fair value, income and costs relating to the products in question be identified and classified under two headings: (i) origination, to be recorded in the Income statement at the time the product is issued and (ii) investment and management services, to be amortised over the life of the product which depends on how the service is provided. In addition, as regards specific asset products not included under separate management, incremental cost and income items are included in the calculation of the amount to be amortised;
- the insurance component included in the index- and unit-linked products, where it can be unbundled, is independently valued and recorded.

### **A.3 – INFORMATION ON TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS**

Following the adoption of IFRS 9, the Intesa Sanpaolo Group did not make changes to its business model for managing its financial assets and, therefore, no transfers occurred between portfolios of financial assets.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. Such changes are expected to be extremely rare and must be decided by the management following significant external or internal changes that can be demonstrated to external parties.

#### ***A.3.1 Reclassified financial assets: change in business model, book value and interest income***

No disclosure is required since there are no reclassified financial assets recognised under balance sheet assets.

#### ***A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income***

No disclosure is required since no transfers were carried out between portfolios of financial assets in 2021.

#### ***A.3.3 Reclassified financial assets: change in business model and effective interest rate***

No disclosure is required since there are no reclassified financial assets recognised under balance sheet assets.

## A.4 – INFORMATION ON FAIR VALUE

### FAIR VALUE, INDEPENDENT PRICE VERIFICATION AND PRUDENT VALUE OF FINANCIAL INSTRUMENTS

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

#### General fair value principles

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the Group Guidelines and Rules for Valuation of Financial Instruments at Fair Value, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries, including the Insurance Companies.

The “Guidelines for Valuation of Financial Instruments at Fair Value”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks Committee. The “Rules for Valuation of Financial Instruments at Fair Value” are reviewed, revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

The “Rules for the Measurement of Unlisted Equity Investments”, drawn up by the Group M&A and Equity Investments Head Office Department, govern the fair value measurement of unlisted equities and financial instruments with unlisted equities as their underlying.

IFRS 13, which harmonises the measurement rules and the related disclosure, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single bank. Underlying the definition of fair value is the assumption that the Bank is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.

The bank measures the fair value of an asset or liability by adopting the assumptions that would be used by market participants when pricing an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible. Measurement at fair value presumes that the asset is sold or the liability transferred:

- a. in the principal active market for the asset or liability;
- b. in the absence of a major market, in the most advantageous active market for the asset or liability.

The bank is not required to conduct an exhaustive study of all possible markets to identify the major market or, in the absence of the major market, the most advantageous market, but must take into account all the reasonably available information. If there is no evidence to the contrary, the market that the entity normally operates in to sell the asset or transfer the liability is assumed to be the major market or the most advantageous market, if there is no major market. The Intesa Sanpaolo Group considers the principal market of a financial asset or liability to be the market in which the Intesa Sanpaolo Group generally operates.

In accordance with IFRS 13, the Group considers an active market to be a market where transactions in an asset or liability occur with sufficient frequency and volume to provide useful information for determining price on an ongoing basis. More specifically, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In specific cases, governed by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value, and despite being quoted on regulated markets, relevant research is carried out to verify the significance of the official market values. In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit premiums for liquidity risk, widening or increase of the bid-ask spread, reduction or total lack of market for new issuances, limited publicly-available information), analyses of the transactions or of the quoted prices must be carried out. A reduction in the volume or the level of activity alone may not indicate that the price of a transaction or the quoted price does not represent fair value or that the transaction in that market is not ordinary. If an entity determines that a transaction price or quoted price does not represent fair value (e.g., non-ordinary transactions) an adjustment to the transaction prices or listed prices is required if the entity uses those prices as the basis for fair value measurement and that adjustment may be significant with respect to the fair value as a whole.

### General Independent Price Verification principles

The Intesa Sanpaolo Group governs and defines the independent price verification process through the Group Guidelines and Rules on Independent Price Verification, documents that are coordinated by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries of the Banking Group.

The “Guidelines on Independent Price Verification”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks Committee. The level I and II “Rules on Independent Price Verification” are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

According to the provisions of Regulation (EU) 575/2013 (Capital Requirement Regulation – CRR), Article 4, par. 1.70 and Article 105, par. 8, the Intesa Sanpaolo Group governs the Independent Price Verification (IPV) process, which consists of the regular verification of the accuracy and independence of market prices or the data input in pricing models, carried out by an organisational unit independent from the business functions, at a frequency commensurate with the trading carried out and the nature of the market.

The Intesa Sanpaolo Group has set up an IPV process with 3 levels of control in line with the provisions of Bank of Italy Circular 285/2013 (Supervisory regulations for banks), incorporated into the Integrated Internal Control System, which requires the risk management processes to be incorporated in the processes and methods for valuing the company activities, also for accounting purposes.

Within the IPV, the level I, II and III control functions have the following main responsibilities:

- the level I control function participates in the definition of the related methodological framework and carries out the level I implementations and controls, reporting the results to the business function and the level II control functions;
- the level II control function defines the methodological and control framework, ensures alignment with current regulations and consistency between the IPV controls, accounting valuations and additional valuation adjustments (AVA) (carried out, respectively, on the basis of the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value) and supervises the level I controls and performs the level II controls;
- the level III control function carries out internal audit controls to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks.

The level I and II IPV controls are qualitative and quantitative controls and are distinguished according to the type of instruments subject to control. They are applied consistently to both the input data underlying the valuations and the valuations themselves, and ensure consistency between the management valuations and the accounting valuations carried out in the various systems. They are characterised by completeness and suitability of application, absence of overlaps, sequentiality and complementarity in execution. The IPV control instruments use, as far as possible, specific applications or IT procedures, which enable extensive data analysis on a daily basis. In particular:

- the level I controls are aimed at ensuring the validation of the market data entered into the systems and are based on an in-depth analysis of the data obtained from external providers. If the level I controls detect that certain thresholds have been exceeded for the data contained in the systems, or the data is not considered correct by the level I control functions, a comparison process (challenge) is activated with the involvement of the business function and the level II control functions, in line with the degree of complexity of the report;
- the level II controls are characterized by sequentiality and complementarity in execution with the level I controls and are designed to ensure alignment between management and accounting valuations, based on an in-depth analysis of consensus or counterparty data and, where these are not available, through the application of pricing models associated with the respective instruments.

The results of the IPV process are analysed, assessed and coordinated by the Financial Measurements Working Group, a technical body set up specifically for this purpose, with the aim of facilitating integration and comparison between the business functions and the control functions.

### The fair value of financial instruments

The presence of quoted prices in an active market represents the best evidence of fair value and these prices are therefore the quoted prices to be used on a priority basis for the measurement of financial assets and liabilities. If there is no active market, the fair value is determined using valuation techniques aimed, ultimately, at establishing the price the product would have had, at the measurement date, in an arm’s length exchange motivated by normal business considerations.

The choice of the above measurement methods is not optional, because they must be applied in hierarchical order: the availability of a price stated in an active market prevents the use of one of the other measurement approaches.

### Inputs of the valuation techniques

The inputs are defined as the assumptions that market operators would have used to determine the price of the asset or the liability, including assumptions regarding risk, such as, for example, the risk relating to a particular valuation technique used to measure fair value or the risk relating to the inputs of the valuation technique. The inputs may be observable or unobservable. Observable inputs are those produced using market data, such as publicly available information on operations or actual events, which reflect the assumptions that market operators would use in determining the price of the asset or the liability. Unobservable inputs are those for which no market information is available and that are produced using the best available information regarding the assumptions that market operators would use to determine the price of the asset or the liability.



### Fair value hierarchy

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

- Fair value level 1 applies when an instrument is measured directly on the basis of (unadjusted) quoted prices on active markets for identical assets or liabilities to which the entity has access on the measurement date.
- Fair value level 2 applies when a price has not been found on an active market and the instrument is measured according to valuation techniques, on the basis of observable market parameters, or of the use of parameters that are not observable but are supported and confirmed by market evidence, such as prices, spreads or other inputs.
- Fair value level 3 applies when fair value is measured using various inputs, not all of which are directly drawn from observable market parameters, and which thus entail estimates and assumptions by the valuator.

If various inputs are used to measure the fair value of an asset or liability, classification in the hierarchy is determined on the basis of the lowest-level input used in measurement. When assigning a level in the fair value hierarchy, priority is given to the inputs of the valuation techniques rather than the valuation techniques themselves.

The attachment “Fair Value Hierarchy Rules” to the “Rules for Valuation of Financial Instruments at Fair Value” defines, with regard to the respective financial instrument valuation models/inputs, the basic rules that market inputs must comply with in order to be classified as Level 2, and the significance thresholds which, when overrun, result in the assignment of Level 3.

For level 1 financial instruments, the current bid price is used for financial assets and the current ask price for financial liabilities, struck on the principal active market at the end of the reference period.

For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.

The following are considered as level 1 financial instruments: contributed bonds (i.e. bonds for which the Composite Bloomberg Bond Trader is available from the Information Provider Bloomberg, or, alternatively, a price on the EuroMTS circuit, or at least three prices available from the Information Provider Bloomberg), contributed equities (i.e., quoted on the official market of reference), contributed UCITS funds (covered by EU directives), spot exchange rates, derivatives for which prices are available on an active market (for example, exchange traded futures and options) and hedge funds whose Net Asset Value (NAV) is available, according to the frequency established in the subscription contract, and in which assets classified as level 1 predominate among the assets invested in by the fund, as a percentage of the NAV, provided the level 3 instruments do not exceed a set threshold.

Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value are not considered level 1 instruments.

When no listing on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.

In the case of instruments classified as level 2, the valuation is based on prices or credit spreads presumed from the official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretionary parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final measurement.

The following are measured using level 2 input models:

- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- loans whose fair value is determined through the use of an appropriate credit spread which is estimated starting from market data of financial instruments with similar characteristics;
- derivatives (including securitised derivatives) measured through specific models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- structured credit products (ABSs, HY CLOs, CDOs) for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters that can be gathered from the market;
- non-contributed equity instruments measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, or using the “relative” valuation models based on multipliers;
- hedge funds in which Level 2 assets predominate, as a percentage of the NAV, provided the Level 3 instruments do not exceed a set threshold.

In case of instruments classified as level 3, the calculation of the fair value is based on valuation models which consider input parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator. In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:

- the development of future cash flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured using this method:

- some transactions in derivatives, bonds, or complex structured credit instruments measured using level 3 inputs;
- hedge funds in which the level 3 assets are above a set limit;



- private equity funds, private debt funds, real estate funds and closed-end funds resulting from sales of non-performing loans valued at NAV, with possible discounts;
- shareholdings and other equities measured using models based on discounted cash flows or using equity methods;
- loans whose fair value is determined through the use of a credit spread that does not meet the criteria to be considered level 2;
- loans with underlying equity risk, whose fair value is calculated based on the discounting of expected contractual flows.

The transfer of fair value levels of financial assets and financial liabilities measured at fair value on a recurring basis occurs, as established by IFRS 13, as follows: the transfer between levels 2 and 3 occurs upon a change in the observability or significance of an input to the measurements; and the transfer between levels 1 and 2 or 3 occurs upon a change in the availability of prices in an active market.

For OTC derivatives, the initial choice of the level of fair value hierarchy depends on the degree of observability and significance of the parameters used to determine the risk-free component. The calculation of the counterparty/issuer default risk component may result in a transfer to level 3 when the current exposure is positive for the bank and the counterparty is in non-performing loan status, or when the determination of default risk requires unobservable inputs and the bilateral credit value adjustment (bCVA) component is significant when compared to the overall fair value of the netting set, or when the counterparty's sensitivity to downgrading is significant when compared to the overall fair value of the netting set.

For non-contributed equity instruments, the change of the level occurs:

- when inputs observable on the market (e.g., prices defined based on comparable transactions on the same instrument between independent and informed counterparties) have become available during the period. In this case, the Intesa Sanpaolo Group reclassifies from level 3 to level 2;
- when the directly or indirectly observable elements used as the basis for the valuation cease to exist, or when they are no longer up to date (e.g., comparable transactions that are no longer recent or multiples that are no longer applicable). In this case, the Intesa Sanpaolo Group uses valuation techniques that use unobservable inputs.

### Valuation of financial instruments

The valuation of financial instruments entails the following phases:

- identification of the sources for valuation: for each asset class, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes that are necessary to identify market parameters and the manner according to which such data must be extracted and used;
- validation and processing of input data for periodic valuation: this stage consists of the accurate verification, at each accounting measurement date, of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
- certification of the measurement methods: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the measurement models used and at determining any adjustments necessary for measurement;
- monitoring and revision of the measurement methods: the monitoring consists of the ongoing checking of the adherence to the market of the valuation model and enables the timely discovery of any gaps, in order to initiate the necessary checks and measures.

### Identification, certification and processing of the input data for the measurements

The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of measurement techniques, highlight the need to establish univocal principles in the determination of market parameters. To this end, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes needed to identify the market parameters, the contribution sources considered appropriate and how the data must be received (cut-offs) and used for the measurement of financial instruments held for any purpose in the proprietary portfolios of the Parent Company and its subsidiaries. The same sources are used in measurements carried out for third parties under Service Level Agreements, entered into in advance. The adequacy of the input data for the measurements is guaranteed by the respect of reference requirements, which are based on comparability, availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, measuring the contribution bid-ask, and lastly, for OTC products, verifying the comparability of the contribution sources.

The use of all market parameters in Intesa Sanpaolo is subordinated to their certification by the IMI CIB Risk Management Head Office Department, in terms of specific controls (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.

### Certification of measurement methods

The measurement methods used by the Intesa Sanpaolo Group are certified by the IMI CIB Risk Management Head Office Department, with the involvement of all relevant structures. The purpose of the certification is to verify the consistency of the methods with current market practice, to highlight any problems or limitations, and to determine any fair value adjustments, in accordance with the applicable regulations. The certification process considers all aspects of the measurement method (basic assumptions, mathematical derivation, any approximations, numerical algorithms used, inputs and outputs) but also all contextual elements that are relevant to the management, including the characteristics of the associated products (payoffs, early termination clauses, etc.), any ancillary agreements (e.g. netting or collateral agreements), the market where the products are traded, and how they are used by end users (e.g. precision vs. performance, calculation of risk measures, etc.). These aspects are subject to qualitative and quantitative analysis and are duly reported in the internal documentation.

The possibility of independent validation issued by high standing financial service companies is also envisaged in highly-complex cases and/or in presence of market turbulence (market dislocation).

At the end of the certification process, the measurement method is recorded in the Rules for Valuation of Financial Instruments at Fair Value.

### Monitoring and review of measurement methods

As required by the applicable regulations, the measurement methods used are subject to ongoing monitoring of their performance with respect to the evolution of financial instruments, markets and methodological innovations developed by the scientific community, in order to ensure their continuous alignment to the market, promptly highlight any inadequacies and initiate the necessary checks and actions. The Rules for Valuation of Financial Instruments at Fair Value detail all elements considered for the periodic monitoring and revision of the measurement methods. The functions involved in the monitoring process are the same as those involved in the process of certification of the measurement methods mentioned above and in the IPV process governed by the Guidelines and Rules on Independent Price Verification.

### Valuation risk: fair value adjustments

The Intesa Sanpaolo Group defines valuation risk as the risk of losses arising from the valuation uncertainty for the fair value exit price of financial instruments, due to any limitations of the measurement techniques used or particular market conditions.

The main measure of the valuation risk associated with a financial instrument are the fair value adjustments, which are designed to take into account the valuation uncertainty or the difficulty in the disposal of specific financial positions, and may relate to a single financial instrument or to the net position for a particular risk factor. The adjustments may be calculated as add-ons to the valuation or included directly in the valuation. They are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in measurement methods chosen and their implementation.

In particular, the Intesa Sanpaolo Group envisages fair value adjustments for the following categories of measurement uncertainty:

- uncertainty of input data: any valuation uncertainty related to the input data for the valuation (whether mid, bid or ask) is measured with respect to temporary or structural conditions on the markets or in relation to the size of the values held (in the case of concentration), and where necessary a fair value adjustment is made, quantifying the consequent impact on the valuations;
- illiquidity of the underlying positions or risk factors: similarly to the case above, the market bid-ask spread is measured and, where necessary, a fair value adjustment is made, quantifying the consequent impact on the valuations;
- model risk: this is based on the identification and use of variants of the same model or alternative models, with which to carry out comparison analyses aimed at quantifying the variability of the valuations (in particular any directionality of the price when the model changes) and the behaviour of the model in various market scenarios (stress tests). The quantification of the fair value adjustment is based, where possible, on easily comprehensible and measurable financial variables (e.g. vega, delta, correlation shift);
- counterparty and funding risk: counterparty and funding risks, collectively referred to as XVA, include Bilateral Credit Value Adjustment (bCVA) and Funding Value Adjustment (FVA). The bCVA takes account of the counterparty risk premium associated with the possibility that the counterparties may not honour their mutual commitments (for example in the event of bankruptcy). This component derives, in turn, from two components: the Credit Value Adjustment (CVA, negative) and the Debt Value Adjustment (DVA, positive), which consider, respectively, the scenarios where the Counterparty goes bankrupt before the Bank (and the Bank has a positive exposure towards the Counterparty), and vice versa the scenarios where the Bank goes bankrupt before the Counterparty (and the Bank has a negative exposure towards the Counterparty). The Funding Value Adjustment (FVA, negative), on the other hand, takes into consideration the funding risk premium, connected to the costs of funding the cash flows (coupons, dividends, collateral, etc.) generated by the Bank's overall OTC derivatives portfolio. The calculation of the XVAs depends on the overall exposure between the two counterparties, calculated using techniques for simulating the underlying risk factors of the transactions considered, taking into account any counterparty risk mitigation arrangements (in particular netting and collateralisation agreements), as well as any contractual clauses. The calculation of the XVAs also depends on the Loss Given Defaults (LGDs) based on the estimated value of the expected recovery in the event of counterparty default, and the probability of counterparty default (PD). LGDs and PDs are obtained from credit default swap market quotes or are based on internal estimates by sector/rating used for credit risk. In addition, the FVA calculation is based on a funding curve representative of the best market counterparties that the Bank could renegotiate transactions with, in accordance with the most IFRS 13 advantageous market principle, as there is currently no real main market for these transactions.

The management process for fair value adjustments is formalised in the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the "Rules for the Valuation of Unlisted Equity Investments" with appropriate calculation methodologies on the basis of the different configurations of the points set out above, and is carried out in the most objective, consistent and systematic manner possible by the IMI CIB Risk Management Head Office Department and the Group M&A and Equity Investments Head Office Department. The introduction and release of the fair value adjustments depend on the factors described above. Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements, valued based on the different configuration over time of the risk factors which generated the adjustments. Thus, the

estimates subsequent to initial recognition are always guided by the mitigation or elimination of said risks.

For new products, the decision to apply the adjustments is taken during the new product approval process, upon the proposal of the IMI CIB Risk Management Head Office Department.

The application of the adjustments is subject to an authorisation procedure that, above a certain warning threshold defined for specific cases, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company's financial reports.

#### A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products, hedge funds, and loans), on the valuation models used.

##### I. Valuation of non-contributed debt securities

The fair value of non-contributed bonds is measured using the income approach, i.e. by calculating the present value of expected future cash flows using an appropriate risk premium represented by the credit spread, identified on the basis of contributed and liquid financial instruments with similar characteristics. The sources used for this measurement are the following:

- contributed and liquid debt securities of the same issuer;
- credit default swaps on the same reference entity;
- contributed and liquid securities of an issuer with the same rating and belonging to the same sector.

In any case, the different seniority of the security to be priced is considered with regard to the issuer's debt structure.

In the case of Italian public issuers, a rating/maturity matrix is defined on the basis of the spread levels on government issues, to which the spreads among the various rating/maturity classes with respect to public issues (regions, provinces, municipalities, government entities) are applied.

When applying the spread for the pricing of the non-contributed instrument, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.

Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar contributed securities.

Finally, if the instrument includes an optional component, a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and any illiquidity of the underlying assets. This component is calculated based on the type of option, using the corresponding valuation models for derivatives mentioned below.

Similarly, Intesa Sanpaolo's credit spread for the Banking Group's financial liabilities designated at fair value is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market prices and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level. Similarly, the issued certificates are measured at fair value by breaking them down into the following two components: an issued bond, measured as described above, and an option component, measured using the corresponding derivative pricing models described below.

Finally, measurement of the financial liabilities designated at fair value of the Insurance Companies (mainly liabilities associated with unit-linked investment contracts that do not present significant insurance risk) reflects the market value of the underlying assets, which are determined in application of the various methods described herein.

##### II. Valuation of loans

Loans are measured at fair value through contributions from info providers when available or by calculating the present value of expected future cash flows using an appropriate credit spread, identified starting from the following sources:

- contributed loans on the market;
- sector/rating-specific loan market curves;
- contributed securities of the same issuer;
- credit default swaps on the same reference entity.

In any case, the different seniority of the instrument to be priced is considered with regard to the issuer's debt structure.

When applying the spread for the pricing of the loan, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.

Moreover, where, in determining the credit spread of the loans, reference is made to the curves created through bonds, a Bond – Loan basis must be applied, to capture the different structure of the market, if any, and the different type of loan.

In order to consider the premium required by the market for illiquid and/or structured instruments, several adjustments are applied to the credit spread.

Loans with an underlying unlisted equity risk (which include financial instruments that, pursuant to IAS 32, cannot be classed as equity, e.g. loans convertible into shares) are usually measured by discounting the cash flows provided for by the contract. Since these are debt securities, the cash flows are normally discounted using a rate consisting of the sum of: a risk free rate, a spread deriving from the CDS or measured on listed securities or similar disbursements, and any additional risk premium.

In the case of non-performing loans, the fair value is determined based on the recoverable amount of the position. This estimate is made taking into account the contractual elements that characterise the loan and may involve, for example, the valuation of the cash flows from the sale of the real estate pledged as collateral or the valuation of any capital instruments that may be acquired following the introduction of an equity conversion clause for the position.

### III. Valuation of OTC derivatives

Derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are measured through specific measurement methods and input parameters (such as, for example, interest rate, foreign exchange and volatility curves) observed on the market and subject to the certification monitoring illustrated above.

The fair value of an OTC derivative is calculated considering the risk premium related to the various underlying risk factors. Specifically, there are two relevant cases, according to whether or not the instrument is subject to collateralisation agreements (CSAs) aimed at mitigating the counterparty and funding risk:

- a. for CSA transactions with characteristics that reduce counterparty and funding risk to a negligible level, the fair value is calculated according to the non-arbitrage principle, by including the market risk premium related to the risk factors underlying the contract (e.g. interest rates, volatility, etc.), and, in the most significant cases, using the rate of remuneration for the collateral as the discount rate for the future cash flows;
- b. for transactions without CSAs, or with CSAs with characteristics that do not reduce the counterparty and funding risk to a negligible level (e.g., One Way CSAs, or with non-negligible limits or minimum transfer amounts), the fair value of the instrument may be stated, under appropriate circumstances, as the sum of the reference (or base) value, equal to the price of the corresponding collateralised instrument, and several additional valuation components related to the counterparty and funding risk premium, referred to jointly as XVA (see "Valuation risk: fair value adjustments").

In view of the number and complexity of the OTC derivatives, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used for their measurement.

The table below illustrates the main methods used to measure OTC derivatives based on the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black-Scholes, SABR, Libor Market Model, Hull-White, Bivariate log-normal, Rendistato, Hagan exact formula for CMS	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, CMS, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV), Stochastic Local Volatility (SLV), Local Volatility (LV)	Interest rate curves, spot and forward FX curves, FX volatility, "quanto" volatility and correlations
Equity	Accrual, Net present Value Equity, Generalised Black-Scholes, Heston, Local Volatility, Jump Diffusion	Interest rate curves, underlying asset spot rate, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Inflation NPV, Inflation SABR, Inflation Jarrow-Yildirim	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward, Local Volatility, 2-Factors Jump Diffusion	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Loans	Net present Value, CDS Option (or log-normal model), Contingent CDS	Probability of default, Recovery rate, credit index volatility.

As envisaged by IFRS 13, in determining fair value the Intesa Sanpaolo Group also takes into account the effect of non-performance risk. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.

### IV. Valuation model for structured credit products

With regard to asset-backed securities (ABSs), if significant prices are not available, valuation techniques are used that take into account parameters that can be gathered from an active market (level 2 inputs) or, where parameters cannot be observed, estimated parameters (level 2 or 3 inputs, where immaterial or material).

In this case, the cash flows are obtained from infoproversiders or specialised platforms, where available, or are taken from the business plan of the transaction, supplemented with periodic reporting, such as the case of Non-Performing Loans (NPLs) and Unlikely to Pay (UTP); the spreads are gathered from prices available on the market/market info provider, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures.

In the case of securitised high-yield loans to European corporate borrowers (CLO HY loans), valuation techniques call for calculation of the net present value of the expected cash flows, determined through specialised platforms, discounted

using market spreads. When modelling expected future flows, account is taken of all contractual aspects of the HY CLO loans that may influence the waterfall, i.e. the distribution of cash flows from the collateral on the notes.

After this valuation, credit analyses on underlying assets are fine-tuned to incorporate further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the HY CLO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point.

#### V. Valuation of non-contributed equities

Level 2 equities include:

- equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions;
- equities measured using relative methods, based on multipliers: implied multiples in transactions in comparable listed or unlisted companies, within a time frame deemed sufficiently short with respect to the time of measurement and under constant market conditions (M&A multiples) or implicit multiples in the stock market prices of a sample of comparable companies (stock market multiples).

Level 3 equities for which the “relative” models described above are not applicable in significant terms, and, therefore, “absolute” valuation models are used, include:

- equities for which analytical models based on flows are used, which determine the value through estimates of the cash or income flows that the company is expected to generate over time, discounted using an appropriate rate based on the level of risk of the instrument;
- equities measured based on net worth criteria such as NAV or Adjusted Net Asset Value (ANAV), which estimates the fair value of the various components of the assets of the investee.

Any values deemed representative of the fair value of the equity instrument deriving from contractual clauses (for example, options) are classified in level 2 or 3 of the fair value hierarchy, according to the observability of the inputs used in the valuation. Specifically, if the negotiation of the clause resulted in strike prices or pre-defined algorithms and multiples, the instrument is classified in level 2.

The cost criterion as estimate of fair value is used to a lesser extent, where none of the previous methods are applicable due to lack of sufficient information, and in the cases where there is a wide range of possible fair value measurements and it is not possible to identify the most appropriate value among these.

This case also includes Equity Instruments which, in accordance with IAS 32, have the characteristics to be considered as equities.

#### VI. The valuation of hedge funds

The determination of the fair value of a hedge fund is the result of an analytical process that involves two distinct approaches applied respectively to investments in funds made through the direct purchase of units and to funds managed through a Managed Account Platform (MAP), which ensures daily transparency of the instruments underlying the funds.

For the funds not managed via a MAP, the fair value corresponds to the Net Asset Value (NAV) provided by the fund administrator, to which an adjustment can be applied, deriving from a measurement process aimed at capturing the main risk factors that the management of the funds is subject to, which consist of the following two types:

- counterparty (broker) risk, i.e. the risk that the assets of the fund are exposed to when a single service provider is entrusted with prime brokerage or custodian activities, subject to the risk of default;
- illiquidity risk, i.e. the risk that the assets of the fund are illiquid due to the limited prices available or due to a lack of information on the assessment policies used by the fund.

These risks are assessed on the basis of the information contained in the documentation received periodically from the fund managers or administrators.

For the funds managed via a MAP, the Fair Value corresponds to the NAV provided by the fund administrator. For this type of fund, no adjustment is applied because it is considered that the infrastructure that guarantees the daily transparency enables sufficient control and monitoring of the underlying instruments to mitigate counterparty and illiquidity risk.

For both types of investment, the fair value hierarchy level is assigned based on prevalence, in terms of percentage of NAV, of the weight of assets priced according to the various levels.

#### VII. The valuation of private debt funds

For Private Debt AIFs (Alternative Investment Funds), the investment authorisation process involves an initial due diligence to verify the consistency between each fund's asset valuation policy and the Guidelines and Rules for Valuation of Financial Instruments at Fair Value. The fund is subsequently valued at NAV.

#### VIII. Valuation of closed-end private equity funds, real estate funds and closed-end funds resulting from sales of non-performing loans

Closed-end private equity funds are usually valued using the latest Net Asset Value approved by the asset management company (published half yearly or quarterly), adjusted solely to take into account events that have not yet occurred at the reference date of the NAV, such as:

- a material transaction on a portfolio company;
- the bankruptcy or liquidation of a portfolio company;
- the alignment of any listed assets to current prices;
- draw downs and distributions by the fund.

Closed-end real estate funds are valued using the last available Net Asset Value, adjusted for any subsequent call ups or distributions and, where considered necessary, applying a discount calculated using an internal model. Specifically, this model enables the calculation of a discount on the Net Asset Value based on five different factors: (i) the size of the



asset management company that manages the fund; (ii) the number of subscribers; (iii) the fund's historical return; (iv) the fund's return for the period; and (v) the level of debt. These factors are calibrated differently based on the business model and the fund's resulting risk profile, distinguishing between core, value added and opportunistic funds.

For the valuation of closed-end funds resulting from sales of non-performing loans, the NAV reported by the asset management company is taken as the fair value only following a successful joint check of the following conditions: i) the asset management company of the fund determines the NAV in accordance with the EVCA or IPEV guidelines or other criteria in line with the definition of fair value pursuant to IFRS 13; ii) the fund has an updated business plan and is not underperforming on its business plan; and iii) the IRR implicit in the NAV is higher than a threshold rate identified as the WACC of a sample of listed companies that invest in non-performing loans. If the check is unsuccessful, the NAV reported by the asset management company is decreased by applying a discount determined in accordance with market practice.

#### Valuation of financial assets and liabilities not measured at fair value on a recurring basis

Finally, for asset and liability financial instruments measured at amortised cost, whose fair value is determined solely for the purposes of disclosure in the notes to the financial statements, the following is noted:

- the fair value of the bonds is calculated using the methods described above;
- the fair value measurement of the other medium- and long-term asset and liability financial instruments is performed by discounting future cash flows using the discount rate adjustment approach, which requires credit risk factors to be taken into account in the discount rate for future cash flows;
- for short-term assets and liabilities, the book value is assumed to be a reasonable approximation of fair value.

For more information see paragraph A.4.5.4.

As required by IFRS 13, the table below highlights, for financial assets and liabilities measured at level 3 fair value, quantitative information on the significant, unobservable inputs used in the fair value measurement.

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	(thousands of euro)	
						Favourable changes in FV	Unfavourable changes in FV
Securities and loans	Discounting Cash Flows	Credit Spread	-2	2	%	1,639	-3,540
Structured securities and loans	JD model	JD parameters	-38	5	%	257	-51
Structured securities and loans	Two-factor model	Correlation	-29	35	%	5,761	-4,807
ABSS	Discounting Cash Flows	Credit Spread	-3	4	%	1,093	-1,500
CLOs Cash	Discounting Cash Flows	Credit Spread	-3	3	%	646	-650
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Loss Given Default Rate (LGD)	0	100	%	1,840	-1,303
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Probability of default (PD) based on counterparty's internal rating	CCC	BBB	Internal rating	251	-403
OTC Derivatives - Equity basket option	Black - Scholes model	Equity basket correlation	-10.93	25.84	%	526	-664
OTC Derivatives - Equity Option	Black - Scholes model	Historical volatility	8.15	76.17	%	760	-3,225
OTC Derivatives - Equity Option	Marshall Olkin Model	Historical correlation	-4.03	57.36	%	238	-132
OTC Derivatives - Spread option on swap rates	Bivariate log-normal model	Correlation between swap rates	-30.25	96.53	%	259	-203

#### A.4.2 Valuation processes and sensitivity

For a description of the valuation processes used by the Group for instruments measured at level 3 in a recurring and non-recurring manner, see paragraphs A.4.1 and A.4.5 respectively.

For financial assets and liabilities measured at level 3, for which their sensitivity analysis can be performed, in view of the measurement model used, the table below (as required by IFRS 13) details the effects of a change in one or more non-observable parameters used in the valuation techniques adopted to determine the fair value.

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non- observable parameter
FVTPL and FVTOCI securities and loans	Credit spread	-456	1 bp
FVTPL and FVTOCI securities and loans	JD parameters	-7	0
FVTPL and FVTOCI securities and loans	Correlation	168	1%
OTC Derivatives - Interest rate	Correlation by spread options between swap rates	41	0.1
OTC Derivatives - Equity	Correlation between underlying equity baskets	309	0.1
OTC Derivatives - Equity	Historical volatility	1,025	10%
OTC Derivatives - Equity CPPI	Historical correlation	-60	0.1

#### A.4.3. Fair value hierarchy (transfers between the different levels)

A description of the policy for determining when transfers occur between the different levels of fair value hierarchy (see IFRS 13, par. 95) is provided above (see “Fair value hierarchy”).

#### A.4.4. Other information

In calculating the bCVA, the Intesa Sanpaolo Group considers the net positions in derivatives of each counterparty (see paragraph A.4.1 above for further details on the measurement of derivatives). For other cases, the Group does not make use of the option provided in paragraph 48 of IFRS 13, which permits an entity “to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions”.

#### General prudent value principles

The framework of financial measurements is completed with the prudent valuation of financial instruments measured at fair value, which involves the calculation of additional valuation adjustments for prudential purposes, without impacts on the fair value calculated for accounting purposes in accordance with the IFRS.

The Intesa Sanpaolo Group governs and defines the prudent value measurement of financial instruments through the Group Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all the consolidated subsidiaries of the Banking Group.

The “Guidelines on Prudent Valuation of Financial Instruments”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks Committee. The “Rules for Prudent Valuation of Financial Instruments” are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

In accordance with the provisions of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR), prudent valuation entails the calculation of specific additional valuation adjustments (AVAs) for the financial instruments measured at fair value, aimed at capturing different sources of valuation uncertainty and ensuring the achievement of a suitable level of certainty in the measurement of the positions. The total value of the AVAs is deducted from the Common Equity Tier 1 capital, without impacts on accounting fair values.

The Intesa Sanpaolo Group, in line with the criteria indicated in Delegated Regulation (EU) 2016/101, is subject to the application of the core approach for the determination of AVAs both at individual and at consolidated level for all the positions measured at fair value. In particular the following AVAs are considered:

- market price uncertainty: this reflects the uncertainty of the market prices, calculated at valuation exposure level;
- close-out costs: it reflects the uncertainty of the exit price calculated at valuation exposure level;
- model risks: it considers the valuation model risk which arises due to the potential existence of a range of different models or model calibrations, which are used by market participants, and the lack of a firm exit price for the specific product being valued;
- unearned credit spreads: it reflects the valuation uncertainty in the adjustment necessary according to the applicable accounting framework to include the current value of expected losses due to counterparty default on derivative positions;
- investment and funding costs: it represents the valuation uncertainty in the funding costs used when assessing the exit price according to the applicable accounting framework;
- concentrated positions: it reflects the uncertainty relating to the exit price of the positions defined as concentrated;
- future administrative costs: it considers administrative costs and future hedging costs over the expected life of the valuation exposures for which a direct exit price is not applied for the close-out costs AVAs for concentrated positions;
- early termination: it considers the potential losses arising from non-contractual early terminations of customer trades;
- operational risks: it considers the potential losses which may be incurred consequently to the operational risks connected to the valuation processes.



The prudent value corresponds to the exit price from the position with a level of certainty equal to 90%. Where possible, this value is determined on the basis of a distribution of exit prices observed on the market. In all the other cases, an expert-based approach is used, referring to the qualitative and quantitative information available.

The AVA value associated to the single position and to the single source of uncertainty in valuation thus corresponds to the difference between the prudent value and the fair value. The total AVA is obtained by aggregating the single AVAs, taking into account the corresponding weighting ratios.

The “Rules for Prudent Valuation of Financial Instruments” outline, for each AVA, the definition and interpretation, the scope of application, the input data and the detailed calculation method for each class of financial instrument.

Since 1 January 2021, when the transitional provisions under Commission Delegated Regulation (EU) 866/2020 ceased to apply, the Group has used the AVAs aggregation factor established by Commission Delegated Regulation (EU) 2016/101.

## FAIR VALUE OF REAL ESTATE AND VALUABLE ART ASSETS

### Fair value of real estate assets

As extensively illustrated in the first part regarding the accounting policies, the Group has adopted the revaluation model as the basis of measurement for the owner-occupied properties accounted for according to IAS 16 and fair value for the investment properties accounted for according to IAS 40.

### Measurement of real estate assets

The revaluation model applied to owner-occupied properties envisages that property and equipment, whose fair value can be reliably determined, is recorded at a revalued amount, equal to its fair value at the date of the revaluation, net of depreciation and any accumulated impairment losses.

For the properties held for investment, the Intesa Sanpaolo Group has chosen the fair value method, according to which, after initial recognition, all investment properties are measured at fair value.

### Valuation approach

IFRS 13 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

The valuation approach has been defined on the basis of the business relevance and plan for the use of the properties, which consists of three main groups:

- “trophy assets”, i.e. particularly prestigious properties used by management functions located in the main cities where the Bank is based or properties of particular historical and artistic interest because they are listed by the Ministry for Cultural Heritage and Activities;
- “owner-occupied properties”;
- “investment properties”.

The properties are valued individually asset-by-asset without considering any discount, or premium, that may be agreed during commercial negotiations if all or part of the portfolio is sold in bulk or in lots.

The Intesa Sanpaolo Group has chosen to assign the valuation activity to professionally qualified external companies with an international structure, able to provide property valuations based on the RICS Valuation standards<sup>63</sup> which guarantee:

- determination of the value consistent with the fair value configuration indicated in the IAS/IFRS;
- compliance with the professional, ethical and independence requirements for experts, in line with the provisions of international and European standards.

To determine the value of the assets, the following valuation methods are used based on the characteristics of the asset and the conditions of the market of reference; the valuer determines the most suitable method for each individual property.

- The Discounted Cash Flow Method: the discounted cash flow method is based on the discounting (for a variable period based on the rental/occupational situation of the property and its subsequent optimisation) of the future net proceeds from the rental or sale of the property. At the end of this period, the value of the property is assumed to be the sale price obtained by capitalising the income of the last year at a market rate for investments similar to the object of the estimate or through a split sale. This method is used for the valuation of all the owner-occupied properties or real estate leased to third parties, located in Italy.
- Comparative or Market Method: the comparative or market method is based on the comparison between the assets examined and similar assets recently sold/purchased or offered on the same market or in competitive environments. This criterion is based on a comparison with properties that have recently been sold or offered on the open market and, if possible, have the same characteristics. In the absence of observations directly related to the property examined, cases are used that are as similar as possible to the property examined, making the necessary adjustments. This method, which also represents the basis for other valuation methods, can be adopted in particular for non-owner-occupied assets and/or, in any case, for unrestricted and available assets in Italy and abroad.
- Direct capitalisation income approach: the income approach is based on the current value of the potential market income of a property, obtained by capitalising the income at a market rate. This approach is applied mainly to owner-occupied properties abroad, where a prolonged stay within the building is envisaged.
- Investment Value (Worth): the Investment Value (Worth) is defined by the International Valuation Standard as: “the value of an asset to a particular owner or prospective owner for individual investment or operational objectives”. This definition is consistent with the provisions of the latest edition of the “RICS Valuation - Global Standards 2020” of the Royal Institution of Chartered Surveyors of the United Kingdom, where the Investment Value is defined as “the value of an asset to the owner or a prospective owner for individual investment or operational objectives”.

The Investment Value is applicable to properties built by the entity or properties with a strong business relevance subject to significant investments for technological, construction and functional adaptation.

The Investment Value of these properties is determined on the basis of a 12+6 year plan for business use without break options, whose annual rent is determined by applying an appropriate gross rate of return to the amount of direct and indirect costs capitalised by the Owner, including the costs of purchasing the land.

<sup>63</sup> Standards set out in the Royal Institution of Chartered Surveyors of the United Kingdom document “RICS Valuation – Global Standard” (also known as the “Red Book”); the updated version was issued in November 2019 and took effect on 31 January 2020.

**Frequency of valuation**

Revaluations must be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

The frequency of revaluations depends upon the changes in fair values of the property and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

Specifically, based on the market trends, different valuation frequencies have been identified that, according to the characteristics of the assets and their location, are considered capable of capturing the significant changes in the value of the assets.

The following distinction is made for owner-occupied properties:

- for trophy assets, the revaluation is carried out by verifying the value through a scenario analysis (market trend analysis) every year and with a new appraisal every two years;
- for the other owner-occupied properties, the revaluation is carried out through scenario analysis (market trend analysis) every year and through a new appraisal every three years.

If the scenario analysis identifies significant changes (+/- 10%), specific and updated appraisals must be carried out to adjust the fair value of the asset to the valuations of the real estate market.

For investment properties, the value is determined on the basis of new appraisals each year.

Based on the rules referred to in 2021, the properties under real estate assets that are classified as trophy assets, along with investment properties, were subject to periodic valuation.

**Scenario analysis**

As part of the annual update of the fair value of the owner-occupied properties, in the years when a revaluation of the property is not envisaged, a scenario analysis (market trend analysis) is carried out using the best information sources available for the various countries in which the properties are located, in order to identify deviations, using databases, in the market values between the analysis period and the previous period.

In particular, for real estate located in Italy, the changes are defined using at least 3 different sources. The main source is that provided by the Italian Revenue Agency, based on the specific OMI (Real Estate Market Monitor) zones. The second publication source is Nomisma for which, for the related zoning, the same queries are conducted as those for the OMI (main database). Lastly, the third source is based on the analyses of the changes during the year surveyed in terms of the offers present on the real estate market.

Accordingly, the experts identify the annual deviations in rents and/or prices by related asset class for each property.

Real estate located abroad is grouped, for each country, into different clusters based on location and asset class. Specific market analyses are conducted based on local and national knowledge of the particular target real estate market.

The market study also takes account of the following macroeconomic drivers:

- analysis of economic data (unemployment rate, GDP per capita, inflation and consumer price index); these macroeconomic factors constitute the first economic analysis, supporting the real estate market forecasts;
- movement in average yield;
- movement in market rents;
- range of movement in unit values.

The above-mentioned market survey, together with a qualitative weighting of the macroeconomic key drivers is used to determine a range of percentage deviation from the last assessment carried out, which is compared with the target threshold set, identifying a synthetic percentage factor for each individual property, included in a single worksheet.

This activity is carried out close to the end of the year in order to produce a range of deviations within a reference threshold and to enable the timely planning of the updating of the specific appraisals for the properties whose deviation exceeds the threshold.

The permitted variation threshold is +/-10%

If the deviations identified exceed this threshold, a new valuation will be carried out before the end of the year.

**Sensitivity of valuations**

Just as for financial instruments, level 3 non-financial assets and liabilities measured at fair value for which, due to the valuation model used to determine the fair value, execution is possible, and whose results are significant, are subject to sensitivity analysis. The analysis essentially concerned the properties of the Parent Company Intesa Sanpaolo, which represent the Core perimeter of the Group's real estate assets.

It is noted that the sensitivity analysis was conducted by identifying the most important variables in the valuation model used as at 31 December 2021 to value the various classes of real estate, represented by the discounted cash flow method. In particular, reference was made to market rents for owner-occupied properties, and to the exit value for investment properties. For the variables identified above, a change equal to +5%/-5% was assumed, in relation to which an average deviation of the fair value of real estate of 6% was recorded in both hypothetical scenarios.

### Fair value of valuable art assets

The bank's valuable art assets are also valued using the revaluation model, which envisages that property and equipment, whose fair value can be reliably determined, is recorded at a revalued amount, equal to its fair value at the date of the revaluation.

Works of art included in the asset class "valuable art assets" are works of particular importance, recognised for their historic and artistic value by experts and in line with the ministerial guidelines, and particularly those set out in Ministerial Decree 537 of 6 December 2017 on the exportation of works of art, such as: the state of preservation, the historical importance of the artist, the importance of the work in terms of art criticism/history, illustrious origin, certain quality and attribution and the declaration of interest by the Italian government.

### Valuation approach

The valuation is carried out by determining the value through external appraisals, entrusted to qualified independent experts.

These values are obtained from online databases such as Artnet and Artprice, which list over 100 million works of art and monitor the results of leading Italian and international auction houses. These are objective parameters that are compared with the market as a whole, in an analysis that also involves monitoring galleries and art fairs.

In particular, the factors considered for the fair value measurement include objective factors relating to the historical-critical-artistic value of the author, state of preservation, execution technique, size and quality of the artwork, importance of the artwork in the production by the artist, publication of the artwork in specialist catalogues, period of execution of the artwork, international exposure of the artworks by the artist, distinguished provenance, certainty of attribution, guarantee of authenticity of an artwork, as well as other factors (which may change over time, depending on the evolution and tastes of the market), such as the reputation of the museum hosting the artwork by the artist, the prestige of fairs/exhibitions/galleries/auction houses that handle the artwork, the reputation of its critics and collectors, and the quality of the communications concerning the artist's work.

Once these factors have been identified, the fair value is determined comparing them firstly with artworks similar to those examined (in terms of period of production/year, technique, size, type of subject and state of preservation), by the same artist and from the same period, if available (this is more feasible for modern and contemporary works) and, secondly, with works by artists or schools and areas that are close in style, philosophy and importance in the same historical period. Where several similar artworks are available, average values are used to take account of price volatility.

In addition to considering the trends in auction trading, starting from the most recent trading and also including unsold items in the analysis (which are a possible indicator of the loss of market value for the artwork/artist), the valuation also considers the current market interest in an artwork or an artist, measured by the number and quality of temporary exhibitions held in internationally important museum spaces and accompanied by specific publications.

The valuations also take into account any declarations of historical-artistic interest formally expressed by the Italian Ministry of Cultural Heritage and Activities (commonly referred to as "notifications"), which tie part of the artworks in the collection to Italy's heritage and restrict their circulation to the country's territory, reducing the price obtainable on the international market.

The pricing is also influenced by the importance of the buyers/sellers (e.g. prices paid by famous collectors or known investors may be more significant).

The valuation approach is based on the monitoring of the objective market values of the artworks included in the category examined, which follows three methodological approaches:

- prudent basis, analysing the average values of a variety of different information sources, based on robust, updated and statistically representative databases: in a market of "unique" artworks, often without transactions for decades, this approach ensures the periodic identification of any outlier values and avoids following speculative trends;
- comparison, monitoring the transactions that have taken place at a global level in a variety of distribution channels, in order to avoid considering only certain forms of transaction and the related financial values: in a global market with global demand, this approach enables verification of the presence of any geographical arbitrage or specific appreciation/depreciation phenomena with potential impacts;
- recurrence, since it updates and monitors price trends over the shortest period of time that the specific features of the market allow, i.e. the half year: in a market in which there are no public trades monitored daily, the shortness of the measurement period ensures maximum attention and timeliness of any changes.

This approach is applied to all the "valuable art assets".

### Frequency of valuation

For valuable art assets, the revaluation is carried out by means of an expert appraisal every three years. However, a scenario analysis is carried out annually to identify any appreciable changes in value in order to bring forward the valuation.

In accordance with the rules on valuation frequencies, note that, at the end of 2020, following the completion of the first three-year fair value measurement cycle, the appraisals were updated for all valuable art assets.

### Scenario analysis

In order to identify and determine the changes in the market of the artworks being valued, market trends are monitored to detect signs of significant change that require appraisals to be made in advance with respect to the frequency established.

This monitoring is carried out on a two-fold basis:

- Monitoring of the market prices of the top artworks in terms of value held in Intesa Sanpaolo's collections, which represent 75% of the total value of the artworks included in the "valuable art assets" class, by verifying both the results of the main international auctions (which are based on a calendar of precise seasonal deadlines) and the reports of the two main world databases (Artprice and Artnet), whose analytics provide useful tools for monitoring prices;
- Monitoring the performance of the art market in general, to identify trends and changes with respect to Intesa Sanpaolo's "valuable art assets", verifying both the results of the main international auctions (which are based on a calendar of precise seasonal deadlines), and the reports of the two main world databases (Artprice and Artnet); since the works of many artists in the Intesa Sanpaolo's collection very rarely go up for auction due to the limited number of items left in the market, it is important to monitor the trend of similar artists or works; accordingly, the monitoring is not just limited to the

works held and their artists, but also extends to the authors and artworks related to the same area, to take into account trend data.

If the annual monitoring identifies a potential, positive or negative, value deviation of more than 15% (for individual artworks/collections of artists in Intesa Sanpaolo's collections and comparable on the basis of objective criteria (such as period of production/year, size, technique, period of production, etc.), the appraisals are commissioned according to the usual internal procedures in order to align the carrying amount.

## Quantitative information

### A.4.5. Fair value hierarchy

#### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: fair value by level - Excluding insurance companies

Assets / liabilities at fair value	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
(millions of euro)						
1. Financial assets measured at fair value through profit or loss	24,262	25,080	3,389	22,890	31,994	3,362
a) Financial assets held for trading	22,615	24,379	187	21,861	30,900	404
of which: Equities	674	-	17	663	-	1
of which: quotas of UCI	116	-	25	169	3	31
b) Financial assets designated at fair value	-	1	3	-	1	2
c) Other financial assets mandatorily measured at fair value	1,647	700	3,199	1,029	1,093	2,956
of which: Equities	161	116	225	10	191	193
of which: quotas of UCI	1,486	149	2,166	1,018	227	1,740
2. Financial assets measured at fair value through other comprehensive income	59,084	8,004	492	49,681	7,747	430
of which: Equities	1,537	1,314	421	1,559	1,754	387
3. Hedging derivatives	-	1,732	-	1	1,118	15
4. Property and equipment	-	-	7,364	-	-	7,252
5. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>83,346</b>	<b>34,816</b>	<b>11,245</b>	<b>72,572</b>	<b>40,859</b>	<b>11,059</b>
1. Financial liabilities held for trading	22,241	33,946	119	15,742	43,168	123
2. Financial liabilities designated at fair value	6	3,642	26	-	3,032	-
3. Hedging derivatives	-	4,868	-	1	7,084	3
<b>Total</b>	<b>22,247</b>	<b>42,456</b>	<b>145</b>	<b>15,743</b>	<b>53,284</b>	<b>126</b>

Under Assets, Level 3 instruments, which are subject to greater discretion in determining fair value, represent a small portion of the total portfolio of Assets, a percentage of 8.7% (8.9% as at 31 December 2020).

The majority of level 3 financial assets is represented by quotas of UCIs, of which 327 million euro is represented by units of the Atlante Fund and the Italian Recovery Fund put in place as part of the regulations to support the banking system.

Over 64% of assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator (Level 1).

Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 65% of the balance sheet assets at level 3 fair value.

As at 31 December 2021, the impact of non-performance risk (Credit Value Adjustment and Debt Value Adjustment) in the determination of the fair value of derivative contracts amounted to a reduction of 184 million euro in positive fair value and a reduction of 85 million euro in negative fair value.

The impact of the Funding Value Adjustment amounted to 125 million euro, equal to the cost of funding the cash flows generated by the Bank's overall portfolio of OTC derivatives.

Determining the quantity of those adjustments is irrespective of the effects of the correlated operational hedging strategies, where present.

As far as liabilities are concerned, level 3 instruments account for less than 1% of total liabilities.

In addition to the transfers relating to financial assets and liabilities measured at level 3 as detailed below, please note that the following transfers were made during 2021:

- from level 1 to level 2:
  - o financial assets held for trading for 20 million euro (book value as at 31 December 2021);
  - o financial assets measured at fair value through other comprehensive income for 105 million euro (book value as at 31 December 2021);
- from level 2 to level 1:
  - o financial assets held for trading for 227 million euro (book value as at 31 December 2021);
  - o financial assets measured at fair value through other comprehensive income for 40 million euro (book value as at 31 December 2021);
  - o financial liabilities held for trading for 112 million euro (book value as at 31 December 2021);

The transfers between fair value levels are determined by the trends in the observability of prices or market data used to measure the instruments and by the materiality of the unobservable inputs.

The transition from level 1 to level 2 is a consequence of the disappearance of an active market for that instrument assessed by analysing the reliability and the reciprocal consistency of the available prices according to the provisions of the Group's Fair Value Policy. Conversely, securities for which a mark-to-model measurement is performed using inputs that can be observed on the market – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

#### A.4.5.1 Bis Assets and liabilities measured at fair value on a recurring basis: fair value by level - Insurance companies

(millions of euro)

Assets / liabilities at fair value	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	344	293	390	321	33	47
of which: Equities	-	-	-	-	-	-
of which: quotas of UCI	122	-	49	120	-	47
2. Financial assets designated at fair value through profit or loss	100,515	143	401	86,779	51	377
of which: Equities	3,510	-	-	2,749	-	-
of which: quotas of UCI	91,908	109	-	79,538	-	-
3. Financial assets available for sale	93,910	6,305	4,208	82,076	4,845	2,192
of which: Equities	2,201	7	54	1,713	-	43
of which: quotas of UCI	9,879	-	3,742	10,271	20	2,138
4. Hedging derivatives	-	291	-	-	449	-
5. Property and equipment	-	-	8	-	-	8
6. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>194,769</b>	<b>7,032</b>	<b>5,007</b>	<b>169,176</b>	<b>5,378</b>	<b>2,624</b>
1. Financial liabilities held for trading	-	42	61	4	54	-
2. Financial liabilities designated at fair value through profit or loss	-	84,667	-	-	77,149	-
3. Hedging derivatives	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>84,709</b>	<b>61</b>	<b>4</b>	<b>77,203</b>	<b>-</b>

Having regard to insurance companies, as shown in the table, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio; they amount to 2.4% of Assets.

Over 94% of financial assets measured at fair value in the insurance segment are determined based on market prices, and therefore without any discretion by the valuator (level 1).

The most significant changes compared to December 2020 are due to the new entries into the consolidation scope of Assicurazioni Vita S.p.A. (formerly Aviva Vita), Lombarda Vita S.p.A., and Cargeas Assicurazioni S.p.A. (although the changes attributable to Cargeas are less significant). The first two companies indicated were then merged by incorporation into Intesa Sanpaolo Vita as of 31 December 2021.

In addition to the transfers relating to financial assets and liabilities in the insurance segment designated at level 3 as detailed below, please note that the following transfers were made during 2021:

- from level 1 to level 2:
  - financial assets measured at fair value through profit and loss for 198 million euro (book value as at 31 December 2021);
  - financial assets available for sale for 22 million euro (book value as at 31 December 2021);
- from level 2 to level 1:
  - financial assets measured at fair value through profit and loss for 5 million euro (book value as at 31 December 2021);
  - financial assets available for sale for 65 million euro (book value as at 31 December 2021).

The transfers between fair value levels are determined by the trends in the observability of prices or market data used to measure the instruments and by the materiality of the unobservable inputs.

The transition from level 1 to level 2 is a consequence of the disappearance of an active market for that instrument assessed by analysing the reliability and the reciprocal consistency of the available prices according to the provisions of the Group's Fair Value Policy. Conversely, securities for which a mark-to-model measurement is performed using inputs that can be observed on the market – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

#### A.4.5.2. Annual changes in assets measured at fair value on a recurring basis (level 3) - Excluding insurance companies

	Assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	TOTAL	of which: a) Financial assets held for trading	of which: b) Financial assets designated at fair value	of which: c) Other financial assets mandatorily measured at fair				
<b>1. Initial amount</b>	<b>3,362</b>	<b>404</b>	<b>2</b>	<b>2,956</b>	<b>430</b>	<b>15</b>	<b>7,252</b>	<b>-</b>
<b>2. Increases</b>	<b>1,015</b>	<b>139</b>	<b>1</b>	<b>875</b>	<b>186</b>	<b>-</b>	<b>737</b>	<b>-</b>
2.1 Purchases	228	67	1	160	22	-	137	-
2.2 Gains recognised in:	237	39	-	198	27	-	48	-
2.2.1 Income statement	237	39	-	198	-	-	6	-
- of which capital gains	207	39	-	168	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	27	-	42	-
2.3 Transfers from other levels	156	25	-	131	70	-	-	-
2.4 Other increases	394	8	-	386	67	-	552	-
<b>3. Decreases</b>	<b>-988</b>	<b>-356</b>	<b>-</b>	<b>-632</b>	<b>-124</b>	<b>-15</b>	<b>-625</b>	<b>-</b>
3.1 Sales	-314	-194	-	-120	-6	-	-43	-
3.2 Reimbursements	-156	-26	-	-130	-45	-	-	-
3.3 Losses recognized in:	-213	-34	-	-179	-26	-8	-69	-
3.3.1 Income statement	-213	-34	-	-179	-	-8	-51	-
- of which capital losses	-124	-34	-	-90	-	-	-	-
3.3.2 Shareholders' equity	-	X	X	X	-26	-	-18	-
3.4 Transfers to other levels	-126	-98	-	-28	-23	-7	-	-
3.5 Other decreases	-179	-4	-	-175	-24	-	-513	-
<b>4. Final amount</b>	<b>3,389</b>	<b>187</b>	<b>3</b>	<b>3,199</b>	<b>492</b>	<b>-</b>	<b>7,364</b>	<b>-</b>

Sub-caption 2.1 Purchases - Property and equipment includes 100 million euro referring to the inclusion of Intesa Sanpaolo House Luxembourg in the scope of consolidation.

Sub-captions 2.4 Other increases and 3.5 Other decreases also include the transfers of Property and equipment from investment to operations and vice versa, for around 223 million euro.



**A.4.5.2. Bis Annual changes in assets measured at fair value on a recurring basis (level 3) - Insurance companies**

	(millions of euro)					
	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Financial assets available for sale	Hedging derivatives	Property and equipment	Intangible assets
<b>1. Initial amount</b>	<b>47</b>	<b>377</b>	<b>2,192</b>	<b>-</b>	<b>8</b>	<b>-</b>
<b>2. Increases</b>	<b>360</b>	<b>77</b>	<b>2,253</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Purchases	-	-	462	-	-	-
2.2 Gains recognised in:	3	-	377	-	-	-
2.2.1 Income statement	3	-	8	-	-	-
- of which capital gains	-	-	-	-	-	-
2.2.2 Shareholders' equity	X	X	369	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	357	77	1,414	-	-	-
<b>3. Decreases</b>	<b>-17</b>	<b>-53</b>	<b>-237</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 Sales	-	-	-162	-	-	-
3.2 Reimbursements	-	-	-2	-	-	-
3.3 Losses recognized in:	-17	-1	-43	-	-	-
3.3.1 Income statement	-17	-1	-1	-	-	-
- of which capital losses	-	-	-	-	-	-
3.3.2 Shareholders' equity	X	X	-42	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-52	-30	-	-	-
<b>4. Final amount</b>	<b>390</b>	<b>401</b>	<b>4,208</b>	<b>-</b>	<b>8</b>	<b>-</b>

Sub-caption 2.4 Other increases includes new entries into the consolidation scope of Assicurazioni Vita S.p.A. (formerly Aviva Vita), Lombarda Vita S.p.A., and Cargeas Assicurazioni S.p.A. (although the changes attributable to Cargeas are less significant). The first two companies indicated were then merged by incorporation into Intesa Sanpaolo Vita as of 31 December 2021.

**A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3) - Excluding insurance companies**

	(millions of euro)		
	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
<b>1. Initial amount</b>	<b>123</b>	<b>-</b>	<b>3</b>
<b>2. Increases</b>	<b>110</b>	<b>26</b>	<b>1</b>
2.1 Issues	2	-	-
2.2 Losses recognised in:	51	-	1
2.2.1 Income statement	51	-	1
- of which capital losses	51	-	-
2.2.2 Shareholders' equity	X	X	-
2.3 Transfers from other levels	57	26	-
2.4 Other increases	-	-	-
<b>3. Decreases</b>	<b>-114</b>	<b>-</b>	<b>-4</b>
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-16	-	-
3.3.1 Income statement	-16	-	-
- of which capital gains	-16	-	-
3.3.2 Shareholders' equity	X	X	-
3.4 Transfers to other levels	-98	-	-4
3.5 Other decreases	-	-	-
<b>4. Final amount</b>	<b>119</b>	<b>26</b>	<b>-</b>

"Financial liabilities held for trading" refer to derivative contracts with a negative fair value.

Transfers from and to other levels described in the above tables were carried out in accordance with the guidelines described in paragraph A.4.3 - Fair value hierarchy.

For more exhaustive information on the sensitivity of financial instruments to changes in the main input parameters, reference should be made to the analyses of the trading book in Part E of these Notes to the consolidated financial statements.

**A.4.5.3 Bis Annual changes in liabilities measured at fair value on a recurring basis (level 3) - Insurance companies**

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Hedging derivatives
<b>1. Initial amount</b>	-	-	-
<b>2. Increases</b>	<b>61</b>	-	-
2.1 Issues	-	-	-
2.2 Losses recognised in:	-	-	-
2.2.1 Income statement	-	-	-
- of which capital losses	-	-	-
2.2.2 Shareholders' equity	X	X	-
2.3 Transfers from other levels	61	-	-
2.4 Other increases	-	-	-
<b>3. Decreases</b>	-	-	-
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-	-	-
3.3.1 Income statement	-	-	-
- of which capital gains	-	-	-
3.3.2 Shareholders' equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
<b>4. Final amount</b>	<b>61</b>	-	-

"Financial liabilities held for trading" refer to derivative contracts with a negative fair value, which were transferred to level 3 in 2021.

**A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: fair value by level- Excluding insurance companies**

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2021				31.12.2020			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	668,866	27,206	484,983	165,462	612,481	33,151	421,891	173,210
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	1,422	-	-	1,422	28,702	-	-	28,702
<b>Total</b>	<b>670,288</b>	<b>27,206</b>	<b>484,983</b>	<b>166,884</b>	<b>641,183</b>	<b>33,151</b>	<b>421,891</b>	<b>201,912</b>
1. Financial liabilities measured at amortised cost	710,055	47,030	625,414	39,759	630,146	47,158	499,225	86,112
2. Liabilities associated with non-current assets	30	-	-	30	35,676	-	-	35,676
<b>Total</b>	<b>710,085</b>	<b>47,030</b>	<b>625,414</b>	<b>39,789</b>	<b>665,822</b>	<b>47,158</b>	<b>499,225</b>	<b>121,788</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for on demand loans and receivables due from banks to be represented under "Cash and cash equivalents", and no longer under "Financial assets measured at amortised cost".

**A.4.5.4 Bis Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: fair value by level - Insurance companies**

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2021				31.12.2020			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Investments held to maturity	-	-	-	-	-	-	-	-
2. Due from banks	41	-	41	-	40	-	40	-
3. Loans to customers	44	-	39	5	31	-	25	6
4. Investment property	-	-	-	-	-	-	-	-
5. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
<b>Total</b>	<b>85</b>	<b>-</b>	<b>80</b>	<b>5</b>	<b>71</b>	<b>-</b>	<b>65</b>	<b>6</b>
1. Due to banks	623	-	-	650	609	-	2	607
2. Due to customers	188	-	93	95	428	-	348	80
3. Securities issued	1,335	-	1,338	-	898	-	898	-
4. Liabilities associated with non-current assets	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,146</b>	<b>-</b>	<b>1,431</b>	<b>745</b>	<b>1,935</b>	<b>-</b>	<b>1,248</b>	<b>687</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for on demand loans and receivables due from banks to be represented under “Cash and cash equivalents”, and no longer under “Due from Banks”.

**Financial assets and liabilities**

For financial assets and liabilities not measured at fair value (loans and loans represented by securities, amounts due to customers and securities issued), the Group measures fair value by calculating the present value of future cash flows at a rate that incorporates the estimate of the main risks and uncertainties associated with the financial instrument to be measured (discount rate adjustment approach).

In particular, the interest rate used to discount the future cash flows is determined by taking into account the following risk factors:

- interest rate risk, which represents the rate offered by the market for each unit of capital provided to risk-free counterparties;
- credit risk, which is the premium for having provided capital to counterparties with insolvency risk;
- the cost of liquidity connected to credit.

For fixed-rate instruments, the cash flows are those envisaged by the contracts. For floating-rate instruments, the future cash flows are determined based on forward rates, implicit in the zero-coupon interest rate curves observed at the various fixing dates and differentiated by indexation type.

The value of the risk premium (credit spread) is determined per individual position, through acquisition of the risk class (LGD) and rating (PD). These amounts, together with the average residual financial life, constitute the guideline for acquisition of the credit spread. The spread curve is determined based on the same rules for securities issued by Intesa Sanpaolo as well.

The following assumptions were used in determining the fair values indicated in table A.4.5.4:

- for loans represented by securities, the same rules envisaged for the fair value measurement of other categories of securities are used;
- for securities issued, the rules used are the same as those applied to securities under assets.

**A.5 – INFORMATION ON “DAY ONE PROFIT/LOSS”**

Under IFRS 9, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument at initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities.

The fact that, upon initial recognition, the fair value of a financial instrument coincides with the transaction price is usually intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy.

Also in the case of level 2, which is based on quotes that can be derived indirectly from the market (Comparable Approach), the fair value and the price often coincide upon initial recognition. Any differences between the price and the fair value are usually allocated to the so-called commercial margins, which are taken to the income statement when the financial instrument is initially measured.

Conversely, with respect to level 3 instruments, which have more discretion in fair value measurement, no definite reference benchmark is available to compare the transaction price with.

For the same reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at the transaction cost. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (also defined as Day-One-Profit - DOP).

This difference shall be recognised in the income statement only when it arises from changes to the factors over which market participants base their valuations when fixing prices (including the time effect). Where the instrument has a definite maturity and no model is available to monitor the changes to the factors over which prices are based, the DOP can be recognised in the income statement systematically over the life of such instrument.

When a level 3 instrument is reclassified to level 2, the residual deferred Day-One-Profits are recognised in the income statement. Similarly, in the event of “on the book” transactions falling under the Bank's activities, the Day-One-Profits earned on level 3 transactions (including in the above “on the book” management) are taken to the income statement when the Bank carries out transactions which substantially eliminate the risks of the level 3 instrument which generated the DOP.

The following table shows the changes in the DOP amount deferred in the balance sheet.

(millions of euro)

<b>1. Initial amount</b>	<b>1</b>
<b>2. Increases</b>	<b>-</b>
2.1 New transactions	-
<b>3. Decreases</b>	<b>-1</b>
3.1 Releases to the income statement	-1
<b>4. Final amount</b>	<b>-</b>

## Part B – Information on the consolidated Balance sheet

### ASSETS

#### SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

##### 1.1 Cash and cash equivalents: breakdown

	(millions of euro)	
	31.12.2021	31.12.2020
a) Cash	3,463	3,957
b) Current accounts and on demand deposits with Central Banks	7,020	5,857
c) Current accounts and on demand deposits with banks	4,273	3,919
<b>Total</b>	<b>14,756</b>	<b>13,733</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for on demand receivables due from banks to be represented under “Cash and cash equivalents”, and no longer under “Financial assets measured at amortised cost - Due from banks”.

#### SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS CAPTION 20

##### 2.1 Financial assets held for trading: breakdown

Captions	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. Cash assets</b>						
1. Debt securities	21,798	1,324	89	20,979	1,223	176
1.1 Structured securities	5	1,009	42	1,288	46	3
1.2 Other debt securities	21,793	315	47	19,691	1,177	173
2. Equities	674	-	17	663	-	1
3. Quotas of UCI	116	-	25	169	3	31
4. Loans	-	14	4	-	14	7
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	14	4	-	14	7
<b>Total (A)</b>	<b>22,588</b>	<b>1,338</b>	<b>135</b>	<b>21,811</b>	<b>1,240</b>	<b>215</b>
<b>B. Derivatives</b>						
1. Financial derivatives	27	20,817	52	50	28,044	189
1.1 trading	27	20,817	52	50	28,043	104
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	1	85
2. Credit derivatives	-	2,224	-	-	1,616	-
2.1 trading	-	2,224	-	-	1,616	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
<b>Total (B)</b>	<b>27</b>	<b>23,041</b>	<b>52</b>	<b>50</b>	<b>29,660</b>	<b>189</b>
<b>TOTAL (A+B)</b>	<b>22,615</b>	<b>24,379</b>	<b>187</b>	<b>21,861</b>	<b>30,900</b>	<b>404</b>

The caption above includes the securities connected with securitisation transactions for a total amount of approximately 1,092 million euro, of which 666 million euro is senior, 412 million euro is mezzanine and 14 million euro is junior.

As the gross positive fair value of the derivative instruments implemented with the legal clearing agent LCH Ltd meets the requirements set out for offsetting between gross positive and negative balances pursuant to IAS 32, paragraph 42, it was subject to offsetting, with recognition of the net fair value under Liabilities in hedging derivatives and Financial liabilities held for trading, respectively.

## 2.2 Financial assets held for trading: borrower/issuer/counterparty breakdown

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>A. Cash assets</b>		
<b>1. Debt securities</b>	<b>23,211</b>	<b>22,378</b>
a) Central Banks	44	25
b) Public administration	20,394	19,690
c) Banks	1,149	1,179
d) Other financial companies	1,239	1,153
<i>of which: insurance companies</i>	65	30
e) Non financial companies	385	331
<b>2. Equities</b>	<b>691</b>	<b>664</b>
a) Banks	71	83
b) Other financial companies	96	39
<i>of which: insurance companies</i>	31	11
c) Non financial companies	524	542
d) Other issuers	-	-
<b>3. Quotas of UCI</b>	<b>141</b>	<b>203</b>
<b>4. Loans</b>	<b>18</b>	<b>21</b>
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	1
<i>of which: insurance companies</i>	-	-
e) Non financial companies	18	20
f) Households	-	-
<b>Total A</b>	<b>24,061</b>	<b>23,266</b>
<b>B. Derivatives</b>		
a) Central counterparties	1,693	1,752
b) Other	21,427	28,147
<b>Total B</b>	<b>23,120</b>	<b>29,899</b>
<b>TOTAL (A+B)</b>	<b>47,181</b>	<b>53,165</b>

## 2.3 Financial assets designated at fair value: breakdown

Captions	(millions of euro)					
	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Debt securities</b>	-	1	3	-	1	2
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	1	3	-	1	2
<b>2. Loans</b>	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
<b>Total</b>	-	1	3	-	1	2



**2.4 Financial assets designated at fair value: borrower/issuer breakdown**

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Debt securities</b>	<b>4</b>	<b>3</b>
a) Central Banks	-	-
b) Public administration	1	1
c) Banks	-	-
d) Other financial companies	3	2
<i>of which: insurance companies</i>	-	-
e) Non financial companies	-	-
<b>2. Loans</b>	<b>-</b>	<b>-</b>
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
<i>of which: insurance companies</i>	-	-
e) Non financial companies	-	-
f) Households	-	-
<b>Total</b>	<b>4</b>	<b>3</b>

**2.5 Other financial assets mandatorily measured at fair value: breakdown**

Captions	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Debt securities</b>	-	60	107	1	256	283
1.1 Structured securities	-	-	5	1	-	11
1.2 Other debt securities	-	60	102	-	256	272
<b>2. Equities</b>	161	116	225	10	191	193
<b>3. Quotas of UCI</b>	1,486	149	2,166	1,018	227	1,740
<b>4. Loans</b>	-	375	701	-	419	740
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	375	701	-	419	740
<b>Total</b>	<b>1,647</b>	<b>700</b>	<b>3,199</b>	<b>1,029</b>	<b>1,093</b>	<b>2,956</b>

The caption above includes the securities connected with securitisation transactions for a total amount of approximately 79 million euro, of which 17 million euro is senior, 46 million euro is mezzanine and 16 million euro is junior.

## 2.6 Other financial assets mandatorily measured at fair value: borrower/issuer breakdown

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Equities</b>	<b>502</b>	<b>394</b>
<i>of which: banks</i>	-	2
<i>of which: other financial companies</i>	160	12
<i>of which: non financial companies</i>	342	379
<b>2. Debt securities</b>	<b>167</b>	<b>540</b>
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	158	534
<i>of which: insurance companies</i>	-	1
e) Non financial companies	9	6
<b>3. Quotas of UCI</b>	<b>3,801</b>	<b>2,985</b>
<b>4. Loans</b>	<b>1,076</b>	<b>1,159</b>
a) Central Banks	-	-
b) Public administration	-	6
c) Banks	38	24
d) Other financial companies	141	189
<i>of which: insurance companies</i>	10	24
e) Non financial companies	674	776
f) Households	223	164
<b>Total</b>	<b>5,546</b>	<b>5,078</b>

The aggregate of quotas of UCI includes 326 million euro in interests held by the Group in the Italian Recovery Fund (formerly Atlante Fund II) and in the Atlante Fund as alternative investment funds to support Italian banks in their recapitalisation transactions and in the management of the bad loans in the sector.

The aggregate of Loans includes credit exposures classified among financial assets mandatorily measured at fair value as they failed the test on the contractual characteristics of cash flows (SPPI Test) required by IFRS 9.

### SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CAPTION 30

#### 3.1 Financial assets measured at fair value through other comprehensive income: breakdown

Captions	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Debt securities</b>	<b>57,547</b>	<b>6,003</b>	<b>18</b>	<b>48,122</b>	<b>5,738</b>	<b>25</b>
1.1 Structured securities	-	587	-	97	-	-
1.2 Other debt securities	57,547	5,416	18	48,025	5,738	25
<b>2. Equities</b>	<b>1,537</b>	<b>1,314</b>	<b>421</b>	<b>1,559</b>	<b>1,754</b>	<b>387</b>
<b>3. Loans</b>	<b>-</b>	<b>687</b>	<b>53</b>	<b>-</b>	<b>254</b>	<b>19</b>
<b>Total</b>	<b>59,084</b>	<b>8,004</b>	<b>492</b>	<b>49,681</b>	<b>7,746</b>	<b>431</b>

Loans included in this caption, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

The caption includes the securities connected with securitisations for a total amount of approximately 1,695 million euro, of which approximately 1,652 million euro is senior, 43 million euro is mezzanine and there is no junior.

The sub-caption 2. Equities includes the stakes in the capital of the Bank of Italy for an amount of 1,116 million euro. For the related valuation, as in the previous years, the direct transaction method was used, considering the purchases made starting from 2015 and continuing in subsequent years. Considering that all the main transactions were finalised at nominal value, the use of this approach confirms the recognition value of the stakes held in the financial statements of the Group.

In addition, the value of the investment was also supported by the use of an alternative method based on the discounting of future dividends deriving from the investment (DDM – “Dividend Discount Model”). Following the approach taken in the previous year, the use of level 2 inputs (direct transaction prices) as the reference for determining fair value for the 2021 financial statements also resulted in the confirmation of level 2 in the fair value hierarchy.

The book value of equity instruments deriving from the recovery of impaired financial assets amounted to 63 million euro.

#### 3.2 Financial assets measured at fair value through other comprehensive income: borrower/issuer breakdown

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Debt securities</b>	<b>63,568</b>	<b>53,885</b>
a) Central Banks	-	-
b) Public administration	50,549	43,142
c) Banks	5,699	6,071
d) Other financial companies	4,212	2,692
<i>of which: Insurance companies</i>	11	12
e) Non financial companies	3,108	1,980
<b>2. Equities</b>	<b>3,272</b>	<b>3,700</b>
a) Banks	1,456	1,892
b) Other issuers:	1,816	1,808
- other financial companies	1,268	1,359
<i>of which: insurance companies</i>	3	3
- non financial companies	538	427
- other	10	22
<b>3. Loans</b>	<b>740</b>	<b>273</b>
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	62	26
<i>of which: insurance companies</i>	-	-
e) Non financial companies	678	247
f) Households	-	-
<b>Total</b>	<b>67,580</b>	<b>57,858</b>

**3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total adjustments**

											(millions of euro)
		Gross amount					Total adjustments				Total partial write-offs
		Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit- impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit- impaired	
Debt securities		63,402	965	211	35	-	-35	-10	-35	-	-
Loans		724	-	20	-	-	-3	-1	-	-	-
Total	31.12.2021	64,126	965	231	35	-	-38	-11	-35	-	-
Total	31.12.2020	52.830	1.527	1.371	49	-	-28	-16	-48	-	-

**3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross amount and total adjustments**

As at 31 December 2021 this case was not present.

**SECTION 3 BIS - FINANCIAL ASSETS PERTAINING TO INSURANCE COMPANIES MEASURED AT FAIR VALUE PURSUANT TO IAS 39 - CAPTION 35**

The breakdown of the IAS 39 captions included in caption 35 of the Balance sheet Assets referring to insurance companies is shown below.

In relation to the adoption of the Deferral Approach, in the consolidated financial statement layouts established by Bank of Italy Circular 262, "Caption 35 Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39" was created, which comprises the components set out in the table below:

(millions of euro)

Breakdown of Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39 - Caption 35	31.12.2021	31.12.2020
20. Financial assets held for trading	1.027	401
30. Financial assets designated at fair value	101.059	87.207
40. Financial assets available for sale	104.423	89.113
80. Hedging derivatives	291	449
<b>TOTAL Caption 35</b>	<b>206.800</b>	<b>177.170</b>

## 3.1 Bis Financial assets held for trading: breakdown

(millions of euro)

Captions	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. Cash assets</b>						
1. Debt securities	166	288	337	144	9	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	166	288	337	144	9	-
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	122	-	49	120	-	47
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>Total A</b>	<b>288</b>	<b>288</b>	<b>386</b>	<b>264</b>	<b>9</b>	<b>47</b>
<b>B. Derivatives</b>						
1. Financial derivatives:	56	5	4	57	24	-
1.1 trading	55	4	4	55	14	-
1.2 fair value option	1	1	-	2	10	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
<b>Total B</b>	<b>56</b>	<b>5</b>	<b>4</b>	<b>57</b>	<b>24</b>	<b>-</b>
<b>TOTAL (A+B)</b>	<b>344</b>	<b>293</b>	<b>390</b>	<b>321</b>	<b>33</b>	<b>47</b>

## 3.2 Bis Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

Captions	31.12.2021	31.12.2020
<b>A. Cash assets</b>		
<b>1. Debt securities</b>	<b>791</b>	<b>153</b>
a) Governments and Central Banks	122	128
b) Other public entities	-	-
c) Banks	329	9
d) Other issuers	340	16
<b>2. Equities</b>	<b>-</b>	<b>-</b>
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
<b>3. Quote di O.I.C.R.</b>	<b>171</b>	<b>167</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
<b>Total A</b>	<b>962</b>	<b>320</b>
<b>B. Derivatives</b>		
a) Banks	-	81
- Fair value	-	81
b) Customers	65	-
- Fair value	65	-
<b>Total B</b>	<b>65</b>	<b>81</b>
<b>Total (A+B)</b>	<b>1,027</b>	<b>401</b>

## 3.3 Bis Financial assets designated at fair value: breakdown

Captions/Amounts	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Debt securities</b>	<b>4,754</b>	<b>34</b>	<b>5</b>	<b>4,259</b>	<b>51</b>	<b>4</b>
1.1 Structured securities	17	2	-	21	2	-
1.2 Other debt securities	4,737	32	5	4,238	49	4
<b>2. Equities</b>	<b>3,510</b>	<b>-</b>	<b>-</b>	<b>2,749</b>	<b>-</b>	<b>-</b>
<b>3. Quotas of UCI</b>	<b>91,908</b>	<b>109</b>	<b>-</b>	<b>79,538</b>	<b>-</b>	<b>-</b>
<b>4. Loans</b>	<b>343</b>	<b>-</b>	<b>396</b>	<b>233</b>	<b>-</b>	<b>373</b>
4.1 Structured	-	-	-	-	-	-
4.2 Other	343	-	396	233	-	373
<b>Total</b>	<b>100,515</b>	<b>143</b>	<b>401</b>	<b>86,779</b>	<b>51</b>	<b>377</b>
<b>Cost</b>	<b>93,092</b>	<b>121</b>	<b>395</b>	<b>82,081</b>	<b>50</b>	<b>376</b>

## 3.4 Bis Financial assets designated at fair value: borrower/issuer breakdown

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Debt securities</b>	<b>4,793</b>	<b>4,314</b>
a) Governments and Central Banks	3,772	3,295
b) Other public entities	11	18
c) Banks	471	432
d) Other issuers	539	569
<b>2. Equities</b>	<b>3,510</b>	<b>2,749</b>
a) Banks	239	176
b) Other issuers:	3,271	2,573
- insurance companies	120	105
- financial companies	54	47
- non-financial companies	1,669	1,339
- other	1,428	1,082
<b>3. Quotas of UCI</b>	<b>92,017</b>	<b>79,538</b>
<b>4. Loans</b>	<b>739</b>	<b>606</b>
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	739	606
d) Other counterparties	-	-
<b>Total</b>	<b>101,059</b>	<b>87,207</b>

**3.5 Bis Financial assets available for sale: breakdown**

Captions	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Debt securities</b>	<b>81,830</b>	<b>6,298</b>	<b>412</b>	<b>70,092</b>	<b>4,825</b>	<b>11</b>
1.1 Structured securities	14	-	-	18	28	-
1.2 Other debt securities	81,816	6,298	412	70,074	4,797	11
<b>2. Equities</b>	<b>2,201</b>	<b>7</b>	<b>54</b>	<b>1,713</b>	<b>-</b>	<b>43</b>
2.1 Measured at fair value	2,201	7	54	1,713	-	43
2.2 Measured at cost	-	-	-	-	-	-
<b>3. Quotas of UCI</b>	<b>9,879</b>	<b>-</b>	<b>3,742</b>	<b>10,271</b>	<b>20</b>	<b>2,138</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>93,910</b>	<b>6,305</b>	<b>4,208</b>	<b>82,076</b>	<b>4,845</b>	<b>2,192</b>

**3.6 Bis Financial assets available for sale: borrower/issuer breakdown**

Captions	31.12.2021	31.12.2020
<b>1. Debt securities</b>	<b>88,540</b>	<b>74,928</b>
a) Governments and Central Banks	71,782	62,350
b) Other public entities	359	95
c) Banks	6,214	5,146
d) Other issuers	10,185	7,337
<b>2. Equities</b>	<b>2,262</b>	<b>1,756</b>
a) Banks	206	122
b) Other issuers:	2,056	1,634
- insurance companies	37	23
- financial companies	-	-
- non-financial companies	2,019	1,611
- other	-	-
<b>3. Quotas of UCI</b>	<b>13,621</b>	<b>12,429</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
<b>Total</b>	<b>104,423</b>	<b>89,113</b>

**3.7 Bis Financial assets available for sale subject to microhedging**

There were no financial assets available for sale subject to microhedging referring to insurance companies.



## 3.8 Bis Hedging derivatives: breakdown by type of hedge and level

	Fair value			31.12.2021		Notional value		Fair value			31.12.2020		(millions of euro) Notional value	
	Level 1	Level 2	Level 3	31.12.2021		31.12.2021		Level 1	Level 2	Level 3	31.12.2020		31.12.2020	
<b>A) Financial derivatives</b>	-	291	-	1,046		-		-	449	-	1,248		-	
1) fair value	-	-	-	-		-		-	-	-	-		-	
2) cash flows	-	291	-	1,046		-		-	449	-	1,248		-	
3) foreign investments	-	-	-	-		-		-	-	-	-		-	
<b>B) Credit derivatives</b>	-	-	-	-		-		-	-	-	-		-	
1) fair value	-	-	-	-		-		-	-	-	-		-	
2) cash flows	-	-	-	-		-		-	-	-	-		-	
<b>Total</b>	-	291	-	1,046		-		-	449	-	1,248		-	

## 3.9 Bis Hedging derivatives: breakdown by hedged portfolio and type of hedge

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		(millions of euro) FOREIGN. INVESTM.	
	Specific					Generic	Specific	Generic		
	Interest rate risk	foreign exchange risk	Credit risk	various risk	Multiple risk					
1. Financial assets available for sale	-	-	-	-	-	X	291	X	X	
2. Loans	-	-	-	X	-	X	-	X	X	
3. Investments held to maturity	X	-	-	X	-	X	-	X	X	
4. Portfolio	X	X	X	X	X	-	X	-	X	
5. Other transactions	-	-	-	-	-	X	-	X	-	
<b>Total assets</b>	-	-	-	-	-	-	291	-	-	
1. Financial liabilities	-	-	-	X	-	X	-	X	X	
2. Portfolio	X	X	X	X	X	-	X	-	X	
<b>Total liabilities</b>	-	-	-	-	-	-	-	-	-	
1. Forecast transactions	X	X	X	X	X	X	-	X	X	
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-	

## DISCLOSURE PURSUANT TO IFRS 4

As previously indicated, the Intesa Sanpaolo Group exercised the option of adopting the Deferral Approach or Temporary Exemption, according to which the financial assets and liabilities of the subsidiary insurance companies continue to be recognised in accordance with the provisions of IAS 39.

In particular, the Group's insurance companies applying IAS 39 are as follows:

- Intesa Sanpaolo Vita S.p.A.;
- Intesa Sanpaolo Assicura S.p.A.;
- Intesa Sanpaolo Life Ltd.;
- Fideuram Vita S.p.A.;
- Intesa Sanpaolo RBM Salute S.p.A.;
- Cargeas Assicurazioni S.p.A.

This section sets out the information required by IFRS 4 Insurance Contracts following exercise of the option, granted to insurance companies belonging to banking-led financial conglomerates, pursuant to Regulation 2017/1988 and the subsequent Regulation 2020/2097, of postponing the first-time adoption of IFRS 9<sup>64</sup>.

The Group verified the fulfilment of the requirements to apply the Temporary Exemption. The insurance companies meet the requirement of insurance predominance, which requires that the percentage of the carrying amount of liabilities linked to insurance business on the carrying amount of total liabilities of the entity exceeds 90% (predominance ratio). Moreover, there were no transfers of financial assets other than those measured at FVTPL between Group companies using different accounting standards;

As required by the reference regulations, the quantitative disclosure regarding the entities that will postpone the application of IFRS 9 is provided below.

<sup>64</sup>It is noted that the publication of Regulation 2097/2020 of 15 December 2020 endorsed the extension of the temporary exemption from applying IFRS 9 Financial Instruments to 1 January 2023, considering the IASB's decision on 25 June 2020 to postpone the date of first-time adoption of IFRS 17 Insurance Contracts to 1 January 2023.

## Details of the securities of the insurance companies that pass the SPPI Test

Caption	(millions of euro)			
	Fair value at the reporting date	Fair value changes during the year	Other changes during the year (3)	Fair value at the previous reporting date
<b>Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39</b>	<b>206,061</b>	<b>1,333</b>	<b>28,167</b>	<b>176,561</b>
of which:				
Financial asset with contractual terms that give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (1)	86,452	-2,759	14,764	74,447
Debt securities	86,452	-2,759	14,764	74,447
Structured securities	9	-	-2	11
Other debt securities	86,443	-2,759	14,766	74,436
Loans	-	-	-	-
Other financial assets	-	-	-	-
Financial asset other than those with contractual terms that give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (2)	19,530	647	3,087	15,796
Debt securities	2,899	-39	2,272	666
Structured securities	5	-	-30	35
Other debt securities	2,894	-39	2,302	631
Equities	2,262	384	123	1,755
Quotas of UCI	14,025	421	747	12,857
Loans	-	-	-	-
Derivatives	344	-119	-55	518
Other financial assets	-	-	-	-
Other financial assets connected with contracts where the investment risk is borne by the policyholders	100,079	3,445	10,316	86,318
Debt securities	4,773	-94	585	4,282
Structured securities	19	-	-4	23
Other debt securities	4,754	-94	589	4,259
Equities	3,510	891	-130	2,749
Quotas of UCI	91,784	2,664	9,845	79,275
Loans	-	-	-	-
Derivatives	12	-16	16	12
Other financial assets	-	-	-	-
<b>Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (*)</b>	<b>82</b>	<b>6</b>	<b>3</b>	<b>73</b>
of which:				
Financial asset with contractual terms that give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (1)	41	5	4	32
Debt securities	41	5	4	32
Structured securities	-	-	-	-
Other debt securities	41	5	4	32
Loans	-	-	-	-
Other financial assets	-	-	-	-
Financial asset other than those with contractual terms that give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (2)	41	1	-1	41
Debt securities	41	1	-1	41
Structured securities	-	-	-	-
Other debt securities	41	1	-1	41
Equities	-	-	-	-
Quotas of UCI	-	-	-	-
Loans	-	-	-	-
Derivatives	-	-	-	-
Other financial assets	-	-	-	-

(\*) Debt securities shows the fair value as required by the amendment to IFRS 4. These securities have been recognised in the balance sheet at amortised cost

(1) excluding financial assets that meet the definition of held for trading in IFRS 9, or are managed and whose return is measured at fair value

(2) includes all other financial assets, i.e. any financial asset:

- i) with contractual terms that do not give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- ii) that meet the definition of held for trading in IFRS 9; or
- iii) that are managed and whose return is measured at fair value

(3) Column includes movements that are not attributable to changes in fair value (purchases, sales, repayments, etc.)

The table referred to above includes the investments whose risk is fully borne by policyholders, classified under financial assets measured at fair value.

Amounts due from banks of 739 million euro are added to the amounts indicated above.

## Credit risk exposure for financial instruments of the insurance companies that pass the SPPI test

		(millions of euro)	
Financial asset with contractual terms that give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (1)	Credit risk rating	Current year book value (2)	Previous year book value (2)
Debt securities		83,261	72,652
Structured securities	Investment Grade	9	10
Other debt securities	Investment Grade	83,252	72,642
Loans		-	-
Other financial assets		-	-

		(millions of euro)		
Financial asset with contractual terms that give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (1), and which do not have a low credit risk	Credit risk rating	Current year book value (2)	Current year market value	Previous year book value (2)
Debt securities		3,227	3,229	1,823
Structured securities	Non-Investment Grade	-	-	1
Other debt securities	Non-Investment Grade	3,227	3,229	1,822
Loans		-	-	-
Other financial assets		-	-	-

(1) excluding financial assets that meet the definition of held for trading in IFRS 9, or are managed and whose return is measured at fair value.

(2) in the case of financial assets measured at amortised cost, before any impairment loss.

## SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTISED COST – CAPTION 40

## 4.1 Financial assets measured at amortised cost: breakdown of amounts due from banks

		31.12.2021						31.12.2020						(millions of euro)
Transaction type/Amount		Book value			Fair value			Book value			Fair value			
		Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	
<b>A. Due from Central Banks</b>		<b>131,361</b>	-	-	-	<b>128,282</b>	<b>3,078</b>	<b>76,149</b>	-	-	-	<b>74,210</b>	<b>1,940</b>	
1. Time deposits		3,118	-	-	X	X	X	1,376	-	-	X	X	X	
2. Compulsory reserve		126,882	-	-	X	X	X	73,403	-	-	X	X	X	
3. Repurchase agreements		273	-	-	X	X	X	604	-	-	X	X	X	
4. Other		1,088	-	-	X	X	X	766	-	-	X	X	X	
<b>B. Due from banks</b>		<b>32,523</b>	<b>53</b>	-	<b>1,547</b>	<b>28,156</b>	<b>2,903</b>	<b>31,102</b>	<b>65</b>	-	<b>1,437</b>	<b>25,820</b>	<b>3,888</b>	
1. Loans		30,752	53	-	-	27,914	2,903	29,094	65	-	-	25,245	3,888	
1.1 Current accounts		-	-	-	X	X	X	-	-	-	X	X	X	
1.2. Time deposits		1,681	-	-	X	X	X	2,072	-	-	X	X	X	
1.3 Other loans:		29,071	53	-	X	X	X	27,022	65	-	X	X	X	
- Reverse repurchase agreements		9,566	-	-	X	X	X	6,104	-	-	X	X	X	
- Finance leases		6	-	-	X	X	X	5	-	-	X	X	X	
- Other		19,499	53	-	X	X	X	20,913	65	-	X	X	X	
2. Debt securities		1,771	-	-	1,547	242	-	2,008	-	-	1,437	575	-	
2.1 Structured		-	-	-	-	-	-	134	-	-	136	-	-	
2.2 Other		1,771	-	-	1,547	242	-	1,874	-	-	1,301	575	-	
<b>TOTAL</b>		<b>163,884</b>	<b>53</b>	-	<b>1,547</b>	<b>156,438</b>	<b>5,981</b>	<b>107,251</b>	<b>65</b>	-	<b>1,437</b>	<b>100,030</b>	<b>5,828</b>	

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for on demand receivables due from banks to be represented under “Cash and cash equivalents”, and no longer under “Due from banks”.

The sub-caption “Other loans” includes operating loans, i.e. operations connected to the provision of financial activities and services with no credit facilities, for an amount of 140 million euro. Those exposures are essentially performing loans classified in Stage 1 and adjusted based on IFRS 9.

## 4.2 Financial assets measured at amortised cost: breakdown of loans to customers

(millions of euro)

Transaction type/Amount	31.12.2021						31.12.2020					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3
<b>1. Loans</b>	<b>449,287</b>	<b>6,682</b>	<b>446</b>	-	<b>317,673</b>	<b>147,945</b>	<b>442,169</b>	<b>10,140</b>	<b>610</b>	-	<b>313,840</b>	<b>155,072</b>
1.1. Current accounts	21,724	688	22	X	X	X	20,945	1,129	32	X	X	X
1.2. Reverse repurchase agreements	17,620	-	-	X	X	X	16,864	-	-	X	X	X
1.3. Mortgages	250,722	4,080	268	X	X	X	248,040	5,461	346	X	X	X
1.4. Credit card loans, personal loans and transfer of one fifth of salaries	18,626	364	9	X	X	X	19,160	357	20	X	X	X
1.5. Finance leases	12,830	347	108	X	X	X	13,952	1,481	115	X	X	X
1.6. Factoring	9,453	65	-	X	X	X	11,484	58	17	X	X	X
1.7. Other loans	118,312	1,138	39	X	X	X	111,724	1,654	80	X	X	X
<b>2. Debt securities</b>	<b>48,473</b>	<b>41</b>	<b>-</b>	<b>25,659</b>	<b>10,872</b>	<b>11,536</b>	<b>52,202</b>	<b>44</b>	<b>-</b>	<b>31,714</b>	<b>8,021</b>	<b>12,310</b>
2.1. Structured securities	-	-	-	-	-	-	1,568	-	-	1,279	26	290
2.2. Other debt securities	48,473	41	-	25,659	10,872	11,536	50,634	44	-	30,435	7,995	12,020
<b>Total</b>	<b>497,760</b>	<b>6,723</b>	<b>446</b>	<b>25,659</b>	<b>328,545</b>	<b>159,481</b>	<b>494,371</b>	<b>10,184</b>	<b>610</b>	<b>31,714</b>	<b>321,861</b>	<b>167,382</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for purchased and originated credit-impaired loans to be represented in the way already envisaged in the harmonised European reporting (FINREP).

The sub-caption "Other loans" includes operating loans, i.e. operations connected to the provision of financial activities and services with no credit facilities, for an amount of 1,403 million euro. Those exposures are essentially performing loans classified in Stage 1 and adjusted based on IFRS 9.

Debt securities include the securities connected with securitisations for a total amount of approximately 6,815 million euro, of which 6,803 million euro is senior notes and 12 million euro mezzanine.

## 4.3 Financial assets measured at amortised cost: breakdown by borrower/issuer of loans to customers

(millions of euro)

Transaction type/Amount	31.12.2021			31.12.2020		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired
<b>1. Debt securities</b>	<b>48,473</b>	<b>41</b>	<b>-</b>	<b>52,202</b>	<b>44</b>	<b>-</b>
a) Public administration	27,851	15	-	34,004	17	-
b) Other financial companies	16,612	14	-	14,276	14	-
<i>of which: insurance companies</i>	6	-	-	6	-	-
c) Non financial companies	4,010	12	-	3,922	13	-
<b>2. Loans:</b>	<b>449,287</b>	<b>6,682</b>	<b>446</b>	<b>442,169</b>	<b>10,140</b>	<b>610</b>
a) Public administration	16,385	356	-	17,367	178	1
b) Other financial companies	45,872	262	1	47,888	291	4
<i>of which: insurance companies</i>	361	-	-	171	-	-
c) Non financial companies	212,387	3,555	246	209,096	6,798	369
d) Households	174,643	2,509	199	167,818	2,873	236
<b>TOTAL</b>	<b>497,760</b>	<b>6,723</b>	<b>446</b>	<b>494,371</b>	<b>10,184</b>	<b>610</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for purchased and originated credit-impaired loans to be represented in the way already envisaged in the harmonised European reporting (FINREP).

## 4.4 Financial assets measured at amortised cost: gross amount and total adjustments

											(millions of euro)
											Total partial write-offs

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for on demand receivables due from banks to be represented: (i) under “Cash and cash equivalents”, and no longer under “Financial assets measured at amortised cost - Loans - Due from banks”; and (ii) under purchased and originated credit-impaired loans, in the same manner set out in harmonised European reporting (FINREP).

## 4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross amount and total adjustments

(millions of euro)										
Gross value						Writedown				Write off partial total
	Stage 1	of which: low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
1. EBA-compliant moratoria loans	111	-	980	11	-	-	-40	-2	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	221	-	2,582	28	1	-1	-99	-7	-	-
2. Other loans with COVID-19-related forbearance measures	4	-	1,162	310	2	-	-68	-81	-	-
3. Newly originated loans	34,846	-	4,616	196	2	-43	-41	-61	-	-
Total 31.12.2021	35,182	-	9,340	545	5	-44	-248	-151	-	-
Total 31.12.2020	49,464	-	14,680	481	45	-106	-497	-124	-6	-

The table above provides the comparison data to financial year 2020 in compliance with the new provisions of Bank of Italy Communication dated 21 December 2021 – Update to the additions to the provisions of Circular no. 262 "Bank financial statements: layouts and preparation" with regard to the impacts of COVID-19, measures in support of the economy.

The row “EBA-compliant moratoria loans” shows the loans subject to moratoria that fall within the scope of application of the “Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis”, published by the EBA (EBA/GL/2020/02), as amended.

The row “Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne” shows the outstanding loans subject to moratoria, assessed as compliant with EBA/GL/2020/02 at the date the measure was granted, but no longer compliant at the reporting date, which were not classified by the bank as “forborne exposures” (as defined by the supervisory reports in force) following the assessment conducted on occurrence of the event that generated the non-compliance with EBA/GL/2020/02.

The row “New loans” represents the exposures for which new liquidity was granted, with the support of government guarantees.

The loans under sub-captions 1, 2 and 3 of the table above are subject to moratoria which were still in force as at 31 December 2021.

## SECTION 4 BIS - FINANCIAL ASSETS PERTAINING TO INSURANCE COMPANIES MEASURED AT AMORTISED COST PURSUANT TO IAS 39 - CAPTION 45

The breakdown of the IAS 39 captions included in caption 45 of the Balance sheet Assets referring to insurance companies is shown below.

In relation to the adoption of the Deferral Approach, in the consolidated financial statement layouts established by Bank of Italy Circular 262, "Caption 45 Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39" was created, which comprises the items set out in the table below:

		(millions of euro)	
Breakdown of financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 - Caption 45		31.12.2021	31.12.2020
50. Investments held to maturity		-	-
60. Due from banks		41	40
70. Loans to customers		44	31
<b>TOTAL Caption 45</b>		<b>85</b>	<b>71</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for on demand receivables due from banks to be represented under "Cash and cash equivalents", and no longer under "Due from banks".

### 4.1 Bis Investments held to maturity

There were no investments held maturity relating to the insurance companies.

### 4.4 Bis Due from banks: breakdown

(millions of euro)								
Captions	Book value	31.12.2021			Book value	31.12.2020		
		Fair value				Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	-	-	-	-	-	-	-	-
1. Time deposits	-				-			
2. Compulsory reserve	-				-			
3. Reverse repurchase agreements	-				-			
4. Other	-				-			
B. Due from banks	41	-	41	-	40	-	40	-
1. Loans	-	-	-	-	-	-	-	-
1.1 Current accounts and deposits	-				-			
1.2 Time deposits	-				-			
1.3 Other loans:	-				-			
- Reverse repurchase agreements	-				-			
- Finance leases	-				-			
- Other	-				-			
2. Debt securities	41	-	41	-	40	-	40	-
2.1 Structured	-				-			
2.2 Other	41				40			
Total	41	-	41	-	40	-	40	-

### 4.5 Bis Due from banks subject to microhedging

There were no amounts due from banks subject to microhedging referring to insurance companies.

## 4.6 Bis Loans to customers: breakdown

(millions of euro)

Captions	31.12.2021						31.12.2020						(millions of euro)
	Book value			Fair value			Book Value			Fair value			
	Performing	Non Performing					Not impaired	Impaired					
		Purchased	Other	Level 1	Level 2	Level 3		Purchased	Other	Level 1	Level 2	Level 3	
Loans	8	-	-	-	8	-	4	-	-	-	3	1	
1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X	
2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X	
3. Mortgages	-	-	-	X	X	X	-	-	-	X	X	X	
4. Credit card loans, personal loans, and transfer of one fifth of salaries	-	-	-	X	X	X	-	-	-	X	X	X	
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X	
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X	
7. Other loans	8	-	-	X	X	X	4	-	-	X	X	X	
Debt securities	36	-	-	-	31	5	27	-	-	-	22	5	
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X	
9. Other debt securities	36	-	-	X	X	X	27	-	-	X	X	X	
Total	44	-	-	-	39	5	31	-	-	-	25	6	

## 4.7 Bis Loans to customers: borrower/issuer breakdown

(millions of euro)

Captions	31.12.2021			31.12.2020		
	Performing	Non performing		Performing	Non performing	
		Purchased	Other		Purchased	Other
<b>1. Debt securities</b>	<b>36</b>	-	-	<b>27</b>	-	-
a) Governments	-	-	-	9	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	36	-	-	18	-	-
- non-financial companies	21	-	-	13	-	-
- financial institutions	15	-	-	5	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
<b>2. Loans:</b>	<b>8</b>	-	-	<b>4</b>	-	-
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other counterparties	8	-	-	4	-	-
- non-financial companies	-	-	-	-	-	-
- financial institutions	7	-	-	2	-	-
- insurance companies	-	-	-	-	-	-
- other	1	-	-	2	-	-
<b>Total</b>	<b>44</b>	-	-	<b>31</b>	-	-

## 4.8 Bis Loans to customers subject to microhedging

There were no Loans to customers subject to microhedging referring to insurance companies.



**SECTION 5 - HEDGING DERIVATIVES – CAPTION 50**

Concerning the objectives and the strategies underlying hedging transactions see the information provided in Part E – Information on risks and relative hedging policies, Section 2 – Market risks.

Derivatives are considered to be of fair value level 1 only if traded on organised markets.

**5.1 Hedging derivatives: breakdown by type of hedge and level**

								(millions of euro)	
	Fair value	31.12.2021			Notional amount	Fair value	31.12.2020		Notional amount
	Level 1	Level 2	Level 3	31.12.2021		Level 1	Level 2	Level 3	31.12.2020
A. Financial derivatives									
1. Fair Value	-	1,719	-	186,185		1	1,102	15	104,015
2. Cash flows	-	13	-	3,961		-	16	-	6,500
3. Foreign investments	-	-	-	-		-	-	-	-
B. Credit derivatives									
1. Fair Value	-	-	-	-		-	-	-	-
2. Cash flows	-	-	-	-		-	-	-	-
Total	-	1,732	-	190,146		1	1,118	15	110,515

As the gross positive fair value of Hedging derivatives implemented with the legal clearing agent LCH Ltd. meets the requirements set out for offsetting between gross positive and negative balances pursuant to IAS 32, paragraph 42, it was subject to offsetting, with recognition of the net fair value under liabilities in hedging derivatives.

**5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge**

(millions of euro)											
Transactions / Type of hedge	Fair Value							Cash-flow	Foreign investm		
	Specific						Generic				
	debt securities and interest rates	equities and stock indices	foreign exchange rates and gold	credit risk	commodities	other					
								Specific	Generic		
1. Financial assets measured at fair value through other comprehensive income	234	-	140	-		X	X	X	-	X	X
2. Financial assets measured at amortised cost	178	X	-	-		X	X	X	7	X	X
3. Portfolio	X	X	X	X		X	X	216	X	-	X
4. Other transactions	-	-	-	-		-	-	X	-	X	-
Total assets	412	-	140	-		-	-	216	7	-	-
1. Financial liabilities	550	X	342	-	-	-	-	X	6	X	X
2. Portfolio	X	X	X	X		X	X	59	X	-	X
Total liabilities	550	-	342	-		-	-	59	6	-	-
1. Forecast transactions	X	X	X	X		X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X		X	X	-	X	-	-

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.

Considering the values gross of netting in the financial statements, these mainly refer to micro fair value hedges of liabilities issued and debt securities under assets, as well as macro fair value hedges of loans disbursed and demand positions under liabilities (core deposits).

## SECTION 6 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 60

## 6.1 Fair value change of hedged assets: breakdown by hedged portfolios

Adeguamento di valore delle attività coperte / Valori	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Positive fair value change</b>	<b>408</b>	<b>2,400</b>
1.1 of specific portfolios:	400	2,397
<i>a) financial assets measured at amortised cost</i>	400	2,397
<i>b) financial assets measured at fair value through other comprehensive income</i>	-	-
1.2 overall	8	3
<b>2. Negative fair value change</b>	<b>-16</b>	<b>-</b>
2.1 of specific portfolios:	-16	-
<i>a) financial assets measured at amortised cost</i>	-16	-
<i>b) financial assets measured at fair value through other comprehensive income</i>	-	-
2.2 overall	-	-
<b>Total</b>	<b>392</b>	<b>2,400</b>

The balance of the changes in value of assets subject to macrohedging against interest rate risk is recorded in this caption. For the application the Group took advantage of the option envisaged by IFRS 9 to continue to apply the provisions permitted by the IAS 39 carve out.

The annual change in the positive adjustment of financial assets measured at amortised cost was due to the increase in the benchmark rates used to determine the fair value of the assets hedged by changes in the fair value for interest rate risk.

**SECTION 7 – INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – CAPTION 70****7.1 Investments in associates and companies subject to joint control: information on equity interests**

Companies		Registered office	Place of business	Type of relationship (a)	Direct ownership	INVESTMENT % held	Votes available % (b)
A. COMPANIES SUBJECT TO JOINT CONTROL							
1	Augusto S.r.l. Capital Euro 10,000 in shares of Euro 1	Milano	Milano	7	Intesa Sanpaolo	5.00	
2	Diocleziano S.r.l. Capital Euro 10,000 in shares of Euro 1	Milano	Milano	7	Intesa Sanpaolo	5.00	
3	Immobiliare Novoli S.p.A. Capital Euro 15,635,514 in shares of Euro 0.60	Firenze	Firenze	7	Intesa Sanpaolo	50.00	
4	Mir Capital Management S.A. Capital Euro 31,000 in shares of Euro 1	Luxembourg	Luxembourg	7	Private Equity International	50.00	
5	Mir Capital S.C.A. SICAR Capital Euro 61,815,000 in shares of Euro 1	Luxembourg	Luxembourg	7	Private Equity International	50.00	
6	PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management Capital HRK 56,000,000 in shares of HRK 1,000	Zagreb	Zagreb	7	Privredna Banka Zagreb	50.00	
7	Vub Generali Dochodkova Spravcovska Spolocnost A.S. Capital Euro 10,090,976 in shares of Euro 33,194	Bratislava	Bratislava	7	Vseobecna Uverova Banka	50.00	
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE							
1	1875 Finance Holding AG Capital Chf 500,000 in shares of Chf 1	Saren	Saren	4	Reyl&Cie	40.00	
2	Adriano Lease Sec S.r.l. (c) Capital Euro 10,000 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo	5.00	
3	Apulia Finance N. 4 S.r.l. (c) Capital Euro 10,000 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo	10.00	
4	Back2Bonis Capital Euro 464,863,556 in shares of Euro 477,564	Milano	Milano	4	Intesa Sanpaolo	34.39	
5	Backtowork24 S.r.l. (d) Capital Euro 2,892,691 in shares of Euro 0.01	Milano	Milano	4	Intesa Sanpaolo	30.58	51.00
6	Bancomat S.p.A. Capital Euro 21,095,726 in shares of Euro 5	Roma	Roma	4	Intesa Sanpaolo Banca 5	31.55 0.01	
7	Berica ABS 3 S.r.l. (c) Capital Euro 10,000 in shares of Euro 1	Vicenza	Vicenza	4	Intesa Sanpaolo	5.00	
8	Brera Sec S.r.l. (c) Capital Euro 10,000 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo	5.00	
9	Camfin S.p.A. (e) Capital Euro 110,800,000 in shares of Euro 0.2	Milano	Milano	4	Intesa Sanpaolo	4.60	10.70
10	Cassa di Risparmio di Fermo S.p.A. Capital Euro 39,241,088 in shares of Euro 51.65	Fermo	Fermo	4	Intesa Sanpaolo	33.33	
11	Clara Sec S.r.l. Capital Euro 10,000 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo	5.00	
12	Compagnia Aerea Italiana S.p.A. Capital Euro 3,526,846 in shares of Euro 0.00004	Roma	Fiumicino	4	Intesa Sanpaolo	27.49	
13	Equiter S.p.A. Capital Euro 150,004,017 in shares of Euro 1	Torino	Torino	4	Intesa Sanpaolo	32.88	
14	Euromilano S.p.A. Capital Euro 1,356,582 in shares of Euro 15.51	Milano	Milano	4	Intesa Sanpaolo	43.43	

Companies	Registered office	Place of business	Type of relationship (a)	INVESTMENT		Votes available % (b)
				Direct ownership	% held	
15 Eusebi Holdings B.V. Capital Euro 100 in shares of Euro 1	Amsterdam	Amsterdam	4	Intesa Sanpaolo	47.00	
16 FI.NAV Sub-fund A1 Loans Capital USD 357,156,218 in shares of USD 1	Roma	Roma	4	Intesa Sanpaolo	43.80	
17 Focus Investments S.p.A. Capital Euro 183,333 in shares of Euro 0.14	Milano	Milano	4	Intesa Sanpaolo	8.33	25.00
18 Fondo di Rigenerazione Urbana Sicilia S.r.l. (f) Capital Euro 50,000 in shares of Euro 1	Palermo	Torino	4	Intesa Sanpaolo	100.00	
19 Fondo per la ricerca e l'innovazione S.r.l. (f) Capital Euro 25,000 in shares of Euro 1	Torino	Torino	4	Intesa Sanpaolo	100.00	
20 Fondo Sardegna Energia S.r.l. (f) Capital Euro 25,000 in shares of Euro 1	Cagliari	Cagliari	4	Intesa Sanpaolo	100.00	
21 Giada Sec S.r.l. (c) Capital Euro 10,000 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo	5.00	
22 Gilda S.r.l. Capital Euro 213,402 in shares of Euro 1	Montesilvano	Montesilvano	4	Intesa Sanpaolo	13.05	
23 Indaco Venture Partners SGR S.p.A. (formerly Venture Capital Partners SGR) Capital Euro 750,000 in shares of Euro 0.50	Milano	Milano	4	Intesa Sanpaolo	24.50	
24 Innolva S.p.A. Capital Euro 4,000,000 in shares of Euro 1	Buja	Buja	4	Intesa Sanpaolo	25.00	
25 Intrum Italy S.p.A. Capital Euro 300,000 in shares of Euro 0.01	Milano	Milano	4	Intesa Sanpaolo	49.00	
26 Ism Investimenti S.p.A. Capital Euro 6,654,902 in shares of Euro 1	Mantova	Mantova	4	Intesa Sanpaolo	27.36	
27 Marketwall S.r.l. Capital Euro 2,380,409 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	33.00	
28 Materias S.r.l. Capital Euro 29,191 in shares of Euro 1	Napoli	Napoli	4	Intesa Sanpaolo	12.87	
29 Misr Alexandria for Financial Investments Mutual Fund Co. Capital EGP 30,708,000 in shares of EGP 1000	Cairo	Cairo	4	Bank of Alexandria	25.00	
30 Misr International Towers Co. Capital EGP 50,000,000 in shares of EGP 10	Cairo	Cairo	4	Bank of Alexandria	27.86	
31 Montefeltro Sviluppo Soc.cons. A.r. Capital Euro 73,000 in shares of Euro 10	Urbania	Urbania	4	Intesa Sanpaolo	26.37	
32 Mooney Group S.p.A. (formerly Sisalpay Group S.p.A.) Capital Euro 10,050,000 in shares of Euro 0.20	Milano	Milano	4	Banca 5	30.00	
33 Neva First - FCC Capital Euro 189,797,979 in shares of Euro 99.80	Torino	Torino	4	Intesa Sanpaolo Innovation Center	52.72	
34 Penghua Fund Management Co. Ltd. Capital CNY 150,000,000 in shares of CNY 1	Shenzhen	Shenzhen	4	Eurizon Capital SGR	49.00	
35 Pietra S.r.l. Capital Euro 40,000 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	22.22	
36 Rainbow Capital Euro 48,500,000 in shares of Euro 50,000	Verona	Verona	4	Intesa Sanpaolo	43.20	
37 R.C.N. Finanziaria S.p.A. Capital Euro 1,000,000 in shares of Euro 0.50	Mantova	Mantova	4	Intesa Sanpaolo	23.96	
38 RSCT FUND - Sub-fund Loans Capital Euro 374,123,585 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	71.80	
39 SF Consulting S.r.l. Capital Euro 93,600 in shares of Euro 0.52	Bergamo	Bergamo	4	Intesa Sanpaolo	35.00	

Companies	Registered office	Place of business	Type of relationship (a)	INVESTMENT		Votes available % (b)
				Direct ownership	% held	
40 Sicily Investments S.a.r.l. Capital Euro 12,500 in shares of Euro 25	Luxembourg	Luxembourg	4	Intesa Sanpaolo	25.20	
41 Slovak Banking Credit Bureau s.r.o. Capital Euro 9,958 in shares of Euro 3,319.39	Bratislava	Bratislava	4	Vseobecna Uverova Banka	33.33	
42 Trinacria Capital S.a.r.l. Capital Euro 12,500 in shares of Euro 25	Luxembourg	Luxembourg	4	Intesa Sanpaolo	25.20	
43 UBI SPV LEASE 2016 S.r.l. Capital Euro 10,000 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	10.00	
44 Vesta OML Limited (formerly Oval Money Ltd.) Capital GBP 16,692 in shares of GBP 0.00040	London	London	4	Intesa Sanpaolo	37.51	
45 Yolo Group S.r.l. Capital Euro 56,098 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo Vita	2.23	
46 24-7 Finance S.r.l. in liquidation Capital 10,000 Euro in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	10.00	
47 Claris Finance 2005 S.r.l. in liquidation (c) Capital Euro 10,000 in shares of Euro 1	Roma	Roma	4	Intesa Sanpaolo	5.00	
48 Europrogetti e Finanza S.p.A. in liquidation Capital Euro 5,636,400 in shares of Euro 1	Roma	Roma	4	Intesa Sanpaolo	15.97	
49 Impresol S.r.l. in liquidation Capital Euro 112,100 in shares of Euro 1	Milano	Milano	4	Immobiliare Cascina Rubina	30.00	
50 Iniziative Immobiliari Industriali S.p.A. in liquidation Capital Euro 510,000 in shares of Euro 0.51	Arquà Polesine	Arquà Polesine	4	Intesa Sanpaolo	20.00	
51 Leonardo Technology S.r.l. in liquidation Capital Euro 242,081 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	26.60	
52 Network Impresa S.p.A. under arrangement with creditors Capital Euro 562,342 in shares of Euro 1	Limena	Limena	4	Intesa Sanpaolo	28.95	
53 Sviluppo Industriale S.p.A. in liquidation (formerly Sviluppo Industriale S.p.A. under arrangement with creditors) Capital Euro 628,444 in shares of Euro 22.26	Pistoia	Pistoia	4	Intesa Sanpaolo	28.27	
54 UBI Finance 2 S.r.l. in liquidation Capital Euro 10,000 in shares of Euro 1	Brescia	Brescia	4	Intesa Sanpaolo	10.00	
55 UBI SPV GROUP 2016 S.r.l. in liquidation Capital Euro 10,000 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo	10.00	

## (a) Type of relationship:

- 1 - majority of voting rights at Ordinary Shareholders' Meeting;
- 2 - dominant influence at Ordinary Shareholders' Meeting;
- 3 - agreements with other shareholders;
- 4 - company subject to significant influence;
- 5 - unitary management as defined in Art. 26.1 of "Legislative Decree 87/92";
- 6 - unitary management as defined in Art. 26.2 of "Legislative Decree 87/92";
- 7 - joint control;
- 8 - other relationship.

(b) Where different from the % portion, the availability of the votes in the Ordinary Shareholders' Meeting is indicated, distinguishing between the effective and potential voting rights, where applicable.

(c) These are vehicles used for securitisation transactions within the Group.

At any moment from the date of subscription of the second capital increase (24/11/2020) to the end of the 42nd month from that date, Intesa Sanpaolo has the right to increase, in one or more tranches, its investment in the company's share capital, obtaining a maximum total investment of 51%. Currently, the prerequisites of IFRS 10 to classify the interest among subsidiaries are not met.

(e) The different value between the actual share and the number of votes in the Shareholders' Meeting is linked to the presence of various categories of shares (A and B). Only category A shares (also held by Intesa Sanpaolo) grant rights to vote in the Shareholders' Meeting.

(f) Jessica Funds: the economic effects of the investments in equity and loans underlying the fund's operations will be borne in full by the EIB.

The illustration of the criteria and the methods for the definition of the scope of consolidation and the reasons which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

**7.2 Individually material investments in associates and companies subject to joint control: book value, fair value and dividends received**

		(millions of euro)		
		Book value	Fair value	Dividends received (a)
<b>A. COMPANIES SUBJECT TO JOINT CONTROL</b>		-	-	-
<b>B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE</b>				
1	Intrum Italy S.p.A.	337	-	11
2	Penghua Fund Management Co. Ltd.	315	-	22
3	RSCT FUND - Sub-fund Loans	259	-	-
4	BACK2BONIS	141	-	-
5	FI.NAV Sub-fund A1 Loans	113	-	-
6	Equiter S.p.A.	104	-	6
7	Innolva S.p.A.	55	-	-
<b>TOTAL</b>		<b>1,324</b>	<b>-</b>	<b>39</b>

a) Dividends are paid by Group companies accounted for using the equity method, and, though they are not included in caption "250 Profits (Losses) on equity investments", as they represent a decrease in caption "70 Investments in associates and companies subject to joint control" under Assets, they are still presented in that table, as envisaged by the reference regulations.

**7.3 Individually material investments in associates and companies subject to joint control: financial information**

	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Interest margin	Adjustments to/write-backs on property, equipment and intangible assets	Income (Loss) before tax from continuing operations	Income (Loss) after tax from continuing operations	Income (Loss) after tax from discontinued operations	Net income (loss) <sup>(1)</sup>	Other comprehensive income (net of tax) <sup>(2)</sup>	Consolidated comprehensive income <sup>(3) = (1) + (2)</sup>
A. COMPANIES SUBJECT TO JOINT CONTROL														
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE														
Intrum Italy S.p.A.	X	36	87	12	38	116	X	X	33	26	-	26	-	26
Penghua Fund Management Co. Ltd.	X	774	192	175	271	774	X	X	180	134	-	134	-	134
RSCT FUND - Sub-fund Loans	X	348	23	7	-	-	X	X	-2	-2	-	-2	-	-2
BACK2BONIS	X	480	7	20	2	8	X	X	-10	-10	-	-10	-	-10
FI.NAV Sub-fund A1 Loans	X	274	-	-	1	2	X	X	-19	-19	-	-19	-	-19
Equiter S.p.A.	X	308	6	-	4	26			19	18	-	18	-	18
Innolva S.p.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	(millions of euro)				
	Total Shareholders' Equity	Proportionate equity	Goodwill	Other changes	Consolidated book value
<b>A. COMPANIES SUBJECT TO JOINT CONTROL</b>					
<b>B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE</b>					
Intrum Italy S.p.A.	72	36	301	-	337
RSCT FUND - Sub-fund Loans	517	254	61	-	315
Penghua Fund Management Co. Ltd.	364	261	-	-2	259
Lombarda Vita S.p.A.	455	156	-	-15	141
BACK2BONIS	283	124	-	-11	113
FI.NAV Sub-fund A1 Loans	293	97	7	-	104
Zhong Ou Asset Management	30	8	47	-	55
	<b>2,016</b>	<b>936</b>	<b>417</b>	<b>-28</b>	<b>1,324</b>

The figures for these companies are updated to December 2021, for Intrum and Penghua; to 30 June 2021 for RSCT FUND, BACK2BONIS and FI.NAV; and to 31 December 2020 for Equiter. For Innolva the figures refer only to the equity recognised at the date of entry into the Group in 2021, as the figures for the 2021 financial statements are not available.

#### 7.4 Individually immaterial investments in associates and companies subject to joint control: financial information

	(millions of euro)							
	Book value of investments in associates and companies subject to joint control	Total assets	Total liabilities	Total revenues	Income (loss) after tax from continuing operations	Income (Loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)
								Consolidated comprehensive income (3) = (1) + (2)
COMPANIES SUBJECT TO JOINT CONTROL	49	264	165	53	18	-	18	-
COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE	279	5,575	4,929	540	-40	-	-40	-



**7.5 Investments in associates and companies subject to joint control: annual changes**

	31.12.2021	(millions of euro) 31.12.2020
<b>A. Initial amount</b>	<b>1,996</b>	<b>1,240</b>
<b>B. Increases</b>	<b>422</b>	<b>1,055</b>
B.1 purchases	122	970
<i>of which business combinations</i>	10	549
B.2 recoveries	-	-
B.3 revaluations	163	74
B.4 other changes	137	11
<b>C. Decreases</b>	<b>-766</b>	<b>-299</b>
C.1 sales	-58	-113
C.2 impairment losses	-39	-21
C.3 write-downs	-61	-74
C.4 other changes	-608	-91
<b>D. Final amount</b>	<b>1,652</b>	<b>1,996</b>
<b>E. Total revaluations</b>	<b>3,477</b>	<b>3,314</b>
<b>F. Total impairment losses</b>	<b>2,059</b>	<b>2,020</b>

The sub-caption B.1 purchases includes the entry of new companies carried at equity (mainly Innolva, 1875 Finance Holding and the companies in the REYL Group, acquired in the second quarter of 2021) and the capital increases following the acquisitions.

The sub-caption B.3 revaluations mainly includes the profits of companies carried at equity (including Penghua Fund Management Co. Ltd. and Zhong Ou Asset Management).

The sub-caption B.4 Increases - other changes includes profits on disposal/reclassifications for a total of 65 million euro (mainly attributable to Autostrada Pedemontana Lombarda reclassified at FVOCI and ISP Forvalue subsequently transferred to Innolva), the exchange rate effect (mainly Penghua Fund Management) and reclassifications from other portfolios.

The sub-caption C.1 sales includes the disposal of companies carried at equity (mainly ISP Forvalue, transferred to Innolva, as indicated above) and capital repayments following acquisition.

The sub-caption C.2 impairment losses includes the impairment recognised on companies carried at equity (mainly Back2Bonis to FI.NAV).

The sub-caption C.3 write-downs includes the losses of companies carried at equity (mainly FI.NAV and Mooney Group).

The sub-caption C.4 Decreases - other changes includes the payment of dividends (primarily Penghua), reclassifications to other portfolios (mainly Zhong Ou Asset Management reclassified under IFRS 5, Autostrada Pedemontana Lombarda reclassified at FVOCI, Lombarda Vita and Assicurazioni Vita, consolidated line-by-line and subsequently merged into Intesa Sanpaolo Vita as at 31 December 2021), as well as a residual amount of losses on disposal of 3 million euro.

**7.6 Significant evaluations and assumptions to establish the existence of joint control or significant influence**

Entities are considered to be companies subject to joint control if control is contractually shared between the Group and one or more other parties, or where the decisions about the relevant activities require the unanimous consent from all parties sharing control.

Companies are considered subject to significant influence (associates) when the Group holds 20% or more of the voting rights (including "potential" voting rights) or if it – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates. Certain companies in which the Group holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.

**7.7 Commitments referred to investments in companies subject to joint control**

As at 31 December 2021, there were commitments on capital referring to MIR CAPITAL S.C.A. Sicar, for a total of 37 million euro and a residual commitment of 0.10 million euro on MIR CAPITAL Management S.A.

**7.8 Commitments referred to investments in companies subject to significant influence**

As at 31 December 2021, the following commitments are noted: recapitalisation of Bancomat S.p.A. for around 2.7 million euro; commitment to purchase, through the subsidiary Banca 5 S.p.A., an additional stake of 20% of the capital of Mooney, for a total outlay of around 100 million euro, as part of the partnership between the Intesa Sanpaolo Group and the Enel Group, which will result in the two groups holding 50% each of the capital of Mooney; the commitment undertaken by ISP Innovation Center S.p.A. and Neva SGR S.p.A. to pay the amounts for the call ups of the NEVA FIRST-FCC Fund for a maximum of 65.5 million euro. Lastly, there is a residual commitment on Leonardo Technology S.r.l. of a modest amount.

**7.9 Significant restrictions**

There is nothing to report in terms of significant restrictions.

**7.10 Other information**

For most of the companies subject to joint control or significant influence, the timing regarding the availability of the financial statements at the end of the year is not compatible with the terms set for the closure of Intesa Sanpaolo's consolidated financial statements; on this point, for the application of the equity method, reference is made to the last accounting reports available that, in most cases, include the interim statement of the first 9 months for the listed associates or the last financial statements or half-yearly report available for the other associates. In any case, when the accounts of the associate or joint venture used in the application of the equity method refer to a date that is different from that of Intesa Sanpaolo's financial statements, adjustments are made to take into account the effects of operations or significant events which took place between that date and the reporting date of Intesa Sanpaolo's financial statements.

**Impairment tests of investments in associates and companies subject to joint control**

As required under IAS/IFRS, investments in associates and companies subject to joint control are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable. With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two classes of the rating; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, by market capitalisation lower than the company's net book value, in the case of securities listed on active markets or by a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income. If impairment indicators are detected, the recoverable amount, represented by the higher of the fair value less costs to sell and the value in use, is calculated and if it proves lower than the carrying value, impairment is recognised.

In particular, where impairment indicators were recorded with respect to investments in associates or companies subject to joint control, analyses were carried out based, as a priority, on market methodologies (direct or comparable transactions and market multiples) or alternatively on "fundamental" analyses mainly based on an estimate of the expected discounted cash flows or on the adjusted net asset value (ANAV).

The results of these assessments led to the need to recognise impairment losses, mainly referring to the investments in the Finav Fund (10 million euro), the Back2Bonis Fund (15 million euro), Vesta OML (3 million euro), Cassa di Risparmio di Fermo (10 million euro) and in other minor investments for 1 million euro.

**SECTION 8 – TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES – CAPTION 80****8.1 Technical insurance reserves reassured with third parties: breakdown**

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>A. Non-life business</b>	<b>164</b>	<b>92</b>
A1. Premiums reserves	37	21
A2. Claims reserves	127	71
A3. Other reserves	-	-
<b>B. Life business</b>	<b>44</b>	<b>1</b>
B1. Mathematical reserves	40	-
B2. Reserves for amounts to be disbursed	4	-
B3. Other reserves	-	1
<b>C. Technical reserves for investment risks to be borne by the insured</b>	<b>-</b>	<b>-</b>
C1. Reserves for contracts with disbursements connected with investment funds and market indices	-	-
C2. Reserves from pension fund management	-	-
<b>D. Total technical insurance reserves reassured with third parties</b>	<b>208</b>	<b>93</b>

**8.2 Change in caption 80 Technical insurance reserves reassured with third parties**

The balance of this caption came to 208 million euro (93 million euro as at 31 December 2020), up by 115 million euro compared to 31 December 2020. The change was substantially attributable to the new entries into the consolidation scope of Assicurazioni Vita S.p.A. (formerly Aviva Vita), Lombarda Vita S.p.A., and Cargeas Assicurazioni S.p.A. The first two companies indicated were then merged by incorporation into Intesa Sanpaolo Vita as of 31 December 2021.

**SECTION 9 – PROPERTY AND EQUIPMENT – CAPTION 90**

(millions of euro)

Assets/Amounts	31.12.2021	31.12.2020
1. Property and equipment used in operations measured at cost	2.530	2.677
<i>Of which - Property and equipment used in operations - Rights of use acquired under leases</i>	1.521	1.803
2. Investment property measured at cost	-	-
3. Property and equipment used in operations, revalued	6.574	6.498
<i>Of which - Property and equipment used in operations, revalued - Rights of use acquired under leases</i>	-	-
4. Investment property measured at fair value	798	762
<i>Of which - Investment property - Rights of use acquired under leases</i>	-	3
5. Inventories of property and equipment governed by IAS 2	890	913
<b>Total Property and equipment caption 90</b>	<b>10.792</b>	<b>10.850</b>

**9.1 Property and equipment used in operations: breakdown of assets measured at cost**

(millions of euro)

	31.12.2021	31.12.2020
<b>1. Property and equipment owned</b>	<b>1,009</b>	<b>874</b>
a) land	-	-
b) buildings	-	-
c) furniture	207	176
d) electronic equipment	758	597
e) other	44	101
<b>2. Rights of use acquired through the lease</b>	<b>1,521</b>	<b>1,803</b>
a) land	9	8
b) buildings	1,331	1,692
c) furniture	-	-
d) electronic equipment	16	19
e) other	165	84
<b>Total</b>	<b>2,530</b>	<b>2,677</b>
<i>of which: resulting from the enforcement of guarantees</i>	2	3

**9.2 Investment property: breakdown of assets measured at cost**

There was no investment property measured at cost in the Intesa Sanpaolo Group.

**9.3 Property and equipment used in operations: breakdown of revalued assets**

	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Property and equipment owned</b>	-	-	<b>6,574</b>	-	-	<b>6,498</b>
a) land	-	-	2,656	-	-	2,481
b) buildings	-	-	3,606	-	-	3,695
c) valuable art assets	-	-	312	-	-	322
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
<b>2. Rights of use acquired through the lease</b>	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
<b>TOTAL</b>	-	-	<b>6,574</b>	-	-	<b>6,498</b>
<i>of which: resulting from the enforcement of guarantees</i>	-	-	-	-	-	-

**9.4 Investment property: breakdown of assets measured at fair value**

	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Property and equipment owned</b>	-	-	<b>798</b>	-	-	<b>759</b>
a) land	-	-	281	-	-	259
b) buildings	-	-	517	-	-	500
<b>2. Rights of use acquired through the lease</b>	-	-	-	-	-	<b>3</b>
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	3
<b>TOTAL</b>	-	-	<b>798</b>	-	-	<b>762</b>
<i>of which: resulting from the enforcement of guarantees</i>	-	-	138	-	-	131

As illustrated in Part A – Fair value of real estate and valuable art assets, based on the rules on valuation frequencies, at the end of 2021 the appraisals were updated for all the investment properties and owner-occupied properties classified as trophy assets.

For valuable art assets, the revaluation is carried out by means of an expert appraisal every three years. However, a scenario analysis is carried out annually to identify any appreciable changes in value in order to bring forward the valuation. In accordance with the rules on valuation frequencies, note that, at the end of 2020, following the completion of the first three-year fair value measurement cycle, the appraisals were updated for all valuable art assets.

## 9.5 Inventories of property and equipment governed by IAS 2: breakdown

(millions of euro)

	31.12.2021	Of which:			31.12.2020
		Banking group	Insurance companies	Other companies	
<b>1. Inventories of property and equipment resulting from the enforcement of guarantees</b>	<b>211</b>	<b>199</b>	<b>-</b>	<b>12</b>	<b>234</b>
a) land	18	7	-	11	24
b) buildings	192	191	-	1	209
c) furniture	-	-	-	-	-
d) electronic equipment	-	-	-	-	-
e) other	1	1	-	-	1
<b>2. Other inventories of property and equipment</b>	<b>679</b>	<b>25</b>	<b>-</b>	<b>654</b>	<b>679</b>
<b>Total</b>	<b>890</b>	<b>224</b>	<b>-</b>	<b>666</b>	<b>913</b>
<i>of which: measured at fair value less cost to sell</i>	<i>1</i>	<i>1</i>	<i>-</i>	<i>-</i>	<i>2</i>

## 9.6 Property and equipment used in operations: annual changes

	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
	(millions of euro)						
<b>A. Gross initial carrying amount</b>	<b>2,489</b>	<b>5,925</b>	<b>1,893</b>	<b>6,099</b>	<b>322</b>	<b>841</b>	<b>17,569</b>
A.1 Total net adjustments	-	-538	-1,717	-5,483	-	-656	-8,394
<b>A.2 Net carrying amount</b>	<b>2,489</b>	<b>5,387</b>	<b>176</b>	<b>616</b>	<b>322</b>	<b>185</b>	<b>9,175</b>
<b>B. Increases</b>	<b>240</b>	<b>663</b>	<b>72</b>	<b>416</b>	<b>-</b>	<b>149</b>	<b>1,540</b>
B.1 Purchases	39	177	65	355	-	137	773
of which business combinations	37	81	2	3	-	1	124
B.2 Capitalised improvement costs	-	106	-	1	-	-	107
B.3 Recoveries	-	-	-	-	-	-	-
B.4 Positive fair value differences recognised in:	-	42	-	-	-	-	42
a) shareholders' equity	-	41	-	-	-	-	41
b) income statement	-	1	-	-	-	-	1
B.5 Positive foreign exchange differences	5	17	1	2	-	-	25
B.6 Transfer from investment property	20	66	X	X	X	X	86
B.7 Other changes	176	255	6	58	-	12	507
<b>C. Decreases</b>	<b>-64</b>	<b>-1,113</b>	<b>-41</b>	<b>-258</b>	<b>-10</b>	<b>-125</b>	<b>-1,611</b>
C.1 Sales	-2	-33	-3	-18	-	-4	-60
of which business combinations	-	-	-	-	-	-	-
C.2 Depreciation	-	-361	-31	-202	-	-55	-649
C.3 Impairment losses recognised in:	-	-	-1	-1	-	-	-2
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	-1	-1	-	-	-2
C.4 Negative fair value differences recognised in:	-13	-10	-	-	-5	-	-28
a) shareholders' equity	-6	-6	-	-	-5	-	-17
b) income statement	-7	-4	-	-	-	-	-11
C.5 Negative foreign exchange differences	-	-2	-	-	-	-	-2
C.6 Transfer to:	-48	-101	-	-1	-5	-	-155
a) investment	-47	-90	X	X	X	X	-137
b) non-current assets held for sale and discontinued operations	-1	-11	-	-1	-5	-	-18
C.7 Other changes	-1	-606	-6	-36	-	-66	-715
<b>D. Net final carrying amount</b>	<b>2,665</b>	<b>4,937</b>	<b>207</b>	<b>774</b>	<b>312</b>	<b>209</b>	<b>9,104</b>
D.1 Total net adjustments	-	799	1,881	5,883	-	186	8,749
<b>D.2 Gross final carrying amount</b>	<b>2,665</b>	<b>5,736</b>	<b>2,088</b>	<b>6,657</b>	<b>312</b>	<b>395</b>	<b>17,853</b>
<b>E. Measurement at cost</b>	<b>1,844</b>	<b>2,476</b>	<b>-</b>	<b>-</b>	<b>111</b>	<b>-</b>	<b>4,431</b>

The table above shows the values of owned assets, as well as the rights of use acquired under leases.  
The row "Measurement at cost" shows the cost of the assets measured at fair value in the financial statements.



**9.6 Of which - Property and equipment used in operations - Rights of use acquired under leases: annual changes**

	(millions of euro)						
	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
<b>A. Gross initial carrying amount</b>	<b>8</b>	<b>2,163</b>	-	<b>32</b>	-	<b>106</b>	<b>2,309</b>
A.1 Total net adjustments	-	-471	-	-13	-	-22	-506
<b>A.2 Net carrying amount</b>	<b>8</b>	<b>1,692</b>	-	<b>19</b>	-	<b>84</b>	<b>1,803</b>
<b>B. Increases</b>	<b>2</b>	<b>335</b>	-	<b>15</b>	-	<b>140</b>	<b>492</b>
B.1 Purchases	-	79	-	10	-	131	220
of which business combinations	-	16	-	-	-	1	17
B.2 Capitalised improvement costs	-	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-	-
B.4 Positive fair value differences recognised in:	-	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	5	-	-	-	-	5
B.6 Transfer from investment property	-	-	X	X	X	X	-
B.7 Other changes	2	251	-	5	-	9	267
<b>C. Decreases</b>	<b>-1</b>	<b>-696</b>	-	<b>-18</b>	-	<b>-59</b>	<b>-774</b>
C.1 Sales	-	-7	-	-	-	-1	-8
of which business combinations	-	-	-	-	-	-	-
C.2 Depreciation	-	-236	-	-7	-	-45	-288
C.3 Impairment losses recognised in:	-	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-
C.4 Negative fair value differences recognised in:	-	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-1	-	-	-	-	-1
C.6 Transfer to:	-1	-1	-	-	-	-	-2
a) investment	-	-	X	X	X	X	-
b) non-current assets held for sale and discontinued operations	-1	-1	-	-	-	-	-2
C.7 Other changes	-	-451	-	-11	-	-13	-475
<b>D. Net final carrying amount</b>	<b>9</b>	<b>1,331</b>	-	<b>16</b>	-	<b>165</b>	<b>1,521</b>
D.1 Total net adjustments	-	637	-	20	-	28	685
<b>D.2 Gross final carrying amount</b>	<b>9</b>	<b>1,968</b>	-	<b>36</b>	-	<b>193</b>	<b>2,206</b>
<b>E. Measurement at cost</b>	-	-	-	-	-	-	-

The "Other changes", both increases and decreases, refer mainly to renegotiations during the year of leases (IFRS 16).

## 9.7 Investment property: annual changes

	(millions of euro)	
	TOTAL	
	Land	Buildings
<b>A. Gross initial carrying amount</b>	<b>259</b>	<b>503</b>
A.1 Total net adjustments	-	-
<b>A.2 Net carrying amount</b>	<b>259</b>	<b>503</b>
<b>B. Increases</b>	<b>56</b>	<b>115</b>
B.1 Purchases	2	6
<i>of which business combinations</i>	-	-
B.2 Capitalised improvement costs	-	1
B.3 Positive fair value differences	6	6
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfer from investment property	47	90
B.7 Other changes	1	12
<b>C. Decreases</b>	<b>-34</b>	<b>-101</b>
C.1 Sales	-6	-9
<i>of which business combinations</i>	-	-
C.2 Depreciation	-	-
C.3 Negative fair value differences	-7	-16
C.4 Impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfer to	-22	-69
<i>a) property used in operations</i>	-20	-66
<i>b) non-current assets held for sale and discontinued operations</i>	-2	-3
C.7 Other changes	1	-7
<b>D. Final carrying amount</b>	<b>281</b>	<b>517</b>
<b>E. Fair value measurement</b>	<b>-</b>	<b>-</b>

The table above shows the values of owned assets, as well as the rights of use acquired under leases.

## 9.7 Of which - Investment property - Rights of use acquired under leases: annual changes

(millions of euro)

	TOTAL	
	Land	Buildings
<b>A. Gross initial carrying amount</b>	-	<b>3</b>
A.1 Total net adjustments	-	-
<b>A.2 Net carrying amount</b>	-	<b>3</b>
<b>B. Increases</b>	-	<b>6</b>
B.1 Purchases	-	-
of which business combinations	-	-
B.2 Capitalised improvement costs	-	-
B.3 Positive fair value differences	-	-
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfer from investment property	-	-
B.7 Other changes	-	6
<b>C. Decreases</b>	-	<b>-9</b>
C.1 Sales	-	-
of which business combinations	-	-
C.2 Depreciation	-	-
C.3 Negative fair value differences	-	-
C.4 Impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfer to	-	-
a) property used in operations	-	-
b) non-current assets held for sale and discontinued operations	-	-
C.7 Other changes	-	-9
<b>D. Final carrying amount</b>	-	-
<b>E. Fair value measurement</b>	-	-

## 9.8 Inventories of property and equipment governed by IAS 2: annual changes

(millions of euro)

Assets/Amounts	Inventories of property and equipment resulting from the enforcement of guarantees					Other inventories of property and equipment	TOTAL
	Land	Buildings	Furniture	Electronic equipment	Other		
<b>A. Initial carrying amount</b>	<b>24</b>	<b>209</b>	-	-	<b>1</b>	<b>679</b>	<b>913</b>
<b>B. Increases</b>	<b>1</b>	<b>10</b>	-	-	<b>2</b>	<b>3</b>	<b>16</b>
B.1 Purchases	-	7	-	-	2	2	11
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	1	-	-	-	-	-	1
B.4 Other changes	-	3	-	-	-	1	4
<b>C. Decreases</b>	<b>-7</b>	<b>-28</b>	-	-	<b>-2</b>	<b>-2</b>	<b>-39</b>
C.1 Sales	-3	-15	-	-	-2	-1	-21
C.2 Impairment losses	-2	-6	-	-	-	-	-8
C.3 Negative foreign exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-2	-7	-	-	-	-1	-10
<b>D. Final carrying amount</b>	<b>18</b>	<b>191</b>	-	-	<b>1</b>	<b>680</b>	<b>890</b>

**9.8 Of which: Banking group**

Assets/Amounts	Inventories of property and equipment resulting from the enforcement of guarantees					Other inventories of property and equipment	TOTAL
	Land	Buildings	Furniture	Electronic equipment	Other		
<b>A. initial carrying amount</b>	<b>12</b>	<b>205</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>26</b>	<b>244</b>
<b>B. Increases</b>	<b>1</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>15</b>
B.1 Purchases	-	7	-	-	2	2	11
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	1	-	-	-	-	-	1
B.4 Other changes	-	3	-	-	-	-	3
<b>C. Decreases</b>	<b>-6</b>	<b>-25</b>	<b>-</b>	<b>-</b>	<b>-2</b>	<b>-2</b>	<b>-35</b>
C.1 Sales	-2	-12	-	-	-2	-1	-17
C.2 Impairment losses	-2	-6	-	-	-	-	-8
C.3 Negative foreign exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-2	-7	-	-	-	-1	-10
<b>D. Final carrying amount</b>	<b>7</b>	<b>190</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>26</b>	<b>224</b>

**9.8 Of which: Insurance companies**

There were no inventories of property and equipment governed by IAS 2 pertaining to insurance companies of the Intesa Sanpaolo Group.

**9.8 Of which: Other companies**

Assets/Amounts	Inventories of property and equipment resulting from the enforcement of guarantees					Other inventories of property and equipment	TOTAL
	Land	Buildings	Furniture	Electronic equipment	Other		
<b>A. initial carrying amount</b>	<b>12</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>653</b>	<b>669</b>
<b>B. Increases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
B.1 Purchases	-	-	-	-	-	-	-
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	1	1
<b>C. Decreases</b>	<b>-1</b>	<b>-3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4</b>
C.1 Sales	-1	-3	-	-	-	-	-4
C.2 Impairment losses	-	-	-	-	-	-	-
C.3 Negative foreign exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-	-
<b>D. Final carrying amount</b>	<b>11</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>654</b>	<b>666</b>

**9.9 Commitments to purchase property and equipment**

Commitments to purchase property and equipment in existence as at 31 December 2021 amounted to approximately 3 million euro.

## SECTION 10 - INTANGIBLE ASSETS - CAPTION 100

## 10.1 Intangible assets: breakdown by type of asset

	31.12.2021				Of which:				31.12.2020	
	Finite useful life	Indefinite useful life	Banking group	Indefinite useful life	Insurance companies	Indefinite useful life	Other companies	Indefinite useful life	Finite useful life	Indefinite useful life
<b>A.1 Goodwill</b>	<b>X</b>	<b>3,574</b>	<b>X</b>	<b>2,598</b>	<b>X</b>	<b>976</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>3,154</b>
A.1.1 Group	x	3,574	x	2,598	x	976	x	-	x	3,155
A.1.2 Minority interests	x	-	x	-	x	-	x	-	x	-1
<b>A.2 Other intangible assets</b>	<b>3,886</b>	<b>1,882</b>	<b>3,255</b>	<b>1,882</b>	<b>631</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,130</b>	<b>1,910</b>
of which: software	2,533	-	2,495	-	38	-	-	-	2,273	-
A.2.1 Assets measured at cost	3,886	1,882	3,255	1,882	631	-	-	-	3,130	1,910
a) Internally generated intangible assets	2,072	-	2,046	-	26	-	-	-	1,848	-
b) Other assets	1,814	1,882	1,209	1,882	605	-	-	-	1,282	1,910
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,886</b>	<b>5,456</b>	<b>3,255</b>	<b>4,480</b>	<b>631</b>	<b>976</b>	<b>-</b>	<b>-</b>	<b>3,130</b>	<b>5,064</b>

As at 31 December 2021, the amount for software was 2,533 million euro, of which 2,054 million euro produced internally and 479 million euro purchased externally.

The allocation of goodwill between “Cash Generating Units” is reported in the following table.

CGUs/Goodwill	(millions of euro)	
	31.12.2021	31.12.2020
Banca dei Territori	-	-
IMI Corporate & Investment Banking	56	56
Insurance	976	773
Asset Management	1,060	1,059
Private Banking	1,482	1,266
International Subsidiary Banks	-	-
Bank of Alexandria (Egypt)	-	-
Pravex Bank (Ukraine)	-	-
<b>CGU Total</b>	<b>3,574</b>	<b>3,154</b>
Non-current assets held for sale and discontinued operations (*)	-	45
<b>GROUP TOTAL</b>	<b>3,574</b>	<b>3,199</b>

(\*) As of 31 December 2020, the goodwill attributable to the Custodian Bank and Fund Administration business line of Fideuram Bank Luxembourg (Private Banking CGU) sold during 2021 and the 31 branches to be sold to BPER in compliance with the instructions from the competent authorities following the acquisition of UBI Banca sold during 2021 as well, were reclassified to discontinued operations.

For a breakdown of the CGUs, see the next chapter “Information on intangible assets and goodwill”.

## 10.2 Intangible assets: annual changes

	(millions of euro)					
	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
<b>A. Gross initial carrying amount</b>	<b>20,352</b>	<b>6,491</b>	<b>-</b>	<b>9,784</b>	<b>2,414</b>	<b>39,041</b>
A.1 Total net adjustments	-17,198	-4,643	-	-8,502	-504	-30,847
<b>A.2 Net initial carrying amount</b>	<b>3,154</b>	<b>1,848</b>	<b>-</b>	<b>1,282</b>	<b>1,910</b>	<b>8,194</b>
<b>B. Increases</b>	<b>420</b>	<b>903</b>	<b>-</b>	<b>947</b>	<b>-</b>	<b>2,270</b>
B.1 Purchases	406	55	-	834	-	1,295
of which business combinations	406	1	-	654	-	1,061
B.2 Increases of internally generated intangible assets	X	843	-	5	-	848
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	14	-	-	5	-	19
B.6 Other changes	-	5	-	103	-	108
<b>C. Decreases</b>	<b>-</b>	<b>-679</b>	<b>-</b>	<b>-415</b>	<b>-28</b>	<b>-1,122</b>
C.1 Sales	-	-11	-	-103	-	-114
of which business combinations	-	-	-	-97	-	-97
C.2 Impairment losses	-	-667	-	-267	-	-934
- Amortisation	X	-628	-	-264	-	-892
- Write-downs recognised in	-	-39	-	-3	-	-42
shareholders' equity	X	-	-	-	-	-
income statement	-	-39	-	-3	-	-42
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-1	-	-44	-	-45
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-1	-28	-29
<b>D. Net final carrying amount</b>	<b>3,574</b>	<b>2,072</b>	<b>-</b>	<b>1,814</b>	<b>1,882</b>	<b>9,342</b>
D.1 Total net adjustments	17,198	5,310	-	8,769	504	31,781
<b>E. Gross final carrying amount</b>	<b>20,772</b>	<b>7,382</b>	<b>-</b>	<b>10,583</b>	<b>2,386</b>	<b>41,123</b>
<b>F. Measurement at cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The sub-caption B.1 includes the increase for Goodwill deriving from the purchases of Assicurazioni Vita S.p.A., Lombarda Vita S.p.A. (subsequently merged into Intesa Sanpaolo Vita S.p.A. as at 31 December 2021), Cargeas Assicurazioni S.p.A. and Reyl & Cie S.A.

## 10.2 Of which: Banking group

	(millions of euro)					
	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
<b>A. Gross initial carrying amount</b>	<b>18,824</b>	<b>6,446</b>	<b>-</b>	<b>8,709</b>	<b>2,414</b>	<b>36,393</b>
A.1 Total net adjustments	-16,444	-4,621	-	-7,559	-504	-29,128
<b>A.2 Net initial carrying amount</b>	<b>2,380</b>	<b>1,825</b>	<b>-</b>	<b>1,150</b>	<b>1,910</b>	<b>7,265</b>
<b>B. Increases</b>	<b>218</b>	<b>888</b>	<b>-</b>	<b>375</b>	<b>-</b>	<b>1,481</b>
B.1 Purchases	204	48	-	266	-	518
of which business combinations	204	1	-	92	-	297
B.2 Increases of internally generated intangible assets	X	835	-	5	-	840
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	14	-	-	5	-	19
B.6 Other changes	-	5	-	99	-	104
<b>C. Decreases</b>	<b>-</b>	<b>-667</b>	<b>-</b>	<b>-316</b>	<b>-28</b>	<b>-1,011</b>
C.1 Sales	-	-11	-	-87	-	-98
of which business combinations	-	-	-	-83	-	-83
C.2 Impairment losses	-	-655	-	-184	-	-839
- Amortisation	X	-616	-	-182	-	-798
- Write-downs recognised in	-	-39	-	-2	-	-41
shareholders' equity	X	-	-	-	-	-
income statement	-	-39	-	-2	-	-41
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-1	-	-44	-	-45
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-1	-28	-29
<b>D. Net final carrying amount</b>	<b>2,598</b>	<b>2,046</b>	<b>-</b>	<b>1,209</b>	<b>1,882</b>	<b>7,735</b>
D.1 Total net adjustments	16,444	5,276	-	7,743	504	29,967
<b>E. Gross final carrying amount</b>	<b>19,042</b>	<b>7,322</b>	<b>-</b>	<b>8,952</b>	<b>2,386</b>	<b>37,702</b>
<b>F. Measurement at cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## 10.2 Of which: Insurance companies

	(millions of euro)					
	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
<b>A. Gross initial carrying amount</b>	<b>1,510</b>	<b>45</b>	<b>-</b>	<b>992</b>	<b>-</b>	<b>2,547</b>
A.1 Total net adjustments	-736	-22	-	-860	-	-1,618
<b>A.2 Net initial carrying amount</b>	<b>774</b>	<b>23</b>	<b>-</b>	<b>132</b>	<b>-</b>	<b>929</b>
<b>B. Increases</b>	<b>202</b>	<b>15</b>	<b>-</b>	<b>568</b>	<b>-</b>	<b>785</b>
B.1 Purchases	202	7	-	568	-	777
of which business combinations	202	-	-	562	-	764
B.2 Increases of internally generated intangible assets	X	8	-	-	-	8
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-12</b>	<b>-</b>	<b>-95</b>	<b>-</b>	<b>-107</b>
C.1 Sales	-	-	-	-16	-	-16
of which business combinations	-	-	-	-14	-	-14
C.2 Impairment losses	-	-12	-	-79	-	-91
- Amortisation	X	-12	-	-78	-	-90
- Write-downs recognised in	-	-	-	-1	-	-1
shareholders' equity	X	-	-	-	-	-
income statement	-	-	-	-1	-	-1
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
<b>D. Net final carrying amount</b>	<b>976</b>	<b>26</b>	<b>-</b>	<b>605</b>	<b>-</b>	<b>1,607</b>
D.1 Total net adjustments	736	34	-	939	-	1,709
<b>E. Gross final carrying amount</b>	<b>1,712</b>	<b>60</b>	<b>-</b>	<b>1,544</b>	<b>-</b>	<b>3,316</b>
<b>F. Measurement at cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**10.2 Of which: Other companies**

	(millions of euro)					
	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
<b>A. Gross initial carrying amount</b>	<b>18</b>	-	-	<b>83</b>	-	<b>101</b>
A.1 Total net adjustments	-18	-	-	-83	-	-101
<b>A.2 Net initial carrying amount</b>	<b>-</b>	-	-	-	-	<b>-</b>
<b>B. Increases</b>	<b>-</b>	-	-	<b>4</b>	-	<b>4</b>
B.1 Purchases	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	4	-	4
<b>C. Decreases</b>	<b>-</b>	-	-	<b>-4</b>	-	<b>-4</b>
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-4	-	-4
- Amortisation	X	-	-	-4	-	-4
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	X	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
<b>D. Net final carrying amount</b>	<b>-</b>	-	-	-	-	<b>-</b>
D.1 Total net adjustments	18	-	-	87	-	105
<b>E. Gross final carrying amount</b>	<b>18</b>	-	-	<b>87</b>	-	<b>105</b>
<b>F. Measurement at cost</b>	<b>-</b>	-	-	-	-	<b>-</b>

**10.3 Other information**

As at 31 December 2021, there were commitments relating to investments in intangible assets, primarily software, of approximately 26 million euro.

### Information on intangible assets and goodwill

The application of IFRS 3 to the accounting of acquisitions may lead to the recognition of new intangible assets and goodwill. In the case of the Intesa Sanpaolo Group, the merger between Banca Intesa and Sanpaolo IMI and the subsequent acquisitions, including those concluded in 2021, led to the recognition of significant amounts for intangible assets and goodwill.

During 2021 various transactions were finalised that resulted in both the recognition of goodwill and a reduction or different allocation within the Group of total recognised intangible assets compared to 31 December 2020. These transactions are briefly illustrated below, describing their effects on the amount and composition of intangible assets.

On 31 March 2021, the sale of the business line relating to custodian banking and fund administration to State Street by Fideuram Bank Luxembourg was finalised. As a result, the goodwill attributed to the business line sold, equal to 25 million euro, reclassified under assets held for sale in the 2020 Financial Statements, was derecognised.

On 1 April and 12 April 2021, respectively, following receipt of the authorisation applications from IVASS, by exercising the related call options, Intesa Sanpaolo acquired the majority stakes in the insurance companies Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita, of 80% and 60%, respectively, thereby assuming exclusive control thereof. As part of the Purchase Price Allocation (PPA) process, concluded by the time of preparation of the 2021 Financial Statements, an amount of 280 million euro was recognised for Assicurazioni Vita and 207 million euro for Lombarda Vita – a specific intangible asset typical of the insurance business, i.e., the Value of Business Acquired (“VoBA”) – previously not recognised in the financial statements of the two companies. The value of that intangible asset is represented by the capacity of contracts with customers in force at the time of acquisition to generate revenues over the useful life of acquired relationships. This is an intangible asset strictly linked to the specific contractual relationship with the customer (insurance policies) which, due to its nature, has a fixed term and is therefore subject to amortisation over the estimated residual life of the relationships acquired at the acquisition date. In the case in question, it was decided to amortise the VoBA amounts based on the run-off of the mathematical reserves of the two insurance companies, assuming a time horizon in which the last year represents the period in which 90% of the mathematical reserves will have been run off. Lastly, following the PPA process carried out on the two insurance companies, unallocated residual differences arose amounting to 2 million euro for Assicurazioni Vita and 55 million euro for Lombarda Vita, which were posted to goodwill. According to IAS 36, the goodwill and intangible assets recognised at acquisition date were allocated to the Insurance CGU, i.e. the CGU that is expected to benefit from the synergies of the business combination.

As regards the Insurance Division, on 27 May 2021 Intesa Sanpaolo Vita acquired control of Cargeas Assicurazioni, a company operating in the non-life business, which offers motor, property, health, credit protection, business and income protection insurance products. The company was 100%-owned by the BNP Paribas Group and distributed its bancassurance products through the distribution channels of the UBI Group and, to a residual extent, through the branches of Banca Nazionale del Lavoro. Similar to that carried out for Assicurazioni Vita and Lombarda Vita, after the PPA was completed, in time for the 2021 Financial Statements, a VoBA of around 64 million euro was recognised, gross of the tax effect. That caption, with a fixed residual life, will be amortised over an estimated useful life of 7 years, based on the run-off of the technical reserves (limited to the premium component, Best Estimation Liabilities – BEL) of the company. The residual difference between the acquisition cost and the IAS/IFRS shareholders' equity of the company, not allocated to any specific asset or liability, resulted in the definition of an amount of goodwill of 146 million euro, which, for the purposes of the 2021 Financial Statements, was allocated to the Insurance CGU, along with the VoBA. Note that, as part of the project for the reorganisation of the life insurance segment of the Intesa Sanpaolo Group, effective 31 December 2021 and with accounting and tax effects moved back to 1 January 2021, Assicurazioni Vita and Lombarda Vita were merged, along with BancAssurance Popolari, a life insurance company already 100%-owned, into Intesa Sanpaolo Vita. The merger, whose corporate and authorisation processes were started in May 2021, was approved by IVASS on 28 July 2021.

As part of the various activities of reorganisation of the former UBI Group, we note the carve-out of the private banking business line from UBI Banca in favour of the Private Banking Division, in line with the target model of the Group, based on which Italian and international private banking customers are managed by Fideuram – Intesa Sanpaolo Private Banking. This transaction, finalised on 12 April 2021, took place through the partial demerger in favour of Intesa Sanpaolo Private Banking, a company wholly-owned by Fideuram – Intesa Sanpaolo Private Banking, of the private banking business line of the former UBI Banca. The demerger of the private banking business line resulted in the transfer from the Banca dei Territori CGU to the Private Banking CGU of the following intangible assets:

- Assets Under Management (distribution component) for 45 million euro;
- Intangibles linked to the distribution of insurance products for 35 million euro;
- Assets Under Administration (distribution component) for 2 million euro.

On 5 May 2021, the Board of Directors of Intesa Sanpaolo approved a project to transfer to Nexi Payments the merchant acquiring business line within the scope of the former UBI Banca, in keeping with the strategic partnership launched with the Nexi Group in June 2020, through which the Intesa Sanpaolo acquiring business line was contributed. The transaction was finalised on 26 October 2021 and, therefore, the intangible linked to the acquiring business, equal to 38 million euro, was derecognised.

As part of the wider process of the strengthening and strategic repositioning of the international operations of the Private Banking Division, on 28 May 2021, the acquisition by Fideuram – Intesa Sanpaolo Private Banking of an equity investment of 69% of the share capital of Reyl & Cie SA - a Swiss private bank with an international presence - was finalised, with the concurrent contribution to Reyl of the entire equity investment held by Fideuram in Intesa Sanpaolo Private Bank (Suisse) Morval. In addition to the acquisition of 69% of the share capital, the parties also signed an agreement which sets out, *inter alia*, specific put & call options on the remaining share of 31% of the share capital, to be activated at 5 years and 7 years, respectively.

In view of the acquisition of control of the Reyl Group through the acquisition of 69% of the share capital, the business combination was also accounted for according to the “acquisition method” set out in IFRS 3. By virtue of the put&call options underlying the shareholding, which immediately confirm the management’s intention to take on the exclusive control of the

acquired company over time, the goodwill deriving from the PPA process was recognised on 100% of the company, through the full goodwill criterion. For the purposes of the 2021 Financial Statements, the PPA was definitively completed, recognising a specific Customer Relationship Related intangible asset, specifically associated with Assets under Management (AuM). The Customer Relationship Related intangible assets are composed of the set of contractual business relationships established by the company with customers. The value, if any, of those assets lies in the economic benefits generated over time as a result of the relationships established with customers (please note, nonetheless, that for the purpose of estimating the value of the intangible assets pursuant to IAS 38 and IFRS 3, only the value of the existing relationships is relevant, not that of new relationships, as the ability to generate new relationships cannot be separated and transferred to third parties). Therefore, the valuation process determined intangible assets associated with AuM of 84 million Swiss francs (around 76 million euro), with a defined useful life of 14 years starting from the acquisition date, taking account of the period in which the activity is expected to continue to generate net cash inflows for the company.

The residual difference deriving from the comparison between the acquisition cost and the IAS/IFRS shareholders' equity suitably revalued at fair value, came to 223 million Swiss francs, converted into 203 million euro using the spot exchange rate as at 31 May 2021, which was recognised as goodwill. As previously stated, the full goodwill criterion was applied, meaning that the amount recognised as goodwill refers to 100% of the company acquired. As it was recognised in foreign currency, the value of goodwill must be translated into euro at each reporting date. For the purposes of the 2021 Financial Statements, compared to the original value, an exchange rate difference of 13 million euro was recognised, which increased the value to 216 million euro. In the Intesa Sanpaolo Group, both goodwill and the intangible asset linked to these assets were allocated to the Private Banking CGU.

On 1 May 2021, Eurizon Capital SGR acquired from Finanza Sud SIM, a subsidiary of Banca Agricola Popolare di Ragusa (BAPR), a business line which includes individual and retail management contracts with assets of 438 million euro, with a view to developing a commercial partnership with BAPR. This transaction resulted in the recognition of intangible assets linked to the assets under management for around 1 million euro.

On 21 June 2021 the sale of 31 branches of Intesa Sanpaolo to BPER Banca, defined as part of the acquisition of UBI Banca, was finalised. Note that, in order to pre-emptively address antitrust issues, Intesa Sanpaolo and BPER Banca signed a binding agreement in February 2020 for the disposal of a going concern consisting of 486 branches of the Group resulting from the transaction and the respective staff and customer relationships (specifically 455 of UBI Banca and 31 of Intesa Sanpaolo). In relation to the finalisation of the transaction, the goodwill attributable to the 31 branches sold, equal to 20 million euro and reclassified under assets held for sale in the 2020 Financial Statements, was derecognised.

Lastly, on 5 October 2021, Assicurazioni Vita (formerly Aviva Vita) finalised the sale to Aviva Life of a business line composed of assets of around 1.4 billion euro, mainly represented by government bonds classified as AFS and technical reserves of around 1.3 billion euro, referring to several line IV policies and collective agreements. The sale, which follows on from the agreements reached at the end of 2020 between UBI Banca and the Aviva Group, resulted in the derecognition of 8 million euro of the VoBA recognised on the insurance company as part of the PPA process previously described.

The table below summarises the values of the intangible assets and goodwill recorded in the consolidated financial statements with the related changes during the period, subdivided by Cash Generating Unit (CGU), which represent the groups of assets subject to impairment testing on goodwill in order to determine the recoverable amount.

CGU	Financial Statements 2020	Acquisition of insurance companies <sup>(1)</sup>	Acquisition of Reyl & Cie	Sale of former UBI Acquiring Business Line	Sale of Assicurazioni Vita Business Line	Sale of Custodian Bank Business Line	Sale of branches to BPER	Demerger of UBI Private Banking Business Line	Amortisation	(millions of euro)	
										Other changes (2) (3)	Financial Statements 2021
<b>BANCA DEI TERRITORI DIVISION</b>	<b>1,978</b>	-	-	<b>-38</b>	-	-	-	<b>-82</b>	<b>-25</b>	-	<b>1,833</b>
- Asset management intangibles - distribution	261	-	-	-	-	-	-	-45	-15	-	201
- Insurance intangibles - distribution	152	-	-	-	-	-	-	-35	-7	-	110
- Brand name intangibles	1,507	-	-	-	-	-	-	-	-	-	1,507
- Intangible asset under administration	19	-	-	-	-	-	-	-2	-2	-	15
- Intangibile Acquiring	39	-	-	-38	-	-	-	-	-1	-	-
- Goodwill	-	-	-	-	-	-	-	-	-	-	-
<b>DIVISIONE IMI CORPORATE &amp; INVESTMENT BANKING</b>	<b>56</b>	-	-	-	-	-	-	-	-	-	<b>56</b>
- Goodwill	56	-	-	-	-	-	-	-	-	-	56
<b>ASSET MANAGEMENT DIVISION</b>	<b>1,170</b>	-	-	-	-	-	-	-	<b>-6</b>	<b>2</b>	<b>1,166</b>
- Asset management intangibles - prod. and distribut.	111	-	-	-	-	-	-	-	-6	1	106
- Goodwill	1,059	-	-	-	-	-	-	-	-	1	1,060
<b>PRIVATE BANKING DIVISION</b>	<b>1,739</b>	-	<b>279</b>	-	-	-	-	<b>82</b>	<b>-12</b>	<b>18</b>	<b>2,106</b>
- Asset management intangibles - prod. and distribut.	63	-	76	-	-	-	-	45	-9	5	180
- Insurance intangibles - distribution	14	-	-	-	-	-	-	35	-2	-	47
- Brand name intangibles	375	-	-	-	-	-	-	-	-	-	375
- Intangible asset under administration	21	-	-	-	-	-	-	2	-1	-	22
- Goodwill	1,266	-	203	-	-	-	-	-	-	13	1,482
<b>INSURANCE DIVISION</b>	<b>898</b>	<b>754</b>	-	-	<b>-8</b>	-	-	-	<b>-77</b>	-	<b>1,567</b>
- Insurance intangibles - production	125	551	-	-	-8	-	-	-	-77	-	591
- Goodwill	773	203	-	-	-	-	-	-	-	-	976
<b>DIVISIONE INTERNATIONAL SUBSIDIARY BANKS</b>	-	-	-	-	-	-	-	-	-	-	-
- Goodwill	-	-	-	-	-	-	-	-	-	-	-
<b>BANK OF ALEXANDRIA (Egypt)</b>	-	-	-	-	-	-	-	-	-	-	-
<b>PRAVEX BANK (Ukraine)</b>	-	-	-	-	-	-	-	-	-	-	-
<b>CGU TOTAL</b>	<b>5,841</b>	<b>754</b>	<b>279</b>	<b>-38</b>	<b>-8</b>	-	-	-	<b>-120</b>	<b>20</b>	<b>6,728</b>
- Asset management intangibles	435	-	76	-	-	-	-	-	-30	6	487
- Insurance intangibles	291	551	-	-	-8	-	-	-	-86	-	748
- Intangible asset under administration	40	-	-	-	-	-	-	-	-3	-	37
- Intangibile Acquiring	39	-	-	-38	-	-	-	-	-1	-	-
- Brand name intangibles	1,882	-	-	-	-	-	-	-	-	-	1,882
- Goodwill	3,154	203	203	-	-	-	-	-	-	14	3,574
<b>DISCONTINUED OPERATIONS</b>	<b>45</b>	-	-	-	-	<b>-25</b>	<b>-20</b>	-	-	-	-
- Goodwill - Custodian Bank business line	25	-	-	-	-	-25	-	-	-	-	-
- Goodwill - 31 ISP branches to be sold to BPER	20	-	-	-	-	-	-20	-	-	-	-

(1) Assicurazioni Vita, Lombarda Vita, Cargeas.

(2) Foreign exchange differences on the goodwill attributable to Eurizon Capital SLJ and Reyl &amp; Cie SA.

(3) In relation to the acquisition by Eurizon Capital of a business line of Finanza Sud SIM, note the increase of around 1 million euro relating to the AuM intangible of the Asset Management CGU.

The intangible assets recognised include the intangible asset related to customers, represented by the measurement of the insurance portfolio (Value of Business Acquired) and the assets under administration (AUA) and under management (AUM). Such intangible assets, with a finite life, were originally measured by discounting the income margin cash flows over a period representing the residual life, contractual or estimated, of relationships existing at the time of the business combination. The brand name, an intangible asset related to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.

For the intangible assets with a finite useful life, the amortisation for the year was recognised to the income statement (under "220. Net adjustments to/recoveries on intangible assets") for a total of 120 million euro gross of the tax effect.

Based on IAS 36, both intangible assets with an indefinite useful life and goodwill are submitted to impairment testing on an annual basis to verify recoverability of their value. In addition, intangible assets with a finite useful life must be tested for impairment whenever there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value and the value in use, less costs to sell.

Lastly, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows arising from intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows arising from the asset initially recognised according to IFRS 3 and those relating to the asset outstanding at the impairment test date. This because it would be difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers, contracts, etc., to separate cash flows relating to the original asset from others.

This concept can also be applied in impairment testing of goodwill to calculate the Value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.

As in previous financial statements, given the volatility of the financial markets and the available market values for calculation of the recoverable amount, the Value in use that represents the present value of net future cash flows from the asset (or business) being valued was used in the impairment tests for the 2021 financial statements. In particular, for the financial statements as at 31 December 2021, in line with the previous financial statements, the impairment test on goodwill was conducted by applying the DCF – Discounted Cash Flow model – to which, as a check of the consistency of the results of using the DCF model, the DDM – Dividend Discounted Model – was added. Both of these methods were based on the results of the 2022 – 2025 Business Plan approved by the Board of Directors' meeting of 4 February 2022 and on the forecasts regarding the macroeconomic scenario, which cover up to 2026. It is noted that the tests mentioned above did not concern the Banca dei Territori, International Subsidiary Banks, Bank of Alexandria or Pravex Bank CGUs in consideration of the absence, as of the date of the test, of goodwill allocated to those CGUs to be subject to impairment test. These tests were also joined by an autonomous test, using an independent expert, of the fair value of the component of the brand name attributable to Banca dei Territori, the CGU to which the main portion of that intangible asset has been allocated and which, as a result of the impairment tests for the 2020 Financial Statements, no longer has goodwill allocated.

The results of the impairment test as at 31 December 2021 showed no need to recognise any goodwill impairment or adjustments to intangible assets with an indefinite life (brand name) with regard to any of the CGUs in the Intesa Sanpaolo Group.

Lastly, the methods, assumptions and results of the impairment test procedures for intangible assets and goodwill defined by management were approved by the Board of Directors prior to approval of the draft financial statements for 2021.

## Impairment testing of intangibles

### Insurance portfolio

Valuation of the insurance portfolio uses models normally applied in valuation practice. The resulting value, considered to have a finite life, is amortised at variable rates over a period representing the residual life of the insurance contracts.

The book value of insurance intangible assets includes, among other things, the insurance portfolio of Intesa Sanpaolo Vita and the subsidiary Intesa Sanpaolo Life DAC distributed by the networks of the Intesa Sanpaolo Group and Fideuram Vita. The total book value also includes the intangible asset belonging to Intesa Sanpaolo RBM Salute and the value of the component of distribution of insurance products by the former UBI Banca network and by IW Bank. During 2021, the Value of Business Acquired (VoBA) deriving from the acquisition of Assicurazioni Vita, Lombarda Vita and Cargeas Assicurazioni was added to this. Assicurazioni Vita and Lombarda Vita were merged into Intesa Sanpaolo Vita as of 31 December 2021.

The intangible assets referring to the insurance portfolio were partly allocated to the Insurance CGU and partly to the Banca dei Territori CGU, depending on whether they refer to the value of the component of policy production or policy distribution.

As previously stated, these are intangible assets with finite useful lives and, during the year, the amortisation for the year was charged to the income statement, including the amortisation relating to newly recognised intangible assets, for a total amount of 86 million euro.

During the year, the analyses on the main impairment indicators were updated.

Specifically, in 2021, the Insurance Division earned highly positive income from insurance business of around 1.6 billion euro, of which 0.3 billion euro relating solely to the non-life/health segments, slightly down on the previous year due to the decrease of the technical margin, both in the life business, due to a decrease in premiums higher than the decrease in claims and surrenders and technical reserves, and in the non-life business, in relation to growth of claims that outpaced the development of net premiums. Moreover, total business in the insurance segment amounted to 20.2 billion euro in 2021, essentially in line with 2020, while the non-life and health business saw a gradual increase, amounting to 1.4 billion euro compared to 1.3 billion euro in the previous year. Direct deposits from insurance business exceeded 204 billion euro as at 31 December 2021, up 0.6% compared to December 2020, mainly due to unit-linked products. Technical reserves, which constitute the amounts owed to customers taking out traditional policies or policies with significant insurance risk, recorded a decrease of 2.5%, attributable to the life business, which accounts for almost all reserves.

Note that, as previously stated, IAS 36 requires that intangible assets be subject to impairment tests with reference to relationships with customers of all the CGUs at the valuation date, not only the residual relationships which were used to determine the initial value of the intangible assets. Therefore, any possible calculation of the recoverable amount shall also include the new business generated at the level of the CGU following the date of recognition of the intangible assets.

The following table presents a summary of the values of insurance intangibles according to the relevant CGU.

(millions of euro)								
CGU	Financial statements 2020	Acquisition of Assicurazioni Vita	Acquisition of Lombarda Vita	Acquisition of Cargeas	Demerger of UBI Private Banking Business Line	Sale of Assicurazioni Vita Business Line	Amortisation	Financial statements 2021
<b>BANCA DEI TERRITORI DIVISION</b>								
Insurance intangibles - distribution	152	-	-	-	-35	-	-7	110
<b>INSURANCE DIVISION</b>								
Insurance intangibles - production	125	280	207	64	-	-8	-77	591
<b>PRIVATE BANKING DIVISION</b>								
Intangible asset management - produc. and distribut.	14	-	-	-	35	-	-2	47
<b>GROUP TOTAL</b>	<b>291</b>	<b>280</b>	<b>207</b>	<b>64</b>	<b>-</b>	<b>-8</b>	<b>-86</b>	<b>748</b>

Following the analyses conducted on the main impairment indicators, it was not necessary to carry out a thorough recalculation of the value of the intangible asset, since the overall trend of the insurance business did not present any particular critical issues in 2021.

#### Asset management and administration portfolio

The intangible asset recognised in Intesa Sanpaolo's financial statements is regarded as having a finite useful life. Accordingly, for the purposes of the 2021 Financial Statements, analyses were conducted on the main indicators of the value of this asset, which were also monitored throughout the year (these include trends in assets, redemption rates, and net interest and other banking income net of operating costs and tax effects). Those analyses regarded the component of the intangible assets linked to assets under administration (AUA) and under management (AUM), represented by the capacity of the relationships existing at the acquisition date to generate cash flows over the residual useful life of those relationships, recognised in the financial statements following the acquisitions that were carried out over time. More specifically, this aspect concerns the asset management portfolios of the former Venetian banks, acquired in 2017, and of the Morval Group, acquired by Fideuram in 2018. Subsequently, as part of the acquisition of the UBI Group, during 2020 intangible assets were measured linked to indirect customer deposits and, in particular, the intangible assets pertaining to assets under administration and assets under management.

Lastly, as previously indicated, during 2021 the intangible assets relating to the assets under administration and assets under management of Reyl & Cie SA, a Swiss private bank with an international presence, were recognised, for a value of 76 million euro at the acquisition date.

Indirect customer deposits, with regard to both assets under administration and assets under management, came to 719 billion euro as at 31 December 2021, up by 9.3% on the end of 2020, due to the positive financial market performance and robust placement activity by the Group's distribution networks.

As at 31 December 2021, taking account of the portion amortised in the meantime, the intangible asset linked to AUM was allocated to the Banca dei Territori CGU (201 million euro), to the Private Banking CGU (180 million euro) and to the Asset Management CGU (106 million euro). Likewise, the intangible asset linked to AuA, taking account of the component of amortisation recorded during the year, was allocated to the Banca dei Territori CGU, for the component distributed by the branches deriving from UBI Banca (15 million euro), and to the Private Banking CGU, for the component distributed to customers of IW Bank (20 million euro) and that of the Private Banking Branch demerged from UBI Banca in favour of Intesa Sanpaolo Private Banking (2 million euro) as at 31 December 2021.

The following table presents a summary of the values of the AUM and AUA intangibles attributable to the Banca dei Territori, Private Banking and the Asset Management CGUs.



CGU	(millions of euro)					
	Financial statements 2020	Acquisition of Reyl & Cie	Demerger of UBI Private Banking Business Line	Other changes (1)(2)	Amortisation	Financial statements 2021
BANCA DEI TERRITORI DIVISION						
Intangible asset management - distribution	261	-	-45	-	-15	201
Intangible asset under administration	19	-	-2	-	-2	15
PRIVATE BANKING DIVISION						
Intangible asset management - produc. and distribut.	63	76	45	5	-9	180
Intangible asset under administration	21	-	2	-	-1	22
ASSET MANAGEMENT DIVISION						
Intangible asset management - produc. and distribut.	111	-	-	1	-6	106
GROUP TOTAL	475	76	-	6	-33	524

(1) Foreign exchange differences on the goodwill attributable to Eurizon Capital SLJ and Reyl & Cie SA.

(2) In relation to the acquisition by Eurizon Capital of a business line of Finanza Sud SIM, note the increase of around 1 million euro, which was allocated to the Asset Management Division CGU.

### Brand name

IFRS 3 considers the “brand name” a potential, marketing related intangible asset, which may be recorded in the Purchase Price Allocation (PPA) process.

For this purpose, please note that the term “brand” is used in accounting standards with an extensive meaning and not as a synonym of “logo” or “name”. It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

With reference to acquisition of the Sanpaolo IMI Group, it was decided to limit the analysis to just two brands: the corporate brand Sanpaolo IMI, intended as an “umbrella” brand to which the brands of the other network banks were also related, and the brand of the subsidiary Fideuram – Intesa Sanpaolo Private Banking (former Banca Fideuram), as an autonomous brand widely recognised on the market for the placement of financial products through a network of financial advisors. Both are considered intangibles with indefinite useful life, since they are deemed to contribute indefinitely to the formation of income flows. Market methods and flow-based methods (and, thus, based on fundamental analyses) were used in the valuation of the two brands. Value was determined as the average of the values obtained using the various methods. The amount recorded in the 2021 Financial Statements came to 1,882 million euro, of which 1,507 million euro was allocated to the Banca dei Territori CGU and 375 million euro to the Private Banking CGU.

In general, the brand name is considered an intangible asset that has no independent cash flows and, thus, to be subject to impairment testing as part of the verification of the retention of goodwill for the various CGUs. For the purposes of this impairment test, with regard to the brand name allocated to the Banca dei Territori CGU, it was considered that the reference CGU did not have any goodwill allocated and, as a result, it was not possible to test the recoverable amount of the specific intangible as part of the impairment test of the goodwill based on total cash flows at the level of the CGU. As it was not possible to refer, for the recoverable amount of the brand name of Banca dei Territori, to the notion of Value in Use, i.e. the present value of net future cash flows from the assets valued, it was decided, in line with that carried out for the 2020 Financial Statements, to conduct a specific, autonomous valuation of the specific intangible based on the fair value resulting from the dedicated appraisal commissioned from Prof. Mauro Bini, Full Professor of Corporate Finance at Bocconi University. Lacking specific transactions on comparable banking brand names, the fair value of the brand name allocated to the Banca dei Territori CGU was estimated using the following methods:

- Royalty Relief;
- the implicit value in estimating brands with comparable PPAs;
- the implicit value in the public estimates of brands provided by independent third parties (Brand Finance);
- Hirose.

### Royalty Relief Criterion

The Royalty Relief criterion determines the value of the brand from the present value of income deriving from the brand, estimated as the product of a royalty rate reconstructed on the basis of implicit rates in comparable PPAs and the value of net turnover (operating income, for banks).

### The criterion of the implicit value in estimating brands with comparable PPAs

The criterion of the implicit value in estimating brands with comparable PPAs determines the value of the brand based on the “Fair value of the brand/Operating income” multiples recorded on PPA and their fundamental drivers.

The multiple, calculated in relation to net operating income, is taken from the fair value of the brands recognised on PPA of commercial banks from the Markables database.

*Criterion of the implicit value in the public estimates of brands provided by independent third parties (Brand Finance)*

Brand Finance is a UK company specialising in valuing brands. Each year, Brand Finance publishes the updated estimated value of the brands of the top 500 global banks.

The valuation of brands carried out by Brand Finance is consistent with the relief from royalties criterion, widely used in valuation to estimate the value of brands. According to this criterion, the value of the brand corresponds to the current value of royalty flows saved. The royalty rates are determined based on the trademark license agreements of comparable companies and applied to the specific bank brand based on the strength of the brand estimated and discounted at an opportunity cost of capital in line with the assigned brand rating.

*Hirose Criterion*

This criterion is based on the comparison of the profitability of the branded company (in this case, the Banca dei Territori CGU) and unbranded competitor companies. The income-based method adopted is attributable to the profit-split criterion.

Based on the analyses conducted, all four methods used returned a value of the Intesa Sanpaolo brand for the Banca dei Territori CGU higher than the book value of that intangible asset, demonstrating the value of the Group's brand and the resulting competitive advantage it continues to provide the Group in relation to its competitors.

Instead, the brand name allocated to the Private Banking CGU was subject to impairment testing as part of the activities regarding the verification of the recoverable amount of the goodwill allocated to that CGU.

**Impairment testing of CGUs and goodwill*****Definition of Cash Generating Units (CGUs)***

For impairment testing purposes, the estimation of the value in use relating to intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, as per IAS 36, requires the preliminary assignment of such intangible assets to relatively independent business units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them.

In IAS/IFRS terminology, such business units are known as Cash Generating Units (CGUs). The meaning of the impairment test is significant for identification of the CGUs.

IAS 36 indicates the necessity to correlate the level at which the goodwill is tested with the level of internal reporting at which management controls the increases and decreases of such value. Definition of the level closely depends on the organisational models adopted and on the managerial responsibilities governing the operating guidelines and monitoring activity. Organisational models may ignore (and in the case of the Intesa Sanpaolo Group they do ignore) the network of legal entities through which operations are carried out, and are instead very often closely designed around the definition of business operating segments as envisaged by IFRS 8. Furthermore, the identification of CGUs for goodwill impairment test purposes is consistent with the definition of the recoverable amount of an asset - which is in itself the base for impairment tests - according to which the relevant item is the amount that the company expects to recover from that asset, considering any synergies with other assets.

Therefore, in accordance with the criteria applied for the determination of the prices of the business combinations that gave rise to goodwill recognition, the recoverable amount for impairment testing purposes of the CGU to which goodwill is allocated must include not only the value of external (or universal) synergies but also the internal ones, the reason being that the specific acquirer may obtain additional value from the integration of activities obtained through business combinations, according to its business model.

The Intesa Sanpaolo Group's organisational model envisages that:

- management decisions are highly centralised at the level of the heads of the operational segments;
- strategies, identification of new products or services and commercial penetration initiatives are outlined and directed centrally for each operating division;
- planning processes and reporting systems are managed at the operational segment level;
- as a result of this centralisation, income flows are highly dependent on the policies set up at segment level, based on balanced development of the entire division and not of the individual operating areas or legal entities considered individually;
- specialised transversal areas are defined to provide support and develop products benefiting many subsidiaries;
- the management of financial risks is also highly centralised in order to maintain, also as a result of regulatory provisions, a balance between the capital allocation policies and the financial risks in development of the various business lines;
- the divisions operate in homogeneous markets or sectors in terms of economic characteristics and development level.

As a result of this centralisation, income flows are highly dependent on the policies set up at the operational segment level, based on balanced development of the entire division and not of the individual operating areas or legal entities considered individually.

The operating divisions identified in the Intesa Sanpaolo Group are as follows:

- Banca dei Territori;
- IMI Corporate & Investment Banking;
- Insurance;
- Asset Management;
- Private Banking;
- International Subsidiary Banks.

For the foregoing reasons, the operating divisions cited above correspond, in general terms, to the Group's CGUs, while also representing the core business areas considered for segment reporting.

These divisions are considered representative of cash generating units since each constitutes the smallest group of assets generating independent incoming cash flows and, as mentioned above, also the minimum level set by the Parent Company Intesa Sanpaolo for planning and reporting processes. Therefore, this is the minimum level to which goodwill may be allocated and monitored according to non-arbitrary criteria.

The International Subsidiary Banks Division needs specific comments, given the particular structure and conditions under which it operates.

It should firstly be mentioned that the cash flows of the various Group companies forming this business unit are strictly dependent upon policies formulated by the Division Governance Centres and Head Office Departments of the Parent Company.

These policies are defined and implemented in compliance with a management plan designed to develop the entire Division in an organised manner, and not focusing only on the individual companies' strategies. Specifically, the expansion strategies for the various operating units, the identification and development of new credit, savings and service products, limits to the assumption of financial risk, commercial penetration and operations specialisation initiatives are outlined and steered at central level, following a portfolio strategy, and not devolved to the individual subsidiaries. Therefore, there is strong interaction of the flows that, at the same time, requires both single and integrated governance of all companies in the Division, and the central monitoring and control of operations of the overall business activities of the Division.

However, it is important to consider that not all factors affecting the correlation and interdependence of cash flows within the Division can be controlled by the Division's Head Office Departments.

In fact, there are circumstances outside the Group that could have varying levels of impact on the capacity to systematically manage CGU flows and control over their generation. These are circumstances largely determined in the wider sense by the conditions of the environment in which the various entities are located.

Indeed, for Banks operating abroad, the effects of country risk must be considered: i.e. the risk linked to economic, political and institutional events in the country in which the subsidiary and its business activities are based.

In view of the above, if the cash flows that the Parent Company expects from activities generated by a foreign subsidiary are deeply influenced - in terms of extent, quality and trends - by institutional, economic and political circumstances in the country in which the subsidiary is based, this subsidiary cannot be considered an integral part of the single management model for the CGU which it belongs to. The company in such a situation must, therefore, even if only temporarily, be excluded from the CGU, regardless of the Group Management's willingness to keep it within the CGU, due to the above-mentioned factors over which the Bank and Group's management clearly have no influence. The flows of the company, in fact, would be influenced to a greater extent by the country's conditions than by the unitary and centralised management policy adopted by the Division and, therefore, for impairment testing purposes, the company must be subjected to independent valuation until the conditions for the systemic central control of cash flows of the subsidiary are restored.

With regard to the Ukrainian Pravex Bank, for the purposes of the 2008 impairment testing, careful consideration of the economic and institutional events unfolding in Ukraine, and prudent assessment of their impact on the operational variables of the subsidiary in question, especially from the point of view of their interdependence on variables of the entire CGU, resulted in classification of this company as a completely separate CGU, treating it separately from the Group's International Subsidiary Banks Division. Subsequently, Pravex Bank was functionally allocated to Capital Light Bank (now the NPE Head Office Department), to then be moved back to the International Subsidiary Banks Division in 2018.

With regard to the subsidiary Bank of Alexandria, for the purposes of the 2011 impairment testing the bank was separated from the International Subsidiary Banks CGU due to a profound political crisis in Egypt.

For the purposes of the 2021 impairment testing, as no significant elements arose that cast doubt on the decision made for the previous financial statements, and taking account of the recent geopolitical tensions that are hitting Ukraine, it was deemed appropriate to maintain the decisions made with respect to the previous financial statements, and thus to consider Pravex Bank and Bank of Alexandria as autonomous, distinct CGUs in conducting the impairment test for the consolidated financial statements. However, it bears recalling that the goodwill associated with Pravex Bank and Bank of Alexandria were fully written down in conjunction with the impairment tests for the 2008 and 2011 financial statements, respectively, and there is no goodwill even relating to the other International Subsidiary Banks of the Division.

In Pravex Bank's and Bank of Alexandria's cases, the separate assessment of the banks for impairment testing purposes does not affect the Group's intention to support the development of the subsidiaries.

As previously mentioned, the Banca dei Territori, International Subsidiary Banks and Bank of Alexandria and Pravex Bank CGUs, as of the date of the test, did not possess intangible assets with an indefinite life (with the exception of the brand name allocated to the Banca dei Territori CGU, whose recoverable amount, understood as its fair value, was confirmed by a specific valuation drawn up by an independent expert) and, as a result, were not subject to an impairment test.

#### **Book value of the CGUs**

The book value of the CGUs must be determined in a manner consistent with the criterion used to estimate their recoverable amount. For a banking business, the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these represent the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore the CGUs' book value must include financial assets/liabilities in accordance with the scope of the recoverable amount estimate process.

Consequently, these assets and liabilities must be properly allocated to the associated CGUs. On this basis (so-called "equity side"), the book value of the Intesa Sanpaolo Group's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.

Accordingly, the carrying amount of the CGUs composed of companies belonging to a single operating division was determined by summing up the individual contributions to the balance sheet.

However, where the Parent Company or other Group companies contribute to multiple CGUs from a management standpoint, and this division is not represented in accounting information, management values must be used. In this specific case, the management driver was identified as each division's "regulatory capital", which represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision rules.

The table below provides the book values of the CGUs and the goodwill and brand name allocations to each. The values, determined for impairment testing purposes, include the portion of goodwill attributable to minority interests (included in the last column with minority interests).

CGU	Values	Value as at 31.12.2021			(millions of euro)
		Book value	of which goodwill Group share	of which brand name	of which minority interests
Banca dei Territori	19,749	-	1,507	44	
IMI Corporate & Investment Banking	21,257	56	-	52	
Insurance	7,979	976	-	1	
Asset Management	2,845	1,060	-	3	
Private Banking	4,837	1,482	375	1	
International Subsidiary Banks	6,489	-	-	17	
Bank of Alexandria (Egypt)	867	-	-	173	
Pravex Bank (Ukraine)	55	-	-	-	
<b>TOTAL</b>	<b>64,078</b>	<b>3,574</b>	<b>1,882</b>	<b>291</b>	

#### Criteria for estimates of CGUs' value in use

The value in use of CGUs is determined by estimating the present value of future cash flows that may be expected to be generated by the CGUs. These cash flows are normally estimated by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan.

The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity (through the use of perpetual return formulae, or, alternatively, temporary return formulae, if it is not realistic to expect the assets subject to measurement to generate positive cash flows over the long term), using an appropriate growth rate "g" for the purposes of the so-called "Terminal Value." The "g" rate is determined by assuming as growth factor the rate of increase in the gross domestic product of the countries in which the cash flows are generated.

Alternatively, the Terminal Value could be determined on the basis of a final sale or liquidation value.

For the determination of the value in use, the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates to be used must incorporate the present market values with reference to the risk-free component and the risk premium associated with the equity component observed over a sufficiently long time period to reflect different market conditions and economic cycles.

In addition, given the diverse risks of the respective operating areas, different Beta coefficients must be used for each CGU. All the resulting rates have been adjusted to take into account the "Country Risk".

#### Cash flow estimates

Also with regard to the calculation of the value in use of CGUs for impairment testing purposes for the 2021 financial statements, the volatility of financial markets and the uncertainties that still characterise the future macroeconomic environment make the definition of near-term future cash flows from operating activities and the identification of growth rates in order to calculate the Terminal value of CGUs complex.

The medium-term forecasting scenario of reference was drawn up by the Intesa Sanpaolo Research Department and is the basis for the income forecasts set out in the 2022-2025 Business Plan approved by the Board of Directors' meeting of Intesa Sanpaolo of 4 February 2022.

Those forecasts are based on a reference scenario for the global economy in which the COVID-19 pandemic remains a factor of uncertainty, though the coverage by vaccines reduced its effects on internal demand compared to the situation seen up to winter 2021.

The reference scenario assumes that the winter wave of infections will still stop economic activity in Europe in the first quarter, as previously occurred in the autumn quarter of 2021. Moreover, China's zero-COVID policy, which would likely be more difficult to sustain against more contagious variants, could still have negative repercussions on international value chains, prolonging the tensions on international logistics, slowing industrial production in Europe and the United States and extending the post-pandemic wave of inflation.

In 2021 the global GDP is expected to rebound by 5.8% after falling by around -3.5% in 2020. In 2022, growth should slow to 4.1%. International trade of goods, which had recovered to pre-crisis levels at the end of 2020, is estimated to have grown by 11% in 2021 at constant prices. However, its expansion will slow to 4.7% in 2022, stopped by capacity constraints. From a sector perspective, the rebound of productive activities is sharper for services than for industry, which, in the initial phase of the recovery benefited from a significant transfer of demand towards goods. The easing of restrictions and the increased manageability of the pandemic are leading to a quick end of compulsory savings, towards increased demand for services (tourism, travel, food services and entertainment) as well as for purchases of durable and semi-durable consumer goods and real assets, though not without some slowdowns.

In the United States, GDP is expected to grow by 4.1% in 2022, and by 2.4% in 2023, following the rebound in 2021 (5.6%). The combination of strong tax and monetary stimulus and the imbalanced nature of the recovery fuelled a situation of excess demand, which, in turn, triggered widespread upwards pressure on wages and prices, not limited to just the energy sector. The trend in inflation thus continued to surprisingly rise. In 2022 year-on-year inflation should drop significantly, due to the reduced contribution of energy goods and services, but will remain well above the target of the central bank. In the reference



scenario, it is assumed that the Federal Reserve will stop the net securities purchases by mid-2022 and launch increases in official rates this year. The Fed will soon also decrease the budget, not fully renewing the maturities of securities. The 'neutral' level of interest rates will be reached from 2025 to 2026. The expected increases in interest rates and the change in securities purchases will lead to additional increases in medium/long-term rates. These assumptions formulated in November 2021 now seem almost too cautious, in light of the most recent developments in terms of inflation.

In the Eurozone, 2021 was confirmed as a year of robust economic recovery. In terms of annual averages, the GDP should have grown by 5.0%, more than predicted one year ago, but with a sharp slowdown in the autumn quarter due to the new wave of infections. In 2022, growth of 3.8% is expected, followed by another year of growth higher than potential. Subsequently, growth should return towards an annual average of 1.5%. The decrease in the unemployment rate was greater than expected, and in the Eurozone the drop in the labour force participation rate was not as sharp as in the United States. The elimination of the fiscal stimulus (which, in any event, was less intense than in the United States) is gradual: the aggregate deficit of the area is estimated at 6.3% of the GDP in 2021, and should fall to 4% in 2022, especially due to the improvement in the cyclical component and the reabsorption of the emergency support measures. An additional restriction of fiscal policy is expected from 2023. The NGEU (Next Generation EU) recovery plan was regularly launched in 2021. The scenario adopts the assumption that the peak in NGEU disbursements will occur in 2023, with a differential contribution to the growth in aggregate demand that is higher in 2022 and in 2023 in the main beneficiary countries, including Italy.

Inflation, which was substantially zero in 2020 as a result of the temporary collapse in oil prices during the first wave of the pandemic and Germany's temporary cut of VAT, rebounded sharply in 2021. In addition to the normalisation of transitional factors, in the second half of 2021, sharp increases in prices of energy commodities (natural gas even more than oil) were fuelled, with strong impacts also on electricity tariffs. The shortage of intermediate goods also contributed to inflation, though modestly: in November, two-thirds of the excess inflation compared to the pre-pandemic months was explained by the sole contribution of energy goods and services, while industrial goods explained 20%. The reference scenario projects stable annual average inflation at 2.6% in 2022, to then drop to 1.7% in 2023. Due to developments after the scenario was finalised (specifically, the new rebound in the price of oil and the slow decrease in gas prices), it is deemed that the annual average for 2022 could be significantly higher, as shown by the increase in consensus estimates to 3.1% from November to January. A subsequent decrease towards 2% remains likely, connected to the stabilisation of energy prices. For the moment, wage increases are limited and economic operators do not expect inflation to remain much higher than 2% in the long term. Also in Europe, the uneven recovery gave rise to difficulties in finding workers, but the impacts on wages are still limited.

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

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

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

In 2021 real estate prices outperformed expectations, at least in the first three quarters of the year, refuting the forecasts of drops formulated one year ago. The year-on-year change in the ISTAT index in the third quarter came to 4.2%, resulting from another exceptionally robust quarterly change (1.2%) following the sharp increases previously seen in the first and second quarters (1.1% and 1.7%, respectively). A similar sequence in quarterly changes has not been seen in the last ten years. The annual average for 2021 is now estimated as growing by 2.4%. The improved performance partly reflects the robust economic recovery, but probably the most important role was played by the partial use of excess savings accumulated during the initial phase of the pandemic crisis, in a scenario of improvement in the climate of confidence and accommodative financial conditions. As these factors will continue to produce effects in the short and medium-term, the reference scenario forecasts the positive continuation of this trend. However, at the same time, it is deemed that the pace of price increases should slow from 2023 to 2024 due to the reduction in monetary stimulus and the increase in interest rates, as well as due to the elimination of the distortion due to the reinvestment of excess savings.

Growth projections for the Italian economy are generally higher than the consensus estimates published over the 2021-24 time horizon, with a wider deviation for 2023 than for 2022. However, the long-term estimates are identical. With regard to the 2022 estimate, the pandemic and the impact of the energy crisis generate downside risks in the first quarter, and thus, reflecting on the annual average for 2022.

Inflation forecasts are currently much lower than the consensus average. Also in this case, due to the developments in the commodities markets after the scenario was finalised, it is deemed that inflation could be much higher in 2022, as shown by the increase of 2.7% in the consensus average of January.

In 2021, the performance of the deficit was significantly better than forecast by the Italian government. Moreover, the nominal growth was higher than forecast. The debt-to-GDP ratio for 2021 is expected at 153% and could decrease further in the following years. The decrease will be sharper than estimated one year ago, especially due to the higher growth in the nominal GDP now forecast.

Moreover, Intesa Sanpaolo's Research Department deems that the recent evidence of a sharper boost in inflation could result in modest revisions of the forecasts of GDP growth, in line with consensus. In light of the trends observed at the end of 2021 and in January, specifically with regard to the phase triggered by the Omicron variant, the Department assesses risks to be mainly downside, but deems the forecast issued to still be robust, as the baseline scenario already priced in a possible autumn/winter wave of the flu and the correlated growth-slowing effects. Any negative surprises would probably be offset by a greater rebound in the second quarter.

Lastly, with regard to the outlook for Italy, it is noted that the Bank of Italy updated its forecast scenario on 21 January 2022, compared to the projections provided to contribute to the Eurosystem coordinated exercise, published on 17 December 2021, in order to take account of certain factors, such as the new worsening of the pandemic and the higher energy prices observed

in recent weeks. This limited revision resulted in a forecast of GDP growth of 3.8% for 2022, lower than the previous forecast (4%), while the forecasts for 2023 and 2024 remained unchanged (2.5% and 1.7%, marginally improved compared to the estimates of Intesa Sanpaolo's Research Department). The Bank of Italy is below consensus for 2022 and in line with it for 2023.

The European Central Bank has stated that it intends to keep official rates at levels no higher than the current levels until the forecast inflation has clearly neared the target level of 2%, and provided that the forecasts are also confirmed by a consistent trend in the underlying inflation. Moreover, it cannot be ruled out that the ECB may demonstrate greater tolerance in relation to a period of inflation higher than the target, to offset the long phase of low inflation observed over recent years. According to the most likely scenario, the upwards revision of inflation forecasts and the consolidation of the economic recovery should lead the ECB to launch a phase of increases in official interest rates starting from September 2023. Nonetheless, for prudent reasons, the reference scenario adopted in preparing the 2022-2025 Business Plan includes a stable progression of official rates throughout 2025.

In November 2019, the European Central Bank once again started net purchases of securities as part of the APP (Asset Purchase Programme), with a net monthly flow of 20 billion euro. The ECB announced that purchases will continue until slightly before the increase in official rates, and we believe that they will likely be interrupted between March and June 2023. In 2020, a new temporary purchase programme was launched, titled PEPP (Pandemic Emergency Purchase Programme), with a maximum limit of 1,850 billion euro. On 16 December, the ECB announced that the PEPP will be suspending from 31 March 2022, with full reinvestment of the maturing principal payments up to 31 December 2024. In the second and third quarters of 2022, net APP purchases will be raised to 40 billion euro and 30 billion euro monthly, respectively, to return to 20 billion euro in October. The reinvestment of APP maturities will also continue after the initial increase in interest rates, "for a long period of time", which we assess as 6 quarters.

As a result of the highly conservative assumption made on the trend in official interest rates, forecasts for short-term interest rates remain relatively stable throughout 2025, with 3-month Euribor rates just above -0.5%. The exceptionally high level of surplus reserves, which was expanded further by the launch of the PEPP, and which is expected to decrease only partly with the elimination of the TLTRO operations, will tend to keep very short-term rates close to the ECB overnight deposit rate for the entire time horizon of the forecast.

The level of quarterly interest rates in the baseline scenario is significantly lower than the rates implicit in futures, with a maximum deviation of -80 basis points in 2025. The increase in inflation to record levels for the European Monetary Union and the start of monetary tightening in the United States led the markets to price in increases in the ECB official rates from 2022 to 2023, bringing implicit interest rates through a trend similar to that observed at the end of 2019 (see the figure below). The implicit interest rate curve seems to price in a probability of increases in the official rates also at the end of 2022, which, however, seems highly improbable in light of the recent announcements on the purchase programmes. It is noted that, despite the extensive revision in 2021, the implicit interest rates remain significantly lower than one percentage point at the end of 2026. This implies that real short-term interest rates would continue to be significantly negative and lower than the majority of the estimates of a neutral rate. At the same time, the markets price in long-term inflation of around 2%, that is, near the ECB target: implicitly, the price scenario seems to suggest a return to normality prior to the crisis generated by the COVID-19 pandemic.

Estimates for the medium and long-term interest rate curve reflect the closing of the securities purchase programmes and modest expectations of increases in official rates, already priced in by the markets. Despite the restriction placed by the conservative assumptions on official rates, five-year swap rates should return above zero from 2022 onwards, as it happened for ten-year swap rates last year. The interest rate curve gets steeper in the two-year period 2022-23. The decrease in net purchases by the ECB could provide an additional contribution to the increase in interest rates, even if the boost should be lower than that exercised in the opposite direction by the increase in the securities portfolio of the Central Bank.

The decrease in support provided by the Eurosystem and the increase in risk-free rates could also reflect in an expansion of sovereign risk premiums. Nonetheless, this negative factor could be at least partly offset by the reduction in net issues by the Ministry of the Economy and Finance, in a context of improvement in public finances. The approaching end of the government's term of office in Italy, with the uncertainty associated with the evolution of the political scenario, could result in greater volatility in the BTP-Bund spread. However, the reference scenario incorporates an increase in the spread linked to only fundamental factors (performance of the debt) and monetary policy (rates and net purchases).

With reference to the banking scenario, the credit market continues to be characterised by loose supply conditions, which are expected to remain favourable over the entire time horizon of the scenario, thanks to the continuing extensive refinancing by the Eurosystem, good bank capitalisation and the improvement achieved in credit quality, while the expected deterioration should be less serious than previously estimated.

Demand for credit from businesses weakened during 2021. After the strong increase in loans in 2020, underpinned by policy measures, there was a rapid and sharp slowdown in growth, which seemed to come to a halt in late 2021, resulting in a slightly positive annual change when adjusted for securitisations and loan sales, but below 1%, and negative if calculated without adjustments. The significant use of government-guaranteed loans helped to accelerate the shift in loans to businesses towards medium/long-term loans, which continued to drive growth, though at a much lower pace in 2021, while short-term loans continued the trend of sharp decline.

The forecast for 2022 is for a slow recovery in lending to businesses, which will continue in 2023, continuing at a moderate pace, slightly above +2% over the rest of the time horizon of the scenario. Growth will be supported by investments, but in 2022 it will be impacted by the gradual phase out of the government liquidity and credit support measures. Moreover, financing needs may be partly met using the considerable cash buffer accumulated by businesses in the two-year period 2020-21 and deposited with banks, as well as bond issues and self-financing. Business will have to counter the increase in indebtedness that occurred in 2020 and to a lesser extent also in 2021 with measures to strengthen the capital structure along with a return to funding from market sources, limiting the use of bank credit.

In contrast to the slowdown in loans to businesses, in 2021 loans to households returned to robust growth after the slowdown in the first phase of the pandemic crisis. The growth rate in the second quarter amounted to an average of +3.8%. This performance was underpinned by loans to consumer households for home purchases, which saw continuous growth in disbursements for new mortgage contracts since March, leading to an increase in the stock of over 4% in the second half.

Consumer credit recovered slightly, although at a rather moderate pace compared to the strong growth recorded before the pandemic.

For the future, lending to households should continue at a faster pace than lending to businesses. Mortgage loans for home purchases in 2022 and the following years will continue to play a major role in an environment of strong momentum in the residential property market, which in turn is supported by the new housing and employment needs that have emerged as a result of the pandemic, in addition to tax incentives for restructuring and energy reclassification, rising house prices, continued low interest rates and the use of some of the excess savings accumulated by households starting in 2020. For 2022, an increase of around 4% is expected in the stock of mortgage loans for home purchases, gradually decreasing in the following years.

The outlook for consumer credit is also positive, favoured by the increase in disposable income and expenditure on durable goods, though significant uncertainty remains regarding the evolution of the pandemic.

Customer deposits continued the robust growth in the overnight deposits segment, which has been underway since 2013 and has accelerated with the pandemic. The growth rate remained in double digits for most of 2021, with a partial slowdown towards the end of the year. The strong performance of the on-demand component led to a significant increase in overall deposits and total funding from customers, despite the decline in the bond component.

The growth of deposits continues to be linked to uncertainty and low rates, fuelling the preference for liquidity, together with a savings appetite that, although declining compared to 2020, is still above the pre-COVID level. Balances on company accounts also remained high, although the upward trend was more moderate after the exceptional cash reserves accumulated in the first phase of the pandemic. Deposits of non-financial companies continued to increase, with an inflow of 17 billion euro from January to November, of which almost 23 billion euro in overnight deposits, compared to a record figure of +74 billion euro in the same period of 2020. Household deposits increased by as much as 43 billion euro between January and November 2021, a significant amount after the 64 billion euro in the same period in 2020, when, however, there was a situation of business closures, falling consumption and disposable income and forced savings.

For the above reasons, the robust trend in current accounts is expected to continue in 2022, though with a gradual slowdown. Conditions for moderate growth in current accounts should remain beyond 2022, especially in the case of interest rates remaining low due to a possible continued climate of uncertainty. For businesses, on the other hand, the accumulation of current account liquidity should continue to decline, until it presumably stops. Households are expected to have a greater appetite for consumer spending and to shift their portfolios towards higher-yielding forms of investment. Overall, deposits are expected to grow over the entire forecast period.

Bank bonds continued to decrease, due to lower medium/long-term funding requirements linked to the significant availability of funding through the TLTRO III and the excess of funds deposited with banks in the Eurosystem. Growth in bonds will not return until 2023, but will be modest over the entire scenario horizon, with higher issues on the wholesale market, fuelled by the placement of eligible instruments that meet the requirements of loss absorption, as well as green and social bonds. Customer deposits will record moderate growth on the whole.

Bank lending rates also fell in 2021, although the declines were very small. In terms of lending flows, the average rate on business loans continued to fall, mainly driven by those of over 1 million euro. In contrast, the trend stopped for household mortgage lending rates, which increased for fixed-rate transactions, after the significant fall in 2020.

The rate on overall deposits fell slightly, with marginal downward adjustments for current accounts, given the low levels reached. Rates on new time deposits remained on average lower than in 2020, fluctuating widely as usual during the year, especially for those offered to non-financial companies. The overall cost of customer deposits continued its very gradual decline. The spread between lending and funding rates narrowed further.

Given the continuing favourable conditions for accessing credit, and the assumption of stable official rates until 2025, interest rates on loans will remain very low in 2022 and in the following years. A modest rise in lending rates will follow the rise in monetary and policy interest rates assumed in the two-year period 2025-26.

Along with low monetary rates, the continuing large deposits on current accounts and the substantial contribution of the TLTRO III, which will gradually mature from September 2022 to the end of 2024, will reduce the cost of funding also in 2022 and the following years. Based on the approach taken for monetary and policy rates, a small rise in interest rates on deposits should be visible only in 2026.

The spread between lending and funding rates is expected to remain unchanged in the years 2022-25. The renewed growth of lending rates, along with the slower pace of adjustments to borrowing rates, will allow for a slight widening of the spread only in 2026. Nonetheless, unit profitability of dealing will remain at record lows over the entire horizon.

Like in the previous nine years, in 2021 the mark-down on on-demand deposits was in negative territory, where it is expected to remain over the entire horizon of the scenario, to then gradually start nearing zero only in 2026, given the very low Euribor rates.

The mark-up on short-term interest rates also fell in 2021 and is expected to stabilise in the period 2022-25, again due to the effect of the profile of benchmark rates. A modest reduction in the mark-up will take place in 2026, as a result of market rates beginning to rise.

Assets under management performed strongly in 2021. For mutual funds, the substantial inflows during the year were mainly directed towards the equity and balanced segments. The growth in inflows was driven by the positive performance of stock market indices and the savings accumulated by households, partly allocated to forms of financial investment with higher returns, in an environment of improved confidence thanks to the economic recovery. Portfolio management schemes also showed significant growth. Life insurance picked up overall, driven by new business for unit-linked policies.

From 2022 onwards, the expected framework of interest rates for the equity market should continue to favour the asset management and life insurance businesses. Inflows of investments to these segments may be fuelled by the significant flows of, probably excess, cash into bank deposits in past years and in 2021. Other determining factors are the resilience shown by the asset management industry in 2020 and the demand for advice in connection with choices to move from savings to investment.

Specifically, the highly positive trend in mutual funds will continue in 2022 and continuing robust net inflows are expected, only slightly lower than the previous year. Subsequently, especially if the bond segment continues to underperform and lack attractiveness, inflows to mutual funds should slightly lose ground, though continuing to record highly positive results.



For life insurance companies, in 2022 and onwards, total collected premiums are expected to increase. More specifically, the continuation of an internal shift is confirmed, with much greater premium growth from unit-linked policies than traditional policies. This phenomenon derives both from the demand and supply sides: while operators tend to reduce the offer of traditional policies and promote capital light instruments, customers are interested in subscribing products capable of capturing the best investment opportunities, including those with a greater link to equity instruments, especially with the favourable context on the financial markets. From this perspective, multi-line policies continue to be drivers.

These factors that characterise the medium-term scenario form a solid foundation for the strategy of diversifying banking revenues towards services, specifically in the wealth management and insurance protection businesses, against the low profitability of traditional brokerage, now considered structural also with a view to a future increase in interest rates.

The table below illustrates the macroeconomic variables expected in the period 2022-2026, only for Italy, as no goodwill was recognised for the CGUs operating in foreign countries.

Italy	2021	(values as a percentage)				
		2022	2023	2024	2025	2026
REAL ECONOMY						
Real GDP Italy	6.2	4.3	2.4	1.6	1.0	0.8
Consumer prices Italy	1.8	1.9	1.4	1.7	1.8	1.9
Period-end ECB rate	0.00	0.00	0.00	0.00	0.00	0.25
3-month Euribor rate	-0.55	-0.52	-0.49	-0.48	-0.46	-0.24
10-year IRS	0.1	0.3	0.5	0.6	0.6	0.8
10-year BTP	0.75	1.50	2.01	2.25	2.49	2.78
Spread vs. Bund (basis points)	107	155	165	165	170	177
BANKING SECTOR						
Loans	2.0	1.9	2.6	2.7	2.7	2.4
Direct customer deposits	6.8	3.1	2.3	2.1	2.2	2.2
Loan rate	-	-	-	-	-	-
Funding rate	-	-	-	-	-	-
Average customer spread	1.73	1.72	1.73	1.73	1.73	1.78
Mutual funds	10.8	6.4	5.4	5.2	4.8	4.4
Portfolio management	3.2	3.1	3.5	3.3	3.4	3.2
Life technical reserves	6.4	5.6	5.7	5.7	5.7	5.6

The various CGUs' expected cash flows were subject to impairment testing, taking account of the macroeconomic scenario described above, and were estimated by following a two-stage assessment process.

Specifically, with regard to the first forecast period, in line with the choices made for the 2020 Financial Statements, a timeframe of 5 years was considered, i.e. the five-year period 2022-2026. For that period, with regard to the years up to 2025, the forecasts set out in the 2022-2025 Business Plan, approved by the Board of Directors on 4 February 2021, were considered. The flows for 2026 were estimated through inertial tracking of the flows for 2025, based on the forecasts relating to the macroeconomic scenario, without considering the effect of additional managerial leverage.

The net income projected for the forecast years of the long-term plan has been adjusted, in accordance with IAS 36, to consider non-monetary components and the minority-interest share of net income. It also excludes the effects of any reorganisation and restructuring transactions and the capital gains on future sales of company assets. In addition, cash flows include those allocated to the various CGUs deriving from central corporate assets. In accordance with the equity-side approach mentioned above in relation to the determination of the carrying values of CGUs, the cash flows used for impairment testing include the flows correlated with financial assets and liabilities, given that these represent the company's core business.

Among various financial valuation techniques, such as that used for determining the value in use, the value of a company at the end of the flow forecast period, the so-called terminal value, is normally determined by infinite compounding, at an appropriate "g" rate, of the cash flow achievable "at full capacity". This rate, even if subject to time variations, may be assumed to be constant or decreasing (or increasing in rarer circumstances).

As an alternative to the terminal value estimation methodology, doctrine also envisages (i) the exit multiple approach and (ii) the approach based on an estimation of the liquidation value of the company. Specifically, with regard to approach (i) it should be mentioned that an exit multiple estimate has complex (and potentially subjective) elements that become even more marked at times of market uncertainty and volatility such as now. Approach (ii) is valid only for companies due to be wound up on termination of the forecasting period, and therefore not applicable with a view to a business as a going concern.

For the purposes of the Terminal Value, i.e. the second stage of valuation, the cash flow forecast for 2026, the last year of the analytical projections, was used as the cash flow achievable at full capacity, adjusted to take account of the Euribor estimated at the end of 2026 - instead of the average Euribor for the year - which was marginally higher than the average, even though still negative. That choice is considered consistent with the increasing trend in interest rates which, based on the reference macroeconomic scenario, should begin in the initial months of 2026.

In line with the impairment tests of the previous years, the "g" rate was determined as the average growth rate of Italy's nominal GDP, observed and forecast in the 2008-2026 period (it should be noted that, in consideration of the impairment made in the previous financial statements, no goodwill is allocated to the Banca dei Territori, International Subsidiary Banks, Bank of Alexandria and Pravex Bank CGUs; consequently, it is not necessary to calculate the "g" rate for the purpose of the goodwill test for the foreign countries where the Group operates). Nominal GDP is the sum of the real GDP growth rate and

the inflation rate. Expected real GDP and inflation figures used to calculate the "g" rate were drawn from the forecasts prepared by the Intesa Sanpaolo Research Department described above. Each component has been calculated as the average for the period 2008-2026. The decision made in terms of observation period for the growth rates, considering the current particular macroeconomic situation, calls for specific consideration.

Real GDP dynamics in recent years were negative or only marginally positive due to the economic-financial crisis and, subsequently, the pandemic. A turnaround in the macroeconomic crisis has been underway since 2015 with a recovery, albeit a rather weak one, in growth. This growth, with the exception of 2020 which was greatly affected by the COVID-19 health emergency, has been confirmed by the latest update of the macroeconomic forecasts provided by the Research Department. In order to take into account both crisis periods of the last decade and the expected effects of the pandemic, including the prospects of a recovery, the growth rate for estimating terminal value was calculated as the average nominal GDP growth rates for the 2008-2026 period, thus including in the period both the severe financial crisis that began in 2008 and a prospective period of a return to economic growth.

Furthermore, with a prudential approach, it was checked that the "g" rate was not higher than Italy's GDP growth rate in 2026 or, for each CGU, the growth rate of the last year of analytical forecasting.

#### *Cash flow discounting rates*

For the determination of the value in use, the cash flows must be discounted at a rate that reflects the present market valuations, the time value of money and the asset's specific risks.

In practice, the first characteristic (current market conditions) translates into the calculation of all parameters based on the latest available information as at the reference date of the estimate, so as to best take into account the current market assessments. The second characteristic (consistency between risks/flows and rates) must follow the specificity of flows used for impairment testing of the CGUs. This rate (in its various components) must therefore be decided by observing the specific nature of flows used to assess each CGU, in order to maintain coherence and consistency with the flows. Specifically, consistency becomes important with regard to inflation, country risk and other risk factors that, according to IAS 36, may be expressed in the flows or rate. It is important to point out that a characteristic common to all CGUs recording goodwill (and, in general, intangibles with an indefinite life) is the long-term perspective of flows used to estimate the CGU's value in use. In fact, by its very nature, goodwill has an indefinite useful life, and therefore future cash flows are normally infinitely projectable. This long-term perspective should be reflected in all discounting rate benchmarks by means of the appropriate selection of each, in such a way that they express normalised conditions in the long term.

The discounting rate should normally include the cost of the various sources of funding of the asset to be assessed, in other words the equity cost and debt cost (i.e. WACC, weighted average capital cost).

However, in the case of a banking entity, it is estimated according to an equity-side approach, that is to say by considering only the cost of equity capital ( $K_e$ ), in a manner consistent with the methods for determining cash flows, which, as stated above, include those deriving from financial assets and liabilities.

The cost of capital is determined using the Capital Asset Pricing Model (CAPM). Based on this model, the cost of capital is calculated as the sum of risk-free rate and a risk premium, in turn dependent on the specific risks implicit in the business activities (i.e. both business segment risk and country risk).

The cost of capital is determined net of taxes, in order to ensure consistency with the discounted cash flows.

As the various CGUs of the Intesa Sanpaolo Group operate in different business segments and with different risk factors, the specific costs of capital of each CGU were identified.

It should be noted that, since cash flows were determined in nominal terms, discounting rates were also determined in nominal terms, meaning that they incorporate inflation expectations.

Entering into the details of the various components that contribute to the determination of discounting rates, it may be remarked that:

- in regard to the risk-free component and the country risk premium (CRP), reference was made to the current extremely low values with respect to the general interest rate scenario. Although the level of interest rates (Euribor rate) is not expected to reach positive levels over the time horizon of the plan, it is in any case appropriate to reflect on whether the current situation may or may not reasonably be expected to last beyond the "explicit period" of forecasting of the financial flows for the assessments regarding the impairment tests. In fact, as is common knowledge, terminal value, calculated as the perpetual return of cash flows "at full capacity" after the forecast period, is an important component to calculate the value of the CGUs: in this sense the reflection must focus on the analysis of the current macroeconomic context, to check whether the current level of interest rates may be representative of an ordinary situation and, therefore, can be incorporated in the discount rate of the flow implied in the terminal value, according to a long-term calculation logic, such as the one underlying the impairment test process. Based on the situation described above, the currently low level of interest rates (especially in the risk-free component), heavily affected by the monetary policies of the ECB, will unlikely persist beyond the medium term; therefore, considering the aforementioned long-term prospect that must guide the impairment test, for the 2021 Financial Statements it was deemed appropriate to adopt a prudent approach involving the use of differentiated discount rates for the discounting of the cash flows of the CGUs, in line with that adopted for the previous Financial Statements, and as permitted by IAS 36. Specifically:
  - concerning the risk-free component included in the cash flow discounting rate of the explicit forecast horizon, a decision was made to use the average monthly return (December 2021) of the 10-year German Government bonds (Bund);
  - concerning the risk-free component included in the cash flow discounting rate of the terminal value (cash flow projectable beyond the explicit forecast period), a decision was made to use the average annual return of 10-year German government bonds (Bund) forecast for 2026, which is the last year of flow forecast period, estimated by the Intesa Sanpaolo Research Department.

In line with the above, also for the CRP a methodology was considered that envisages the use of differentiated values. In addition, it should be noted that there is no goodwill allocated to CGUs other than those (mainly) operating in Italy - the

“country risk” essentially coincides with the “Italy risk”. Therefore, in the methodological choices for the impairment test of goodwill for the purpose of the 2021 Financial Statements, the CRP was calculated as follows:

- concerning the CRP included in the cash flow discounting rate of the explicit forecast horizon, the average BTP-Bund spread of December 2021 was considered;
- concerning the CRP included in the cash flow discounting rate of the terminal value, the average annual BTP-Bund spread estimated for 2026 was considered, based on the medium-term forecast scenario mentioned previously;

Therefore, for the purposes of terminal value, risk-free rates and country-risk spreads 180 bps higher than the current values at year-end overall, thus able to be projected in perpetuity, according to a long-term approach, underlying the impairment test, were prudentially considered;

- the equity risk premium – represented by the difference between stock market yield and the Return on Investment on risk-free securities determined in reference to a sufficiently wide time horizon – was calculated on the basis of historical data, given its higher degree of reliability and visibility and also in the light of the current macroeconomic context, which reflects particularly volatile stock market prices not always representative of economic “fundamentals,” while also creating a framework of uncertainty within which it is difficult to formulate reliable forecasts of results in order to estimate the equity risk premium implicit in stock market quotations. Specifically, the geometric mean for the equity risk premium was used, recorded on the US market for the period 1928-2021, adjusted for the differential between the US inflation rate and the German inflation rate (the market used as the basis for risk-free calculation);
- the Beta coefficient, which measures the specific degree of risk of an individual company or business sector, was calculated by identifying a sample of companies, comparable in business terms, for each CGU, and with reference to this sample the average or median Beta figure used was that recorded on a monthly basis over a five-year period;

#### *Summary of growth rates and discounting rates used*

The following table presents a summary, for each CGU subject to impairment test, of the parameters relevant to determining value in use: weighted average 2022-2026 growth rates for the cash flows of the various CGUs, including the allocation of cash flows related to the central corporate assets, the “g” growth rates for terminal value purposes, and the various discounting rates and inflation rates.

RATES/PARAMETERS	Nominal growth rates for impairment test (2022-2026)	NOMINAL DISCOUNTING RATES				LONG-TERM "G" GROWTH RATES		INFLATION RATES
		2021 flows	2021 Terminal Value	2020 flows	2020 Terminal Value	2021	2020	
<b>CGU</b>								
<b>CGU subject to impairment test</b>								
IMI Corporate & Investment Banking	4.79%	7.61%	9.37%	7.01%	8.77%	1.52%	1.19%	1.38%
Insurance	6.63%	7.12%	8.89%	6.23%	7.99%	1.52%	1.19%	1.38%
Asset Management	5.08%	6.85%	8.61%	6.01%	7.78%	1.52%	1.19%	1.38%
Private Banking	8.30%	7.28%	9.05%	6.90%	8.66%	1.52%	1.19%	1.38%

#### *Impairment testing results*

The outcomes of the impairment test showed how the values in use of each of the CGUs to which goodwill was allocated as at 31 December 2021 were higher than the respective book values. Thus, it was not necessary to proceed to any impairment of the goodwill or brand names allocated to the CGUs.

In addition, it is specified that, for the sake of completeness of the analysis, the Group's total value in use was confirmed to be greater than the sum of the carrying amounts of the individual CGUs.

#### *Verification of the results of impairment testing using an alternative calculation method*

As the value of a company or a business line may also be determined by discounting the distributable cash flows, understood as the future cash flows estimated to be generated by the business area (the single CGUs) net of the share of income that must be retained in equity to meet the supervisory requirements, the recoverability of the book value of the goodwill allocated to the CGUs was verified also by discounting the aforementioned cash flows according to the excess capital version of the Dividend Discounted Model (DDM).

With reference to the supervisory requirements, a Common Equity Tier 1 ratio of 10.25% was used, as resulting from the Group Risk Appetite Framework, and significantly higher than the capital requirement (8.81%) communicated by the ECB following the results of the Supervisory Review and Evaluation Process (SREP).

Thus, the distributable cash flows were obtained by integrating the expected cash flows determined as illustrated above, factoring in an increase in capital surplus in relation to the above-mentioned minimum limits of capital, or a decrease in the shares of income needed to cover the requirements deriving from the estimated growth trend in risk-weighted assets. These flows, estimated for each CGU, were discounted by applying the same discounting rates and growth rates “g” used in applying the Discounted Cash Flow (DCF) method.

The results of this method confirmed the results based on the calculation made using the DCF method.

*Reconciliation of the results of the impairment test with the market valuation*

Based on its market valuation, the Group's value in use is higher than its market capitalisation.

During 2021, the Intesa Sanpaolo stock price rose significantly (+18.9%) on the closing values at the end of 2020, which were impacted by the uncertainty and volatility linked to the COVID-19 pandemic. This increase was lower than the Italian sector index (FTSE It All-Share Banks +35.9%) and the Stoxx 600 Banks index (+34.0%), and substantially in line with the Borsa Italiana reference index (FTSE MIB Index +23.0%).

Specifically, after a moderately uncertain beginning of the year influenced by the concerns linked to the third wave of the pandemic, which weighed down all stock prices, the price of Intesa Sanpaolo ordinary shares started a growth trend that brought it close to 2.27 euro at the end of December 2021. During the initial months of 2022 the stock price saw an additional sharp increase, reaching a maximum of around 2.9 euro per share, equal to stock market capitalisation exceeding 56 billion euro (with an implicit P/BV multiple of 0.9).

The valuations and reports by financial analysts produced during 2021 showed performance in line with that of the price of the Intesa Sanpaolo stock, with an upwards revision in target prices.

The upwards revisions of target prices by analysts that continued to occur during the year and in the initial months of 2022, recorded an average value of 3.1 euro, highlighting significant appreciation both due to the results that the Group managed to achieve even in a context of uncertainty which continues to characterise this phase of exiting the COVID-19 pandemic and due to the new 2022-2025 Business Plan. The average target price of analysts equals a stock market capitalisation of slightly less than 60 billion euro.

In any event, it bears observing that valuations expressed by financial analysts have different characteristics from the "fundamental" assessment represented by value in use.

The following may be observed regarding those valuations:

- the future cash flows forecast by analysts, following the announcement of the 2022-2025 Business Plan, now align with the internal forecasts of Intesa Sanpaolo, even if, for the purposes of their valuations, analysts tend to privilege a shorter time horizon than that used to conduct impairment testing;
- the cost of the capital used (in cases where this parameter is explicitly stated) is often determined in overall terms at Group level; the cost of capital of Intesa Sanpaolo used to discount the terminal value cash flows is lower than the values shown in the report by the analysts; The latter tend to keep the discount rates applied constant, unlike those used for the purpose of impairment testing, which must be in line with the current levels of market rates, as envisaged by IAS 36. Moreover, the cost of capital used by the analysts is generally estimated as the minimum return requested by a generic investor, implicit in stock market prices. Thus, the cost of capital reflects short-term macroeconomic and context factors which, as previously mentioned, fall outside the Group's ability to generate sufficient profits to remunerate its shareholders over the long term;
- similarly to the observations made for previous impairment tests, from the methodological standpoint, use was often made of multiples (in terms of P/E or ROE) or other criteria (Gordon Model) applied to current market quotations or expected profitability for the coming years (generally referring to 2024 at the latest); these are thus methods that provide a fair value, rather than a long-term value in use. That aspect has a considerable impact on the differences between the target prices and the value in use per share estimated internally. The internal estimates of future cash flows used to calculate the value of the bank specifically show that, in the medium/long-term, the Group will be capable of generating profitability higher than its current profitability. That aspect is not captured by the analysts' estimates which, as stated, have a short-term horizon.

It bears observing that the valuations in question were intended for financial investors and thus aimed to determine prices and values in the short term. These valuations represent the value potentially obtainable from sale on the market of limited amounts of securities, i.e. the disposal of a minority interest, and are therefore closely pegged to prices and to current market conditions. Conversely, the value in use is based on the consideration that the value of an asset is a direct expression of the cash flows it is able to generate throughout the period of its use. This value is thus also based on the internal expectations of the company, as opposed to market valuations, which are instead based on the short-term expectations of the market itself.

In brief, the difference in the values from the analysts' estimates, which reflect on a methodological difference between the fair value and the value in use, may be explained by the following factors:

- different unit of valuation: as stated, the fair value calculated by the analysts represents the price of a single share, different from the Value in Use, which measures the Bank's entire capital. However, there is a control premium between the two values, which is lacking in the former case, and which is generally valued within a range of 15% to 25%;
- different time horizon of reference considered by the market as opposed to the internal estimate: the limited period covered by the estimates of the cash flows has a considerable impact on the valuation of the Group, in addition to the fact that the analysts, specifically considering the limited horizon of the projections considered, generally estimate a long-term growth rate  $g$  of less than 1%;
- different value of the cost of capital: the analysts' estimates, deriving from stock market prices, factor in elements external to the Group's ability to generate profits for the purpose of remunerating its shareholders;

Lastly, it is also important to note that the Intesa Sanpaolo Group operates in many sectors in addition to banking. In particular, it is important to note the operations in the wealth management segments, which show great resilience, even in periods of crisis. The application of stock market multiples of listed competitors of the single CGUs of Intesa Sanpaolo would result in the value of Intesa Sanpaolo being the sum of the parts more than 70% higher than the capitalisation of the security, confirming that which in doctrine is documented as a "holding discount". This states that the value of the company that holds diversified equity assets is generally less than the sum of the single assets.

Finally, it is believed that impairment tests must be performed with the awareness of the fact that the current economic situation, influenced by the ECB's expansive measures and monetary policy approach, and further penalised by the COVID-19 pandemic emergency, impacts expected short- and medium-term cash flows from operating activities, without however affecting the Intesa Sanpaolo Group's primary sources of income and competitive edges, as has also been demonstrated by



the results of the past few years in which forecast targets have consistently been achieved, and the income dynamics for 2021.

In this regard, it should be noted that in recent years the Group has sold businesses or equity investments that have generated significant gains from disposal (e.g. Setefi, Allfunds Bank, Intrum, Nexi and Fund Administration in Luxembourg), confirming the existence of hidden value within the Group that is not reflected in the book values but is recognised in transactions with third parties. Moreover, the resilient and well diversified business model, which focuses on the product factories where a large part of the difference in book values is concentrated, guarantees a primary source of income for the Group even in adverse conditions solely in relation to the scenario of the banking sector.

Accordingly, in developing the valuation model, the following precautions were adopted:

- projected cash flows include the financial effects of the services provided by the Corporate Centres. Moreover, the final figures for the last few years have been in line with or exceeding the forecast figures;
- the cost of capital was determined analytically, based on parameters taken from the markets for each CGU, depending on the different risk of the respective businesses, also considering analytically the various risk factors; furthermore, considering the extremely low level of the current risk-free rates, for the purpose of the terminal value, the risk-free rates and country-risk spreads forecast for 2026 were considered which, for the CGUs with goodwill, were over 180 bps higher than the current values in December 2021 used to discount cash flows in the explicit forecast period. As a consequence, the average weighted value obtained for the Ke of the single CGUs is absolutely in line with Intesa Sanpaolo's cost of capital expressed by the market;
- the "g" growth rate, for the purpose of terminal value for Italy, which represents the area where goodwill is still recognised, was near zero in real terms.

Lastly, the parameters and information used to test the recoverability of intangible assets with indefinite useful life are significantly influenced by the macroeconomic environment and financial market trends, which might undergo changes that cannot be predicted at the present time. If, in the future, the macroeconomic scenario should deteriorate with respect to the assumptions, this would have effects on the estimate of the various CGUs' cash flows and on the main assumptions adopted, which could obviously yield results in the financial statements of the coming years different from those outlined in the Financial Statements as at 31 December 2021. In this regard, it must be noted that the assumptions adopted for this impairment test have been formulated in an environment still marked by uncertainty, though to a lesser extent than the situation relating to the 2020 Financial Statements, particularly in relation to the health situation, whose deterioration could limit mobility and impact the confidence of consumers and businesses to a greater extent than currently incorporated in estimates, further impeding the recovery of economic activities. Nonetheless, it must be noted that the business units that still have significant amounts of goodwill (Insurance, Asset Management and Private Banking) have always had, and are expected also in the future to have profitability that largely justifies the values of goodwill recognised. Moreover, with regard to the economic and financial impacts of the armed conflict between Russia and Ukraine, note that, as stated, the goodwill relating to the Ukrainian investee Pravex Bank, considered an autonomous CGU, was already fully written down in previous years. The Russian investee Joint-Stock Company Banca Intesa had no goodwill allocated, and is included in the IMI Corporate & Investment Banking CGU with an absolutely immaterial weight on that CGU.

#### Sensitivity analyses

Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses, referring to the DCF method, were carried out, as required by the IAS/IFRS. These analyses are important in this forecasting scenario which, although there is less uncertainty as compared to the forecasting scenario at the end of 2020, is still linked to the duration of the negative effects of the COVID-19 pandemic, and the effects associated with the subsequent economic recovery. In this regard, considering alternative scenarios and stress factors in the main valuation and macro-economic variables makes it possible to evaluate the impacts on the impairment test results related to the specific forecasting scenario.

For CGUs that present residual values of goodwill, the impact on the value in use of an increase of up to 50 bps in discount rates and a decrease of up to 50 bps in the growth rate for terminal value purposes was verified. In addition, analyses were conducted of changes in the Value in Use resulting from a decrease in the cash flows used for terminal value purposes. No events of impairment would emerge in any of the CGUs tested, even in the event of an increase in discounting rates of 50 bps, and a decrease in the "g" rate of 50 bps or a decrease in the terminal value cash flow of 10%. The table below illustrates the sensitivity (in percentage terms) of the Value in Use of the CGUs that present goodwill to changes in the "g" rate or discounting rate of +/-10 basis points, as well as a reduction in the cash flows used for terminal value purposes of 10%.

Sensitivity	CHANGE IN VALUE IN USE		
	Sensitivity to growth rate "g" - 10 bps	Sensitivity to discount rate + 10 bps	Sensitivity to Terminal value cash flows - 10%
<b>CGU</b>			
IMI Corporate & Investment Banking	-0.93%	-1.21%	-7.87%
Insurance	-1.01%	-1.29%	-7.04%
Asset Management	-1.06%	-1.34%	-7.11%
Private Banking	-1.01%	-1.29%	-7.14%

Based on the table above, changes in the  $K_e$  (increasing) or the "g" (decreasing) values within 10 bps would lead to a general decrease in the values in use ranging between 0.93% and 1.34%. Regarding the cash flow considered for the purpose of the terminal value, a 10% decrease of the same would lead to reductions in the values in use ranging between 7.04% and 7.87%. In any event, no issues of impairment would arise for any CGU at that amount of sensitivity.

Still considering stress testing, analyses were performed with the aim of determining the limits for the main inputs, beyond which impairment testing of the CGUs would require the recognition of impairment. The following table presents the "g" growth rates and discounting rates for each CGU that would result in a Value in Use in line with its carrying amounts, assuming equal cash flows to be discounted.

Sensitivity	"g" growth rate	Difference compared to the "g" rate used	TV discounting rate	Difference compared to the $K_e$ discounting rate used
CGU				
IMI Corporate & Investment Banking	-4.18%	-569 bps	13.61%	424 bps
Insurance	-7.22%	-874 bps	15.20%	631 bps
Asset Management <sup>(1)</sup>	n.a	n.a	n.a	n.a
Private Banking <sup>(1)</sup>	n.a	n.a	n.a	n.a

(1) For the Asset Management and Private Banking CGUs, the flows discounted over the explicit forecasting horizon are substantially already higher than the carrying amounts. As a result, the sensitivity analysis of the parameters that modify the discounted Terminal Value, if cash flows remain equal, is not applicable, as there would never be a reduction in the Terminal Value that would lead the value in use of the CGU to values close to the carrying amount.

As shown by the data contained in the table, the Values in Use of the CGUs would reduce until the book values, with consequent impairment problems, only in correspondence with the significant worsening of the discounting rates ( $K_e$ ) and the "g" growth rates. The values in use for the Asset Management and Private Banking CGUs actually exceeded the book values, even without considering the contribution of the terminal value.

In order to consider in the forecasting estimates the key variables deriving from scenarios in alternative to the scenario used for this impairment test, in line with the baseline scenario of the 2022-2025 Business Plan, the impacts on the net income of the Group and the CGUs were estimated, corresponding to a worsening of several macroeconomic parameters considered over the time horizon. In particular, the following were considered:

- a scenario of an increase in the BTP-Bund spread (+100 bps over the time horizon of the plan), also featuring negative impacts on assets under management;
- a scenario of lower GDP growth (-100 bps over the entire time horizon of the plan), featuring a shock to loans.

Considering that the worsening scenarios illustrated above would mainly impact the Banca dei Territori CGU, the reason why its goodwill was fully written down in the 2020 Financial Statements, with immaterial effects on the other Group Divisions, no issues of impairment would arise for any CGU at that amount of sensitivity.

Lastly, also with reference to the particularly conservative assumptions considered in the plan scenario regarding the trend in interest rates, a gradual recovery in interest rates starting in 2023, with a positive Euribor from 2024, would result in the Group's income in 2025 increasing by almost 20%.

**SECTION 11 – TAX ASSETS AND LIABILITIES – CAPTION 110 OF ASSETS AND CAPTION 60 OF LIABILITIES****11.1 Deferred tax assets: breakdown**

Deferred tax assets, recognised with regard to deductible temporary differences, totalled 15,253 million euro, of which 14,287 million euro refers to taxes recorded through profit or loss and 966 million euro to taxes with a balancing entry under shareholders' equity. The first of these amounts refers to losses brought forward, to the portion of tax benefits not offset in relation to adjustments to loans and provisions for risks and charges deductible in future years, and to the benefit from realignment of the taxable value of goodwill, trademarks and other intangible assets pursuant to Article 15, par. 10, 10-bis and 10-ter of Law Decree 185/2008. Deferred tax assets recorded as a balancing entry under shareholders' equity almost exclusively refer to tax on negative valuation reserves for financial assets measured at fair value through other comprehensive income, to the cash flow hedges and to recognition of actuarial losses on personnel funds.

**11.2 Deferred tax liabilities: breakdown**

Deferred tax liabilities amounted to 1,922 million euro and the balancing entry is in the income statement (1,337 million euro) as well as in shareholders' equity (585 million euro).

**11.3 Changes in deferred tax assets (through profit or loss)**

	31.12.2021	Of which:			(millions of euro) 31.12.2020
		Banking group	Insurance companies	Other companies	
<b>1. Initial amount</b>	<b>15,771</b>	<b>15,381</b>	<b>379</b>	<b>11</b>	<b>12,526</b>
<b>2. Increases</b>	<b>2,254</b>	<b>2,030</b>	<b>224</b>	<b>-</b>	<b>5,239</b>
2.1 Deferred tax assets recognised in the period	1,442	1,293	149	-	1,713
a) related to previous years	25	25	-	-	16
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	-	-	-	-	-
d) other	1,417	1,268	149	-	1,697
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	741	737	4	-	422
2.4 Business combinations	71	-	71	-	3,104
<b>3. Decreases</b>	<b>-3,738</b>	<b>-3,672</b>	<b>-66</b>	<b>-</b>	<b>-1,994</b>
3.1 Deferred tax assets eliminated in the period	-2,331	-2,266	-65	-	-1,509
a) reversals	-2,087	-2,084	-3	-	-1,228
b) write-offs	-1	-1	-	-	-3
c) due to changes in accounting criteria	-	-	-	-	-
d) other	-243	-181	-62	-	-278
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-1,407	-1,406	-1	-	-430
a) changes into tax credits pursuant to Law no. 214/2011	-1,254	-1,254	-	-	-
b) other	-153	-152	-1	-	-430
3.4 Business combinations	-	-	-	-	-55
<b>4. Final amount</b>	<b>14,287</b>	<b>13,739</b>	<b>537</b>	<b>11</b>	<b>15,771</b>

Increases d) "other" refers to deductible temporary differences arising during the year, mainly connected to provisions for risks and charges, the recognition of convertible deferred tax assets on the IRES tax loss and depreciation, amortisation and impairment of property and equipment and intangible assets not deductible during the year.

"Other increases" mainly include: (i) the write-off of netting against deferred tax liabilities, applied as at 31 December 2020; (ii) the DTA recognised on the statutory loss of the former UBI, subsequently converted into tax credits; (iii) that caption also includes deferred tax assets posted in relation to the tax loss carried forward (3.5% additional IRES) and deferred tax assets posted in relation to the tax loss carried forward (24% IRES) not used in the fiscal consolidation.

"Business combinations" include the balance contributed by Assicurazioni Vita, Lombarda Vita and Cargeas Assicurazioni, which entered the scope of consolidation in 2021.

Decreases a) "reversals" mainly refer to the elimination of deferred tax assets pursuant to Law no. 214/2011 and deferred tax assets previously recorded in relation to provisions for risks and charges, as a result of their use during the year.

Decreases d) "other" mainly include the elimination of deferred tax assets on IRES tax losses carried forward, converted into tax credits pursuant to Art. 19, paragraph 1, of Law Decree 73 of 25 May 2021 (the "Decreto Sostegni bis"), which extended the relief provided for in Art. 44-bis of Law Decree 34/2019 (the "Decreto Crescita 2019") to 2021.



Other decreases a) “changes into tax credits pursuant to Law no. 214/2011” refers to the information set out in Part C, table 21.1, while sub-caption b) “other” mainly includes the netting against deferred tax liabilities for the year.

#### 11.4 Changes in deferred tax assets pursuant to Law 214/2011

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Initial amount</b>	<b>10,010</b>	<b>8,247</b>
<b>2. Increases</b>	<b>954</b>	<b>2,427</b>
<b>3. Decreases</b>	<b>-2,206</b>	<b>-664</b>
3.1 Reversals	-925	-644
3.2 Changes into tax credits	-1,254	-
a) from losses for the year	-537	-
b) from fiscal losses	-717	-
3.3 Other decreases	-27	-20
<b>4. Final amount</b>	<b>8,758</b>	<b>10,010</b>

#### 11.5 Changes in deferred tax liabilities (through profit or loss)

	31.12.2021	Of which:			31.12.2020
		Banking group	Insurance companies	Other companies	
<b>1. Initial amount</b>	<b>1,253</b>	<b>878</b>	<b>350</b>	<b>25</b>	<b>1,189</b>
<b>2. Increases</b>	<b>806</b>	<b>458</b>	<b>348</b>	<b>-</b>	<b>428</b>
2.1 Deferred tax liabilities recognised in the period	124	64	60	-	81
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	124	64	60	-	81
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	402	383	19	-	177
2.4 Business combinations	280	11	269	-	170
<b>3. Decreases</b>	<b>-722</b>	<b>-684</b>	<b>-38</b>	<b>-</b>	<b>-364</b>
3.1 Deferred tax liabilities eliminated in the period	-629	-591	-38	-	-247
a) reversals	-35	-34	-1	-	-201
b) due to changes in accounting criteria	-	-	-	-	-
c) other	-594	-557	-37	-	-46
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-93	-93	-	-	-88
3.4 Business combinations	-	-	-	-	-29
<b>4. Final amount</b>	<b>1,337</b>	<b>652</b>	<b>660</b>	<b>25</b>	<b>1,253</b>

Increases c) “other” refers to taxable temporary differences arising during the year, mainly relating to the brand name and other intangible assets “realigned” pursuant to Art. 110, paragraphs 8 and 8-bis of Law Decree no. 104/2020 during the year and the higher value of investments in associates and companies subject to joint control.

Other increases under point 2.3 mainly refer to write-off of netting against deferred tax assets through profit or loss applied as at 31 December 2020. This caption also includes the reclassification from deferred tax assets recorded in equity to those through profit and loss.

“Business combinations” include the balance contributed by REYL Group, Assicurazioni Vita, Lombarda Vita and Cargeas Assicurazioni, which entered the scope of consolidation in 2021.

Decreases c) “other” primarily refers to the release of deferred tax liabilities on the brand name and other intangible assets following the exercise of the option for “realignment” pursuant to Art. 110, paragraphs 8 and 8-bis of Law Decree 104/2020.

Other decreases, under point 3.3, essentially include the netting against deferred tax assets through profit or loss for the year.

## 11.6 Changes in deferred tax assets (recorded in equity)

	31.12.2021		Of which:		(millions of euro) 31.12.2020
		Banking group	Insurance companies	Other companies	
<b>1. Initial amount</b>	<b>1,406</b>	<b>1,201</b>	<b>202</b>	<b>3</b>	<b>1,225</b>
<b>2. Increases</b>	<b>386</b>	<b>383</b>	<b>2</b>	<b>1</b>	<b>1,492</b>
2.1 Deferred tax assets recognised in the period	240	240	-	-	496
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	240	240	-	-	496
2.2 New taxes or tax rate increases	5	4	-	1	13
2.3 Other increases	137	136	1	-	6
2.4 Business combinations	4	3	1	-	977
<b>3. Decreases</b>	<b>-826</b>	<b>-758</b>	<b>-68</b>	<b>-</b>	<b>-1,311</b>
3.1 Deferred tax assets eliminated in the period	-258	-190	-68	-	-404
a) reversals	-178	-178	-	-	-375
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
d) other	-80	-12	-68	-	-29
3.2 Tax rate reductions	-6	-6	-	-	-
3.3 Other decreases	-562	-562	-	-	-687
3.4 Business combinations	-	-	-	-	-220
<b>4. Final amount</b>	<b>966</b>	<b>826</b>	<b>136</b>	<b>4</b>	<b>1,406</b>

Increases c) "other" refers to deductible temporary differences arising during the year, mainly connected with the results of cash flow hedging derivatives, financial assets measured at fair value through other comprehensive income and non-deductible adjustments to loans to customers.

"Other increases" mainly refer to the write-off of netting against deferred tax liabilities recorded in equity, applied as at 31 December 2020.

"Business combinations" include the balance contributed by REYL Group, Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas Assicurazioni, which entered the scope of consolidation in 2021.

Decreases a) "reversals" mainly refer to the elimination of deferred tax assets previously recorded in relation to the fair value measurement of cash flow hedging derivatives and financial assets measured at fair value through other comprehensive income following the adjustment of the valuation effects or the related realisation during the year.

"Other decreases", under point 3.3, essentially include the netting against deferred tax liabilities recorded in equity.

## 11.7 Changes in deferred tax liabilities (recorded in equity)

	31.12.2021		Of which:		(millions of euro) 31.12.2020
		Banking group	Insurance companies	Other companies	
<b>1. Initial amount</b>	<b>1,492</b>	<b>922</b>	<b>569</b>	<b>1</b>	<b>677</b>
<b>2. Increases</b>	<b>370</b>	<b>333</b>	<b>37</b>	<b>-</b>	<b>1,327</b>
2.1 Deferred tax liabilities recognised in the period	182	173	9	-	490
a) related to previous years	-	-	-	-	2
b) due to changes in accounting criteria	-	-	-	-	-
c) other	182	173	9	-	488
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	161	159	2	-	19
2.4 Business combinations	27	1	26	-	818
<b>3. Decreases</b>	<b>-1,277</b>	<b>-1,034</b>	<b>-243</b>	<b>-</b>	<b>-512</b>
3.1 Deferred tax liabilities eliminated in the period	-498	-281	-217	-	-167
a) reversals	-12	-12	-	-	-148
b) due to changes in accounting criteria	-	-	-	-	-
c) other	-486	-269	-217	-	-19
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-779	-753	-26	-	-345
3.4 Business combinations	-	-	-	-	-
<b>4. Final amount</b>	<b>585</b>	<b>221</b>	<b>363</b>	<b>1</b>	<b>1,492</b>

Increases c) "other" mainly refers to taxable temporary differences arising during the year connected with the measurement of financial assets measured at fair value through other comprehensive income.

Other increases under point 2.3 mainly refer to write-off of netting against deferred tax assets through profit or loss applied as at 31 December 2020.

"Business combinations" include the balance contributed by REYL Group, Assicurazioni Vita, Lombarda Vita and Cargeas Assicurazioni, which entered the scope of consolidation in 2021.

Decreases a) "reversals" mainly refer to the discharge of deferred tax liabilities previously recorded in relation to the valuation of financial assets measured at fair value through other comprehensive income.

"Other decreases" refer to the netting against deferred tax assets recognised in equity as well as through profit or loss.

**Probability test on deferred taxation**

IAS 12 requires for deferred tax assets and liabilities to be recognised according to the following criteria:

- a deferred tax liability (or DTL) must be recognised, as a general rule, for all taxable temporary differences;
- a deferred tax asset (or DTA) must be recognised for all deductible temporary differences to the extent that it is probable that taxable income will be earned that can offset the deductible temporary differences. Deferred tax assets not recognised in the past - inasmuch as the conditions for their recognition were not met - are recognised during the year in which those conditions arise.

Deferred tax assets are then divided into "eligible" deferred tax assets and "ineligible" deferred tax assets.

For the former, as illustrated in greater detail hereinafter, the regulations set out a specific mechanism for conversion into tax credits which legitimises, in and of itself, their recognition in the financial statements.

Instead, the book value of "ineligible" deferred tax assets must be tested to determine whether it is likely that taxable income will be earned in the future that will ensure their recovery (probability test).

"Eligible" deferred tax assets amounted to 8,758 million euro, while "ineligible" deferred tax assets subjected to the probability test amounted to 6,495 million euro (joined by 1,922 million euro in deferred tax liabilities).

The probability test on the "ineligible" deferred tax assets carried in the 2021 Financial Statements separately regarded, due to the different conditions of use of the underlying temporary differences, the following cases:

- IRES deferred tax assets recognised in relation to previous tax losses. In particular, these were deferred tax assets relating to the tax losses of Intesa Sanpaolo and the merged companies (mainly generated by the former Venetian banks and by the companies in the former UBI Group), in addition to those relating to the tax losses of UBI Leasing, which is expected to be merged into Intesa Sanpaolo during 2022;
- deferred tax assets recognised for tax losses of the Luxembourg subsidiary Intesa Sanpaolo Holding International (ISPHI);
- other deferred tax assets triggered by deductible temporary differences for IRES tax purposes, arising at the Group companies included in the consolidated financial statements ("Other deferred tax assets - IRES");
- deferred tax assets triggered by deductible temporary differences for IRAP tax purposes ("Deferred tax assets - IRAP").

In the 2021 Financial Statements, deferred tax assets relating to previous tax losses were recognised for a total of 1,956 million euro, of which 1,434 million euro equal to the base IRES tax rate of 24% and 522 million euro to the additional IRES

tax rate of 3.5%. Of those deferred tax assets, 1,916 million euro<sup>65</sup> relates to the Parent Company and merged companies (of which over 80% relates to the former Venetian banks and the companies in the former UBI Group) and 40 million euro to UBI Leasing, which will be merged into Intesa Sanpaolo.

The probability test on the deferred tax assets relating to the tax losses was conducted considering the individual position of Intesa Sanpaolo.

For the losses of the former Venetian banks, the possibility of use on an exclusively individual basis by Intesa Sanpaolo derives from the regulations that set out the transfer (Art. 7, paragraph 3 of Law Decree no. 99/2017, converted with amendments by Law no. 121/2017, and Art. 15 of Law Decree no. 18/2016) at the time of the purchase of the business lines of Banca Popolare di Vicenza and Veneto Banca (in 2017) and the subsequent merger of their former subsidiaries Banca Nuova and Banca Apulia (effective on 1 January 2018 and 1 January 2019, respectively). For the losses of UBI Banca and the other companies in the former UBI Group merged into Intesa Sanpaolo, the same possibility is triggered by the incorporation of those companies into Intesa Sanpaolo during 2021. For the losses of UBI Leasing, the incorporation of the company into Intesa Sanpaolo during 2022 is relevant for the same purposes.

The income prospects of Intesa Sanpaolo have been estimated, for the years 2022-2026, using the economic-financial forecasts drawn up by the Planning and Control Department. More specifically: for the years 2022-2025, starting from the income forecasts deriving from the 2022-2025 Business Plan ("Plan"), drawn up by the management of Intesa Sanpaolo and subject to approval by the Board of Directors on 4 February 2022; for 2026, based on the forecasts of the macroeconomic scenario, without considering the effects of managerial leverage (taken from the same database used for the impairment test on intangibles in the 2021 Financial Statements); for the years following 2026, prudently assuming that the gross result would remain constant, therefore, equal to that estimated for 2026 (without, therefore, considering a growth rate "g").

Based on the analyses conducted, total absorption of the deferred tax assets in question could be achieved over a time horizon deemed compatible with the "probability" of recovery required by IAS 12.

For the purpose of completeness, it is noted that the financial statements of the former UBI Group as at 31 December 2019 indicated deferred tax assets not recognised for the Group of approximately 550 million euro, relating entirely to tax losses carried forward without limits of the former Good Banks acquired. On PPA, and in the 2020 Financial Statements, it was decided to adopt an approach in line with that of UBI, prudently choosing not to recognise those DTA. That approach was also confirmed for the purposes of drawing up these Financial Statements. In the next few years, the issue will be reconsidered, based on the trend in the Bank's income performance within the evolution of the external situation.

In the 2021 Financial Statements, deferred tax assets of 44 million euro are also entered, which derive from previous years' tax losses being absorbed of the Luxembourg subsidiary Intesa Sanpaolo Holding International (ISPHI). The analyses carried out in relation to the income forecasts of the Luxembourg subsidiary confirm the ability of that company to use the losses against which deferred tax assets are recognised.

In conducting the probability test for the other deferred tax assets for IRES and the deferred tax assets for IRAP carried in the Group's Financial Statements as at 31 December 2021, deferred tax assets arising from temporary deductible differences associated with impairment losses on loans (other than those deriving from the first-time adoption of the IFRS 9; see below), as well as – if carried in the financial statements within 2014 – from goodwill and other intangible assets with indefinite useful lives<sup>66</sup> ("eligible deferred tax assets" and "eligible temporary differences") were considered separately from others. In this regard, it bears noting that, effective from the tax period ended 31 December 2011, deferred tax assets (for corporate income tax or IRES) recognised to account for tax losses due to the deferred deduction of "eligible" temporary differences are eligible for conversion into tax credits (article 2, paragraph 56-bis, of Law Decree 225 of 29 December 2010, introduced by article 9 of Law Decree 201 of 6 December 2011). Effective from the 2013 tax period, a similar conversion is allowed where the regional business tax (IRAP) return shows a negative net production value also in relation to IRAP deferred tax assets that pertain to "eligible" temporary differences that have contributed to determining the negative net production value (article 2, paragraph 56-bis.1, of Law Decree 225 of 29 December 2010, introduced by Law 147/2013). The above convertibility forms – which are in addition to that already envisaged for cases in which the separate financial statements show a loss for the year (article 2, paragraphs 55 and 56, of Law Decree 225/2010, as most recently amended by Law 147/2013) – provide an additional, supplementary recovery method suited to ensuring the recovery of "eligible" deferred tax assets in all situations, regardless of the company's future profitability. If in a given year there are surplus "eligible" temporary differences with respect to taxable income or net production value, the recovery of deferred tax assets takes the form not of a decrease in current taxes, but of the recognition of deferred tax assets on the tax loss or the negative net production value, convertible into tax credits pursuant to Art. 2, paragraphs 56-bis and 56-bis.1, of Law Decree 225/2010.

The convertibility of deferred tax assets on tax losses and negative net production values that result from eligible temporary differences is therefore a suitable and sufficient condition for the recognition of "eligible" deferred tax assets, making it possible to exclude them from the area of application of the probability test.

A limit to the straight convertibility of "eligible" deferred tax assets was introduced by art. 11 of Law Decree 59 of 3 May 2016, amended by Law Decree 237 of 23 December 2016, which subordinated the transformation into tax credits of the eligible deferred tax assets which were not matched by an actual prepayment of taxes (so-called "type 2 DTA") to the payment of an annual fee, equal to 1.5% of their overall value, for the years 2016-2030. Instead, no fee is due for the transformation into tax credits of the "eligible" deferred tax assets which were matched by an actual prepayment of greater taxes ("type 1 DTA"). Considering that the "eligible" deferred tax assets recognised by the Companies that are part of the fiscal consolidation of Intesa Sanpaolo, as well as those included in the Parent Company's financial statements following the acquisition of the business lines of the former Venetian Banks and, most recently, those of the former UBI Group are all "type 1 DTA", the Group is not currently concretely required to pay this fee.

<sup>65</sup> That amount is already net of the benefit, recognised by Intesa Sanpaolo, deriving from the transformation into tax credits of a total of 220 million euro (of which 110 million euro referring to 2020 and 110 million euro referring to 2021) in deferred tax assets relating to tax losses, due to the sales, carried out by 31 December 2020 and 31 December 2021, respectively, of non-performing loans pursuant to Art. 55 of Law Decree no. 18/2020 ("Cura Italia" Decree), and Art 19 of Law Decree no. 73/2021 ("Sostegni bis" Decree).

<sup>66</sup> With art. 17 of Law Decree 83 of 27 June 2015, the convertibility into tax credits was excluded (for any reason provided for by Law Decree 225 of 29 December 2010) of the deferred tax assets relating "to the value of the goodwill and the other intangible assets entered for the first time starting from the financial statements relating to the year underway at the date the provision comes into force", i.e. starting from 2015.

Article 1, paragraphs 1067 and 1068 of the 2019 Budget Act (Law 145 of 30 December 2018) envisage the deductibility (both for IRES and IRAP purposes) over ten tax periods, starting from the one under way as at 31 December 2018, of the adjustments to loans to customers recognised in the financial statements of banks and financial institutions on first-time adoption of IFRS 9<sup>67</sup>. According to that clarified in the Explanatory Report on the Measure, deferred tax assets recognised in financial statements in relation to the deferral of said deduction cannot be converted into tax credits based on the aforementioned provisions of Law Decree no. 225/2010. Therefore, those taxes must be subject to probability testing.

Based on the above, the probability test on other deferred tax assets - IRES was carried out as follows:

- identifying the “other deferred tax assets - IRES”, i.e. those not relating to the tax losses of Intesa Sanpaolo or the company to be merged UBI Leasing, as well as ISPHI, which were subject to a specific test to determine whether they could be recognised in the financial statements (see above);
- identifying “ineligible” deferred tax assets among other deferred tax assets, as they cannot be converted into tax credits (see above);
- analysing such “ineligible” deferred tax assets and deferred tax liabilities carried in the consolidated financial statements, distinguishing them by causal relationship and by foreseeable recovery timing;
- provisionally determining the amount of the Group’s future taxable income in order to verify its ability to recover the “ineligible” “other deferred tax assets - IRES”. The estimate of future taxable income was made, for the years 2022-2026, using the same database used for the impairment test on intangibles in the 2021 Financial Statements (see above). For the subsequent years, an overhang of the forecasts was cautiously assumed, without considering a growth rate “g”.

The analysis conducted indicated an IRES taxable base that was sufficient and adequate to allow recovery of the deferred tax assets relating to IRES carried in the financial statements as at 31 December 2021.

Also for “deferred tax assets - IRAP”, the probability test was conducted analytically, referring only to the “ineligible” deferred tax assets (for those that can be converted into tax credits, as stated, the prospective certain use based on the cases of conversion into tax credits set out in paragraphs 56-bis and 56-bis.1 of Art. 2 of Law Decree 225/2010, effectively constitutes a sufficient prerequisite for recognition in the financial statements, implicitly passing the related probability test). The test was conducted by comparing the estimated forecast taxable income for IRAP purposes of Intesa Sanpaolo and the company to be merged UBI Leasing, estimated on the basis of the same forecast data assumed in carrying out the probability test on tax losses, with the cancelled ineligible temporary differences found as at 31 December 2021 and resulting in the residual IRAP taxable base for each year.

Considering that, for IRAP purposes, different from that set out for IRES tax losses, there is no carrying forward of tax losses or the possibility of offsetting them as part of tax consolidation, if in one or more years the residual taxable base is negative, for example, the deferred tax assets - IRAP that can be recognised in the financial statements should be limited to only the amounts of the temporary differences that can be recovered in each year considered.

The calculations performed resulted in a positive residual IRAP taxable base in each of the years included in the reference time horizon of the test.

In support of the positive results of the probability test please note that:

- the forecast data used as the basis to estimate forecast taxable income incorporate a “precautionary” macroeconomic scenario, with market interest rates steady at current levels;
- for the purposes of additional prudence, in performing the test, the taxable profit for the years where no specific estimate of future profits is available, even when there is a trend of growth in profits, is assumed to be equal (i.e. not increasing with respect) to the taxable profit of the last year covered by said estimate;
- in any event, the future earnings estimates used for the probability test are updated annually to take account of intervening changes in the market scenarios;
- under the current Italian regulations, tax losses can be carried forward without time limits (Article 84, Combined Tax Regulations);
- Intesa Sanpaolo has a solid income track record, also confirmed by the last financial year which closed with strong results despite an environment heavily affected by the pandemic;
- the negative taxable income does not derive from a natural “inability” to generate taxable income, but rather from some rules specific to the Italian tax system, which resulted in deferred tax assets whose reversals penalised and will continue to penalise (but only up to 2029) the taxable income (accrual of adjustments to loans not deducted until 2014; accrual of expected losses on loans to customers recognised as a result the IFRS 9 FTA; and repeated deferral of the start and end of the recovery period for goodwill realigned for payment);
- most of the deferred tax assets on tax losses relate to the entities acquired by Intesa Sanpaolo and arose prior to the acquisition by the Parent Company.

Therefore, the prospects for recovery resulting from the estimates are considered to meet the “probability of recovery” requirement of IAS 12 and, consequently, the above-mentioned deferred tax assets can be recognised in the balance sheet at 31 December 2021 for their full amount.

## 11.8 Other information

There is no other information to be noted in addition to the above.

<sup>67</sup> The ten-year instalment period, which should have originally concluded in 2027, was extended by one year by the 2020 Budget Act (Law no. 160 of 27 December 2019).

## SECTION 12 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 120 OF ASSETS AND CAPTION 70 OF LIABILITIES

### 12.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>A. Non-current assets held for sale</b>		
A.1 Financial assets	1,206	26,304
A.2 Investments in associates and companies subject to joint control	145	4
A.3 Property and equipment	60	695
<i>of which: resulting from the enforcement of guarantees</i>	4	6
A.4 Intangible assets	8	45
A.5 Other	3	1,654
<b>Total A</b>	<b>1,422</b>	<b>28,702</b>
<i>of which measured at cost</i>	<i>1,364</i>	<i>28,357</i>
<i>of which Fair value level 1</i>	-	-
<i>of which Fair value level 2</i>	-	156
<i>of which Fair value level 3</i>	58	189
<b>B. Discontinued operations</b>		
B.1 Financial assets measured at fair value through profit or loss	-	-
- <i>Financial assets held for trading</i>	-	-
- <i>Financial assets designated at fair value</i>	-	-
- <i>Other financial assets mandatorily measured at fair value</i>	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Investments in associates and companies subject to joint control	-	-
B.5 Property and equipment	-	-
<i>of which: resulting from the enforcement of guarantees</i>	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
<b>Total B</b>	-	-
<i>of which measured at cost</i>	-	-
<i>of which Fair value level 1</i>	-	-
<i>of which Fair value level 2</i>	-	-
<i>of which Fair value level 3</i>	-	-
<b>C. Liabilities associated with non current assets held for sale</b>		
C.1 Debts	-	-32,597
C.2 Securities	-	-17
C.3 Other	-30	-3,062
<b>Total C</b>	<b>-30</b>	<b>-35,676</b>
<i>of which measured at cost</i>	<i>-30</i>	<i>-35,668</i>
<i>of which Fair value level 1</i>	-	-
<i>of which Fair value level 2</i>	-	-6
<i>of which Fair value level 3</i>	-	-2
<b>D. Liabilities associated with discontinued operations</b>		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Allowances	-	-
D.5 Other	-	-
<b>Total D</b>	-	-
<i>of which measured at cost</i>	-	-
<i>of which Fair value level 1</i>	-	-
<i>of which Fair value level 2</i>	-	-
<i>of which Fair value level 3</i>	-	-



As at 31 December 2021, assets held for sale amounted to 1,422 million euro and mainly comprised portfolios or single positions classified as bad loans or UTP that will be subject to sale in 2022, the investment in Zhong Ou Asset Management Co. Ltd. (ZOAM), whose closing, once the authorisation process has been completed, is expected by the end of 2022, as well as the assets and liabilities relating to the Banca 5 business line dedicated to payment operations, and several commercial activities that will be transferred to Mooney in the first half of 2022.

That amount compared to 28,702 million euro recognised as at 31 December 2020, which mainly included the branches sold by the Parent Company and the former UBI to BPER and to Banca Popolare di Puglia e Basilicata and non-performing loans that were sold during 2021.

## 12.2 Other information

There is no other significant information to note as at 31 December 2021.

## 12.3 Information on companies subject to significant influence not carried at equity

As at 31 December 2021, we note the equity investment in Zhong Ou Asset Management Co. Ltd. (ZOAM) subject to significant influence not carried at equity and classified as held for sale.

# SECTION 13 – OTHER ASSETS – CAPTION 130

## 13.1 Other assets: breakdown

Captions		(millions of euro)
Other		5,077
Amounts due from tax authorities		7,432
Amounts to be credited and items under processing		826
Cheques and other instruments held		424
Transit items		7
Amounts to be debited - deriving from securities transactions		71
<b>TOTAL</b>	<b>31.12.2021</b>	<b>13,837</b>
<b>TOTAL</b>	<b>31.12.2020</b>	<b>10,183</b>

The sub-caption "Other" includes the following main components: (i) prepayments and accrued income of 711 million euro; (ii) stamp duty of 300 million euro; (iii) costs incurred to obtain and execute contracts with contracts with customers, for an amount of 478 million euro, mainly referring to costs for bonuses capitalised by Fideuram – Intesa Sanpaolo Private Banking (and, therefore, subject to amortisation for 54.4 million euro) as they are strictly related to the acquisition and maintenance of the funding; and (iv) operating loans, i.e. loans for operations connected with the provision of non-financial activities and services, for an amount of 203 million euro.

Amounts due from tax authorities include tax credits of the insurance segment of 3,358 million euro, as well as the Ecobonus tax credit of 1,883 million euro.



## LIABILITIES

### SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - CAPTION 10

#### 1.1 Financial liabilities measured at amortised cost: breakdown of amounts due to banks

Transaction type/Amount	(millions of euro)							
	31.12.2021					31.12.2020		
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to central banks	134,790	X	X	X	86,235	X	X	X
2. Due to banks	30,468	X	X	X	29,712	X	X	X
2.1 Current accounts and on demand deposits	3,197	X	X	X	5,026	X	X	X
2.2 Time deposits	4,394	X	X	X	2,981	X	X	X
2.3 Loans	18,574	X	X	X	17,690	X	X	X
2.3.1 Repurchase agreements	12,160	X	X	X	10,067	X	X	X
2.3.2 Other	6,414	X	X	X	7,623	X	X	X
2.4 Debts for commitments to repurchase own equity instruments	138	X	X	X	-	X	X	X
2.5 Lease liabilities	8	X	X	X	4	X	X	X
2.6 Other debts	4,157	X	X	X	4,011	X	X	X
Total	165,258	-	153,297	11,916	115,947	-	101,979	13,963

The illustration of the criteria used to determine the fair value is contained in Part A – Accounting policies.

Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section E.2.

The caption Due to Central Banks includes the balance of TLTRO refinancing operations for a total of 131,839 million euro, fully attributable to the TLTRO III.

The Group's repurchase agreements shown in the table include long-term repurchase agreements with a total carrying amount of 238 million euro, attributable to Banca Fideuram for de-risking transactions completed in previous years with the twofold aim of both funding the bank's operations (through repurchase transactions) and reducing the credit risks associated with the portfolio of securities issued (also through the acquisition of financial guarantees). The transactions have a non-replaceable underlying portfolio of Italian government securities (with maturities from 2023 to 2033) hedged against interest rate risk through interest rate swap contracts and against credit risk through credit default swap contracts, already recorded in the financial statements at the time of execution of the repurchase transactions and recognised under financial assets measured at amortised cost. The nominal value and the maturity date of the repurchase agreements are the same as that of the securities.

For recognition purposes, an assessment was conducted aimed at understanding the purpose underlying the contractual agreements, taking into account the instructions provided by the supervisory authorities in Bank of Italy/Consob/IVASS Document No. 6 of 8 March 2013, "Accounting treatment of 'long-term structured repurchase agreements'."

The analysis focused on the structure, cash flows and risks associated with the transactions and was aimed at verifying whether the cases described above were similar to the long-term structured repurchase agreements described in the above Document, and, in order to be compliant with the principle of the prevalence of substance over form, whether the indicators referred in paragraph B.6 of the Guidance on Implementing IFRS 9, according to which the transaction may be considered substantially similar to a credit derivative contract, and, in particular, a credit default swap, were present.

The case described above consists of repurchase agreements that are not concurrent with the purchases of the securities, because they were already present in the portfolio. In addition, buying securities and entering into the related hedging derivatives occurred with market counterparties other than those with which the repurchase agreements were entered into. The credit risk was also closed with financial guarantees.

Consequently, the analysis shows elements of differentiation from the long-term structured repurchase agreements described in the aforementioned Document, supporting the inapplicability of the guidelines provided in paragraph B.6 of the Guidance on Implementing IFRS 9, with the result that the transactions must be recognised in the financial statements with the individual contractual components shown separately.

**1.2 Financial liabilities measured at amortised cost: breakdown of amounts due to customers**

(millions of euro)

Transaction type/ Group members	31.12.2021			31.12.2020				
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and on demand deposits	423,335	X	X	X	380,881	X	X	X
2. Time deposits	19,184	X	X	X	26,951	X	X	X
3. Loans	5,716	X	X	X	3,846	X	X	X
3.1 Repurchase agreements	2,691	X	X	X	944	X	X	X
3.2 Other	3,025	X	X	X	2,902	X	X	X
4. Debts for commitments to repurchase own equity instruments	23	X	X	X	27	X	X	X
5. Lease liabilities	1,379	X	X	X	1,736	X	X	X
6. Other debts	8,602	X	X	X	8,924	X	X	X
<b>Total</b>	<b>458,239</b>	<b>-</b>	<b>433,309</b>	<b>25,130</b>	<b>422,365</b>	<b>-</b>	<b>352,682</b>	<b>69,997</b>

**1.3 Financial liabilities measured at amortised cost: breakdown of securities issued**

(millions of euro)

Transaction type/Amount	31.12.2021			31.12.2020				
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. bonds	75,050	47,030	29,971	42	81,846	47,158	36,678	48
1.1 structured	2,262	246	2,038	42	6,862	-	6,933	48
1.2 other	72,788	46,784	27,933	-	74,984	47,158	29,745	-
2. other	11,508	-	8,837	2,671	9,988	-	7,886	2,104
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	11,508	-	8,837	2,671	9,988	-	7,886	2,104
<b>Total</b>	<b>86,558</b>	<b>47,030</b>	<b>38,808</b>	<b>2,713</b>	<b>91,834</b>	<b>47,158</b>	<b>44,564</b>	<b>2,152</b>

**1.4 Details of subordinated debts/securities**

There were no subordinated debts with banks and customers as at 31 December 2021.

As at the reporting date, subordinated securities issued amounted to 12,599 million euro, entirely attributable to the Parent Company.

**1.5 Details of structured debts**

As at 31 December 2021, structured debts due to banks totalled 200 million euro.

**1.6 Lease payables**

Lease payables are quantified by applying IFRS 16.

## SECTION 1 BIS - FINANCIAL LIABILITIES PERTAINING TO INSURANCE COMPANIES MEASURED AT AMORTISED COST PURSUANT TO IAS 39 - CAPTION 15

The breakdown of the IAS 39 captions included in caption 15 of the Balance sheet liabilities pertaining to insurance companies is provided below.

In relation to the adoption of the Deferral Approach, in the consolidated financial statement layouts established by Bank of Italy Circular 262, "Caption 15 Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39" was created, which comprises the components set out in the table below:

(millions of euro)		
Breakdown of financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 - Caption 15	31.12.2021	31.12.2020
10. Due to banks	623	609
20. Due to customers	188	428
30. Securities issued	1,335	898
<b>Total - Caption 15</b>	<b>2,146</b>	<b>1,935</b>

### 1.1 Bis Due to banks: breakdown

(millions of euro)		
Transaction type/Amount	31.12.2021	31.12.2020
<b>1. Due to central banks</b>	-	-
<b>2. Due to banks</b>	<b>623</b>	<b>609</b>
2.1 Current accounts and deposits	-	-
2.2 Time deposits	-	-
2.3 Loans	607	607
2.3.1 Repurchase agreements	-	-
2.3.2 Financial leasing loans	-	-
2.3.3 Other	607	607
2.4 Debts for commitments to repurchase own equity instruments	-	-
2.5 Lease liabilities	-	-
2.6 Other debts	16	2
<b>TOTAL (Book value)</b>	<b>623</b>	<b>609</b>
Fair value - level 1	-	-
Fair value - level 2	-	2
Fair value - level 3	650	607
<b>Total Fair value</b>	<b>650</b>	<b>609</b>

### 1.2 Bis Breakdown of "Due to banks": subordinated debts

As at 31 December 2021 subordinated debts amounted to 607 million euro, entirely attributable to Intesa Sanpaolo Vita.

### 1.3 Bis Breakdown of "Due to banks": structured debts

There were no structured debts pertaining to Insurance Companies as at 31 December 2021.

### 1.4 Bis Due to banks subject to microhedging

There were no structured debts due to banks subject to microhedging pertaining to Insurance Companies as at 31 December 2021.

### 1.5 Bis Lease payables

Lease payables are quantified by applying IFRS 16.

**1.6 Bis Due to customers: breakdown**

Transaction type/Amount	(millions of euro)	
	31.12.2021	31.12.2020
1. Current accounts and deposits	-	-
2. Time deposits	-	-
3. Loans	-	-
3.1 Repurchase agreements	-	-
3.2 Financial leasing loans	-	-
3.3 Other	-	-
4. Debts for commitments to repurchase own equity instruments	87	341
5. Lease liabilities	7	7
6. Other debts	94	80
<b>Total (Book value)</b>	<b>188</b>	<b>428</b>
<b>Fair value - level 1</b>	<b>-</b>	<b>-</b>
<b>Fair value - level 2</b>	<b>93</b>	<b>348</b>
<b>Fair value - level 3</b>	<b>95</b>	<b>80</b>
<b>Total Fair Value</b>	<b>188</b>	<b>428</b>

The amount under Debts for commitments to repurchase own equity instruments refers to put options sold with minority stakes of fully consolidated equity investments as underlying asset, attributable to the Put & Call Agreement for the purchase of 30% of Intesa Sanpaolo RBM Salute S.p.A.

**1.7 Bis Breakdown of “Due to customers”: subordinated debts**

There were no subordinated debts due to customers pertaining to Insurance Companies as at 31 December 2021.

**1.8 Bis Breakdown of “Due to customers”: structured debts**

There were no structured debts due to customers pertaining to Insurance Companies as at 31 December 2021.

**1.9 Bis Due to customers subject to microhedging**

There were no amounts due to customers subject to microhedging pertaining to Insurance Companies as at 31 December 2021.

**1.10 Bis Lease payables**

Lease payables are quantified by applying IFRS 16.

**1.11 Bis Securities issued: breakdown**

Transaction type/Amount	(millions of euro)							
	31.12.2021				31.12.2020			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. Bonds	1,335	-	1,338	-	898	-	898	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,335	-	1,338	-	898	-	898	-
2. Other	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,335</b>	<b>-</b>	<b>1,338</b>	<b>-</b>	<b>898</b>	<b>-</b>	<b>898</b>	<b>-</b>

**1.12 Bis Breakdown of “Securities issued”: subordinated securities**

As at 31 December 2021, a total of 1,335 million euro pertaining to insurance companies, fully attributable to level-2 other bonds (fair value 1,338 million euro), which at the end of 2020 amounted to 898 million euro.

**1.13 Bis Breakdown of “Securities issued”: securities subject to microhedging**

There were no Securities issued subject to microhedging pertaining to Insurance Companies.

**SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 20****2.1 Financial liabilities held for trading: breakdown**

(millions of euro)

(millions of euro)

Transaction type/Amount	31.12.2021					31.12.2020				
	Nominal or notional amount	Fair value			Fair value (*)	Nominal or notional amount	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level1	Level 2	Livello 3	
A. Cash liabilities										
1. Due to banks	19,827	22,222	40	-	22,262	11,117	12,913	210	-	13,123
2. Due to customers	-	-	-	-	-	2,438	2,810	12	-	2,822
3. Debt securities	3,324	-	3,459	-	X	4,736	-	4,821	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other	3,324	-	3,459	-	X	4,736	-	4,821	-	X
3.2.1 Structured	3,324	-	3,459	-	X	4,736	-	4,821	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	23,151	22,222	3,499	-	22,262	18,291	15,723	5,043	-	15,945
B. Derivatives										
1. Financial derivatives	X	19	28,107	118	X	X	19	36,367	122	X
1.1 Trading	X	19	28,072	118	X	X	19	36,343	106	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	35	-	X	X	-	24	16	X
2. Credit derivatives	X	-	2,340	1	X	X	-	1,758	1	X
2.1 Trading	X	-	2,340	1	X	X	-	1,758	1	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	19	30,447	119	X	X	19	38,125	123	X
Total (A+B)	23.151	22.241	33.946	119	X	18.291	15.742	43.168	123	X

(\*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

The aggregate 3.2.1 Other structured securities includes securitised derivatives which provide for partial or full redemption of the premiums paid on maturity, pursuant to Bank of Italy Communication of 21 October 2014, issued by the Group throughout 2019.

Derivative instruments include 5,014 million euro in certificates with characteristics similar to financial derivative instruments due to the prevalence of market risk in relation to the return of the premiums paid.

The changes in fair value recorded during the year due to the change in its own credit rating were positive by 79 million euro and related to derivatives and Debt securities - Other.

**2.2 Breakdown of “Financial liabilities held for trading”: subordinated liabilities**

Financial liabilities held for trading include 344 million euro in subordinated liabilities due to banks as at 31 December 2021.

**2.3 Breakdown of “Financial liabilities held for trading”: structured debts**

As at 31 December 2021, structured debts classified under Financial liabilities held for trading amounted to 2 million euro due to banks.

## SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE – CAPTION 30

## 3.1 Financial liabilities designated at fair value: breakdown

Transaction type/Amount	31.12.2021					31.12.2020				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
<b>1. Due to banks</b>	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
<b>2. Due to customers</b>	5	-	4	-	4	5	-	4	-	4
2.1 Structured	5	-	4	-	X	5	-	4	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
<b>3. Debt securities</b>	3,634	6	3,638	26	3,566	2,930	-	3,028	-	2,878
3.1 Structured	3,634	6	3,638	26	X	2,930	-	3,028	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
<b>Total</b>	<b>3,639</b>	<b>6</b>	<b>3,642</b>	<b>26</b>	<b>3,570</b>	<b>2,935</b>	<b>-</b>	<b>3,032</b>	<b>-</b>	<b>2,882</b>

(\*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

The Group has classified the LECOIP for the employment agreements, terminated early, of employees of Group companies under “Loans to customers” and “Due to banks”, and life policies connected to social initiatives, managed by the Group based on fair value, under amounts “Due to customers”.

Sub-caption 3.1 Debt securities - Structured comprised certificates which provide for partial or full redemption of the premiums paid on maturity, pursuant to Bank of Italy Communication of 21 October 2014 (certificates with guaranteed or protected capital). As they were issued after 1 January 2020, these are classified under Financial liabilities designated at fair value (Fair Value Option), as a result of the implementation of a new business model based on a banking book approach, with the goal of generating stable inflows.

Certificates representing Financial liabilities designated at fair value record the related changes in fair value attributable to changes in own credit risk in the statement of comprehensive income (shareholders' equity). Changes in the Group's own credit rating during the year were positive by 33 million euro.

## 3.2 Breakdown of “Financial liabilities designated at fair value”: subordinated liabilities

As at 31 December 2021, the Group did not have any subordinated liabilities classified under Financial liabilities designated at fair value.

### SECTION 3 BIS – FINANCIAL LIABILITIES PERTAINING TO INSURANCE COMPANIES MEASURED AT FAIR VALUE PURSUANT TO IAS 39 - CAPTION 35

The breakdown of the IAS 39 captions included in caption 35 of the Balance sheet liabilities pertaining to insurance companies is provided below.

In relation to the adoption of the Deferral Approach, in the consolidated financial statement layouts established by Bank of Italy Circular 262, "Caption 35 Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39" was created, which comprises the components set out in the table below:

		(millions of euro)	
Breakdown of financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39 - Caption 35		31.12.2021	31.12.2020
40. Financial liabilities held for trading		103	58
50. Financial liabilities designated at fair value through profit or loss		84.667	77.149
60. Hedging derivatives		-	-
<b>Total Caption 35</b>		<b>84.770</b>	<b>77.207</b>

#### 3.1 Bis Financial liabilities held for trading: breakdown

Transaction type/Amount		31.12.2021					31.12.2020				
		Nominal or notional amount	Fair value			Fair value (*)	Nominal or notional amount	Fair value			Fair value (*)
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
(millions of euro)											
A. Cashl liabilities											
1. Due to banks	-	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	-	-
3.2 Other	-	-	-	-	X	-	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	X	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives											
1. Financial derivatives	X	-	42	61	X	X	4	54	-	-	X
1.1 Trading	X	-	38	61	X	X	4	48	-	-	X
1.2 Fair value option	X	-	4	-	X	X	-	6	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	-	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	-	X
Total B	X	-	42	61	X	X	4	54	-	-	X
Total (A+B)	X	-	42	61	X	X	4	54	-	-	X

(\*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

#### 3.2 Bis Breakdown of "Financial liabilities held for trading": subordinated liabilities

With regard to Financial liabilities held for trading: subordinated liabilities, no amounts were recorded for Insurance Companies as at 31 December 2021.

#### 3.3 Bis Breakdown of "Financial liabilities held for trading": structured debts

With regard to Financial liabilities held for trading: structured debts, no amounts were recorded for Insurance Companies as at 31 December 2021.



**3.4 Bis Financial liabilities measured at fair value: breakdown**

(millions of euro)

Type of transaction/Values	31.12.2021					31.12.2020				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
<b>1. Due to banks</b>	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
<b>2. Due to customers</b>	<b>84,667</b>	-	<b>84,667</b>	-	<b>85,269</b>	<b>77,149</b>	-	<b>77,149</b>	-	<b>78,165</b>
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	84,667	-	84,667	-	X	77,149	-	77,149	-	X
<b>3. Debt securities</b>	-	-	-	-	-	-	-	-	-	-
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
<b>Total</b>	<b>84,667</b>	-	<b>84,667</b>	-	<b>85,269</b>	<b>77,149</b>	-	<b>77,149</b>	-	<b>78,165</b>

(\*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

**3.5 Bis Breakdown of “Financial liabilities measured at fair value”: subordinated liabilities**

There were no subordinated liabilities classified under Financial liabilities measured at fair value as at 31 December 2021.

**3.6 Bis Hedging derivatives: breakdown by type of hedge and level**

As at 31 December 2021, there were no hedging derivatives for hedged portfolios pertaining to Insurance Companies.

**3.7 Bis Hedging derivatives: breakdown by hedged portfolio and type of hedge**

As at 31 December 2021, there were no hedging derivatives for hedged portfolios pertaining to Insurance Companies.

## SECTION 4 – HEDGING DERIVATIVES – CAPTION 40

## 4.1 Hedging derivatives: breakdown by type of hedge and level

Captions	(millions of euro)									
	Fair value	31.12.2021			Notional value	Fair value	31.12.2020			Notional value
	Level 1	Level 2	Level 3	31.12.2021	Level 1	Level 2	Level 3	31.12.2020		
A) Financial derivatives	-	4,868	-	111,607	1	7,084	3	153,406		
1) Fair value	-	2,814	-	102,604	1	3,386	3	147,451		
2) Cash flows	-	2,054	-	9,003	-	3,698	-	5,955		
3) Foreign investments	-	-	-	-	-	-	-	-		
B. Credit derivatives	-	-	-	-	-	-	-	-		
1) Fair value	-	-	-	-	-	-	-	-		
2) Cash flows	-	-	-	-	-	-	-	-		
Total	-	4,868	-	111,607	1	7,084	3	153,406		

## 4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	FAIR VALUE							(millions of euro)		FOREIGN INVESTM.	
								CASH FLOW			
	Specific						Generic				
	debt securities and interest rates	equities and stock indices	foreign exchange rates and gold	credit risk	commodities	other		Specific	Generic		
1. Financial assets measured at fair value through other comprehensive income	116	-	22	-		X	X	X	-	X	X
2. Financial assets measured at amortised cost	2,134	X	334	-		X	X	X	8	X	X
3. Portfolio	X	X	X	X		X	X	30	X	5	X
4. Other transactions	-	-	-	-		-	-	X	-	X	-
Total assets	2,250	-	356	-		-	-	30	8	5	-
1. Financial liabilities	102	X	31	-		-	-	X	8	X	X
2. Portfolio	X	X	X	X		X	X	45	X	2,033	X
Total liabilities	102	-	31	-		-	-	45	8	2,033	-
1. Forecast transactions	X	X	X	X		X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X		X	X	-	X	-	

The table indicates negative fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.

Considering the values gross of netting in the financial statements, these mainly refer to macro fair value hedges of loans disbursed and micro fair value hedge of loans and debt securities, as well as macro hedges of cash flows from liability portfolios. Cash flow hedges refer to funding through floating-rate securities issued used to fund fixed-rate investments.

**SECTION 5 – FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS – CAPTION 50****5.1 Fair value change of hedged liabilities**

Fair value change of hedged liabilities/Group members	(millions of euro)	
	31.12.2021	31.12.2020
1. Positive fair value change of financial liabilities	63	733
2. Negative fair value change of financial liabilities	-10	-
<b>Total</b>	<b>53</b>	<b>733</b>

The balance of the changes in value of liabilities subject to macrohedging against interest rate risk is recorded in this caption. For the application, the option envisaged by IFRS 9 to continue to apply the provisions permitted by the IAS 39 carve out were applied.

**SECTION 6 – TAX LIABILITIES – CAPTION 60**

For information on this section, see Section 11 of Assets.

**SECTION 7 – LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 70**

For information on this section, see Section 12 of Assets.

**SECTION 8 – OTHER LIABILITIES – CAPTION 80****8.1 Other liabilities: breakdown**

		(millions of euro)
Captions		
Other		8,914
Due to tax authorities		2,431
Due to suppliers		2,272
Amounts to be credited and items under processing		909
Amounts due to third parties		516
Personnel charges		360
Due to social security entities		237
<b>TOTAL</b>	<b>31.12.2021</b>	<b>15,639</b>
<b>TOTAL</b>	<b>31.12.2020</b>	<b>14,439</b>

The sub-caption “Other” includes the following main components: (i) illiquid portfolio items and transactions in securities for 2,990 million euro; (ii) credit transfers being executed for 1,677 million euro; and (iii) accrued expenses and deferred income for 836 million euro.

That sub-caption also includes, as required by paragraph 116 a) of IFRS 15, liabilities arising from contracts with customers of 119 million euro.

**SECTION 9 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 90****9.1 Employee termination indemnities: annual changes**

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>A. Initial amount</b>	<b>1,200</b>	<b>1,134</b>
<b>B. Increases</b>	<b>291</b>	<b>545</b>
B.1 Provisions in the year	7	9
B.2 Other	284	536
- of which business combinations	6	277
<b>C. Decreases</b>	<b>-392</b>	<b>-479</b>
C.1 Benefits paid	-150	-148
C.2 Other	-242	-331
- of which business combinations	-5	-1
<b>D. Final amount</b>	<b>1,099</b>	<b>1,200</b>
<b>Total</b>	<b>1,099</b>	<b>1,200</b>

C.1. refers to benefits paid as at 31 December 2021.

For greater detail on actuarial calculations, see Section 10.5 – Post employment defined benefit plans.

**9.2 Other information**

The present value of employee termination indemnities qualifying as unfunded defined benefit plans totalled 1,099 million euro as at 31 December 2021, while at the end of 2020 it amounted to 1,200 million euro.

**SECTION 10 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 100****10.1 Allowances for risks and charges: breakdown**

Captions/Components	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Allowances for credit risk associated with commitments and financial guarantees given</b>	<b>508</b>	<b>626</b>
<b>2. Allowances on other commitments and other guarantees given</b>	<b>-</b>	<b>-</b>
<b>3. Post-employment benefits</b>	<b>290</b>	<b>324</b>
<b>4. Other allowances for risks and charges</b>	<b>4,918</b>	<b>5,014</b>
4.1 legal disputes	1,066	965
4.2 personnel charges	2,611	2,601
4.3 other	1,241	1,448
<b>Total</b>	<b>5,716</b>	<b>5,964</b>

There are no amounts attributable to the caption "2 – Allowances on other commitments and other guarantees given".  
The contents of 4 – Other allowances for risks and charges are illustrated in point 10.6 below.

**10.2 Allowances for risks and charges: annual changes**

Captions	(millions of euro)			
	Allowances on other commitments and other guarantees given	Post-employment benefits	Other allowances for risks and charges	Total
<b>A. Initial amount</b>	-	324	5,014	5,338
<b>B. Increases</b>	-	33	1,633	1,666
B.1 Provisions in the year	-	11	1,550	1,561
B.2 Time value changes	-	1	-	1
B.3 Changes due to discount rate variations	-	-	-	-
B.4 Other	-	21	83	104
- of which business combinations	-	15	6	21
<b>C. Decreases</b>	-	-67	-1,729	-1,796
C.1 Uses in the year	-	-13	-1,686	-1,699
C.2 Changes due to discount rate variations	-	-	-7	-7
C.3 Other	-	-54	-36	-90
- of which business combinations	-	-	-	-
<b>D. Final amount</b>	-	290	4,918	5,208

As specified in the comment to the previous table, there are no amounts attributable to the caption "Allowances on other commitments and other guarantees given".

Other allowances for risks and charges include net provisions of 471 million euro to caption 200, letter b) of the income statement and net provisions to other income statement captions, for the residual amount, including 316 million euro relating to the agreement on exit incentives for personnel signed with the trade unions on 16 November 2021.

Lastly, as at 31 December 2021 there were variations amounting to -7 million euro due to changes in the discounting rate.

**10.3 Allowances for credit risk associated with commitments and financial guarantees given**

	(millions of euro)				
	Allowances for credit risk associated with commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total
1. Commitments to disburse funds	92	61	62	-	215
2. Financial guarantees given	20	44	229	-	293
<b>Total</b>	<b>112</b>	<b>105</b>	<b>291</b>	<b>-</b>	<b>508</b>

**10.4 Allowances on other commitments and other guarantees given**

As at 31 December 2021, there were no allowances on other commitments and guarantees given.

## 10.5 Post-employment defined benefit plans

### 1. Illustration of the characteristics of the funds and related risks

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank, according to IAS 19 “Employee Benefits”, is determined via the “projected unit credit method” by an independent actuary.

The defined benefit plans, in which the Intesa Sanpaolo Group companies are co-obliged, can be distinguished in:

- internal supplementary pension funds;
- external supplementary pension funds.

Internal funds include:

- three defined benefit plans in force for the London branch, relating to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules for the various funds, on the basis of the annual gross wage received in the last year of service;
- post-retirement medical plan and other benefits for employees of Bank of Alexandria (Egypt): defined benefit plans providing health coverage and other benefits to employees, even after retirement. The bank is responsible for the costs and risks related to the disbursement of said benefits;
- defined benefit plans in effect within Banca Intesa Beograd: these are long-term benefits established by the Collective Contract (which refers to provisions of law in the Republic of Serbia) for employees in service to be paid upon termination of employment;
- defined benefit plans at the former UBI Banca: in general, the purpose of these is to guarantee to subscribers a benefit to supplement the pensions paid by the “disability, retirement and survivors” fund managed by INPS, in the amount and using the methods set out in the individual regulations. These include the Funds pertaining to the former Centrobanca, the former Banca Regionale Europea, the former Carime and the former Banca Adriatica.  
The Supplementary Pension Fund for Personnel of Centrobanca - Banca Centrale di Credito Popolare S.p.A., which has a residual number of 7 subscriber retirees, and provides a direct supplementary pension for retirement and seniority, once the requirements to access the benefits provided by INPS are met (provided that the retiree has been a subscriber of the Fund for at least 15 years) and a direct supplementary pension for disability, once the requirements to access the benefits provided by INPS are met (provided that at least 5 years have passed since registering with the Fund).  
The Fund for personnel of the former Banca Regionale Europea is a fund that supplements the Compulsory Insurance for Disability, Retirement and Survivors for the personnel of Banca Regionale Europea (incorporated into the former UBI Banca effective in November 2016) deriving from the former Banca del Monte di Lombardia and the former Cassa di Risparmio di Cuneo. The fund provides the following benefits as a direct pension:
  - for retirement, when the subscribers have reached the contractual age limits in force at the specific time, provided that they have participated in the Fund for at least 15 years;
  - for seniority, when the subscribers have reached the minimum threshold of service in force at the specific time, set out in the contract;
  - for disability, when, having certified the status of disability at any age, seniority that can be calculated for the benefit of at least five years has been reached or, with any seniority, if the disability is permanent and derives from work-related causes.

Moreover, survivors of the subscriber shall be due an indirect pension in the event of death in service after one year of membership in the Fund or after any period if the death derives from work-related causes, and a survivor's pension in the event of death, provided that the direct pension has been liquidated.

The Fund of the former Carime, merged into the former UBI Banca in February 2017, in turn includes the following funds: the Fund of the former Cassa di Risparmio di Calabria e Lucania, the Fund of the former Cassa di Risparmio di Puglia and the Fund of the former Cassa di Risparmio Salernitana. The funds provide the following pension benefits, as direct pensions for:

- retirement, when the members reach 60 years of age, for men, or 55 years of age, for women, and provided that they have at least 15 years of service;
- seniority, when the members have accrued 35 years of service, for men, or 30 years, for women, irrespective of their age;
- disability, at any age, when they are absolutely and permanently unable to work and are subscribers of the fund (moreover, for the Fund of the former Cassa di Risparmio di Puglia, the disability must be due to work-related causes and for the Fund of the former Cassa di Risparmio Salernitana, at least 5 years' participation is required).

Moreover, survivors of the subscriber shall be due an indirect pension in the event of death in service, and a survivor's pension in the event of death, provided that the direct pension has been liquidated.

The Fund of the former Banca Adriatica, merged into the former UBI Banca in October 2017, includes, in turn: the Retirement Fund for personnel in the lending segment of the former Cassa di Risparmio di Macerata S.p.A. (former Banca Ca.Ri.Ma.), the Retirement Fund for former employees of Banca Ca.Ri.Ma., transferred to Se.Ri.Ma. (now Equitalia Servizi di Riscossione S.p.A.), the Retirement Fund for personnel of the former Mediocredito Fondiario Centro Italia Spa, the Retirement Fund for personnel in the tax-collection segment of the former Cassa di Risparmio di Pesaro, the Retirement Fund for personnel of the former Cassa di Risparmio di Jesi, the Retirement Fund for personnel in the tax-collection segment of the former Cassa di Risparmio di Pesaro Spa, transferred to the former SE.RI.T. S.p.A.

External funds include:

- the Intesa Sanpaolo Group Defined-Benefit Pension Fund “Fondo Pensione a Prestazione definita del Gruppo Intesa Sanpaolo”, the new name given to the former Supplementary Pension Fund for the Employees of Banco di Napoli “Fondo Pensione Complementare per il Personale del Banco di Napoli – Sezione A”, identified as a collector of other “defined benefit” forms under the reorganisation and rationalisation of the existing pension schemes within the Intesa Sanpaolo Group, with protection of the rights of the (active and retired) subscribers. To this end, the “Fund” – in the virtually separated sections within Section A – has been assigned the asset captions contained in the financial statements of the pre-existing pension schemes, in order to ensure full coverage of the supplementary benefits. The Fund, which is a legal entity with independently managed assets, includes the following: employees enrolled in the plan and other beneficiaries from former Banco di Napoli; retired employees receiving Supplementary Pension Cheques, formerly the Sanpaolo IMI internal fund; retired employees from the former Banca Nazionale di Comunicazioni; current and retired employees of the Cassa di Risparmio in Bologna, formerly enrolled in the Complementary pension fund for the employees of said bank, transferred to the Complementary pension fund for the employees of Banco di Napoli in 2004; retired employees of the Complementary pension fund of the former Fin.Opi, transferred to the Fund in question on 1 June 2005; current and retired employees of Banca Popolare dell’Adriatico, formerly enrolled in the Company pension fund for the employees of the former Banca Popolare dell’Adriatico, transferred to the Fund in question on 30 June 2006; retired employees of Cassa di Risparmio di Udine e Pordenone, formerly enrolled in the Complementary pension fund for the Employees of said bank, transferred to the Fund in 2006; retired employees of Cassa di Risparmio di Forlì, formerly enrolled in the Complementary pension fund for the employees of said bank, transferred to the Fund in question on 1 January 2007; retired employees of the former Carive internal Fund, transferred to the Fund in question on 1 January 2008; retired employees of the former CR Firenze FIP internal fund, transferred to the Fund in question on 1 January 2010; retired employees of Cassa di Risparmio di Terni e Narni internal fund, transferred to the Fund in question on 1 January 2010, for which there were no longer any beneficiaries as at 31 December 2021; retired employees of Cassa di Risparmio di Pistoia e Pescia internal fund, transferred to the Fund in question on 1 September 2012; retired tax-collection personnel of the Supplementary pension fund for tax-collection personnel formerly employed by Cariplo, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the supplementary pension fund for employees of Mediocredito Lombardo S.p.A., transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the Pension Fund for key Managers, former Key Managers and entitled parties of former Comit, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the “Casse del Centro” Pension Funds, in particular those enrolled in the Supplementary INPS benefits fund for the compulsory insurance for invalidity, old-age and survivors for personnel of Cassa di Risparmio di Città di Castello, Supplementary INPS benefits fund for the compulsory insurance for invalidity, old-age and survivors for personnel of Cassa di Risparmio di Foligno, Company supplementary pension AGO fund for employees of Cassa di Risparmio di Spoleto, Supplementary/complementary pension fund for the mandatory pension for employees of Cassa di Risparmio di Rieti, Pension fund for the Employees of Cassa di Risparmio della Provincia di Viterbo and Company supplementary pension fund for employees of Cassa di Risparmio di Ascoli Piceno, transferred to the Fund in question on 1 January 2015; retired employees already formerly enrolled in the Company Supplementary pension of INPS benefits for employees of Cassa di Risparmio di Civitavecchia, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the supplementary fund of SIL – Società Italiana Leasing S.p.A., transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the Supplementary Pension Fund for the personnel of Banca Monte Parma, transferred to the Fund in question on 1 January 2016; employees and retired employees formerly enrolled in the Supplementary Pension Fund for the personnel of the former Crediop hired before 30 September 1989, transferred to the Fund in question on 1 January 2016; retired employees formerly enrolled in the Supplementary Pension Fund for the personnel of Cassa di Risparmio di Mirandola, transferred to the Fund in question on 1 April 2016; retired employees formerly enrolled in the Pension Fund for the Personnel of the former Cassa di Risparmio di Prato transferred to the Fund in question on 1 May 2018; retired employees formerly enrolled in the Defined Benefit Plan of the former Cassa di Risparmio di Fabriano e Cupramontana transferred to the Fund in question on 1 May 2018; current and retired employees of the Supplementary pension fund for the personnel of Istituto Bancario Sanpaolo di Torino, transferred to the Fund in question on 1 January 2019; and retired employees of the Supplementary pension fund for the personnel of Cassa di Risparmio di Padova e Rovigo, transferred to the Fund in question on 1 July 2019.

It is necessary to specify that if the sections of the Fund, after approval of the financial statements, show a technical imbalance according to the statutory method, the Articles of Association envisage immediate settlement by the Banks jointly responsible.

- Pension fund for the employees of Cariplo, a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998;
- a defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service at the Bank for at least 5 years. The benefit is considered to be accrued even if the employment relationship ceases in advance. The benefit is calculated based on the highest average wage considering three consecutive years out of the last 10 years of service, or, if the employment relationship ceases before, based on the average wage in the last three years of service. The fund is no longer managed by the New York branch, but has been fully transferred to the Prudential Fund (a defined benefit plan that manages the positions of members);
- the pension fund of Cassa di Risparmio di Firenze: fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment to the bank’s employees in service as at 31 December 1990 and already enrolled in the former “contracted-out” fund;
- an employee pension plan of Intesa Sanpaolo Private Banking (Suisse) Morval SA: the plan provides supplementary benefits when the pension is due under the local social security provisions (LPP) or in the event of an unfavourable event (disability and death); the obligations are covered by dedicated assets, managed through a contractual relationship between the company and Axa Fondazione previdenza professionale, Winterthur;



- the Pension Fund of the UBI Banca Group of the former Banca Popolare di Bergamo and its subsidiaries: in implementation of the agreement of 21 March 1989, the Fund provides monthly disbursements to the beneficiaries, supplementary benefits in the form of an annuity in the amount set out in the agreement;
- The Pension Fund for Personnel of the former Banca Popolare di Ancona and its subsidiaries: the Fund disburses benefits in addition to or supplementing the benefits provided by INPS according to the regulations of 5 types of defined-benefit pensions acquired over time by way of incorporation and/or agreements. Segment I of that Fund is defined benefit, with a guarantee of settlement of the respective shares of the subscribers by Intesa Sanpaolo (former UBI Banca), Credito Valtellinese and Agenzia Entrate Riscossioni;
- an employee pension plan of Reyl & Cie SA/Asteria Investment Managers SA: the plan provides supplementary benefits when the pension is due under the local social security provisions (LPP) or in the event of an unfavourable event (disability and death); the obligations are covered by dedicated assets, managed through a contractual relationship between the company and La Collective de Prévoyance - Copré, Geneva;

On 5 December 2017, Intesa Sanpaolo S.p.A., also in its capacity as Parent Company, signed an agreement with the Trade Unions, as Fund Founders, for the integration of the Supplementary Pension Fund for the Personnel of Istituto Bancario San Paolo di Torino into the Supplementary Pension Fund for the Personnel of Banco di Napoli - Section A (which from 1 January 2019 changed its name to the “Fondo pensione a prestazione definita del Gruppo Intesa Sanpaolo”, with registered office in Turin). This agreement also provided for the formulation of an individual capitalisation offer for the supplementary benefits to be made to the participants, which was carried out in the second half of 2018 and continued during 2019, 2020 and 2021: the subscriptions received in the current year led to a decrease in the obligation of around 4 million euro, partly covered by the Fund’s assets (around 2 million euro) and partly through the use of Funds set up specifically for this purpose by the Bank, under the guarantee given (around 2 million euro).

With regard to the investment and integrated risk management policies, the Funds verify the level of coverage and the possible outcomes under various scenarios. For this purpose, various investment configurations and portfolio mixes and allocations are defined, in order to satisfy the pension and profitability objectives as adequately as possible.

## **2. Changes in the year of net liabilities (assets) with defined benefits and redemption rights**

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability is determined by the “projected unit credit method” and is recorded in the balance sheet net of any plan assets. Moreover, with application of the new revised IAS 19 from 1 January 2013, actuarial profits and losses calculated in the valuation process for the plans are immediately recognised in the statement of comprehensive income and, therefore, in shareholders’ equity.

(millions of euro)

Pension plan liabilities defined benefit obligations	31.12.2021			31.12.2020		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
<b>Initial amount</b>	<b>1,200</b>	<b>345</b>	<b>1,692</b>	<b>1,134</b>	<b>253</b>	<b>1,734</b>
Current service costs	7	4	12	4	3	8
Recognised past service costs	-	-	-4	-	-	-
Interest expense	-	16	3	5	14	10
Actuarial losses due to changes in financial assumptions	33	3	73	25	17	66
Actuarial losses due to changes in demographic assumptions	5	-	9	6	-	1
Actuarial losses based on past experience	2	15	28	3	11	8
Positive exchange differences	-	19	10	-	-	-
Increases - business combinations	6	-	87	277	81	9
Participants' contributions	X	-	7	X	-	1
Actuarial profits due to changes in financial assumptions	-	-24	-5	-	-4	-
Actuarial profits due to changes in demographic assumptions	-	-	-12	-10	-2	-1
Actuarial profits based on past experience	-	-	-1	-29	-	-10
Negative exchange differences	-	-	-	-	-14	-2
Benefits paid	-150	-19	-131	-148	-13	-119
Decreases - business combinations	-5	-	-	-1	-	-
Curtailments of the fund	X	-	-6	X	-	-14
Settlements of the fund	X	-	-	X	-	-
Other increases	238	1	1	225	-	1
Other decreases	-237	-1	-	-291	-1	-
<b>Final amount</b>	<b>1,099</b>	<b>359</b>	<b>1,763</b>	<b>1,200</b>	<b>345</b>	<b>1,692</b>

Pension plan liabilities defined benefit obligations	31.12.2021			31.12.2020		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	1,099	177	-	1,200	167	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	182	1,763	-	178	1,692

The actuarial losses recorded for variations in financial assumptions are mainly due to the trend in the annual inflation rate, which grew by around 1.00%.

### 3. Information on the fair value of plan assets

The following tables show the changes in plan assets for certain defined benefit plans and their composition.

(millions of euro)

Plan assets	31.12.2021		31.12.2020	
	Internal plans	External plans	Internal plans	External plans
<b>Initial amount</b>	<b>131</b>	<b>1,536</b>	<b>132</b>	<b>1,577</b>
Return on assets net of interest	19	114	2	52
Interest income	2	3	2	9
Positive exchange differences	10	7	-	-
Increases - business combinations	-	61	-	9
Employer contributions	10	8	5	3
Participants' contributions	-	7	-	2
Negative exchange differences	-	-	-7	-2
Decreases - business combinations	-	-	-	-
Benefits paid	-4	-131	-3	-119
Curtailments of the fund	-	-6	-	-9
Settlements of the fund	-	-	-	-
Other changes	-	3	-	14
<b>Final amount</b>	<b>168</b>	<b>1,602</b>	<b>131</b>	<b>1,536</b>

(millions of euro)

Plan assets: additional information	31.12.2021				31.12.2020			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
<b>Equities</b>	<b>89</b>	<b>53.0</b>	<b>456</b>	<b>28.5</b>	<b>67</b>	<b>51.1</b>	<b>267</b>	<b>17.4</b>
- of which level-1 fair value	89		437		67		246	
<b>Mutual funds</b>	<b>-</b>	<b>-</b>	<b>137</b>	<b>8.6</b>	<b>-</b>	<b>-</b>	<b>279</b>	<b>18.2</b>
- of which level-1 fair value	-		82		-		216	
<b>Debt securities</b>	<b>59</b>	<b>35.0</b>	<b>460</b>	<b>28.7</b>	<b>52</b>	<b>39.7</b>	<b>478</b>	<b>31.1</b>
- of which level-1 fair value	59		460		52		472	
<b>Real estate assets and investments in real estate companies</b>	<b>10</b>	<b>6.0</b>	<b>377</b>	<b>23.5</b>	<b>8</b>	<b>6.1</b>	<b>409</b>	<b>26.6</b>
- of which level-1 fair value	-		-		-		-	
<b>Insurance business</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- of which level-1 fair value	-		-		-		-	
<b>Other assets</b>	<b>10</b>	<b>6.0</b>	<b>172</b>	<b>10.7</b>	<b>4</b>	<b>3.1</b>	<b>103</b>	<b>6.7</b>
- of which level-1 fair value	-		-		-		-	
<b>TOTAL ASSETS</b>	<b>168</b>	<b>100.0</b>	<b>1,602</b>	<b>100.0</b>	<b>131</b>	<b>100.0</b>	<b>1,536</b>	<b>100.0</b>

(millions of euro)

Plan assets: additional information	31.12.2021				31.12.2020			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
<b>Equities</b>	<b>89</b>	<b>53.0</b>	<b>456</b>	<b>28.5</b>	<b>67</b>	<b>51.1</b>	<b>267</b>	<b>17.4</b>
- of which financial companies	89		70		67		59	
- of which non financial companies	-		386		-		208	
<b>Mutual funds</b>	<b>-</b>	<b>-</b>	<b>137</b>	<b>8.6</b>	<b>-</b>	<b>-</b>	<b>279</b>	<b>18.2</b>
<b>Debt securities</b>	<b>59</b>	<b>35.1</b>	<b>460</b>	<b>28.7</b>	<b>52</b>	<b>39.7</b>	<b>478</b>	<b>31.1</b>
<b>Government bonds</b>	<b>59</b>		<b>282</b>		<b>52</b>		<b>252</b>	
- of which investment grade	59		282		52		248	
- of which speculative grade	-		-		-		4	
Financial companies	-		76		-		105	
- of which investment grade	-		70		-		75	
- of which speculative grade	-		6		-		30	
Non Financial companies	-		102		-		121	
- of which investment grade	-		84		-		87	
- of which speculative grade	-		18		-		34	
<b>Real estate assets and investments in real estate companies</b>	<b>10</b>	<b>6.0</b>	<b>377</b>	<b>23.5</b>	<b>8</b>	<b>6.1</b>	<b>409</b>	<b>26.6</b>
<b>Insurance business</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>	<b>10</b>	<b>5.9</b>	<b>172</b>	<b>10.7</b>	<b>4</b>	<b>3.1</b>	<b>103</b>	<b>6.7</b>
<b>TOTAL ASSETS</b>	<b>168</b>	<b>100.0</b>	<b>1,602</b>	<b>100.0</b>	<b>131</b>	<b>100.0</b>	<b>1,536</b>	<b>100.0</b>

The difference between net defined benefit liabilities (see the previous disclosure, Table 10.5, point 2) and the plan assets (see the previous disclosure, Table 10.5, point 3) is recognised under the post-employment plans and, in some cases, under other allowances for risks and charges.

#### 4. Description of the main actuarial assumptions

The table below indicates the actuarial assumptions and interest rates used by the various funds.

Actuarial assumptions	31.12.2021				31.12.2020			
	Discount rates	Expected rate of return	Expected rates of wage rises	Annual inflation rate	Discount rates	Expected rate of return	Expected rates of wage rises	Annual inflation rate
<b>EMPLOYEE TERMINATION INDEMNITIES</b>	from 0.2 % to 1.4%	X	from 2.8% to 3%	2.2%	from 0.0% to 0.8%	X	2.0%	1.1%
<b>INTERNAL PLANS</b>								
- of which Italy	0.4%	-	2.9%	2.2%	from -0.0% a 0.1%	-	2.0%	1.1%
- of which Egypt	14.6%	-	5.3%	5.3%	14.5%	-	6.7%	6.7%
- of which England	1.9%	-	3.0%	3.0%	1.5%	-	2.7%	2.7%
- of which Serbia	3.3%	-	5.0%	-	3.0%	-	4.5%	-
<b>EXTERNAL PLANS</b>								
- of which Italy	from 0.1% to 0.7%	3.0%	from 2.7% to 2.8%	from 1.7% to 2.2%	from -0.1% to 0.3%	from -0% to 3.5%	from 2% to 2.5 %	from 0.7% to 1.2%
- of which USA	2.8%	2.8%	-	-	2.3%	2.3%	-	-
- of which Switzerland	0.4%	1.0%	-	0.5%	0.2%	1.0%	0.0%	0.5%

Starting from 2013, the Intesa Sanpaolo Group primarily uses the EUR Composite AA rate as its discounting rate, weighted by the ratio of payments and advances referring to each maturity, and the total amount of payments and advances to be made for the final fulfilment of the entire obligation. In the case of defined-benefit plans in particular, the rate used is the average rate that reflects the market parameters covered by the plan. The EUR Composite AA curve is obtained daily from the Bloomberg's information provider and refers to a basket of securities issued by investment-grade corporate issuers included in the AA rating class, residing in the Eurozone and belonging to various sectors.

#### 5. Information on amount, timing and uncertainty of cash flows

(millions of euro)

Sensitivity analysis	31.12.2021					
	EMPLOYEE TERMINATION INDEMNITIES		INTERNAL PLANS		EXTERNAL PLANS	
	+50 bps	-50 bps	+50 bps	-50 bps	+50 bps	-50 bps
Discount rate	1,054	1,148	348	370	1,667	1,689
Rate of wage rises	1,099	1,099	361	356	1,785	1,742
Inflation rate	1,128	1,071	367	351	1,828	1,702

The sensitivity analysis is not conducted on the expected rate of return as it has no effect on the calculation of the liabilities.

The sensitivity analysis was carried out on the net defined benefit liabilities (pursuant to the previous disclosure, 10.5, point 2.) The absolute values of the data presented indicate the possible amount of net defined benefit liabilities in the event of a change in rate of +/-50 bps.

The average duration of the defined benefit obligation is 12.51 years for pension funds and 8.58 years for employee termination indemnities.

Any outflows to be made over the next year (settlement of the technical imbalance envisaged by the Articles of Association of the Intesa Sanpaolo Group Defined-Benefit Fund "Fondo Pensione a Prestazione Definita del Gruppo Intesa Sanpaolo") shall be determined upon preparation of the financial statements of said Fund, which will take place in the upcoming months of May/June.

#### 6. Multi-employer plans

The Group has the following defined benefit plans regarding more than one employer:

- Pension Fund for the employees of the former Crediop hired before 30 September 1989, which on 1 January 2016 was transferred to Section A of the Supplementary Pension Fund for the Employees of Banco di Napoli (now the Intesa Sanpaolo Group Defined-Benefit Fund "Fondo Pensione a Prestazione Definita del Gruppo Intesa Sanpaolo"). The commitments of Crediop S.p.A. (now Dexia-Crediop) and the former Sanpaolo IMI (now Intesa Sanpaolo) with regard to the Fund are governed by the agreement entered into between the parties on 28/05/1999. Its transfer into the

Intesa Sanpaolo Group Defined-Benefit Fund “Fondo Pensione a Prestazione Definita del Gruppo Intesa Sanpaolo” did not modify the guarantees and commitments undertaken by the parties in the past;

- Retirement Fund for former employees of Banca Ca.Ri.Ma., transferred to Se.Ri.Ma. (now Equitalia Servizi di Riscossione Spa), whose tax-collection services were transferred on 1 January 1990 to the former Equitalia Marche S.p.A. (currently Agenzia delle Entrate - Riscossione). The trade union agreement and agreements between subscribers of the operation sanctioned that the then-parent company Ca.Ri.Ma. (then Banca Marche S.p.A., then Nuova Banca Marche S.p.A. and subsequently Banca Adriatica S.p.A, then merged into UBI Banca) would continue to allocate in its financial statements the mathematical reserves pertaining to personnel hired before the operation was finalised;
- Pension Fund for the Personnel of the former Banca Popolare di Ancona and its subsidiaries, which, as previously stated, provides a guarantee of settlement of the respective shares of the subscribers by Intesa Sanpaolo (former UBI Banca), Credito Valtellinese and Agenzia Entrate Riscossioni.

#### 7. Defined benefit plans that share risks among entities under joint control

The Intesa Sanpaolo Group Defined-Benefit Fund “Fondo Pensione a Prestazione Definita del Gruppo Intesa Sanpaolo” and the Pension fund of Cassa di Risparmio di Firenze are defined benefit plans that share the risks among the various Group Companies. These Companies issue a joint guarantee for their registered employees and pensioners with respect to the subject pension entities.

The liabilities of each jointly responsible Company are determined by an Independent Actuary through the “projected unit credit method” and are recorded in the financial statements net of the plan assets. Similarly, the current service cost, which represents the average present value at the measurement date of the benefits accrued by workers in service during the year, is calculated for each Company by said Actuary.

### 10.6 Allowances for risks and charges – Other allowances

Captions/Components	(millions of euro)	
	31.12.2021	31.12.2020
<b>Other allowances</b>		
1. legal disputes	1,066	965
2. personnel charges	2,611	2,601
<i>incentive-driven exit plans</i>	1,771	1,904
<i>employee seniority bonuses</i>	229	210
<i>other personnel expenses</i>	611	487
3. other risks and charges	1,241	1,448
<i>other indemnities due to agents of the distribution network</i>	367	338
<i>other</i>	874	1,110
<b>Total</b>	<b>4,918</b>	<b>5,014</b>

Where the time value is significant, provisions are discounted using current market rates.

More specifically, the discount rate used by the Group, for the preparation of the periodic financial reporting, is the rate corresponding to the zero-coupon IRS curve or the current rate of government securities of the country of reference if the specific risk is already considered in the calculation of expected payments.

Other allowances refers to:

- Legal and tax disputes: the allowance was set up mainly to cover expected outlay for litigation, revocatory action and tax disputes;
- Personnel charges: the allowance includes charges for incentive-driven exit plans, employee seniority bonuses (calculated on the basis of actuarial assumptions) and provisions for bonuses and other outlays relating to employees. The figure for 2021 is mainly attributable to the agreement for personnel exit incentives signed with the trade unions on 16 November 2021;
- Other risks and charges: these mainly refer to provisions to cover private bankers’ indemnities, Insurance Company risks, charges for integration of UBI Banca and the former Venetian banks, charges connected with the sale of a portfolio of NPLs, private bankers indemnities and other disputes.

**SECTION 11 – TECHNICAL RESERVES – CAPTION 110****11.1 Technical reserves: breakdown**

This caption corresponds to caption C of the insurance company Balance sheet liabilities.

Captions	Direct work	Indirect work	(millions of euro)	
			31.12.2021	31.12.2020
<b>A. Non-life business</b>	<b>1,756</b>	<b>-</b>	<b>1,756</b>	<b>1,213</b>
A.1 premiums reserves	945	-	945	780
A2. claims reserves	797	-	797	424
A3. other reserves	14	-	14	9
<b>B. Life business</b>	<b>107,324</b>	<b>-</b>	<b>107,324</b>	<b>88,786</b>
B1. mathematical reserves	98,399	-	98,399	78,755
B2. reserves for amounts to be disbursed	712	-	712	1,136
B3. other reserves	8,213	-	8,213	8,895
<b>C. Technical reserves for investment risks to be borne by the insured</b>	<b>9,216</b>	<b>-</b>	<b>9,216</b>	<b>6,812</b>
C1. reserves for contracts with disbursements connected with investment funds and market indices	1,917	-	1,917	664
C2. reserves from pension fund management	7,299	-	7,299	6,148
<b>D. Total technical reserves</b>	<b>118,296</b>	<b>-</b>	<b>118,296</b>	<b>96,811</b>

**11.2 Technical reserves: annual changes**

Items	(millions of euro)	
	31.12.2021	31.12.2020
<b>A. Non-life insurance</b>	<b>1,756</b>	<b>1,213</b>
Initial amount	1,213	967
Business combinations	396	137
Changes in the reserve (+/-)	147	109
<b>B. Life business and other technical reserves</b>	<b>116,540</b>	<b>95,598</b>
Initial amount	95,598	88,169
Business combinations	20,530	2,045
Change in premiums	9,338	9,950
Change in payments	-9,534	-9,003
Changes due to income and other bonuses recognised to insured parties (+/-)	1,743	1,220
Changes due to exchange differences (+/-)	-	-
Changes in other technical reserves (+/-)	-1,135	3,217
<b>C. Total technical reserves</b>	<b>118,296</b>	<b>96,811</b>

The caption Business combinations refers to the new entries into the scope of consolidation: Cargeas Assicurazioni S.p.A. in the Non-life business, Assicurazioni Vita S.p.A. (formerly Aviva Vita) and Lombarda Vita S.p.A. in the Life business. The two latter companies indicated were then merged by incorporation into Intesa Sanpaolo Vita as of 31 December 2021.

**SECTION 12 – REDEEMABLE SHARES – CAPTION 130**

Not applicable to the Group.

**SECTION 13 – GROUP SHAREHOLDERS' EQUITY – CAPTIONS 120, 130, 140, 150, 160, 170 AND 180****13.1 Share capital and Treasury shares: breakdown**

For information on this section, see point 13.3 below.

**13.2 Share capital – Parent Company's number of shares: annual changes**

Captions/Type	Ordinary
<b>A. Initial number of shares</b>	<b>19,430,463,305</b>
-fully paid-in	19,430,463,305
- not fully paid-in	-
A.1 treasury shares (-)	-42,128,001
<b>A.2 Shares outstanding: initial number</b>	<b>19,388,335,304</b>
<b>B. Increases</b>	<b>28,851,107</b>
B.1 New issues	-
- for consideration:	-
- business combinations	-
- conversion of bonds	-
- exercise of warrants	-
- other	-
- for free:	-
- in favour of employees	-
- in favour of directors	-
- other	-
B.2 Sale of treasury shares	28,851,107
B.3 Other	-
<b>C. Decreases</b>	<b>-17,352,883</b>
C.1 Annulment	-
C.2 Purchase of treasury shares	-17,352,883
C.3 Disposal of companies	-
C.4 Other	-
<b>D. Shares outstanding: final number</b>	<b>19,399,833,528</b>
D.1 Treasury shares (+)	30,629,777
D.2 Final number of shares	19,430,463,305
- fully paid-in	19,430,463,305
- not fully paid-in	-

**13.3 Share capital: other information**

The share capital of the Bank as at 31 December 2021 amounted to 10,084 million euro, divided into 19,430,463,305 ordinary shares, with no par value. Each ordinary share gives the right to one vote in the Shareholders' Meeting. At the date of this document, the share capital was fully paid-in. As at 31 December 2021, the Group held treasury shares for a total of 136 million euro. As at 31 December 2021, the Group held treasury shares for a total of 136 million euro, broken down as follows: (i) 100 million euro referring to shares of the Parent Company (of which 69 million euro held by the Parent Company and 31 million euro held by other Group companies); and (ii) 36 million euro in treasury shares of the subsidiary Privredna Banka Zagreb d.d., held by that bank.

**13.4 Reserves from retained earnings: other information**

Group reserves amounted to 16,307 million euro and included the legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30 July 1990, art. 7, par. 3 and Law 218 of 30 July 1990, art. 7) and other reserves, as well as the consolidation reserve.

The legal reserve, set up as provided for by law, must be at least one fifth of share capital; in the past it was set up by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.

Concentration reserves under Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.



Other reserves included reserves pertaining to international branches and other reserves set up in the past following specific legal provisions.

Consolidation reserves were generated following the elimination of the book value of equity investments against the corresponding portion of the shareholders' equity of each investment.

The valuation reserves amounted to a negative figure of 233 million euro and included valuation reserves for assets measured at fair value through other comprehensive income of -480 million euro, valuation reserves pertaining to insurance companies of 476 million euro, reserves for cash flow hedges of -607 million euro, exchange rate valuation reserves (relating to fully consolidated equity investments) of -1,086 million euro, reserves for revaluations of property and equipment and legally-required revaluation reserves of 1,905 million euro, valuation reserves relating to financial liabilities designated at fair value through profit or loss (changes in the Group's own credit rating) of -77 million euro, as well as the negative reserve on actuarial profits (losses) from defined benefit pension plans of -417 million euro, in addition to approximately 53 million euro of valuation reserves connected to minority equity investments.

### 13.5 Equity instruments: breakdowns and annual changes

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Book value (millions of euro)
Intesa Sanpaolo	7.70% fixed rate	NO	17-Sep-2015	perpetual	17-Sep-2025	USD	1,000,000,000	878
Intesa Sanpaolo	6.25% fixed rate	NO	16-May-2017	perpetual	16-May-2024	Eur	750,000,000	751
Intesa Sanpaolo	7.75% fixed rate	NO	11-Jan-2017	perpetual	11-Jan-2027	Eur	1,250,000,000	1,240
Intesa Sanpaolo	3.75% fixed rate	NO	26-Feb-2020	perpetual	27-Feb-2025	Eur	750,000,000	753
Intesa Sanpaolo	4,125% fixed rate	NO	26-Feb-2020	perpetual	27-Feb-2030	Eur	750,000,000	749
Intesa Sanpaolo	5.875% fixed rate payable semi-annually	NO	01-Sep-2020	perpetual	01-Sep-2031	Eur	750,000,000	747
Intesa Sanpaolo	5.5% fixed rate payable semi-annually	NO	01-Sep-2020	perpetual	01-Mar-2028	Eur	750,000,000	745
Intesa Sanpaolo	5.875% fixed rate payable semi-annually	NO	20-Jan-2020	perpetual	20-Jan-2025	Eur	400,000,000	396
REYL & Cie SA	4.75%	NO	30-Nov-2019	perpetual	30-Nov-2024	CHF	15,000,000	13
REYL & Cie SA	4.75%	NO	30-Nov-2018	perpetual	30-Nov-2023	CHF	12,000,000	10
<b>Total</b>								<b>6,282</b>

### 13.6 Other information

There is no other information to report.

**SECTION 14 - MINORITY INTERESTS – CAPTION 190**

For details regarding the breakdown of minority interests, see section F, “Part B.1. Consolidated shareholders’ equity: breakdown by type of company”.

**14.1 Breakdown of caption 190 Minority interests**

(millions of euro)

Companies		31.12.2021
<b>Investments in consolidated companies with significant minority interests</b>		<b>276</b>
1	Bank of Alexandria	174
2	Risanamento S.p.A.	53
3	Private Equity International S.A.	32
4	Privredna Banka Zagreb DD	17
<b>Other investments</b>		<b>15</b>
<b>TOTAL 2021</b>		<b>291</b>
<b>TOTAL 2020</b>		<b>450</b>

**14.2 Equity instruments: breakdown and annual changes**

There were no equity instruments pertaining to minority interests.

**OTHER INFORMATION****1. Commitments and financial guarantees given – Excluding insurance companies**

(millions of euro)

	Commitments and financial guarantees given - nominal amount				31.12.2021	31.12.2020
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
<b>1. Commitments to disburse funds</b>	<b>216,102</b>	<b>17,779</b>	<b>939</b>	<b>7</b>	<b>234,827</b>	<b>239,315</b>
a) Central Banks	1,599	18	-	-	1,617	1,762
b) Public Administration	10,446	992	47	-	11,485	10,507
c) Banks	34,108	1,026	23	-	35,157	30,395
d) Other financial companies	17,989	3,981	42	-	22,012	25,373
e) Non-financial companies	137,303	10,838	773	6	148,920	155,913
f) Households	14,657	924	54	1	15,636	15,365
<b>2. Financial guarantees given</b>	<b>41,488</b>	<b>4,410</b>	<b>560</b>	<b>-</b>	<b>46,458</b>	<b>44,679</b>
a) Central Banks	1	-	-	-	1	120
b) Public Administration	471	22	-	-	493	480
c) Banks	3,040	83	1	-	3,124	2,936
d) Other financial companies	404	376	3	-	783	1,572
e) Non-financial companies	37,090	3,871	548	-	41,509	38,777
f) Households	482	58	8	-	548	794

In this table - in accordance with the instructions of Circular 262 - the “commitments to disburse funds” include the commitments that can give rise to credit risk subject to the rules for determining the expected loss in accordance with IFRS 9, including revocable margins available on credit lines granted to customers and banks (for a total amount of 148,053 million euro in 2021).

**1. Bis Commitments and financial guarantees given – Insurance companies**

As at 31 December 2021 there were no exposures of this type.

**2. Other commitments and other financial guarantees given – Excluding insurance companies**

As at 31 December 2021 there were no exposures of this type.

**3. Assets pledged as collateral of liabilities and commitments**

Portfolios	(millions of euro)	
	31.12.2021	31.12.2020
1. Financial assets measured at fair value through profit or loss	9,266	1,967
2. Financial assets measured at fair value through other comprehensive income	25,308	9,107
3. Financial assets measured at amortised cost	199,785	198,061
4. Property and equipment	-	-
<i>of which: property and equipment that constitute inventories</i>	-	-

Intragroup deposits of 760 million euro, established to serve securities lending with subjects outside the Group, were netted.

**4. Breakdown of investments related to unit-linked and index-linked policies**

	(millions of euro)		
	Disbursements connected with pension funds and market indices	Disbursements in connection with pension fund management	31.12.2021
Assets in the balance sheet	-31,255	-2,482	-33,737
Intra-group assets	-265	-16	-281
<b>Total Assets</b>	<b>-31,520</b>	<b>-2,498</b>	<b>-34,018</b>
Financial liabilities in the balance sheet	50,132	-	50,132
Technical reserves in the balance sheet	5,046	7,250	12,296
Intra-group liabilities	459	-	459
<b>Total Liabilities</b>	<b>55,637</b>	<b>7,250</b>	<b>62,887</b>

## 5. Management and dealing on behalf of third parties

Type of service	(millions of euro) 31.12.2021
<b>1. Trading on behalf of customers</b>	
a) Purchases	343,435
1. settled	343,435
2. to be settled	-
b) Sales	354,598
1. settled	354,598
2. to be settled	-
<b>2. Portfolio management</b>	
a) individual	78,879
b) collective	188,805
<b>3. Custody and administration of securities</b>	
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	41,044
1. securities issued by companies included in the consolidation area	-
2. other securities	41,044
b) third-party securities held in deposit (excluding portfolio management): other	550,514
1. securities issued by companies included in the consolidation area	14,624
2. other securities	535,890
c) third party securities deposited with third parties	546,160
d) portfolio securities deposited with third parties	165,270
<b>4. Other</b>	<b>818,357</b>

## Note regarding contractual clauses of financial payables

In relation to point 3: "IFRS 7 – Contractual clauses of financial payables", of Bank of Italy/Consob/Isvap document no. 4 of March 2010, the following is specified:

- there were no cases of non-compliance by Intesa Sanpaolo Group companies with the relative contractual clauses set forth in bond issues, medium-/long-term loans received from financial entities and other debt contracts, which involved or which could involve the application of acceleration clauses;
- bond issues, medium-/long-term loans received from Supranational Organisations and other debt contracts of Intesa Sanpaolo Group companies may contain standard negative pledges and covenants based on current practice.

Due to the nature of commitments undertaken, in line with market practices, and the remote probability of default, these clauses may be considered as immaterial.

## 6. Financial assets subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements

Types		(millions of euro)					
		Gross amount of financial assets (a)	Amount of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c = a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount
					Financial instruments (d)	Cash collateral (e)	31.12.2021
							(f=c-d-e)
							31.12.2020
1. Derivatives		59,053	-41,082	17,971	14,987	1,893	1,091
2. Repurchase agreements		27,123	-	27,123	26,739	125	259
3. Securities lending		-	-	-	-	-	-
4. Other		-	-	-	-	-	-
<b>TOTAL</b>	<b>31.12.2021</b>	<b>86,176</b>	<b>-41,082</b>	<b>45,094</b>	<b>41,726</b>	<b>2,018</b>	<b>1,350</b>
<b>TOTAL</b>	<b>31.12.2020</b>	<b>101,047</b>	<b>54,645</b>	<b>46,402</b>	<b>42,242</b>	<b>2,552</b>	<b>X</b>
							<b>1,608</b>

**7. Financial liabilities subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements**

		(millions of euro)					
Types		Gross amount of financial liabilities (a)	Amount of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c=a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount 31.12.2021 (f=c-d-e)
					Financial instruments (d)	Cash deposits pledged as collateral (e)	
1. Derivatives		67,790	41,082	26,708	14,471	11,715	522
2. Repurchase agreements		16,903	-	16,903	16,738	83	82
3. Securities lending		-	-	-	-	-	-
4. Other		-	-	-	-	-	-
<b>TOTAL</b>	<b>31.12.2021</b>	<b>84,693</b>	<b>41,082</b>	<b>43,611</b>	<b>31,209</b>	<b>11,798</b>	<b>604</b>
<b>TOTAL</b>	<b>31.12.2020</b>	<b>103,299</b>	<b>54,645</b>	<b>48,654</b>	<b>29,171</b>	<b>17,454</b>	<b>X</b>

IFRS 7, amended in 2013, requires specific disclosure for financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting since they are regulated by "master netting arrangements or similar agreements" that do not respect all of the criteria set forth by IAS 32, paragraph 42.

In this respect, the Intesa Sanpaolo Group has netting arrangements in force that meet the requirements envisaged by IAS 32, paragraph 42, for netting in the financial statements.

In terms of instruments that may be potentially offset upon occurrence of such events and to be presented in Tables 6 and 7, it is noted that the Intesa Sanpaolo Group uses bilateral netting arrangements that allow, in the event of counterparty default, the netting of claims and obligations in relation to financial and credit derivatives, as well as securities financing transactions (SFTs). In particular, there are ISDA agreements (for transactions in derivatives), GMRA (for repurchase agreements) and GMSLA (for securities lending).

With regard to securities lending transactions, only those transactions that require the payment of a cash guarantee fully available to the lender must also be reported in tables 6 and 7, as this is the only type of transaction recognised in the Balance Sheet. The Intesa Sanpaolo Group did not have any such transactions as at 31 December 2021.

For the purposes of preparing the tables and in compliance with the provisions of IFRS 7 and the new provisions that govern the financial statements of banks, the following are noted:

- the effects of the potential offsetting of the balance sheet values of financial assets and liabilities are indicated under column (d) "Financial instruments", together with the fair value of financial collateral consisting of securities;
- the effects of the potential offsetting of the exposure with the relative cash collateral are included under column (e) "Cash deposits received/pledged as collateral";
- repurchase agreement transactions are recognised in the tables based on the amortised cost measurement criterion, while the relative collateral is measured at fair value;
- derivatives transactions are recognised at fair value.

These effects are calculated for each individual counterparty included in a master netting arrangement, to the extent of the exposure indicated in column (c).

Based on the preparation methods indicated above, the netting arrangements between financial instruments and the relative collateral permit a significant reduction in credit/debt exposure to the counterparty, as indicated under column (f) "Net amount". These effects are calculated for each individual counterparty included in a master netting arrangement, to the extent of the exposure indicated in column (c).

Based on the preparation methods indicated above, the netting arrangements between financial instruments and the relative collateral permit a significant reduction in credit/debt exposure to the counterparty, as indicated under column (f) "Net amount".

**8. Securities lending transactions**

The securities lending accessory banking service, offered mainly by Intesa Sanpaolo Private Banking (ISPB) to its customers (natural persons, legal entities and commercial entities), is worth mentioning. The contract involves transfer of the ownership of a certain quantity of securities of a specific type, with the obligation for ISPB to return them, paying a consideration amount as remuneration for their availability. The transaction involves government securities that ISPB in turn transfers to the Parent Company Intesa Sanpaolo for non-speculative purposes.

As at 31 December 2021, the collateral of transactions mainly referring to ISPB amounted to 760 million euro.

**9. Disclosure on joint-control assets**

These are not present in the Intesa Sanpaolo Group.

# Part C – Information on the consolidated income statement

## SECTION 1 – INTEREST – CAPTIONS 10 AND 20

### 1.1. Interest and similar income: breakdown

Captions/Types	Debt securities	Loans	Other transactions	(millions of euro)	
				2021	2020
<b>1. Financial assets measured at fair value through profit or loss</b>	<b>24</b>	<b>31</b>	<b>-</b>	<b>55</b>	<b>85</b>
1.1 Financial assets held for trading	7	1	-	8	40
1.2 Financial assets designated at fair value	-	-	-	-	2
1.3 Other financial assets mandatorily measured at fair value	17	30	-	47	43
<b>2. Financial assets measured at fair value through other comprehensive income</b>	<b>641</b>	<b>11</b>	<b>X</b>	<b>652</b>	<b>757</b>
<b>3. Financial assets measured at amortised cost</b>	<b>666</b>	<b>8,720</b>	<b>X</b>	<b>9,386</b>	<b>9,519</b>
3.1 Due from banks	25	248	X	273	329
3.2 Loans to customers	641	8,472	X	9,113	9,190
<b>4. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>-1,134</b>	<b>-1,134</b>	<b>-1,008</b>
<b>5. Other assets</b>	<b>X</b>	<b>X</b>	<b>34</b>	<b>34</b>	<b>12</b>
<b>6. Financial liabilities</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>1,480</b>	<b>818</b>
<b>Total</b>	<b>1,331</b>	<b>8,762</b>	<b>-1,100</b>	<b>10,473</b>	<b>10,183</b>
<i>of which: interest income on impaired financial assets</i>	<i>2</i>	<i>606</i>	<i>-</i>	<i>608</i>	<i>827</i>
<i>of which: interest income on financial lease</i>	<i>X</i>	<i>350</i>	<i>X</i>	<i>350</i>	<i>325</i>

Interest and similar income also includes interest income on securities relating to repurchase agreements.

Interest on impaired financial assets also includes interest due to the passing of time, equal to 275 million euro (time value) which came to 464 million euro in 2020.

The caption “Hedging derivatives” includes the differentials on hedging transactions, adjusting interest income recognised on hedged financial instruments.

“Financial liabilities” include interest on funding transactions with negative rates. In that context, interest income was recognised on other TLTROs in the total amount of 1,187 million euro in 2021 and 544 million in 2020. The amount recognised in 2021 refers to interest accrued on TLTRO III operations. As described in further detail in Part A – Accounting policies of these Notes, in the paragraph “TLTRO III”, the interest was recognised on the assumption that the relevant benchmarks would be achieved, as reliably estimated on the basis of reports on estimated loan performance monitored on predefined dates approved by the management at an appropriate level. These benchmarks – referring in particular to volumes as at 31 March 2021 and 31 December 2021 – were in fact achieved.

Finally, the caption “Financial assets measured at amortised cost”, sub-caption “Due from banks”, includes interest on “on demand” loans due from banks and central banks classified in the balance sheet to the caption “Cash and cash equivalents”.

### 1.2. Interest and similar income: other information

#### 1.2.1 Interest income on foreign currency financial assets

The balance as at 31 December 2021 includes 1,875 million euro relating to financial assets in foreign currency.

**1.3 Interest and similar expense: breakdown**

Captions/Types	Debts	Securities	Other transactions	(millions of euro)	
				2021	2020
<b>1. Financial liabilities measured at amortised cost</b>	<b>530</b>	<b>1,491</b>	<b>X</b>	<b>2,021</b>	<b>2,333</b>
1.1 Due to Central Banks	16	X	X	16	37
1.2 Due to banks	164	X	X	164	201
1.3 Due to customers	350	X	X	350	450
1.4 Securities issued	X	1,491	X	1,491	1,645
<b>2. Financial liabilities held for trading</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>6</b>
<b>3. Financial liabilities designated at fair value</b>	<b>10</b>	<b>1</b>	<b>-</b>	<b>11</b>	<b>11</b>
<b>4. Other liabilities and allowances</b>	<b>X</b>	<b>X</b>	<b>34</b>	<b>34</b>	<b>27</b>
<b>5. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>-435</b>	<b>-435</b>	<b>-319</b>
<b>6. Financial assets</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>769</b>	<b>393</b>
<b>Total</b>	<b>620</b>	<b>1,492</b>	<b>-401</b>	<b>2,480</b>	<b>2,451</b>
<i>of which: interest expense on lease liabilities</i>	25	X	X	25	27

“Due to banks” and “Due to customers” also include interest expense on repurchase agreements, even if the transaction referred to securities recorded under assets. Hedging derivatives refer to the interest on liabilities and include the differentials on hedging transactions, adjusting interest expense recognised on hedged financial instruments.

“Financial assets” include interest on lending transactions with negative rates.

**1.4. Interest and similar expense: other information****1.4.1 Interest expense on foreign currency financial liabilities**

Interest and similar expense in 2021 includes 501 million euro relative to financial liabilities in foreign currency.

**1.5. Differentials on hedging transactions**

Captions	(millions of euro)	
	2021	2020
A. Positive differentials on hedging transactions	2,570	2,496
B. Negative differentials on hedging transactions	-3,269	-3,185
<b>C. Balance (A-B)</b>	<b>-699</b>	<b>-689</b>



## SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

## 2.1 Fee and commission income: breakdown

Type of service/Amounts	(millions of euro)	
	2021	2020
<b>a) Financial instruments</b>	<b>1,968</b>	<b>1,559</b>
1. Placement of securities	886	635
1.1 Through underwriting and/or on a firm commitment basis	19	8
1.2 Without firm commitment	867	627
2. Reception and transmission of orders and execution of orders on behalf of customers	227	229
2.1 Reception and transmission of orders for one or more financial instruments	119	118
2.2 Execution of orders on behalf of customers	108	111
3. Other fee and commission income related to activities connected to financial instruments	855	695
<i>of which: dealing on own account</i>	3	1
<i>of which: individual portfolio management</i>	852	694
<b>b) Corporate Finance</b>	<b>22</b>	<b>74</b>
1. M&A advisory	22	74
2. Treasury services	-	-
3. Other fee and commission income related to corporate finance services	-	-
<b>c) Investment advice</b>	<b>221</b>	<b>102</b>
<b>d) Clearing and settlement</b>	<b>-</b>	<b>-</b>
<b>e) Collective portfolio management</b>	<b>2,608</b>	<b>2,174</b>
<b>f) Custody and administration</b>	<b>116</b>	<b>103</b>
1. Depositary bank	15	31
2. Other fee and commission income related to custody and administration services	101	72
<b>g) Central administrative services for collective portfolio management</b>	<b>-</b>	<b>-</b>
<b>h) Fiduciary services</b>	<b>10</b>	<b>9</b>
<b>i) Payment services</b>	<b>2,999</b>	<b>2,661</b>
1. Current accounts	1,471	1,362
2. Credit cards	559	451
3. Debit cards and other payment cards	249	199
4. Credit transfers and other payment orders	314	307
5. Other fee and commission income related to payment services	406	342
<b>j) Distribution of third-party services</b>	<b>662</b>	<b>600</b>
1. Collective portfolio management	508	394
2. Insurance products	78	147
3. Other products	76	59
<i>of which: individual portfolio management</i>	27	12
<b>k) Structured finance</b>	<b>24</b>	<b>13</b>
<b>l) Servicing related to securitisations</b>	<b>-</b>	<b>-</b>
<b>m) Commitments to disburse funds</b>	<b>18</b>	<b>19</b>
<b>n) Financial guarantees given</b>	<b>403</b>	<b>360</b>
<i>of which: credit derivatives</i>	2	-
<b>o) Financing transactions</b>	<b>878</b>	<b>724</b>
<i>of which: for factoring transactions</i>	85	77
<b>p) Currency dealing</b>	<b>21</b>	<b>18</b>
<b>q) Commodities</b>	<b>-</b>	<b>-</b>
<b>r) Other fee and commission income</b>	<b>2,137</b>	<b>1,896</b>
<i>of which: for management of multilateral trading facilities</i>	-	-
<i>of which: for management of organised trading facilities</i>	-	-
<b>Total</b>	<b>12,087</b>	<b>10,312</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for fee and commission income to be represented according to a different detailed layout.

The sub-caption “Other fee and commission income” includes fee and commission income collected from insurance companies of 1,780 million euro.

As required by IFRS 15, paragraph 116 b), it is noted that fee and commission income includes the revenues recognised during the year included in the opening balance of liabilities deriving from contracts with customers. In line with paragraph 116 c) of IFRS 15, revenues deriving from performance obligations satisfied in the previous years are included, amounting to 22 million euro.

## 2.2 Fee and commission expense: breakdown

	(millions of euro)	
	2021	2020
<b>a) Financial instruments</b>	<b>278</b>	<b>259</b>
<i>of which: trading in financial instruments</i>	34	40
<i>of which: placement of financial instruments</i>	219	211
<i>of which: individual portfolio management</i>	25	8
- Own portfolio	24	7
- Third-party portfolio	1	1
<b>b) Clearing and settlement</b>	<b>19</b>	<b>10</b>
<b>c) Collective portfolio management</b>	<b>54</b>	<b>83</b>
- Own portfolio	14	13
- Third-party portfolio	40	70
<b>d) Custody and administration</b>	<b>86</b>	<b>64</b>
<b>e) Collection and payment services</b>	<b>576</b>	<b>475</b>
<i>of which: credit cards, debit cards and other payment cards</i>	417	312
<b>f) Servicing related to securitisations</b>	-	-
<b>g) Commitments to receive funds</b>	<b>1</b>	<b>1</b>
<b>h) Financial guarantees received</b>	<b>220</b>	<b>192</b>
<i>of which: credit derivatives</i>	21	13
<b>i) “Out-of-branch” offer of financial instruments, products and services</b>	<b>919</b>	<b>753</b>
<b>j) Currency dealing</b>	<b>4</b>	<b>3</b>
<b>k) Other fee and commission expense</b>	<b>566</b>	<b>494</b>
<b>Total</b>	<b>2,723</b>	<b>2,334</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for fee and commission expense to be represented according to a different detailed layout.

The sub-caption “Other fee and commission expense” includes 283 million euro on the placement of investment insurance products, 179 million euro on banking services to Italian branches, 79 million euro on banking services to international branches and 25 million euro on other minor services.

As required by IFRS 15, paragraph 116 b), it is noted that fee and commission income includes the revenues recognised during the year included in the opening balance of liabilities deriving from contracts with customers. In line with paragraph 116 c) of IFRS 15, revenues deriving from performance obligations satisfied in the previous years are included, amounting to 8 million euro.

**SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70****3.1 Dividend and similar income: breakdown**

Captions/Income	2021		(millions of euro) 2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	27	-	23	-
B. Other financial assets mandatorily measured at fair value	7	72	3	22
C. Financial assets measured at fair value through other comprehensive income	55	-	35	3
D. Investments in associates and companies subject to joint control	-	-	-	-
<b>Total</b>	<b>89</b>	<b>72</b>	<b>61</b>	<b>25</b>

**SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80****4.1 Profits (Losses) on trading: breakdown**

Transactions/Income components	Revaluations	Profits on trading	Write-downs	(millions of euro)	
				Losses on trading	Net result
<b>1. Financial assets held for trading</b>	<b>89</b>	<b>894</b>	<b>-347</b>	<b>-910</b>	<b>-274</b>
1.1 Debt securities	35	701	-333	-861	-458
1.2 Equities	52	188	-6	-45	189
1.3 Quotas of UCI	2	3	-8	-3	-6
1.4 Loans	-	-	-	-	-
1.5 Other	-	2	-	-1	1
<b>2. Financial liabilities held for trading</b>	<b>412</b>	<b>7</b>	<b>-91</b>	<b>-108</b>	<b>220</b>
2.1 Debt securities	-	-	-	-	-
2.2 Payables	382	-	-8	-	374
2.3 Other	30	7	-83	-108	-154
<b>3. Financial assets and liabilities: foreign exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>174</b>
<b>4. Derivatives</b>	<b>37,769</b>	<b>38,261</b>	<b>-37,937</b>	<b>-37,661</b>	<b>383</b>
4.1 Financial derivatives:	36,334	37,232	-36,500	-36,578	439
- on debt securities and interest rates	33,760	30,642	-32,800	-31,326	276
- on equities and stock indexes	1,641	4,504	-2,549	-3,397	199
- on currencies and gold	X	X	X	X	-49
- other	933	2,086	-1,151	-1,855	13
4.2 Credit derivatives	1,435	1,029	-1,437	-1,083	-56
of which: natural hedging associated with the fair value option	X	X	X	X	-
<b>Total</b>	<b>38,270</b>	<b>39,162</b>	<b>-38,375</b>	<b>-38,679</b>	<b>503</b>

Profits and losses on “Financial assets held for trading” are shown for each single purchase or sale and include the results of both long and short positions.

“Net result” includes profits, losses, revaluations and write-downs on currency transactions and currency and gold derivatives. Regarding structured financial products and their impact on the income statement, for detailed information please refer to Part E of these Notes to the consolidated financial statements - Information on risks and relative hedging policies.

**SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90****5.1 Fair value adjustments in hedge accounting: breakdown**

Income component/Amount	(millions of euro)	
	2021	2020
<b>A. Income from:</b>		
A.1 fair value hedge derivatives	6,866	6,286
A.2 financial assets hedged (fair value)	186	5,018
A.3 financial liabilities hedged (fair value)	1,947	573
A.4 cash flow hedge: derivatives	-	2
A.5 currency assets and liabilities	-	-
<b>Total income from hedging (A)</b>	<b>8,999</b>	<b>11,879</b>
<b>B. Expenses for</b>		
B.1 fair value hedge derivatives	-3,775	-8,572
B.2 financial assets hedged (fair value)	-5,091	-1,923
B.3 financial liabilities hedged (fair value)	-97	-1,306
B.4 cash flow hedge: derivatives	-	-7
B.5 currency assets and liabilities	-	-
<b>Total expense from hedging (B)</b>	<b>-8,963</b>	<b>-11,808</b>
<b>C. Fair value adjustments in hedge accounting (A - B)</b>	<b>36</b>	<b>71</b>
<i>of which: fair value adjustments in hedge accounting on net positions</i>	-	-

The Group has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges). For this reason, table “5.1 Fair value adjustments in hedge accounting: breakdown”, contains no amounts in the row “of which: profits (losses) on hedges of net positions” envisaged for parties that apply IFRS 9 also to hedges.

**SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100****6.1 Profits (Losses) on disposal or repurchase: breakdown**

Captions/Income components	(millions of euro)					
	2021			2020		
	Profits	Losses	Net result	Profits	Losses	Net result
<b>A. Financial assets</b>						
1. Financial assets measured at amortised cost	494	-293	201	211	-404	-193
1.1 Due from banks	-	-	-	2	-2	-
1.2 Loans to customers	494	-293	201	209	-402	-193
2. Financial assets measured at fair value through other comprehensive income	693	-82	611	1,458	-588	870
2.1 Debt securities	693	-82	611	1,458	-588	870
2.2 Loans	-	-	-	-	-	-
<b>Total assets (A)</b>	<b>1,187</b>	<b>-375</b>	<b>812</b>	<b>1,669</b>	<b>-992</b>	<b>677</b>
<b>Financial liabilities valued at amortized cost</b>						
1. Due to banks	1	-3	-2	17	-14	3
2. Due to customers	6	-3	3	5	-2	3
3. Securities issued	19	-74	-55	214	-264	-50
<b>Total liabilities (B)</b>	<b>26</b>	<b>-80</b>	<b>-54</b>	<b>236</b>	<b>-280</b>	<b>-44</b>

The Net result on Financial assets measured at amortised cost in sub-caption 1.2, primarily attributable to the Parent Company, mainly relate to the sale on the market of government debt securities and a portfolio of non-performing loans to an SPV formed pursuant to Law No. 130/99 with the obtainment of a “GACS” (government guarantee on securitisation of NPLs).

The Net result on Financial assets measured at fair value through other comprehensive income in sub-caption 2.1, also primarily attributable to the Parent Company, relates to profits and losses mainly deriving from the sale of government debt securities.

Profits and losses on Financial assets measured at fair value through other comprehensive income, represented by debt securities, are shown for each single purchase or sale.

## SECTION 7 – PROFITS (LOSSES) ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - CAPTION 110

### 7.1 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

Transactions/Income components	(millions of euro)				
	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
<b>1. Financial assets</b>	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
<b>2. Financial liabilities</b>	<b>91</b>	<b>15</b>	<b>-81</b>	<b>-41</b>	<b>-16</b>
2.1 Securities issued	82	15	-81	-41	-25
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	9	-	-	-	9
<b>3. Foreign currency financial assets and liabilities: foreign exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-26</b>
<b>Total</b>	<b>91</b>	<b>15</b>	<b>-81</b>	<b>-41</b>	<b>-42</b>

For information on the methods used to determine credit spread, reference should be made to Part A.4 - Information on fair value of the Notes to the consolidated financial statements.

### 7.2 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	(millions of euro)				
	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
<b>1. Financial assets</b>	<b>300</b>	<b>45</b>	<b>-158</b>	<b>-106</b>	<b>81</b>
1.1 Debt securities	34	3	-32	-91	-86
1.2 Equities	39	10	-17	-5	27
1.3 Quotas of UCI	210	11	-57	-4	160
1.4 Loans	17	21	-52	-6	-20
<b>2. Financial assets: foreign exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>32</b>
<b>Total</b>	<b>300</b>	<b>45</b>	<b>-158</b>	<b>-106</b>	<b>113</b>

## SECTION 7 BIS – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES PERTAINING TO INSURANCE COMPANIES PURSUANT TO IAS 39 - CAPTION 115

The breakdown of the IAS 39 captions included in caption 115 of the Income Statement referring to insurance companies is shown below.

In relation to the adoption of the Deferral Approach, in the consolidated financial statement layouts established by the Bank of Italy Circular no. 262, "Caption 115 Net profit (loss) on financial assets and liabilities pertaining to insurance companies in accordance with IAS 39" was created, which comprises the components set out in the table below:

(millions of euro)		
<b>Breakdown of Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39 - Caption 115</b>	<b>2021</b>	<b>2020</b>
10. Interest and similar income	1.862	1.594
20. Interest and similar expense	-75	-54
70. Dividend and similar income	383	262
80. Profits (Losses) on trading	-69	-112
90. Fair value adjustments in hedge accounting (*)	-	-
100. Profits (Losses) on disposal or repurchase of:	198	129
a) loans	-	-
b) financial assets available for sale	198	129
c) investments held to maturity	-	-
d) financial liabilities	-	-
110. Profits (Losses) on financial assets and liabilities designated at fair value	2.455	1.644
<b>TOTAL Caption 115</b>	<b>4.754</b>	<b>3.463</b>

(\*) There are no hedges in hedge accounting

### 7.1 Bis. Interest and similar income: breakdown

(millions of euro)					
Captions/Types	Debt securities	Loans	Other transactions	2021	2020
1. Financial assets held for trading	16	-	-	16	7
2. Financial assets designated at fair value	1	-	-	1	1
3. Financial assets available for sale	1,834	-	-	1,834	1,581
4. Investments held to maturity	-	-	-	-	-
5. Due from banks	1	2	-	3	2
6. Loans to customers	-	-	-	-	-
7. Hedging derivatives	X	X	8	8	3
8. Other assets	X	X	-	-	-
<b>Total</b>	<b>1,852</b>	<b>2</b>	<b>8</b>	<b>1,862</b>	<b>1,594</b>

### 7.2 Bis. Interest and similar income: differentials on hedging transactions

Differentials on hedging transactions amounted to 8 million euro.

### 7.3 Bis. Interest and similar income: other information

#### 7.3.1 Bis Interest income on foreign currency financial assets

There were no amounts pertaining to insurance companies.

**7.4 Bis. Interest and similar expense: breakdown**

Captions/Types	Debts	Securities	Other transactions	(millions of euro)	
				2021	2020
1. Due to Central Banks	-	X	-	-	-
2. Due to banks	6	X	21	27	17
3. Due to customers	-	X	-	-	-
4. Securities issued	X	48	-	48	37
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities designated at fair value	-	-	-	-	-
7. Other liabilities and allowances	X	X	-	-	-
8. Hedging derivatives	X	X	-	-	-
<b>Total</b>	<b>6</b>	<b>48</b>	<b>21</b>	<b>75</b>	<b>54</b>

**7.5. Bis. Interest and similar expense: differentials on hedging transactions**

There were no amounts pertaining to insurance companies.

**7.6. Bis. Interest and similar expense: other information****7.6.1 Bis Interest expense on foreign currency financial liabilities**

There were no amounts pertaining to insurance companies.

**7.7 Bis. Dividend and similar income: breakdown**

Captions/Income	2021		2020	
	Dividends	Income from quotas of UCI	Dividends	Income from quotas of UCI
A. Financial assets held for trading	-	-	-	-
B. Financial assets available for sale	93	237	41	177
C. Financial assets designated at fair value	53	-	44	-
D. Investments in associates and companies subject to joint control	-	X	-	X
<b>Total</b>	<b>146</b>	<b>237</b>	<b>85</b>	<b>177</b>



**7.8 Bis. Profits (Losses) on trading: breakdown**

Transactions/Income components	(millions of euro)				
	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
<b>1. Financial assets held for trading</b>	<b>10</b>	<b>-</b>	<b>-41</b>	<b>-</b>	<b>-31</b>
1.1 Debt securities	5	-	-40	-	-35
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	5	-	-1	-	4
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>3. Financial assets and liabilities: foreign exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>76</b>
<b>4. Derivatives</b>	<b>16</b>	<b>26</b>	<b>-63</b>	<b>-93</b>	<b>-114</b>
4.1 Financial derivatives:	16	26	-63	-93	-114
- on debt securities and interest rates	-	-	-	-7	-7
- on equities and stock indexes	16	26	-63	-86	-107
- on currencies and gold	X	X	X	X	-
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
<b>Total</b>	<b>26</b>	<b>26</b>	<b>-104</b>	<b>-93</b>	<b>-69</b>

**7.9 Bis. Fair value adjustments in hedge accounting: breakdown**

There were no fair value adjustments in hedge accounting pertaining to insurance companies.

**7.10 Bis. Profits (Losses) on disposal or repurchase: breakdown**

Captions/Income components	2021			2020		
	Profits	Losses	Net result	Profits	Losses	Net result
<b>Financial assets</b>						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	300	-102	198	252	-123	129
3.1 Debt securities	152	-17	135	160	-43	117
3.2 Equities	45	-36	9	64	-54	10
3.3 Quotas of UCI	103	-49	54	28	-26	2
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
<b>Total assets</b>	<b>300</b>	<b>-102</b>	<b>198</b>	<b>252</b>	<b>-123</b>	<b>129</b>
<b>Financial liabilities</b>						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 7.11 Bis. Profits (losses) on financial assets/liabilities designated at fair value:

Transactions/Income components	Revaluations	Gains on disposal	Write-downs	(millions of euro)	
				Losses on trading	Net result
<b>1. Financial assets</b>	<b>4,955</b>	<b>2,924</b>	<b>-636</b>	<b>-240</b>	<b>7,003</b>
1.1 Debt securities	22	70	-91	-22	-21
1.2 Equities	595	321	-56	-60	800
1.3 Quotas of UCI	4,326	2,526	-458	-155	6,239
1.4 Loans	12	7	-31	-3	-15
<b>2. Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-2,560</b>	<b>-1,858</b>	<b>-4,418</b>
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	-	-	-	-27	-27
2.3 Due to customers	-	-	-2,560	-1,831	-4,391
<b>3. Foreign currency financial assets and liabilities: foreign exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>4. Credit and financial derivatives</b>	<b>13</b>	<b>53</b>	<b>-24</b>	<b>-172</b>	<b>-130</b>
<b>Total</b>	<b>4,968</b>	<b>2,977</b>	<b>-3,220</b>	<b>-2,270</b>	<b>2,455</b>

## SECTION 8 – NET LOSSES/RECOVERIES FOR CREDIT RISK – CAPTION 130

## 8.1 Net adjustments for credit risk associated with financial assets measured at amortised cost: breakdown

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				(millions of euro)	
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	2021	2020
			Write-off	Other	Write-off	Other						
<b>A. Credit to banks</b>	<b>-23</b>	<b>-4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>8</b>	<b>3</b>	<b>-</b>	<b>30</b>	<b>3</b>
- Loans	-15	-2	-	-	-	-	37	8	3	-	31	4
- Debt securities	-8	-2	-	-	-	-	9	-	-	-	-1	-1
<b>B. Credit to clients</b>	<b>-416</b>	<b>-472</b>	<b>-128</b>	<b>-4,387</b>	<b>-</b>	<b>-38</b>	<b>556</b>	<b>672</b>	<b>1,339</b>	<b>31</b>	<b>-2,843</b>	<b>-4,359</b>
- Loans	-402	-451	-128	-4,386	-	-38	510	668	1,338	31	-2,858	-4,360
- Debt securities	-14	-21	-	-1	-	-	46	4	1	-	15	1
<b>Total</b>	<b>-439</b>	<b>-476</b>	<b>-128</b>	<b>-4,387</b>	<b>-</b>	<b>-38</b>	<b>602</b>	<b>680</b>	<b>1,342</b>	<b>31</b>	<b>-2,813</b>	<b>-4,356</b>

**8.1a Net adjustments for credit risk associated with loans measured at amortised cost subject to COVID-19 support measures: breakdown**

Operation / P&L item	Net Adjustments						(millions of euro)	
	2021		2020					
	Stage 1		Stage 2		Stage 3		Purchased or originated credit-impaired	
	Write-off		Others		Write-off		Others	
1. EBA-compliant moratoria loans	6	-6	-	-	-	-	-	-373
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	4	5	-	2	-	-	11	-
3. Other loans with COVID-19-related forbearance measures	-	-97	-	-66	-	-	-163	-7
4. Newly originated loans	-11	-26	-	-56	-	-	-93	-66
<b>Total 2021</b>	<b>-1</b>	<b>-124</b>	<b>-</b>	<b>-120</b>	<b>-</b>	<b>-</b>	<b>-245</b>	<b>-</b>
<b>Total 2020</b>	<b>-50</b>	<b>-320</b>	<b>-</b>	<b>-73</b>	<b>-</b>	<b>-3</b>	<b>-446</b>	<b>-</b>

The row “EBA-compliant moratoria loans” shows the information relating to financial assets subject to moratoria that fall within the scope of application of the “Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID-19 crisis”, published by the EBA (EBA/GL/2020/02), as amended.

The row “Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne” shows information regarding the outstanding loans subject to moratoria, assessed as compliant with EBA/GL/2020/02 at the date the measure was granted, but no longer compliant at the reporting date, which were not classified as “forborne exposures” (as defined by the supervisory reports in force) following the assessment conducted on occurrence of the event that generated the non-compliance with EBA/GL/2020/02.

The row “Newly originated loans” contains information regarding the exposures for which new liquidity was granted with the support of government guarantees; the adjustments thus benefit from those guarantees.

Adjustments to forborne positions have mainly been determined using measurement approaches adopted as a result of COVID-19, outlined in Part A - Section 5 Other Aspects and described in more detail in Part E - Section 1 Credit Risks of these Notes to the consolidated financial statements.

**8.2 Net adjustments for credit risk associated with financial assets measured at fair value through other comprehensive income: breakdown**

Transactions/Income components									(millions of euro)			
	IMPAIRMENT LOSSES						RECOVERIES				2021	2020
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-off	Other	Write-off	Other						
A. Debt securities	-42	-7	-	-	-	-	17	1	-	-	-31	-2
B. Loans	-5	-1	-	-	-	-	6	-	1	-	1	-6
- to customers	-5	-1	-	-	-	-	6	-	1	-	1	-6
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	-47	-8	-	-	-	-	23	1	1	-	-30	-8

**8.2a Net adjustments for credit risk associated with loans measured at fair value through other comprehensive income subject to COVID-19 support measures: breakdown**

This case was not present.

**SECTION 8 BIS – NET LOSSES/RECOVERIES PERTAINING TO INSURANCE COMPANIES PURSUANT TO IAS 39 – CAPTION 135****8.1 Bis. Net impairment losses on loans: breakdown**

There were no amounts pertaining to insurance companies.

**8.2 Bis. Net impairment losses on financial assets available for sale: breakdown**

	IMPAIRMENT LOSSES		RECOVERIES		(millions of euro)	
	Individual write-offs	other	Individual of interest	other	2021	2020
A. Debt securities	-	-	-	-	-	-
B. Equities	-	-25	X	X	-25	-80
C. Quotas of UCI	-	-1	-	-	-1	-1
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
<b>F. Total</b>	<b>-</b>	<b>-26</b>	<b>-</b>	<b>-</b>	<b>-26</b>	<b>-81</b>

**8.3 Bis. Net impairment losses on investments held to maturity: breakdown**

There were no amounts pertaining to insurance companies.

**8.4 Bis. Net impairment losses on other financial activities: breakdown**

There were no amounts pertaining to insurance companies.

**SECTION 9 – PROFITS/LOSSES FROM CHANGES IN CONTRACTS WITHOUT DERECOGNITION – CAPTION 140****9.1 Profits (Losses) from changes in contracts: breakdown**

As part of profits (losses) from changes in contracts without derecognition, losses of 29 million euro were recognised.

**SECTION 10 - NET INSURANCE PREMIUMS - CAPTION 160****10.1 Net insurance premiums: breakdown**

Premiums deriving from insurance business	Direct work	Indirect work	(millions of euro)	
			2021	2020
<b>A. Life business</b>				
A.1 Gross accounted premiums (+)	9,446	-	9,446	10,057
A.2 Premiums ceded for reinsurance (-)	-4	X	-4	-1
A.3 Total	9,442	-	9,442	10,056
<b>B. Non-life business</b>				
B.1 Gross accounted premiums (+)	1,342	-	1,342	980
B.2 Premiums ceded for reinsurance (-)	-216	X	-216	-156
B.3 Changes in the gross amount of premium reserve (+/-)	-18	-	-18	-46
B.4 Changes in premium reserves reassured with third parties (-/+)	7	-	7	8
B.5 Total	1,115	-	1,115	786
<b>C. Total net premiums</b>	<b>10,557</b>	<b>-</b>	<b>10,557</b>	<b>10,842</b>

**SECTION 11 - OTHER NET INSURANCE INCOME (EXPENSE) - CAPTION 170****11.1 Other net insurance income (expense): breakdown**

Captions	(millions of euro)	
	2021	2020
1. Net change in technical reserves	-1,355	-1,917
2. Claims accrued during the year	-10,259	-9,295
3. Other income/expenses arising from insurance business	-1,911	-1,590
<b>Total</b>	<b>-13,525</b>	<b>-12,802</b>

**11.2 Breakdown of Net change in technical reserves**

Net change in technical reserves	(millions of euro)	
	2021	2020
<b>1. Life business</b>		
<b>A. Mathematical reserves</b>	<b>3,979</b>	<b>-458</b>
A.1 Gross annual amount	3,983	-458
A.2 Amount reinsured with third parties (-)	-4	-
<b>B. Other technical reserves</b>	<b>-3,459</b>	<b>-1,658</b>
B.1 Gross annual amount	-3,459	-1,658
B.2 Amount reinsured with third parties (-)	-	-
<b>C. Technical reserves for investment risks to be borne by the insured</b>	<b>-1,874</b>	<b>203</b>
C.1 Gross annual amount	-1,874	203
C.2 Amount reinsured with third parties (-)	-	-
<b>Total "life business reserves"</b>	<b>-1,354</b>	<b>-1,913</b>
<b>2. Non-life business</b>		
Changes in other technical reserves of non-life business other than the claims fund, net of ceded reinsurance	-1	-4

## 11.3 Breakdown of Claims accrued and paid during the year

	(millions of euro)	
Charges associated to claims	2021	2020
<b>LIFE BUSINESS: CHARGES ASSOCIATED TO CLAIMS, NET OF REINSURANCE CEDED</b>		
<b>A. Amounts paid</b>	<b>-10,077</b>	<b>-8,540</b>
A.1 Gross annual amount	-10,082	-8,541
A.2 Amount reinsured with third parties (-)	5	1
<b>B. Change in funds for amounts to be disbursed</b>	<b>501</b>	<b>-439</b>
B.1 Gross annual amount	501	-439
B.2 Amount reinsured with third parties (-)	-	-
<b>Total life business claims</b>	<b>-9,576</b>	<b>-8,979</b>
<b>NON-LIFE BUSINESS: CHARGES ASSOCIATED TO CLAIMS, NET OF RECOVERIES AND REINSURANCE CEDED</b>		
<b>C. Amounts paid</b>	<b>-592</b>	<b>-300</b>
C.1 Gross annual amount	-778	-351
C.2 Amount reinsured with third parties (-)	186	51
<b>D. Change in recoveries net of quotas borne by reinsurers</b>	<b>1</b>	<b>-</b>
<b>E. Change in the claims reserve</b>	<b>-92</b>	<b>-16</b>
E.1 Gross annual amount	-127	-59
E.2 Amount reinsured with third parties (-)	35	43
<b>Total non-life business claims</b>	<b>-683</b>	<b>-316</b>

## 11.4 Breakdown of Other income/expenses arising from insurance business

	(millions of euro)	
	2021	2020
<b>Other income</b>	<b>215</b>	<b>141</b>
Life business	180	94
Non-life business	35	47
<b>Other expenses</b>	<b>-2,126</b>	<b>-1,731</b>
Life business	-2,018	-1,640
Non-life business	-108	-91

**SECTION 12 - ADMINISTRATIVE EXPENSES - CAPTION 190****12.1 Personnel expenses: breakdown**

Type of expense	(millions of euro)	
	2021	2020
<b>1) Employees</b>	<b>7,152</b>	<b>7,530</b>
a) wages and salaries	4,741	4,274
b) social security charges	1,218	1,104
c) termination indemnities	41	59
d) supplementary benefits	4	4
e) provisions for termination indemnities	7	9
f) provisions for post employment benefits	12	8
- <i>defined contribution plans</i>	-	-
- <i>defined benefit plans</i>	12	8
g) payments to external pension funds	368	319
- <i>defined contribution plans</i>	366	317
- <i>defined benefit plans</i>	2	2
h) costs from share based payments	220	199
i) other benefits in favour of employees	541	1,554
<b>2) Other non-retired personnel</b>	<b>16</b>	<b>11</b>
<b>3) Directors and statutory auditors</b>	<b>19</b>	<b>21</b>
<b>4) Early retirement costs</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,187</b>	<b>7,562</b>

It should be specified that sub-caption 3) "Directors and statutory auditors" includes remuneration to members of the Board of Directors of the Parent Company and members of the Board of Directors and the Board of Statutory Auditors of the various Group companies.

**12.2 Average number of employees by categories**

	2021	2020
<b>Personnel employed</b>	<b>92,657</b>	<b>100,049</b>
a) managers	1,831	1,901
b) total officers	35,971	39,211
c) other employees	54,855	58,937
<b>Other personnel</b>	<b>108</b>	<b>123</b>
<b>TOTAL</b>	<b>92,765</b>	<b>100,172</b>

In 2021, the average number of employees (with part-time employees calculated, per standard practice, at 0.5) primarily decreased on 2020 due to the sales of going concerns during the year (BPER and BPPB) and the terminations occurred under agreements over the two years.



**12.3 Post employment defined benefit plans: costs and revenues**

(millions of euro)

	Employee Termination Indemnities	2021 Internal plans	External plans	Employee Termination Indemnities	2020 Internal plans	External plans
Current service cost	-7	-4	-12	-4	-3	-8
Interest expense	-	-16	-3	-5	-14	-10
Interest income	-	2	3	-	2	9
Reimbursement from third parties	-	-	-	-	-	-
Past service cost	-	-	4	-	-	-
Curtailment of the fund	X	-	-	X	-	-
Settlement of the fund	X	-	-	X	-	-

This table illustrates the economic components referred to “Employee termination indemnities” – caption 90 of Balance sheet liabilities and “Allowances for risks and charges - post employment benefits” – caption 100b of Balance sheet liabilities.

**12.4 Other benefits in favour of employees**

The balance of the caption as at 31 December 2021 amounted to 541 million euro and referred to exit incentives for personnel and contributions for health assistance, lunch vouchers, premiums of insurance policies stipulated in favour of employees and provisions for seniority bonuses.

**12.5 Other administrative expenses: breakdown**

Type of expense/Amount	(millions of euro)	
	2021	2020
Expenses for maintenance of information technology and electronic equipment	821	852
Telephonic, teletransmission and transmission expenses	75	80
<b>Information technology expenses</b>	<b>896</b>	<b>932</b>
Rentals and service charges - real estate	42	40
Security services	48	47
Cleaning of premises	56	55
Expenses for maintenance of real estate assets furniture and equipment	84	89
Energy costs	110	102
Property costs	15	10
<b>Management of real estate assets expenses</b>	<b>355</b>	<b>343</b>
Printing, stationery and consumables expenses	36	52
Transport and related services expenses (including counting of valuables)	75	71
Information expenses	227	198
Postal and telegraphic expenses	58	54
<b>General structure costs</b>	<b>396</b>	<b>375</b>
Expenses for consultancy fees	165	230
Legal and judiciary expenses	157	158
Insurance premiums - banks and customers	62	54
<b>Professional and legal expenses</b>	<b>384</b>	<b>442</b>
<b>Advertising and promotional expenses</b>	<b>154</b>	<b>142</b>
<b>Services rendered by third parties</b>	<b>496</b>	<b>437</b>
<b>Indirect personnel costs</b>	<b>51</b>	<b>45</b>
<b>Other costs</b>	<b>225</b>	<b>254</b>
<b>Contributions to resolution funds and deposit guarantee schemes</b>	<b>739</b>	<b>659</b>
<b>Taxes and duties</b>	<b>1,170</b>	<b>1,021</b>
<b>Recovery of taxes and duties</b>	<b>-5</b>	<b>-3</b>
<b>Recovery of other expenses</b>	<b>-36</b>	<b>-49</b>
<b>Total</b>	<b>4,825</b>	<b>4,598</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for the contribution to resolution funds and deposit guarantee schemes, previously presented in "Other expenses", to be presented in a specific caption.

In 2021 the costs incurred by the Intesa Sanpaolo Group for measures related to the pandemic amounted to around 37 million euro (71 million euro in 2020).

**SECTION 13 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 200****13.1 Net provisions for credit risk associated with loan commitments and financial guarantees given: breakdown**

Captions	Provision	Reallocations	(millions of euro)
			Net provision
Stage 1	-44	73	29
Stage 2	-32	66	34
Stage 3	-124	158	34
<b>Total</b>	<b>-200</b>	<b>297</b>	<b>97</b>

**13.2 Net provisions associated with commitments and other guarantees given: breakdown**

With regard to net provisions associated with commitments and other guarantees given, there were no amounts as at 31 December 2021.

**13.3 Net provisions for other risks and charges: breakdown**

	Provisions	Reallocations	(millions of euro) Net provision
Net provisions for legal disputes	-261	40	-221
Net provisions for other personnel charges	-	-	-
Net provisions for risks and charges	-510	260	-250
<b>Total</b>	<b>-771</b>	<b>300</b>	<b>-471</b>

"Net provisions for risks and charges", which amounted to negative 471 million euro, includes the provisions that mainly regarded litigation concerning anatocism, bankruptcy claw-back, tax disputes and other civil and administrative proceedings.

In particular, the sub-caption "Net provisions for legal disputes" includes provisions for legal disputes, including bankruptcy claw-back actions and other disputes, net of releases for the year.

The sub-caption "Other net provisions for risks and charges" mainly includes, among reallocations, the release of some provisions in relation to the integration of UBI Banca.

**SECTION 14 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT - CAPTION 210****14.1 Net adjustments to property and equipment: breakdown**

Assets/Income components	Depreciation	Impairment losses	Recoveries	(millions of euro) Net result
<b>A. Property and equipment</b>				
A.1 Used in operations	-649	-2	-	-651
- <i>Owned</i>	-361	-2	-	-363
- <i>Licenses acquired through lease</i>	-288	-	-	-288
A.2 Investment property	-	-	-	-
- <i>Owned</i>	-	-	-	-
- <i>Licenses acquired through lease</i>	-	-	-	-
A.3 Inventories	X	-8	-	-8
<b>B. Non-current assets held for sale</b>	X	-	-	-
<b>Total</b>	<b>-649</b>	<b>-10</b>	<b>-</b>	<b>-659</b>

**SECTION 15 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 220****15.1 Net adjustments to intangible assets: breakdown**

Assets/Income components	Amortisation	Impairment losses	Recoveries	(millions of euro) Net result
<b>A. Intangible assets</b>				
<i>of which: software</i>	-670	-40	-	-710
A.1 Owned	-892	-42	-	-934
- Internally generated	-628	-39	-	-667
- Others	-264	-3	-	-267
A.2 Rights of use acquired through the lease	-	-	-	-
<b>B. Non-current assets held for sale</b>	X	-	-	-
<b>Total</b>	<b>-892</b>	<b>-42</b>	<b>-</b>	<b>-934</b>

With regard to the method of the impairment testing for intangible assets and related impairment recognised to the income statement, see Part B – Section 10 – Intangible Assets in these Notes to the consolidated financial statements.

**SECTION 16 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 230****16.1 Other operating expenses: breakdown**

Type of expense/Amount		(millions of euro)
Other expenses for consumer credit and leasing transactions		26
Amortisation of leasehold improvements		39
Other		438
<b>Total</b>	<b>2021</b>	<b>503</b>
<b>Total</b>	<b>2020</b>	<b>366</b>

The sub-caption “Other expenses” comprises 118 million euro for the negative result on gold and precious metals.

**16.2 Other operating income: breakdown**

Type of expense/Amount		(millions of euro)
Recovery of expenses		981
Rentals and recovery of expenses on real estate		34
Income related to consumer credit and leasing		63
Reimbursements for services rendered to third parties		26
Other		379
<b>Total</b>	<b>2021</b>	<b>1,483</b>
<b>Total</b>	<b>2020</b>	<b>3,713</b>

The sub-caption “Other income” comprises 121 million euro for the positive result on gold and precious metals.

The amount of 1,483 million euro in 2021 compares to 3,713 million euro in 2020, which included “Negative goodwill” of 2,505 million euro attributable to the acquisition of the UBI Group.

As required by paragraph 116 c) of IFRS 15, it is specified that revenues deriving from performance obligations satisfied in the previous years are included, amounting to 21 million euro.

## SECTION 17 – PROFITS (LOSSES) ON INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL - CAPTION 250

### 17.1 Profits (Losses) on investments in associates and companies subject to joint control: breakdown

Income components/Sectors	(millions of euro)	
	2021	2020
<b>1) Companies subject to joint control</b>		
A. Revenues	12	6
1. Revaluations	12	5
2. Profits on disposal	-	1
3. Recoveries	-	-
4. Other	-	-
B. Charges	-3	-5
1. Write-downs	-3	-1
2. Impairment losses	-	-4
3. Losses on disposal	-	-
4. Other	-	-
<b>Net result</b>	<b>9</b>	<b>1</b>
<b>2) Investments in associates</b>		
A. Revenues	229	74
1. Revaluations	164	69
2. Profits on disposal	65	5
3. Recoveries	-	-
4. Other	-	-
B. Charges	-100	-91
1. Write-downs	-58	-73
2. Impairment losses	-39	-17
3. Losses on disposal	-3	-1
4. Other	-	-
<b>Net result</b>	<b>129</b>	<b>-17</b>
<b>Total</b>	<b>138</b>	<b>-16</b>

For companies subject to joint control and significant influence, revenues from recognition at equity of the equity stakes is included under Revaluations, while the charges from the recognition at equity of the equity stakes is recorded under Write-downs.

## SECTION 18 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – CAPTION 260

### 18.1 Valuation differences on property, equipment and intangible assets measured at fair value or estimated realisable value: breakdown

Assets/Income component	Revaluations	Write-downs	(millions of euro)		Net result
			Foreign exchange differences Positive	Negative	
<b>A. Property and equipment</b>	<b>13</b>	<b>-34</b>	-	-	<b>-21</b>
A.1 Used in operations:	1	-11	-	-	-10
- Owned	1	-11	-	-	-10
- Licenses acquired through lease	-	-	-	-	-
A.2 Investment:	12	-23	-	-	-11
- Owned	12	-23	-	-	-11
- Licenses acquired through lease	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
<b>B. Intangible assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 Owned:	-	-	-	-	-
B.1.1 Internally generated	-	-	-	-	-
B.1.2 Other	-	-	-	-	-
B.2 Licenses acquired through lease	-	-	-	-	-
<b>Total</b>	<b>13</b>	<b>-34</b>	<b>-</b>	<b>-</b>	<b>-21</b>

## SECTION 19 – GOODWILL IMPAIRMENT - CAPTION 270

### 19.1 Goodwill impairment: breakdown

The results of impairment testing on goodwill recorded in the financial statements did not lead to adjustments in 2021. See Part A – Accounting policies for details on the means of determination of goodwill impairment.

For a description of the impairment testing methods for goodwill, reference should be made to Part B – Section 10 – Intangible Assets in these Notes to the consolidated financial statements.

## SECTION 20 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 280

### 20.1 Profits (Losses) on disposal of investments: breakdown

Income component/Amount	(millions of euro)	
	2021	2020
<b>A. Real estate assets</b>	<b>4</b>	<b>7</b>
- profits on disposal	8	17
- losses on disposal	-4	-10
<b>B. Other assets (a)</b>	<b>285</b>	<b>94</b>
- profits on disposal	297	95
- losses on disposal	-12	-1
<b>Net result</b>	<b>289</b>	<b>101</b>

(a) Included profits and losses on disposal of subsidiaries.

The profits on disposal included in sub-caption B “Other assets” are mainly attributable to the capital gains of 194 million euro realised on the sale in the first quarter by Fideuram Bank Luxembourg to State Street of the custodian bank business line and of 97 million euro on the sale of the former UBI acquiring business line to Nexi in October.

**SECTION 21 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 300****21.1 Taxes on income from continuing operations: breakdown**

Income component/Amount	(millions of euro)	
	2021	2020
1. Current taxes (-)	-888	-633
2. Changes in current taxes of previous years (+/-)	24	94
3. Reduction in current taxes of the year (+)	110	110
3. bis Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	1,254	-
4. Changes in deferred tax assets (+/-)	-2,143	203
5. Changes in deferred tax liabilities (+/-)	505	167
<b>6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)</b>	<b>-1,138</b>	<b>-59</b>

In 2021, following the sale for consideration of non-performing loans, the deferred tax assets on IRES tax loss were converted into tax credits pursuant to Art. 19-bis, para.1, of Law Decree 73 of 25 May 2021 (the "Decreto Sostegni bis"), which extended the relief provided for in Art. 44-bis of Law Decree 34/2019 (the "Decreto Crescita 2019") to 2021. This effect was taken to the caption "Reduction in current taxes of the year", with the corresponding decrease in the caption "Changes in deferred tax assets".

The reduction in current taxes for the year, as required by the "Roneata" Letter from the Bank of Italy of 7 August 2012, shows the transformation into tax credits of the deferred tax assets pursuant to Law 214/2011 due to both the loss reported by the incorporated former UBI Banca and the tax loss of Intesa Sanpaolo and UBI Banca in relation to 2020. This effect is entirely offset by the corresponding decrease in the caption "Changes in deferred tax assets" with the ensuing nil impact on the income statement.

**21.2 Reconciliation of theoretical tax charge to total income tax expense for the period**

	(millions of euro)	
	2021	
Income before tax from continuing operations	5,181	
Income before tax from discontinued operations	-	
<b>Theoretical taxable income</b>	<b>5,181</b>	

	Taxes	Impact % on theoretical taxable income
<b>Income taxes - theoretical tax charge</b>	<b>1,713</b>	<b>33.1</b>
<b>Increase of taxes</b>	<b>435</b>	<b>8.4</b>
Non-deductible interest expense	226	4.4
Other	209	4.0
<b>Decrease of taxes</b>	<b>-1,010</b>	<b>-19.6</b>
Effects of the participation exemption	-71	-1.4
Effects of international companies lower rates	-423	-8.2
Other	-516	-10.0
<b>Total changes in taxes</b>	<b>-575</b>	<b>-11.2</b>
<b>Total income tax expense for the period</b>	<b>1,138</b>	<b>21.9</b>
of which: - total income tax expense from continuing operations	1,138	21.9
- total income tax expense from discontinued operations	-	-

Within "Decrease of taxes", the sub-caption "Other" primarily refers to the release of deferred tax liabilities carried at 31 December 2020 on the brand name and other intangible assets following the exercise of the option for "realignment" pursuant to Art. 110, paragraphs 8 and 8-bis, of Law Decree 104/2020.



## SECTION 22 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 320

### 22.1 Income (Loss) after tax from discontinued operations: breakdown

Income component/Amount	(millions of euro)	
	2021	2020
1. Income	-	180
2. Charges	-	-126
3. Valuation differences on discontinued operations and related liabilities	-	-
4. Profits (losses) on disposal	-	1,110
5. Taxes and duties	-	-28
<b>Income (Loss)</b>	<b>-</b>	<b>1,136</b>

The caption had a nil value in 2021. In the comparative period, Income (Loss) from discontinued operations reflected the income effects and result of the sale of the payment systems acquiring business line, transferred to Nexi in 2020 under the agreement signed in 2019.

### 22.2 Breakdown of taxes on income from discontinued operations

Captions	(millions of euro)	
	2021	2020
1. Current taxes (-)	-	-28
2. Changes in deferred tax assets (+/-)	-	1
3. Changes in deferred tax liabilities (-/+)	-	-1
<b>4. Taxes on income (-1+/-2+/-3)</b>	<b>-</b>	<b>-28</b>

## SECTION 23 – MINORITY INTERESTS - CAPTION 340

### 23.1 Breakdown of caption 340 Minority interests

		(millions of euro)
		31.12.2021
<b>Investments in consolidated companies with significant minority interests</b>		
1	Bank of Alexandria S.A.E.	-24
2	Eurizon Capital SGR S.p.A.	-8
3	Intesa Sanpaolo Rent for You S.p.A.	-3
4	Privredna Banka Zagreb d.d.	-2
5	Eurizon SLJ Capital Limited	-2
6	Private Equity International S.A.	-1
7	Vseobecna Uverova Banka a.s.	-1
8	Intesa Sanpaolo Private Bank (Suisse) Morval S.A.	4
9	Risanamento S.p.A.	13
10	Intesa Sanpaolo RBM Salute S.p.A.	166
<b>TOTAL 2021</b>		<b>142</b>
<b>TOTAL 2020</b>		<b>-8</b>

The loss attributable to Intesa Sanpaolo RBM Salute S.p.A. is due to the provisions to reinforce technical reserves in the insurance segment, in relation to the claims in excess of premiums issued and on the basis of the estimated future charges on policies in relation to a financial imbalance, also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown.

**SECTION 24 – OTHER INFORMATION**

There is no information further to that already provided in the previous sections.

**SECTION 25 – EARNINGS PER SHARE****Earnings per share**

	Ordinary shares	
	31.12.2021	31.12.2020
Weighted average number of shares	19,377,549,407	18,240,491,151
Income attributable to the various categories of shares (millions of euro)	4,185	3,277
Basic EPS (euro)	0.22	0.18
Diluted EPS (euro)	0.22	0.18

**25.1 Average number of ordinary shares (fully diluted)**

For further information on this section, see the chapters “Shareholder base” and “Stock price performance” in the Report on operations.

**25.2 Other information**

There is no other information to be provided.

## Part D – Consolidated comprehensive income

(millions of euro)

Statement of comprehensive income		2021	2020
10.	<b>Net income (loss)</b>	<b>4,043</b>	<b>3,285</b>
	<b>Other comprehensive income that may not be reclassified to the income statement</b>	<b>23</b>	<b>-354</b>
20.	Equity instruments measured at fair value through other comprehensive income	-38	-301
	a) fair value changes	-43	-266
	b) transfer to other components of shareholders' equity	5	-35
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	26	-143
	a) fair value changes	26	-143
	b) transfer to other components of shareholders' equity	-	-
40.	Hedging of equity instruments measured at fair value through other comprehensive income	-	-
	a) fair value changes (hedged instrument)	-	-
	b) fair value changes (hedging instrument)	-	-
50.	Property and equipment	27	54
60.	Intangible assets	-	-
70.	Defined benefit plans	2	-15
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserves connected with investments carried at equity	-	-
100.	Income taxes associated with other comprehensive income that may not be reclassified to the income statement	6	51
	<b>Other comprehensive income that may be reclassified to the income statement:</b>	<b>-543</b>	<b>340</b>
110.	Hedges of foreign investments:	-	-
	a) fair value changes	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	111	-239
	a) value change	-	-
	b) reclassification to the income statement	-	-
	c) other changes	111	-239
130.	Cash flow hedges:	192	225
	a) fair value changes	405	367
	b) reclassification to the income statement	-213	-227
	c) other changes	-	85
	of which: gains (losses) on net positions	-	-
140.	Hedging instruments (not designated elements)	-	-
	a) value change	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
145.	Financial assets measured at fair value through other comprehensive income, pertaining to insurance companies	-504	392
	a) value change	-1,046	476
	b) reclassification to the income statement	-77	-76
	c) other changes	619	-8
150.	Financial assets (other than equities) measured at fair value through other comprehensive income	-786	210
	a) fair value changes	-171	508
	b) reclassification to the income statement	-579	-289
	- adjustments for credit risk	16	41
	- gains/losses on disposals	-595	-330
	c) other changes	-36	-9
160.	Non-current assets held for sale and discontinued operations	-	-
	a) fair value changes	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
170.	Share of valuation reserves connected with investments carried at equity:	43	-16
	a) fair value changes	-1	-
	b) reclassification to the income statement	-	-
	- impairment losses	-	-
	- gains/losses on disposals	-	-
	c) other changes	44	-16
180.	Income taxes associated with other comprehensive income that may be reclassified to the income statement	401	-232
190.	<b>Total other comprehensive income</b>	<b>-520</b>	<b>-14</b>
200.	<b>Comprehensive income (Captions 10+190)</b>	<b>3,523</b>	<b>3,271</b>
210.	<b>Total consolidated comprehensive income pertaining to minority interests</b>	<b>-135</b>	<b>46</b>
220.	<b>Total consolidated comprehensive income pertaining to the Parent Company</b>	<b>3,658</b>	<b>3,225</b>

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# Part E – Information on risks and relative hedging policies

## INTRODUCTION

In this Part E, the qualitative and quantitative disclosure is presented according to the order established by Bank of Italy Circular 262, which specifically regulates not only the format of the tables but also the sequence of the various topics, except for the section relating to market risks in relation to the application of internal models.

In drawing up this Part, we considered the requirements set out in the Bank of Italy communication of 21 December 2021, which supplemented the provisions of Circular no. 262 as regards the disclosure of the impacts of COVID-19. To complete the qualitative and quantitative disclosure provided in this Part E, in line with the provisions of the above-mentioned communication of 21 December of the Bank of Italy, see also the qualitative information published in Part A – Accounting policies of these Consolidated financial statements (Other aspects Section) and the quantitative information on the loans subject to COVID-19 support measures and the related net adjustments for credit risk (published, respectively, in Part B – Information on the consolidated balance sheet – Assets and Part C – Information on the consolidated income statement of these Consolidated financial statements).

## Basic principles

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

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

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

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

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

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

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

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

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

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

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

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

The control of the main specific risks is implemented by establishing specific limits and mitigation actions to be taken in order to limit the impact of particularly severe future scenarios on the Group. These limits and actions regard the typical risks of the Groups activity, such as credit risk, market risk and interest rate risk, as well as the most significant risk concentrations such as, for example, concentration on single counterparties, sovereign risk and public sector risk, as well as other types of operations deemed worthy of specific attention by the Corporate Bodies (e.g. transactions exposed to valuation risk, exposure to associated entities<sup>68</sup>).

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

The CRA limits are approved within the RAF and are continuously monitored by the Banca dei Territori Risk Management Head Office Department and the IMI CIB Risk Management Head Office Department. These contributed to improving the risk profile of the loan portfolio in terms of expected loss and the distribution of loans by risk class. In order to ensure homogeneous treatment of customers, guarantee the continuity of current operations and a consistent monitoring of Group risks, the Credit Risk Appetite (CRA) framework of Intesa Sanpaolo was applied until the merger also to the scope of UBI Banca and IW Bank, defining specific operational limits as well as the governance for managing breaches of the limits in line with that is already in place in Intesa Sanpaolo.

The limits set in the RAF are divided into two categories, Hard Limits and Soft Limits, which differ in the escalation process triggered by their breach. In particular, with regard to the Group limits, whose governance is established in detail in the Guidelines on the Group Risk Appetite Framework, the responsibility for approving the remediation plan is assigned:

- to the Board of Directors for Hard Limits, typically set for the main metrics used to control overall risk profile (e.g. Common Equity Tier 1 ratio, Liquidity Coverage ratio, etc.);
- to the Managing Director and CEO for Soft Limits, set on the metrics used to control the main specific risks (e.g. single name concentration, concentration towards the Italian public sector, etc.).

In addition to the limits themselves, Early Warning thresholds may be defined, the exceeding of which is promptly discussed in the competent managerial committee<sup>69</sup>.

Defining the Risk Appetite Framework is an articulated process headed by the Chief Risk Officer, which involves close interaction with the Chief Financial Officer and the Heads of the various Divisions, is developed in line with the ICAAP, ILAAP and Recovery Plan processes, and represents the risk framework in which the Budget and Business Plan are developed. This ensures consistency between the strategy and the risk-taking policy and the Plan and Budget process.

Within the annual RAF update process, it is possible to identify the following phases:

- definition of the scope of RAF risks: risks are identified continuously within the Group to maintain ongoing alignment with the changing internal and external context and to guarantee the adequacy of the controls and limits implemented to safeguard the Group Long term viability. The activity is formalised within the Group's Risk Identification process. The scope of RAF risks is thus defined starting with that process, paying particular attention to the evolution of the risks for which specific limits and/or risk strategy actions are deemed necessary;
- formulation of the limit proposal: in general, the RAF limits are defined according a prudential approach. However, the criteria adopted to determine the risk limits differ depending on whether related to control of the Overall Group risk or to control of the Main Specific Group Risks;
- reconciliation between the RAF, Business Plan and Budget: consistency between the RAF and the Business Plan/Budget is sought in all phases of the related preparation procedures through a process of mutual consultation and dialogue that lasts for several months, involving not only the structures of the Chief Risk Officer Governance Area and

<sup>68</sup> With regard to "Associated Entities", see the "Group Procedures regulating the conduct of transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group", which set out the rules on relationships with parties with special elements of "proximity" to the decision-making centres of the Bank and the Banking Group, classified as Associated Entities, in compliance with the provisions issued on this matter by the Bank of Italy and in line with the CONSOB requirements. In that context, within the Risk Appetite Framework, at least once a year specific plafond of Group exposure are proposed to the Board of Directors by involving the Parent Company structures concerned. Those plafond, defined in line with the applicable limits, are broken down into sub-limits of exposure, divided among the Parent Company structures concerned and each Group company, considering the credit, equity and financial components of the market.

<sup>69</sup> The competent Managerial Committee varies according to the RAF metrics considered:

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

- the Chief Financial Officer Governance Area but also the Business Divisions/Structures;
- approval of the RAF: in line with the provisions of the applicable regulations, the Board of Directors defines and approves the risk objectives, the tolerance threshold (where identified) and the risk governance policies.

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

The definition of the Risk Appetite Framework and the consequent operational limits for the main specific risks, the use of risk measurement instruments in credit management and operational risk control processes, the use of capital-at-risk measures for corporate performance reporting and assessment of the internal capital adequacy of the Group represent fundamental milestones in the operational application of the risk strategy defined by the Board of Directors along the Group's entire decision-making chain, down to the single operational units and to the single desks.

The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas, in a comprehensive framework of limits and procedures for governance and control.

As part of correct risk assessment and the development of an adequate system of monitoring and control to mitigate them, the Chief Risk Officer, with the support of the Chief Compliance Officer, where envisaged, conducts a preventive risk assessment of Most Significant Transactions ("MSTs") – understood as transactions of particular importance, of the proprietary type or with individual customers or counterparties or that potentially have a significant impact on the overall risk profile and/or on specific risks of the Group, as defined in the RAF – in order to ensure the assumption of a risk level acceptable for the Group and in line with the RAF. The MST governance model also requires that the Chief Risk Officer reports every six months on the activities carried out to the Corporate Bodies, specifically to the Board of Directors, the Risks Committee, the Management Control Committee and the Steering Committee.

The assessment of the comprehensive Group risk profile is conducted annually with the ICAAP, which represents the capital adequacy self-assessment process according to the Group's internal rules, the results of which are then also discussed and analysed by the Supervisor.

In accordance with the ECB requirements, the ICAAP process incorporates two complementary perspectives, both of which are analysed from an actual perspective and, on a prospective basis, in a baseline scenario and an adverse scenario:

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

The scope of analysis also includes the insurance segment to better capture the specific characteristics of the Group's business model (financial conglomerate).

The quantitative reconciliation between regulatory requirements and management estimates of capital adequacy is set out in a specific document attached to the ICAAP, which reports the differences in scope and definition of risks considered in both areas, as well as the differences, where appreciable, between what is considered in the two perspectives in terms of the main parameters (e.g. confidence interval and holding period) and assumptions (such as those relating to the diversification of effects).

The Group is required to provide a Recovery Plan according to indications received by Supervisory Authorities. The Recovery Plan is governed by the European Bank Recovery and Resolution Directive – BRRD - 2014/59/EU, transposed into Italian law by Legislative Decrees no. 180 and no. 181 of 16 November 2015 and the Bank Recovery and Resolution Directive – BRRD II - Directive 2019/879/EU, transposed into Italian law by Legislative Decree no. 193 of 8 November 2021, in force from 1 December 2021, and establishes the methods and measures to be used when an institution comes under severe stress and in an early intervention phase, in order to restore financial strength and long-term viability.

Within the annual preparation process for the Recovery Plan, the Chief Risk Officer Governance Area identifies the stress scenarios suitable of highlighting the main vulnerabilities of the Group and its business model (e.g. significant exposure to the domestic market), as well as measuring their potential impacts on the Group's risk profile.

In light of the crisis caused by the continuation of the health emergency, to prepare the 2021 Recovery Plan stress scenarios were developed based on the potential economic and financial fall-out of the COVID-19 pandemic.

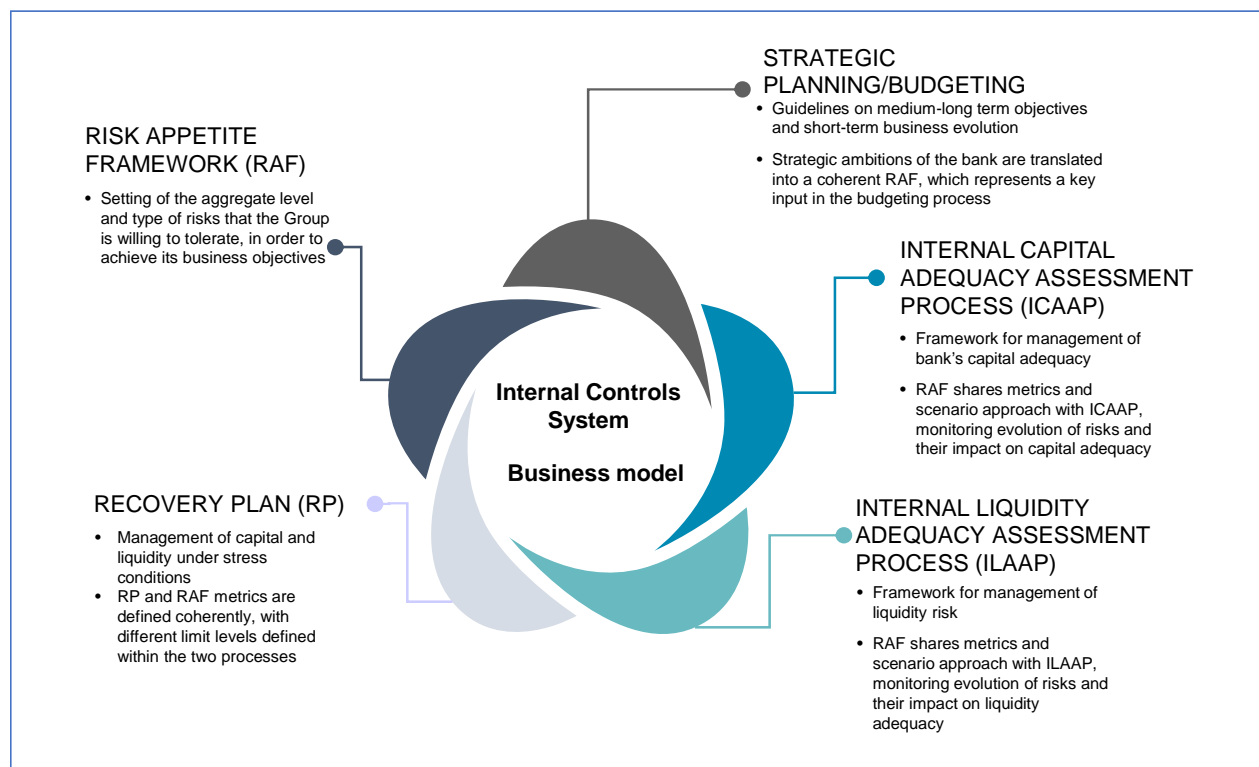
Following the publication of the European Banking Authority's Final Report on Recommendation on the coverage of entities in a group recovery plan (EBA/Rec/2017/02), dated 1 November 2017, Intesa Sanpaolo has adopted specific criteria for the classification of Group companies among:

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

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

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





## Stress Tests

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

The conduct of the stress tests consists of three basic steps:

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

Intesa Sanpaolo distinguishes between the following types of stress tests:

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

With specific reference to regulatory multi-risk tests, it is noted that on 30 July 2021, the results were announced of the 2021 EU-Wide Stress Test, conducted by the European Banking Authority (EBA), in collaboration with the Bank of Italy, the European Central Bank (ECB) and the European Systemic Risk Board (ESRB), which also involved the Intesa Sanpaolo Group.

Intesa Sanpaolo noted the announcements made by the EBA and fully acknowledged the outcomes of the exercise. The Intesa Sanpaolo fully loaded CET1 ratio resulting from the stress test for 2023, the final year considered in the exercise, stood at 15.06% under the baseline scenario and 9.38% under the adverse scenario, compared to the starting-point figure of 14.04% as of 31 December 2020. It should be noted that the 2021 EU-wide stress test does not contain a pass/fail threshold and instead is designed to be used as an important source of information for the purposes of the SREP. The results will be used by the competent authorities in assessing Intesa Sanpaolo's ability to meet applicable prudential requirements under stressed scenarios. Please note that: (i) the adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2021-2023); (ii) the stress test was carried out applying a static balance sheet assumption as of December 2020; therefore, it does not take into account future business strategies and management actions. The fully loaded CET1 ratio under the adverse scenario would be 9.97% restoring the actual neutral effect on capital ratios of the 2018-2021 Long-term Incentive Plan LECOIP 2.0 based on financial instruments, not captured by stress test assumption of a static balance sheet,



and considering the sale transactions of the going concerns - related to the acquisition of UBI Banca in 2020 - finalised in the first half of 2021, other things being equal.

During 2021, the Intesa Sanpaolo Vita Insurance Group participated in the 2021 Insurance Stress Test conducted by EIOPA in partnership with the European Systemic Risk Board (ESRB). The objective of the stress test, which involved 44 insurance groups at European level, was to test the resilience of the European insurance sector in a scenario of long-term COVID-19 featuring lower for longer interest rates, both in terms of capital adequacy and liquidity. The results of the exercise, published at aggregate level, demonstrated the resilience of the European insurance sector also under adverse economic conditions, both in terms of capital and liquidity adequacy.

In 2022 Intesa Sanpaolo will participate in the SSM Climate Risk Stress Test 2022, which will be conducted by the ECB on the figures of banks as at 31 December 2021. This is a learning exercise both for banks and for the supervisory authorities, aimed at assessing the vulnerabilities, sector best practices and challenges that banks will have to deal with in managing climate change risk.

## Risk Culture

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

- workshops/webinars on innovative issues with potential high impact on the Bank's risk profile (e.g., Blockchain and Crypto-assets, Quantum computing, Cybersecurity, Corporate Reputation and ESG Issues);
- the creation of a new intranet page for the CRO Area, dedicated to all colleagues of the Group, which promotes Risk Culture using educational materials with different levels of detail;
- a Risk Culture Assessment, conducted on a significant portion of the Italy Perimeter, which in 2022 will include the remaining business lines, for the purpose of investigating the profile of the Group's Risk Culture. The Assessment was conducted through a questionnaire that assesses the perceptions and opinions on a wide variety of aspects, including: (i) the degree and diffusion of responsibility, (ii) the role of risk-based reasoning in decision-making processes, (iii) the speed of responses to difficulties, (iv) the quality of the reporting and communication processes, (v) the attitude for cooperation, (vi) openness to dialogue and challenging the status quo, (vii) the quality of expertise and propensity to promote talent and experience, and (viii) compliance with rules and guiding principles. The results were compared with those of the same survey conducted on a sample of international peers and to the results of the survey conducted in the Company during 2016-2017. In addition, several questions, not included during 2016-17 edition nor in the survey proposed to the peers, were also proposed to colleagues, with the goal of investigating the perception of emerging risks, specifically in relation to the pandemic and the *new way of working*. The main results showed excellent scores (both compared to the past and compared to peers) and a substantial improvement in many areas that were relatively weak in 2016-2017, confirming the effectiveness of the solutions adopted over these five years, and the commitment to designing new ones;
- in line with previous years, the Risk Culture Ambassador initiative, which entailed the temporary secondment of resources from the Chief Risk Officer Area, receiving the same number of resources from the recipient structure, pertaining to the Chief Lending Officer Area.

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

## Risk governance organisation

The policies relating to risk taking and the processes for the management of the risks to which the Group is or could be exposed are approved by the Board of Directors of Intesa Sanpaolo as the Parent Company, with the support of the Risks Committee. The Management Control Committee, which is the body with control functions, supervises the adequacy, efficiency, functionality and reliability of the risk management process and of the Risk Appetite Framework.

The Managing Director and CEO has the power to submit proposals for the adoption of resolutions concerning the risk system and implements all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies.

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

- the Steering Committee, chaired by the Managing Director and CEO, is a Group body with a decision-making, consulting and reporting role, which, within the Group Risk Analysis Session, seeks to ensure the control and management of risks and safeguard business value at Group level, including the internal control system, in implementation of the strategic guidelines and management policies established by the Board of Directors. Its various tasks include examining the RAF proposal for the Group, in preparation for the presentation to the Board of Directors, the analysis of the ICAAP and ILAAP Group packages and of the Risks Tableau de Bord;
- the Group Financial Risk Committee is a technical body with decision-making, reporting and consulting powers, focused

both on the banking business (proprietary financial risks for banking and trading books, as well as Active Value Management) and the life and non-life insurance business (result exposure to the trend in market variables and technical variables). The functions of said Committee are set out in two sessions:

- the Risk Analysis and Valuation Session, chaired by the Chief Risk Officer, responsible for evaluating, *inter alia*, in advance of approval by the Board of Directors, the guidelines on undertaking and measuring financial risks and the liquidity risk of the Group, with a view to consistency with the RAF, proposals for operational limits for financial operations referring to interest rate risk of the banking, the trading book and valuation risk defining, within the scope of the powers received, the distribution thereof amongst the Group's major units. It periodically analyses the overall financial risk profile and exposure to liquidity risk and interest rate risk of the Group and the single Group banks and companies, verifying any breaches of the limits and monitoring the approved come-back procedures;
- the Management Addresses and Operational Choices Session, chaired by the Chief Financial Officer, provides operational guidelines in implementation of the strategic guidelines and risk management policies laid down by the Board of Directors, in respect of management of the banking book, liquidity, interest rate and exchange risk.
- the Credit Risk and Pillar 2 Internal Models Committee is a technical body with a decision-making, reporting and advisory role. In particular, with regard to the internal risk measurement systems, the Committee acts as the competent Management Committee for:
  - the internal models for the measurement and management of credit risk;
  - the internal models for Pillar 2 risks<sup>70</sup>.
- the Group Control Coordination and Non-Financial Risks Committee is divided into specific and distinct sessions:
  - the Integrated Internal Control System Session, with a reporting and advisory role, whose objective is to reinforce coordination and the interdepartmental cooperation mechanisms within the Group internal control system, thus promoting the integration of the risk management process;
  - the Operational and Reputational Risk session, with a decision-making, reporting and advisory role, which has the task of supervising the implementation of operational and reputational risk management guidelines and policies in accordance with indications formulated by the Board of Directors and periodically reviewing the overall non-financial risk profile, monitoring the implementation of the mitigation actions identified in accordance with indications formulated by the Corporate Bodies and/or the Steering Committee;
  - the Compliance Risk Session, for reporting and consulting purposes, which is tasked with examining the results of the periodic compliance risk assessments.

The sessions of the Committee are attended by, among others, the Heads of Corporate control functions, as well as the Manager responsible for preparing the Company's financial reports as a permanent member. This contributes to fulfilling the assigned legal obligations and the responsibilities established in the Company Regulations on the supervision of the financial reporting process. It also enables the promotion of the inter-functional coordination and integration of control activities, within its area of responsibility;

- the Group Credit Committee is a technical body with a decision-making and advisory role that has the task of ensuring the coordinated management of issues relating to credit risk, and is organised in two separate sessions (Performing Loans Session and Non-Performing Loans Session). Among other duties, the Committee resolves on the granting, renewal and confirmation of loans within the scope of the powers assigned to it;
- lastly, the Hold To Collect and Sell (HTCS) Sign-Off Committee is tasked with proposing the assumption of market risks put forward by the business structures of the Parent Company or the subsidiaries, on the HTCS shares required for Originate to Share ("OtS") transactions; These transactions consist of loans originated with the intention of being distributed to third-party operators on the primary or post primary market and which provide for a holding period less than or equal to 12 months at the time of their origination.

The Chief Risk Officer Governance Area – located directly reporting to the Managing Director and CEO – in which the risk management functions are concentrated, including the controls on the risk management and internal validation process, represents a relevant component of the "second line of defence" of the internal control system that is separate and independent from the business supporting functions.

This Area is responsible for governing the macro process of definition, approval, control and implementation of the Group's Risk Appetite Framework with the support of the other corporate functions involved, as well as assisting the Corporate Bodies in setting and implementing the Group's risk management guidelines and policies, in accordance with the company's strategies and objectives, and coordinates and verifies their implementation by the responsible units of the Group, also within the various corporate areas, guaranteeing the measurement and control of the Group's exposure to various types of risk, implementing the II level controls on credit and other risks, in addition to ensuring the validation of risk measurement **and management internal** systems.

To that end, the Chief Risk Officer Governance Area is broken down into the following Organisational Units:

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

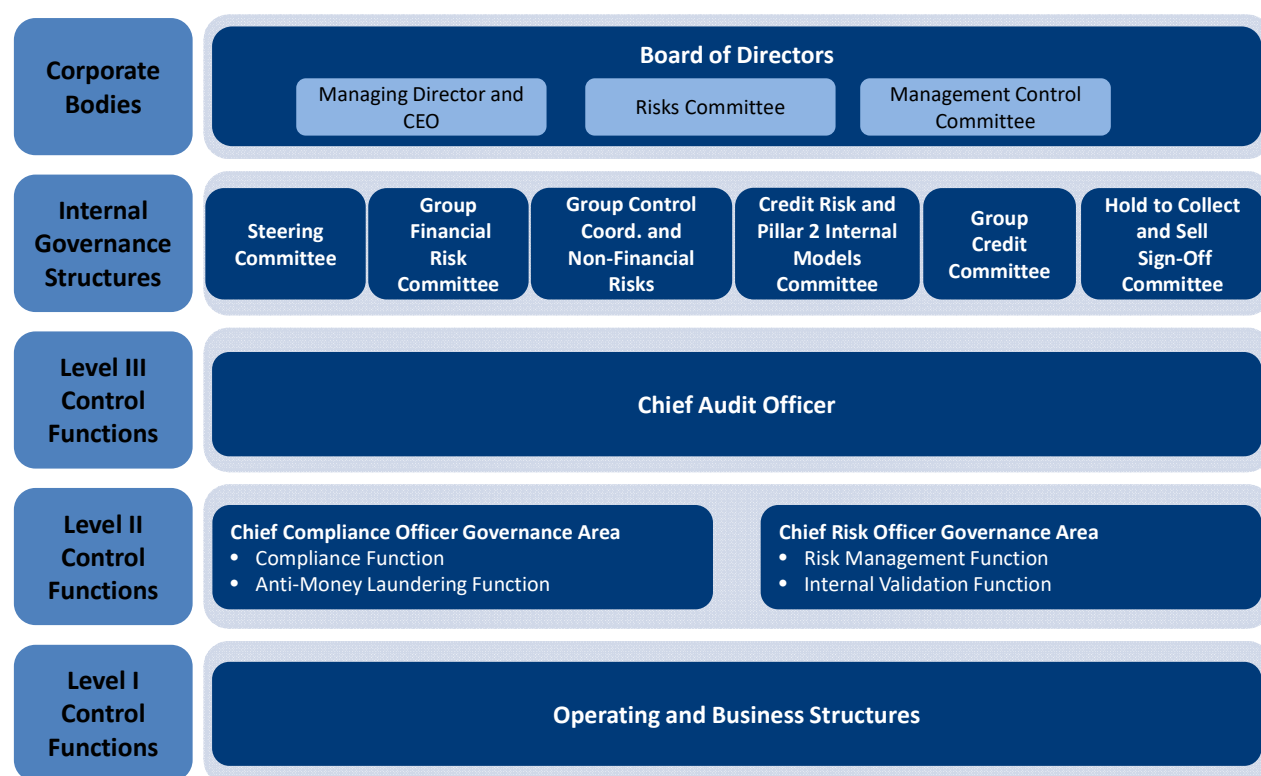
<sup>70</sup> The scope does not include the Pillar 2 models for the measurement and quantification of financial risks in the banking book, which already come under the scope of the Group Financial Risk Committee and the Pillar 2 models for the measurement and quantification of operational and reputational risks, which, instead, come under the scope of the Group Control Coordination and Non-Financial Risks Committee. However, it does include the models used for stress testing and forward-looking income statement valuations.

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

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

The Chief Compliance Officer Governance Area is broken down into the following Organisational Units:

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



The Parent Company performs a guidance and coordination role<sup>71</sup> with respect to the Group companies, aimed at ensuring effective and efficient risk management at Group level, exercising responsibility in setting the guidelines and methodological rules for the risk management process, and pursuing, in particular, integrated information at Group level to the Corporate Bodies of the Parent Company, with regard to the completeness, adequacy, functioning and reliability of internal control system. For the corporate control functions in particular, there are two different types of models within the Group: (i) the centralised management model based on the centralisation of the activities at the Parent Company and (ii) the decentralised management model that involves the presence of locally established corporate control functions that conduct their activities under the direction and coordination of the same corporate control functions of the Parent Company, to which they report in functional terms.

Irrespective of the control model adopted within their company, the corporate bodies of the Group companies are aware of the choices made by the Parent Company and are responsible for the implementation, within their respective organisations, of the control strategies and policies pursued and promoting their integration within the Group controls.

<sup>71</sup> In this regard, it is specified that Intesa Sanpaolo does not exercise management and coordination over Risanamento S.p.A. or its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

## The internal control system

To ensure a sound and prudent management, Intesa Sanpaolo combines business profitability with an attentive risk-acceptance activity and an operating conduct based on fairness.

Therefore, the Bank, in line with legal and supervisory regulations in force and consistently with the Corporate Governance Code for Listed Companies, has adopted an internal control system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.

Intesa Sanpaolo's internal control system is built around a set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound and prudent management, the achievement of the following objectives:

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

The internal control system plays a crucial role and involves the entire corporate organisation (bodies, units, hierarchical levels, all personnel). In compliance with the provisions of Bank of Italy Circular 285/2013 (First Part, Title IV, Chapter 3) the "Integrated Internal Control System Regulation" was finalised. This aims to define the guidelines of Intesa Sanpaolo's internal control system, in its capacity as Bank and Parent Company of the Banking Group, through the adaptation of the reference principles and the definition of the responsibilities of the Bodies and of the functions with control duties, which contribute, in various ways, to the proper operation of the internal control system, as well as the identification of coordination arrangements and information flows supporting system integration.

The internal control system is made up of a documentation infrastructure (regulatory framework) that provides organised and systematic access to the guidelines, procedures, organisational structures, and risks and controls present in the Company, which incorporate all the company policies and the instructions of the Supervisory Authorities, as well as the provisions of law, including the principles laid down in Legislative Decree 231/2001.

The regulatory framework consists of "Governance Documents", adopted from time to time, that oversee the operation of the Bank (Articles of Association, Code of Ethics, Group Internal Code of Conduct, Group Regulations, Group Committees Regulation, Regulation on Related Party Transactions, Integrated Internal Control System Regulation, Authorities and powers, Guidelines, Function charts of the Organisational Structures, etc.) and more strictly operational regulations that govern business processes, individual operations and the associated controls (Rules, Process Guidelines, Control Sheets, etc.).

More specifically, the corporate rules set out organisational solutions that:

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

The Company's organisational solutions also include controls at each operational level that enable the uniform and formalised identification of responsibilities, particularly in relation to the tasks of controlling and correcting the irregularities found.

In terms of Corporate Governance, Intesa Sanpaolo adopted the one-tier corporate governance system, pursuant to Articles 2409-sexiesdecies and following of the Italian Civil Code. It therefore conducts its operations through a Board of Directors, certain members of which are also members of the Management Control Committee.

Based on this system:

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

The Board of Directors elects a Managing Director from its members, other than the Chairman of the Board, the members of the Management Control Committee or the minimum number of Independent Directors.

The Intesa Sanpaolo Group adopts an internal control system based on three levels, which was also extended during the year to the scope of the former UBI Group, in line with the legal and regulatory provisions in force.

The model has the following types of control:

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



- Level II: risk and compliance controls for the purpose of ensuring, inter alia:
  - correct implementation of the risk management process;
  - compliance with the operating limits assigned to the various functions;
  - compliance of company operations with the rules, including self-governance rules.

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

- Chief Compliance Officer Governance Area, which is assigned the duties and responsibilities of the “Compliance Function”, as defined in the reference regulations. The Chief Compliance Officer’s Governance Area also includes the Anti Financial Crime Head Office Department, which is tasked with the duties and responsibilities of the “Anti-Money Laundering Function”, as defined by the reference regulations;
  - Chief Risk Officer Governance Area, which is assigned the role of the risk management function, as defined by the applicable regulations. The Chief Risk Officer Governance Area also includes the Internal Validation and Controls Head Office Department, which is tasked, among other things, with the duties and responsibilities of the “validation function”, as defined by the applicable regulations, as well as Level II controls on credit and data quality.
- Level III: internal audit controls to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks.

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

The Manager responsible for preparing the Company’s financial reports also contributes to the internal control system, who, pursuant to art. 154 bis of the Consolidated Law on Finance, exercises oversight at Group level of the internal control system for the purpose of accounting and financial reporting.

The internal control system is periodically reviewed and adapted in relation to business development and the reference context.

Intesa Sanpaolo has an internal control structure consistent with the indications provided by the Supervisory Authorities.

### The Risk Management and Internal Validation Function

The Chief Risk Officer Governance Area is responsible for operational implementation of the strategic and management guidelines for risk along the Bank’s entire decision-making chain, down to individual operational units. The tasks and functions are discussed in detail in the subsequent chapters of Part E.

Through the Internal Validation and Controls Head Office Department, the Chief Risk Officer Governance Area carries out Level II controls on credit and data quality.

The purpose of the credit controls is to verify the proper classification, appropriateness of provisioning and the adequacy of the management and recovery process for individual exposures (so-called single names).

In general, the control activities includes the credit processes assessment, also in order to verify that suitable Level I controls are in place, including proper execution and traceability. The potential areas of investigation to be examined through Single Name controls also consider the results of the monitoring carried out by the Level I Control Functions within the different credit clusters.

As part of the overall risk management process, the Department carries out the Level II controls connected with data quality, in line with the internal and external regulations on the matter, with specific focus on the input data used in internal models, in cooperation with the Data Office, the Enterprise Risk Management Head Office Department and Administrative and Financial Governance. In accordance with recent regulatory developments, the Internal Validation and Controls Head Office Department is also responsible for the development, maintenance and oversight of the framework for the model risk governance, aimed at ensuring the identification, assessment, monitoring and mitigation of the risk for all Internal Systems, including the Pillar 1 and 2 risk measurement systems and the systems that are used for accounting purposes. To that end, the Department mainly carries out the following activities, in coordination with the Functions concerned: a) defining and developing the model risk governance and methodological framework to identify models, assign the related priorities and assess and mitigate model risk, including the methodology for quantifying the economic capital buffer for model risk; b) defining, managing and upgrading the Group Model Management platform (Group Model Inventory) with the goal of guaranteeing a complete, updated inventory of the models and tracking of the processes connected to the various phases of their life cycles; c) ensuring the periodic identification and assessment of model risk and the economic capital buffer; d) overseeing the process for assigning priorities to models (tiers) in order to efficiently steer their governance, with specific reference to the levels of detail, analysis and frequency of validation and development activities; e) for the model risk component, contributing to the annual proposal to update the Group RAF and periodically monitoring the model risk appetite indicators; and f) providing periodic disclosure on the Model Risk Management Framework and on the results of the model risk assessments to the Head of the CRO Area, the competent managerial committees and the Corporate Bodies.

Moreover, the Internal Validation and Controls Head Office Department is assigned the validation function, aimed at ensuring the validation at Group level of the internal risk measurement systems, used both for the determination of capital requirements and for non-regulatory purposes, in order to assess their compliance with regulatory provisions<sup>72</sup>, operational needs and reference market demands<sup>73</sup>.

The internal systems adopted by the Group are validated on first adoption (based on the plans of gradual extension made by the Group) or when changes are made to them, in compliance with the development and validation process approved by the Corporate Bodies. The validation function also ensures the periodic review of internal systems in terms of models, processes,

<sup>72</sup> Regulation (EU) 575/2013 (CRR), EBA Guidelines, EU Directive 2013/36 (CRD IV), Bank of Italy Circular 285/2013.

<sup>73</sup> Regulation (EU) 575/2013 (CRR), EBA Guidelines, EU Directive 2013/36 (CRD IV), Bank of Italy Circular 285/2013.

data used and implementations in IT, assessing their adequacy, predictive ability and performance, as well as their compliance over time with regulatory provisions, company needs and changes in the reference market.

The validations are conducted in line with the planning of the function's activities, defined based on the internal and external reference regulations and that presented to the competent Corporate Bodies. The relevant criteria that define the type of validation to implement (Standard or Full) and its frequency also include the tier of the model and its use, as attributed in the Model Risk Management Framework.

For Pillar 1 risks, the validation frequency is set, in any event, in line with the external reference regulations.

In order to ensure the periodic reporting on the results of the validation process continuously carried out to the Corporate Bodies and, regarding the internal Pillar 1 risk measurement systems, to the Supervisory Authorities, the Internal Validation Function prepares the Annual Validation Reports regarding the internal Pillar 1 systems and the internal systems used for management purposes. These reports summarise the results of the analyses conducted during the reporting year on the internal systems used at the Parent Company and the Group Companies and the opinion formulated. They also highlight the main areas for improvement identified and the critical level assigned. In carrying out the validation process at Group level, the function interacts with the Supervisory Authorities, with the relevant Corporate Bodies and the functions responsible for the Level III controls required by the regulations. It adopts a decentralised approach for companies with local validation functions (the main Italian and international companies), coordinating and supervising the activities of those companies, and adopting a centralised approach for the others. The adopted methodologies were developed in implementation of the principles that inspire the Supervisory regulations for banks, EU directives and regulations, general guidelines of international committees and best practices in the area and take the form of documentary, empirical and operating practice analyses.

## Compliance

The governance of compliance risk is of strategic importance to the Intesa Sanpaolo Group as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.

The responsibilities and duties of the compliance function are assigned to the Chief Compliance Officer, who is independent and autonomous in relation to the operating structures, reports directly to the Corporate Bodies and has access to all activities within the Bank, as well as any significant information for the performance of its duties.

The Group's Compliance Model is set out in the Guidelines approved by Intesa Sanpaolo's Corporate Bodies, which indicate the responsibilities of the various company structures and macro processes to mitigate compliance risk:

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

The regulatory scope and the procedures for monitoring regulatory contexts that present significant risks of non-compliance for the Group are defined in the aforementioned guidelines. The Chief Compliance Officer submits periodic reports to the Corporate Bodies on the adequacy of compliance control, with regard to all regulatory aspects applicable to the Group which show compliance risks. On an annual basis, these reports include an identification and assessment of the primary compliance risks to which the Group is exposed and a schedule of the associated management measures, and on a half-yearly basis they include a description of the activities performed, critical issues noted, and remedies identified. A specific notice is also given when events of particular significance occur.

The Compliance Guidelines call for the adoption of two distinct models in relation to steering, coordination and control of the Group. These models are organised in such a way as to account for the Group's structure in operational and territorial terms.

In particular:

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

## Anti-Money Laundering

The duties and responsibilities of the Anti-money laundering Function are assigned, as required by the regulations, to the Anti Financial Crime Head Office Department, which reports to the Chief Compliance Officer, and is therefore independent and autonomous in relation to the operating structures, reporting directly to the Corporate Bodies, and has access to all activities within the Bank, as well as to any significant information for the performance of its duties.

Specifically, as envisaged in the Guidelines for combating money laundering and the financing of terrorism and for managing embargoes and the Group Anti-Corruption Guidelines, the Anti Financial Crime Head Office Department ensures monitoring of compliance risk in the area of money laundering, terrorist financing, breach of embargoes, weapons and corruption (Financial Crime), by:

- laying down the general principles to be adopted within the Group for the management of compliance risk;
- identifying and assessing compliance risk;

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

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

## Internal Auditing

The internal audit function is performed by the Chief Audit Officer, directly reporting to the Board of Directors (and therefore it reports to the Chairman), and also reports functionally to the Management Control Committee, without prejudice to the appropriate links with the Managing Director and CEO.

The Chief Audit Officer has not any direct responsibility on the business.

This function has a structure and a control model which is organised according to the evolution of the organisational structure of Intesa Sanpaolo and of the Group.

The Internal Auditing structures of the Group's Italian and international companies report functionally to the Chief Audit Officer.

The Internal Audit Function performs, from a third level perspective, the overall assessment of the internal control system, reporting possible improvements to the corporate bodies, with specific regard to the Risk Appetite Framework (RAF), the risk management process and risk measurement and control instruments. In particular, the Function assesses the completeness, adequacy, functionality and reliability of the components of the internal control system, the risk management process and the corporate processes, also with regard to their ability to identify and prevent errors and irregularities. In this context, inter alia, it audits the risk management and regulatory compliance corporate functions, also through participation in projects, so as to generate added value and improve the effectiveness of the control and corporate governance processes.

The audit activity concerns directly both Intesa Sanpaolo and the Group companies.

The Internal Auditing Function is also responsible for assessing the effectiveness of the corporate RAF definition process, the internal consistency of the overall framework and compliance of Bank operations with the RAF. The Head of the Internal Auditing Function has necessary autonomy and independence from the operating structures. The Function has access to all activities carried out both in head office and in peripheral structures. In case of outsourcing to third parties of relevant activities for the functioning of the internal control system (e.g. data processing activity), the internal audit function must access to the activities carried out by those parties either.

Within the framework of the RAF, the Chief Audit Officer prepares its own contribution to the Integrated Risk Assessment conducted by the corporate control functions and by the Manager responsible for preparing the Company's financial reports.

The Department uses personnel with the appropriate professional skills and expertise and operates in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors (IIA).

As required by the international standards, the department is subject to an external Quality Assurance Review every five years. The most recent review was carried out at the end of 2018 on the request of the Management Control Committee and concluded in the first quarter of 2019, confirming the highest assessment envisaged ("Generally Conform"). At the end of 2021, a new assessment was conducted that will end in the first quarter 2022.

When performing its tasks, the function uses structured risk assessment methodologies to identify the areas of greatest focus and the main new risk factors. Based on the assessments emerging from risk assessment and the resulting priorities, as well as on any specific requests for further enquiry expressed by top management and Corporate Bodies, it prepares and submits an Annual Audit Plan for prior examination by the Management Control Committee, and subsequent approval by the Board of Directors, on the basis of which it conducts its activities during the year, in addition to a Long-Term Plan.

The Chief Audit Officer ensures the correct execution of the of the internal management process for reporting violations (so called "Whistleblowing").

The Chief Audit Officer coordinates the "Integrated Internal Control System" session of the Group Control Coordination and Non-Financial Risks Committee.

During the year, auditing was performed directly for the Parent Company as well as for other subsidiaries under an outsourcing contract. For the other Group companies having their own internal audit departments, steering and practical coordination of the local departments was performed to guarantee control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both structural and operational profiles. Direct auditing and review activities, in the capacity of Parent Company, were also performed for those companies, as mentioned above.

Any weakness identified in the audit activities was systematically reported to the concerned Corporate Functions for a prompt improvement action, which is, then, duly followed up by the function to verify its effectiveness.

Summary internal control system assessments originated from the audit activities have been periodically submitted to the Management Control Committee and the Board of Directors.

The results of the audits activities with an adverse outcome or highlighting significant shortcomings were sent in full to the Board of Directors, the Managing Director and CEO and the Management Control Committee, as well as the Boards of Directors and Boards of Statutory Auditors of the relevant subsidiaries.

The main weaknesses identified and their evolution have been included in the Audit Tableau de Bord (TdB), remarking the ongoing mitigation actions as well as the related owners and the planned deadlines, to ensure the systematic monitoring.

Lastly, the Chief Audit Officer ensured constant assessment of its own effectiveness and efficiency in line with the internal "quality assurance and improvement" plan drafted in accordance with the recommendations of International Standards for the



Professional Practice of Internal Auditing. In this context, during 2021, in line with the timing of the 2018-2021 Business Plan, the Function's evolution programme named Future Audit Solutions and Transformation (FAST) came to an end and the new programme, Strategic Audit Innovation Line-up (SAIL), was launched for the period 2022-2025 in line with the new Business Plan.

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

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

In order to comply with the aforesaid provisions, the Manager responsible for preparing the Company's financial reports:

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

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

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

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

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

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

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

### Attestations as required by Art. 154-bis of the Consolidated Law on Finance

In relation to the supervisory and monitoring functions assigned, the Manager responsible for preparing the Company's financial reports:

- signs, jointly with the Managing Director and CEO, the attestations of the separate and consolidated financial statements required by the Article 154-bis, paragraph 5, of the Consolidated Law on Finance on the adequacy and actual application of administrative and accounting procedures, the compliance with the international accounting standards, the agreement of the financial statements with the supporting documentation, accounting books and records and their suitability to give a true and fair view of the financial and economic position of the Group, as well as a reliable analysis of the performance, operating result and the main risks to which the Group is exposed;
- certifies the correspondence of the documents and announcements disclosed to the market with the records, books and accounting entries, pursuant to Article 154-bis, paragraph 2, of the Consolidated Law on Finance.

The monitoring of the accounting and financial reporting process is based on the review of:

- completeness and consistency of the information provided to the market through a structured reporting system originated from the functions of the Parent Company and the Companies concerning the events deemed significant for accounting/financial disclosure purposes, especially with regard to the main risks and uncertainties to which they are exposed;
- suitability and effective implementation of organisational and IT processes and procedures used for the preparation of accounting documents and other communication of a financial nature deemed relevant pursuant to Art. 154-bis of the Consolidated Law on Finance.

Special attention is paid to monitoring the adequacy of the auditing approach and the proper conduct of the activities required for the financial reporting process; the focus of the controls is represented by the work stages which, within the various business processes, entail the recording, processing, evaluation and presentation of data and information used as input for financial reporting and the related internal control system.

The IT processes and developments implemented on the reporting systems play a particularly important role in the oversight of the IT architectures and applications used to manage this information.

The organisational model for the supervision of the adequacy of the administration, accounting and financial reporting procedures and the related internal control system is governed by the Company regulation "Administrative and Financial Governance Guidelines". In particular, the model prescribes assessment methodologies differentiated according to, on one hand, the risk of the processes deemed significant for accounting and financial reporting purposes and, on the other, the need to realise synergies with the control activities carried out by the Internal Audit Department and the other Corporate Control Functions.

To this end, the procedures may be verified by means of in-depth analyses, conducted according to specific methodologies used to verify the correctness of the accounting and financial information, carried out by the structures that support the Manager responsible for preparing the Company's financial reports (analytical approach) and, if present, of the information collected by the Corporate control functions or by external entities such as Independent Auditors, Supervisory Authorities, etc. (synthetic approach).

For the assessment of the adequacy of the relevant processes for the financial reporting, the Manager responsible for preparing the Company's financial reports uses the results of the controls carried out by the structures reporting directly to him, by the Internal Audit Department and the other Corporate control functions. To this end, within the scope of the Controls Coordination Committee and Group Control Coordination and Non-Financial Risks Committee provided for by the Integrated Internal Control System, the Corporate Control Functions and the Manager responsible for preparing the Company's financial reports share annual check plans and the related outcomes. The critical issues arising from inspections conducted by external bodies (Independent Auditors, Supervisory Authorities) are also collected and assessed from the perspective of financial reporting risk.

To conclude the preparation of the Company's financial reports according to the rules and criteria set out in Part A of the Notes to the financial statements, and the supervisory activities conducted on the financial reporting processes, according to the guidelines described herein, the Managing Director and CEO and the Manager responsible for preparing the Company's financial reports sign the attestations required by Art. 154 bis, paragraph 5, of the Consolidated Law on Finance.

These attestations are included in the reporting packages for the separate financial statements of the Parent Company and the consolidated financial statements, and are provided to the public according to the model established by the Consob Regulation.

### Report pursuant to article 15 of Consob Market Regulation 20249/2017, as subsequently amended and supplemented

With regard to the protection of savings and the regulation of financial markets, the Italian Securities and Exchange Commission (Consob) has set certain conditions for the listing of parent companies incorporated and subject to the laws of non-EU member states (Article 15 of the Market Regulation cited). As a result, Intesa Sanpaolo has set up an action plan to ensure the existence of the conditions required for subsidiaries that are of material significance, identified in compliance with the criteria established in the rules of the cited Article 15:

- ensuring the public disclosure of the accounting positions of subsidiaries prepared for the purposes of drafting the consolidated financial statements;
- obtaining details from its subsidiaries of their articles of association, membership and powers of the corporate bodies;
- determining that the subsidiaries: i) provide the independent auditor of the parent company with the information necessary to perform annual and interim audits of the parent company; and ii) enjoy access to an administrative and accounting system appropriate for regular reporting to the management and independent auditor of the parent company of the income statement, balance sheet and cash flow data necessary for the preparation of the consolidated financial statements.

On conclusion of the activities performed and the verifications conducted, compliance is confirmed with the conditions required by Article 15 of Consob Market Regulation 20249/2017 (as subsequently amended and supplemented).

The Management Control Committee and Board of Directors have been informed of compliance with those regulatory provisions governing companies incorporated in and subject to the laws of non-EU Member States, in the aforementioned “Report on the internal control system for the financial reporting process” drafted in order to illustrate the overall governance and control activities performed in accordance with the various provisions of laws and Group regulations governing the supervision of financial reporting, organically coordinated by the Manager responsible for preparing the Company's financial reports.

## The scope of risks

The risks identified, covered and incorporated within the Economic Capital are as follows:

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

Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures, including stress tests.

Special attention is dedicated to managing the short-term and structural liquidity position by following specific policies and procedures to ensure full compliance with the limits set at the Group level and operating sub-areas in accordance with international regulations and the risk appetite approved at the Group level.

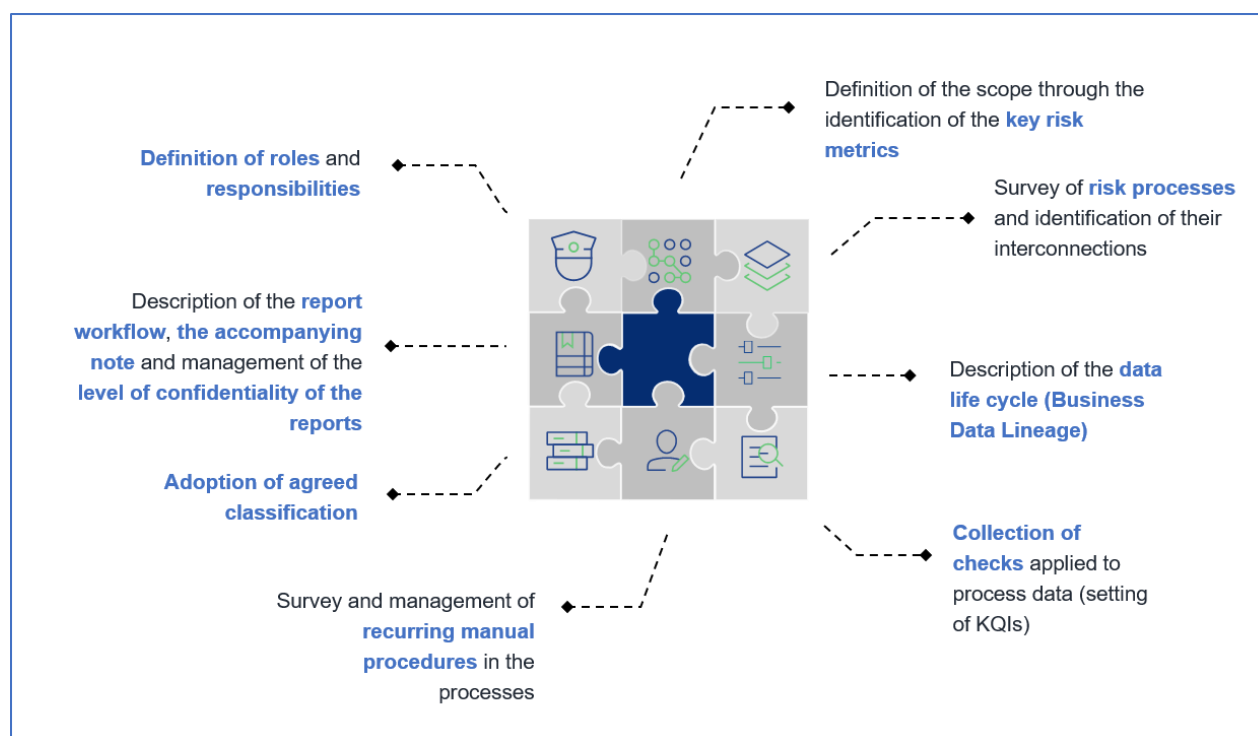
The Group also attaches great importance to the management of reputational risk, which it pursues not only through organisational units with specific duties of promotion and protection of the company image, but also through dedicated processes for the identification and assessment of reputational risk and the creation of specific reporting flows. In addition, starting in 2018, a specific add-on for economic capital has been introduced for operational risk, determined on the basis of operational losses, to strengthen the protection against possible reputational repercussions.

Lastly, particular attention is also given to the control of environmental, social and governance (ESG) risks associated with the activities of its corporate customers and the economic activities the Group is involved in. In the area of ESG risks, specific importance is assigned to monitoring climate change risk.

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



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



The Group has also strengthened its focus on data quality control, defining processes, roles and responsibilities, reference classifications (quality aspects), identifying the related support instruments and activating, within the Chief Risk Officer Area, a second level control unit over data quality.

The scope of Data & Reporting Governance includes: credit risk, market and counterparty risk, interest rate risk of the banking book, liquidity risk, operational risks and the risk integration process.

Assessments of each single type of risk for the Group are integrated in a summary amount – the Economic Capital – defined as the maximum “unexpected” loss the Group might incur over a year. This is a key measure for determining the Group’s financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario. The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risks Committee and the Board of Directors, as part of the Tableau de Bord of the Group Risks.

In addition to managing the risks described above, Intesa Sanpaolo pays close attention to the identification and monitoring of specific areas of emerging risk, which, in the medium term, could compromise the achievement of the Group’s strategic objectives or significantly influence its financial position and results.

For the purposes described above, the Intesa Sanpaolo Group uses a wide-ranging set of tools and techniques for risk assessment and management, detailed in this Part E of the Notes to the consolidated financial statements, with regard to the types of risk indicated below and in accordance with the procedures established for the qualitative disclosure in Bank of Italy Circular 262.

The table below shows the mapping of risk disclosure regarding the financial statements and Pillar 3.

	FINANCIAL STATEMENTS		PILLAR 3
	Section/Chapter	Section	Section
<b>RISKS OF THE BANKING GROUP</b>	PART E - SECTION 2		
- Credit risk	Chapter 1.1		Sections 6-7-8-9-10
- Securitisations	Chapter 1.1	Paragraph C	Section 12
- Market risk	Chapter 1.2		Section 13
- Regulatory trading book		Paragraph 1.2.1	
- Banking book		Paragraph 1.2.2	
- Counterparty risk	Chapter 1.3		Section 11
- Financial derivatives		Paragraph 1.3.1	
- Credit derivatives		Paragraph 1.3.1	
- Accounting hedges		Paragraph 1.3.2	
- Liquidity risk	Chapter 1.4		Section 5
- Operational risks	Chapter 1.5		Section 14
<b>RISKS OF INSURANCE COMPANIES</b>	PART E - SECTION 3		
- Insurance Risks	Chapter 3.1		
- Financial Risks	Chapter 3.2		
<b>RISKS OF OTHER COMPANIES</b>	PART E - SECTION 4		

In addition to credit, market trading book, banking book financial, liquidity, operational and insurance risks, discussed in detail in the following paragraphs, the Group has identified and monitors the following other risks.

#### Strategic risk

The Intesa Sanpaolo Group defines current or prospective strategic risk as risk associated with a potential decline in profits or capital due to changes in the operating context, misguided Company decisions, inadequate implementation of decisions, or an inability to react sufficiently to changes in the competitive scenario.

The Group's response to strategic risk is represented first and foremost by policies and procedures that call for the most important decisions to be deferred to the Board of Directors, supported by a current and forward-looking assessment of risks and capital adequacy. The high degree to which strategic decisions are made at the central level, with the involvement of the top corporate governance bodies and the support of various company functions ensures that the component linked to any impacts of incorrect company decisions and low reactivity to changes in the competitive scenario are mitigated.

As regards the component more directly related to business risk, i.e. associated with the risk of a potential decline in profits as a result of the inadequate implementation of decisions, changes in the operating context and unexpected changes in the cost of refinancing, is handled not only by using systems for regulating Company management, but also via specific internal capital, determined according to an approach that simulates the volatility of margins, fees and commissions, operating costs and refinancing costs, anchored to the business mix of the Group and its Business Units.

Strategic risk is also assessed as part of stress tests based on a multiple-factor model that describes the relations between changes in the economic scenario and the business mix resulting from planning hypotheses, with analyses to assess the impacts on both interest income and margins from the performance of net fees and commissions.

#### Reputational risk

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

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

The overall management of reputational risk is pursued primarily through:

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

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

- the Reputational Risk Assessment, which seeks to identify the most significant reputational risk scenarios that the Intesa Sanpaolo Group is exposed to, is implemented annually and gathers the opinion of Top Management regarding the potential impact of these scenarios on the Group's image, in order to identify appropriate communication strategies and



- specific mitigation actions, where necessary;
- ESG & Reputational Risk Clearing, which is aimed at the ex-ante identification and assessment of the potential reputational risks associated with the most significant business operations, the main capital budget projects and the selection of the Group's suppliers/partners;
- Reputational Risk Monitoring, aimed at monitoring the evolution of Intesa Sanpaolo's reputational positioning (on the web, for example) also with the aid of external analyses.

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

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

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

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

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

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

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

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

- defining a Group ESG strategy in line with the guidelines provided by Corporate Bodies, supported by the internal governance structures: Intesa Sanpaolo aims to be a sustainable financial intermediary that generates collective value, aware that innovation, development of new products and services and companies acting in a sustainable manner can contribute to reducing the impacts of phenomena such as climate change and social inequalities. For this reason, it actively participates in numerous national and international initiatives (UN Global Compact, UN Sustainable Development Goals, United Nations Environment Programme Finance Initiative (UNEP-FI) etc.). In addition, in 2021 the Group, with a commitment to reduce net emissions to zero by 2050, announced its participation in the Net-Zero Banking Alliance, the Net Zero Asset Managers Initiative (NZAMI), the Net Zero Asset Owner Alliance (NZAOA) and the Net Zero Insurance Alliance (NZIA);
- its own regulatory framework, which includes the 'Guidelines for the Governance of ESG Risks concerning Lending Operations' and voluntary policies on conduct (Code of Ethics, Principles on Human Rights, "Rules for the environmental and energy policy", "Rules for lending operations in the coal sector", "Rules for lending operations in the unconventional oil&gas sector" and "Rules governing transactions with subjects active in the armaments sector") which also aim to define general and specific criteria for limiting and excluding lending in business sectors considered to have the highest exposure to ESG risks;
- integrating ESG factors in the general Risk Management Framework and, specifically, including in the Risk Appetite Framework a specific section dedicated to ESG and climate change risks, which defines specific limits and criteria for lending to sectors and counterparties with the highest exposure to those risks. Moreover, as regards the Credit Risk Appetite, an indicator that guides managers in assessing counterparties in the phase of credit origination, the risk and resilience factors were connected with ESG elements were developed (an external score was added to these which privileges counterparties with a share of production of sustainable goods or services higher than a specific threshold out of total turnover);
- adopting a corporate rating model, validated by the ECB, which includes social and environmental elements (e.g. environmental certifications, research and development) which could lead to an improvement in the rating. During 2021, an application was submitted to the Supervisory Authorities for the validation and authorisation of a new rating model which further strengthens the analysis of ESG factors by defining and including in the model a score developed internally

based on ESG information (large corporate counterparties). For Italian corporate counterparties, the qualitative portion of the rating model also includes the assessment of aspects linked to catastrophic events based on the specific geographic area;

- integrating ESG factors into the credit framework by adopting sector mapping in terms of the potential impact of climate and ESG risks and the assessment of those risks as part of the processes of implementing the Equator Principles (the Group joined the Association in 2007 and adopts the “EP IV”, the updated version of the Guidelines on the matter), and ESG & Reputational Risk Clearing Principles. That assessment is particularly important with regard to loans to Corporate customers, specifically for transactions with counterparties operating in sectors classified as sensitive in terms of ESG aspects and those classified as Most Significant Transactions. In this area, in 2021 specific attention was paid to developing a counterparty ESG score to support the decision-making and control processes. The Credit Risk Appetite, sector mapping and counterparty ESG score are, in turn, considered in the Credit Strategy Framework, aimed at guiding, also through specific pricing corrections, the origination of credit to businesses, with the goal of optimising the risk/return combination of the specific portfolio;
- promoting a sound culture of ESG risk oversight in the entire company organisation.

With specific reference to including climate change risk in the Risk Management Framework, specific attention was paid from 2019 to 2021 on developing stress testing and scenario analysis methodologies. During 2021, the architectural and methodological preparation was begun also to support the ECB climate stress test planned for the first half of 2022. The scenario analysis and stress testing framework is based on the following elements:

- a dedicated platform for measuring transition risk on the Large and Mid-Corporate customer segments. The solution in synergy with the climate stress test envisaged by the ECB provides a bottom-up impact assessment on financial statements, that is, at single counterparty level, based on selected stress scenarios (generally coinciding with those set out in the NGFS - Network of Central Banks and Supervisors for Greening the Financial System Framework);
- a calculation engine specifically developed to measure the transition risk of the SME portfolio. A top-down approach, at aggregated level, is used in this case, with estimates based on sector approximations (enriched with idiosyncratic adjustments, only where available, at single counterparty level). The model provides a series of financial statement projections for single businesses, though starting from the specific sector, exploiting specific scenarios in line with the requests to conduct the stress test required by the ECB;
- the adoption of a specific approach to define the long-term strategic response in line with the achievement of the Group's net zero targets.

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

With reference to direct environmental risks, Intesa Sanpaolo has defined its own environmental plan, the Climate Change Action Plan, which identifies the Group's medium/long-term objectives to reduce its CO<sub>2</sub> emissions and increase the use of renewable sources. With regard to hydrogeological risk (floods and landslides), which also relates to climate change and the possible occurrence of crisis scenarios in Italy which could have repercussions on Intesa Sanpaolo's properties, a series of company structures is to be activated. In order to ensure business continuity in the areas most affected by the inclement weather, the crisis delegates of local and central structures are activated for timely reporting of critical situations, with particular regard to delays in the transport of valuables and correspondence, difficulties for personnel in reaching their workplaces, operational issues and problems with branch physical plant. In parallel, the Critical Events Management company structure is activated from the first weather alert, along with, in very serious disaster situations, the Emergency Management Operations Centre of the Business Continuity Management Department, which monitors the situation and assesses whether to close facilities temporarily and to take any additional action.

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

#### **Risk on owned real-estate assets**

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



**Risk on equity investments not subject to line-by-line consolidation**

The risk in the equity investment portfolio is related to the possibility of incurring economic losses due to the adverse changes in values of investments not subject to line-by-line consolidation.

The scope considered consists of the equity instruments held in financial and non-financial companies, and includes financial investment instruments, commitments to purchase, and derivatives with underlying equity instruments and equity funds.

The model used to estimate the Economic Capital is based on a PD/LGD approach similar to the credit risk portfolio model and it is used for the stand-alone equity investment portfolio. The applicable LGD is the regulatory LGD, whereas the model's other parameters are the same as those used in the portfolio model for credit risk.

**Risk related to defined-benefit pension funds**

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

**Model risk**

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

**Emerging risks**

The strengthening of the overall risk management system also involves the identification, understanding and monitoring of so-called emerging risks, i.e. risks characterised by components that are little-known or rapidly evolving, potentially significant in the medium term to the Group's financial position and business model, even though their effects are not easy to assess and cannot yet be fully integrated into the most consolidated risk management frameworks.

The identification of these types of risks derives primarily from the continuous analysis of the external environment and the main findings gathered by the risk management function as part of identifying risk, continuously performed within the Group to maintain ongoing alignment with the changing internal and external context and to guarantee the adequacy of the controls and limits implemented to safeguard long term viability. In addition to being performed as part of the identification and assessment processes, that activity also involves comparison with peers and with market best practices, as well as with the Bank's other control/business functions.

Any emerging risks for which a model for calculating economic capital has not been developed are assessed, in any event, using expert-based approaches or using proxies or simplified calculation models in order to guarantee a prudent assessment of the economic capital absorbed.

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

- IT and Cyber risks, in relation to: (i) the increasing dependence on ICT systems and the resulting increase in the number of users of virtual channels and interconnected devices, (ii) exponential growth in the quantity of data managed, which must be high quality and protected, (iii) greater use of IT services offered by third parties (Open Banking, Fintech, Cloud systems), and (iv) low production costs of new attack techniques with the presence of organisation with specific skills and experience;
- risks connected with the digital transformation process linked to the increase in competition triggered by digitalisation in the financial sector (e.g. entry of new competitors) and the vulnerability that still marks the current operating context (e.g. costs of the digitalisation process, obsolescence of legacy systems and fragmentation of the regulatory framework);
- third party risk, in relation to: (i) greater dependence on systems and services offered by third parties (both regarding the outsourcing of company processes and the growing dependence on providers of cloud or IT services in general).

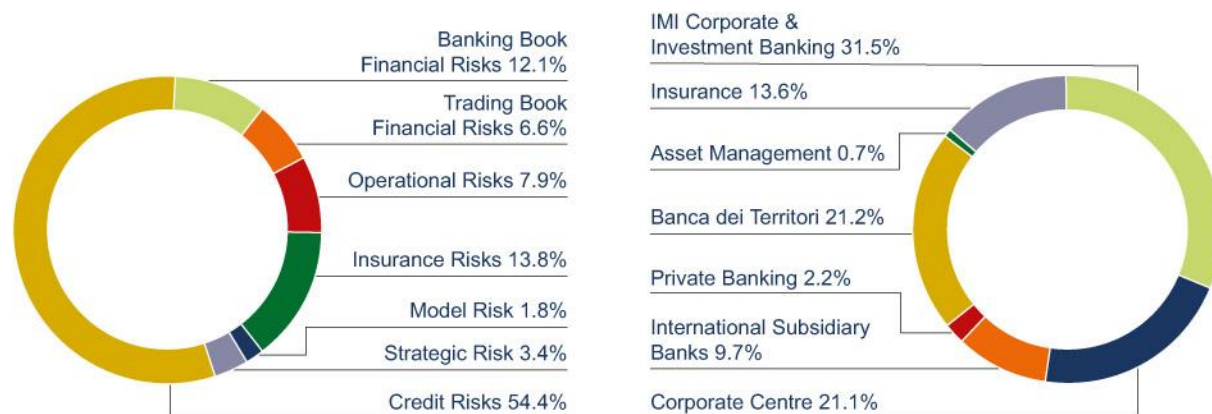
The ongoing evolution of the internal and external operating context requires the continuous updating of the current risk management frameworks, to maximise their effectiveness in identifying and mitigating the Group's potential exposure. In that sense, a series of projects have been launched to optimise the Group's Digital Operational Resilience profile, specifically by developing the current assessment processes towards more timely, data driven approaches.

Moreover, in order to effectively oversee that development, in addition to accelerating the digitalisation process in order to increase long-term profitability and take advantage of new commercial opportunities (also considering the harsh pressures on the net interest income and fee and commission income), the Group continued to guarantee investments to:

- continuously expand Cybersecurity controls (including customer awareness campaigns), in line with best practices and the specific international standards, as well as to gradually upgrade ICT systems (e.g. digitalise services, internationalise the business and activate cloud services);
- expand monitoring and control of third parties, also considering the increased complexity of relationships;
- develop the knowledge and skills of internal resources (e.g. Upskilling/Reskilling programmes, increase awareness of issues of ICT, Cyber, Third Party and ESG Risks).

## Absorption of Economic Capital by type of risk and Business Unit

The following is an illustration of the breakdown of the Group's Economic Capital by type of risk and Business Unit.



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

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

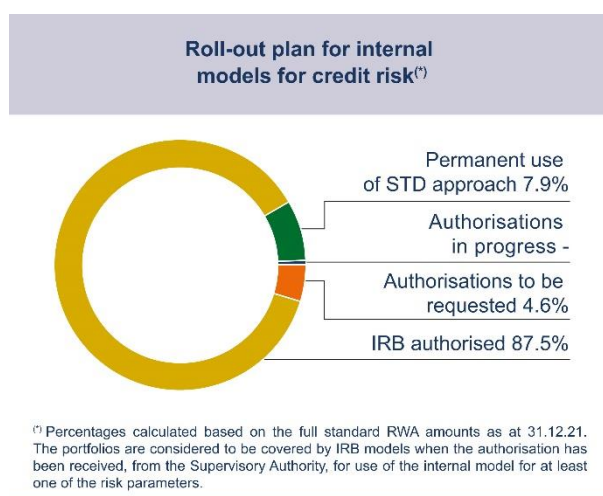
## The Basel 3 regulations

In view of compliance with the reforms of the previous accord by the Basel Committee ("Basel 3"), the Intesa Sanpaolo Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

With regard to credit risks, the ECB's authorisations to use the new Institutions and Retail SME models for regulatory purposes were implemented starting from June 2021.

The periodic updating and alignment to changes in regulations governing IRB systems and their extension to the Italian subsidiaries originating from the former UBI Group and the international subsidiaries (according to the Group's roll-out plan) continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.

With regard to the progress of the roll-out plan for the internal models for credit risk, the share of exposures authorised for the IRB system is 87.5% of the loans portfolio. There are no pending authorisations, while requests to be made for the remaining portfolios of the Group's Italian and international banks represent 4.6% of the portfolio. For the remainder, equal to 7.9%, the permanent use of the Standardised approach has been reported to the supervisory authorities.



With regard to counterparty risk, the Banking Group improved the measurement and monitoring of the risk, by refining the instruments required under Basel 3. For reporting purposes, the Parent Company is authorised to use the internal models approach for the reporting of the requirement with respect to counterparty risk both for derivatives and for SFTs (Securities Financing Transactions, i.e. repos and securities lending). This authorisation was obtained for derivatives from the first quarter of 2014, and for SFTs from the report as at 31 December 2016.

For management purposes, the advanced risk measurement approaches have been implemented for the OTC derivatives of the Parent Company since 2010 and were subsequently extended in 2015 to Securities Financing Transactions.

With respect to 31 December 2020, the approval letter authorising the use of the initial margin simulation model for central counterparties and bilateral counterparties for reporting purposes was received on 6 April 2021. The model was applied starting from June 2021. Also from June 2021, the internal counterparty risk model also covers positions arising from the merger of UBI Banca. In addition, in compliance with the entry into force of Regulation (EU) 2019/876 (CRR II), starting from June 2021 Intesa Sanpaolo adopted the SA-CCR method when calculating counterparty risk exposures on derivative transactions not covered by an internal model. In compliance with the regulatory transaction thresholds, several of the Group's international subsidiary banks have adopted simplified methods for calculating exposures.

With regard to operational risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. Please note that, on 30 June 2021, the Group was authorised to extend its advanced model to some entities belonging to the former UBI Group, specifically to: UBI Banca (merged by incorporation into Intesa Sanpaolo S.p.A. on 12 April 2021), including the entities of the former Banca Marche, former Banca Etruria and former CariChieti, UBI Sistemi e Servizi (merged by incorporation into Intesa Sanpaolo S.p.A. on 12 July 2021) and IW Bank Private Investments. Moreover, on 31 December 2021, the extension of the advanced model to UBI Factor (merged by incorporation into Intesa Sanpaolo S.p.A. on 25 October 2021), Pramerica SGR and Pramerica Management Company (merged by incorporation into Eurizon Capital SGR S.p.A. and into Eurizon Capital S.A., respectively, on 1 July 2021) was authorised. The current scope of the Advanced Measurement Approach (AMA) is therefore comprised of Intesa Sanpaolo and the main banks and companies in the Private Banking and Asset Management Divisions, as well as by VUB Bank and PBZ Bank.

The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal risk measurement methodologies, internal capital and total capital available, was approved and sent to the ECB in April 2021.

As part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled "Basel 3 - Pillar 3" or simply "Pillar 3".

The document is published on the website ([www.group.intesasanpaolo.com](http://www.group.intesasanpaolo.com)) each quarter.

## Other risk factors

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

### *Interest Rate Benchmark Reform – General aspects*

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

In the specific case of the short-term benchmark rates declared critical by the European authorities, reforms relating to the following were required:

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

The €STR rate also constitutes the basis for the calculation of the Euribor fallback rate, to be indicated in the contracts and to be used in the event of any future permanent cessation of publication of the Euribor. To facilitate the calculation of replacement rates, since April 2021 the ECB has been publishing daily the Compounded €STR Index and compounded €STR average rates, which have been included as one of the possible alternatives in the recommendations of the Working Group on euro risk free rates published in May 2021.

Outside the borders of the Eurozone, on 5 March 2021 the Financial Conduct Authority (FCA) – in coordination with the administrator of the Libor, the ICE Benchmark Administration – announced 31 December 2021 as the last date for the publication of Libor interest rates in pounds sterling, euro, Swiss Francs and Japanese yen, as well as of 1-week and 2-month LIBOR USD rates. The LIBOR USD rates on other maturities (overnight, 1, 3, 6 and 12 months) will continue to be published up to 30 June 2023, mainly to enable the transition of those contracts for which it is extremely difficult to convert to an interest rate other than the Libor or to make an amendment to add a fallback rate in a short time.

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

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

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

Source: ICE Benchmark Administration, Intesa Sanpaolo

At the same time as the FCA's announcement, the International Swaps and Derivatives Association (ISDA) established the rules for the transition of derivative contracts between counterparties adhering to the ISDA protocol, at the same time defining

the values of Credit Adjustment Spreads to be applied in the transition to RFR in the manner already established and approved for the calculation of the Libor fallbacks.

Lastly, with regard to the US dollar, the main currency involved in the elimination of the Libor, in July 2021 the Alternative Reference Rates Committee (ARRC) took action on two fronts to accelerate the transition of the USD:

- announcement of the conventions and recommendations of best practices for using the SOFR Term Rates in existing contracts to define the fallbacks and in new contracts to be activated for the purpose of permanent elimination of the Libor;
- the CME Group's formal recommendation on using the forward-looking Secured Overnight Financing Rate (SOFR) term rates (SOFR Term Rates) as the preferred rate to replace the Libor, thus increasing the clarity on the various alternative rates on the US market.

#### *Interest Rate Benchmark Reform – Intesa Sanpaolo's activities*

In recent years, Intesa Sanpaolo has closely monitored the developments relating to benchmarks, and in 2016 it launched a dedicated project involving the participation of all the corporate functions involved in various capacities.

Leveraging the work of the special projects and within the expenditure limits set out in the project capital budget, the project work also continued in 2021, focusing on the following aspects in particular:

- bilateral negotiations with counterparties for the migration of Credit Support Annexes (CSAs) from Eonia to €STR;
- progressive greater use of €STR derivatives;
- progressive discontinuation of the product mix indexed to GBP Libor starting in the first half of the year and same for CHF, JPY and USD Libor products in the second half of the year to promote and anticipate, to the extent possible, the transition to RFR;
- activities at all levels for the inclusion of robust fallback clauses in the outstanding contracts indexed to Libor;
  - activation of new projects and lines dedicated to bonds linked to the overnight risk-free rates (owned by the Bank and customers);
  - management of the transition with the clearing houses for derivatives subject to clearing. The Group has derivatives contracted with central counterparties (CCP) – LCH and Eurex – which have set up an active transition mechanism – which was carried out in the fourth quarter of 2021 – based on standard rules for all participants and considering the criteria for determining spreads based on the fallback provisions drawn up by the industry as part of the benchmark reform. That conversion method is in line with the provisions of the IASB to apply relief on hedge accounting, and therefore, does not entail problems for maintaining the hedging relationships impacted;
- preparation of the IT structure necessary for the use of RFR in the Bank's accounting and management systems;
- constant information updates for the Group's international legal entities;
- synergic post-merger management with UBI Banca of specific cases in the incorporated bank (e.g. mortgages linked to the Libor CHF rate);
- monitoring of the ISDA developments by signing the documents that, from the beginning of the year, include the new market standards and monitoring contract updating activities also on a bilateral basis. In particular, Intesa Sanpaolo has adopted:
  - the ISDA 2020 IBOR Fallbacks Protocol and can therefore implement the IBOR Fallbacks Supplement rules for existing derivative contracts concluded before the Supplement's effective date with all counterparties that have adhered to the Protocol;
  - the 2021 EONIA Collateral Agreements Fallbacks Protocol (the EONIA Collateral Protocol);
- collaboration with the Italian authorities to support the development of the new RFR rates market;
- participation in public consultations at international level, also providing input to the Italian Banking Association to produce feedback at national level;
- providing feedback on transition readiness for foreign authorities in countries where Group companies are present, and to the ECB Joint Supervisory Team for general aspects related to the Group;
- delivery of specialist training to staff via remote learning and courses on the digital learning platform;
- provision of information to customers via dedicated pages on the Group's website on the benchmark transition process, webinars for financial area customers and the provisions of various specialised reports edited by the Research Department.

Intesa Sanpaolo has also continued to take part in various initiatives, among which the most significant were European working groups organised by EMMI, the European Central Bank and, in July 2021, ESMA.

In this latter area in particular, Intesa Sanpaolo also acted in the last year as a voting member and participant in individual project streams in the working group on euro risk free rates, in which it has also held the new role of Ambassador for Italy since 2020. The main activities of this working group include the designation of €STR as the new benchmark for the short-term money market and the publication of recommendations for the transition from Eonia to €STR and for the Euribor fallbacks in May 2021. More recently, the working group actively engaged with the European Commission to obtain the statutory replacement of the Eonia and the Libor CHF with new risk-free rates.

As reported in the Chapter "Accounting Policies", in 2021, Regulation (EU) 2021/25 of 13 January 2021, adopting the document "Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" published by the IASB on 27 August 2020 regarding issues pertaining to the second phase of the interest rate benchmark reform project (IBOR Reform), became binding and applicable for the first time. The main amendments introduced concern the possible accounting impacts of the application of the new rates (so-called replacement issue), in particular the accounting treatment of amendments to existing contracts and of hedge accounting. No impacts on the Intesa Sanpaolo Group are foreseen for the modifications with the characteristics envisaged by the standard, in line with the objective of the amendments introduced by the IASB aimed at preventing distortions in the financial statements as a result of the reform.

See Part A, Section 5 - Other Aspects for details on the financial instruments that had not transitioned to the new RFR at the reporting date.



Furthermore, the Intesa Sanpaolo Group has applied since the 2019 Financial Statements Regulation (EU) 34/2020 of 15 January 2020, which adopted the document issued by the IASB on "Interest Rate Benchmark Reform (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)", which introduced several amendments regarding hedge accounting designed to prevent uncertainties about the amount and timing of the cash flows arising from the rate reform from causing the discontinuation of existing hedges and difficulties in designating new hedging relationships.

## SECTION 1 – RISKS OF THE CONSOLIDATED BOOK

In this Section, information is provided regarding the companies included in the consolidated book.

### 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.

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

##### A.1.1. Breakdown of financial assets by portfolio classification and credit quality (book values) - Excluding insurance companies

Portfolios/quality	(millions of euro)					
		Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures
1. Financial assets measured at amortised cost		2,127	4,357	621	5,768	655,993
2. Financial assets measured at fair value through other comprehensive income		-	-	-	238	64,070
3. Financial assets designated at fair value		-	-	-	-	4
4. Other financial assets mandatorily measured at fair value		3	35	1	47	1,157
5. Non-current financial assets held for sale		434	772	-	-	-
<b>Total</b>	<b>31.12.2021</b>	<b>2,564</b>	<b>5,164</b>	<b>622</b>	<b>6,053</b>	<b>721,224</b>
<b>Total</b>	<b>31.12.2020</b>	<b>5,019</b>	<b>7,366</b>	<b>525</b>	<b>5,229</b>	<b>676,342</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for on demand loans and receivables due from banks to be represented under “Cash and cash equivalents”, and no longer under “Financial assets measured at amortised cost - Due from banks”.

##### A.1.1. Bis. Breakdown of financial assets by portfolio classification and credit quality (book values) - Insurance companies

Portfolios/quality	(millions of euro)					
		Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures
1. Financial assets available for sale		-	-	-	-	88,540
2. Investments held to maturity		-	-	-	-	-
3. Due from banks		-	-	-	-	41
4. Loans to customers		-	-	-	-	44
5. Financial assets designated at fair value		-	-	-	-	5,532
6. Non-current financial assets held for sale		-	-	-	-	-
<b>TOTAL</b>	<b>31.12.2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,157</b>
<b>TOTAL</b>	<b>31.12.2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,919</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for on demand receivables due from banks to be represented under “Cash and cash equivalents”, and no longer under “Due from banks”.



**A.1.2. Breakdown of financial assets by portfolio classification and credit quality**  
**(gross and net values) - Excluding insurance companies**

Portfolios/quality	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (net exposure)
	Gross exposure	Collective adjustments	Net exposure	Total partial write-offs	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets measured at amortised cost	15,358	-8,253	7,105	6,476	664,318	-2,557	661,761	668,866
2. Financial assets measured at fair value through other comprehensive income	35	-35	-	-	64,357	-49	64,308	64,308
3. Financial assets designated at fair value	-	-	-	-	X	X	4	4
4. Other financial assets mandatorily measured at fair value	47	-8	39	-	X	X	1,204	1,243
5. Non-current financial assets held for sale	4,504	-3,298	1,206	682	-	-	-	1,206
<b>Total 31.12.2021</b>	<b>19,944</b>	<b>-11,594</b>	<b>8,350</b>	<b>7,158</b>	<b>728,675</b>	<b>-2,606</b>	<b>727,277</b>	<b>735,627</b>
<b>Total 31.12.2020</b>	<b>26,536</b>	<b>-13,626</b>	<b>12,910</b>	<b>8,860</b>	<b>683,037</b>	<b>-3,111</b>	<b>681,571</b>	<b>694,481</b>

Portfolios/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS	
	Cumulative capital losses		Net exposure	
1. Financial assets held for trading		-26	34	46,315
2. Hedging derivatives		-	-	1,732
<b>Total 31.12.2021</b>		<b>-26</b>	<b>34</b>	<b>48,047</b>
<b>Total 31.12.2020</b>		<b>-45</b>	<b>37</b>	<b>53,395</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for on demand loans and receivables due from banks to be represented under "Cash and cash equivalents", and no longer under "Financial assets measured at amortised cost - Due from banks".

**A.1.2. Bis Breakdown of financial assets by portfolio classification and credit quality**  
**(gross and net values) - Insurance companies**

Portfolios / Quality	Impaired assets			Not impaired assets			Total (net exposure)
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets available for sale	-	-	-	88,540	-	88,540	88,540
2. Investments held to maturity	-	-	-	-	-	-	-
3. Due from banks	-	-	-	41	-	41	41
4. Loans to customers	-	-	-	44	-	44	44
5. Financial assets designated at fair value	-	-	-	X	X	5,532	5,532
6. Non-current financial assets held for sale	-	-	-	-	-	-	-
<b>Total 31.12.2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,625</b>	<b>-</b>	<b>94,157</b>	<b>94,157</b>
<b>Total 31.12.2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,999</b>	<b>-</b>	<b>79,919</b>	<b>79,919</b>

Portfolios / Quality	Assets of evidently low credit quality		Other assets	
	Cumulative capital losses		Net exposure	
1. Financial assets held for trading		-	-	856
2. Hedging derivatives		-	-	291
<b>Total 31.12.2021</b>		<b>-</b>	<b>-</b>	<b>1,147</b>
<b>Total 31.12.2020</b>		<b>-</b>	<b>-</b>	<b>683</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Circular 262, which provides for on demand receivables due from banks to be represented under "Cash and cash equivalents", and no longer under "Due from banks".

**B. INFORMATION ON STRUCTURED ENTITIES (OTHER THAN SECURITISATION VEHICLES)**

In line with IFRS 12, the Group considers structured entities to be entities set up to achieve a narrow, well-defined objective, defined through contractual arrangements which often impose strict restrictions on decision-making powers of the entity's management bodies. In that sense, structured entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, as they refer to administrative tasks, while the relevant operating activities are directed by means of contractual arrangements agreed on at the time of structuring the structured entity, which are difficult to modify. The characteristics of a structured entity include:

- limited activities;
- a narrow and well-defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support.

The structured entities through which the Group operates are mainly Special Purpose Entities (SPEs) and UCIs.

**B.1. Consolidated structured entities**

There are no structured entities consolidated in the accounts other than securitisation companies that fall within the scope of the Intesa Sanpaolo Banking Group.

**B.2. Structured entities not consolidated in the accounts*****B.2.1. Prudential consolidation of structured entities***

There are no structured entities consolidated for prudential purposes other than securitisation companies that fall within the scope of the Intesa Sanpaolo Banking Group.

***B.2.2. Other structured entities*****Qualitative information**

As indicated above, the Group's operations through structured entities are also carried out through SPEs. To that end, SPEs are understood as legal entities established to pursue a specific, well-defined and limited objective:

- to raise funds on the market by issuing specific financial instruments;
- to develop and/or finance a specific business initiative, capable of generating, through an economic activity, cash flows which permit the complete reimbursement of the debt;
- to finance the acquisition of a target company which, through its economic activity, will be capable of generating cash flows for the SPEs which permit the complete reimbursement of the debt.

For the purposes of this section, operations carried out through securitisation vehicles, that is vehicles established to acquire, sell and manage specific assets, separating them from the financial statements of the Originator, for the purpose of carrying out securitisations of assets or for acquiring funding through self-securitisations and issues of Covered Bonds (CB), shall not be relevant. For those types of vehicle companies, reference should be made to section "C. Securitisations" and section "D. Sales" of Part E of the Notes to the consolidated financial statements.

In some cases, the Group sponsors the SPE by structuring the transaction to pursue specific objectives, such as raising funds, securitising its own assets also for the purposes of funding or offering financial services to customers.

In detail, the Group's operations are carried out through the following types of structured entities represented by special purpose entities (SPEs).

***Project Financing SPEs***

These are financing instruments for capital intensive projects, which are based on the economic or financial validity of the industrial or infrastructural project, and are independent from the standing/creditworthiness of the sponsors who developed the "entrepreneurial" idea. The financing of the initiative is based on the project's capacity to generate positive cash flows, sufficient to reimburse loans received and guarantee an adequate risk-adjusted return on invested capital.

The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without acting as sponsor.

***Asset Backed SPEs***

These are transactions aimed at acquisition/construction/management of physical assets by SPEs financed by one or more entities. Their recovery prospects mostly depend upon the cash flows generated by the assets. The assets generate cash flows in their recurring operations (e.g. rentals, goods transportation contracts, etc.) or in their non-recurring operations (e.g. a real estate development or disposal plan). Generally, the assets are also the collateral for the financing disbursed to the vehicle.

The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without any direct equity investments or any other interests which might lead to presume the role of sponsor. The risk undertaken is always a normal credit risk and the benefits are represented by the return on the financing granted.

*Leveraged & Acquisition Finance SPEs*

This category includes exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long-term) to legal entities in which the majority of share capital is held by private equity funds.

These are mainly positions in support of Leveraged Buy-Out projects (therefore with high leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs. After acquisition of the target company's shares/quotas package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without acting as sponsor.

The Intesa Sanpaolo Group also has investments in/exposures to structured entities represented by UCIs.

The main cases include the Group's investments in several closed-end and reserved private equity as well as venture and seed capital funds.

The exposures to UCIs also include the investments in units of real estate funds deriving from transactions to contribute portions of the Group's real estate portfolio.

They also consist of investments in UCIs deriving from credit recovery operations or contributions of non-performing loans, together with other banking entities, to funds managed by specialist entities.

The investments in UCIs also include the units held in the Atlante Fund and the Italian Recovery Fund, alternative investment funds managed by the asset management company Quaestio Capital Management, involved in value enhancement of Non-Performing Loans of Italian banks.

Lastly, the Intesa Sanpaolo Group invests in hedge funds. For more information, reference is made to the specific section in Part E of the Notes to the consolidated financial statements.

The Group made further investments in UCIs through the subsidiary Eurizon Capital SGR and the companies controlled by it, in line with the financial portfolio management policies issued by the asset management company and its subsidiaries, in agreement with the Intesa Sanpaolo Group Guidelines. In detail, the asset management company and its subsidiaries have both temporary and structural available funds deriving from company equity that is not permanently invested in equity investments or other fixed assets, and from the ordinary cash flows. Based on that set out in the guidelines for managing the financial portfolio, as part of liquidity management activities, structural and temporarily available funds linked to the trend in short-term and on demand cash flows make up the liquidity portfolio net of the amount held in current accounts or invested in term deposits. In relation to the activities carried out by the asset management company and its subsidiaries and the characteristics of the available funds in question, excess liquidity must be invested in assets with moderate risk that can be easily liquidated. That portfolio includes investments in short-term money market and bond funds, both specialising in the Eurozone, established and/or managed by Eurizon Capital SGR or by its subsidiaries. The Group's investments in UCIs managed by subsidiaries do not prejudice the operational autonomy and capacity of the asset management companies to act in the exclusive interest of investors, considering the specific provisions set out in sector regulations and by the Supervisory Authorities.

The table below summarises the accounting portfolios that the debit and credit transactions with unconsolidated structured entities are allocated to.

### Quantitative information

Captions / Type of structured entity	Accounting portfolios under assets	Total assets (A)	Accounting portfolios under liabilities	Total liabilities (B)	NET BOOK VALUE (C = A-B)	(millions of euro)	
						Maximum exposure to risk of loss (D)	Difference between exposure to risk of loss and book value (E = D - C)
<b>1. Special purpose vehicle</b>		<b>3,392</b>		<b>669</b>	<b>2,723</b>	<b>4,033</b>	<b>1,310</b>
	Financial assets held for trading	268	Due to customers	658			
	Other financial assets mandatorily measured at fair value	3	Financial liabilities held for trading	11			
	Financial assets measured at fair value through other comprehensive income	24		-			
	Financial assets measured at amortised cost - Loans to customers	3,097					
<b>2. UCI</b>		<b>4,293</b>		<b>316</b>	<b>3,977</b>	<b>4,554</b>	<b>577</b>
	Financial assets held for trading	149	Due to customers	315			
	Financial assets designated at fair value	3,801	Financial liabilities held for trading	1			
	Assets measured at amortised cost Loans to customers	343		-			

The maximum exposure to risk, representing the maximum exposure of the Group to losses deriving from its interests in structured entities, is generally equal to the net book value, to which, where applicable, several types of off-balance sheet exposures are added (e.g. committed credit lines or guarantees given). The net book value equals the exposure in the financial statements net of value adjustments recorded during the current and previous years.

For UCIs, the maximum risk exposure also includes the Group's commitments, not yet called up by the fund, to subscribe additional units.

The table below shows the amount and type of revenues earned over the year by structured entities. The main component of the revenues recognised consists of fees deriving from the management and placement of the UCIs sponsored and managed by the Group's asset management companies and placed with customers. The fees in question are charged by the asset management company to the funds managed and partly reversed to the distribution network for the placement service.

Type of structured entity sponsored	Interest	Fees and commissions	Dividends	(millions of euro)	
				Other revenue	TOTAL
UCI	66	2,603	72	-120	2,621
Special-purpose vehicles	104	14	-	40	158

## **SECTION 2 – RISKS OF THE PRUDENTIAL CONSOLIDATION**

In this section the figures are shown gross of the transactions with the other companies included in the scope of the accounting consolidation. These figures usually also include the assets and liabilities, in proportion to the interest held, of the jointly-controlled banking, financial and operational companies consolidated proportionally for reporting purposes. Where the contribution of transactions between the companies included in the prudential consolidation and the other companies in the scope of the accounting consolidation is material, the details of those transactions are provided at the foot of the disclosure concerned.

The following table contains the reconciliation of the consolidated balance sheet with the banking regulatory-scope balance sheet.

(millions of euro)			
Assets	31.12.2021 Financial Statements	Effects of the deconsolidation and consolidation of counterparties other than those in the banking group (*)	31.12.2021 Regulatory- scope balance sheet
10. Cash and cash equivalents	14,756	-806	13,950
20. Financial assets measured at fair value through profit or loss	52,731	608	53,339
a) financial assets held for trading	47,181	15	47,196
b) financial assets designated at fair value	4	-	4
c) other financial assets mandatorily measured at fair value	5,546	593	6,139
30. Financial assets measured at fair value through other comprehensive income	67,580	15	67,595
35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	206,800	-206,800	-
40. Financial assets measured at amortised cost	668,866	840	669,706
a) due from banks	163,937	3	163,940
b) loans to customers	504,929	837	505,766
45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	85	-85	-
50. Hedging derivatives	1,732	-	1,732
60. Fair value change of financial assets in hedged portfolios (+/-)	392	-	392
70. Investments in associates and companies subject to joint control	1,652	8,192	9,844
80. Technical insurance reserves reassured with third parties	208	-208	-
90. Property and equipment	10,792	-1,209	9,583
100. Intangible assets	9,342	-1,608	7,734
of which:	-	-	-
- goodwill	3,574	-977	2,597
110. Tax assets	18,808	-777	18,031
a) current	3,555	-98	3,457
b) deferred	15,253	-679	14,574
120. Non-current assets held for sale and discontinued operations	1,422	-	1,422
130. Other assets	13,837	-4,877	8,960
<b>Total Assets</b>	<b>1,069,003</b>	<b>-206,715</b>	<b>862,288</b>
Liabilities and Shareholders' Equity	31.12.2021 Financial Statements	Effects of the deconsolidation and consolidation of counterparties other than those in the banking group (*)	31.12.2021 Regulatory- scope balance sheet
10. Financial liabilities measured at amortised cost	710,055	2,527	712,582
a) due to banks	165,258	-278	164,980
b) due to customers	458,239	1,301	459,540
c) securities issued	86,558	1,504	88,062
15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,146	-2,146	-
20. Financial liabilities held for trading	56,306	82	56,388
30. Financial liabilities designated at fair value	3,674	-	3,674
35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	84,770	-84,770	-
40. Hedging derivatives	4,868	-	4,868
50. Fair value change of financial liabilities in hedged portfolios (+/-)	53	-	53
60. Tax liabilities	2,285	-1,101	1,184
a) current	363	-52	311
b) deferred	1,922	-1,049	873
70. Liabilities associated with non-current assets held for sale and discontinued operations	30	-	30
80. Other liabilities	15,639	-2,535	13,104
90. Employee termination indemnities	1,099	-11	1,088
100. Allowances for risks and charges	5,716	-406	5,310
a) commitments and guarantees given	508	-61	447
b) post-employment benefits	290	-	290
c) other allowances for risks and charges	4,918	-345	4,573
110. Technical reserves	118,296	-118,296	-
120. Valuation reserves	-709	-	-709
125. Valuation reserves pertaining to insurance companies	476	-	476
130. Redeemable shares	-	-	-
140. Equity instruments	6,282	-	6,282
150. Reserves	17,706	-	17,706
155. Interim dividends (-)	-1,399	-	-1,399
160. Share premium reserve	27,286	-	27,286
170. Share capital	10,084	-	10,084
180. Treasury shares (-)	-136	-	-136
190. Minority interests (+/-)	291	-59	232
200. Net income (loss) (+/-)	4,185	-	4,185
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,069,003</b>	<b>-206,715</b>	<b>862,288</b>

(\*) The effects are attributable to:

- deconsolidation of companies that are not part of the Banking Group;

- proportional consolidation of the jointly controlled companies that are consolidated at equity in the financial statements.

## 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 is important to note that the 2018-2021 Business Plan included – among other things – the ambition to excel in asset quality in which the effective management of non-performing loans is one of the first priorities. In this regard, the extraordinary de-risking already planned at the end of 2020, aimed at reducing the Group's non-performing loans, was completed during the year. Other portfolios and single names classified as bad loans or unlikely-to-pay positions held for disposal were also identified in 2021 for a total gross book value of 4.5 billion euro, which have already been classified as assets held for sale in the 2021 financial statements. A target was also set for 2022 of further sales of non-performing loans for a gross book value of 4.8 billion euro within two portfolios totalling 6.8 billion euro. These portfolios were recognised on the basis of IFRS 9, factoring in a probabilistic scenario of sale at market prices, considering the above-mentioned sale target of 4.8 billion euro in terms of GBV.

The main contents of these strategies and the results for the year are described in the "2018-2021 Business Plan" section of the Report on operations.

#### **1.1. Impacts from the COVID-19 pandemic**

Since the beginning of the pandemic all the Bank's functions have been involved in an extensive and complex set of actions aimed at supporting the various types of Group customers. This was provided through both the offer of government support related initiatives and through initiatives implemented autonomously by the Group.

The pandemic caused a significant threat to the resilience of the companies in the Group's loan portfolio. On the other hand, a series of unprecedented government measures were implemented to support the economy, which must be considered in assessing risk. The speed of change in the economic and social context has increased the level of uncertainty of economic forecasts used as the basis for the estimates of risk appetite. This phase thus requires a greater capacity to adapt and attention to the various challenges laid down by the current credit risk assessment models. As a result, in line with the approach adopted in 2020 after the beginning of the pandemic, it was decided to calibrate the risk appetite, to avoid pro-cyclical conduct while supporting the economy, maintaining a solid financial and equity position.

At the beginning of February, the Board of Directors approved the update of the Credit Risk Appetite Framework, within the overall Risk Appetite Framework, which, in line with the approach adopted in 2020, included the forward-looking information needed to reflect the specific impacts of the COVID-19 crisis within the risk and resilience factors on the Corporate Domestic, Large Corporate (Italy component), Corporate Real Estate and International Corporate scope and a vulnerability indicator for the Corporate Domestic and Corporate Real Estate scope. The vulnerability indicator, introduced in 2020, is based on the company's liquidity profile and its resulting ability to service existing debt and contracted debt in the face of the COVID-19 emergency. The assessment of debt sustainability is measured against the post-pandemic return to normality by using the pre-Covid EBITDA of the companies as a benchmark. The methodological decision to consider a post-crisis time horizon was due to the need to sterilise the transitional effects of the crisis, such as the exceptional institutional measures (e.g. moratoria, grace period for new secured transactions) and the volatility of net working capital, as well as to assess the medium/long-term sustainability in order to reduce the pro-cyclical effects. This indicator can therefore contribute to providing an initial – though partial – response to the expectation of reducing to the minimum any cliff-edge effects upon expiry of the moratoria.

For the Retail SME segment, at the time of the adoption of the new rating model, the choice was made to continue applying the resilience factor on the economic outlooks, implemented at micro-sector level.

The 2021 Risk Appetite Framework also included the introduction of an early warning threshold on the sectors most affected by the pandemic.

With regard to the methodologies and processes developed within the Chief Risk Officer Area, the Internal Validation and Controls Head Office Department refined the machine learning model for the Corporate Performing positions – developed in 2020 – aimed at measuring the risk in terms of probability of being classified in higher risk classes in the next six months. The model was made more responsive and capable of capturing signs of crisis/recovery specific to the COVID period. During the year, again with the aid of machine learning techniques, it developed similar models dedicated to the segments in scope, with the main objective of using innovative instruments to support the Level 2 controls on credit (single name), specifically with regard to the selection of the positions to be controlled.



In line with the roll-out plan updated by the Intesa Sanpaolo Group and adopted following the measures set out by the Supervisory Authorities as a result of the emergency COVID-19 crisis, the work continued on the re-estimation, updating and resolution of the remediation plans for the internal credit risk models. Specifically, in the first half of 2021, model change applications were submitted for all models related to all risk parameters (PD, LGD and EAD) of the Corporate and Retail regulatory segments. For these models, the inspections by the Regulator were conducted and completed, in offline mode, and the validation process has begun. During the fourth quarter of 2021, and in line with the above-mentioned roll-out plan, pre-application requests were sent for the Leasing/Factoring and Structured Finance LGD/EAD models, which will be completed, as envisaged by the ECB process, with the sending of the document packages (applications) during the first quarter of 2022. Also during the fourth quarter of 2021, ex-ante notifications were sent on the new Retail SME and Institutions models, authorised in the first half of the year and used for reporting purposes since June 2021, resulting from the usual time series updating and the recalibration to the new definition of default (already used in the bank processes since November 2019).

With regard to the determination of the Expected Credit Loss (ECL), as further detailed in Paragraph 2.3 “Methods for measuring expected losses” of this Section, up to the third quarter of the year the Group decided, on a prudent basis, to maintain the macroeconomic scenario used for the financial statements as at 31 December 2020, as described in the previous disclosures, without any changes. For the financial statements as at 31 December 2021, as further detailed in the above-mentioned Paragraph, the Group has decided to return to using the macroeconomic scenarios produced internally by the Research Department as the inputs for the ECL models, after having verified that they are substantially consistent with the scenarios published by the ECB and Bank of Italy. This choice enables substantial uniformity of the scenario used for the measurement of expected losses, adopted in the valuation and forecasting processes, including the scenario underlying the new Business Plan being launched in 2022. With the consolidation of the recovery scenario observed in 2021 and on the basis of economic growth forecasts that are expected to remain strong over the next three years, despite some unfavourable circumstances in the short term, as also confirmed by the projections released in December 2021 by the banking supervisors (ECB and Bank of Italy), it was considered appropriate to also use the new scenario in the credit assessments. The sharp increase in coronavirus (COVID-19) infection rates in several Eurozone countries has led to new restrictions and greater uncertainty about the duration of the pandemic, increased by the arrival of the Omicron variant, but containment measures and vaccination campaigns have so far created the conditions for a more manageable pandemic without lockdowns. Consequently, for the 2021 financial statements, the adoption of the updated scenario takes into account the most recent ex-post information, while also adopting the updated forecasts for the period 2022-2024.

At the same time as returning to the use of scenarios (baseline, best-case and worst-case) produced internally, the Group decided, as described in more detail in Paragraph 2.3 above, to confirm and refine the management overlays adopted for the 2020 financial statements to incorporate the impacts from the continuation of the moratorium initiatives and from the government guarantees into the satellite models. Lastly, the extraordinary triggers for sliding into Stage 2 have been revised, refining their scope of application compared to 2020 to capture additional vulnerabilities in credit exposures subject to payment moratoria and applying greater caution in the assessment of exposures with higher risk.

The merger of UBI Banca into the Parent Company was also completed during the year, bringing the acquired portfolios fully into line with Intesa Sanpaolo's measurement methods for the calculation of the Expected Credit Loss and the related management overlays.

Actions in support of customers continued, in line with the initiatives implemented since the start of the pandemic, through:

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

With specific regard to the moratoria (see also Part A – Section 5 – Other Aspects – Risks, Uncertainties and Impacts of the COVID-19 Pandemic for details of the classification of exposures under moratoria) the following is noted:

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

In the third quarter, the Intesa Sanpaolo Group carried out the necessary actions to complete all the requests received within the legally established deadline.

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

In addition, the other support actions include:

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

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

The Group's proactive actions included the following initiatives:

- *Action Plan*: the Group has started a diagnosis on the moratoria portfolio for priority clusters identified on a risk basis (rating class, guaranteed quota, exposure amount, etc.), both for Corporates and Retail Individuals. Through a single name analysis of the positions, the diagnosis has produced a “traffic light” clustering of the portfolio and it identified the perimeter that may need intervention to support the regular resumption of payments when the moratoria expire. The initiative has so far involved 96% of the portfolio of active moratoria. The result of the initiative shows that around 90.62%, in terms of exposures, have been clustered with a Green light (affordable resumption of payments without intervention or with refinancing), 7.41% with a Yellow light (need for moratoria extension or renegotiation), 1.43% with an Orange light (resumption of payments is currently not affordable, with position to be reviewed at a later date) and only 0.54% with a Red light, which denotes a possible increase in credit risk with reclassification as non-performing loans. These management actions were monitored during the second half of the year, with requests for completion timing for the actions still in progress.
- *Re-rating*: this initiative aimed at updating the customer risk assessment in view of the effects of the economic situation also continued and concerned 92% of the positions and over 99% of the positions under moratoria. The results show a significant correlation between rating updating and deterioration and the outlook by sector of the economy, with a higher incidence of updated and deteriorated ratings among counterparties belonging to sectors with more negative prospects.

The flows of new non-performing loans in 2021 remained very low and below the levels observed in 2019, the last year before the pandemic. Specifically, also on positions that benefited from support measures such as moratoria, only around 2.7% of the positions with expired moratoria and past-due payment resumptions were included among the non-performing positions, for both retail and corporate customers.

The functions of the Chief Lending Officer Area continue to constantly monitor the Action Plan activities and the observed risk profiles, with periodic reporting to the Risks Committee and Management Control Committee of Intesa Sanpaolo.

As part of the initiatives in support of customers affected by the pandemic crisis, the Parent Company continued its direction and coordination of the Subsidiaries in 2021, aimed at the adoption of the same guidelines, particularly for countries where the legislative moratoria schemes continued in 2021 (Hungary).

With regard to **counterparty risk**, the pandemic crisis entailed an initial increase in exposures, mainly due to the decline in Euro area interest rates and the general, significant increase in the volatility of the main risk factors. However, no critical issues were encountered in the margining process with market counterparties, despite the sharp increase in collateral calls, by both number and volume, during the weeks of greatest stress on the markets. Margin processes with central counterparties also did not generate any operating issues. The situation on the financial markets has gradually stabilised. The level of exposure to customers gradually increased during 2020, followed by a decrease in 2021, driven by interest rate movements.

Lastly, with reference to credit risk issues, note that the Group publishes the disclosure set out in the “Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis”, published by the EBA (EBA/GL/2020/07) in the “Pillar 3” public disclosure.

## 2. CREDIT RISK MANAGEMENT POLICIES

### 2.1. Organisation

Within the Intesa Sanpaolo Group, a fundamental role in managing and controlling credit risk is played by the corporate bodies, which, to the extent of their respective competences, ensure adequate coverage of credit risk by setting strategic guidelines and risk management policies, verifying that they remain constantly efficient and effective and assigning tasks and responsibilities to the company functions and units involved in the processes.

The coverage and governance of credit ensured by the corporate bodies is reflected in the current organisational structure, which identifies areas of central responsibility attributable to:

- Chief Lending Officer Governance Area;
- Chief Risk Officer Governance Area;
- Chief Financial Officer Governance Area.

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

The Chief Lending Officer Governance Area, with the aid of its structures (BdT Underwriting Head Office Department, CIB Underwriting Head Office Department, ISB Credit Head Office Department, Credit Governance Head Office Department, Credit Value Preservation Head Office Department and NPE Head Office Department):

- makes material credit decisions, directly or submitting them to the relevant bodies, in relation to the assumption and management of the Group's credit risks, authorising them directly if falling within its prerogatives, including by way of advisory opinions;
- ensures the correct classification and valuation for financial reporting purposes of positions under its responsibility that are classified as non-performing loans;
- ensures, for its area of responsibility, the proactive management of credit and guarantees the management and the monitoring of the Group's non-performing and bad loans kept within the Group's internal management;
- designs and manages transactions for the sale of individual NPE positions or portfolios, credit exposures and other assets within scope, with the collaboration of other competent functions;
- performs monitoring and control on outsourced activities, including the monitoring of the performance KPIs of outsourcers, directly making decisions, or submitting them to the Competent Bodies, regarding proposals exceeding the powers delegated to the Outsourcers;
- contributes to the process of formulating the proposal of the Credit Strategies in the analysis of the impacts on the granting of loans and to their definition in relation to the relevant credit management variables, without prejudice to the Chief Financial Officer Governance Area's ultimate responsibility for their finalisation;
- coordinates the implementation of Credit Management Guidance by the relevant Group business units, also in the various corporate contexts;
- analyses the evolution of the cost of credit within the Group, also taking into account the application of the aforesaid Credit Strategies;
- assigns and validates the ratings to the relevant positions, also providing support in the definition of the rating assignment processes and tools;
- defines the relevant regulations on credit matters, the requirements for the development of credit tools and contributes to the formulation of the proposals for the assignment of credit granting and management powers, without prejudice to the Chief Risk Officer Governance Area's ultimate responsibility for their finalisation;
- promotes initiatives aimed at disseminating and developing a credit culture;
- ensures, consistently with the guidelines of the Chief Risk Officer Governance Area and in compliance with the Credit Management Guidance, the first level systematic supervision of the relevant loan portfolio, identifying phenomena referring to specific credit aggregates characterised by high levels of anomalies for which to activate the appropriate risk mitigation measures.

The Chief Risk Officer Governance Area is responsible for adapting the Risk Appetite Framework for the management of credit risk, in accordance with company strategies and objectives, as well as for measuring and controlling the Group's risk exposures. Specifically, the Chief Risk Officer Governance Area:

- establishes the metrics for the measurement of credit risk - also with regard to the collective measurement of performing loans and the measurement of non-performing loans on a statistical basis;
- provides risk-adjusted pricing models and guidance on Expected Loss, Economic Capital (ECAP) and RWAs;
- monitors the absorption of capital relating to credit risk, supporting the Chief Financial Officer Governance Area in the active management of capital;
- makes proposals for the assignment of the Credit Granting and Management Powers;
- validates internal risk measurement systems;
- oversees model risk;
- performs level 2 controls for credit risk.

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

With regard to the credit management policies, the Chief Financial Officer Governance Area:

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

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

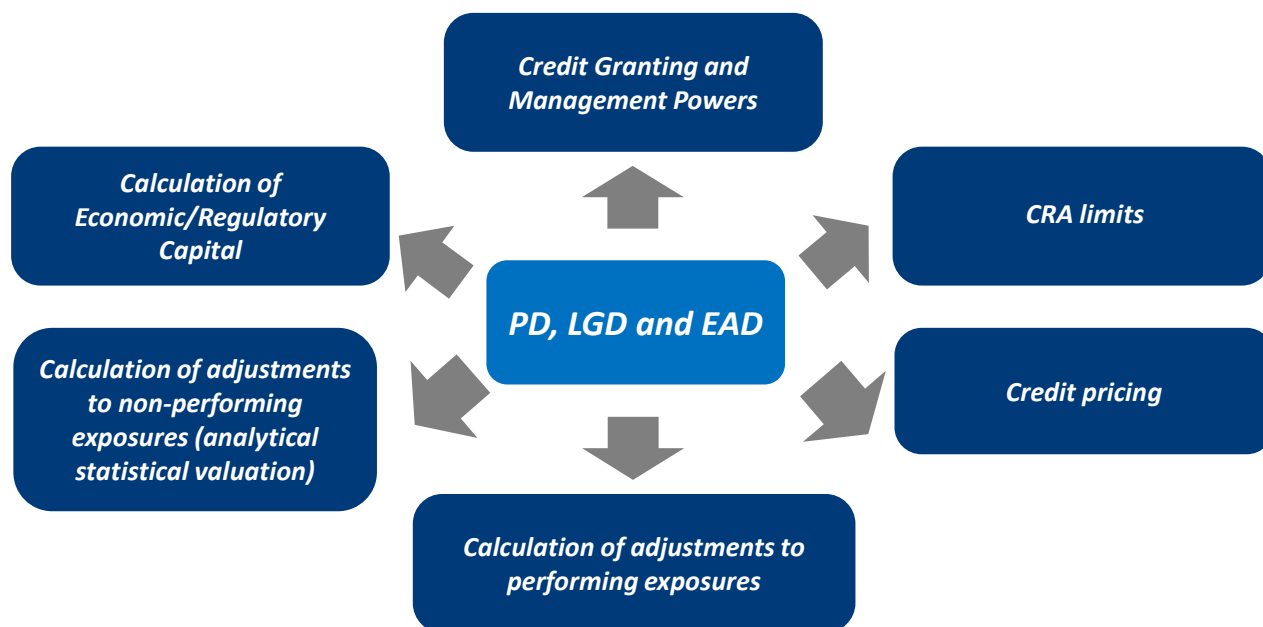
Lastly, as is the case for all the risk areas and above all for credit risk, the Chief Audit Officer performs internal audits aimed at identifying breaches of the procedures and regulations and periodically assessing the completeness, adequacy, functioning (in terms of efficiency and effectiveness) and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

## 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 loan (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. In order to ensure homogeneous treatment of customers, guarantee current operations and consistent oversight of Group risks, the Credit Risk Appetite (CRA) framework of Intesa Sanpaolo was applied until the merger also to the scope of UBI Banca, as well as IW Bank, defining specific operational limits as well as the governance for managing breaches of the limits in line with that established at Intesa Sanpaolo.

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

The capital at risk is defined as the maximum “unexpected” loss that the Group may incur with particular confidence levels. The calculation is made with reference to the current status of the portfolio and on a dynamic basis, by determining the projected level, based on both the forecast macroeconomic scenario and on stress scenarios. Risk capital is a fundamental element in the assessment of the Group’s capital adequacy and is calculated within the ICAAP process both with regard to the regulatory parameters and from a management perspective.

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

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

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

The valuation of the adjustments to the performing and non-performing exposures<sup>74</sup> 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”.

Country risk is an additional component of an individual borrower’s insolvency risk, measured by credit risk control systems. This component is linked to losses potentially resulting from international lending operations caused by events in a country that are partly or entirely within the control of the government concerned, but not that of the individual residents of the country in question. Country risk therefore takes the form of both transfer risk for non-sovereign counterparties, due to the freezing of international payments, and sovereign risk, which is measured through an assessment of the sovereign states’ creditworthiness. This definition includes all forms of cross-border lending to entities residing in a given country, whether they are the government, a bank, a private enterprise or an individual.

The country risk component is used in the granting of credit to non-resident entities in order to obtain a preliminary evaluation of the absorption of country risk limits set on an ex-ante basis. These limits, expressed in terms of economic capital, identify the maximum acceptable risk for the Group, set on an annual basis in the Group Risk Appetite Framework.

Counterparty risk is a particular kind of credit risk associated with derivatives and SFTs (Securities Financing Transactions, namely repurchase agreements and securities lending transactions), that refers to the possibility that a counterparty may default before the contract expires. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, in the case of default of the counterparty, the solvent party would be forced to replace the position on the market, thereby suffering a loss.

With regard to counterparty risk, the Banking Group has an internal model for measuring this risk both for regulatory (only for the Parent Company) and managerial purposes.

Potential Future Exposure (mean effective PFE 95%) has been adopted by the entire Banking Group for the measurement of the utilisation rate of credit limits for derivatives and SFTs exposures. The Market, Financial and C&IB Risks Coordination Area produces daily risk measurement estimates for counterparty risk, for the measurement of the utilisation rate of credit lines for derivatives and SFTs for the Parent Company and Fideuram. The other Banks of the Group also use an internal model measurement approach, in simplified form, through internally estimated add-ons.

In addition, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:

<sup>74</sup> The analytical statistical measurement of the non-performing exposures applies to non-performing past-due due exposures and bad loan and unlikely-to-pay positions equal to or less than 2 million euro for the Parent Company. For Group companies, the threshold value for analytical-statistical measurement is set by the competent bodies of the individual companies, in coordination with the structures of Intesa Sanpaolo, at a level that is not, in any event, higher than that set by the Parent Company.

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

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

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

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

The Group's lending activity is focused on Italian customers (over 80% of the total) and is primarily aimed at households and small and medium enterprises.

The exchange of basic information flows between different Group entities is assured by the Group's Central Credit Register (exposure monitoring and control system) and by the "Posizione Complessiva di Rischio" (global risk position), which highlight and analyse credit risks for each counterparty/economic group both towards the Group as a whole and towards individual Group companies.

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

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

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

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

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

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

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

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

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

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

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

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

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

### **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 value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle.

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

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

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

The models applied to the Retail portfolio are as follows:

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



With regard to the Institutions portfolio:

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

For the international subsidiary banks of the Group, PD models are used, which may be:

- developed by the international subsidiary banks in order to capture the specific features of the risk of the local counterparties;
- extended by the Parent Company;
- borrowed from the Parent Company and adapted to local situations.

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

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

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

LGD is determined according to differentiated models, specialised by operating segment (Corporate, Retail SME, Retail, Factoring, Leasing, Public Entities and Banks). As in the case of the PD, the models that have been adopted for the LGD of the International Subsidiary Banks of the Group were developed by the banks themselves, extended by the Parent Company, using local parameters where necessary or changed by the Parent Company, with adaptations to each international subsidiary bank.

For the banks, the LGD calculation model partly diverges from the models developed for the other segments as the estimation model used is based on the market price of debt instruments observed 30 days after the official date of default and relating to a sample of defaulted banks from all over the world, acquired from an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models, and a recalibration of the observed LGD levels on the bank’s internal defaults.

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

The LGD Sovereign model is used solely for management purposes.

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

Portfolio	PD - Model Type	LGD - Model Type	EAD - Model Type	Status
<b>Sovereign</b>	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
<b>Institutions</b>	Default model (Banks) <sup>(4)</sup>	Market model (Banks)	Regulatory parameters (Banks)	AIRB authorised since June 2017
	Default model (Municipalities and Provinces) Shadow model (Regions) <sup>(4)</sup>	Workout model (Municipalities, Provinces, Regions)	Regulatory parameters (Municipalities, Provinces, Regions)	AIRB authorised since June 2017
<b>Corporate</b>	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 <sup>(1)</sup>
	Simulation models (Specialised Lending)	Simulation models (Specialised Lending)	Regulatory parameters (Specialised Lending)	AIRB authorised since June 2012
	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
<b>Retail</b>	Default model (Retail)	Workout model (Retail)	CCF/K factor model (Retail)	IRB Retail since September 2018 <sup>(2)</sup>
	Default model (Retail SME)	Workout model (Retail SME)	CCF/ K factor model (Retail SME)	AIRB authorised since December 2012 <sup>(3)</sup>

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

2) VUB authorised from June 2012 for PD and LGD of Retail Mortgage models.

3) VUB authorised from June 2014.

4) ISP and Banca IMI (merged by incorporation into the Parent company in 2020) authorised from 2017.

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

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

A detailed description of the methods adopted by the Group is provided in Part A – Section “A.2 – Main financial statement captions”, in particular in the paragraph “*Impairment of assets*”, to which reference is made, and in relation to the specifics of the current pandemic situation, in the Section “The Intesa Sanpaolo Group’s approach to the preparation of the Financial Statements as at 31 December 2021” of the Report on Operations, and in Part A – Section 5 – Other Aspects – Risks, Uncertainties and Impacts of the COVID-19 Pandemic.

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

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

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

Lastly, the following took place during the year:

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

### Changes due to COVID-19

In 2021, as it did for the 2020 financial statements, the Intesa Sanpaolo Group continued to carefully observe the credit dynamics generated by the pandemic, by means of numerous management monitoring actions, which were also reported to the banking supervisor. On one hand, a modest flow of new defaults was observed during the year, also on positions that ceased to benefit from support measures, such as moratoria, and, on the other hand, reasonable prudence was maintained in the valuation of the credit positions, although with a much more favourable outlook than the one at the end of 2020.

As already noted in the introduction to this Section, COVID-19 led the Group to consider a number of specific adjustments to the Group's modelling in relation to the measurement of the significant increase in credit risk (SICR) and the measurement of expected losses for the purpose of determining the Expected Credit Losses (ECL) pursuant to IFRS 9. These adjustments were determined based on the management's judgement in order to better capture the uniqueness of this situation, also considering the continued substantial customer support measures, such as the payment moratoria that remained in place in Italy throughout 2021, albeit with a gradual reduction. The need for managerial adjustments and judgements of the current and future situation with respect to the estimation methods adopted has been the subject of substantial guidance from the Regulators and Standard Setters, which had already expressed their opinions in 2020, setting out a framework that is still applicable, given the absence of any further significant regulatory interventions by the Regulators and Standard Setters in 2021.

The Intesa Sanpaolo Group made these choices in the 2020 Annual Report and they continued to be implemented in 2021, gradually refining them to take account of the evolution of the health and macroeconomic situation – still characterised by uncertainty throughout 2021 – and the greater amount of information available to the Group.

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

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

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

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

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

The table below shows the main macroeconomic scenario variables used to determine expected credit losses from a forward-looking perspective, broken down by baseline, best-case and worst-case scenarios. These scenarios were applied in the measurement of loans according to the "Most-Likely scenario + Add-on" model described in this Section and in Part A – Section "A.2 – Main financial statement captions" and in particular in the Section "Impairment of assets", where more details are provided.

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

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

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

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

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

In 2021 real estate prices outperformed expectations, at least in the first three quarters of the year, refuting the forecasts of drops formulated one year ago. The year-on-year change in the ISTAT index in the third quarter came to 4.2%, resulting from another exceptionally robust quarterly change (1.2%) following the sharp increases previously seen in the first and second quarters (1.1% and 1.7%, respectively). A similar sequence in quarterly changes has not been seen in the last ten years. The annual average for 2021 is now estimated as growing by 2.4%. The improved performance partly reflects the robust economic recovery, but probably the most important role was played by the partial use of excess savings accumulated during the initial phase of the pandemic crisis, in a scenario of improvement in the climate of confidence and accommodative financial conditions. As these factors will continue to produce effects in the short and medium-term, the reference scenario forecasts the positive continuation of this trend. However, at the same time, it is deemed that the pace of price increases should slow from 2023 to 2024 due to the reduction in monetary stimulus and the increase in interest rates, as well as due to the elimination of the distortion due the reinvestment of excess savings.

Inflation, which was substantially zero in 2020 as a result of the temporary collapse in oil prices during the first wave of the pandemic, rebounded sharply in 2021. In addition to the normalisation of transitional factors, in the second half of 2021, sharp increases in prices of energy commodities (natural gas even more than oil) were fuelled, with strong impacts also on electricity tariffs. The shortage of intermediate goods also contributed to inflation, but more modestly. The reference scenario projects substantially stable annual average inflation at 1.9% in 2022, falling to 1.4% in 2023 and rising again to 1.7% in 2024. With regard to the Eurozone, estimates for the medium and long-term interest rate curve reflect the closing of the securities purchase programmes and modest expectations of increases in official rates, already priced in by the markets. Despite the restriction placed by the conservative assumptions on official rates, five-year swap rates should return above zero from 2022 onwards, as it happened for ten-year swap rates last year. The interest rate curve gets steeper in the two-year period 2022-23. The decrease in net purchases by the ECB could provide an additional contribution to the increase in interest rates, even if the boost should be lower than that exercised in the opposite direction by the increase in the securities portfolio of the Central Bank.

The decrease in support provided by the Eurosystem and the increase in risk-free rates could also reflect in an expansion of sovereign risk premiums. Nonetheless, this negative factor could be at least partly offset by the reduction in net issues by the Ministry of the Economy and Finance, in a context of improvement in public finances. The approaching end of the government's term of office in Italy, with the uncertainty associated with the evolution of the political scenario, could result in

greater volatility in the BTP-Bund spread. However, the reference scenario incorporates an increase in the spread linked to only fundamental factors (performance of the debt) and monetary policy (rates and net purchases).

In the United States, GDP is expected to grow by 4.1% in 2022, and by 2.4% in 2023, following the rebound in 2021 (5.6%). The combination of strong tax and monetary stimulus and the imbalanced nature of the recovery fuelled a situation of excess demand, which, in turn, triggered widespread upwards pressure on wages and prices, not limited to just the energy sector.

The comparison between the domestic scenario produced by the Research Department and the scenarios published by the European Central Bank and the Bank of Italy shows substantial alignment of the forecasts for 2023 and 2024 for both the Eurozone and Italy. The GDP for the Italian economy in 2022 shows a deviation between the domestic macroeconomic scenario and the Bank of Italy scenario, as updated on 21 January, which is slightly larger with respect to the previous published forecast<sup>75</sup>. This different forecast growth is not decisive for the calculation of IFRS 9, as the medium-term behaviour (3 years) is more important than the short-term (1 year). The average annual growth for the overall period is in fact very similar.

With regard to the domestic inflation forecasts for 2022, which show lower increases than the Bank of Italy's most updated forecasts, which incorporated more recent developments (in particular, a new rebound in oil prices and continued high gas prices), they are not considered sufficient to affect the assumption of a likely subsequent decline towards 2%, as a result of the stabilisation of energy prices, and lead to significant revisions in the GDP growth forecasts. Moreover, the sensitivity analyses carried out show that the adoption of the most recent ECB and Bank of Italy forecasts, with respect to the internal scenario, indicate a similar effect to that estimated internally and used for the financial statements, for both the performing and non-performing portfolios.

### *Management overlays and triggers for sliding into Stage 2*

As highlighted in the introduction to this Section, COVID-19 had a particular impact on the issues of classification of credit exposures, specifically the aspects linked to payment moratoria, as well as on the measurement of the significant increase in credit risk (SICR) and the measurement of expected losses for the purpose of determining the Expected Credit Losses (ECL) pursuant to IFRS 9.

Given the particular nature of the economic environment generated by the pandemic and the measures adopted by governments to deal with its impacts, the Group – in order to reflect elements of risk potentially present in the portfolio, but not fully captured by the models used to determine the SICR – has decided to incorporate specific management overlays in the satellite models aimed at including forward-looking information, to capture these elements of risk “correcting the estimates produced by the models”.

More specifically, before describing the methods and assumptions used in the ECL calculation, it is worth noting that COVID-19, as the first pandemic in over a century, led the Group to consider a number of specific adjustments to its modelling in relation to the measurement of the significant increase in credit risk (SICR) and the measurement of expected losses for the purpose of determining the Expected Credit Losses (ECL) pursuant to IFRS 9. These adjustments were determined based on the management's judgement in order to better capture the uniqueness of this situation, also considering the continued substantial customer support measures, such as the payment moratoria that remained in place in Italy throughout 2021, albeit with a gradual reduction. The need for managerial adjustments and judgements of the current and future situation regarding the estimation methods adopted has been the subject of substantial guidance from the Regulators and Standard Setters, which had already expressed their opinions in 2020, setting out a framework that is still applicable, given the absence of any further significant regulatory interventions by the Regulators and Standard Setters in 2021.

Specifically, in the context described above, account was taken of the fact that, in the approach adopted by the Intesa Sanpaolo Group, the main parameter aimed at capturing any significant increase in credit risk (SICR) is expressed by the change in the probability of default, measured over the remaining lifetime of the financial asset (“delta PD lifetime”), for which the forecasting models with an impact on the “delta PD lifetime” component and staging allocation were developed based on historical experience that did not contemplate such exceptional precedents. In addition, account was taken of the need – in the context of the adoption of significant support measures by the Government – to maintain close monitoring of the evolution of the quality of credit exposures, which may not be adequately captured by the additional SICR indicators adopted (for the stage allocation, the Intesa Sanpaolo Group also considers more than 30 days past due and the presence of forbearance measures). Accordingly, the Group strengthened the action aimed at promptly identifying and introducing the aspects of counterparty vulnerability, only temporarily mitigated by the presence of the aforementioned measures, into the ECL estimates by means of management overlays.

These overlays, already adopted for the 2020 financial statements, were substantially maintained, in terms of the methodological framework, for the consolidated financial statements as at 31 December 2021, gradually refining them to take into account the evolution of the health and macroeconomic situation – characterised by a high degree of uncertainty throughout 2021 – and the greater amount of information available to the Group.

A description is provided below of the management overlays adopted and the methodological refinements made during the year.

### *Transfer of default flows due to the effects of moratoria granted and government guarantees obtained*

In 2020, the Group had already adopted a specific management overlay – incorporated in the results of the forward-looking conditioning in the satellite models – aimed at “correcting” the estimated expected default flows, determined based on the application of the macroeconomic scenarios considered over time, to incorporate the effect that the moratoria have on transfers to default during their period of validity. Essentially, the overlay reduces the forecast of the flow of transfers to default during the period of validity of the moratoria and shifts these flows, in addition to those estimated by the satellite model, to subsequent periods, i.e. when the moratoria will expire and payment terms resume.

<sup>75</sup> On 21 January, the Bank of Italy updated its scenario, compared to the projections provided to contribute to the Eurosystem coordinated exercise, published on 17 December, in order to take account of certain factors, such as the new worsening of the pandemic and the higher energy prices observed in recent weeks. This limited revision resulted in a forecast of a slight reduction in GDP for 2022 to 3.8% (previously 4%), while the forecasts for 2023 and 2024 remained unchanged (2.5% and 1.7%, respectively). The Bank of Italy is below consensus for 2022 and in line with it for 2023. The average annual growth rates over the period are not significantly different.



In the 2020 financial statements, the overlay, applied to the domestic counterparties in the Corporate (excluding Large Corporate), Corporate SME, Retail SME and Mortgage segments, took into account the fact that the moratoria would allow a portion of the customer defaults estimated by the satellite models to be carried forward to the following year. Based on specific analyses, the overlay assumed a mitigating effect on the defaults for the year, i.e., that around 70% of the defaults would be avoided in 2020 due to access to moratoria, but that only a portion of the customers who had avoided default (15% in the baseline scenario) would also survive in 2021, thanks to the mitigation of financial problems and consequent possibility of taking advantage of the economic recovery. The above-mentioned overlay therefore effectively shifted the default expectation on the remaining 85% of the defaults not envisaged in 2020 to 2021.

In 2021, the overlay described above was extended, already from the half-yearly report, in view of the low levels of transfer to default observed in the period and the further six-month extension of the legislative moratoria granted by the “Sostegni bis” Decree. For the financial statements as at 31 December 2021, the overlay acted as follows: 70% of the defaults (at systemic level) estimated by the satellite models (based solely on macroeconomic variables, which therefore do not contain the impact of the government measures) for the period of maximum effectiveness of the moratoria (from mid-2020 to mid-2021) have been carried forward to 2022, except for the 15% portion that, having taken advantage of the economic recovery, is assumed to have avoided default (in the alternative scenarios, this survival percentage becomes 30% in the best-case scenario and zero in the worst-case scenario, in line with the narrative associated with those scenarios).

By amplifying the flow of transfers to future defaults, this approach seeks on a prudent basis to better capture the expected cliff-edge effect resulting from the removal of the government support measures. Indeed, it is worth noting that the systemic default rates observed in 2020 and 2021 were much lower than in the previous period despite the strong decline in GDP over the period. The effect of that overlay also acts through the SICR logics of the PD Change and therefore increases the transfers to Stage 2 and ECLs, which change from measurement at 12 months to lifetime. Overall, however, it bears recalling, especially in the comparison with the observations made in the 2020 financial statements, that the macroeconomic scenario adopted acts in the opposite direction through the forward-looking conditioning.

For the 2020 financial statements, the Intesa Sanpaolo Group also incorporated an additional management overlay in the forward-looking conditioning satellite models, aimed at capturing the mitigating effects on the future risk of the domestic Corporate (including Large Corporate), Corporate SME and Retail SME counterparties related to the acquisition of government guarantees, such as those resulting from the “Cura Italia” and “Liquidità” decrees. The overlay introduces a mitigation factor to be used to discount the default rate envisaged by the model over 24 months (July 2020 – June 2022).

This overlay has been maintained for the 2021 financial statements, with the same methodology and limited time effect. However, the assumed benefit on the decrease in expected default rates, as at 31 December 2021, is insignificant in amount, due to the smaller time window for the application of the mitigation, as envisaged by the methodology described above.

#### *Extraordinary triggers for sliding into Stage 2*

Given that indicators of a potential increase in credit risk, such as, primarily, the detection of amounts more than 30 days past due and, to a lesser extent, the granting of forbearance measures, have become less significant for the staging allocation, as a result of legislative initiatives to support the economy and the banking system, as well as the guidance from the Regulators and Standard Setters<sup>76</sup>, the Intesa Sanpaolo Group decided to introduce “extraordinary” triggers for sliding into Stage 2, starting from the year 2020, acting on counterparties that were not already classified in that status under the IFRS 9 models (also corrected by the management overlays described in the paragraph above) and identified as counterparties that had benefited from the above-mentioned support measures.

Compared to the 2020 financial statements, in the subsequent quarterly reports the extraordinary criteria adopted for the triggers have been refined based on the developments observed, to take account of the continued presence of outstanding moratoria, the results of the credit risk monitoring initiatives conducted, also through specific action plans, and the progress of the specific rating updates made to take account of the developments in the pandemic situation. The assumptions for the application of the extraordinary Stage 2 triggers have been revised in light of the change in the macroeconomic environment, which has reduced the relevance of the distinction between higher risk and lower risk sectors and made the assessment of individual positions with a less robust rating and at least one moratorium still active more significant for the transition to Stage 2.

In the 2021 financial statements, these triggers consisted of the simultaneous presence of the following:

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

Additionally, in keeping with the approach already adopted from 2020, counterparties not already covered by the above criterion have been considered that have come up as yellow or orange in the “traffic light” system within the proactive credit monitoring. These consist of counterparties that – based on an assessment made by the individual relationship managers – need support in resuming payments when they come due, through measures designed to provide temporary relief from financial difficulties. Lastly, these triggers also act “downstream” on counterparties not already classified under the ordinary criteria.

<sup>76</sup>See for example: ECB letter of 4 December 2020 “Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic”, IASB document “IFRS 9 and COVID-19 – Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic” of 27 March 2020 and ECB Speech “An evolving supervisory response to the pandemic” of 1 October 2020.

As at 31 December 2021, the gross exposure classified as Stage 2, following the application of the extraordinary triggers described above, corresponded to over 20% of the total exposure of the portfolio in Stage 2 of around 56 billion euro.

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As a whole, the management overlays/extraordinary staging triggers adopted in the 2021 Financial Statements increased the adjustment allowance for performing loans to customers (equal to 2.5 billion euro) by a total amount estimated at around 700 million euro.

In contrast, the procyclical effect of the forward-looking assessments acted in the opposite manner. This is particularly significant in the estimate of the ECL for 2021, in light of the scenario that sees a significant economic recovery in the forecast for the three-year period 2022-24, while – if the 2020 Financial Statements are considered – that assessment had an opposite impact, capturing the forecasts of recession at the time to a greater extent.

In light of the above, the impact on the income statement for the year in terms of adjustments to performing loans generated by the above elements (application of the scenarios and management overlays/triggers), came to around 500 million euro in net recoveries (on-balance sheet loans and unsecured loans), reducing the significant increases applied in 2020, in light of the improved context.

However, that positive effect was partially mitigated by actions on the management models for estimating LGD.

#### *ECL sensitivity analysis*

The ECL, calculated in accordance with IFRS 9, was subject to sensitivity analysis aimed at analysing its variability with respect to the individual alternative scenarios.

That analysis was conducted on a performing loan portfolio (Stage 1 and Stage 2) relating to the scope representing the Group (which includes the Parent Company and the Banks in the IMI C&IB Division that represent around 80% of the Group's total exposure).

The sensitivity was determined based on the assumptions adopted for the alternative scenarios (best-case and worst-case) used to determine the add-on mentioned above, weighted at 100%, rather than the most-likely scenario, and maintaining the effects of the management overlays described above.

A summary is provided below of the quantitative impacts of the sensitivity analyses conducted on the ECL, as at 31 December 2021, according to the methodology described above and based on the scenarios determined internally by the Research Department.

The sensitivity of the portfolio to the worst-case scenario, as at 31 December 2021, would result in an increase of 205 million euro in the ECL, with 5.1 billion euro of exposures sliding to Stage 2 (around 9%). The coverage ratio for performing exposures would increase by 5 bps and for Stage 2 by 6 bps.

Conversely, the sensitivity of the portfolio to the best-case scenario would see a decrease of 205 million euro in the ECL, with a return to Stage 1 of 0.8 billion euro of exposures (around 1%). The coverage ratio for performing exposures would decrease by 5 bps and for Stage 2 by 23 bps.



## 2.4. Credit risk mitigation techniques

The risk mitigation techniques include those instruments that contribute to reducing the loss that Bank would incur in the event of counterparty default, i.e. the Loss Given Default described in the paragraph above. In particular, these include guarantees and certain types of contracts that reduce credit risk.

The assessment of these mitigating factors is carried out by associating through a procedure that assigns a Loss Given Default to each individual exposure, which takes higher values in the case of ordinary unsecured financing and is reduced, on the other hand, depending on the incremental strength of any mitigating factors present. The Loss Given Default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relationship.

During the credit granting and managing process, the acquisition of mitigating factors is encouraged for counterparties with non-investment grade ratings or for certain types of medium/long-term transactions.

The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other forms of risk mitigation are pledges on non-financial assets and non-residential mortgages.

The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor's credit quality.

Detailed processes govern the material acquisition of the individual collateral and guarantees, identifying the structure responsible as well as the methods for their correct completion, for archiving the documentation and for the complete and timely recording of the related information in the applications.

The set of internal regulations and organisational and procedural controls is aimed at ensuring that:

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

The management of collateral and guarantees received uses a single platform at Group level, which is integrated with the register of assets and the portal that manages the real estate valuations.

The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the valuation of the asset, the acquisition of the collateral and the control of its value. The enforcement of the collateral is handled by specialist departments, which are responsible for credit recovery.

In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, focused mainly on the borrower's ability to meet the obligations assumed, irrespective of the associated collateral.

The assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed on a regulated market, or, otherwise, the estimated realizable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments accepted as collateral.

For real-estate collateral, the prudential market value is considered; for properties under construction, the construction cost is considered, net of prudential haircuts differentiated according to the intended use of the property.

Assets are appraised by internal and external appraisers. The external appraisers are included in a special list of professionals accredited on the basis of an individual verification of their capabilities, professionalism and experience. The valuation of residential properties used as collateral for mortgage loans to private individuals is mainly assigned to specialized companies. The work of the appraisers is monitored on an ongoing basis, by means of statistical verifications and sample checks carried out centrally.

The appraisers are required to produce estimates on the basis of standardised appraisal reports, differentiated according to the valuation method to be applied and the characteristics of the asset, in accordance with the Rules on real estate property valuation for credit purposes drawn up by the Bank. The internal rules are consistent with the "Guidelines for the valuation of real estate properties securing credit exposures" promoted by the Italian Banking Association and with the European Valuation Standards.

Property valuations are managed through a specific integrated platform covering the entire appraisal phase, 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 recorded.

The market value of the real estate collateral is periodically recalculated through various statistical valuation methods, that make use of prices/coefficients provided by an external supplier with proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.

Asset value is constantly monitored. For properties under construction appraisers carry out on-site inspections and verify the progress of work. The valuation is duly updated in the event of restriction or splitting mortgage, of damage to the property, significant impairment losses reported by market indicators used to monitor fair value and, in any case, according to the due dates established for significant exposures, or when there are real estate 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 real estate collateral, the obligation of insurance cover against fire damage and the presence of adequate monitoring of the property's value. There is also an "umbrella" insurance policy that, with limited exceptions, covers damages on the entire portfolio of properties mortgaged as collateral for the loans granted. Collateral and guarantees are subject to accurate, regular control using a specific application, the CRM verifier, in which a series of tests have been implemented to confirm the effective compliance with the requirements set by prudential supervision regulations.

The support application verifies whether the collateral and guarantees received are eligible with regard to all three methods permitted by the regulations for calculating capital requirements (Standardised and Internal Rating Based). Based on the specifics of each category, the eligibility results are defined at the level of individual guarantee for unfunded guarantees (usually personal guarantees) or, for collateral, for each asset or financial instrument.

The Bank has completed the implementation of two integrated asset and guarantee management systems (PGA - Active Guarantees Portal and ABS - System Assets Archive) in order to improve the efficiency of collateral management. This has been accompanied by the development of a specific system for managing bad loans, to track the main legal actions and particularly those relating to the enforcement of 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. securities lending and repurchase agreements), the Group uses bilateral netting agreements that allow the netting of claims and obligations if a counterparty defaults.

This is achieved by entering into International Swap Derivatives Association (ISDA) and International Securities Market Association/Public Securities Association (ISMA/PSA) agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.

In addition, the Group has collateral exchange arrangements in place, mainly with daily frequency, to hedge OTC derivatives transactions (Credit Support Annexes), also due to the margin requirements for non-centrally cleared derivatives, established by the EMIR; also for SFTs, the Bank implements daily margining arrangements (GMRAs - Global Master Repurchase Agreements and GMSLAs - Global Master Securities Lending Agreements).

To mitigate the exposure to counterparties, mainly corporate customers, and the volatility arising from credit adjustments to derivative valuations (CVAs), the Bank also buys protection through credit default swaps, which provide collateral on individual companies or credit indices.

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

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

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

For details of the transactions carried out in 2021 under the GARC Project, see the description provided in 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 the ISP Group banks operating in Bosnia Herzegovina, Egypt and Moldova were also renewed and the hedging for the bank operating in Albania was increased.

### 3. NON-PERFORMING CREDIT EXPOSURES

#### 3.1 Management strategies and policies

On 22 March 2021, the Board of Directors approved the annual revision of the Group NPL Plan, carried out on the basis of the ECB Guidance to banks on non-performing loans, which was sent to the Supervisor on 24 March 2021. The 2018-2021 NPL Plan is consistent with both the 2018-2021 Business Plan, approved by the Board of Directors in February 2018, and the Risk Appetite Framework, and takes into account the observations and recommendations of the Supervisory Authority.

The Group NPL Plan is made up of a main document (2018-2021 Group NPL Plan) which includes a summary of the initiatives detailed in the “Operational Plans” (drawn up at Business Owner level, which include the targets for reducing the stock of non-performing loans, the detailed measures and the enablers, as well as the related costs and investments required to achieve the targets set) and the projections underlying the NPL Plan, with the granular level and in accordance with the requirements established by the ECB.

In the 2018-2021 Business Plan, de-risking is the first pillar through which the Group aims to reduce the level of gross non-performing loans as a proportion of total loans, at no cost to shareholders. Over the Plan period, a 49% reduction in the stock of gross non-performing loans is envisaged with respect to the figure at the beginning of 2018, as well as the achievement of a gross NPL ratio of 6.0% (from 11.9% at the beginning of 2018 after the IFRS 9 FTA and including the two former Venetian banks). Following the implementation of several extraordinary de-risking operations on specific portfolios during the year, aimed at reducing the gross flow of new non-performing loans from performing loans, in addition to the classification of non-performing loan portfolios of the Intesa Sanpaolo Group ready to be sold under the caption Non-current assets held for sale and discontinued operations, for around 4.5 billion euro gross book value and 1.2 billion euro net, the Group exceeded its NPL deleveraging target of around 26 billion euro, set for the entire four-year period of the 2018-2021 Business Plan, by around 11 billion euro. At the end of 2021, non-performing loans before adjustments amounted to 15.2 billion euro bringing the ratio of non-performing loans to total loans to 3.2% gross and 1.5% net, with a cost of risk of 59 basis points (25 basis points excluding the additional adjustments on specific portfolios to accelerate the NPL deleveraging). Based on the EBA methodology, the NPL to total loan ratio stood at 2.4% gross and 1.2% net.

It is noted that starting from November 2019, in line with the additional clarifications introduced by Bank of Italy Circular 272 to implement that set out in the EBA 2016/07 Guidelines of 18/01/2017 on the application of the definition of default under Article 178 of Regulation 575/2013 (CRR), the Intesa Sanpaolo Group adopted the New Definition of Default in advance. 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 was 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" 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 directly carried out by the internal organisational structures or by/with external partners granted appropriate mandates (outsourcers), for which the CLO Area performs a supervisory role in the management of stocks and flows outsourced and acts as an interface for the approvals beyond the limits of the powers delegated to them and for administrative, technical and operational activities envisaged in the processes of interaction with the outsourcers. The internal organisational structures are identified, on the basis of pre-determined relevance thresholds, as the local organisational units (at regional level) that perform specialist activities, or within the Head Office Departments, which are also responsible for the overall management and coordination of these matters.

The classification of positions to non-performing is performed on proposal of both territorial structures, owners of the commercial relationship, or of specialised central and local territorial structures in charge of the monitoring and recovery of non-performing loans. Classification may also be performed through automatic mechanisms when predefined objective default conditions arise. This refers, for example, to past-due loans continuously above certain thresholds for certain periods

and forborne performing positions (performing forborne positions originating from non-performing forborne positions) that have not yet completed their 24-month probation period, if they meet the conditions envisaged by the applicable regulations for their reallocation to non-performing loans, based on the verification of objective parameters and, specifically, for transactions already designated as forborne, so-called reiteration (i.e. the granting of a further forbearance measure) and/or continuously over 30 days past due above certain thresholds, and transactions subject to distressed restructuring with a loss exceeding 1%.

Furthermore, automatic mechanisms detect any mismatches, thereby ensuring that material non-performing loans to counterparties shared between the Group's various entities are subject to the required uniform convergence of management decisions. Materiality is represented by exceeding a pre-established warning threshold for loans classified as at the greatest risk, with respect to the overall exposure.

Automatic mechanisms within the system also ensure that positions are allocated to the risk status most representative of their creditworthiness (bad loans excluded) as material default continues.

The return to performing status of non-performing exposures is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the Structures responsible for their management, upon verification that the critical conditions or state of default no longer exist.

Non-performing Past Due exposures and Unlikely To Pay exposures, not subject to forbearance measures must continue to be classified as such for at least 3 months after they cease to meet the requirements for being classified as such. During the probation period the counterparty's conduct must be assessed in light of its financial situation (in particular, by verifying the absence of amounts past due exceeding the Relevance Thresholds).

For counterparties classified as Forborne Unlikely-to-Pay, the application of the cure period of at least 12 months shall prevail. At the end of this period, the position may be reclassified as performing, provided that there are no past due exposures of the borrower and the borrower has repaid a significant amount of the principal and interest and, more generally, the criteria for the counterparties returning to performing status are met.

Exposures classified as Past Due return automatically to performing when the 90-day probation period has passed. The same mechanism is applied to exposures of moderate amounts previously automatically classified as Unlikely To Pay when automatic mechanisms detect that the conditions that triggered the classification no longer apply.

The Internal Validation and Controls Head Office Department of the Chief Risk Officer Governance Area carries out II level controls on single non-performing positions, to verify proper classification and provisioning.

### 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:

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

Therefore, on a periodic basis, the Group identifies the bad loan portfolios to be subject to total or partial write-offs with the following macro-characteristics:

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

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

In 2021, the Group carried out write-offs on gross bad loans for around 1.3 billion euro. Of these, around 1.1 billion euro regarded bad loans, for the most part using the allowance already set aside. More than 90% 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). From initial recognition, a significant part of that acquired portfolio was already subject to deleveraging by the former UBI Group as at the acquisition date, completed at the end of 2020, in addition to another significant portion of former UBI non-performing loans included in the business line consisting of the bank branches to be sold to BPER under a binding agreement conditional upon the success of the Public Purchase and Exchange Offer, entered into between Intesa Sanpaolo and BPER Banca to prevent potential antitrust issues. In addition, at the end of December 2020, the Group identified more former UBI non-performing POCI positions designated as held for sale in accordance with IFRS 5 and, consequently, as at 31 December 2020, the assets measured at amortised cost amounted to a total of 327 million euro, consisting of 267 million euro of non-performing loans and 60 million euro of positions that had returned to performing status.

In light of the sales already carried out in 2021, and those planned in 2022 recognised under assets held for sale, the POCI loans referring to the former UBI Group posted in the consolidated financial statements as at 31 December 2021 remain under assets measured at amortised cost for substantially residual amounts, which saw an increase in the positions returned to performance status, totalling 284 million euro, consisting of 211 million euro of non-performing loans and 73 million euro of performing positions.

## 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, entails the classification of one (or more) credit line(s) as forborne, if at least one of the following conditions applies:

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

A state of financial difficulty is always assumed in the case where the borrower is classified as non-performing.

The definition of forborne exposure applies transversally to the classification macro-categories (performing and non-performing). Forborne assets may be included in Stage 2 (Performing) or Stage 3 (Non-Performing – forborne non-performing).

The forbearance measures granted are monitored for minimum predefined periods, differentiated based on the administrative status of the risk assigned to the counterparty. In detail:

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

When a forbearance measure is granted to a performing counterparty, quantitative assessments (diminished financial obligation indicator set at 1%) and/or qualitative assessments are performed, as envisaged in the EBA Guidelines on the application of the definition of default pursuant to Article 178 of Regulation (EU) 575/2013, which could result in the possible classification to Non-Performing.

According to Intesa Sanpaolo Group's interpretations, the identification of an exposure as forborne necessarily implies the existence of a "significant increase" in risk since the origination of the loan (and, therefore, implies also a classification in stages 2 or 3 at the time of assignment of the forborne status).

Unlike the forbearance measures, which relate to loans to borrowers in financial difficulty, renegotiations for commercial reasons involve borrowers that are not in financial difficulty and include all transactions aimed at adjusting the cost of the debt to market conditions.

Transactions involving commercial renegotiations result in a change in the original conditions of the contract, usually requested by the borrower, which normally relate to aspects concerning the cost of the debt (or its duration), with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer would borrow from another intermediary and the bank would incur a decrease in expected future revenues.

These operations, under certain conditions, are treated for accounting purposes as an early repayment of the original debt and the opening of a new loan.

## 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 credit 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, economic and geographical breakdown

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

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		1,954	236	155	2,623	598	194	416	228	4,527	7	9	232
2. Financial assets measured at fair value through other comprehensive income		238	-	-	-	-	-	-	-	-	-	-	-
3. Non-current financial assets held for sale		-	-	-	-	-	-	50	9	928	-	-	29
<b>Total 31.12.2021</b>		<b>2,192</b>	<b>236</b>	<b>155</b>	<b>2,623</b>	<b>598</b>	<b>194</b>	<b>466</b>	<b>237</b>	<b>5,455</b>	<b>7</b>	<b>9</b>	<b>261</b>
<b>Total 31.12.2020</b>		<b>2,472</b>	<b>364</b>	<b>170</b>	<b>1,142</b>	<b>717</b>	<b>351</b>	<b>588</b>	<b>282</b>	<b>8,030</b>	<b>64</b>	<b>83</b>	<b>1,570</b>



**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
<b>Total opening adjustments</b>	<b>1</b>	<b>865</b>	<b>29</b>	<b>41</b>	<b>721</b>	<b>215</b>	<b>1</b>	<b>2,080</b>	<b>16</b>	<b>84</b>	<b>1,957</b>	<b>224</b>
Changes in increase from financial assets acquired or originated	-	359	18	-	311	66	-	19	-	-	14	5
Cancellations other than write-offs	-	-120	-9	-41	-150	-20	-	-147	-5	-84	-224	-12
Net value adjustments / write-backs for credit risk	-	-392	-4	-	-329	-67	-	-112	4	-	-144	36
Contractual changes without cancellations	-	34	4	-	37	1	-	-7	-4	-	-18	7
Changes in the estimation methodology	-	1	-	-	-	1	-	2	-	-	-	2
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other variations	-1	19	-	-	-13	31	-	-43	-	-	-8	-35
<b>Total closing adjustments</b>	<b>-</b>	<b>766</b>	<b>38</b>	<b>-</b>	<b>577</b>	<b>227</b>	<b>1</b>	<b>1,792</b>	<b>11</b>	<b>-</b>	<b>1,577</b>	<b>227</b>
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

(millions of euro)

(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	-	10,062	48	2,781	12,433	458	160	-	556	706	10,940
Changes in increase from financial assets acquired or originated	-	3	-	-	2	1	X	X	X	X	X
Cancellations other than write-offs	-	-3,763	-4	-2,787	-6,486	-68	-41	-	-551	-592	-
Net value adjustments / write-backs for credit risk	-	3,001	-	-	2,853	148	24	-	-	25	-1
Contractual changes without cancellations	-	58	-	-	55	3	-	-	-	-	-
Changes in the estimation methodology	-	-2	-	-	-2	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	-1,174	-	-44	-1,149	-69	-28	-	-4	-32	-
Other variations	-	-24	-9	3,281	3,234	14	26	-	66	91	1
Total closing adjustments	-	8,161	35	3,231	10,940	487	141	-	67	198	10,940
Recoveries from financial assets subject to write-off	-	57	-	1	57	1	-	-	-	-	-
Write-offs recorded directly in the income statement	-	-128	-	-	-122	-6	-	-	-	-	-

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

Reasons/risk stages	TOTAL PROVISIONS ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN				(millions of euro) TOTAL
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given impaired purchased or originated	
<b>Total opening adjustments</b>	<b>128</b>	<b>155</b>	<b>316</b>	<b>-</b>	<b>17,323</b>
Changes in increase from financial assets acquired or originated	18	-	-	-	417
Cancellations other than write-offs	-9	-16	-10	-	-7,587
Net value adjustments / write-backs for credit risk	-30	-27	-75	-	2,389
Contractual changes without cancellations	-	-	-	-	85
Changes in the estimation methodology	-	-	-	-	1
Write-offs non recorded directly in the income statement	-	-	-	-	-1,250
Other variations	3	-8	2	-	3,312
<b>Total closing adjustments</b>	<b>110</b>	<b>104</b>	<b>233</b>	<b>-</b>	<b>14,690</b>
Recoveries from financial assets subject to write-off	-	-	-	-	58
Write-offs recorded directly in the income statement	-	-	-	-	-128

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)**

Portfolios/risk stages	GROSS AMOUNTS/NOMINAL VALUE						(millions of euro)
	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	35,559	23,222	1,422	420	1,465	172	
2. Financial assets measured at fair value through other comprehensive income	61	478	-	-	-	-	
3. Non-current financial assets held for sale	66	135	59	3	46	1	
4. Commitments to disburse funds and financial guarantees given	13,959	15,718	126	28	198	51	
<b>Total 31.12.2021</b>	<b>49,645</b>	<b>39,553</b>	<b>1,607</b>	<b>451</b>	<b>1,709</b>	<b>224</b>	
<b>Total 31.12.2020</b>	<b>86,218</b>	<b>16,781</b>	<b>1,780</b>	<b>514</b>	<b>1,498</b>	<b>176</b>	

**A.1.3a Loans subject to COVID-19 support measures: transfers between stages of credit risk (gross amounts)**

(millions of euro)

Portfolios/Risk stages	GROSS EXPOSURE / PAR VALUE					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfer 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
<b>A. Loans measured at amortized cost</b>	<b>7,818</b>	<b>920</b>	<b>214</b>	<b>13</b>	<b>539</b>	<b>12</b>
A.1 subject to EBA-compliant moratoria	656	4	4	3	2	-
A.2 Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	1,834	44	9	1	16	-
A.3 subject to COVID-19-related forbearance measures	546	2	134	6	393	-
A.4 newly originated loans	4,782	870	67	3	128	12
<b>B. Loans and advances valued at fair value with an impact on overall profitability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 subject to EBA-compliant moratoria	-	-	-	-	-	-
B.2 Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-
B.3 subject to COVID-19-related forbearance measures	-	-	-	-	-	-
B.4 newly originated loans	-	-	-	-	-	-
<b>Total 31.12.2021</b>	<b>7,818</b>	<b>920</b>	<b>214</b>	<b>13</b>	<b>539</b>	<b>12</b>
<b>Total 31.12.2020</b>	<b>7,834</b>	<b>788</b>	<b>126</b>	<b>109</b>	<b>158</b>	<b>32</b>

The row Loans “subject to EBA-compliant moratoria” shows the information relating to financial assets subject to moratoria that fall within the scope of application of the “Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis”, published by the EBA (EBA/GL/2020/02), as amended.

The row “Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne” shows the outstanding loans subject to moratoria, assessed as compliant with EBA/GL/2020/02 at the date the measure was granted, but no longer compliant at the reporting date, which were not classified by the bank as “forborne exposures” (as defined by the supervisory reports in force) following the assessment conducted on occurrence of the event that generated the non-compliance with EBA/GL/2020/02.

The row “newly originated loans” presents the information on the exposures for which new liquidity was granted, with the support of government guarantees.

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

Type of exposure/amounts	Gross exposure					Total adjustments and total provisions for credit risk					(millions of euro)	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Net exposure	Total partial write-offs
<b>A. ON-BALANCE SHEET EXPOSURES</b>												
<b>A.1 ON DEMAND</b>	<b>10,496</b>	<b>10,388</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>-</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>10,495</b>	<b>-</b>
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	10,496	10,388	108	X	-	-1	-	-1	X	-	10,495	-
<b>A.2 OTHERS</b>	<b>170,925</b>	<b>169,129</b>	<b>495</b>	<b>70</b>	<b>-</b>	<b>-41</b>	<b>-17</b>	<b>-7</b>	<b>-17</b>	<b>-</b>	<b>170,884</b>	<b>4</b>
a) Bad loans	4	X	-	4	-	-4	X	-	-4	-	-	4
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	66	X	-	66	-	-13	X	-	-13	-	53	-
- of which: forborne exposures	66	X	-	66	-	-13	X	-	-13	-	53	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	859	831	28	X	-	-1	-1	-	X	-	858	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	169,996	168,298	467	X	-	-23	-16	-7	X	-	169,973	-
- of which: forborne exposures	9	-	9	X	-	-	-	-	X	-	9	-
<b>TOTAL (A)</b>	<b>181,421</b>	<b>179,517</b>	<b>603</b>	<b>70</b>	<b>-</b>	<b>-42</b>	<b>-17</b>	<b>-8</b>	<b>-17</b>	<b>-</b>	<b>181,379</b>	<b>4</b>
<b>B. OFF-BALANCE SHEET EXPOSURES</b>												
a) Non-performing	24	X	-	24	-	-	X	-	-	-	24	-
b) Performing	66,723	38,722	1,128	X	-	-1	-1	-	X	-	66,722	-
<b>TOTAL (B)</b>	<b>66,747</b>	<b>38,722</b>	<b>1,128</b>	<b>24</b>	<b>-</b>	<b>-1</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,746</b>	<b>-</b>
<b>TOTAL (A+B)</b>	<b>248,168</b>	<b>218,239</b>	<b>1,731</b>	<b>94</b>	<b>-</b>	<b>-43</b>	<b>-18</b>	<b>-8</b>	<b>-17</b>	<b>-</b>	<b>248,125</b>	<b>4</b>

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

Type of exposure/Amounts	Gross exposure					Total adjustments and total provisions for credit risk					(millions of euro)	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Net Exposure	Total partial write-offs
<b>A. ON-BALANCE SHEET EXPOSURES</b>												
a) Bad loans	9,461	X	-	9,150	306	-6,897	X	-	-6,750	-144	2,564	6,523
- of which: forborne exposures	1,849	X	-	1,797	48	-1,294	X	-	-1,273	-19	555	437
b) Unlikely to pay	9,915	X	-	9,560	256	-4,582	X	-	-4,508	-60	5,333	627
- of which: forborne exposures	4,152	X	-	3,998	129	-1,562	X	-	-1,539	-17	2,590	236
c) Non-performing past due exposures	774	X	-	770	3	-152	X	-	-152	-	622	4
- of which: forborne exposures	169	X	-	169	-	-32	X	-	-32	-	137	-
d) Performing past due exposures	5,372	1,764	3,554	X	8	-177	-11	-166	X	-	5,195	-
- of which: forborne exposures	778	3	773	X	2	-77	-	-77	X	-	701	-
e) Other performing exposures	578,127	497,073	57,225	X	114	-2,410	-776	-1,630	X	-4	575,717	-
- of which: forborne exposures	7,838	589	6,874	X	45	-436	-5	-429	X	-2	7,402	-
<b>TOTAL (A)</b>	<b>603,649</b>	<b>498,837</b>	<b>60,779</b>	<b>19,480</b>	<b>687</b>	<b>-14,218</b>	<b>-787</b>	<b>-1,796</b>	<b>-11,410</b>	<b>-208</b>	<b>589,431</b>	<b>7,154</b>
<b>B. OFF-BALANCE SHEET EXPOSURES</b>												
a) Non-performing	1,507	X	-	1,501	6	-233	X	-	-233	-	1,274	-
b) Performing	328,421	226,284	21,073	X	1	-213	-109	-104	X	-	328,208	-
<b>TOTAL (B)</b>	<b>329,928</b>	<b>226,284</b>	<b>21,073</b>	<b>1,501</b>	<b>7</b>	<b>-446</b>	<b>-109</b>	<b>-104</b>	<b>-233</b>	<b>-</b>	<b>329,482</b>	<b>-</b>
<b>TOTAL (A+B)</b>	<b>933,577</b>	<b>725,121</b>	<b>81,852</b>	<b>20,981</b>	<b>694</b>	<b>-14,664</b>	<b>-896</b>	<b>-1,900</b>	<b>-11,643</b>	<b>-208</b>	<b>918,913</b>	<b>7,154</b>

The dealings between the Banking Group and other non-banking companies included within the scope of consolidation amounted to:

- 306 million euro, adjusted by 71 million euro, included among gross non-performing on-balance sheet exposures to customers;
- 8,600 million euro, adjusted by 18 million euro, included among gross performing on-balance sheet exposures to customers;
- 27 million euro, adjusted by 3 million euro, included among gross non-performing off-balance sheet exposures to customers;
- 7,698 million euro, adjusted by 19 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.

**A.1.5a Loans subject to COVID-19 support measures: gross and net amounts**

Loans types / amounts	Gross exposure					Total value adjustments and total provisions					(millions of euro)	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Net exposure	Write-off partial total
<b>A. BAD LOANS</b>	<b>23</b>	-	-	<b>23</b>	-	<b>-15</b>	-	-	<b>-15</b>	-	<b>8</b>	-
a) Subject to EBA-compliant moratoria	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other COVID-19-related forbearance measures	5	-	-	5	-	-3	-	-3	-	-	2	-
d) Newly originated loans	18	-	-	18	-	-12	-	-12	-	-	6	-
<b>B. UNLIKELY TO PAY LOANS</b>	<b>504</b>	-	-	<b>503</b>	<b>1</b>	<b>-142</b>	-	-	<b>-142</b>	-	<b>362</b>	-
a) Subject to EBA-compliant moratoria	8	-	-	8	-	-2	-	-2	-	-	6	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	28	-	-	28	-	-7	-	-7	-	-	21	-
c) Subject to other COVID-19-related forbearance measures	315	-	-	314	1	-87	-	-87	-	-	228	-
d) Newly originated loans	153	-	-	153	-	-46	-	-46	-	-	107	-
<b>C. NON-PERFORMING PAST DUE LOANS</b>	<b>39</b>	-	-	<b>39</b>	-	<b>-6</b>	-	-	<b>-6</b>	-	<b>33</b>	-
a) Subject to EBA-compliant moratoria	3	-	-	3	-	-1	-	-1	-	-	2	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	2	-	-	2	-	-	-	-	-	-	2	-
c) Subject to other COVID-19-related forbearance measures	5	-	-	5	-	-1	-	-1	-	-	4	-
d) Newly originated loans	29	-	-	29	-	-4	-	-4	-	-	25	-
<b>D. OTHER PAST DUE PERFORMING LOANS</b>	<b>758</b>	<b>66</b>	<b>692</b>	-	-	<b>-18</b>	-	<b>-18</b>	-	-	<b>740</b>	-
a) Subject to EBA-compliant moratoria	2	-	2	-	-	-	-	-	-	-	2	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	504	1	503	-	-	-12	-	-12	-	-	492	-
c) Subject to other COVID-19-related forbearance measures	113	-	113	-	-	-5	-	-5	-	-	108	-
d) Newly originated loans	139	65	74	-	-	-1	-	-1	-	-	138	-
<b>E. OTHER PERFORMING LOANS</b>	<b>43,768</b>	<b>35,116</b>	<b>8,648</b>	-	<b>4</b>	<b>-274</b>	<b>-44</b>	<b>-230</b>	-	-	<b>43,494</b>	-
a) Subject to EBA-compliant moratoria	1,089	111	978	-	-	-40	-	-40	-	-	1,049	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	2,300	220	2,079	-	1	-88	-1	-87	-	-	2,212	-
c) Subject to other COVID-19-related forbearance measures	1,054	4	1,049	-	1	-63	-	-63	-	-	991	-
d) Newly originated loans	39,325	34,781	4,542	-	2	-83	-43	-40	-	-	39,242	-
<b>TOTAL (A+B+C+D+E)</b>	<b>45,092</b>	<b>35,182</b>	<b>9,340</b>	<b>565</b>	<b>5</b>	<b>-455</b>	<b>-44</b>	<b>-248</b>	<b>-163</b>	-	<b>44,637</b>	-

The row Loans “subject to EBA-compliant moratoria” shows the information relating to financial assets subject to moratoria that fall within the scope of application of the “Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis”, published by the EBA (EBA/GL/2020/02), as amended.

The row “Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne” shows the outstanding loans subject to moratoria, assessed as compliant with EBA/GL/2020/02 at the date the measure was granted, but no longer compliant at the reporting date, which were not classified by the bank as “forborne exposures” (as

defined by the supervisory reports in force) following the assessment conducted on occurrence of the event that generated the non-compliance with EBA/GL/2020/02.

The row “newly originated loans” presents the information on the exposures for which new liquidity was granted, with the support of government guarantees.

The loans subject to COVID-19 support measures presented in the table also include loans allocated to the accounting portfolio of discontinued operations.

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

Reasons/Categories	Bad loans	Unlikely to pay	(millions of euro) Non-performing past due exposures
<b>A. Initial gross exposure</b>	<b>4</b>	<b>79</b>	<b>-</b>
- of which: exposures sold not derecognised	-	-	-
<b>B. Increases</b>	<b>-</b>	<b>1</b>	<b>-</b>
B.1 inflows from performing exposures	-	-	-
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	-	1	-
- of which: business combinations	-	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-14</b>	<b>-</b>
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	-	-1	-
<b>D. Final gross exposure</b>	<b>4</b>	<b>66</b>	<b>-</b>
- 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**

Description/Quality	(millions of euro)	
	Forborne exposures: non-performing	Forborne exposures: performing
<b>A. Initial gross exposure</b>	<b>79</b>	<b>-</b>
- of which: exposures sold not derecognised	-	-
<b>B. Increases</b>	<b>1</b>	<b>13</b>
B.1 inflows from non-forborne performing exposures	-	13
B.2 inflows from forborne performing exposures	-	X
B.3 inflows from non-performing forborne exposures	X	-
B.4 inflows from forborne non-performing exposures	-	-
B.5 other increases	1	-
<b>C. Decreases</b>	<b>-14</b>	<b>-4</b>
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	-
C.4 write-offs	-	-
C.5 collections	-13	-3
C.6 profits on disposal	-	-
C.7 losses on disposal	-	-
C.8 other decreases	-1	-1
<b>D. Final gross exposure</b>	<b>66</b>	<b>9</b>
- of which: exposures sold not derecognised	-	-

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

Reasons/Categories	Bad loans	Unlikely to pay	(millions of euro)
			Non-performing past due exposures
<b>A. Initial gross exposure</b>	<b>13,755</b>	<b>12,299</b>	<b>637</b>
- of which: exposures sold not derecognised	8	15	1
<b>B. Increases</b>	<b>2,270</b>	<b>3,293</b>	<b>1,057</b>
B.1 inflows from performing exposures	134	2,161	928
B.2 inflows from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other non-performing exposures categories	1,466	495	12
B.4 changes in contracts without derecognition	-	8	-
B.5 other increases	670	629	117
<b>C. Decreases</b>	<b>-6,564</b>	<b>-5,677</b>	<b>-920</b>
C.1 outflows to performing exposures	-88	-544	-291
C.2 write-offs	-1,124	-252	-2
C.3 collections	-757	-1,148	-122
C.4 profits on disposal	-1,112	-1,416	-8
C.5 losses on disposal	-17	-15	-
C.6 transfers to other non-performing exposure categories	-108	-1,400	-465
C.7 changes in contracts without derecognition	-	-28	-
C.8 other decreases	-3,358	-874	-32
<b>D. Final gross exposure</b>	<b>9,461</b>	<b>9,915</b>	<b>774</b>
- of which: exposures sold not derecognised	196	862	242

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
<b>A. Initial gross exposure</b>	<b>7,244</b>	<b>5,899</b>
- of which: exposures sold not derecognised	11	2
<b>B. Increases</b>	<b>2,315</b>	<b>5,426</b>
B.1 inflows from non-forborne performing exposures	617	4,711
B.2 inflows from forborne performing exposures	344	X
B.3 inflows from non-performing forborne exposures	X	323
B.4 inflows from forborne non-performing exposures	433	7
B.5 other increases	921	385
<b>C. Decreases</b>	<b>-3,389</b>	<b>-2,709</b>
C.1 outflows towards non-forborne performing exposures	X	-1,362
C.2 outflows towards forborne performing exposures	-323	X
C.3 outflows towards non-performing forborne exposures	X	-344
C.4 write-offs	-239	-
C.5 collections	-594	-781
C.6 profits on disposal	-687	-1
C.7 losses on disposal	-8	-
C.8 other decreases	-1,538	-221
<b>D. Final gross exposure</b>	<b>6,170</b>	<b>8,616</b>
- of which: exposures sold not derecognised	580	1,780

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**

Reasons/Categories	BAD LOANS		UNLIKELY TO PAY		(millions of euro) NON-PERFORMING PAST DUE EXPOSURES	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
<b>A. Initial total adjustments</b>	<b>4</b>	<b>-</b>	<b>14</b>	<b>14</b>	<b>-</b>	<b>-</b>
- of which: exposures sold not derecognised	-	-	-	-	-	-
<b>B. Increases</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 adjustments to purchased or originated credit-impaired assets	-	X	-	X	-	X
C.2 other adjustments	-	-	-	-	-	-
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	-	-	2	-	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>	<b>-3</b>	<b>-1</b>	<b>-</b>	<b>-</b>
C.1 recoveries on impairment losses	-	-	-1	-1	-	-
C.2 recoveries on repayments	-	-	-2	-	-	-
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	-	-	-	-	-	-
<b>D. Final total adjustments</b>	<b>4</b>	<b>-</b>	<b>13</b>	<b>13</b>	<b>-</b>	<b>-</b>
- of which: exposures sold not derecognised	-	-	-	-	-	-

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

Reasons/Categories	BAD LOANS		UNLIKELY TO PAY		(millions of euro) NON-PERFORMING PAST DUE EXPOSURES	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
<b>A. Initial total adjustments</b>	<b>8,737</b>	<b>1,066</b>	<b>4,771</b>	<b>1,596</b>	<b>111</b>	<b>4</b>
- of which: exposures sold not derecognised	3	-	3	2	-	-
<b>B. Increases</b>	<b>3,234</b>	<b>663</b>	<b>1,951</b>	<b>805</b>	<b>213</b>	<b>32</b>
B.1 adjustments to purchased or originated credit-impaired assets	-	X	-	X	-	X
C.2 other adjustments	2,324	434	1,408	567	163	31
B.3 losses on disposal	17	13	15	13	-	-
B.4 transfers from other non-performing exposures categories	668	200	161	10	3	-
B.5 changes in contracts without derecognition	-	-	83	83	1	1
B.6 other increases	225	16	284	132	46	-
<b>C. Decreases</b>	<b>-5,074</b>	<b>-435</b>	<b>-2,140</b>	<b>-839</b>	<b>-172</b>	<b>-4</b>
C.1 recoveries on impairment losses	-277	-54	-322	-152	-39	-
C.2 recoveries on repayments	-143	-11	-140	-66	-10	-
C.3 profits on disposal	-65	-14	-25	-19	-	-
C.4 write-offs	-1,124	-130	-252	-109	-2	-
C.5 transfers to other non-performing exposure categories	-72	-7	-652	-200	-108	-3
C.6 changes in contracts without derecognition	-	-	-16	-16	-	-
C.7 other decreases	-3,393	-219	-733	-277	-13	-1
<b>D. Final total adjustments</b>	<b>6,897</b>	<b>1,294</b>	<b>4,582</b>	<b>1,562</b>	<b>152</b>	<b>32</b>
- of which: exposures sold not derecognised	105	28	221	116	35	4

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 DBRS Morningstar. These agencies are valid for all Group banks.

In compliance with the regulations, if there are two ratings for the same customer, the most prudential of the two is used, when three ratings are available, the middle rating is adopted, and when all ratings are available, the second-best is taken.

Exposures	EXTERNAL RATING CLASSES						(millions of euro)	
	class 1	Class 2	Class 3	Class 4	Class 5	Class 6	UNRATED	TOTAL
<b>A. Financial assets measured at amortised cost</b>	<b>23,118</b>	<b>27,833</b>	<b>191,543</b>	<b>9,758</b>	<b>6,140</b>	<b>510</b>	<b>421,664</b>	<b>680,566</b>
- Stage 1	23,103	25,860	190,032	8,954	5,450	183	350,243	603,825
- Stage 2	15	1,973	1,511	802	466	130	56,146	61,043
- Stage 3	-	-	-	-	224	197	14,689	15,110
- Purchased or originated credit-impaired	-	-	-	2	-	-	586	588
<b>B. Financial assets measured at fair value through other comprehensive income</b>	<b>19,057</b>	<b>13,997</b>	<b>22,543</b>	<b>2,238</b>	<b>3,000</b>	<b>127</b>	<b>3,443</b>	<b>64,405</b>
- Stage 1	19,031	13,975	22,504	2,189	2,979	99	3,363	64,140
- Stage 2	26	22	39	49	21	14	59	230
- Stage 3	-	-	-	-	-	14	21	35
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
<b>C. Non-current financial assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,504</b>	<b>4,504</b>
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	4,408	4,408
- Purchased or originated credit-impaired	-	-	-	-	-	-	96	96
<b>Total (A+B+C)</b>	<b>42,175</b>	<b>41,830</b>	<b>214,086</b>	<b>11,996</b>	<b>9,140</b>	<b>637</b>	<b>429,611</b>	<b>749,475</b>
<b>D. Commitments to disburse funds and financial guarantees given</b>								
- Stage 1	16,141	27,986	50,760	14,046	2,815	101	153,160	265,009
- Stage 2	20	298	1,076	924	334	73	19,472	22,197
- Stage 3	-	-	-	-	43	5	1,476	1,524
- Purchased or originated credit-impaired	-	-	-	-	-	-	7	7
<b>Total (D)</b>	<b>16,161</b>	<b>28,284</b>	<b>51,836</b>	<b>14,970</b>	<b>3,192</b>	<b>179</b>	<b>174,115</b>	<b>288,737</b>
<b>Total (A+B+C+D)</b>	<b>58,336</b>	<b>70,114</b>	<b>265,922</b>	<b>26,966</b>	<b>12,332</b>	<b>816</b>	<b>603,726</b>	<b>1,038,212</b>

The following tables show the mapping of risk classes and the external ratings.

#### Mapping of long-term ratings issued by external rating agencies

Long-term ratings for exposures to: central governments and central banks, supervised issuers, public-sector entities, local authorities, multilateral development banks, enterprises and other parties

Credit quality step	ECAI	
	Moody's	Fitch Standard & Poor's DBRS Morningstar
1	from Aaa to Aa3	from AAA to AA-
2	from A1 to A3	from A+ to A-
3	from Baa1 to Baa3	from BBB+ to BBB-
4	from Ba1 to Ba3	from BB+ to BB-
5	from B1 to B3	from B+ to B-
6	Caa1 and lower	CCC+ and lower

## Short-term ratings for exposures to supervised issuers and enterprises

	ECAI			
	Moody's	Fitch	Standard & Poor's	DBRS Morningstar
<b>Credit quality step</b>				
1	P -1	F1 +, F1	A -1 +, A -1	R -1
2	P -2	F2	A -2	R -2
3	P -3	F3	A -3	R -3
from 4 to 6	NP	lower than F3	lower than A -3	R-4 R-5

## Ratings for exposures to UCI

	ECAI		
	Moody's	Fitch DBRS Morningstar	Standard & Poor's
<b>Credit quality step</b>			
1	from Aaa to Aa3	from AAA to AA-	from AAA m/f to AA - m/f
2	from A1 to A3	from A+ to A-	from A + m/f to A - m/f
3 and 4	from Baa1 to Ba3	from BBB+ to BB-	from BBB + m/f to BB - m/f
5 and 6	B1 and lower	B+ and lower	B + m/f and lower

## Standardised approach - Long-term ratings for exposures to securitisations

	ECAI		
	Moody's	DBRS Morningstar	Fitch Standard & Poor's
<b>Credit quality step</b>			
1	from Aaa to Aa3	from AAA to AAL	from AAA to AA-
2	from A1 to A3	from AH to AL	from A+ to A-
3	from Baa1 to Baa3	from BBBH to BBBL	from BBB+ to BBB-
4	from Baa1 to Ba3	from BBH to BBL	from BB+ to BB-
5	B1 and lower	BH and lower	B+ and lower

## Standardised approach - Short-term ratings for exposures to securitisations

	ECAI			
	Moody's	Fitch	DBRS Morningstar	Standard & Poor's
<b>Credit quality step</b>				
1	P -1	F 1 +, F 1	R-1 (high), R-1 (middle), R-1 (low)	A -1 +, A -1
2	P -2	F2	R-2 (high), R-2 (middle), R-2 (low)	A -2
3	P -3	F3	R-3	A -3
from 4 to 6	NP	lower than F3	-	lower than A -3



*IRB approach - Long-term ratings for exposures to securitisations*

	ECAI		
	Moody's	DBRS Morningstar	Fitch Standard & Poor's
<b>Credit quality step</b>			
1	Aaa	AAA	AAA
2	Aa	AA	AA
3	A1	AH	A+
4	A2	A	A
5	A3	AL	A-
6	Baa1	BBBH	BBB+
7	Baa2	BBBH	BBB
8	Baa3	BBBL	BBB-
9	Ba1	BBH	BB+
10	Ba2	BB	BB
11	Ba3	BBL	BB-
12	lower than Ba3	lower than BBL	lower than BB-

*IRB approach - Short-term ratings for exposures to securitisations*

	ECAI			
	Moody's	Fitch	DBRS Morningstar	Standard & Poor's
<b>Credit quality step</b>				
1	P -1	F 1 +, F 1	R-1 (high), R-1 (middle), R-1 (low)	A -1 +, A -1
2	P -2	F2	R-2 (high), R-2 (middle), R-2 (low)	A -2
3	P -3	F3	R-3	A -3
All other credit quality steps	lower than P-3	lower than F3	All other ratings	lower than A -3

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

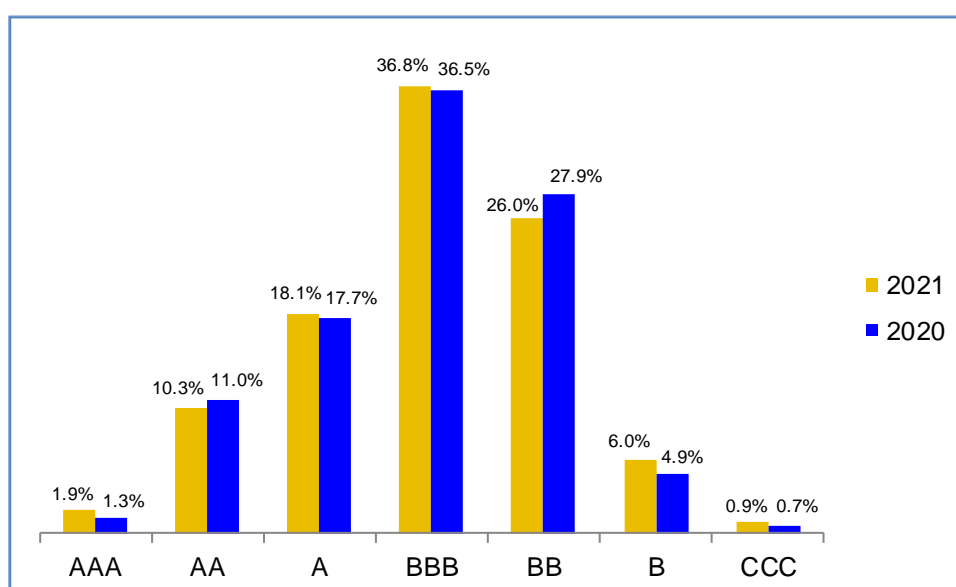
As indicated above in the paragraph entitled "Basel 3 Regulations", the Intesa Sanpaolo Group has a set of ratings for the various operating segments of the counterparties (Corporate, Retail SME, Retail, Public Sector Entities and Banks). The breakdown of exposures by internal rating classes shown in 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 6.5% 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 77% of the total, whilst 18.1% fall within the BB+/BB range (class 4) and 4.9% fall under higher risk classes (of which 0.5% are below B-).

Exposures	Internal rating classes						(millions of euro)	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	
<b>A. Financial assets measured at amortized cost</b>	<b>75,560</b>	<b>97,416</b>	<b>300,712</b>	<b>110,208</b>	<b>29,410</b>	<b>5,771</b>	<b>61,489</b>	<b>680,566</b>
- Stage 1	75,148	95,987	290,154	87,315	15,202	949	39,070	603,825
- Stage 2	412	1,428	10,546	22,858	13,394	3,266	9,139	61,043
- Stage 3	-	-	4	2	781	1,531	12,792	15,110
- Purchased or originated credit-impaired	-	1	8	33	33	25	488	588
<b>B. Financial assets measured at fair value through other comprehensive income</b>	<b>16,974</b>	<b>14,855</b>	<b>20,164</b>	<b>3,245</b>	<b>2,759</b>	<b>51</b>	<b>6,357</b>	<b>64,405</b>
- Stage 1	16,968	14,814	20,127	3,202	2,741	41	6,247	64,140
- Stage 2	6	41	37	43	18	10	75	230
- Stage 3	-	-	-	-	-	-	35	35
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
<b>C. Non-current financial assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>335</b>	<b>4,106</b>	<b>4,504</b>
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	63	334	4,011	4,408
- Purchased or originated credit-impaired	-	-	-	-	-	1	95	96
<b>Total (A+B+C)</b>	<b>92,534</b>	<b>112,271</b>	<b>320,876</b>	<b>113,453</b>	<b>32,232</b>	<b>6,157</b>	<b>71,952</b>	<b>749,475</b>
<b>D. Commitments and financial guarantees given</b>								
- Stage 1	29,513	59,998	112,621	49,158	6,369	414	6,936	265,009
- Stage 2	84	508	2,977	9,830	3,418	502	4,878	22,197
- Stage 3	-	-	-	1	93	216	1,214	1,524
- Purchased or originated credit-impaired	-	-	-	-	-	-	7	7
<b>Total (D)</b>	<b>29,597</b>	<b>60,506</b>	<b>115,598</b>	<b>58,989</b>	<b>9,880</b>	<b>1,132</b>	<b>13,035</b>	<b>288,737</b>
<b>Total (A+B+C+D)</b>	<b>122,131</b>	<b>172,777</b>	<b>436,474</b>	<b>172,442</b>	<b>42,112</b>	<b>7,289</b>	<b>84,987</b>	<b>1,038,212</b>

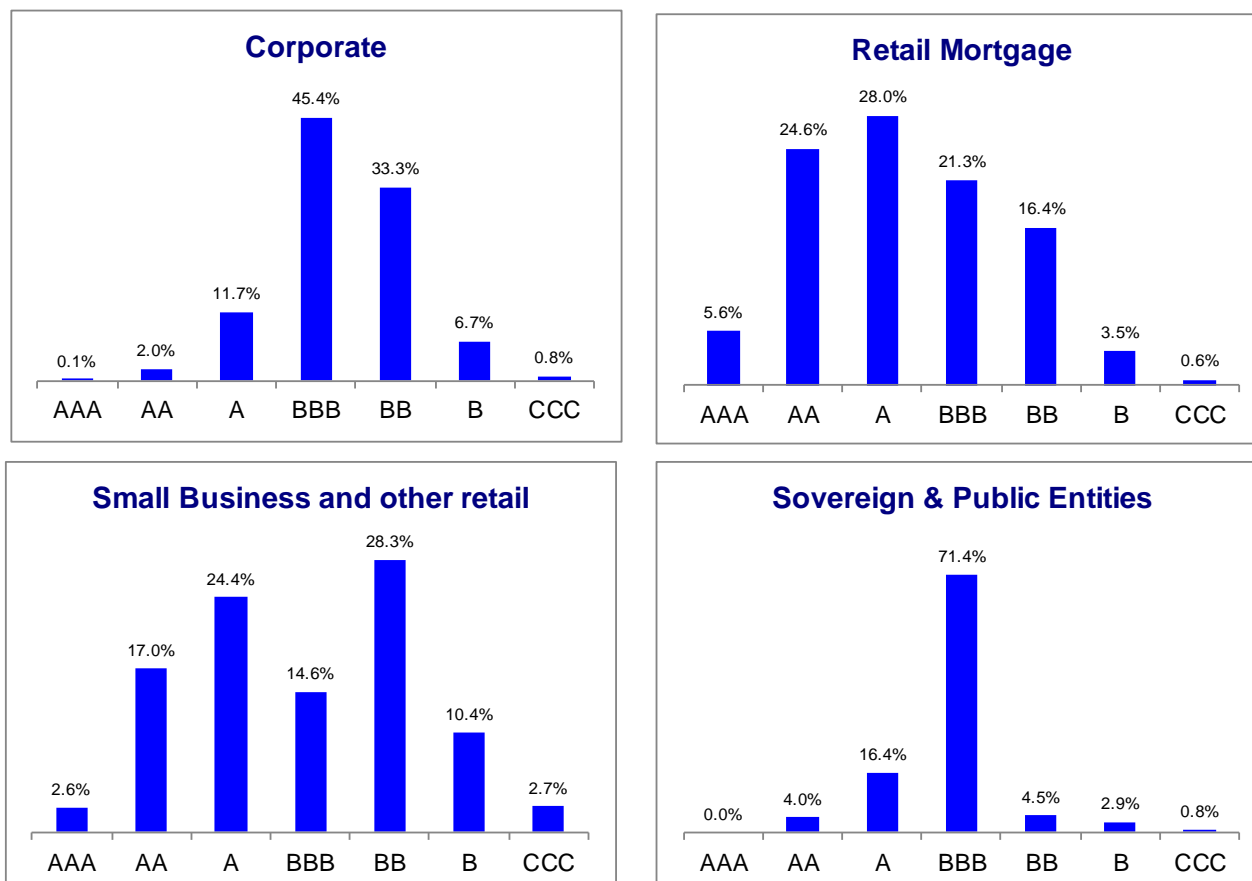
In addition to the tables required by the regulations, the rating allocation for performing loans to customers attributable to the main Group banks is shown below.

As at 31 December 2021, performing loans to customers assigned an individual rating internally or by an external agency accounted for 95% of the loans of the main Group banks.



The allocation shows a high level of investment grade exposures (from AAA to BBB inclusive), at 67.1%, a slight improvement compared to the previous year (66.6%).

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 59.2%, 79.5%, 58.6% and 91.8% 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 exposures	Collaterals (*)				Personal guarantees (*)	
			(1)				(2)	
			Real estate assets - mortgages	Real estate assets - finance leases	Securities	Other	Credit derivatives	
							CLN	Other derivatives
								Central counterparties
<b>1. Guaranteed on-balance sheet credit exposures:</b>	<b>10,030</b>	<b>10,030</b>	-	<b>5</b>	<b>9,526</b>	-	-	-
1.1 totally guaranteed	9,528	9,528	-	5	9,294	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partly guaranteed	502	502	-	-	232	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
<b>2. Guaranteed off-balance sheet credit exposures:</b>	<b>10,542</b>	<b>10,542</b>	-	-	<b>5,842</b>	<b>2,598</b>	-	-
2.1 totally guaranteed	8,337	8,337	-	-	5,811	1,372	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partly guaranteed	2,205	2,205	-	-	31	1,226	-	-
- 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 (*)							Total
	(2)							
	Credit derivatives			Commitments				
	Other derivatives			Public Administration	Banks	Other financial companies	Other counterparties	(1)+(2)
	Banks	Other financial companies	Other counterparties					
<b>1. Guaranteed on-balance sheet credit exposures:</b>	-	-	-	<b>57</b>	<b>49</b>	<b>78</b>	<b>63</b>	<b>9,778</b>
1.1 totally guaranteed	-	-	-	4	49	-	63	9,415
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partly guaranteed	-	-	-	53	-	78	-	363
- of which non-performing	-	-	-	-	-	-	-	-
<b>2. Guaranteed off-balance sheet credit exposures:</b>	-	-	-	<b>91</b>	<b>51</b>	-	<b>85</b>	<b>8,667</b>
2.1 totally guaranteed	-	-	-	80	46	-	47	7,356
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partly guaranteed	-	-	-	11	5	-	38	1,311
- 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)	
			Real estate assets - mortgages	Real estate assets - finance leases	Securities	Other	Credit derivatives	
							CLN	Other derivatives Central counterparties
<b>1. Guaranteed on-balance sheet credit exposures:</b>	<b>329,612</b>	<b>320,597</b>	<b>163,354</b>	<b>9,290</b>	<b>29,249</b>	<b>12,343</b>	-	-
1.1 totally guaranteed	268,762	261,242	160,432	9,036	28,865	9,621	-	-
- of which non-performing	11,949	5,846	3,785	713	30	176	-	-
1.2 partly guaranteed	60,850	59,355	2,922	254	384	2,722	-	-
- of which non-performing	2,097	914	361	96	29	25	-	-
<b>2. Guaranteed off-balance sheet credit exposures:</b>	<b>49,595</b>	<b>49,489</b>	<b>2,329</b>	<b>18</b>	<b>12,150</b>	<b>2,244</b>	-	-
2.1 totally guaranteed	39,959	39,883	1,745	7	11,673	1,827	-	-
- of which non-performing	336	299	62	-	4	5	-	-
2.2. partly guaranteed	9,636	9,606	584	11	477	417	-	-
- of which non-performing	128	110	25	-	-	15	-	-

(\*) 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 (*)							(millions of euro)
	(2)							Total
	Credit derivatives			Commitments				(1)+(2)
	Other derivatives			Public administration	Banks	Other financial companies	Other counterparties	
Banks	Other financial companies	Other counterparties						
1. Guaranteed on-balance sheet credit exposures	45	-	-	53,193	612	2,024	26,091	296,201
1.1 totally guaranteed	-	-	-	26,963	239	1,377	19,921	256,454
- of which non-performing	-	-	-	351	-	74	637	5,766
1.2 partly guaranteed	45	-	-	26,230	373	647	6,170	39,747
- of which non-performing	-	-	-	107	-	10	89	717
2. Guaranteed off-balance sheet credit exposures:	-	-	-	2,818	129	1,416	24,306	45,410
2.1 totally guaranteed	-	-	-	1,934	101	1,192	20,761	39,240
- of which non-performing	-	-	-	45	-	3	177	296
2.2. partly guaranteed	-	-	-	884	28	224	3,545	6,170
- of which non-performing	-	-	-	4	-	-	27	71

(\*) 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
<b>A. Property and equipment</b>		<b>359</b>	<b>399</b>	<b>-49</b>	<b>350</b>
A.1 Used in operations		2	2	-	2
A.2. Investment		144	143	-5	138
A.3 Inventories		213	254	-44	210
<b>B. Equities and debt securities</b>		<b>372</b>	<b>372</b>	<b>-147</b>	<b>225</b>
<b>C. Other assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D. Non-current assets held for sale and discontinued operations</b>		<b>4</b>	<b>4</b>	<b>-</b>	<b>4</b>
D.1 Property and equipment		4	4	-	4
D.2. Other assets		-	-	-	-
<b>Total</b>	<b>31.12.2021</b>	<b>735</b>	<b>775</b>	<b>-196</b>	<b>579</b>
<b>Total</b>	<b>31.12.2020</b>	<b>731</b>	<b>797</b>	<b>-196</b>	<b>601</b>

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

- Property and equipment used in operations: buildings (2 million euro);
- Investment property: buildings (100 million euro); land (38 million euro);
- Property and equipment – Inventories: buildings (191 million euro), land (18 million euro); other (1 million euro);
- Equities and debt securities:
  - o equity investments of 46 million euro (46 million euro relating to the equity investment in Risanamento);
  - o financial assets mandatorily measured at fair value of 116 million euro;
  - o financial assets measured at fair value through other comprehensive income of 63 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;

- 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

Exposures/Counterparts	Public administration		Financial companies		(millions of euro) Financial companies (of which: insurance companies)	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
<b>A. On-balance sheet exposures</b>						
A.1 Bad loans	126	-115	29	-153	-	-
- of which: forborne exposures	-	-	10	-76	-	-
A.2 Unlikely to pay	257	-62	202	-200	-	-
- of which: forborne exposures	29	-39	38	-37	-	-
A.3 Non-performing past due exposures	1	-	97	-25	-	-
- of which: forborne exposures	-	-	79	-21	-	-
A.4 Performing exposures	115,179	-116	69,268	-168	1,665	-
- of which: forborne exposures	123	-5	260	-5	-	-
<b>Total (A)</b>	<b>115,563</b>	<b>-293</b>	<b>69,596</b>	<b>-546</b>	<b>1,665</b>	<b>-</b>
<b>B. Off-balance sheet exposures</b>						
B.1 Non-performing exposures	45	-2	43	-2	-	-
B.2 Performing exposures	39,594	-6	55,110	-28	8,407	-
<b>Total (B)</b>	<b>39,639</b>	<b>-8</b>	<b>55,153</b>	<b>-30</b>	<b>8,407</b>	<b>-</b>
<b>Total (A+B) 31.12.2021</b>	<b>155,202</b>	<b>-301</b>	<b>124,749</b>	<b>-576</b>	<b>10,072</b>	<b>-</b>
<b>Total (A+B) 31.12.2020</b>	<b>153,444</b>	<b>-244</b>	<b>123,693</b>	<b>-655</b>	<b>10,268</b>	<b>-1</b>

Exposures/Counterparts	Non-financial companies		(millions of euro) Households	
	Net exposure	Total adjustments	Net exposure	Total adjustments
<b>A. On-balance sheet exposures</b>				
A.1 Bad loans	1,687	-5,047	722	-1,582
- of which: forborne exposures	408	-1,000	137	-218
A.2 Unlikely to pay	3,341	-3,497	1,533	-823
- of which: forborne exposures	1,764	-1,210	759	-276
A.3 Non-performing past due exposures	107	-22	417	-105
- of which: forborne exposures	23	-4	35	-7
A.4 Performing exposures	221,968	-1,641	174,497	-662
- of which: forborne exposures	5,914	-437	1,806	-66
<b>Total (A)</b>	<b>227,103</b>	<b>-10,207</b>	<b>177,169</b>	<b>-3,172</b>
<b>B. Off-balance sheet exposures</b>				
B.1 Non-performing exposures	1,138	-215	48	-14
B.2 Performing exposures	216,141	-160	16,081	-19
<b>Total (B)</b>	<b>217,279</b>	<b>-375</b>	<b>16,129</b>	<b>-33</b>
<b>Total (A+B) 31.12.2021</b>	<b>444,382</b>	<b>-10,582</b>	<b>193,298</b>	<b>-3,205</b>
<b>Total (A+B) 31.12.2020</b>	<b>452,389</b>	<b>-12,472</b>	<b>199,700</b>	<b>-3,921</b>



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

Exposure/Geographical areas	(millions of euro)			
	Italy		Other european countries	
	Net exposures	Total adjustments	Net exposures	Total adjustments
<b>A. On-balance sheet exposures</b>				
A.1 Bad loans	2,401	-6,301	160	-479
A.2 Unlikely to pay	4,646	-4,202	344	-225
A.3 Non-performing past due exposures	551	-107	58	-38
A.4 Performing exposures	403,311	-1,909	123,932	-556
<b>Total (A)</b>	<b>410,909</b>	<b>-12,519</b>	<b>124,494</b>	<b>-1,298</b>
<b>B. Off-balance sheet exposures</b>				
B.1 Non-performing exposures	1,166	-178	49	-51
B.2 Performing exposures	173,500	-141	107,364	-59
<b>Total (B)</b>	<b>174,666</b>	<b>-319</b>	<b>107,413</b>	<b>-110</b>
<b>Total (A+B) 31.12.2021</b>	<b>585,575</b>	<b>-12,838</b>	<b>231,907</b>	<b>-1,408</b>
<b>Total (A+B) 31.12.2020</b>	<b>637,291</b>	<b>-15,308</b>	<b>210,600</b>	<b>-1,514</b>

Exposure/Geographical areas	(millions of euro)					
	America		Asia		Rest of the world	
	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments
<b>A. On-balance sheet exposures</b>						
A.1 Bad loans	-	-52	-	-2	3	-63
A.2 Unlikely to pay	21	-53	65	-37	257	-65
A.3 Non-performing past due exposures	-	-	-	-	13	-7
A.4 Performing exposures	26,586	-40	16,627	-22	10,456	-60
<b>Total (A)</b>	<b>26,607</b>	<b>-145</b>	<b>16,692</b>	<b>-61</b>	<b>10,729</b>	<b>-195</b>
<b>B. Off-balance sheet exposures</b>						
B.1 Non-performing exposures	12	-	2	-	45	-4
B.2 Performing exposures	29,931	-3	12,393	-3	3,738	-7
<b>Total (B)</b>	<b>29,943</b>	<b>-3</b>	<b>12,395</b>	<b>-3</b>	<b>3,783</b>	<b>-11</b>
<b>Total (A+B) 31.12.2021</b>	<b>56,550</b>	<b>-148</b>	<b>29,087</b>	<b>-64</b>	<b>14,512</b>	<b>-206</b>
<b>Total (A+B) 31.12.2020</b>	<b>47,935</b>	<b>-218</b>	<b>22,497</b>	<b>-80</b>	<b>10,903</b>	<b>-172</b>

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

Exposure/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
(millions of euro)								
<b>A. On-balance sheet exposures</b>								
A.1 Bad loans	703	-1,966	435	-1,220	584	-1,483	679	-1,632
A.2 Unlikely to pay	1,826	-1,867	735	-656	1,179	-995	906	-684
A.3 Non-performing past due exposures	239	-50	63	-12	107	-19	142	-26
A.4 Performing exposures	140,495	-795	71,155	-325	134,047	-417	57,614	-372
<b>Total A</b>	<b>143,263</b>	<b>-4,678</b>	<b>72,388</b>	<b>-2,213</b>	<b>135,917</b>	<b>-2,914</b>	<b>59,341</b>	<b>-2,714</b>
<b>B. Off-balance sheet exposures</b>								
B.1 Non-performing exposures	470	-52	332	-48	247	-66	117	-12
B.2 Performing exposures	71,288	-69	32,029	-29	57,291	-26	12,892	-17
<b>Total B</b>	<b>71,758</b>	<b>-121</b>	<b>32,361</b>	<b>-77</b>	<b>57,538</b>	<b>-92</b>	<b>13,009</b>	<b>-29</b>
<b>Total (A+B)</b>	<b>31.12.2021</b>	<b>215,021</b>	<b>-4,799</b>	<b>104,749</b>	<b>-2,290</b>	<b>193,455</b>	<b>-3,006</b>	<b>72,350</b>
<b>Total (A+B)</b>	<b>31.12.2020</b>	<b>247,198</b>	<b>-5,616</b>	<b>108,333</b>	<b>-2,741</b>	<b>207,399</b>	<b>-3,750</b>	<b>74,361</b>

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

Exposures / Geographical Area	Italy		Other european countries	
	Net exposures	Total adjustments	Net exposures	Total adjustments
(millions of euro)				
<b>A. On-balance sheet exposures</b>				
A.1 Bad loans	-	-	-	-1
A.2 Unlikely to pay	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	127,445	-4	42,213	-10
<b>Total (A)</b>	<b>127,445</b>	<b>-4</b>	<b>42,213</b>	<b>-11</b>
<b>B. Off-balance sheet exposures</b>				
B.1 Non-performing exposures	-	-	-	-
B.2 Performing exposures	8,688	-	37,909	-
<b>Total (B)</b>	<b>8,688</b>	<b>-</b>	<b>37,909</b>	<b>-</b>
<b>Total (A+B)</b>	<b>31.12.2021</b>	<b>136,133</b>	<b>-4</b>	<b>80,122</b>
<b>Total (A+B)</b>	<b>31.12.2020</b>	<b>86,330</b>	<b>-9</b>	<b>71,866</b>

Exposures / Geographical Area	America		Asia		Rest of the world	
	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments
(millions of euro)						
<b>A. On-balance sheet exposures</b>						
A.1 Bad loans	-	-	-	-3	-	-
A.2 Unlikely to pay	52	-13	-	-	1	-
A.3 Non-performing past due exposures	-	-	-	-	-	-
A.4 Performing exposures	5,508	-1	3,196	-1	2,964	-9
<b>Total (A)</b>	<b>5,560</b>	<b>-14</b>	<b>3,196</b>	<b>-4</b>	<b>2,965</b>	<b>-9</b>
<b>B. Off-balance sheet exposures</b>						
B.1 Non-performing exposures	14	-	-	-	10	-
B.2 Performing exposures	6,014	-	9,897	-	2,517	-1
<b>Total (B)</b>	<b>6,028</b>	<b>-</b>	<b>9,897</b>	<b>-</b>	<b>2,527</b>	<b>-1</b>
<b>Total (A+B)</b>	<b>31.12.2021</b>	<b>11,588</b>	<b>-14</b>	<b>13,093</b>	<b>-4</b>	<b>5,492</b>
<b>Total (A+B)</b>	<b>31.12.2020</b>	<b>8,288</b>	<b>-16</b>	<b>11,615</b>	<b>-8</b>	<b>4,198</b>

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

Exposure/Geographical areas	NORTH WEST		NORTH EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments
(millions of euro)								
<b>A. On-balance sheet exposures</b>								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	3,410	-3	625	-	123,402	-1	8	-
<b>Total A</b>	<b>3,410</b>	<b>-3</b>	<b>625</b>	<b>-</b>	<b>123,402</b>	<b>-1</b>	<b>8</b>	<b>-</b>
<b>B. Off-balance sheet exposures</b>								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	5,559	-	849	-	2,083	-	197	-
<b>Total B</b>	<b>5,559</b>	<b>-</b>	<b>849</b>	<b>-</b>	<b>2,083</b>	<b>-</b>	<b>197</b>	<b>-</b>
<b>Total (A+B) 31.12.2021</b>	<b>8,969</b>	<b>-3</b>	<b>1,474</b>	<b>-</b>	<b>125,485</b>	<b>-1</b>	<b>205</b>	<b>-</b>
<b>Total (A+B) 31.12.2020</b>	<b>10,165</b>	<b>-4</b>	<b>1,341</b>	<b>-</b>	<b>74,602</b>	<b>-5</b>	<b>222</b>	<b>-</b>

**B.4 Large exposures**

Large exposures	
a) Book value (millions of euro)	295,716
b) Weighted value (millions of euro)	23,602
b) Number	9

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 2021 are summarised below:

#### **GARC Securitisations**

Within the “GARC” transactions, Intesa Sanpaolo completed four new synthetic securitisations during the year: GARC SME-10, GARC Residential Mortgages-2, GARC High Potential-1 and GARC Corp-4. Specifically:

- i) For the GARC SME-10 transaction, the *mezzanine* risk relating to a portfolio of around 1.4 billion euro in loans to around 4,500 businesses in the Corporate and Corporate SME regulatory segments, valued using internal models (Advanced IRB), was transferred to the European Investment Fund (EIF). The initiative, realised in cooperation with the European Investment Bank (EIB), aims to provide new loans totalling 300 million euro to SMEs and Midcaps;
- ii) For the GARC Residential Mortgages-2 transaction, the *upper junior* and *mezzanine* risk relating to a portfolio of 1.3 billion euro of mortgage loans to around 13,500 retail customers, valued using internal models (Advanced IRB), was sold to specialist investors;
- iii) For the GARC High Potential-1 transaction, the *mezzanine* risk relating to a total portfolio of 0.5 billion euro in loans to around 1,300 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors;
- iv) For the GARC CORP-4 transaction, the *junior* risk relating to a total portfolio of around 3.1 billion euro in loans to around 550 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors.

For these transactions, Intesa Sanpaolo holds 5% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

The portfolios of the transactions mainly consist of customers operating in Northern Italy.

#### **Tranched Cover Fondo di Garanzia per le PMI Securitisation**

During 2021, as part of the operations with the Guarantee Fund for SMEs, the ramp-up was completed for the tranched cover transaction on the junior risk of a portfolio of newly issued loans of around 37.4 million euro to around 230 businesses.

For that synthetic securitisation, Intesa Sanpaolo holds 20% of the securitised portfolio in compliance with the retention rule laid down by the supervisory regulations.

#### **“Tranched Cover Confcommercio” Securitisation**

During the year the ramp-up was completed of a portfolio of around 8.8 million euro of loans to around 100 businesses relating to the “Tranched Cover Confcommercio” synthetic securitisation dedicated to member companies of Confcommercio and local Credit Guarantee Consortia to facilitate access to new credit and provide financial resources in support of trade, tourism and services through investments aimed at growth, technological upgrading and business innovation. Under the transaction, the *mezzanine* risk was transferred to Fin.Promo.Ter. and the *junior* risk is covered by the Guarantee Fund for SMEs.

For this transaction, Intesa Sanpaolo holds 100% of the senior tranches and 20% of the *junior* and *mezzanine* tranches in compliance with the *retention rule* laid down by the supervisory regulations.

#### **Kerdos Securitisation**

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan and, specifically, in line with the 2021 de-risking plan approved by the Board of Directors on 18/12/2020, on 15/11/2021 the transaction was completed for the sale through a securitisation of a portfolio of loans mainly classified as “unlikely to pay” (UTP) by Intesa Sanpaolo to Kerdos SPV S.r.l. (SPV). The portfolio sold on 30 April 2021 (cut-off date) had a Gross Book Value (GBV) of around 2 billion euro (accounting GBV before PPA) and the sale price was around 0.7 billion euro, substantially in line with the portfolio’s Net Book Value (NBV).

Within the transaction, Prelios S.p.A. acts as master, corporate and special servicer of the securitisation.

The sale was completed in the following steps:

- (i) the transfer to the SPV of a portfolio of medium/long-term and short-term non-revolving loans and a portfolio of lease receivables;
- (ii) the transfer to a financial intermediary, belonging to the Prelios Group, of all the legal relationships pertaining to the receivables sold and not deriving from leases;
- (iii) the transfer to a LeaseCo of the legal relationships arising from the leases pertaining to the debts sold;
- (iv) the transfer of the risks and rewards relating to all the existing and future exposures arising from short-term/revolving loan agreements, through a limited-recourse loan (pursuant to Article 7, paragraph 1, letter a) of Law 130/99) granted by the SPV to Intesa Sanpaolo and secured by the assignment of the revolving exposures to the SPV as collateral.

The securitised assets were broken down as follows by geographical area:

- 40.7% North-West;
- 31.1% Centre;
- 14.7% South and Islands;
- 13.5% North-East.

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

- "Households" at 20.3%;
- "Construction companies" at 18.9%;
- "Real estate business" at 14.6%;
- "Manufacturing" at 13.3%;
- "Motor vehicle trading and repair" at 10.5%;
- and a residual amount in other economic sectors (Professional Services, Transport and Accommodation).

The SPV financed the acquisition of the portfolio by issuing 4 classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by third party investors and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:

- senior notes of 534.7 million euro, fully subscribed by Intesa Sanpaolo;
- mezzanine notes totalling 171.9 million euro, divided into 76.4 million euro of class B1 notes, of which 3.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor, and 95.5 million euro of class B2 notes, of which 4.8 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
- junior notes of 57.3 million euro, of which 2.9 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the portfolio.

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

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:

- senior tranches under securities at amortised cost;
- mezzanine and junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group's income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

### **Portland Securitisation**

As part of the de-risking strategy envisaged in the 2018-2021 Business Plan and, specifically, in line with the 2021 de-risking plan approved by the Board of Directors on 18/12/2020, on 29/11/2021 the transaction was completed for the sale through a securitisation of a portfolio of bad loans mainly related to leases by Intesa Sanpaolo Provis and UBI Leasing to Portland SPV S.r.l. (SPV). The portfolio sold consisted of lease-related bad loans mainly from the Corporate SME segment with a Gross Book Value (GBV) of around 1 billion euro (accounting GBV before PPA) as at 31 December 2020 (cut off date) and sold at a price of around 0.2 billion euro, substantially in line with the portfolio's Net Book Value (NBV).

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

The sale was completed in the following steps:

- (i) the transfer of the loans to the SPV;
- (ii) the transfer of the legal relationships arising from the leases pertaining to the loans sold, as well as the ownership of the movable and immovable property subject of those leases to a LeaseCo named Portland LeaseCo S.r.l.

The securitised assets were broken down as follows by geographical area:

- 40.6% North-West;
- 14.4% North-East;
- 30.8% Centre;
- 14.1% South and Islands;
- 0.1% Outside Italy.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the Production Companies sector at 84%, while the remaining 16% was split across the other economic sectors.

The SPV financed the acquisition of the portfolio by issuing 3 classes of notes. The senior, mezzanine and junior tranches were subscribed 95% by third parties and 5% by Intesa Sanpaolo in compliance with the retention rule laid down in the supervisory regulations:

- senior notes of 143.2 million euro, of which 7.2 million euro subscribed by Intesa Sanpaolo and the remainder by third parties;
- mezzanine notes of 75.3 million euro, of which 3.8 million euro subscribed by Intesa Sanpaolo and the remainder by third parties;

- junior notes of 4.6 million euro, of which 0.2 million euro subscribed by Intesa Sanpaolo and the remainder by third parties.

Upon completion of the transaction, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the portfolio.

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

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:

- Senior tranches under securities at amortised cost;
- Mezzanine and Junior tranches under securities measured at FVTPL.

The transaction was carried out in accordance with the Group’s income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan.

### **Grogu Securitisation**

Following the acquisition of the UBI Group, Intesa Sanpaolo transferred a business line to BPER, which included a portfolio of bad loans. Intesa Sanpaolo and BPER then jointly initiated a sale involving the deconsolidation of a portfolio of bad loans, mainly in the “Corporate SME” and “Retail” segments, through a multi-originator and multi-servicer securitisation to a securitisation vehicle (below “Grogu SPV s.r.l.” or the “SPV”) and with a subsequent application for the issuance of a “GACS” government guarantee for the holders of the senior notes issued under transaction, once those senior notes had obtained an “investment grade” rating of no less than BBB or equivalent, as envisaged by Italian Law no. 49/2016.

The portfolio owned by Intesa Sanpaolo had a GBV (Gross Book Value) of around 1.4 billion euro (accounting GBV before PPA) as at 31 May 2021 (cut-off date).

Within the transaction, Intrum Italy S.p.A. and Prelios Credit Servicing S.p.A. act as special servicers.

The securitised assets were broken down as follows by geographical area:

- 38.1% North-West;
- 36.9% Centre;
- 16.5% South and Islands;
- 8.5% North-East.

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

- “Construction companies” at 28.4%;
- “Households” at 24.8%;
- “Real estate business” at 14.0%;
- “Manufacturing” at 12.1%;
- “Motor vehicle trading and repair” at 9.2%;
- and a residual amount in other economic sectors (Professional Services, Transport and Accommodation).

The SPV financed the acquisition of the portfolio by issuing 3 classes of securities:

- senior notes of 460 million euro, held 100% by Intesa Sanpaolo and BPER;
- mezzanine notes of 37 million euro, held 5% by Intesa Sanpaolo and BPER and the remainder by a third-party investor;
- junior notes of 3 million euro, held 5% by Intesa Sanpaolo and BPER and the remainder by a third-party investor.

The subscription percentages comply with the retention rule laid down in supervisory regulations as a percentage of the transferred portfolio. Taking into account the retention, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has “derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer”.

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:

- Senior tranches under securities at amortised cost;
- Mezzanine and Junior tranches under securities measured at FVTPL.

On 20 December 2021, following the sale of 95% of the mezzanine and junior notes to third party investors, Intesa Sanpaolo achieved full accounting and regulatory deconsolidation of the above-mentioned portfolio.

On 24 December 2021, the request was made for the issuance of the “GACS” government guarantee.

The transaction was carried out in accordance with the Group’s income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2018-2021 Business Plan and specifically in the 2021 de-risking plan approved by the Board of Directors on 18 December 2020.

**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 Book value	Adjust./ recoveries	Mezzanine Book value	Adjust./ recoveries	Junior Book value	Adjust./ recoveries
<b>A. Fully derecognised</b>	<b>3,772</b>	<b>-2</b>	<b>46</b>	<b>-3</b>	<b>16</b>	<b>-14</b>
– Loans to businesses (including SMEs) (*)	3,109	-1	40	-1	15	-13
– Residential mortgage loans (*)	655	-1	2	-2	-	-1
– Leases (*)	7	-	4	-	-	-
– Consumer credit	1	-	-	-	1	-
<b>B. Partly derecognised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Not derecognised</b>	<b>18,771</b>	<b>-46</b>	<b>198</b>	<b>-6</b>	<b>439</b>	<b>-10</b>
– Loans to businesses (including SMEs) (**) (***)	15,976	-42	66	-2	199	-1
– Residential mortgage loans (***)	1,813	-4	132	-4	234	-9
– Leases (***)	982	-	-	-	6	-
<b>TOTAL</b>	<b>22,543</b>	<b>-48</b>	<b>244</b>	<b>-9</b>	<b>455</b>	<b>-24</b>

(\*) The entire amount refers to non-performing financial assets. (\*) “Loans to businesses (including SMEs)” refer to the Savoy, Kerma, Yoda and Sirio securitisations (see the 2018, 2019 and 2020 Consolidated Financial Statements, respectively, for details about the transactions) and the Groggi and Kerdos transactions (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). “Leases” refer to the Portland securitisation (described in the paragraph on “Qualitative information” of this Section).

(\*\*) The amounts include non-performing financial assets amounting to 27 million euro in senior exposures, 35 million euro in mezzanine exposures and 18 million euro in junior exposures.

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

**Off-balance sheet**

This type of exposure did not exist as at 31 December 2021.



## C.2. Prudential consolidation - Breakdown of exposures deriving from 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	18	-	7	-	7	-
Covered bonds	50	-	45	-	3	-
Commercial mortgage loans	128	3	31	2	-	-
Securitisations	275	-1	-	-	-	-
Trade receivables	232	-	42	-	-	-
Consumer credit	478	-	2	-	-	-
Residential mortgage loans	1,023	-	108	1	-	-
Loans to businesses (including SMEs) (*)	1,323	-	269	-2	5	-
Other assets (**)	7,555	-	-	-	-	-
<b>TOTAL</b>	<b>11,082</b>	<b>2</b>	<b>504</b>	<b>1</b>	<b>15</b>	<b>-</b>

(\*) The exposures include non-performing financial assets amounting to 40 million euro in mezzanine exposures and 1 million euro in junior exposures, respectively. The aggregate also includes debt securities issued by the securitisation vehicle set up as part of the sale of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato to Credit Agricole by the National Interbank Deposit Guarantee Fund - Voluntary Scheme, which the Bank participates in. The related junior notes were fully written down.

(\*\*) The amount also includes the Romulus securities for 5,717 million, held by the Banking Group, generally represented among third-party securitisations, as well as loans to the vehicle Duomo Funding Plc for 1,475 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 (*)	-	-	-	-	-	-	(*)	(*)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) With regard to the transactions carried out through Duomo Funding Plc and funded by ABCP, Intesa Sanpaolo has granted credit lines (amounting to 5,879 million euro in terms of net exposures and around 1 million euro of 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**

SECURITISATION/ SPECIAL PURPOSE VEHICLE	REGISTERED OFFICE	CONSOLIDATION (a)	(millions of euro)					
			ASSETS (b)			LIABILITIES (b)		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Adriano Lease Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	2,028	-	139	686	-	1,351
Augusto S.r.l. (d)	Milano	(e)	-	-	2	13	-	-
Berica ABS 3 S.r.l. (h)	Vicenza	(e)	(f)	(f)	(f)	(f)	(f)	(f)
Berica ABS 4 S.r.l. (h)	Vicenza	Not consolidated	(f)	(f)	(f)	(f)	(f)	(f)
Brera Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	19,547	-	845	15,763	-	4,182
Clara Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	5,494	-	1,928	6,350	-	824
Diocleziano S.r.l. (d)	Milano	(e)	1	-	1	48	-	-
Giada Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	8,638	-	2,466	6,610	-	3,485
ISP CB Ipotecario S.r.l. (g)	Milano	(e)	15,988	-	5,021		19,921	
ISP CB Pubblico S.r.l. (g)	Milano	(e)	2,084	1,393	1,189		4,567	
ISP OBG S.r.l. (g)	Milano	(e)	47,811	-	8,662		56,381	
UBI Finance S.r.l. (g)	Milano	(e)	8,860	-	1,706		10,549	
UBI SPV Lease 2016 S.r.l. (c)	Milano	(e)	2,305	-	269	1,435	-	1,001

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

(b) Figures gross of any intercompany relations.

(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 (31.12.2020).

(e) Vehicle consolidated at equity.

(f) For the financial statement disclosure concerning this vehicle, see the prospectus published in Section C.4 of these Notes to the consolidated financial statements.

(g) 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.

(h) Vehicle deriving from the acquisition of certain assets and liabilities of the former Venetian Banks.

With regard to the securitisations structured by the Intesa Sanpaolo Group on its own assets, including those named Towers, K-Equity, Savoy, Kerma, Yoda, Maior, Iseo, Sirio, Kerdos, Grogu and Portland, in addition to those shown in the table above, other special purpose vehicles were also used that are third-party and independent entities with respect to Intesa Sanpaolo and in which the Group does not hold any investments.

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

The unconsolidated securitisation vehicles include the vehicles in which the Intesa Sanpaolo Group does not hold any stake in the capital and those in which it holds a residual stake. The table below shows the assets, liabilities, costs and revenues of each vehicle used for transactions in which the Group acts as originator.

	Berica ABS 4 S.r.l. (*) (**)	(millions of euro) BERICA ABS 3 S.r.l. (*)
<b>A. Assets</b>	<b>278</b>	<b>239</b>
A.1 Loans	278	239
A.2 Securities	-	-
A.3 Other assets	-	-
<b>B. Use of cash and cash equivalents</b>	<b>13</b>	<b>12</b>
B.1 Deposits with banks	-	-
B.2 Prepayments and accrued income	-	-
B.3 Other	13	12
<b>B Liabilities</b>	<b>248</b>	<b>210</b>
B.1 Class A Securities issued	4	-
B.2 Class B Securities issued	76	66
B.3 Class C Securities issued	47	-
B.4 Class J Securities issued	95	115
B.5 Other liabilities	26	29
<b>C. Interest expense and other expenses</b>	<b>9</b>	<b>9</b>
<b>D. Interest income and other revenues</b>	<b>8</b>	<b>7</b>

(\*) The vehicles are used for securitisations involving residential mortgage loans. The securitised assets included in the vehicle were not derecognised pursuant to the international accounting standards.

(\*\*) Vehicle company which the Intesa Sanpaolo Group has not invested in.

With regard to the unconsolidated structured entities used for securitisations, the Group holds residual stakes in 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	Berica ABS 3 S.r.l.	29	210	3	36	0%	100%	0%	30%	0%	0%
Intesa Sanpaolo	Berica ABS 4 S.r.l.	31	247	3	39	0%	99%	0%	0%	0%	0%
Intesa Sanpaolo	Brera Sec S.r.l. (*) (***)	114	19,433	18	2,223	0%	33%	0%	0%	0%	0%
Intesa Sanpaolo	Clara Sec S.r.l. (*) (**)	82	5,412	-	2,078	0%	0%	0%	0%	0%	0%
Intesa Sanpaolo	Giada Sec S.r.l. (*) (**)	36	8,602	4	3,341	0%	0%	0%	0%	0%	0%
Intesa Sanpaolo	UBI SPV LEASE 2016 (*)	81	2,224	10	552	1%	31%	0%	0%	0%	0%
<b>Total</b>		<b>373</b>	<b>36,128</b>	<b>38</b>	<b>8,269</b>						

(\*) Vehicle used for self-securitisations

(\*\*) Vehicle structured in 2020 for securitisations for which no redemptions took place as at 31 December 2021.

(\*\*\*) For Brera Sec S.r.l., during 2021 a new self-securitisation was structured, named Brera Sec 3, for which no notes had been redeemed as at 31 December 2021.

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

There were no transactions that used consolidated securitisation vehicles during 2021.

**D. SALES****A. Financial assets sold not fully derecognised****Qualitative information**

For a description of the operations shown in tables D.1 and D.3 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**

Financial assets sold fully recognised					Related financial liabilities		
					(millions of euro)		
	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
<b>A. Financial assets held for trading</b>	<b>647</b>	<b>-</b>	<b>647</b>	<b>X</b>	<b>660</b>	<b>-</b>	<b>660</b>
1. Debt securities	446	-	446	X	449	-	449
2. Equities	201	-	201	X	211	-	211
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
<b>B. Other financial assets mandatorily measured at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
<b>C. Financial assets designated at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
<b>D. Financial assets measured at fair value through other comprehensive income</b>	<b>8,548</b>	<b>-</b>	<b>8,548</b>	<b>-</b>	<b>8,557</b>	<b>-</b>	<b>8,557</b>
1. Debt securities	8,548	-	8,548	-	8,557	-	8,557
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
<b>E. Financial assets measured at amortised cost</b>	<b>5,018</b>	<b>98</b>	<b>4,920</b>	<b>10</b>	<b>3,329</b>	<b>67</b>	<b>3,262</b>
1. Debt securities	4,920	-	4,920	-	3,262	-	3,262
2. Loans	98	98	-	10	67	67	-
<b>TOTAL 31.12.2021</b>	<b>14,213</b>	<b>98</b>	<b>14,115</b>	<b>10</b>	<b>12,546</b>	<b>67</b>	<b>12,479</b>
<b>TOTAL 31.12.2020</b>	<b>9,185</b>	<b>137</b>	<b>8,986</b>	<b>18</b>	<b>8,938</b>	<b>97</b>	<b>8,788</b>

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 operations shown in the table mainly relate to the use of securities held for short and medium/long-term repurchase agreements and loans to customers assigned primarily as part of the K-Equity and Berica securitisations.

**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	31.12.2021      31.12.2020
<b>A. Financial assets held for trading</b>		<b>647</b>	<b>-</b>	<b>647      1,075</b>
1. Debt securities		446	-	446      887
2. Equities		201	-	201      188
3. Loans		-	-	-      -
4. Derivatives		-	-	-      -
<b>B. Other financial assets mandatorily measured at fair value</b>		<b>-</b>	<b>-</b>	<b>-      -</b>
1. Debt securities		-	-	-      -
2. Equities		-	-	-      -
3. Loans		-	-	-      -
<b>C. Financial assets designated at fair value</b>		<b>-</b>	<b>-</b>	<b>-      -</b>
1. Debt securities		-	-	-      -
2. Loans		-	-	-      -
<b>D. Financial assets measured at fair value through other comprehensive income</b>		<b>8,548</b>	<b>-</b>	<b>8,548      5,048</b>
1. Debt securities		8,548	-	8,548      5,048
2. Equities		-	-	-      -
3. Loans		-	-	-      -
<b>E. Financial assets measured at amortised cost (fair value)</b>		<b>5,018</b>	<b>-</b>	<b>5,018      3,062</b>
1. Debt securities		4,920	-	4,920      2,925
2. Loans		98	-	98      137
<b>Total financial assets</b>		<b>14,213</b>	<b>-</b>	<b>14,213      9,185</b>
<b>Total related financial liabilities</b>		<b>12,546</b>	<b>-</b>	<b>12,546      8,886</b>
<b>Net value</b>	<b>31.12.2021</b>	<b>1,667</b>	<b>-</b>	<b>1,667      X</b>
<b>Net value</b>	<b>31.12.2020</b>	<b>299</b>	<b>-</b>	<b>X      299</b>

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 2021.

**C. Financial assets sold and fully derecognised****Qualitative information**

*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*

At 31 December 2021, the Intesa Sanpaolo Group held units of mutual funds acquired in multioriginator sales of loan portfolios.

In accordance with the provisions of the Communication of the Bank of Italy of 23 December 2019, incorporated into the seventh update to Circular 262, disclosures regarding “*Multioriginator sale transactions involving loan portfolios – classified as unlikely to pay in particular – attributable to the sale of loans to a mutual fund with the assignment of the units in the fund to the selling intermediaries*” are provided below.

***Back2Bonis Fund***

In implementation of the derisking envisaged in the 2018-2021 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 ISP and the merged UBI Banca, 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 (inclusive of the transactions undertaken by the merged UBI Banca in 2019 and 2020) 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.

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:

- "Construction companies" at 64.3%;
- "Real estate business" at 17.5%;
- "Financial and insurance business" at 13.2%;
- 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:

- 70.7% North-West;
- 13.2% North-East;
- 11.9% South and Islands;
- 4.2% Centre.

At 31 December 2021, the Parent Company held a 34.39% stake in the Back2Bonis Fund, classified among investments subject to significant influence, for a book value of 141 million euro. The measurement of the Back2Bonis Fund yielded a negative effect for the year of 17 million euro.

***FI.NAV. Fund***

In pursuit of the de-risking activities provided for in the 2018-2021 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 Davy Global Fund Management 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 that includes the loans transferred by the Intesa Sanpaolo Group, Unicredit and FI.NAV. Sub-fund B - New Finance, that includes 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).

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 2021, the Parent Company ISP held a 43.80% stake in the FI.NAV. Fund, classified among investments subject to significant influence, for a book value of 113 million euro. The measurement of the FI.NAV. Fund yielded a negative effect for the year of 19 million euro.

#### *RSCT Fund – Loans Sub-Fund*

As part of the derisking envisaged in the 2018-2021 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 ISP Group (ISP and Banca IMI, subsequently merged into ISP on 20 July 2020), Unicredit, BPER Banca and Crédit Agricole to the newly established closed-end alternative investment RSCT Fund, managed by Davy Investment Fund Services, 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 (ISP 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.

At 31 December 2021, the Parent Company ISP held a 71.80% stake in the RSCT Fund, classified among investments subject to significant influence, for a book value of 259 million euro. The measurement of the RSCT FI.NAV. Fund yielded a negative effect for the year of 6 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.

The Intesa Sanpaolo Group's investment in the IDEA CCR Fund was further increased as a result of:

- 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 RSCT Fund for an amount of 148 million euro, with the price of sale offset against the price of subscription of the Fund units.
- the investment in the Fund completed by UBI Leasing in 2019, undertaken by contributing non-performing loans with a nominal value of 5.2 million euro and a net exposure to the sale price of 3.4 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.

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

- "Real estate activities" at around 32%;
- "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.

As at 31 December 2021, the Intesa Sanpaolo Group held a 34.66% 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 89.6 million euro. The measurement of the IDEA CCR II Fund yielded a negative effect on the income statement for the year of 23.9 million euro.

#### *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 loans sub-funds, new finance and shipping. Following the merger of UBI Banca, ISP 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 the reporting year 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 2021, 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 23.9 million euro. The measurement of the IDEA CCR II Fund yielded a negative effect of 0.4 million euro.

#### *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 the reporting year 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 2021, Intesa Sanpaolo held a 4.38% stake in the CRF Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 8 million euro. The measurement of the IDEA CCR Fund yielded a positive effect of 0.8 million euro during the year.

## 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. The Intesa Sanpaolo Group 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.

Over time, Intesa Sanpaolo has carried out three Covered Bond issue programmes.

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 14.3 billion euro (net of retrocessions of assets of 0.5 billion euro). The last sale (amounting to around 1 billion euro) took place in April 2013. In September 2020, the retrocession of a customer was carried out for an amount of 132 million euro.

As at 31 December 2021, loans and securities sold to the vehicle had a book value of 3.5 billion euro.

Against these sales, Covered Bonds were issued over time for a total nominal value of 25.2 billion euro (of which 18.15 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 2020, a total nominal amount of 4.1 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP CB Pubblico was outstanding, of which 4 billion subscribed by the Parent Company and 0.1 billion placed with third party investors.

In 2021, the third series of Covered Bonds matured for a total nominal amount of 1.5 billion euro and the fourteenth series was issued for an amount of 1 billion euro.

Therefore, as at 31 December 2021, a total nominal amount of 3.6 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 35.8 billion euro (net of retrocessions).

During 2021, the following additional transactions were also finalised:

- in January repurchases were carried out for an amount of 265 million euro;
- in June sales were carried out for an amount of 2.2 billion euro.

As at 31 December 2021, the loans sold to the vehicle had a book value of 16 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 33.9 billion euro (of which a total of 18.4 billion euro subject to early redemption or matured at December 2021).

As at 31 December 2020, a total nominal amount of 16.9 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 12 billion placed with third party investors and 4.9 billion subscribed by Intesa Sanpaolo. Part of the latter was subsequently used in repurchase agreements for an amount of 1.8 billion euro.

The eleventh series matured in 2021 for an amount of 1.4 billion euro, and no new issues were made.

Accordingly, as at 31 December 2021, a total nominal amount of 15.5 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 10.6 billion placed with third party investors and 4.9 billion subscribed by Intesa Sanpaolo. Part of the latter was subsequently used in repurchase agreements for an amount of 343 million 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 82.4 billion euro (net of exclusions).

In 2021, Intesa Sanpaolo sold mortgages to the vehicle for an original total nominal value of 7.4 billion euro (net of exclusions). The following sales were carried out:

- in March, sales for an amount of 4.2 billion euro;
- in November, sales for a total of 3.5 billion euro.

In addition, the following loans were repurchased:

- in January, for an amount of 321 million euro;
- in May, for an amount of 0.1 million euro.

As at 31 December 2021, the loans sold to the vehicle by Intesa Sanpaolo had a book value of 47.8 billion euro.

Over time, against the sales of these assets, Intesa Sanpaolo carried out issues of Covered Bonds for a total nominal value of approximately 86.3 billion euro (of which 40.2 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 DBRS Morningstar A (High) rating.

As at 31 December 2020, the issues made under the programme guaranteed by the vehicle ISP OBG had a total nominal amount of 45.9 billion euro, fully subscribed by Intesa Sanpaolo and subsequently used in repurchase agreements for 50 million euro.

During 2021:

- in January, the securities of the seventeenth and eighteenth series were redeemed in advance for a total of 2.7 billion euro;
- in January, the forty-fifth and forty-sixth series of Covered Bonds were issued, each amounting to 1.35 billion euro, at floating rate and with maturities of 15 and 16 years, respectively;

Accordingly, as at 31 December 2021, 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.

The companies of the former UBI Banca Group 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 first programme, UBI Finance, was launched by the former UBI Banca Group in 2008 and 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 a portfolio of residential mortgage loans assigned by the UBI Group's network banks. These banks participated in the programme as Originator Banks and Lending Banks.

In January 2021, an operation was finalised for the repurchase of loans totalling 5.2 billion euro (in terms of residual principal debt), of which 5 billion euro repurchased by Intesa Sanpaolo (former UBI Banca) and 0.2 billion euro repurchased by IW Bank, equal to its entire portfolio at the repurchase date. In March 2021, an additional operation was then finalised for the repurchase of loans totalling 0.4 billion euro (in terms of residual principal debt), fully repurchased by Intesa Sanpaolo (former UBI Banca).

As at 31 December 2021, the loans sold to the vehicle had a book value of 8.9 billion euro.

During 2020, no new issues of securities or repayments of outstanding issues were carried out. Therefore, considering the various bonds issued in the previous years, the nominal value of the securities as at 31 December 2020 totalled 12 billion euro.

During 2021:

- in January, the nineteenth and thirty-second issues were cancelled for a total of 1.5 billion euro and the sixth issue matured for an amount of 0.95 billion euro;
- in April, the third issue was redeemed for an amount of 11.4 million euro;
- in June, the thirtieth series was partially redeemed for an amount of 200 million euro;
- in October, the third issue was redeemed for an amount of 11.4 million euro;
- in November, the twenty-ninth series was partially redeemed for an amount of 200 million euro.

Accordingly, as at 31 December 2021 a total nominal amount of 9.1 billion euro of issues made as part of the covered bond programme of the vehicle UBI Finance was outstanding, of which 7.5 billion placed with third party investors and 1.6 billion retained.

At the same date, the bonds under the programme were assigned an Aa3 rating from Moody's and AA from DBRS Morningstar.

The former UBI Banca Group's second covered bond programme, UBI Finance CB2, was closed in January 2021.

The key figures for ISP CB Pubblico, ISP CB Ipotecario, ISP OBG, and UBI Finance as at 31 December 2021 are shown in the table below.

COVERED BONDS		VEHICLE DATA		SUBORDINATED LOAN <sup>(1)</sup>	(millions of euro)	
		Total assets	Cumulated write-downs on securitised portfolio		COVERED BONDS ISSUED	
				amount	Nominal amount (2)	Book value (2)
ISP CB PUBBLICO	Performing public sector loans and securities	4,666	12	4,567	-	-
ISP CB IPOTECARIO (3)	RMBSS (Performing residential mortgages)	21,009	60	19,921	10,951	11,320
ISP OBG	Mortgages	56,473	231	56,381	-	-
UBI FINANCE	Residential mortgages	10,566	81	10,549	7,508	7,846

(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.

(3) The covered bonds (CB) issued by Intesa Sanpaolo were placed on the market with institutional investors for almost the entire amount issued.

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 2021, the subsidiary VUB had issued 3.8 billion euro in this type of securities, booked in the financial statements at a value of approximately 3.8 billion euro

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

As at 31 December 2021, the expected loss on performing loans to customers (which takes account of cash and unsecured loan types) was 0.39%, in line with the figure at the end of 2020; the stable incidence is due to the offsetting of the incremental effects of the banks and public entities model change balanced by the effects of the Retail SME model change and the decline in operations associated with higher risk profiles.

As at 31 December 2021, economic capital was 2.44% of disbursed loans, up slightly, considering performing loans to customers only, on the figure for 2020 (+0.10%). This change was mainly due to the corporate integration process of the former UBI Group, concluded in the second quarter of the year, resulting in full harmonisation of procedures for calculating the Parent Company's economic capital and, to a more marginal extent, the average increase in the LGD parameter for sovereign exposures resulting from the implementation of the new model in the fourth quarter of the year.

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.

## 1.2. MARKET RISKS

As already mentioned in the Introduction, the Intesa Sanpaolo Group policies on financial risk taking are defined by the Parent Company's Management Bodies, with the support of specific Committees, including the Steering Committee, chaired by the Managing Director and CEO and composed of the heads of the main corporate departments, and the Group Financial Risk Committee.

The Steering Committee, a Group body with a decision-making, reporting and consulting role, is also assigned the functions of assisting the Managing Director and CEO in the performance of his duties, strengthening the coordination and cooperation mechanisms between the various business, governance and control areas of the Bank and the Group, with a view to sharing the main business choices, and helping ensure coordinated and integrated risk management and the safeguarding of business value at Group level, including the correct functioning of the internal control system.

The Group Financial Risk Committee, chaired by the Chief Risk Officer and the Chief Financial Officer, is responsible for setting out the methodological and measurement guidelines for financial risks, establishing the operational limits and assessing the risk profile of the Group and its main operational units. The Committee also sets out the strategies for the management of the banking book to be submitted to the competent Bodies and establishes the guidelines on liquidity, interest rate and foreign exchange risk. The Committee operates on the basis of the operating and functional powers delegated by the Corporate Bodies and coordination of the Steering Committee.

The Group's overall financial risk profile and the eventual necessary changes are examined periodically by the Group Financial Risk Committee.

The Parent Company's Market and Financial Risk Management Head Office Department is responsible for the development of corporate risk measurement and monitoring methodologies as well as for the proposals on the Bank's and the Group's system of operational limits. It is also responsible in outsourcing for the risk measurement for certain operating units on the basis of specific service contracts.

The table below shows the items of the consolidated Balance Sheet that are subject to market risks, showing the positions for which managerial VaR is the main risk measurement metric (the managerial VaR is calculated on a wider scope than subject to the Internal Model for market risks. (For a more in-depth discussion, refer to the subsequent paragraph), along with those for which risks are monitored with other metrics. The latter mostly include the sensitivity analysis to the different risk factors (interest rate, credit spread, etc.).

	BOOK VALUE (supervisory scope)	MAIN RISK MEASUREMENT METRICS			(millions of euro)
		VaR	Other	Risk factors measured using metrics included under Other	
<b>Assets subject to market risk</b>	<b>802,216</b>	<b>113,705</b>	<b>688,510</b>		
Financial assets held for trading	47,196	46,647	549	Interest rate risk, credit spread, equity	
Financial assets designated at fair value	4	1	3	Interest rate risk, credit spread	
Other financial assets mandatorily measured at fair value	6,139	2,447	3,691	Interest rate risk, credit spread	
Financial assets measured at fair value through other comprehensive income (ifrs 7 par. 8 lett. h))	67,595	64,236	3,359	Interest rate risk, equity	
Due from banks	163,940	-	163,940	Interest rate risk	
Loans to customers	505,766	-	505,766	Interest rate risk	
Hedging derivatives	1,732	374	1,358	Interest rate risk	
Investments in associates and companies subject to joint control	9,844	-	9,844	Equity risk	
<b>Liabilities subject to market risk</b>	<b>777,512</b>	<b>60,122</b>	<b>717,390</b>		
Due to banks	164,980	-	164,980	Interest rate risk	
Due to customers	459,540	-	459,540	Interest rate risk	
Securities issued	88,062	-	88,062	Interest rate risk	
Financial liabilities held for trading	56,388	56,310	78	Interest rate risk	
Financial liabilities designated at fair value (ifrs 7 par. 8 lett. e))	3,674	3,674	-		
Hedging derivatives	4,868	138	4,730	Interest rate risk	



## **REGULATORY TRADING BOOK**

### **1.2.1. INTEREST RATE RISK AND PRICE RISK**

#### **Qualitative information**

##### **General aspects**

The regulatory requirements for the trading book are established in Regulation EU 575/2013 (CRR - Part Three, Title I, Chapter 3, in Articles 102, 103, and 104 respectively). The combined provisions of those articles lay down the set of minimum requirements for the identification of the trading strategies and the measurement and control of the associated risks.

In accordance with the requirements of the applicable regulations, the Intesa Sanpaolo Group has established an internal policy that identifies the trading book based on:

- measurement at fair value through profit or loss of the instruments held for trading;
- the strategies defined;
- the risk-taking centres identified;
- the monitoring, limitation and management of the risks defined in accordance with the internal regulations on market risk.

In particular, the assets classified in the regulatory trading book coincide – apart from some specific exceptions – with the financial assets held for trading (Bank of Italy Circular 262). This association derives from the set of strategies, powers, limits and controls that feed and guarantee the adjacency and consistency between the accounting and prudential portfolios.

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

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

For some of the risk factors cited above and included in the managerial VaR measurements, the Supervisory Authority has validated the internal models for the reporting of the capital requirement of Intesa Sanpaolo. More specifically, concerning market risk, the risk profiles validated are: (i) generic/specific on debt securities and on equities; (ii) position risk on quotas of OICR with regard the only quote in CPPI (Constant Proportion Portfolio Insurance) products and the hedge fund portfolios with a look through approach; (iii) position risk on dividend derivatives and (iv) commodity risk.

##### **Risk management processes and measurement methods**

The allocation of capital for trading activities is set by the Parent Company's Board of Directors, through the attribution of operating limits in terms of VaR to the various Group units.

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

The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

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

Some of these limits may be covered by the RAF rules. See also the paragraph "The internal control system" for a more detailed representation of the risk framework.



The Parent Company accounts for the main share of the Group's market risks, while some Group subsidiaries hold smaller trading portfolios with a marginal risk (approximately less than 1% of the Group's overall management risk): in particular, the risk factors of the international subsidiaries' trading books are local government bonds, positions in interest rates, and foreign exchange rates relating to linear pay-offs.

A more detailed representation of the market risk metrics monitored in the limit structure is set out below:

### **Managerial VaR**

**Definition:** Value at Risk is a monetary estimate of risk based on statistical techniques capable of summarising the maximum probable loss, with a certain confidence level, that a financial position or portfolio may suffer in a given period (holding period) in response to changes in the risk factors underlying the measurement models caused by market dynamics.

**Method:** the mathematical and statistical models that make it possible to calculate VaR can be divided into two general categories: parametric approaches (variance/covariance) and approaches based on simulation techniques, such as that in use at Intesa Sanpaolo.

Specifically, the approach used in Intesa Sanpaolo has the following characteristics:

- historical simulation model based on the mark-to-future platform;
- a 99th percentile confidence interval;
- disposal period of 1 day;
- full revaluation of existing positions.

Historical simulation scenarios are calculated internally on time series of one-year risk factors (250 observations). For management purposes, a non-equal probability of occurrence is associated with each scenario, decreasing exponentially as a function of time, to privilege the informational content of the most recent data. For regulatory purposes, scenarios are equally weighted when calculating the capital requirement.

Please note that, in the first quarter of 2021, the approval of the ordinary annual update of the market risk managerial framework by the Board of Directors (as part of the 2021 Risk Appetite Framework) set a specific limit for trading within an overall limit for trading and the hold to collect and sell (HTCS) business model.

### **Sensitivity and greeks**

**Definition:** sensitivity measures the risk attributable to a change in the theoretical value of a financial position to changes of a defined quantity of the underlying risk factors. It therefore summarises:

- the extent and direction of the change in the form of multipliers or monetary changes in theoretical value;
- without explicit assumptions on the time horizon;
- without explicit assumptions of correlation between risk factors.

**Method:** the sensitivity indicator can be constructed using the following techniques:

- calculation of prime and second derivatives of the valuation formulae;
- calculation of the difference between the initial value and that resulting from the application of unidirectional shocks independent of risk factors (delta, gamma, vega, CR01 and PV01).

Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

### **Level measures**

**Definition:** Level measures, used also as ratios, are indicators supporting synthetic risk metrics which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. In particular, level measures make it possible to monitor the nature of exposures to certain issuers and economic groups.

The main level measure indicators are nominal (or equivalent) position and average duration metrics; level indicators also include the Negative Maximum Exposure of the Valuation Reserve measures characteristic of the HTCS business model.

**Method:** nominal (or equivalent) position is determined by identifying:

- the notional amount;
- the mark to market;
- the conversion of the position of one or more instruments to that of a given benchmark (equivalent position);
- the FX exposure.

When determining the equivalent position, risk is defined as the value of the various assets, converted into an aggregate position that is "equivalent" in terms of sensitivity to the change in the risk factors investigated.

At Intesa Sanpaolo the approach is characterised by extended use of ceilings in terms of MtM, as representative of the value of the assets as recognised.

**Stress tests**

**Definition:** stress tests are conducted periodically to identify and monitor potential vulnerabilities in trading books upon the occurrence of extreme, rare events not fully captured by VaR models.

**Method:** Stress tests for management purposes are applied periodically to market risk exposures, typically adopting:

- *sensitivity analysis*, which measures the potential impact on the main risk metrics of a change in a single risk factor or simple multi-risk factors;
- *scenario analysis*, which measures the potential impact on the main risk metrics of a certain scenario that considers multiple risk factors.

The following stress exercises are included in the Group's Stress Testing Programme:

- *Multi-risk exercise*, based on scenario analysis, which enables the forward-looking assessment of the simultaneous impact on the Group of multiple risk factors, also taking into account the interrelationships between them and, where applicable, the top management's reaction capacity;
- *Regulatory multi-risk exercise*, ordered and coordinated by the supervisor/regulator which defines its general assumptions and scenarios, requires the full revaluation of the impacts with the resulting need of contributions from the specialist departments of the Chief Risk Officer and Chief Financial Officer Governance Areas;
- *Situational exercise*, ordered by the top management or by the supervisor/regulator in order to assess the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.) from a forward-looking perspective;
- *A single or specific risk exercise*, to assess the impact of scenarios (or single or more specific risk factors) on specific risk areas.

**Stressed VaR**

**Definition:** the stressed VaR metric is based on the same measurement techniques as VaR. In contrast to the latter, it is calculated by applying market stress conditions recorded over an uninterrupted 12-month historical period.

**Method:** This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":

- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolio of Intesa Sanpaolo;
- the period must allow real time series to be used for all portfolio risk factors.

While using the historical simulation approach for VaR calculation, the latter point is a discriminating condition in the selection of the holding period. Actually, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.

As at the date of preparation of the 2021 Financial Statements, the period for the measurement of Stressed VaR for Intesa Sanpaolo was from 3 October 2011 to 20 September 2012.

For management purposes, the stressed VaR metric is calculated on the entire set of the Group's portfolios measured at fair value (trading and FVOCI in the banking scope) and the stressed period is revised at least annually, together with the annual update to the market risk management framework (Risk Appetite Framework).

**Incremental Risk Charge (IRC)**

**Definition:** The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure is additional to VaR and enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.

This measure applies to all financial products that are sensitive to credit spreads included in the trading books except for the securitisations.

**Method:** The simulation is based on a Modified Merton Model. The probabilities of transition and default are those observed through the historical matrices of the main rating agencies, applying a probability of default minimum value higher than zero. The asset correlation is inferred from the equity correlation of the issuers. The model is based on the assumption of a constant position with a holding period of one year.

A regular stress program is applied to the model's main parameters (correlation, and transition, default and credit spread matrices).

## Quantitative information

### Daily managerial VaR evolution

Below is a summary of the daily managerial VaR for the trading book only, which also shows the overall exposure of the main risk taking centres.

#### Daily managerial VaR of the trading book

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	(millions of euro) average 1st quarter
<b>Total Group Trading Book <sup>(a)</sup></b>	19.9	16.9	25.8	20.4	25.8	41.3
<i>of which: Group Treasury and Finance Department</i>	2.7	2.3	3.2	2.6	2.8	3.2
<i>of which: IMI C&amp;IB Division</i>	19.1	16.0	25.7	20.5	25.9	38.1

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

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

During the fourth quarter of 2021, as shown in both the tables and the graph below, there was a substantial stability in the overall trading risks compared to the averages for the third quarter of 2021 (19.9 million euro in the fourth quarter 2021 and 20.4 million euro in the third quarter 2021) and, more generally, a reduction compared to the averages of the first and second quarter 2021, but also compared to the average values for the full year 2020. These reductions are mainly attributable to the scenario "rolling effect" due to the lower market volatility following the exceptional market shocks related to the spread of the COVID-19 pandemic.

In the interest of completeness, the table below shows the average, minimum and maximum managerial VaR for the full year 2021 compared with the same period of 2020.

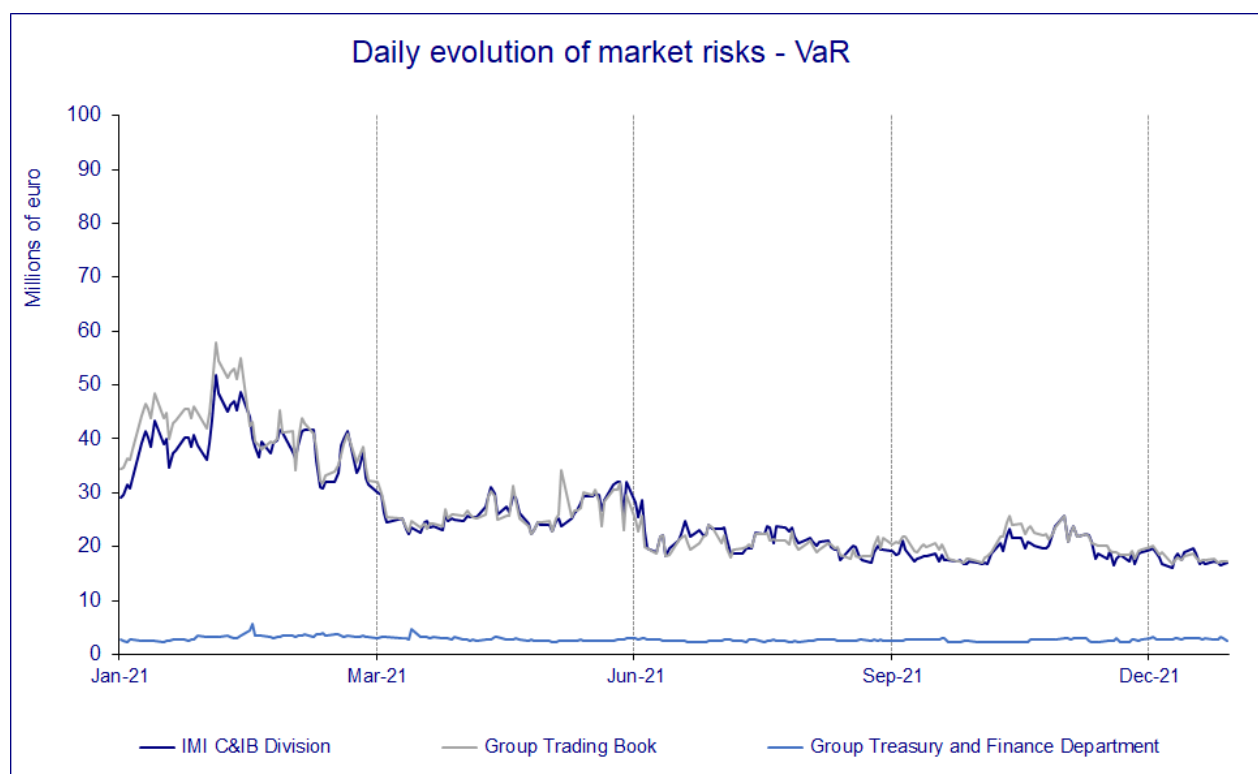
#### Daily managerial VaR of the trading book - Comparison 2021 – 2020

	2021				2020		
	average	minimum	maximum	last day	average	minimum	maximum
<b>Total Group Trading Book <sup>(a)</sup></b>	26.7	16.9	57.8	17.2	65.3	31.4	98.6
<i>of which: Group Treasury and Finance Department</i>	2.8	2.3	5.6	2.5	16.5	2.3	42.6
<i>of which: IMI C&amp;IB Division</i>	25.7	16.0	51.9	17.0	46.6	20.7	72.1

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

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

With regard to the trend in the trading VaR during the fourth quarter of 2021, the change was mainly due to the IMI C&IB Division: in particular, at the beginning of the quarter there was a slight uptrend due to the entry of new volatility scenarios in the tail of the distribution and, starting from November, a gradual realignment of the measure with the levels at the beginning of the period due to the effect of the reduction of Italy risk. The movements are shown in the chart below:



The breakdown of the Group's risk profile in the trading book in the fourth quarter of 2021 shows a prevalence of credit spread risk and interest rate risk, accounting for 34% and 23%, respectively, of the Group's total managerial VaR. Instead, the single risk-taking centres show a prevalence of interest rate risk and exchange rate risk for the Group Treasury and Finance Department (39% and 45%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (36% and 22%, respectively).

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

4th quarter 2021	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	7%	39%	9%	45%	0%	0%
IMI C&IB Division	11%	22%	36%	5%	20%	6%
<b>Total</b>	<b>10%</b>	<b>23%</b>	<b>34%</b>	<b>9%</b>	<b>18%</b>	<b>6%</b>

(a) Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the fourth quarter of 2021, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

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

(millions of euro)

	EQUITY		TASSI D'INTERESSE		CREDIT SPREAD		CAMBI		MATERIE PRIME	
	Crash	Bullish	+40bp	lower rate	-25bp	+25bp	-5%	+5%	Crash	Bullish
Total Trading Book	109	-	9	-16	-15	16	15	2	-1	4

Specifically:

- for stock market positions, there would be no potential losses in the event of a sudden rise in equity prices and a concurrent sharp reduction in volatility;
- for positions in interest rates, there would be potential losses of 16 million euro in the event of a fall in interest rates;
- for positions in credit spreads, a tightening of credit spreads of 25 bps would result in an overall loss of 15 million euro;
- for positions in exchange rates, there would be potential gains both in the event of appreciation and depreciation of the

- Euro against the other currencies;
- finally, for positions in commodities, there would be a loss of 1 million euro in the event of a fall in prices of commodities other than precious metals.

With regard to the use of the overall limit relating to trading and the hold to collect and sell (HTCS) business model, there was an overall reduction in the market managerial VaR in the fourth quarter from 144 million euro (average managerial VaR third quarter 2021) to 139 million euro (average managerial VaR fourth quarter 2021).

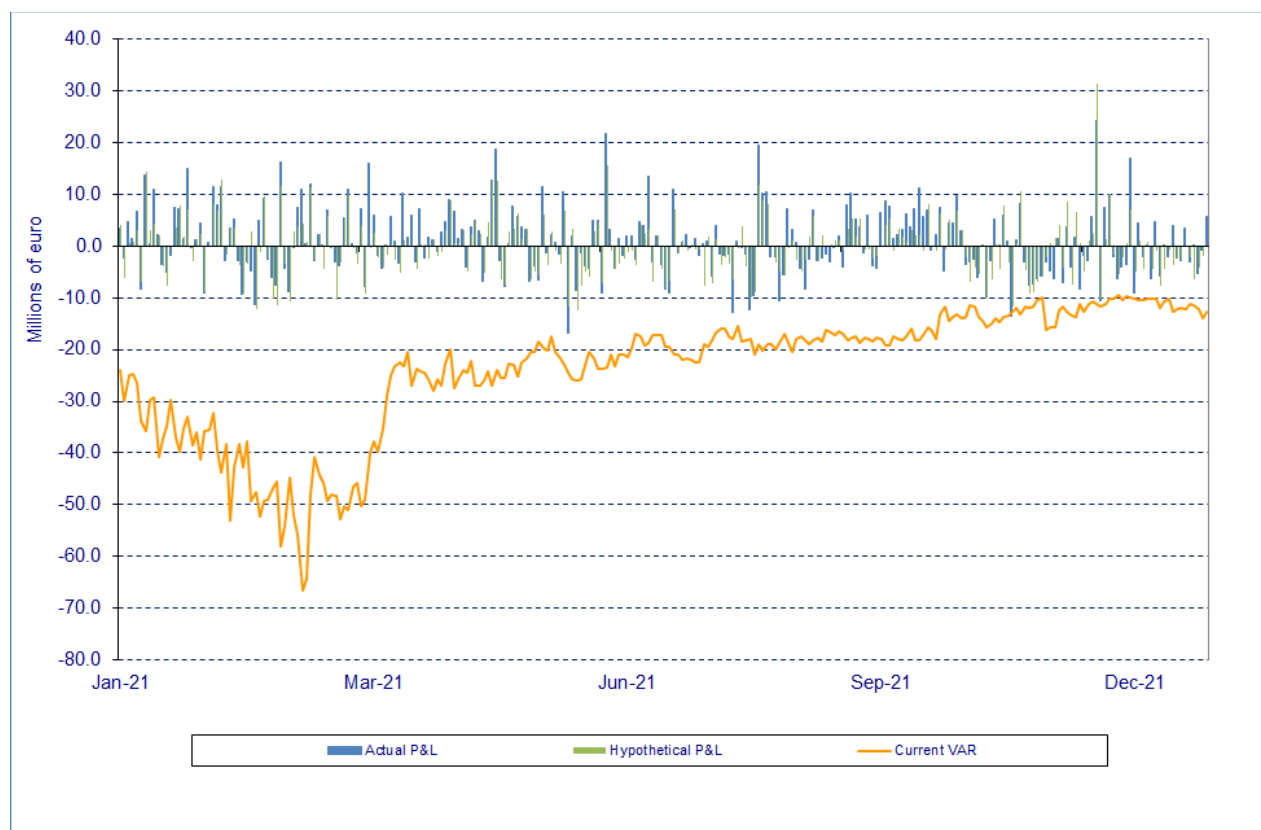
### Backtesting

The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:

- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting: these include, for example, fees and financial costs of managing the positions that are regularly reported within the managerial area.

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the internal model are represented by situations in which daily profits/losses based on backtesting highlight more than four occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual and hypothetical P&L series.

A single backtesting exception was recorded during the reporting year on 28 October 2021. The current VaR measure is sufficiently conservative; the only exception recorded does not entail add-ons to regulatory requirements.



**Issuer risk**

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

**Breakdown of exposures by type of issuer**

	Total	Of which					
		Corporate	Financial	Emerging	Covered	Government	Securitis.
Group Treasury and Finance Department	0%	0%	0%	0%	0%	0%	0%
IMI C&IB Division	100%	11%	29%	4%	3%	35%	18%
<b>Total</b>	<b>100%</b>	<b>11%</b>	<b>29%</b>	<b>4%</b>	<b>3%</b>	<b>35%</b>	<b>18%</b>

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

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

**Impacts from the COVID-19 pandemic**

Within the framework of the impacts of the COVID-19 pandemic on market risk dynamics, in 2021 there was a progressive return to orderly functioning of the main financial markets, as witnessed by the return of the main market parameters to within the average values observed over the twelve months prior to the crisis. These dynamics enabled an ordinary management of the Group's HTCS and trading portfolios not only in terms of turnover but also in term of risk management, as further highlighted by the dynamics of the main market risk metrics.

In the current market environment, characterised by low volatility, the managerial VaR measures showed, as described in the previous sections, a slight decrease in the average VaR calculated at Group level for all the financial assets under the Trading and HTCS business models (average managerial VaR of around 139 million euro in the fourth quarter compared to an average of 144 million euro in the third quarter); only the Trading component was stable at around 20 million euro (compared to an average of 20.4 million euro in the third quarter and an average of 19.9 million euro in the fourth quarter).

With regard to capital requirements (market risk), as the effects of the outbreak of the COVID-19 pandemic on financial markets diminished, there was a marked reduction in the volatility levels of the main risk factors in 2021. The new volatility levels jointly with a lesser overall exposure of the trading book triggered a reduction in RWAs from 17 billion to 11 billion euro, compared to December 2020.

## **BANKING BOOK**

### **1.2.2 INTEREST RATE RISK AND PRICE RISK**

#### **Qualitative information**

##### **General aspects, interest rate risk and price risk management processes and measurement methods**

The “banking book” is defined as the trade portfolio consisting of all on-balance sheet and off-balance sheet items that are part of the Intesa Sanpaolo Group's lending and deposit collecting activities; therefore, the interest rate risk of the banking book (hereinafter “interest rate risk” or IRRBB) refers to the current and prospective risk of changes in the Group's banking book due to adverse changes in interest rates, which are reflected in both economic value and net interest income.

The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated, mainly held by the Parent Company.

The internal system for measuring interest rate risk assesses and describes the effect of changes in interest rates on the economic value and the net interest income and identifies all significant sources of risk that affect the banking book:

- repricing risk, i.e. the risk associated with lags in maturity dates (for fixed-rate positions) or in the interest rate revision date (for floating-rate positions) of the Bank's assets, liabilities and off-balance sheet items;
- yield curve risk, i.e. the risk associated with changes in the inclination and shape of the yield curve;
- basis risk, i.e. the risk arising from imperfect correlation in the adjustment of lending and deposit rates on different instruments, but with otherwise similar repricing characteristics. As interest rates change, these differences can lead to unexpected changes in cash flows and yield spreads between assets, liabilities and off-balance sheet positions having similar maturities or rate revision frequencies;
- optionality risk, i.e. the risk associated with the presence of automatic or behavioural options in the Group's assets, liabilities and off-balance sheet instruments.

Intesa Sanpaolo's current measurement system also allows the risk profile to be examined on the basis of two distinct but complementary perspectives:

- **economic value perspective** (EVE - Economic Value of Equity), which considers the impact of interest rate fluctuations and the associated volatility on the present value of all future cash flows;
- **net interest income perspective** (NII - Net Interest Income), which aims to analyse the impact of interest rate fluctuations and their associated volatility on net interest income;

The economic value perspective assesses the medium-to-long term impacts of interest rate fluctuations, while the net interest income perspective provides a short-term assessment.

Interest rate risk is managed by setting limits to both perspectives. Said limits comprise:

- consolidated limits, which are defined in the RAF and approved by the Board of Directors, both in terms of change in EVE (shift sensitivity or  $\Delta\text{EVE}$ ) and net interest income sensitivity ( $\Delta\text{NII}$ ). The consolidated  $\Delta\text{EVE}$  limits reflect, consistent with the context and regulatory instructions, the average expected exposure of the Group's EVE. The expected average level is quantified within the RAF and defined as the average exposure that the Group expects to take during the year. The Group's consolidated shift sensitivity limits are accompanied by a risk indicator, which constitutes an “early warning” threshold approved within the RAF, which makes it possible to control exposure to the risk of yield curve twists;
- individual shift sensitivity and net interest income sensitivity limits, which are part of the “cascading” process of the Group's RAF limit, and are proposed, after being shared with the operating structures, by the Financial and Market Risks Head Office Department of the Parent Company and approved by the Group Financial Risk Committee (GFRC). These limits take account of the characteristics of the banks'/divisions' portfolios, with particular reference to intermediated volumes, average durations, the type of instruments traded and the Company's strategic mission within the Group.

The Financial and Market Risks Head Office Department performs monthly checks that the limits and early warning level approved in the Risk Appetite Framework (RAF) are observed at the consolidated and individual level. In addition, the Group has adopted a specific internal policy document regarding interest rate risk (the IRRBB Guidelines) subject to approval by the Board of Directors, which governs the Group's entire interest rate risk management framework and in particular the aspects of governance, methods of use and formulation of scenarios.

The IRRBB Guidelines define the methods for measuring the financial risks generated by the Group's banking book:

1. Sensitivity of economic value ( $\Delta\text{EVE}$ );
2. Net interest income sensitivity ( $\Delta\text{NII}$ );
3. Credit Spread Risk of the Banking Book (CSRBB);
4. Value at Risk (VaR).

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

The **shift sensitivity of the economic value** (or fair value shift sensitivity) measures the change in the economic value of the banking book and is calculated at individual cash flow level for each financial instrument, based on different instantaneous rate shocks and based on historical stress simulations aimed at identifying the worst and best cases. It reflects the changes in the present value of the cash flows of the positions already in the balance sheet for the entire remaining duration until maturity (run-off balance sheet). The cash flows used to determine the present value are developed at the FTP (internal fund transfer price) or risk-free rate and discounted according to risk-free discount curves. When calculating the present value of loans, the expected loss component is considered; it represents the amount of cash flow that the bank does not expect to recover on a given exposure and that thus reduces its value. The present value of the loan adjusted for credit risk is calculated for this purpose by deducting the corresponding level of expected loss from expected cash flows according to the “cash flow adjustment” (“CFA”) method.

To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the shift sensitivities of the positions in the various currencies by applying a parallel shock of +100 bps to the interest



rate curves in the various currencies. The calculation for non-parallel shocks for the purposes of controlling the exposure and monitoring the early warning level is performed similarly. The sensitivity of the relevant currencies is then corrected, according to a "currency aggregation" management technique, to take account of the imperfect correlation with the rates of the main currency (the euro).

The **sensitivity of net interest income** focuses the analysis on the impact that changes in interest rates can have on the Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and the impact is assessed on a going concern basis. The change in net interest income is estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions are made regarding customer behaviour (differentiated according to interest rate scenarios) and market behaviour and the response of Group/Bank management to changes in the economy. Thus, the projection of the net interest income and its sensitivity to changes in market factors require a series of modelling assumptions for the development of volumes and rates (fixed/floating), the reference time horizon, the relevant currencies, as well as the behavioural models introduced (prepayment, core deposits, etc.) and the assumptions regarding the evolution of the portfolio (run-off, constant or dynamic balance sheet).

The net interest income sensitivity limits are defined on the basis of an instantaneous and parallel interest rate shock of +/-50 bp, with a reference time horizon of 1 year and assuming a constant balance sheet. The net interest income sensitivity limit is defined as the limit on the loss in the income statement and, therefore, is exclusively negative (limit on the potential reduction in the net interest income): the use of the limit is represented by the sensitivity that generates a greater reduction in net interest income in the two scenarios of a parallel rise and fall in interest rates. The total sensitivity exposure of net interest income is given by the algebraic sum of the exposure of individual currencies.

The GFRC is also tasked with allocating sub-limits on net interest income sensitivity to the individual Banks/Companies, and may also define sub-limits on net interest income sensitivity by currency. The limit assigned to each Company is defined on the basis of the historical volatility observed in individual net interest income, consistent with the strategies and limits defined for shift sensitivity.

The **Credit Spread Risk of the Banking Book (CSRBB)** is defined as the risk caused by changes in the price of credit risk, liquidity premium and potentially other components of instruments with credit risk that cause fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by the interest rate risk of the banking book or by the expected credit risk/jump-to-default risk. In line with the EBA Guidelines, which limit the reference area to assets only (i.e. excluding derivatives and liabilities), specific monitoring is envisaged for the HTCS securities portfolio, whose changes in value have an immediate impact on the Group's capital.

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

In calculating the above risk measures, Intesa Sanpaolo adopts behavioural models for representing capital items.

For mortgages, statistical techniques are used to determine the probability of prepayment, in order to reduce the Group's exposure to interest rate risk (overhedging) and to liquidity risk (overfunding). The method developed estimates prepayment coefficients diversified according to the type of customer, financial characteristics of the transaction, such as the loan rate type (fixed or floating), the original term of the loan and the seasoning, understood as the age of the loan on the date of the prepayment event. The analysis refers to partial repayments, full repayments and refinancing. The prepayment model also examines the reasons that lead customers to make prepayments. With regard to this aspect, the phenomenon may be divided into a structural component ("Core Prepayment") and a scenario component ("Coupon Incentive"), primarily linked to market variations. Prepayment phenomena are monitored monthly and the prepayment coefficients to be applied to the model are re-estimated at least annually and are subject to periodic backtesting, appropriately documented in the specific model change document to ensure that the operating situation adheres to the assumptions made and incorporate any legislative and/or behavioural changes.

For core deposits (customer current accounts), a financial representation model is adopted aimed at reflecting the behavioural features of stability of deposits and partial and delayed reaction to market interest rate fluctuations. The model is continuously monitored and periodically revised to promptly reflect changes in volumes and customer characteristics over time, as well as in the relevant regulatory framework.

In order to measure the Group's vulnerability to market turbulence, the interest rate risk measurement system measures the impacts on the bank's economic value and net interest income produced by strains on the market ("scenario analysis"), i.e. sudden changes in the general level of interest rates, changes in the relationships between fundamental market rates (basis risk), in the slope and shape of the yield curve (yield curve risk), in the liquidity of the main financial markets or in the volatility of market rates.

These analyses are conducted by subjecting the portfolio to various interest rate change scenarios:

- regulatory scenarios produced by the Supervisory Outlier Test (SOT), which introduces an "early warning" of 15% of Tier 1, calculated with reference to the BCBS scenarios (Parallel shock up, Parallel shock down, Steeper shock, Flattener shock, Short rates shock up and Short rates shock down);
- shocks diversified by reference curve of the main risk factors and calculated as the difference between the yields of the curves of the individual factors and those of a curve relating to the selected pivot parameter (basis risk);
- stress scenarios in historical simulation.

Stress tests on behavioural models are also carried out to verify the financial impact of alternative assumptions underlying the behavioural parameters estimated in the models. The methodological assumptions underlying the assumptions contained in the stress scenarios are duly described in the detailed methodologies.

### Impacts from the COVID-19 pandemic

In 2021, and in the second half of the year in particular, the strategies and safeguards implemented in the framework of interest rate risk management were put into place to protect net interest income against potential additional negative impacts of COVID-19. Net interest income was stabilised through measures to cover the viscosness of customer demand deposits by entering into hedging derivatives and natural hedges with mortgage loans to customers.

## Quantitative information

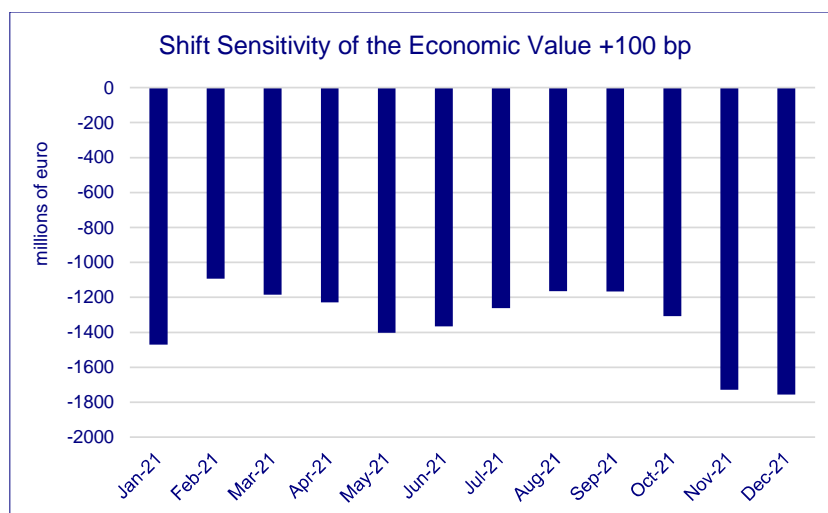
### Banking book: internal models and other sensitivity analysis methodologies

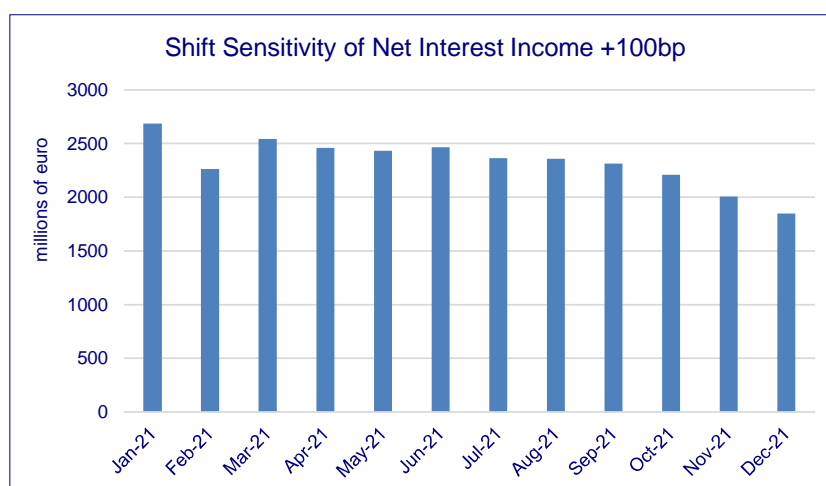
In 2021, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of value, averaged -1,345 million euro, with a minimum value of -1,094 million euro and a maximum value of -1,756 million euro. This latter figure coincided with that of the end of December 2021, up by 451 million euro on the end of December 2020, when it came to -1,305 million euro. This change was due, above all in the fourth quarter of 2021, to greater fixed rate lending and hedging of customer demand deposits.

The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 962 million euro, -880 million euro and 1,847 million euro, respectively, at the end of December 2021. The latter figure decreased (-734 million euro) on the end of 2020, when it came to 2,581 million euro. This decline was due to both the hedging of customer demand deposits and the particular indexing of the TLTRO, which gives rise to asymmetry between upwards sensitivity and lower rates.

The following table and charts provide a representation of the performance of the shift sensitivity of economic value (or the shift sensitivity of fair value) and the shift sensitivity of net interest income.

		2021		31.12.2021	(millions of euro) 31.12.2020
	average	minimum	maximum		
Shift Sensitivity of the Economic Value +100 bp	-1,345	-1,094	-1,756	-1,756	-1,305
Shift Sensitivity of Net Interest Income -50bp	-872	-803	-1,044	-880	-1,011
Shift Sensitivity of Net Interest Income +50bp	1,191	962	1,364	962	1,312
Shift Sensitivity of Net Interest Income +100bp	2,330	1,847	2,687	1,847	2,581





Interest rate risk, measured in terms of VaR, averaged 421 million euro in 2021, with a minimum value of 342 million euro and a maximum value of 509 million euro, with the latter coinciding with the value at the end of December 2021 (492 million euro at the end of 2020). No significant changes were reported.

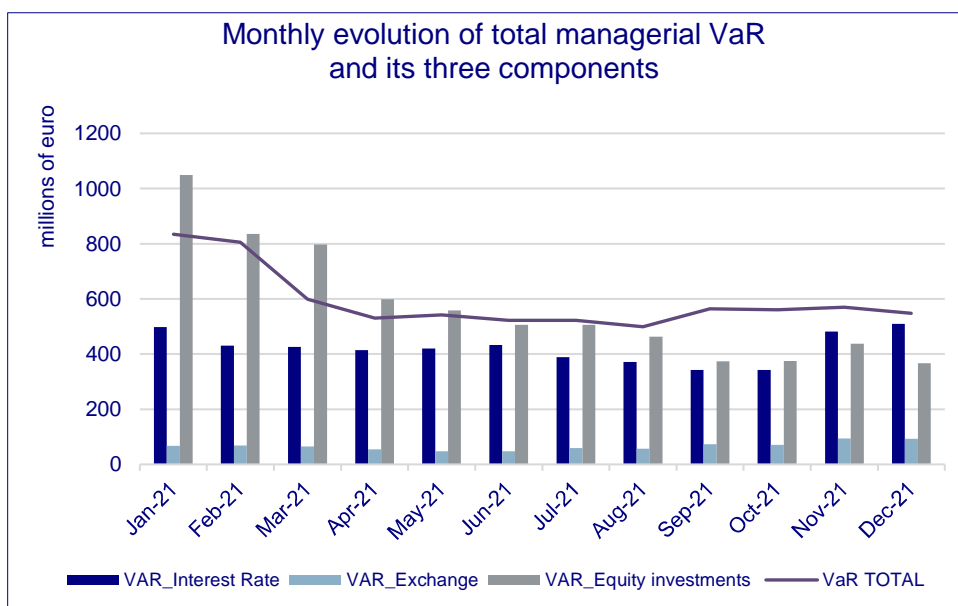
Foreign exchange risk expressed by equity investments in foreign currency (banking book) and measured in terms of VaR averaged 67 million euro in 2021, with a maximum value of 94 million euro and a minimum value of 48 million euro, standing at 93 million euro at the end of December 2021 (78 million euro at the end of 2020). No significant changes were reported.

Price risk generated by the equity portfolio, measured in terms of VaR, recorded an average level during 2021 of 572 million euro, with maximum and minimum values of 1,049 million euro and 367 million euro, respectively, the latter being the figure of the end of December 2021, down by 620 million euro on the value at the end of December 2020 of 987 million euro. This change was due in part to market volatility, seen in particular in the first few months of 2021, and in part to the disposal of equity investments.

Total VaR, consisting of the three components described above (Interest Rate VaR, Exchange VaR and Equity Investments VaR) averaged 592 million euro in 2021, with a maximum value of 835 million euro and a minimum value of 499 million euro, reaching a figure of 548 million euro at the end of December 2021, down by 417 million euro on the value at the end of December 2020 of 965 million euro. This change is primarily due to the Equity Investments VaR component and the phenomena indicated above.

The table and chart below provides a representation of the performance of total VaR and its three components (Interest Rate VaR, Exchange VaR and Equity Investments VaR).

	average	2021		(millions of euro)	
		minimum	maximum	31.12.2021	31.12.2020
Value at Risk - Interest Rate	421	342	509	509	492
Value at Risk - Exchange	67	48	94	93	78
Value at Risk - Equity investments	572	367	1.049	367	987
<b>Total Value at Risk</b>	<b>592</b>	<b>499</b>	<b>835</b>	<b>548</b>	<b>965</b>



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

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

		Impact on shareholders' equity at 31.12.2021	Impact on shareholders' equity at 30.09.2021	Impact on shareholders' equity at 30.06.2021	Impact on shareholders' equity at 31.03.2021	(millions of euro) Impact on shareholders' equity at 31.12.2020
Price shock	10%	177	181	208	152	155
Price shock	-10%	-177	-181	-208	-152	-155

### 1.2.3. FOREIGN EXCHANGE RISK

#### Qualitative information

##### **A. General aspects, foreign exchange risk management processes and measurement methods**

“Foreign exchange risk” is defined as the potential adverse effect resulting from changes in the exchange rate between currencies that could have a negative impact on the valuation of the assets and liabilities in the financial statements and on earnings and capital ratios.

Two types of Foreign Exchange Risk are identified: *Structural* and *Transaction risk*.

*Structural Foreign Exchange Risk* is defined as the potential loss resulting from changes in the exchange rate that could have a negative impact on the foreign exchange reserves that are part of the Group’s consolidated shareholders’ equity.

The Intesa Sanpaolo Group’s management of the Structural Foreign Exchange Risk assigns the Parent Company the related management and coordination powers in order to achieve a consistent Group strategy.

This choice, which is consistent with the Parent Company’s role as the liaison with the Supervisory Authority, allows the activities to be performed based on the specific responsibilities set out in the prudential supervision regulations, in addition to suitably mitigating and/or managing this type of risk.

*Transaction Foreign Exchange Risk* is defined as the potential loss resulting from changes in the currencies exchange rate that may have negative impacts both on the valuation of the assets and liabilities in the financial statements when converted into the reporting currency and on the earnings from funding, lending and investment/disinvestment transactions in currencies other than the euro. The key sources of exchange rate risk lie in: non-euro loans and deposits held by corporate and/or retail customers; conversion into domestic currency of assets, liabilities and income of the international branches; trading of foreign currencies; collection and/or payment of interest, commissions, dividends and administrative expenses in foreign currencies; purchase and sale of securities and financial instruments for the purpose of resale in the short term; etc. Transaction foreign exchange risk also includes the risk of transactions related to operations that generate the type of structural foreign exchange risk represented, for example, by dividends approved by international subsidiaries and that relating to the management of foreign exchange risk tied to the management of equity investments, also including the gains/losses of international branches (Transaction Foreign Exchange Risk associated with Structural Foreign Exchange Risk).

The Market and Financial Risk Management Head Office Department measures and controls the Parent Company and Group’s exposure to Structural Foreign Exchange Risk; it performs the management calculation of the optimal position, applicable with effect from 1 January 2022. It represents the open position in foreign currency designed to neutralise the sensitivity of the capital ratio to foreign exchange movements; The Market and Financial Risk Management Head Office Department also produces sensitivity analyses on capital ratios for management control and monitoring of Structural Foreign Exchange Risk in view of progressive alignment with the EBA LGs and sets its own Transaction Foreign Exchange Risk associated with Structural Foreign Exchange Risk within the framework of market risk VaR.

##### **B. Foreign exchange risk hedging activities**

The monitoring and hedging of the Transaction Foreign Exchange Risk are carried out at central level by the Group Treasury and Finance Head Office Department of the Parent Company and the IMI Corporate & Investment Banking Division for the area of competence, and at local level by the individual treasury functions of the Group companies and banks.

According to the general principle underlying the management of the Structural Foreign Exchange Rate Risk, the related exposures are not normally subject to microhedging. This is because, firstly, by their nature they permit the stability of capital ratios, and in addition the foreign exchange risk arising from the investments where the Group has equity investments reflects the long-term strategic view of investing in the macroeconomic growth of those countries and any hedging would mean giving up the additional profit arising from the rate spread against the euro rates. In addition, over the long term, the benefits deriving from diversification of the Group’s portfolio among different currencies optimises its risk/return and mitigates the Group’s exposure to Italy country risk, albeit to a limited extent. However, it cannot be excluded that, in particular market phases, the Group may decide to enter into hedging transactions: for economic reasons, where hedging costs are lower than the potential losses estimated in relation to possible depreciation of the currency; and to optimise capital requirements when hedging costs are appropriate.

As at the date of preparation of the financial statements, there were no transactions hedging shareholders’ equity, whereas there were operational hedges of the foreign exchange risk of the assets and liabilities in the financial statements related to the banking book.

##### **Impacts from the COVID-19 pandemic**

The strategies and controls in place for the purpose of managing exchange rate risk did not require changes or specific actions in the situation resulting from the COVID-19 pandemic.

**Quantitative information****1. Breakdown by currency of assets and liabilities and of derivatives**

(millions of euro)

	CURRENCIES							
	US dollar	GB pound	Swiss franc	Hungarian forint	Egyptian pound	Croatian kuna	Yen	Other currencies
<b>A. FINANCIAL ASSETS</b>	<b>41,005</b>	<b>4,098</b>	<b>2,046</b>	<b>5,797</b>	<b>5,601</b>	<b>7,856</b>	<b>3,668</b>	<b>13,073</b>
A.1 Debt securities	14,492	912	-	1,089	1,782	949	3,097	3,261
A.2 Equities	663	1	15	1	20	2	1	335
A.3 Loans to banks	5,036	99	180	2,160	1,213	2,998	5	1,896
A.4 Loans to customers	20,550	3,052	1,258	2,431	2,586	3,904	561	7,077
A.5 Other financial assets	264	34	593	116	-	3	4	504
<b>B. OTHER ASSETS</b>	<b>4,249</b>	<b>137</b>	<b>98</b>	<b>121</b>	<b>199</b>	<b>241</b>	<b>107</b>	<b>652</b>
<b>C. FINANCIAL LIABILITIES</b>	<b>41,066</b>	<b>2,828</b>	<b>1,058</b>	<b>5,196</b>	<b>4,881</b>	<b>5,952</b>	<b>769</b>	<b>7,359</b>
C.1 Due to banks	15,597	174	139	917	14	186	11	1,413
C.2 Due to customers	11,664	1,215	661	4,195	2,320	5,765	114	5,761
C.3 Debt securities	13,803	1,438	242	-	2,547	-	644	180
C.4 Other financial liabilities	2	1	16	84	-	1	-	5
<b>D. OTHER LIABILITIES</b>	<b>495</b>	<b>38</b>	<b>41</b>	<b>21</b>	<b>106</b>	<b>202</b>	<b>2</b>	<b>175</b>
<b>E. FINANCIAL DERIVATIVES</b>								
- Options								
<i>long positions</i>	1,617	3	-	1	-	-	11	25
<i>short positions</i>	1,608	63	-	-	-	-	13	21
- Other derivatives								
<i>long positions</i>	64,757	13,312	8,672	1,672	-	12	5,462	12,730
<i>short positions</i>	68,361	14,482	9,552	1,649	-	147	8,530	16,566
<b>TOTAL ASSETS</b>	<b>111,628</b>	<b>17,550</b>	<b>10,816</b>	<b>7,591</b>	<b>5,800</b>	<b>8,109</b>	<b>9,248</b>	<b>26,480</b>
<b>TOTAL LIABILITIES</b>	<b>111,530</b>	<b>17,411</b>	<b>10,651</b>	<b>6,866</b>	<b>4,987</b>	<b>6,301</b>	<b>9,314</b>	<b>24,121</b>
<b>DIFFERENCE (+/-)</b>	<b>98</b>	<b>139</b>	<b>165</b>	<b>725</b>	<b>813</b>	<b>1,808</b>	<b>-66</b>	<b>2,359</b>

**2. Internal models and other sensitivity analysis methodologies**

As already noted, the management of Transaction Foreign Exchange Risk relating to trading activities is included in the operating procedures and in the estimation methodologies of the internal model based on VaR calculations, as already illustrated.

Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 93 million euro as at 31 December 2021. This potential impact would only be reflected in the Shareholders' Equity.

### 1.3. DERIVATIVES AND HEDGING POLICIES

Starting from 2014, the Parent Company has been authorised to use EPE (Expected Positive Exposure) internal models to determine the capital requirement for counterparty risk. This approach is applicable to almost the entire trading portfolio (as shown in the table below, as at 31 December 2021 approximately 96% of the total EAD of financial and credit derivatives is measured using EPE models). Derivatives whose counterparty risk is measured using approaches other than internal models represent a residual portion of the portfolio (as at 31 December 2021 accounting for approximately 4% of overall EAD) and refer to:

- residual contracts of Intesa Sanpaolo to which EPE is not applied (in compliance with the immateriality thresholds set by the EBA);
- EAD generated by all other banks and companies in the Group which do not report using an internal model.

The table below shows the overall EAD of exposures in financial and credit derivatives, broken down by measurement approach.

Transaction categories	31.12.2021		31.12.2020	
	Standardised models	Internal Method (EPE)	Standardised models	Internal Method (EPE)
Derivative contracts	599	16,270	829	19,999

(millions of euro)

The EPE internal model considers the collateral collected to mitigate credit exposure and any excess collateral paid. The value of the guarantees received and included in the calculation of the EAD amounts to approximately 7 billion euro for the Parent Company, while the collateral paid equals 19 billion euro (including the initial margins posted in connection with transactions with central counterparties).

#### 1.3.1. Trading derivatives

#### A. FINANCIAL DERIVATIVES

##### A.1. Financial trading derivatives: period-end notional amounts

Underlying asset/Type of derivatives	31.12.2021				31.12.2020			
	Over the counter			Organised markets	Over the counter			Organized markets
	Central Counterparties	without central counterparties			Central Counterparts	without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rate	1,933,468	255,211	70,804	167,501	1,850,843	277,526	75,307	162,222
a) Options	-	68,964	6,224	6,868	-	81,269	7,722	54,385
b) Swaps	1,933,468	186,247	63,792	-	1,850,843	196,257	64,170	-
c) Forwards	-	-	751	-	-	-	2,484	-
d) Futures	-	-	37	160,633	-	-	931	107,837
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indices	-	4,955	28,500	2,480	-	6,828	31,621	1,897
a) Options	-	4,948	28,491	609	-	6,515	31,608	401
b) Swaps	-	7	9	-	-	313	13	-
c) Forwards	-	-	-	-	-	-	-	7
d) Futures	-	-	-	1,871	-	-	-	1,489
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	96	170,930	17,670	2,005	-	158,342	20,387	375
a) Options	-	22,674	1,186	89	-	17,135	1,232	117
b) Swaps	95	44,619	4,450	-	-	52,006	5,701	16
c) Forwards	-	103,454	11,258	1,901	-	88,952	12,860	-
d) Futures	-	-	-	15	-	-	-	242
e) Other	1	183	776	-	-	249	594	-
4. Commodities	-	3,070	1,074	1,698	-	2,993	740	1,685
5. Other	-	-	-	-	-	-	-	-
Total	1,933,564	434,166	118,048	173,684	1,850,843	445,689	128,055	166,179

(millions of euro)



The notional amounts shown as at 31 December 2021 in the column “Over the counter” with central counterparties relate to interest rate derivatives of 1,933 billion euro and foreign exchange rates and gold derivatives of 96 million euro settled through legal clearing.

## A.2. Financial trading derivatives: gross positive and negative fair value – breakdown by product

(millions of euro)

(millions of euro)

Type of derivative	31.12.2021				31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	1,750	789	26	-	2,426	774	45
b) Interest rate swaps	39,039	9,181	5,331	-	51,707	14,225	7,368	-
c) Cross currency swaps	-	1,250	272	-	-	1,254	353	-
d) Equity swaps	-	-	-	-	-	3	6	-
e) Forwards	-	890	108	8	-	1,282	153	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	757	190	-	-	173	60	1
Total	39,039	13,828	6,690	34	51,707	19,363	8,714	46
2. Negative fair value								
a) Options	-	1,815	6,365	19	-	2,393	6,404	18
b) Interest rate swaps	39,252	13,298	801	-	52,369	19,447	1,124	-
c) Cross currency swaps	-	1,127	864	-	-	1,542	778	-
d) Equity swaps	-	-	-	-	-	1	-	-
e) Forwards	-	1,146	212	16	-	1,120	260	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	752	422	-	-	173	62	1
Total	39,252	18,138	8,664	35	52,369	24,676	8,628	19

**A.3. Over the counter financial trading derivatives: notional values, gross positive and negative fair value by counterparty**

Underlying asset	(millions of euro)			
	Central Counterparties	Banks	Other financial companies	Other counterparties
<b>Contracts not included under netting agreements</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	X	2,081	14,659	54,064
- positive fair value	X	870	260	4,242
- negative fair value	X	-517	-167	-256
<b>2) Equities and stock indices</b>				
- notional amount	X	16,497	6,481	5,522
- positive fair value	X	677	47	4
- negative fair value	X	-1,103	-176	-5,018
<b>3) Foreign exchange rates and gold</b>				
- notional amount	X	2,449	3,856	11,365
- positive fair value	X	15	25	363
- negative fair value	X	-701	-40	-268
<b>4) Commodities</b>				
- notional amount	X	1	78	995
- positive fair value	X	-	2	185
- negative fair value	X	-	-15	-403
<b>5) Other</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>Contracts included under netting agreements</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	1,933,468	188,754	50,561	15,896
- positive fair value	39,039	7,394	1,926	1,278
- negative fair value	-39,252	-11,729	-2,576	-366
<b>2) Equities and stock indices</b>				
- notional amount	-	2,034	2,906	15
- positive fair value	-	81	19	5
- negative fair value	-	-86	-95	-
<b>3) Foreign exchange rates and gold</b>				
- notional amount	96	130,731	28,589	11,610
- positive fair value	-	1,519	462	385
- negative fair value	-	-1,461	-599	-467
<b>4) Commodities</b>				
- notional amount	-	328	1,266	1,476
- positive fair value	-	53	312	394
- negative fair value	-	-19	-244	-496
<b>5) Other</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

**A.4. Residual maturity of over the counter financial derivatives: notional amounts**

Underlying/Residual maturity	(millions of euro)			
	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	579,423	953,844	726,216	2,259,483
A.2 Financial derivatives on equities and stock indices	9,893	21,985	1,577	33,455
A.3 Financial derivatives on foreign exchange rates and gold	138,434	35,127	15,135	188,696
A.4 Financial derivatives on commodities	2,672	1,472	-	4,144
A.5 Other financial derivatives	-	-	-	-
<b>Total 31.12.2021</b>	<b>730,422</b>	<b>1,012,428</b>	<b>742,928</b>	<b>2,485,778</b>
<b>Total 31.12.2020</b>	<b>747,540</b>	<b>912,082</b>	<b>764,965</b>	<b>2,424,587</b>

**B. CREDIT DERIVATIVES****B.1. Credit trading derivatives: period-end notional amounts**

Categories of transactions	(millions of euro)	
	Trading derivatives	
	single counterparty	more counterparties (basket)
<b>1. Protection purchases</b>		
a) Credit default products	7,531	67,468
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
<b>Total 31.12.2021</b>	<b>7,531</b>	<b>67,468</b>
<b>Total 31.12.2020</b>	<b>7,072</b>	<b>58,781</b>
<b>2. Protection sales</b>		
a) Credit default products	8,043	63,098
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
<b>Total 31.12.2021</b>	<b>8,043</b>	<b>63,098</b>
<b>Total 31.12.2020</b>	<b>7,253</b>	<b>51,887</b>

As at 31 December 2021, none of the contracts shown in the table above have been included within the structured credit products.

**B.2. Credit trading derivatives: gross positive and negative fair value – breakdown by product**

Type of derivative	(millions of euro)	
	Total 31.12.2021	Total 31.12.2020
<b>1. Positive fair value</b>		
a) Credit default products	2,225	1,616
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
<b>Total</b>	<b>2,225</b>	<b>1,616</b>
<b>2. Negative fair value</b>		
a) Credit default products	2,341	1,759
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
<b>Total</b>	<b>2,341</b>	<b>1,759</b>

As at 31 December 2021, none of the contracts shown in the table above have been included within the structured credit products.

**B.3. Over the counter credit trading derivatives: notional values, gross positive and negative fair value by counterparty**

	Central counterparties	Banks	Other financial companies	(millions of euro) Other counterparties
<b>Contracts not included under netting agreements</b>				
<b>1) Protection purchases</b>				
– notional amount	X	-	-	246
– positive fair value	X	-	-	35
– negative fair value	X	-	-	-
<b>2) Protection sales</b>				
– notional amount	X	-	33	8
– positive fair value	X	-	-	-
– negative fair value	X	-	-1	-9
<b>Contracts included under netting agreements</b>				
<b>1) Protection purchases</b>				
– notional amount	49,299	12,574	12,880	-
– positive fair value	-	158	146	-
– negative fair value	-1,615	-171	-211	-
<b>2) Protection sales</b>				
– notional amount	46,227	13,042	11,831	-
– positive fair value	1,508	153	225	-
– negative fair value	-	-173	-161	-

As at 31 December 2021, none of the contracts shown in the table above have been included within the structured credit products.

**B.4. Residual maturity of over the counter credit trading derivatives: notional amounts**

Underlying/Residual maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	(millions of euro) Total
1. Protection sales	4,426	66,021	694	71,141
2. Protection purchases	4,719	69,749	531	74,999
<b>Total 31.12.2021</b>	<b>9,145</b>	<b>135,770</b>	<b>1,225</b>	<b>146,140</b>
<b>Total 31.12.2020</b>	<b>9,350</b>	<b>114,049</b>	<b>1,594</b>	<b>124,993</b>

**B.5. Credit derivatives associated with the fair value option: annual changes**

The Intesa Sanpaolo Group does not hold credit derivatives associated with the fair value option.

### 1.3.2. Accounting hedges

#### Qualitative information

On first-time adoption of IFRS 9, the Intesa Sanpaolo Group exercised its option under the said Standard to continue to fully apply the rules of IAS 39 for all types of hedges (micro and macro hedges). As a result, the provisions of IFRS 9 on hedging do not apply.

#### A. Fair value hedging

The hedging carried out by the Intesa Sanpaolo Group is aimed at protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve (interest rate risk).

The Group uses both micro fair value hedges and macro fair value hedges.

The micro fair value hedges mainly hedge bonds issued, securities under assets and loans to customers.

The macro fair value hedges are used for:

- core deposits, based on the applicable standards in the carved-out version of IAS 39 in accordance with the option provided by IFRS 9 to make use of the possibility of fully applying the provisions of IAS 39 on hedges;
- the already fixed portion of floating-rate loans, in which the macro fair value hedge is used to hedge the interest rate risk inherent in the floating-rate coupons of the loans granted, when the coupon rate is set;
- a portion of fixed-rate loans; for this type, in line with the carved-out version of IAS 39, an open-portfolio macrohedging model has been adopted according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics.

The main types of derivative contracts used are plain and structured interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS), forward sales and options on interest rates stipulated with third parties.

The derivatives are not listed on regulated markets but are traded in OTC (over the counter) circuits. The OTC (over the counter) contracts also include contracts entered into through clearing houses.

#### B. Cash flow hedging

The hedging carried out by the Intesa Sanpaolo Group is aimed at protecting the Group from the exposure to changes in future cash flows attributable to movements in the interest rate curve, associated with a particular asset/liability, such as variable future interest payments on a debt/loan or a highly probable expected future transaction.

The Group uses both micro cash flow hedges and macro cash flow hedges.

The micro cash flow hedges mainly hedge bonds issued.

The macro cash flow hedges are used for:

- floating-rate funding when it is used to finance fixed-rate loans;
- floating-rate loans to hedge the fixed-rate funding.

The derivatives used are interest rate swaps (IRS) with third parties or with other Group companies, which, in turn, hedge the risk in the market to meet the requirements for the outsourcing of the hedges to third-party counterparties required to qualify the hedges as IAS-compliant in the consolidated financial statements.

The derivatives are not listed on regulated markets but are traded in OTC (over the counter) circuits. The OTC contracts also include contracts brokered through clearing houses.

#### C. Hedging of foreign investments

In 2021, foreign exchange hedges were taken out against the foreign exchange risk on the cost of funding in foreign currency and on foreign currency gains generated by the Group. These are operational hedges, which are therefore not recognised as accounting hedges covered by this section.

#### D. Hedging instruments

The main causes of ineffectiveness of the model adopted by the Group for verifying the effectiveness of the hedges are attributable to the following:

- misalignment between the notional value of the derivative and the hedged underlying recognised at the time of initial designation or generated subsequently, such as in the case of partial repayments of loans or the repurchase of bonds;
- application of different curves on the hedging derivative and hedged item for the purpose of carrying out the effectiveness test on fair value hedges. The derivatives, which are normally collateralised or entered into through clearing houses, are discounted on the Overnight curves, while the hedged items are discounted on the indexing curve of the hedging instrument;
- inclusion in the effectiveness test of the value of the variable leg of the hedging derivative, in the case of fair value hedges.

The ineffectiveness of the hedge is promptly recognised for the purposes of:

- the determination of the effect on the income statement;
- the assessment of the possibility of continuing to apply the hedge accounting rules.

The Group does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

## E. Hedged items

The main types of hedged items are:

- debt securities under assets;
- debt securities issued and non-securities funding;
- fixed-rate loans;
- floating-rate loans;
- optional embedded component of floating-rate mortgages;
- already fixed coupon of floating rate-loans;
- modelled on demand deposits.

### E.1 Debt securities under assets

These are hedged by micro fair value hedges, using IRS (interest rate swaps), OIS (overnight index swaps) and CCS (cross-currency swaps) as hedging instruments.

The interest rate risk is generally hedged for the entire duration of the obligation.

The Dollar Offset Method is used to verify the hedge effectiveness. This method is based on the ratio between the cumulative changes (from the inception of the hedge) in the fair value of the hedging instrument, attributable to the hedged risk, and past changes in the fair value of the hedged item (fair value change), net of accrued interest.

Micro fair value hedges also include forward sales on securities in the HTCS portfolio, carried out to hedge fair value risks from movements in credit spreads and interest rate curves. With regard to the forward sale contract, which is a derivative because it is a non-regular way transaction, the spot component is separated from the interest component by designating only the spot component as the hedging instrument in a fair value hedging relationship.

### E.2 Debt securities issued and non-securities funding

The Group currently has micro fair value hedges in place on fixed- or structured-rate funding and micro cash flow hedges or macro cash flow hedges on floating-rate funding, using IRS (interest rate swaps), OIS (overnight index swaps) and CCS (cross-currency swaps) as hedging instruments.

The interest rate risk is generally hedged for the entire duration of the obligation.

For the micro hedges, the hedge effectiveness is verified using the Dollar Offset Method. This method is based on the ratio between the cumulative changes (from the inception of the hedge) in the fair value or the cash flows of the hedging instrument, attributable to the hedged risk, and past changes in the fair value or the cash flows of the hedged item (fair value change), net of accrued interest.

For the macro hedges, the hedge effectiveness is verified by means of a capacity test. This test involves a comparison of the consistency between the hedged items, referring to existing and expected floating-rate funding (so-called highly probable future transactions), and the hedging instruments, which must always be confirmed throughout the life of the hedging relationship and for each time band. In this case, the hedged item is represented by the expected cash flows from funding that will arise over the life of the issues.

### E.3 Fixed-rate loans

The Group has designated micro fair value hedges for fixed-rate loans and macro fair value hedges for mortgage loans in the retail segment, mainly using IRS (interest rate swaps) as hedging instruments.

In a micro fair value hedge, the interest rate risk is generally hedged throughout the life of the underlying.

For the micro hedges, the hedge effectiveness is verified using the Dollar Offset Method.

For the macro hedges, the loan portfolio hedged is open, i.e. it is dynamically composed of fixed-rate instruments managed at aggregate level through hedging derivatives entered into over time.

The effectiveness of the macro hedges on fixed-rate loans is periodically verified through specific prospective and retrospective tests aimed at demonstrating that the hedged portfolio contains an amount of assets whose sensitivity profile and changes in fair value due to interest rate risk reflect those of the derivatives used for the hedge.

### E.4 Floating-rate loans

The Group currently has macro cash flow hedges in place on floating-rate loans, mainly using IRS as hedging instruments.

The hedge effectiveness is verified by means of a capacity test. This test involves a comparison of the consistency between the hedged items, referring to the floating-rate loans outstanding, and the hedging instruments, which must always be confirmed throughout the life of the hedging relationship and for each time band. In this case, the hedged item is represented by the expected cash flows originating from the loans that will arise over the life of the assets.

### E.5 Optional embedded component of floating-rate mortgages

The optional embedded components (interest rate options) of floating-rate mortgages are hedged by micro fair value hedges, using options (cap, floor, collar) as hedging instruments.

The underlying assets may be partially or totally hedged, over time and in terms of amount.

The Dollar Offset Method is used to verify the hedge effectiveness.

### E.6 Already fixed coupon of floating-rate loans

The Group has designated macro fair value hedges on coupons already set for floating-rate loans using OIS (overnight index swaps) as hedging instruments.

The purpose of this type of hedge is to neutralise the interest rate risk generated by the coupons already set for floating-rate loans.

The Dollar Offset Method is used to verify the hedge effectiveness, while the actual consistency of the hedged items is verified by a capacity test.

**E.7 Modelled on demand deposits.**

Modelled on demand deposits are hedged by macro fair value hedges, as required by the “carve out” of IAS 39, using IRS (interest rate swaps) and OIS (overnight index swaps) as hedging instruments.

The purpose of this type of hedge is to protect the net interest income from possible falls in interest rates that reduce the spread generated by core deposits.

The model is subject to continuous monitoring and verification by the Market and Financial Risk Management Head Office Department, in order to promptly incorporate changes in the main characteristics (volumes, stability, reactivity) and make the necessary adjustments where appropriate.

The Dollar Offset Method is used to verify the hedge effectiveness.

**Quantitative information****A. Financial hedging derivatives***A.1 Financial hedging derivatives: period-end notional amounts*

(millions of euro)

Underlying asset/Type of derivative	31.12.2021				31.12.2020			
	Over the counter			Organised markets	Over the counter			Organized markets
	Central Counterparties	Without central counterparties			Central Counterparts	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	253,424	29,784	8,435	-	225,066	25,626	5,617	-
a) Options	-	1,851	-	-	-	2,229	-	-
b) Swaps	253,424	27,195	7,687	-	225,066	22,827	4,173	-
c) Forwards	-	718	748	-	-	550	1,444	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	20	-	-	-	20	-	-
2. Equities and stock indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	-	9,576	26	175	-	7,425	31	59
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	9,576	26	175	-	7,425	31	59
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
TOTAL	253,424	39,360	8,461	175	225,066	33,051	5,648	59

The average notional amount in the year of the financial hedging derivatives was 235,245 million euro.



## A.2 Financial hedging derivatives: gross positive and negative fair value – breakdown by product

Type of derivative	Positive and negative fair value								(millions of euro)	
									Change in value used to calculate hedge effectiveness	
	Total 31.12.2021				Total 31.12.2020				Total 31.12.2021	Total 31.12.2020
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties				
With netting agreements		Without netting agreements	With netting agreements	Without netting agreements						
Positive fair value										
a) Options	-	26	-	-	-	10	-	-	-114	-155
b) Interest rate swap	2,816	712	61	-	3,082	834	1	-	2,505	2,682
c) Cross currency swap	-	483	-	-	-	287	-	-	68	103
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	1	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	1	-	-	-	-
Total	2,816	1,221	61	-	3,082	1,132	2	-	2,459	2,630
Negative fair value										
a) Options	-	2	-	-	-	3	-	-	2	3
b) Interest rate swap	5,238	2,492	63	-	9,455	2,626	161	-	5,743	8,871
c) Cross currency swap	-	380	7	-	-	407	5	-	378	204
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	6	1	-	-	-	12	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	2	-	-
Total	5,238	2,880	71	-	9,455	3,036	178	2	6,123	9,078

## A.3 Over the counter financial hedging derivatives: notional values, gross positive and negative fair values by counterparty

Underlying asset	(millions of euro)			
	Central counterparties	Banks	Other financial companies	Other counterparties
<b>Contracts not included under netting agreements</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	X	5,172	3,263	-
- positive fair value	X	33	28	-
- negative fair value	X	-53	-11	-
<b>2) Equities and stock indices</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>3) Foreign exchange rates and gold</b>				
- notional amount	X	26	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-7	-	-
<b>4) Commodities</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>5) Other</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>Contracts included under netting agreements</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	253,424	28,250	1,534	-
- positive fair value	2,816	702	36	-
- negative fair value	-5,238	-1,626	-875	-
<b>2) Equities and stock indices</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>3) Foreign exchange rates and gold</b>				
- notional amount	-	8,285	1,291	-
- positive fair value	-	458	25	-
- negative fair value	-	-172	-207	-
<b>4) Commodities</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>5) Other</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

## A.4 Residual maturity of over the counter financial hedging derivatives: notional amounts

Underlying/Residual maturity	(millions of euro)			
	Up to 1 year	Between 1 and 5 years	Over 5 year	Total
A.1 Financial derivatives on debt securities and interest rates	59,977	121,797	109,869	291,643
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on foreign exchange rates and gold	370	4,536	4,696	9,602
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
<b>Total 31.12.2021</b>	<b>60,347</b>	<b>126,333</b>	<b>114,565</b>	<b>301,245</b>
<b>Total 31.12.2020</b>	<b>60,460</b>	<b>100,373</b>	<b>102,932</b>	<b>263,765</b>

## Information on the uncertainty deriving from hedging derivative benchmark indices

As illustrated in Part A – Accounting policies, the Intesa Sanpaolo Group, from the 2019 Financial Statements, has applied Regulation (EU) 34/2020 of 15 January 2020, which adopted the document issued by the IASB in September 2019 on “Interest Rate Benchmark Reform (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)”. This regulation introduced several amendments regarding hedge accounting designed to prevent uncertainties about the amount and timing of the cash flows arising from the rate reform resulting in the discontinuation of existing hedges and difficulties in designating new hedging relationships. Therefore, the analysis of hedge effectiveness was carried out considering the flows and timing of outstanding hedging derivatives, assuming that the interest rate benchmarks used to set existing interest rates will not be changed as a result of the Interest Rate Benchmark Reform (IBOR Reform).

The disclosure required by IFRS 7, paragraph 24H, on the uncertainty arising from interest rate benchmark reform on hedging relationships and the nominal amount of hedging instruments potentially impacted by the benchmark rate reform is provided below.

## B. Credit hedging derivatives

### *B.1 Credit hedging derivatives: period-end notional amounts*

### *B.2 Credit hedging derivatives: gross positive and negative fair value - breakdown by product*

### *B.3 Over the counter credit hedging derivatives: notional values, gross positive and negative fair values by counterparty*

### *B.4 Residual maturity of over the counter credit hedging derivatives: notional amounts*

The Intesa Sanpaolo Group does not hold credit derivatives classified as hedges in its portfolio.

## C. Non-derivative hedging instruments

### *C.1 Non-derivative hedging instruments: breakdown by accounting portfolio and type of hedge*

The Intesa Sanpaolo Group has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).

For this reason, the Intesa Sanpaolo Group does not hold financial instruments to be shown in table “C.1 Non-derivative hedging instruments: breakdown by accounting portfolio and type of hedge”.

### *Fair value hedge derivatives*

Fair value hedge derivatives of the Group are mainly index-linked to the Euribor, whose calculation method was revised during 2019 to be able to continue using that parameter also after 1 January 2022, both for outstanding contracts and new contracts. To make the Euribor compliant with the EU Benchmarks Regulation (BMR - Regulation 2016/1011/EU) the EMMI - European Money Markets Institute - implemented the change to a new “hybrid” calculation method. The current calculation system – which was completed at the end of November 2019 – does not change the economic variable that the benchmark measures: the Euribor expresses the actual cost of funding for contributing European banks, and is always available and consultable.

Therefore, it is not deemed to be uncertainty on the timing or cash flows of the Euribor, and the fair value hedges linked to the Euribor are not deemed to be impacted by the reform, in line with the approach already adopted in previous years.

The fair value hedges also include derivatives index-linked to benchmarks impacted by the reform, specifically to the EONIA and the LIBOR, for the various currencies, which are being replaced with new risk-free interest rates. In Europe, the EONIA fixing, calculated starting from October 2019 based on the new risk-free rate €STR, was published until the end of 3 January 2022, in reference to operations as at 31 December 2021, and then permanently replaced by €STR. For the LIBOR fixing, publication took place until 31 December 2021, with the exception of the USD LIBOR, the discontinuation of which was postponed until June 2023, and there are alternative risk-free rates available in the individual nations, which will replace the LIBOR. In further detail, 31 December 2021 was the final date for publication of the one-week and two-month USD LIBOR rates, whereas the USD LIBOR rates on the other maturities will continue to be published until 30 June 2023.

Specifically, as at 31 December 2021, there were fair value hedges linked to parameters impacted by the reform, with a total notional value of 16,712 million (48,175 million euro as at 31 December 2020), relating to the following parameters:

- EONIA with a notional value of 4 million euro (32,461 million euro as at 31 December 2020);
- USD LIBOR with a notional value of 16,646 million euro (15,266 million euro as at 31 December 2020);
- other rates impacted by the reform represented by LIBOR in other currencies for a notional value of 62 million euro (448 million euro at 31 December 2020).

The total notional value of the fair value hedge derivatives impacted by the reform represents 6% of the Group's total of fair value hedge derivatives (19% as at 31 December 2020). In 2021, there was also a progressive increase in the use of derivatives indexed to the €STR in the hedging subject to hedge accounting.

These amounts are included in the disclosure provided on the IBOR Reform in Part A, Section 4 - Other aspects. Specifically, the table published includes, in the “derivatives” column, both trading and hedging derivatives not yet passed to the alternative benchmarks as at 31 December 2021. See that section for qualitative analyses of the methods of management of the transition by the Group.

*Cash flow hedge derivatives*

Cash flow hedge derivatives are index-linked to the Euribor. As illustrated for fair value hedges, the Group does not deem that there is uncertainty on the timing or cash flows of the Euribor, and, therefore does not consider the cash flow hedges linked to the Euribor to be impacted by the reform.

**D. Hedged items**

The Intesa Sanpaolo Group has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).

*D.1 Fair value hedges*

(millions of euro)						
	Micro-hedges: book value	Micro-hedges – net positions: book value of assets and liabilities (prior to netting)	Cumulative fair value changes (hedged instrument)	Micro-hedges Termination of hedging: residual cumulative fair value changes	Changes in value used to assess hedge ineffectiveness	Macro-hedges: book value
<b>A. Assets</b>						
<b>1. Financial assets designated at fair value through other comprehensive income – hedging of:</b>	<b>46,591</b>	<b>-</b>	<b>-277</b>	<b>453</b>	<b>-226</b>	<b>-</b>
1.1 Debt securities and interest rates	43,778	-	-266	453	-264	X
1.2 Equities and stock indices	-	-	-	-	-	X
1.3 Foreign exchange rates and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	2,813	-	-11	-	38	X
<b>2. Financial assets measured at amortised cost - hedging of:</b>	<b>38,088</b>	<b>-</b>	<b>3,660</b>	<b>-263</b>	<b>2,999</b>	<b>76,009</b>
1.1 Debt securities and interest rates	37,379	-	3,307	-263	2,642	X
1.2 Equities and stock indices	-	-	-	-	-	X
1.3 Foreign exchange rates and gold	118	-	-2	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	591	-	355	-	357	X
<b>Total 31.12.2021</b>	<b>84,679</b>	<b>-</b>	<b>3,383</b>	<b>190</b>	<b>2,773</b>	<b>76,009</b>
<b>Total 31.12.2020</b>	<b>77,913</b>	<b>-</b>	<b>6,187</b>	<b>634</b>	<b>5,246</b>	<b>77,305</b>
<b>B. Liabilities</b>						
<b>1. Financial liabilities measured at amortised cost - hedging of:</b>	<b>61,269</b>	<b>-</b>	<b>740</b>	<b>3</b>	<b>697</b>	<b>61,554</b>
1.1 Debt securities and interest rates	56,334	-	720	3	669	X
1.2 Foreign exchange rates and gold	-	-	-	-	-	X
1.3 Other	4,935	-	20	-	28	X
<b>Total 31.12.2021</b>	<b>61,269</b>	<b>-</b>	<b>740</b>	<b>3</b>	<b>697</b>	<b>61,554</b>
<b>Total 31.12.2020</b>	<b>60,506</b>	<b>-</b>	<b>1,949</b>	<b>-5</b>	<b>2,084</b>	<b>34,996</b>

## D.2 Cash flow hedges and hedges of foreign investments

	Change in value used to assess hedge ineffectiveness	Hedging reserves	(millions of euro) Termination of hedging: residual cumulative value of the hedging reserves
<b>A. Cash flow hedge</b>			
<b>1. Assets</b>	<b>-52</b>	<b>-40</b>	<b>-</b>
1.1 Debt securities and interest rates	-52	-40	-
1.2 Equities and stock indices	-	-	-
1.3 Foreign exchange rates and gold	-	-	-
1.4 Loans	-	-	-
1.5 Other	-	-	-
<b>2. Liabilities</b>	<b>-699</b>	<b>-567</b>	<b>-</b>
1.1 Debt securities and interest rates	-699	-567	-
1.2 Foreign exchange rates and gold	-	-	-
1.3 Other	-	-	-
<b>Total (A) 31.12.2021</b>	<b>-751</b>	<b>-607</b>	<b>-</b>
<b>Total (A) 31.12.2020</b>	<b>-1,038</b>	<b>-781</b>	<b>-</b>
<b>B. Hedges of foreign investments</b>	<b>X</b>	<b>-</b>	<b>-</b>
<b>Total (A+B) 31.12.2021</b>	<b>-751</b>	<b>-607</b>	<b>-</b>
<b>Total (A+B) 31.12.2020</b>	<b>-1,038</b>	<b>-781</b>	<b>-</b>

## E. Effects of hedging on shareholders' equity

## E.1 Reconciliation of components of shareholders' equity

	Cash flow hedging reserve					Reserve for hedging of foreign investments				
	Debt securities and interest rates	Equities and stock indices	Foreign exchange rates and gold	Loans	Other	Debt securities and interest rates	Equities and stock indices	Foreign exchange rates and gold	Loans	Other
<b>Initial amount</b>	<b>-781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fair value changes (effective portion)	174	-	-	-	-	-	-	-	-	-
Reclassification to the income statement	-	-	-	-	-	-	-	-	-	-
<i>of which: future transaction not expected</i>	-	-	-	-	-	X	X	X	X	X
Other changes	-	-	-	-	-	-	-	-	-	-
<i>of which: transfer to initial book value</i>	-	-	-	-	-	X	X	X	X	X
<b>Final amount</b>	<b>-607</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The category "Hedging instruments (non-designated items)" is not present, because the Intesa Sanpaolo Group has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).

### 1.3.3. Other information on derivative instruments (trading and hedging)

#### A. Credit and financial derivatives

##### A.1 Over the counter credit and financial derivatives: net fair values by counterparty

	Central counterparties	Banks	Other financial companies	(millions of euro) Other counterparties
<b>A. Financial derivatives</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	1,784,370	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-2,352	-	-	-
<b>2) Equities and stock indices</b>				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
<b>3) Foreign exchange rates and gold</b>				
- notional amount	-	-	-	1
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
<b>4) Commodities</b>				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
<b>5) Other</b>				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
<b>B. Credit derivatives</b>				
<b>1) Protection purchases</b>				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
<b>2) Protection sales</b>				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

The table shows the values resulting from the offsetting in the balance sheet for the derivatives whose netting agreements meet the criteria set out in IAS 32 paragraph 42.

In particular, the above refers mainly to OTC trading and hedging financial and credit derivatives in place with the legal clearing agent LCH LTD, for which the fair values attributable to transactions on own account and transactions on behalf of customers have been offset separately in the financial statements.

The overall negative result of 2,352 million euro (negative fair value of 43,435 million euro and positive fair value of 41,083 million euro) is reported in Part B of the Notes to the financial statements under hedging derivatives liabilities at 1,842 million euro for the first transaction type and under financial liabilities held for trading at 510 million euro for the second transaction types.

## 1.4 LIQUIDITY RISK

### QUALITATIVE INFORMATION

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

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

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

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

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

The Intesa Sanpaolo Group Liquidity Risk Management Guidelines, which already referred to Bank of Italy Circulars 263 and 285, and Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR), have reflected all of the related regulatory provisions.

The Group Liquidity Risk Management Guidelines approved by Intesa Sanpaolo's Corporate Bodies illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. To this end, they include procedures for identifying risk factors, measuring risk exposure and verifying observance of limits, conducting stress tests, identifying appropriate risk mitigation initiatives, drawing up emergency plans and submitting informational reports to company bodies.

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

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

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

In order to pursue an integrated, consistent risk management policy, strategic decisions regarding liquidity risk monitoring and management at the Group level fall to the Parent Company's Corporate Bodies. From this standpoint, the Parent Company performs its functions of monitoring and managing liquidity not only in reference to its own organisation, but also by assessing the Group's overall transactions and the liquidity risk to which it is exposed.

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

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

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

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



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

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

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

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

The Survival Period is an internal indicator designed to measure the first day on which the net liquidity position (calculated as the difference between available liquidity reserves and net outflows) becomes negative, i.e. when additional liquidity is no longer available to cover simulated net outflows. To this end, two different scenario hypotheses are considered, baseline and stressed, designed to measure, respectively: (i) the Group's independence from interbank funding on the financial markets and (ii) the survival period in the event of further tensions of a market and idiosyncratic nature, of medium-high severity, managed without envisaging restrictions on credit activity involving customers. For the Survival Period indicator, in stress conditions it is established that a minimum survival period must be maintained with the purpose of establishing an overall level of reserves covering greater cash outflows during a period of time that is adequate to implement the required operating measures to restore the Group to balanced conditions.

The aim of the Intesa Sanpaolo Group's structural Liquidity Policy is to adopt the structural requirement provided for by the regulatory provisions - the Net Stable Funding Ratio (NSFR). This indicator is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. To this end, it sets a minimum "acceptable" amount of funding exceeding one year in relation to the needs originating from the characteristics of liquidity and residual duration of assets and off-balance sheet exposures. In addition, the internal policy on structural liquidity also includes early warning indicators for maturities of more than 1 year, with particular attention to long-term gaps (> 5 years).

The Group Liquidity Risk Management Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration. By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, also indicating the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Market and Financial Risk Management Head Office Department. Within this framework, the Group Treasury and Finance Department was officially entrusted with drawing up the Contingency Funding Plan (CFP), which contains the various lines of actions that can be activated in order to face potential stress situations, specifying the extent of the mitigating effects attainable in the short-term.

### Impacts from the COVID-19 pandemic

All the necessary preventive management and control measures implemented from the outset of the COVID-19 emergency remain in place to detect any signs of potential exacerbation of liquidity conditions.

The Group's liquidity position - supported by suitable high-quality liquid assets (HQLA) and the significant contribution from retail stable funding - remained within the risk limits set out in the current Group Liquidity Policy for all of 2021. Both regulatory indicators, LCR and NSFR, were well above the regulatory requirements. In 2021, the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average<sup>77</sup> of 184.5% (159.1% in December 2020). The NSFR was also significantly higher than 100%, supported by a solid base of stable deposits from customers, further increased during the year, adequate wholesale medium/long-term securities funding and the TLTRO funding from the ECB. At 31 December 2021, the Intesa Sanpaolo Group's NSFR, measured in accordance with regulatory instructions, was 127.3%. This indicator remains significantly higher than 100%, even excluding the positive contribution from TLTRO funding.

At the end of December 2021, the exact value of total unencumbered HQLA reserves at the various Treasury Departments of the Group totalled 187 billion euro (170 billion euro at the end of 2020), approximately 72% of which consisted of cash as a result of higher temporary excess liquidity payments in the form of unrestricted deposits held at central banks compared to the end of 2020. Adding the other marketable reserves and/or eligible Central Bank reserves, including retained self-securitisations, the Group's unencumbered liquidity reserves amounted to a total of 192 billion euro.

<sup>77</sup> The figure shown refers to the simple average of the last 12 months of monthly observations, as per Regulation (EU) 2021/637.

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

(\*) The figures include the UBI Group's contribution

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

Intesa Sanpaolo's funding strategy is based on maintaining diversity in terms of customers, products, maturities and currencies. Intesa Sanpaolo's main sources of funding consist of: (i) deposits from the domestic Retail and Corporate market, which represent the stable portion of funding, (ii) short-term funding on wholesale markets, largely consisting of repurchase agreements and CD/CP funding, and (iii) medium/long-term funding, mainly composed of own issues (covered bonds/ABS and other senior debt securities in the euro and US markets, in addition to subordinated securities) and refinancing operations with the Eurosystem (TLTRO). The Group Liquidity Risk Management Guidelines require the regular monitoring of the concentration analyses for the funding (by counterparty/product) and for the liquidity reserves (by issuer/counterparty). Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was regularly provided to the corporate bodies and internal committees in order to ensure full awareness and manageability of the risk factors. This report includes an assessment of the liquidity risk exposure, also determined based on the adverse scenarios. The Board of Directors of Intesa Sanpaolo is regularly involved in defining the strategy for maintaining an adequate liquidity position at the level of the entire Group.

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

## QUANTITATIVE INFORMATION

### 1. Breakdown by contractual residual maturity of financial assets and liabilities

The breakdown by maturity of financial assets and liabilities is shown in the tables below according to the rules set forth in the financial statement regulations (Bank of Italy Circular 262 and related clarifications issued by the Supervisory Authority), using accounting information organised by contractual residual maturity. Therefore, no operational data was used that would require, for example, the modelling of core deposits and the representation of on-balance sheet items according to their level of liquidity.

**Currency of denomination: Euro**

Type/Residual maturity	(millions of euro)									Unspecified maturity
	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	
<b>A. Cash assets</b>	<b>58,486</b>	<b>18,768</b>	<b>3,727</b>	<b>14,663</b>	<b>21,018</b>	<b>24,921</b>	<b>40,602</b>	<b>184,347</b>	<b>198,019</b>	<b>125,266</b>
A.1 Government bonds	29	12	267	144	424	1,636	3,823	16,826	47,183	-
A.2 Other debt securities	253	395	696	4,581	315	884	1,381	9,167	19,648	-
A.3 Quotas of UCI	3,461	-	-	-	-	-	-	1	-	8
A.4 Loans	54,743	18,361	2,764	9,938	20,279	22,401	35,398	158,353	131,188	125,258
- Banks	14,180	8,195	363	298	1,076	388	1,072	1,352	400	125,130
- Customers	40,563	10,166	2,401	9,640	19,203	22,013	34,326	157,001	130,788	128
<b>B. Cash liabilities</b>	<b>439,478</b>	<b>3,661</b>	<b>770</b>	<b>2,365</b>	<b>6,101</b>	<b>10,618</b>	<b>28,944</b>	<b>158,586</b>	<b>21,441</b>	<b>-</b>
B.1 Deposits and current accounts	406,496	1,570	393	1,249	1,174	4,260	1,923	6,829	846	-
- Banks	2,796	220	17	54	24	47	87	4,922	371	-
- Customers	403,700	1,350	376	1,195	1,150	4,213	1,836	1,907	475	-
B.2 Debt securities	28	1	49	921	4,300	5,534	9,240	38,530	17,036	-
B.3 Other liabilities	32,954	2,090	328	195	627	824	17,781	113,227	3,559	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with exchange of capital										
- Long positions	3,862	7,971	3,809	10,044	27,190	9,300	8,756	16,534	8,904	-
- Short positions	4,697	7,298	3,736	8,581	19,750	6,696	6,936	14,785	11,848	-
C.2 Financial derivatives without exchange of capital										
- Long positions	16,531	61	2	157	159	268	478	70	151	-
- Short positions	23,155	21	9	94	183	410	543	70	151	-
C.3 Deposits and loans to be settled										
- Long positions	49,554	-	-	-	-	-	-	-	-	-
- Short positions	-	49,454	-	-	100	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	3,600	24,169	9	100	952	453	715	16,856	2,345	-
- Short positions	48,378	-	8	49	32	98	134	162	220	-
C.5 Financial guarantees given	853	8	5	15	136	111	224	413	169	-
C.6 Financial guarantees received	175	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	75	20	-	498	774	-
- Short positions	-	-	-	-	75	20	-	498	774	-
C.8 Credit derivatives without exchange of capital										
- Long positions	1,571	-	-	-	-	-	-	-	-	-
- Short positions	1,611	-	-	-	-	-	-	-	-	-

**Currency of denomination: Other currencies**

Type/Residual maturity	(millions of euro)									Unspecified maturity
	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	
<b>A. Cash assets</b>	<b>3,619</b>	<b>7,318</b>	<b>1,364</b>	<b>3,512</b>	<b>6,090</b>	<b>4,743</b>	<b>6,255</b>	<b>30,389</b>	<b>16,233</b>	<b>1,788</b>
A.1 Government bonds	1	37	3	135	531	495	1,292	7,491	9,232	-
A.2 Other debt securities	39	27	41	230	144	231	137	3,606	1,584	5
A.3 Quotas of UCI	459	-	-	-	-	-	-	-	-	13
A.4 Loans	3,120	7,254	1,320	3,147	5,415	4,017	4,826	19,292	5,417	1,770
- Banks	549	5,527	458	816	1,750	924	1,135	582	79	1,753
- Customers	2,571	1,727	862	2,331	3,665	3,093	3,691	18,710	5,338	17
<b>B. Cash liabilities</b>	<b>24,236</b>	<b>6,444</b>	<b>5,655</b>	<b>4,639</b>	<b>5,605</b>	<b>1,170</b>	<b>2,661</b>	<b>11,839</b>	<b>6,825</b>	<b>-</b>
B.1 Deposits and current accounts	22,491	2,807	1,494	1,358	1,985	635	858	2,094	246	-
- Banks	1,160	1,260	694	655	620	69	99	956	85	-
- Customers	21,331	1,547	800	703	1,365	566	759	1,138	161	-
B.2 Debt securities	4	222	279	520	514	518	1,744	9,436	5,623	-
B.3 Other liabilities	1,741	3,415	3,882	2,761	3,106	17	59	309	956	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with exchange of capital										
- Long positions	97	13,713	7,974	13,123	17,789	9,539	11,493	19,844	12,319	-
- Short positions	336	14,648	8,473	14,054	26,921	12,916	12,519	21,531	7,537	-
C.2 Financial derivatives without exchange of capital										
- Long positions	1,490	8	112	72	54	73	215	228	-	-
- Short positions	1,434	39	71	47	69	69	183	229	1	-
C.3 Deposits and loans to be settled										
- Long positions	667	-	-	-	-	-	-	-	-	-
- Short positions	-	4	410	141	88	23	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	196	6	87	178	1,313	1,057	1,858	11,894	968	-
- Short positions	15,756	51	1	2	15	35	129	124	245	-
C.5 Financial guarantees given	675	7	4	33	98	198	256	413	255	-
C.6 Financial guarantees received	125	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	40	-	-
- Short positions	-	-	-	-	-	-	-	40	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	649	-	-	-	-	-	-	-	-	-
- Short positions	667	-	-	-	-	-	-	-	-	-

**2. Self-securitisations**

A brief illustration of the securitisations originated by Intesa Sanpaolo outstanding as at 31 December 2021 is shown below, in which the Bank subscribed all the securities issued by the related vehicle (self-securitisations), and which need not be shown in the tables of Part E, section C "Securitisations" of the Notes to the financial statements.

**Adriano Lease SEC S.r.l.**

This is a securitisation that was carried out in December 2017, which took the form of the sale by Mediocredito Italiano S.p.A. of a loan portfolio selected on the basis of pre-defined criteria and arising from performing property, equipment and car lease contracts to Adriano Lease Sec S.r.l. for a total amount of approximately 4.2 billion euro. The purpose of the transaction is to expand the liquidity reserve that can be used by the bank for refinancing operations on the Eurosystem.

The vehicle Adriano Lease Sec S.r.l. originally issued two series of notes:

- a senior tranche (Class A), with a nominal amount of 2.9 billion euro, listed and assigned an A1 rating by Moody's and an A rating by DBRS Morningstar;
- a junior tranche (Class B), with a nominal amount of 1.4 billion euro, unlisted and unrated.

Following the merger by incorporation, the securities originally purchased by Mediocredito Italiano S.p.A. were included in Intesa Sanpaolo. As at 31 December 2021, the senior securities came to 686 million euro and junior securities to 1,351 million euro.

The senior securities are eligible for use in the Eurosystem.

**Brera Sec S.r.l.**

In October 2017, a self-securitisation was structured, carried out through the sale of five loan portfolios to the vehicle company Brera Sec S.r.l. and originated by the Parent Company and by four banks of the Group subsequently incorporated into Intesa Sanpaolo (Banco di Napoli, Cassa di Risparmio di Forlì e della Romagna and Cassa di Risparmio del Friuli Venezia Giulia, incorporated in the second half of 2018 and Cassa di Risparmio in Bologna, incorporated in the first half of 2019). The underlying consisted of residential mortgage loans held by households and/or family businesses. This transaction was the Group's first Multi-Originator Residential Mortgage Backed Security ("RMBS") securitisation.

The transaction involved the issuance by the vehicle company of two tranches of securities:

- a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar);
- and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed pro rata by each individual selling bank based on the sale price of each portfolio.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).

The total sale consideration was 7.1 billion euro. The sale price of each portfolio sold was settled through the issuance of securities on 11 December 2017 for a total of 7.1 billion euro.

The senior securities, which are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating, have been subscribed by Intesa Sanpaolo.

A retrocession of 67 million euro was finalised in January 2021.

As at 31 December 2021, the value of the outstanding subscribed securities was 3,342 million euro for the senior securities and 1,067 million euro for the junior securities.

**Brera Sec S.r.l. (SME)**

In October 2018, a self-securitisation was structured, implemented through the sale of three loan portfolios to the vehicle company Brera Sec S.r.l. and originated by the Parent Company and three of the Group banks subsequently incorporated by Intesa Sanpaolo (Banco di Napoli, incorporated in the second half of 2018 and Cassa di Risparmio di Bologna and Cassa di Risparmio di Firenze, incorporated in the first half of 2019). The underlying is made up of mortgage loans and other loans to small and medium enterprises and corporates (the latter only if the group turnover is less than 100 million euro).

This is a Group multi-Originator Asset Backed Security ("ABS") securitisation and the first with an underlying of SME loans.

The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating. Both the senior and junior securities were subscribed pro rata by each individual selling bank based on the sale price of each portfolio.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

On origination, the total sale consideration was 5.3 billion euro. The sale price of each portfolio was settled through the issuance of securities on 14 December 2018 for a total of 5.3 billion euro.

The senior securities, which are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating, have been subscribed by Intesa Sanpaolo.

A retrocession of 23 million euro was finalised in January 2021.

As at 31 December 2021, the value of the outstanding securities was 447 million euro for the senior securities and 1,530 million euro for the junior securities.

**Brera Sec S.r.l. (SEC 2)**

In September 2019, a self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's second Residential Mortgage Backed Security ("RMBS") securitisation.

The transaction involved the issuance on 27 November 2019 by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The total sale consideration was 7.5 billion euro. The sale price of the portfolio was settled through the issuance of securities on 27 November 2019 for a total of 7.5 billion euro.

The senior securities, which are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating, have been fully subscribed by Intesa Sanpaolo.

A retrocession of 52 million euro was finalised in January 2021.

As at 31 December 2021, the value of the outstanding securities was 5,034 million euro for the senior securities and 860 million euro for the junior securities.

**Brera Sec S.r.l. (SEC 3)**

In October 2021, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's third Residential Mortgage Backed Security ("RMBS") securitisation.

The transaction involved the issuance on 1 December 2021 by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo, so that the loans could remain in the balance sheet of Intesa Sanpaolo without derecognition.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The total sale consideration was 7.7 billion euro. The sale price of the portfolio was settled through the issuance of securities on 1 December 2021 for a total of 7.7 billion euro.

The senior securities, which are listed with an A1 Moody's and an A (High) DBRS Morningstar rating, have been fully subscribed by Intesa Sanpaolo.

As at 31 December 2021, the value of the outstanding securities subscribed by Intesa Sanpaolo remained unchanged at 6,940 million euro for senior securities and 725 million euro for junior securities.

**Clara Sec S.r.l.**

In 2020, a revolving self-securitisation was structured involving receivables arising from performing personal loans within the consumer credit area and disbursed to consumer households, a transaction subject to periodic repurchase of the loans.

The transaction took place with the sale, in two tranches (April and May), of the portfolio of loans originated by Intesa Sanpaolo to the vehicle company Clara Sec S.r.l. and is the Group's second Asset Backed Security ("ABS") securitisation.

Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with an entity from outside the Group (Dutch-registered foundation known as a Stichting).

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The transaction involved the issuance by the vehicle company of two tranches of securities on 23 June 2020: a listed senior tranche with a rating assigned by two rating agencies (Moody's and DBRS Morningstar), and an unlisted junior tranche without a rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The total sale consideration was 7.6 billion euro. The sale price of the portfolio was settled through the issuance of securities on 23 June 2020 for a total of 7.2 billion euro.

The senior securities are listed with an A1 Moody's and an A DBRS Morningstar rating.

A retrocession of 61 million euro was finalised in January 2021, followed by a sale of 620 million euro in May.

As at 31 December 2021, the value of the outstanding securities was 6,350 million euro for the senior securities and 824 million euro for the junior securities.

**Giada Sec S.r.l.**

In November 2020, a self-securitisation was structured, implemented through the sale of a portfolio of loans, disbursed to companies belonging to the small business, SME and Corporate segment and originated by Intesa Sanpaolo, to the vehicle company Giada Sec S.r.l.. This is the Group's third Asset Backed Security ("ABS") securitisation and the second with an underlying of SME loans.

Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).

The securitisation is a revolving transaction and Intesa Sanpaolo will have the option to sell the vehicle further portfolios of loans with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.

The total sale consideration was 10.1 billion euro.

The sale price of the portfolio was settled through the issuance of securities on 21 December 2020 for the same amount.

The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.

The listed senior security issued through the transaction, with a Moody's A1 and a DBRS Morningstar A rating.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

A retrocession of 81 million euro was finalised in January 2021, followed by a sale of 1,439 million euro in June and a sale of 891 million euro in November.

As at 31 December 2021, the value of the outstanding securities was 6,610 million euro for the senior securities and 3,485 million euro for the junior securities.



**UBI SPV Lease 2016**

The UBI SPV Lease 2016 self-securitisation derives from the business combination of the former UBI Banca Group into the Intesa Sanpaolo Group in the third quarter of 2020. The self-securitisations was carried out on portfolios of UBI Leasing in 2016, for the purpose of generating eligible assets for refinancing operations with the European Central Bank.

For the transaction, a special purpose vehicle was established, UBI SPV Lease 2016 Srl, to which performing loans were transferred along with the related leases for 3,065 million euro (in terms of principal). The assignment was finalised on 23 June 2016, with accounting and economic effectiveness on the previous 31 May.

The transaction involved the issuance by the vehicle company of two tranches of securities on 28 July 2016:

- Class A securities (senior tranches): nominal value of 2,100 million euro, floating rate, maturity in 2050, assigned an A1 rating by Moody's (A2 as at 31 December 2021) and an A (low) by DBRS Morningstar (A as at 31 December 2021);
- Class B securities (junior tranches): nominal value of 1,001 million euro, maturity in 2050, unrated, with yield equal to the additional return of the operation.

The subscription of the junior notes also enabled the creation of a Cash Reserve within the operation of 31.5 million euro, still fully available at the reference date of these Notes.

The amortisation of the Class A notes began in 2021.

As at 31 December 2021, the securitised portfolio, which continued to be posted under the originator's assets, amounted to 2,181 million euro of residual capital debt.



The table below shows the characteristics of the securities issued by the vehicles and subscribed by the Group companies.

Vehicle	Type of security issued	Type of asset securitised	External rating	(millions of euro) Principal as at 31.12.2021
ADRIANO LEASE SEC S.r.l.				
of which issued in euro				2,037
Class A	Senior	Receivables from lease payments	Moody's A1 / DBRS Morningstar A	686
Class B	Junior	Receivables from lease payments	no rating	1,351
BRERA SEC S.r.l.				
of which issued in euro				4,409
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / DBRS Morningstar AH	3,342
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	1,067
BRERA SEC S.r.l. (SME)				
of which issued in euro				1,977
Class A Asset Backed F/R Notes	Senior	Receivables from SME and large corporate customers	Moody's Aa3 / DBRS Morningstar AH	447
Class B Asset Backed Fixed Rate and Additional Return Notes	Junior	Receivables from SME and large corporate customers	no rating	1,530
BRERA SEC S.r.l. (SEC 2)				
of which issued in euro				5,894
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / DBRS Morningstar AH	5,034
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	860
BRERA SEC S.r.l (SEC 3)				
of which issued in euro				7,665
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's A1 / DBRS Morningstar AH	6,940
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	725
CLARA SEC S.r.l.				
of which issued in euro				7,174
Class A Asset Backed F/R Notes	Senior	Personal loans	Moody's A1 / DBRS Morningstar A	6,350
Class B Asset Backed Fixed Rate and Additional Return Notes	Junior	Personal loans	no rating	824
GIADA SEC S.r.l.				
of which issued in euro				10,095
Class A Asset Backed F/R Notes	Senior	Receivables from Small business, SME and corporate customers	Moody's A1 / DBRS Morningstar A	6,610
Class B Asset Backed Fixed Rate and Additional Return Notes	Junior	Receivables from Small business, SME and corporate customers	no rating	3,485
UBI SPV LEASE 2016 S.r.l.				
of which issued in euro				2,436
Class A	Senior	Leases	Moody's A2 / DBRS Morningstar A	1,435
Class B	Junior	Leases	no rating	1,001
TOTAL				41,687

The Apulia Finance 4 S.r.l. self-securitisation was extinguished in 2021.

## OTHER INFORMATION ON FINANCIAL RISKS

### SOVEREIGN RISK EXPOSURE BY COUNTRY OF RESIDENCE OF THE COUNTERPARTY

The following table illustrates the value of the main exposures of the Intesa Sanpaolo Group to sovereign risk, based on management data.

	DEBT SECURITIES				(millions of euro)	
	BANKING GROUP			INSURANCE COMPANIES	TOTAL	LOANS
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss			
<b>EU Countries</b>	<b>22,493</b>	<b>35,693</b>	<b>-1,454</b>	<b>68,852</b>	<b>125,584</b>	<b>10,967</b>
Austria	-	71	-96	241	216	-
Belgium	758	2,747	224	503	4,232	-
Bulgaria	-	-	-2	67	65	-
Croatia	147	751	151	230	1,279	1,247
Cyprus	-	-	-	99	99	-
Czech Republic	-	-	-	-	-	-
Denmark	-	-	-	-	-	-
Estonia	-	-	-	-	-	-
Finland	-	-	-38	30	-8	-
France	2,365	3,985	-761	3,327	8,916	27
Germany	510	395	-496	1,624	2,033	-
Greece	-	-	47	6	53	-
Hungary	199	770	34	56	1,059	113
Ireland	137	364	10	96	607	-
Italy	14,279	16,141	460	57,447	88,327	9,099
Latvia	-	-	3	21	24	27
Lithuania	-	-	-	-	-	-
Luxembourg	-	134	59	-	193	-
Malta	-	-	-	-	-	-
The Netherlands	52	120	50	327	549	-
Poland	52	69	-	26	147	-
Portugal	83	310	-127	620	886	-
Romania	66	369	22	435	892	5
Slovakia	-	895	-	-	895	169
Slovenia	1	193	-23	42	213	225
Spain	3,844	8,360	-971	3,655	14,888	55
Sweden	-	19	-	-	19	-
<b>Non-EU Countries</b>						
Albania	181	400	-	53	634	1
Egypt	-	1,839	1	127	1,967	391
Japan	-	3,004	-	-	3,004	-
Russia	-	50	-	21	71	-
Serbia	7	730	10	107	854	70
United Kingdom	-	192	1	66	259	-
U.S.A.	1,358	4,841	95	7	6,301	-
Management accounts						

As illustrated in the table, the exposure to Italian government securities at the end of 2021 totalled approximately 88 billion euro (90 billion euro at the end of 2020), in addition to around 9 billion euro represented by loans (10 billion euro at the end of 2020).

**INFORMATION ON STRUCTURED CREDIT PRODUCTS**

The risk exposure in structured credit products came to 3,621 million euro as at 31 December 2021, a net increase of 892 million euro compared to the stock of 2,729 million euro as at 31 December 2020. The exposure includes investments in ABSs (Asset-Backed Securities) of 2,000 million euro, in CLOs (Collateralised Loan Obligations) of 1,545 million euro and, to a residual extent, in CDOs (Collateralised Debt Obligations) of 76 million euro, which continued to be a marginal activity also in 2021.

Accounting categories	31.12.2021			31.12.2020		(millions of euro) Changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	408	641	-	1,049	849	200	23.6
Financial assets mandatorily measured at fair value	-	3	-	3	4	-1	-25.0
Financial assets measured at fair value through other comprehensive income	768	933	-	1,701	1,119	582	52.0
Financial assets measured at amortised cost	369	423	76	868	757	111	14.7
<b>Total</b>	<b>1,545</b>	<b>2,000</b>	<b>76</b>	<b>3,621</b>	<b>2,729</b>	<b>892</b>	<b>32.7</b>

In this disclosure, structured credit products include debt securities held by the Group divided into tranches upon issue consisting of various degrees of subordination and not issued within the framework of transactions originated by entities of the Intesa Sanpaolo Group or by public entities, in addition to transactions whereby the Group finances its corporate and financial institution customers (operations implemented by the Group through the subsidiary Duomo Funding Plc).

The strategy for transactions in structured credit products shows a prevalence of investments aimed at exploiting market opportunities over disposals of the portfolio during the period.

The exposure in ABSs and CLOs measured at fair value went from 1,972 million euro in December 2020 to 2,753 million euro in December 2021, a net increase of 781 million euro, mainly attributable to operations on positions of the IMI Corporate & Investment Banking Division, in the assets measured at fair value through other comprehensive income portfolio and to a lesser extent in the assets held for trading portfolio.

The exposure to debt securities classified as assets measured at amortised cost amounted to 868 million euro in December 2021, compared with an exposure of 757 million euro in December 2020 for an increase of 111 million euro.

From a profit or loss perspective, a profit of +10 million euro was posted as at 31 December of 2021, a significant improvement on -5 million euro recorded in 2020.

The profit on trading – caption 80 of the income statement – amounts to +9 million euro and relates to the exposures in ABSs and CLOs, as a result of valuation effects of +4 million euro and realised gains of +5 million euro. The stronger performance highlights the segment's recovery in 2021 compared to 2020, when the result was -6 million euro, due essentially to valuation impacts.

The profit from financial assets mandatorily measured at fair value was +1 million euro, compared to a loss of 1 million euro as at 31 December 2020.

The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded a net increase in fair value of +3 million euro in 2021 through a shareholders' equity reserve (from a reserve of -4 million euro in December 2020 to -1 million euro in December 2021); on the other hand, there was no impact from sales from the portfolio as at 31 December 2021, against an impact of +4 million euro as at 31 December 2020.

The result recognised on the debt securities classified as assets measured at amortised cost was nil overall as at 31 December 2021 (-1 million euro on ABS exposures and +1 million euro on CDO exposures) compared to an impact of -2 million euro as at 31 December 2020, essentially relating to valuation components.

Income statement results broken down by accounting category	31.12.2021			31.12.2020		(millions of euro) Changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	2	7	-	9	-6	15	-
Financial assets mandatorily measured at fair value	-	1	-	1	-1	2	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	4	-4	-
Financial assets measured at amortised cost	-	-1	1	-	-2	-2	-
<b>Total</b>	<b>2</b>	<b>7</b>	<b>1</b>	<b>10</b>	<b>-5</b>	<b>15</b>	<b>0.0</b>

## INFORMATION ON LEVERAGED TRANSACTIONS

In 2017, the ECB published specific Guidance on Leveraged Transactions, which applies to all the significant entities subject to direct supervision by the ECB. The stated purpose of the guidance is to strengthen company controls over “leveraged” transactions, in view of the global increase in leveraged finance activities and the highly competitive market, characterised by a prolonged period of very low interest rates and the ensuing search for yields.

The scope of the ECB Guidance includes exposures in which the borrower’s level of leverage, measured as the ratio of total financial debt to EBITDA, is greater than 4, as well as exposures where the borrower is owned by one or more financial sponsors. Moreover, counterparties with Investment Grade ratings, private individuals, credit institutions, financial institutions and companies in the financial sector in general, public entities, non-profit entities, as well as counterparties with credit facilities below a certain materiality threshold (5 million euro), Retail SME counterparties and Corporate SME counterparties (the latter if not owned by financial sponsors) are explicitly excluded from the scope of Leveraged Transactions. Specialised lending transactions (project finance, real estate and object financing) and certain other types of credit facilities, such as trade finance transactions, are also excluded.

As at 31 December 2021, for the Intesa Sanpaolo Group, the transactions that meet the definition of Leveraged Transactions as per the ECB Guidance amounted to approximately 35.3 billion euro, relating to 2,332 credit lines.

In accordance with the requirements of the ECB Guidance, as part of the Credit Risk Appetite a specific limit for the outstanding stock of leveraged transactions and limits on new transaction flows were submitted for approval to the Board of Directors, in line with the Bank’s risk appetite on these types of operations.

## INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Parent Company’s hedge fund portfolio as at 31 December 2021 amounted to 27 million euro for the trading book and 200 million euro for the banking book, compared to 39 million euro and 277 million euro respectively as at 31 December 2020. The investments in the banking book are recognised under financial assets mandatorily measured at fair value and pertain to funds that adopt medium/long-term investment strategies and redemption times that are longer than those of UCITS (Undertakings for Collective Investment in Transferable Securities) funds.

In 2021, the stock of these investments decreased by 89 million euro compared to 31 December 2020. Of this decrease, 77 million euro concerned the banking book, mainly due to the disposals in the period, while 12 million euro concerned the trading segment.

In terms of income statement effects, a total profit of +14 million euro was recorded in 2021 (compared to a loss of -3 million euro in 2020). This result comprised +9 million euro attributable to the valuation of the funds in the portfolio, and +5 million euro attributable to sales during the year. In particular, the profits (losses) on trading – caption 80 of the income statement (trading book) – showed a loss of -7 million euro as at 31 December 2021 and refers to valuation losses, compared with the loss of -21 million euro in 2020, mainly attributable to sales during the period.

On the other hand, the net profit (loss) on financial assets mandatorily measured at fair value – caption 110 of the income statement (banking book portfolio) as at 31 December 2021 – recorded a profit of +21 million euro and is attributable to net profits on valuation of +16 million euro and net profits on sales during the period of +5 million euro. As at 31 December 2020, the profit came to +18 million euro, entirely attributable to valuations during the period.

Within the Intesa Sanpaolo Group, Eurizon Capital SGR recorded hedge funds of 53 million euro as at 31 December 2021 (with an impact of +2 million euro on the income statement in 2021). Hedge funds are held in portfolio according to a seeding approach that involves setting up a service portfolio consisting of shares of mutual funds for which marketing has begun in support of the funds.

## INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 31 December 2021, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 6,917 million euro (8,934 million euro as at 31 December 2020). The notional value of these derivatives totalled 64,254 million euro (75,296 million euro as at 31 December 2020).

In particular, the notional value of plain vanilla contracts was 59,649 million euro (69,636 million euro as at 31 December 2020), while that of structured contracts was 4,605 million euro (5,660 million euro as at 31 December 2020).

The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 4,416 million euro (5,802 million euro as at 31 December 2020).

Conversely, the negative fair value referring to total contracts outstanding, determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 2,192 million euro as at 31 December 2021 (1,460 million euro as at 31 December 2020). The notional value of these derivatives totalled 34,378 million euro (19,222 million euro as at 31 December 2020).

In particular, the notional value of plain vanilla contracts was 31,493 million euro (17,809 million euro as at 31 December 2020), while that of structured contracts was 2,885 million euro (1,413 million euro as at 31 December 2020).

The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty (“Bilateral Credit Value Adjustment”). With regard to contracts outstanding as at 31 December 2021, this led to a positive effect of 97 million euro being recorded under “Profits (Losses) on trading” in the income statement.

As regards the methodologies used in determining the fair value of financial instruments, see the specific paragraphs of the section on accounting policies in the Notes to the consolidated financial statements.

Please note that contracts made up of combinations of more elementary derivative instruments have been considered “structured” and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges agreed by the Group.

## 1.5. OPERATIONAL RISK

### QUALITATIVE INFORMATION

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

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events<sup>78</sup>.

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

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

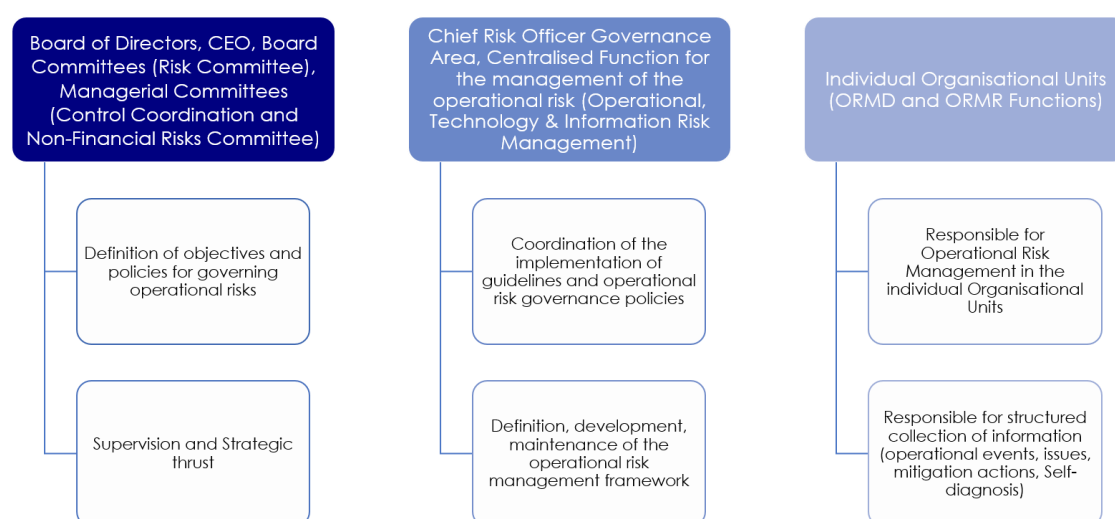
For regulatory purposes, the Group adopts the Advanced Measurement Approach (AMA), in partial use with the standardised (TSA) and basic approaches (BIA), to determine the capital requirement. Please note that, on 30 June 2021, the Group was authorised to extend its advanced model to some entities belonging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

#### Governance Model

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

The operational risk governance model has been developed in view of:

- optimising and maximising organisational safeguards, interrelations and information flows between the existing organisational units and integration of the operational risk management approach with other company models developed for specific risks (business continuity, IT security, etc.);
- guaranteeing transparency and spread of the models, methods and criteria of analysis, assessment and measurement criteria used to facilitate the process of cultural diffusion and comprehension of the logic underlying the choices made.



<sup>78</sup> As far as the financial losses component is concerned, the Operational risk includes: legal and compliance risk, conduct risk, IT and Cyber risk, physical security risk, business continuity risk, financial crime and financial reporting risk, third-party and model risk. Strategic risk and reputational risk are not included.

**ICT risk**

The Intesa Sanpaolo Group considers its information system a tool of primary importance to the achievement of its strategic, business and social responsibility objectives, including in the light of the critical nature of the company processes that depend on it. Accordingly, it undertakes to create a resilient environment and to invest in assets and infrastructure designed to minimise the potential impact of ICT events and to protect its business, image, customers and employees.

The Group has therefore adopted a system of principles and rules intended to identify and measure the ICT risk to which company assets are exposed, assess the existing safeguards and identify adequate methods of managing such risks, in accordance with the operational risk management process.

In line with the methodological framework established for the governance of operational risks, the ICT Risk management framework has been developed with a view to integrating and coordinating the specific expertise of the structures involved.

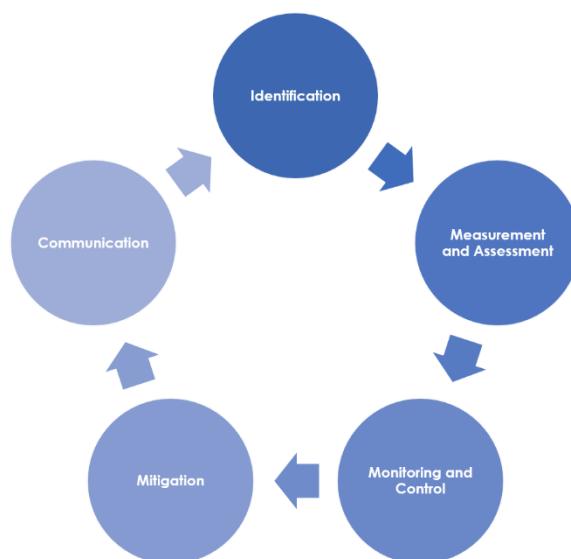
ICT (Information and Communication Technology) risk means the risk of economic, reputational or market share losses related to the use of information and communication technology. In the integrated view of corporate risk for supervisory purposes, this risk is considered, according to specific aspects, as operational, reputational and strategic risk.

ICT risk includes:

- cyber risk (including IT security risk): the risk of sustaining economic loss, reputational damage or loss of market shares due to:
  - any unauthorised access or attempt to access the IT system of the Group or the data or digital information it contains;
  - any event (intentional or unintentional), favoured or caused by the use of technology or related to it that has or could have a negative impact on the integrity, availability, confidentiality and/or authenticity of company data and information, or on the continuity of business processes;
  - the improper use and/or dissemination of data and digital information also not directly produced and managed by the ISP Group;
- IT or technology risk: the risk of sustaining economic loss, reputational damage or loss of market shares in relation to the use of the corporate IT systems and related to malfunctioning hardware, software and networks.

**Group Operational Risk Management Process**

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

**Identification**

The identification phase includes the collection and classification of qualitative and quantitative information that allows to identify and describe the Group's potential areas of operational risk. In particular, it involves:

- the collection and updating of data on operational events (Loss Data Collection), decentralised to the Organisational Units;
- identification of the company processes and components of the IT system at highest potential risk;
- determination of the applicability and relevance of the operational risk factors defined;
- identification of projects that will involve relevant changes to the IT system or changes to critical components of the IT system;
- identification of significant risk scenarios, also based on the external context (e.g., external loss data, regulatory development, emerging trends, strategic and threat intelligence);
- identification and analysis of issues affecting the Group's areas of operation.



*Measurement and assessment*

The measurement and assessment phase includes the process of qualitative and quantitative determination of the Group's exposure to operational risks.

It includes:

- at least annual performance of the process of self-assessment of exposure to operational and ICT risk (Self-diagnosis);
- performance of preventive analyses of operational and ICT risks deriving from agreements with third parties (e.g., outsourcing of activities), business operations or project initiatives, introduction or revision of new products and services, launch of new activities and entry into new markets;
- the definition of the relevance of identified issues;
- transformation of the evaluations collected (e.g., internal and external operational loss data, management levels of risk factors, probability and impact in the event of occurrence of risk scenarios) into synthetic risk measures;
- determination of economic and regulatory capital for operational risk, through the internal model and the simplified methods defined by the regulations.

*Monitoring and control*

The purpose of the monitoring phase is to analyse and monitor on an ongoing basis the development of the exposure to operational risks on the basis of the structured organisation of the results of the identification, assessment and measurement processes and the observation of indicators that represent a valid proxy of the exposure to operational risks (e.g., limits, early warnings and indicators established within the RAF).

*Mitigation*

The mitigation phase includes activities aimed at containing the exposure to operational risks, defined on the basis of the results of the identification, measurement, assessment and monitoring phases. It includes:

- identification, definition and implementation of the corrective measures (mitigation actions) necessary to solve the identified gaps or to bring back the relevance of the identified issues within the defined risk tolerance;
- promotion of initiatives designed to spread a culture of operational risk within the Group;
- definition of strategies for transferring operational risks, in terms of optimisation of insurance coverage and any other forms of risk transfer adopted by the Group from time to time.

In this regard, in addition to a traditional insurance programme (to protect against offences such as employee infidelity, theft and damage, transport of valuables, computer fraud, forgery, cyber-crimes, fire and earthquake, and third-party liability), the Group has taken out an insurance coverage policy named Operational Risk Insurance Programme, in compliance with the requirements established by the regulations and to have access to the capital benefits provided for by the policy, which provides specific cover, significantly increasing the limits and transferring the risk of significant operational losses to the insurance market.

In addition, with respect to risks relating to real estate and infrastructure, with the aim of containing the impacts of phenomena such as catastrophic environmental events, situations of international crisis, and social protest events, the Group may activate its business continuity solutions.

*Reporting*

The reporting phase includes the preparation of appropriate information flows associated with operational risk management, designed to provide disclosures useful, for example, for:

- analysis and understanding of any dynamics underlying the trend in the level of exposure to operational risks;
- analysis and understanding of the main issues identified;
- defining the mitigation actions and intervention priorities.

**Self-diagnosis**

Self-diagnosis is the annual process through which the Organisational Units identify their level of exposure to operational and ICT risk. It includes the Operational Risk Assessment and ICT Risk Assessment, in turn consisting of:

- Business Environment Evaluation (VCO): activities used to identify significant risk factors and assess the related management level<sup>79</sup>.
- Scenario analysis (SA): a method of prospective analysis that takes the form of a systematic process, which is typically repeated at predefined intervals, but which may also be conducted on an ad hoc basis, and which consists in imagining the occurrence of particular situations (or scenarios) and imagining their consequences. Once scenarios have been identified and appropriately characterised, they must be assessed: i.e., one must determine the probability of occurrence (frequency) and potential impact (average impact and worse case) in the event of occurrence of the situation described in the scenario.

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

The Intesa Sanpaolo Group's internal model for calculating capital absorption is designed to combine all the main sources of quantitative information (operational losses: internal and external events, estimates deriving from the Scenario Analysis) and qualitative information (Business Environment Evaluation).

Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case). It is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied to historical data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.90%. The methodology also applies a corrective factor, which derives from the qualitative

<sup>79</sup> The applicability and significance of risk factors are assessed, in the case of ICT risk, by the technical functions, cybersecurity functions and business continuity functions, and, with regard to operational risk, by the Decentralised Operational Risk Management functions.



analyses of the risk level of the operational environment (VCO), to take into account the effectiveness of internal controls in the various Organisational Units.

The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

#### **Impacts from the COVID-19 pandemic**

During 2021, as illustrated in the specific paragraph "Impacts of the pandemic on operations, business activities and the risk profile" of the Report on operations, all the initiatives adopted since the beginning of the emergency continued, in order to ensure business continuity and the safeguarding of the health of customers, employees and suppliers. The company measures and rules were constantly reassessed and updated based on the evolution of the health situation and the regulatory requirements. In that context, the model for preventing the risk of contagion adopted by Intesa Sanpaolo was recently assessed by an independent agency (DNV-GL) which certified the full maturity of the model.

In terms of operational risk, the acceleration of the digital transformation process, the enrichment of the services offered via Internet and Mobile Banking, the increase in remote banking solutions activated and the greater use of smart working have increased the complexity of security controls (e.g. expanding security infrastructure to access the company network, transaction monitoring systems and data protection measures) and resulted in greater use of partnerships and/or outsourcing agreements with third parties.

That transformation has effectively changed the morphology of several traditional risks, specifically operational risk (including IT risk, cyber risk and third party risk). Therefore, it was necessary to adjust the current risk management framework to the operating context in order to optimise the Group's Digital Operational Resilience profile.

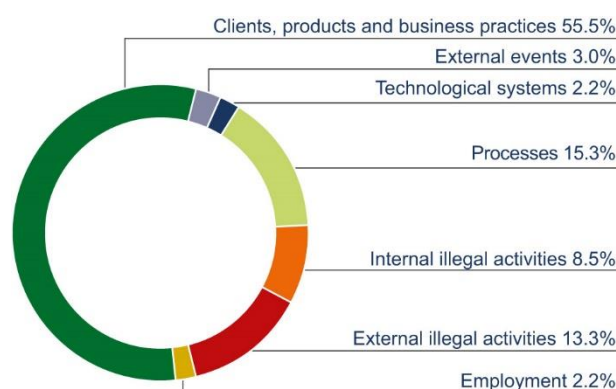
## QUANTITATIVE INFORMATION

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

The capital requirement amounted to 2,024 million euro as at 31 December 2021, down from 2,205 million euro as at 31 December 2020. The decrease in the requirement is mainly due to the extension of the AMA to several perimeters of the former UBI Group and the reduction in the estimates from the scenario analysis, especially as regards internal and external fraud.

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

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



With regard to the sources of operational risk, the chart below shows the impact of the operational losses recorded during the year, based on event type.

In 2021, the most significant event type was *Clients, Products and Business Practices*, which included losses related to defaults connected with professional obligations towards customers, suppliers or outsourcers and to the provision of services and products to customers performed improperly or negligently.

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



## LEGAL RISKS

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

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

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

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

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

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

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

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

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

### *Disputes relating to investment services*

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

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

of the law and any potential liabilities.

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

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

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

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

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

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

A summary of the most significant disputes is provided below:

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

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

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

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

ruled that the conversion agreements concluded between banks and borrowers under the Croatian Conversion Law of 2015 produce legal effects and are valid even in the case when the provisions of the underlying loan agreements on variable interest rate and currency clause are null and void.

That ruling is favourable for the evolution of the dispute regarding loans in Swiss francs (or indexed to that currency) converted based on the Conversion Law, which will also be impacted by the outcome of a request for a preliminary ruling from the EU Court of Justice on the consistency of several aspects of the Conversion Law with the Unfair Contract Terms Directive, formulated as part of proceedings involving another intermediary.

The number of new individual lawsuits filed against PBZ in 2021 was lower than those in 2020. At the end of 2021, the total pending cases amounted to a few thousand. It cannot be excluded the possibility that additional lawsuits might be filed against PBZ in the future in connection with CHF loans. The amount of provisions recognized as at 31 December 2021 is reasonably adequate – according to available information – to meet the obligations arising from the claims filed against the subsidiary so far. The evolution of the overall matter is anyhow carefully monitored in order to take appropriate initiatives, if necessary, in consistence with any future developments.

#### *Dispute with the foreign subsidiary Banca Intesa Beograd (Serbia)*

The following areas of the mass disputes that have impacted the entire Serbian banking system shown below.

##### **1) Processing fees**

Legal dispute regarding processing fees applied by banks at the time of disbursing loans. The claimants, individuals and legal persons, are requesting the repayment of those charges, as they are deemed as not owed. The first claims arose in 2017, and a significant increase in lawsuits was recorded in the following years, though for modest amounts on average. As at 31 December 2021, Banca Intesa Beograd had been summoned in around 25,000 lawsuits (of which 19,000 arising during 2021), while the related total amounts requested to be repaid by the Bank totalled around 2 million euro. Most of the courts accepted the customers' requests, based on an interpretation of regulations that the banks oppose. In September 2021, the Supreme Court of Serbia recognised the legitimacy of the costs and fees applied to loans at the time of their disbursement, provided they are indicated in the contract proposal. That ruling is favourable for the evolution of the dispute on the matter. The first instance courts should gradually align with that ruled by the Supreme Court. In the last quarter of the year, the flow of new lawsuits decreased, and customers dropped some of those already pending.

##### **2) NKOSK**

Legal dispute relating to real estate loans insured through the National Housing Loan Insurance Corporation (NKOSK), whose premium is paid by the borrowers. The borrowers deem that, as the bank is the beneficiary of the insurance, the premium should be paid by the bank. As at 31 December 2021, Banca Intesa Beograd had been summoned in 967 lawsuits (of which 565 arising during 2021). The related total amounts requested to be repaid by the Bank totalled around 1.1 million euro. Most of the courts accepted the customers' requests, based on an interpretation of regulations that the banks oppose. In September 2021, the Supreme Court of Serbia recognised the legitimacy of requiring the insurance premium to be paid by the borrowers, provided that the obligation is clearly described to the borrowers during precontractual procedures. That ruling is favourable for the evolution of the dispute on the matter. The first instance courts should gradually align with that ruled by the Supreme Court. In the last quarter of the year, the flow of new lawsuits decreased.

The disputes mentioned above are covered by suitable provisions.

#### *Ruling of the EU Court of Justice of 11 September 2019 on credit agreements for consumers - so-called Lexitor ruling*

Article 16, paragraph 1, of Directive 2008/48 on credit agreements for consumers states that in the event of early repayment of the loan the consumer is "entitled to a reduction in the total cost of the credit, such reduction consisting of the interest and the costs for the remaining duration of the contract". According to the Lexitor ruling, this provision must be interpreted as meaning that the right to a reduction in the total cost of the credit includes all the costs incurred by the consumer and therefore also includes the costs relating to services prior to or connected with the signing of the contract (upfront costs such as processing costs or agency fees).

Article 16, paragraph 1 of Directive 2008/48 has been transposed in Italy through Article 125 sexies of the Consolidated Law on Banking, according to which in the event of early repayment "the consumer is entitled to a reduction in the total cost of the credit, equal to the amount of interest and costs due for the remaining life of the contract". On the basis of this rule, the Bank of Italy, the Financial Banking Arbitrator and case law have held that the obligation to repay only relates to the charges that have accrued during the course of the relationship (recurring costs) and have been paid in advance by the customer to the lender. In the event of early repayment, these costs must be repaid in the amount not yet accrued and the obligation to repay does not include the upfront costs.

Following the Lexitor judgment, the question has arisen as to whether Article 125 sexies of the Consolidated Law on Banking should be interpreted in accordance with the principle laid down therein or whether the new principle requires a legislative amendment.

According to the EU principle of "consistent interpretation", national courts are required to interpret the rules in their own jurisdiction in a manner consistent with the European provisions. However, if the national rule has an unambiguous interpretation, it cannot be (re)interpreted by the court in order to bring it into line with the various provisions of a European directive: the principles recognised by European Union law prevent the national court from being required to make an interpretation that goes against the provisions of the domestic law. In this regard, we note that Article 125 sexies of the Consolidated Law on Banking has always been interpreted as meaning that, in the event of early repayment, the obligation to repay relates only to recurring costs and therefore does not include upfront costs.

In December 2019, following the Lexitor ruling, the Bank of Italy issued "guidance" for the implementation of the principle established by the EU Court of Justice, to the effect that all costs (including upfront costs) should be included among the costs to be refunded in the event of early repayment, both for new relationships and for existing relationships.

Intesa Sanpaolo has decided to follow the Bank of Italy "guidance", even though it believes that the legal arguments set out above regarding the fact that Article 125 sexies of the Consolidated Law on Banking cannot be interpreted in a manner that complies with the Lexitor ruling are well founded. A provision has therefore been made in the Allowance for Risks and Charges corresponding to the estimated higher charges resulting from the decision to follow the Bank of Italy "guidance".



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

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

The new rule does not have significant impacts on new contracts: for personal loans, the contractual clauses already comply with the rule, and for salary-backed loan products, the companies in the Intesa Sanpaolo Group have adopted the “tutto TAN” (All APR) model, which does not apply incidental costs to the customer, aside from interest. As regards consumer credit agreements concluded before the date of entry into force of the new rule, even if the agreements expired after that date, the repayment of the upfront costs could be limited to the amount established in the agreement.

The Coordination Board of the Banking and Financial Ombudsman (ABF), which was assigned the issue of repayment of the upfront costs following the entry into force of the “Lexitor amendment”, issued Decision no. 21676 on 15 October 2021, stating the following principle: in application of the legislative change pursuant to Article 11 octies, paragraph 2, last sentence of Law Decree No. 73 of 25 May 2021, converted into Law no. 106 of 23 July 2021, in the event of early repayment of a loan entered into before the entry into force of the specific regulatory provisions, there must be a distinction between costs relating to activities over the course of the contractual relationship (recurring costs) and costs relating to the fulfilment of preliminary obligations for granting the loan (upfront costs). This means that the former, but not the latter, can be repaid, limited to the portion not accrued due to the early repayment.

The guidance from the Coordination Board of the Banking and Financial Ombudsman continues to be followed by the single panels, which reject the requests for pro rata repayment of upfront costs. The decisions were not suspended even after the issue of the legitimacy of the legislative change was referred to the Constitutional Court. This will be explained further below. On 1 December 2021, the Bank of Italy also notified intermediaries that, as a result of the changes made by Law 106/2021 to Article 125 sexies of the Consolidated Law on Banking, its “guidelines” of 4 December 2019 are to be considered invalid. Those guidelines requested that, in the event of the early repayment of consumer credit loans, the reduction in the total cost of the loan be calculated, including all costs borne by the consumer (recurring and upfront costs), excluding taxes.

Conversely, ordinary case law is divided over the application of the new rule. Several judges have applied the new provision by rejecting the claimant’s request for pro rata repayment of upfront fees following early repayment. However, in a significant number of cases, particularly in disputes before Justices of Peace, the customer’s right to pro rata repayment of the upfront costs was recognised, deeming that - with varying, questionable grounds - the Lexitor principles should be applied also following the entry into force of the legislative change. Those rulings have generally been challenged by the Bank.

By order issued on 2 November 2021 in a lawsuit promoted against an intermediary specialising in salary-backed loans, for repayment of the upfront costs, the Court of Turin promoted proceedings on the constitutionality of the “Lexitor amendment”.

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

Preliminarily, the following is noted:

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

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

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

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

The most recurrent claims relate to:

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

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

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

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

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

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

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

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

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

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

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

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

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



This is the first case of referral to the Constitutional Court of issues relating to Law Decree 99/2017. To date, the numerous applications for referral to the Constitutional Court formulated by the counterparties in proceedings relating to the Excluded Disputes have always been rejected by judges, as they were deemed immaterial or clearly unfounded.

The issues raised and the supporting arguments do not seem to sufficiently consider the overall framework of European and Italian legislation concerning bankruptcy, bank restructuring and the governance of State aid (with specific reference to burden sharing). Law Decree 99/2017 is part of that regulatory framework, and its consistency with constitutional provisions seems to be supported by sound arguments.

The Bank lodged an appearance in the proceedings on 13 December 2021. The Bank's defence brief challenges the order of referral, stating it lacks the essential requirements of specificity, clarity, correct illustration of the case, suitable justification for the considerations of unconstitutionality (aspects of inadmissibility). Moreover, the Bank acted in full compliance with the current regulatory framework and will support, in all instances (including the Constitutional Court, where it has filed an appearance), the correct application by the legal system of Law Decree 99/2017, of EU and national regulations on State aid as part of the operations on the Venetian Banks, the absence of discriminatory effects against the shareholders of the Venetian Banks, and the justification of the sacrifices required of certain categories of creditors. The Presidency of the Council of Ministers intervened in the proceedings, asking that the question of constitutionality raised be declared inadmissible or unfounded. The same request was formulated by BPVi in liquidation in its filing of appearance.

In January 2018, as part of a criminal proceeding before the Court of Rome for the alleged market rigging and obstructing the Supervisory Authorities in the performance of their functions with respect to officers and executives of Veneto Banca, the preliminary hearing judge decided that Intesa Sanpaolo could be charged with civil liability. According to the judge, the exclusion from the sale to Intesa Sanpaolo of the debts, responsibilities and liabilities deriving from the sale of shares and subordinated bonds – envisaged by Law Decree 99/2017 – would not be objectionable by third parties, while Article 2560 of the Italian Civil Code would be applicable in the case in question and Intesa Sanpaolo should therefore take on those liabilities.

As a result of this decision, more than 3,800 civil plaintiffs holding Veneto Banca shares or subordinated bonds joined the proceedings. Intesa Sanpaolo therefore entered an appearance requesting its exclusion from the proceedings, in application of the provisions of Law Decree 99/2017, of the rules established for the compulsory administrative liquidation of banks and, before that, of the principles and rules contained in the bankruptcy law, in addition to the constitutional principles and decisions made at EU level with regard to the operation relating to the former Venetian banks. In turn, Veneto Banca in compulsory administrative liquidation intervened voluntarily affirming its exclusive, substantial and procedural capacity to be sued.

In March 2018, the preliminary hearing judge declared his lack of territorial jurisdiction, transferring the files to the Public Prosecutor's Office of Treviso. The charge of civil liability and the joinders of the civil parties were therefore removed.

After the case documents were forwarded to the Public Prosecutor's Office of Treviso, the former Managing Director of Veneto Banca, Vincenzo Consoli, was committed to trial for the offences of market-rigging, obstructing banking supervisory authorities and financial reporting irregularities.

The Judge for the Preliminary Hearing rejected the motion to authorise the summons of Intesa Sanpaolo as civilly liable party. A similar motion was rejected in the criminal proceedings before the Court of Vicenza against management board members and key function holders and executives of Banca Popolare di Vicenza.

#### *Disputes relating to bank guarantees*

This type of dispute derives from a decision of the Court of Cassation in 2017, based on a Bank of Italy measure of 2005 relating to a bank guarantee scheme submitted to it by the ABI (agreed with the main consumers' associations). The Bank of Italy deemed that three clauses in this scheme could have anti-competition effects if applied in a standard manner by banks.

Referring to that measure, the Court of Cassation formulated the following new principle of law: once the existence of an unlawful, and therefore, null and void anticompetitive agreement has been ascertained, bank guarantees that constitute the application of the unlawful agreement shall also be deemed unlawful, even if issued prior to the verification of the agreement.

Recently, as part of recovery proceedings managed by Italfondario on behalf of the Bank, the issue relating to the consequences of the principle stated by the Court in 2017 on individual bank guarantees issued based on the Italian Banking Association (ABI) scheme was referred to the Joint Sections.

Specifically, they were asked to assess:

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

On 30 December 2021, the Joint Sections declared the partial nullity of the bank guarantees drawn up based on the Italian Banking Association (ABI) template, in relation to clauses 2, 6 and 8.

An initial examination of the ruling shows that the Joint Sections opted for an intermediate solution, excluding the other two possible solutions: on one side, they ruled out the full validity of the bank guarantee, a solution which would have exclusively permitted compensation for damages as the only remedy to be used by the guarantor (as suggested in the conclusions of the General Prosecutor prior to the hearing of 23 November 2021); on the other side, they ruled out the possibility of deeming the entire bank guarantee contract null and void.

The ruling of the Court of Cassation could result in an increase in disputes on this matter.

*Andrea Abbà + 207*

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

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

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

*AC Costruzioni S.r.l.*

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

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

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

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

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

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

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

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

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

*Disputes regarding tax-collection companies*

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

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

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

*Energy S.r.l.*

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

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

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

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

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

<sup>82</sup> See the previous note.

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

#### *Engineering Service S.r.l.*

In 2015, Engineering Service S.r.l. brought a civil suit against the Ministry of Economic Development, BPER and UBI regarding the granting of public subsidies to businesses. The claimant accuses our Bank (and BPER) of delays in managing the approval procedure and disbursements – delays that allegedly resulted in a liquidity crisis for the company and the consequent loss of the public contribution.

A claim for damages for approximately 28 million euro was brought against our Bank.

The Bank's defence counsel argued that the approval times depended on BPER, to which it thus submitted a claim for indemnity.

Following the revocation of the order to carry out a court-appointed expert's report, the Court of Rome, with ruling dated 9 November 2021, which has not yet become final, fully rejected the claimant's application, ordering it to pay the legal fees of all the parties summoned.

#### *G.I. & E. Bankruptcy*

In November 2021, the G.I. & E. S.p.A. Bankruptcy Receiver initiated action for compensation of damages against Intesa Sanpaolo (as the absorbing company of Banca dell'Adriatico) and UBI (as the absorbing company of Banca Marche and Popolare di Ancona), as well as against other banks, claiming that they were liable for having contributed, along with the conduct of the directors and control bodies, to artificially keeping the company afloat and worsening its default.

The alleged damages claimed were quantified by the counterparty at around 22.5 million euro.

The first hearing is scheduled for mid to late March.

#### *Isoldi Holding Bankruptcy*

The receiver to Isoldi sued UBI (which absorbed Nuova Banca Etruria and Centrobanca), Intesa Sanpaolo and five other banks in June 2020, before the Court of Bologna, claiming that they were liable, jointly and severally with the management body of Isoldi Holding, for a series of acts of diversion of assets that are claimed to have contributed to the company's artificial survival in the period June 2011 – June 2013, due to conduct claimed to have been implemented by preparing a turnaround plan pursuant to Article 67, para. 3, letter d), of the Bankruptcy Law based on unlawful acts and a connected agreement governing the disbursement of new finance, acts that are argued to have artificially deferred the company's crisis and concealed the irreversibility of its default.

The Isoldi Bankruptcy Receiver also formulated a joint claim against Intesa Sanpaolo (prior to the incorporation of UBI) and MPS, claiming their liability, jointly with the Sole Director of Isoldi Holding, for allegedly unlawful conduct connected with the bail-in of Aedes, in which Isoldi Holding was interested in taking over the majority shareholding.

The total damages claimed by the counterparty do not seem to be accurately quantifiable as things stand, also taking account of the various conduct of the various banks challenged.

By way of order served in August 2021, the Court of Bologna declared that it had no jurisdiction and, in November 2021, the counterparty resumed the proceedings before the Court of Turin, before which the Bank will file a new appearance by the deadline set for the first hearing, scheduled for March 2022.

#### *Fondazione Cassa di Risparmio di Pesaro*

In 2018, Fondazione Cassa di Risparmio di Pesaro brought a compensation claim against UBI Banca (as the successor-in-interest to the issuer Banca Marche S.p.A.<sup>83</sup>) and PwC (the auditing firm that certified all the financial statements and the figures presented in the Prospectus) alleging that the defendants published data and information regarding the financial performance and position of Banca delle Marche S.p.A. that later proved to be totally incorrect and misleading. This information, contained in the financial statements as at 31 December 2010 and 30 June 2011 and included in the Prospectus, is claimed to have led the Foundation to subscribe for the bank's shares issued as part of the capital increase in March 2012. In later years, these shares went on to decline in value considerably, resulting in a loss quantified at approximately 52 million euro.

During the trial the Bank of Italy joined the suit, upholding the lack of capacity to be sued invoked by UBI, by virtue of the provisions of Legislative Decree 180/2015 governing the resolution procedure for Banca delle Marche. The Court rejected all preliminary applications filed and adjourned the case to 13 July 2021 for the entry of conclusions. The parties have filed their closing briefs and the ruling is pending. Despite the fact that rulings are usually favourable to accepting UBI's objection that it lacks the capacity to be sued, the Bank has estimated a "possible" risk of a negative outcome.

#### *Fondazione Cassa di Risparmio di Jesi*

In January 2016, Fondazione Cassa di Risparmio di Jesi brought a compensation claim against UBI Banca (as the alleged successor-in-interest to the issuer Banca Marche S.p.A.<sup>84</sup>) and PwC (the independent auditors that certified all the financial statements and the figures presented in the Prospectus) alleging that the defendants published data and information regarding the financial performance and position of Banca delle Marche S.p.A. that later proved to be totally incorrect and misleading. This information, contained in the financial statements as at 31 December 2010 and 30 June 2011 and included in the Prospectus, is claimed to have led the Foundation to subscribe for the bank's shares issued as part of the capital increase in March 2012. The value of these shares then fell to zero, resulting in a loss quantified at approximately 25 million euro.

During the trial the Bank of Italy joined the suit, upholding the lack of capacity to be sued invoked by UBI, by virtue of the provisions of Legislative Decree 180/2015 governing the resolution procedure for Banca delle Marche.

By judgment rendered on 18 March 2020, the Court of Ancona granted the objection of lack of capacity to be sued raised by the Bank, rejecting the claims lodged. In the appeal proceedings initiated by the Foundation before the Ancona Court of Appeal, the terms for filing closing briefs are pending. Despite the fact that the first instance ruling accepted the claim of lack

<sup>83</sup> See the previous note.

<sup>84</sup> See the previous note.

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

#### *Fondazione Monte dei Paschi di Siena (FMPS)*

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

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

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

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

#### *Alitalia Group: claw-back actions*

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

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

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

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

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

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

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

#### *Elifani Group*

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

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

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

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



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

In January 2018, the receiver to Mariella Burani Fashion Group S.p.A. sued its former directors and statutory auditors, its independent auditors and UBI Banca (as the company that absorbed Centrobanca), seeking a judgment ordering compensation for alleged damages suffered due to the many acts of mismanagement of the company while in good standing. According to the claimant's arguments, Centrobanca, which was merged into UBI, provided financial support to the parent company of the bankrupt company (Mariella Burani Holding S.p.A.) in 2008, in an operation on its subsidiary, despite the signs of insolvency that the latter began to show in September 2007, causing damages quantified at approximately 92 million euro.

On a preliminary level, the Bank argued that the receiver lacked capacity to sue since the disputed loan had been disbursed to the parent company of Mariella Burani Fashion Group S.p.A.; moreover, the alleged damages for which the receiver claims compensation were argued to have been in fact sustained by the company's creditors (and not by the procedure).

With regard to the merit of the claims, the Bank stressed that it had acted properly and the borrower in good standing was solely liable since it bore exclusive responsibility for preparing the untrue financial statements, circulating the misinformation and continuing to operate the company in an alleged situation of insolvency.

The proceedings are currently in the preliminary phase.

*Offering of diamonds*

In October 2015, the Bank signed a partnership agreement with Diamond Private Investment (DPI) governing how diamond offerings were made by DPI to the customers of Intesa Sanpaolo. The aim of this initiative was to provide customers with a diversification solution with the characteristics of a "safe haven asset" in which to allocate a marginal part of their assets over the long-term. Diamonds had already been sold for several years by other leading national banking networks.

This recommendation activity was carried out primarily in 2016, with a significant decline starting from the end of that year.

A total of around 8,000 customers purchased diamonds, for a total of around 130 million euro. The marketing process was based on criteria of transparency, with safeguards progressively enhanced over time, including quality controls on the diamonds and the fairness of the prices applied by DPI.

In February 2017, the AGCM (the Italian Competition Authority) brought proceedings against companies that marketed diamonds, (DPI and other companies), for alleged conduct in breach of the provisions on unfair business practices.

In April, those proceedings were extended to the banks that carried out the recommendation of the services of those companies.

At the end of those proceedings, on 30 October 2017, the AGCM notified the penalties imposed for the alleged breach of the Consumer Code through the conduct of DPI and of the banks which the proceedings had been extended to, consisting - in short - of having provided partial, deceptive and misleading information on the characteristics of the diamond purchases, the methods used to calculate the price - presented as being the market price - and the performance of the market. The Authority issued a fine of 3 million euro against Intesa Sanpaolo, reduced from the initial fine of 3.5 million euro, after the Authority had recognised the value of the measures taken by the Bank from 2016 to strengthen the safeguards on the offering process aimed, in particular, at ensuring proper information to customers.

Following the order by the AGCM, the Bank paid the amount of the fine and filed an appeal with the Lazio Regional Administrative Court against the order. There were no developments regarding this appeal during 2021.

From November 2017, the Bank:

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

In 2021, 99 requests were received for around 1.6 million euro. At the end of the year, a total of 6,822 repurchase requests had been received from customers and met by the Bank, for a total value of 115.8 million euro. The valuation of the repurchased diamonds is carried out using the values provided by the IDEX Diamond Retail Benchmark, one of the main online trading platforms used in the main markets by over 7,000 traders.

In February 2019, an order for preventive criminal seizure of 11.1 million euro was served, corresponding to the fee and commission income paid by DPI to the Bank.

The preliminary investigations initiated by the Public Prosecutor's Office of Milan also concern four other banks (more involved) and two companies that sell diamonds.

In October 2019, the notice of conclusion of the investigation was served, which stated that two of the Bank's operators were currently under investigation for alleged aggravated fraud (in collusion with other parties to be identified) and other persons are being identified for allegations of self-laundering, while ISP is being charged with the administrative offence pursuant to Italian Legislative Decree 231/2001 in relation to this latter predicate offence.

In reaction to the latter claims, in July 2021, the hearing was held, in which the Preliminary Investigation Judge accepted the plea bargain request which Intesa Sanpaolo had submitted solely to bring to an end the lengthy legal proceedings and which had been supported by the Public Prosecutor's Office – issuing a ruling which ordered only a financial penalty of 100,000 euro, and the confiscation of only the sums constituting the profit from the offence of self-laundering, calculated at 61,000 euro.

Now, we are confident that the Public Prosecutor's Office of Milan will request the dismissal against the two operators investigated, and order the release from seizure of the amounts seized that were not subject to confiscation, equal to around 11 million euro.

*Private banker (Sanpaolo Invest)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### *Lawsuit against two Hungarian subsidiaries of Intesa Sanpaolo*

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

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

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

#### *Labour litigation*

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

#### *Contingent assets*

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

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

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

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

The appeal sets out two main grounds:

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



## TAX LITIGATION

At Group level, the total value of the claims for tax disputes (taxes, penalties and interest) was equal to 215 million euro at the end of 2021 (211 million euro as at 31 December 2020).

The related risks are covered by adequate provisions for risks and charges, equal to 76 million euro (74 million euro as at 31 December 2020).

As at 31 December 2021, the Parent Company had 628 pending litigation proceedings (687 as at 31 December 2020) for a total amount claimed (taxes, penalties and interest) of 135 million euro (139 million euro as at 31 December 2020), considering both administrative and judicial proceedings at various instances. In relation to these proceedings, the actual risks were quantified at 57 million euro as at 31 December 2021 (57 million euro also as at 31 December 2020).

Compared to 31 December 2020, for the Parent Company, the main events that gave rise to significant movements consisted of:

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

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

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

During the year, 302 disputes were closed at the level of the Parent Company for a total of 19 million euro with a disbursement of around 6 million euro.

With regard to the Italian subsidiaries, tax disputes totalled 71 million euro as at 31 December 2021 (63 million euro as at 31 December 2020), covered by provisions amounting to 11 million euro (10 million euro in the 2020 financial statements).

Compared to 31 December 2020, the main events that gave rise to significant movements of the total amount of claims (+8 million euro) were as follows:

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

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

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

Tax disputes involving foreign subsidiaries amounted to 9 million euro (9 million euro also at the end of 2020), covered by provisions of 8 million euro (7 million euro in 2020). The greater provisions mainly derive from an update of the potential liability relating to the disputes of Alexbank, on the non-payment of stamp duty by the bank's Egyptian branches for tax periods 1984 – 2008 (total value of the remedy sought of 5.8 million euro).

There were no new disputes of significant amounts initiated during the year.

In the following paragraphs, information is provided regarding the most important ongoing disputes (including those that arose prior to 2021).

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

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

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

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

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

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

***Dispute regarding VAT on boat lease transactions***

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

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

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

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

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

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

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

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

### Group Companies

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

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

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

With regard to the disputes, please note the following:

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

– year 2016: pending in first instance.

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

*Cargeas Assicurazioni*, an insurance company acquired by Intesa Sanpaolo Vita on 27 May 2021, underwent a tax audit by the Italian Revenue Agency, Lombardy Regional Directorate, Large Taxpayers Office, aimed at verifying the correct application, for the years from 2010 to 2018, of the tax rules on private insurance and life annuity contracts pursuant to Law no. 1216 of 29 October 1961.

As a result of the audit, the authorities claimed that redundancy insurance policies (which are mandatorily associated with loans secured by the assignment of one-fifth of salary and optional with other mortgages, loans and consumer credit), should not be subject to tax on insurance premiums at a rate of 2.5%, but should be classified as credit risk insurance policies, subject to a tax rate of 12.5%. The Revenue Agency maintains that although the risk insured (on the basis of which the premium is determined with statistical/actuarial criteria) is the loss of employment, redundancy policies should be charged the 12.5% rate applicable to credit risk insurance, given that the policy would protect the lending institution's interest in collecting its credit.

The dispute is nothing new for the insurance industry; in fact, insurance companies have been maintaining that the Agency's reasoning is unsubstantiated and biased for years now. ANIA has also recently given its opinion on the matter through circular no. 0082 of 5 March 2021 (which refers to circular no. 127 of 21 April 2005), pointing out that the Agency's position produces a series of unsystematic and abnormal consequences which certainly do not reflect the intention of the legislator in Law no. 1216, and diverge from the guidance of the financial administration itself which, on this point, had supported application of the 2.5% rate in circular no. 29/E of 2001.

On the merits, ANIA specified that in the policies, the insured party is identified as the natural person who subscribed, in full autonomy, the collective policy proposed by the lending institution, and that contractual structure recognises the natural person debtor as the party in the interest of whom the policy is underwritten, as the risk covered (loss of employment, which results in the impossibility to pay the debt) is specifically borne by the latter.

Moreover, the contractual framework shows that the lender is the contracting party of the policy exclusively in terms of the form, while, by virtue of demonstrating his/her intention to subscribe the contract and due to the cost charged to him/her, which refers exclusively to the insurance premium paid, the financed worker can be effectively classified as the contracting party, as well as the insured party.

Lastly, as further evidence, it should also be considered that the communication of data and information regarding the contracting parties, which is sent annually to the Tax Registry (Anagrafe Tributaria) contemplates the indication of the individual subscribers of collective policies, as they are the parties that bear the cost of the premium.

After the audit, on 25 May 2021 Cargeas received a notice of assessment for 2010, claiming an additional tax of 1.7 million euro, 0.7 million euro in interest and 3.4 million euro in penalties, equal to 200% of the assessed tax (minimum penalty prescribed by law), for a total of 5.7 million euro. On 21 July 2021, the notice was appealed before the tax courts and, to date, the dispute is pending in the first instance.

Considering the arguments clearly expressed by ANIA, and due to the assessments formalised by the defence counsel, the risk of a negative outcome was deemed possible but not probable. Therefore, no allowances were made to risk provisions for taxes, penalties or interest, while the costs relating to legal fees was set aside, amounting to 0.1 million euro.

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

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

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

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

The Brazilian company was also audited by San Paulo City Municipality, which was followed by a notice of assessment for tax on services (*Imposto Sobre Serviços*) for the years 2016-2017. The claim amounts to 60 thousand euro, against which the company has not made any provision, considering the risk of losing the case as remote, also based on the assessment of the local consultant. The Bank lodged an appeal in the first instance on 15 October 2021.

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



In addition, there is a pending dispute concerning the non-payment of stamp duty by the bank's branches for a total value of approximately 5.8 million euro for tax periods 1984 – 2008. The quantification of potential liabilities was updated, and is fully provisioned for.

A dispute is pending before the court of last instance involving the Ukrainian subsidiary Praxev Bank relating to the disavowal of tax losses of approximately 4 million euro carried forward in 2018 from previous years. The claim has no effects on the income statement, since the company did not recognise the deferred tax asset and has a tax situation that in any event does not allow this loss to be used. In 2019, an appeal was also lodged against another assessment by the local tax authorities regarding VAT with a value of approximately 20 thousand euro.

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

In October 2021, *Intesa Sanpaolo Banka D.D. Bosna i Hercegovina* was the subject of a new tax audit regarding VAT for the tax periods 2018-2021. Findings have not yet been formalised.

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

Due to the importance of the issue, it would be noted that the start of a dispute regarding the foreign subsidiary *UBI Trustee S.A.* (trust company resident in Luxembourg) has been initiated. In December 2021, the Provincial Tax Office of Monza and Brianza served *UBI Trustee S.A.* with notifications of penalties for the years 2014 and 2015 regarding four trusts managed by *UBI Trustee S.A.* and established by a holding company (according to the Revenue Agency, instead, these were substantially established by the natural persons that are the beneficial owners of that holding company)– Those notifications impose penalties totalling 2 million euro for breaches of the rules on the tax monitoring of capital held abroad by taxpayers resident in Italy.

Following the reclassification of the four trusts as having tax residency in Italy, the Agency claimed the failure to report in the years 2014 and 2015 the ownership of bonds (and related interest) abroad, subscribed by Limited Liability Companies - LLC, with headquarters in Wyoming and New York State (USA), 100% owned by those trusts, and considered by the Agency as fictitious intermediaries for the latter.

Therefore, the breach of Article 4 of Law Decree no. 167/1990 (regulations on the tax monitoring of capital held abroad), the minimum amount of penalties prescribed was imposed, equal to 3% of the nominal value of those bonds and their interest.

Analyses are under way, also jointly with the advisors of the customers concerned, to define the actions to be taken. In an opinion dated 30 December 2021, the tax advisor assigned by *UBI Trustee* classified the risk of liability as possible.

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

Lastly, there is a dispute pending in Brazil in relation to the former subsidiary *Banco Sudameris Brasil* (now *Banco Santander Brasil*), sold in 2003 to *ABN AMRO Brasil* (now the *Santander Group*), whose economic burden falls on *Intesa Sanpaolo* for the commitments undertaken at the time with the transferee.

This dispute, which regards a charge that was not settled by way of the 2019 Settlement Agreement with *Banco Santander Brasil*, is entitled "Causa PDD1" and concerns taxes on income and social security contributions for 1995.

During 2021, the first instance judgement was filed by the ordinary civil judge (filing of April 2021). Despite having partially accepted several objections of the Bank, the judgement was favourable, on the whole, to the Brazilian tax authorities. The judgement was appealed on 10 May 2021, and the case is now pending in the court of second instance.

The remedy sought is 35 million euro, corresponding to the amount of the security deposit paid by the bank to bring the case before the civil courts and accounted for in the balance sheet assets. The related risk of unrecoverability has been allocated to the provision for disputes in the amount of 6.8 million euro. The fairness of the allowance was estimated by local legal advisors, who consider the risk of a negative outcome in the proceedings to be remote for the component of interest (equal to around 21.4 million euro of the deposit). For taxes and penalties (equal to a total of 13.6 million euro of the deposit), it was prudently decided to set up an allowance in provisions for risks for 50% of that amount.

\* \* \* \* \*

In connection with all the tax disputes outstanding as at 31 December 2021, for a total value, as stated above, of 215 million euro, of which 135 million euro relating to *Intesa Sanpaolo*, the Group has recognised receivables of 46 million euro in its Balance sheet assets to account for amounts paid on a provisional basis further to the reception of tax assessments, of which 25 million euro related to the Parent Company.

The portion of the allowance for risks which relates to provisional tax assessments amounts to 28 million euro, of which 25 million euro for *Intesa Sanpaolo*.

The provisional payments in question were made in compliance with specific legal provisions, which provide for the mandatory payment based on an automatic mechanism totally independent of whether the related tax claims are actually founded and, thus, irrespective of the higher or lower level of risk of a negative outcome in the related proceedings. Thus, these payments were made solely because of the enforceable nature of the administrative acts that set forth the related

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

## SECTION 3 – RISKS OF INSURANCE COMPANIES

### 3.1 INSURANCE RISKS

#### QUALITATIVE AND QUANTITATIVE INFORMATION

##### Life business

The typical risks of the life insurance portfolio (managed by Intesa Sanpaolo Vita, Intesa Sanpaolo Life and Fideuram Vita) may be divided into three main categories: premium risks, actuarial and demographic risks and reserve risks.

Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities). During the definition of a product, profit testing is used, aimed at measuring profitability and identifying any weaknesses beforehand, by means of specific sensitivity analyses.

Actuarial and demographic risks arise when an unfavourable trend is recorded in the actual loss ratio compared with the trend estimated when the rate was calculated, and these risks are reflected in the level of “reserves”. The loss ratio refers not only to actuarial loss, but also to financial loss (guaranteed interest rate risk). The Company guards against these risks by means of systematic statistical analysis of the evolution of liabilities in its own contract portfolio, divided by risk type, and through simulations of expected profitability of the assets hedging technical reserves.

Reserve risk is guarded against through the exact calculation of mathematical reserves, with a series of detailed checks (for example, checking that all the variables required for the calculation such as yields, quotations, technical foundations, parameters for the supplementary reserves, and recalculation of the value of single contracts are correctly saved in the system) as well as overall verifications, by comparing results with the estimates produced on a monthly basis. Specific attention is paid to checking the correct assumption of contracts, by checking the relative portfolio against the reconstruction of movements during the period, divided by purpose, and checking the consistency of the amounts settled compared with the movements of reserves.

The tables below show the structure of the mathematical reserves by expiry date, excluding reserves for amounts to be paid and before intercompany netting, and the structure of the guaranteed minimum yield as at 31 December 2021.

(millions of euro)		
Breakdown of mathematical reserves of life branch: maturity	Mathematical reserve	%
up to 1 year	3,266	3.04
1 to 5 years	5,971	5.55
6 to 10 years	2,920	2.72
11 to 20 years	3,086	2.87
over 20 years	92,255	85.82
<b>TOTAL</b>	<b>107,498</b>	<b>100.00</b>

(millions of euro)		
Breakdown of risk concentration by type of guarantee	Total Reserves	%
<b>Insurance and investment products with guaranteed annual yield</b>		
0% - 1%	51,544	44.66
from 1% to 3%	33,356	28.90
from 3% to 5%	6,109	5.29
<b>Insurance products</b>	<b>16,489</b>	<b>14.29</b>
<b>Shadow reserve</b>	<b>7,905</b>	<b>6.86</b>
<b>TOTAL</b>	<b>115,403</b>	<b>100.00</b>

The mathematical reserves are calculated on almost the entire portfolio, on a contract-by-contract basis, and the methodology used to determine the reserves takes account of all the future commitments of the company.

The following table shows a breakdown by maturity of financial liabilities, before intercompany netting, represented by assets covering commitments arising under unit- and index-linked policies and other insurance products (specifically, the Risparmio Insurance product) and subordinated liabilities.

Breakdown of financial liabilities by maturity	(millions of euro)			
	Within 12 months	Over 12 months	Total as at 31.12.2021	Total as at 31.12.2020
Unit linked	80	84,883	84,963	77,459
Index linked	-	-	-	-
Other payables to insured parties	181	-	181	-
Subordinated liabilities	-	2,220	2,220	2,130
<b>Total</b>	<b>261</b>	<b>87,103</b>	<b>87,364</b>	<b>79,589</b>

### Non-life business

The typical risks of the non-life insurance portfolio (managed through Intesa Sanpaolo Assicura, Intesa Sanpaolo RBM Salute, Cargeas and Intesa Sanpaolo Vita) mainly relate to premium and reserve risks.

Premium risks are managed initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on sustainability and profitability (both at product level and at portfolio level, including liabilities).

Reserve risk is monitored through the exact calculation of technical reserves. More specifically, for companies with non-life business the technical reserves may be broken down into: premium reserves, claims reserves, profit sharing and reversal reserves, other technical reserves and the equalisation reserve.

With regard to risk assumption, policies are checked when acquired through an automatic system aimed at detecting the underwriting parameters associated with the applicable tariff. The check is thus not only formal, but also substantive, and in particular allows the identification of exposures in terms of capital and limits of liability, in order to verify that the portfolio matches the technical and tariff scheme agreed upon with the sales network.

Subsequently, statistical checks are carried out to verify potentially anomalous situations (such as concentration by area or by type of risk) and to keep under control accumulation at the level of individual persons (with particular reference to policies that provide cover in the accident and health branches). This is also carried out in order to provide the Actuarial and Reinsurance Unit with suitable indications of the portfolio characteristics in order to prepare the annual reinsurance plan.

The following table presents the development of claims by year of generation, broken down into the major business lines of operation, as at 31 December 2021.

Development of Claims Reserves	(millions of euro)					TOTAL
	2017	2018	2019	2020	2021	
<b>Reserve amount:</b>						
as at 31/12 generation year N	613	687	813	713	1,072	
as at 31/12 year N+1	392	389	401	426		
as at 31/12 year N+2	251	262	313			
as at 31/12 year N+3	243	251				
as at 31/12 year N+4	237					
<b>Total claims paid</b>	<b>679</b>	<b>659</b>	<b>696</b>	<b>614</b>	<b>771</b>	<b>3,419</b>
<b>Claims reserve booked as at 31.12.2021</b>	<b>24</b>	<b>38</b>	<b>60</b>	<b>104</b>	<b>494</b>	<b>720</b>
<b>Final claims reserve for previous years</b>						<b>76</b>
<b>Total claims reserve booked as at 31.12.2021</b>						<b>796</b>



## 3.2 FINANCIAL RISKS

### QUALITATIVE AND QUANTITATIVE INFORMATION

#### Financial Risks

These risks derive from the level or volatility of market prices of financial instruments that impact the book value of both assets and liabilities. The risk factors identified by the company are as follows:

- Interest rate risk: impacts assets and liabilities whose value is sensitive to changes in the forward structure of interest rates or the volatility of interest rates;
- Equity price risk: derives from the level or volatility of market prices of equities and impacts assets and liabilities whose value is sensitive to changes in equity prices;
- Property risk: derives from the level or volatility of market prices of real estate property and impacts assets and liabilities sensitive to said changes;
- Foreign exchange risk: derives from changes in the level or volatility of foreign exchange rates;
- Spread risk: impacts assets and liabilities whose value is sensitive to adverse changes in credit spreads;
- Concentration risk: reflects the risk of holding high percentages of financial assets of the same counterparty.

#### Impacts from the COVID-19 pandemic

In line with 2020, the analysis of the Insurance Group's risk exposure has been impacted by the economic, social and financial scenario deriving from the COVID-19 pandemic emergency. Weekly and monthly monitoring on the situations of solvency and liquidity of the Insurance Group continued, which have been sent to the Supervisory Authority starting in March 2020. The reinforced monitoring of operational risks was also maintained, specifically referring to the occurrence of losses due to business continuity and/or depending on cyber risks.

#### Investment portfolios

The investments of the insurance companies of the Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo RBM Salute and Cargeas) are made with their free capital and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.

As at 31 December 2021, the investment portfolios of Group companies, recorded at book value, amounted to 208,455 million euro. Of these, a part amounting to 107,621 million euro relates to traditional revaluable life policies (the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined), non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Index-linked policies, Unit-linked policies and pension funds and amounted to 100,834 million euro.

Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and shareholder fund.

#### Financial assets under segregated funds and free capital

In terms of breakdown by asset class, net of derivative financial instruments, 84.34% of assets, i.e. approximately 90,580 million euro, were bonds, whereas assets subject to equity risk represented 2.11% of the total and amounted to 2,266 million euro. The remainder (14,557 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (13.55%).

The carrying value of derivatives came to approximately 217 million euro, almost entirely relating to hedging derivatives, while the portion of effective management derivatives<sup>85</sup> is negative for approximately -73 million euro.

At the end of 2021, investments made with the free capital of Intesa Sanpaolo Vita and Fideuram Vita amounted to approximately 1,059 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of approximately 33 million euro.

<sup>85</sup> ISVAP Regulation 36 of 31 January 2011 on investments defines as "effective management derivatives" all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

**Interest rate risk exposure**

The breakdown by maturity of bonds showed 11.88% short-term (under 1 year), 31.48% medium-term and 56.64% long-term (over 5 years).

Financial assets	Book value	%	(millions of euro)
			Duration
<b>Fixed-rate bonds</b>	<b>80,421</b>	<b>74.88</b>	<b>6.98</b>
up to 1 year	10,449	9.73	
1 to 5 years	25,561	23.80	
over 5 years	44,411	41.35	
<b>Floating rate/indexed bonds</b>	<b>10,159</b>	<b>9.46</b>	<b>7.21</b>
up to 1 year	312	0.29	
1 to 5 years	2,952	2.75	
over 5 years	6,895	6.42	
<b>TOTAL</b>	<b>90,580</b>	<b>84.34</b>	<b>-</b>
<b>Equities or similar capital securities</b>	<b>2,266</b>	<b>2.11</b>	
<b>UCI, Private Equity, Hedge Fund</b>	<b>14,557</b>	<b>13.55</b>	
<b>TOTAL AS AT 31.12.2021</b>	<b>107,403</b>	<b>100.00</b>	

The sensitivity of the fair value of the portfolio of financial assets to interest rate movements, summarised in the table below, highlights the exposure of the portfolio: for example, a parallel shift in the yield curve of +100 basis points leads to a negative fair value change in the bond portfolios of 6,189 million euro.

	Book value	%	(millions of euro)	
			Fair value changes due to interest rate fluctuations	
			+100 bps	-100 bps
Fixed-rate bonds	80,421	88.78	-5,300	6,055
Floating rate/indexed bonds	10,159	11.22	-889	732
Interest rate risk hedging effect	-	-	-	-
<b>TOTAL</b>	<b>90,580</b>	<b>100.00</b>	<b>-6,189</b>	<b>6,787</b>

**Credit risk exposure**

The table below sets forth the distribution of the bond portfolio by rating class: AAA/AA bonds represented 7.77% of total investments and A bonds approximately 6.13%. Low investment grade securities (BBB) were 66.92% of the total, while the portion of speculative grade or unrated was minimal (3.52%).

With regard to exposure to BBB rated securities, the majority of the exposure related to bonds issued by the Republic of Italy.

Breakdown of financial assets by issuer rating	Book value	%
<b>Bonds</b>	<b>90,580</b>	<b>84.34</b>
AAA	2,875	2.68
AA	5,466	5.09
A	6,583	6.13
BBB	71,876	66.92
Speculative grade	3,401	3.17
Unrated	379	0.35
<b>Equities or similar capital securities</b>	<b>2,266</b>	<b>2.11</b>
<b>UCI, Private Equity, Hedge Fund</b>	<b>14,557</b>	<b>13.55</b>
<b>TOTAL</b>	<b>107,403</b>	<b>100.00</b>

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by governments, central banks and other public entities made up 79.23% of the total investments, whereas the securities of corporate issuers contributed around 20.77%.

The sensitivity values of the fair value of the bonds with respect to a variation in the creditworthiness of the issuers, namely a market credit spread shock of  $\pm 100$  basis points, as at end of 2021, are shown in the table below.

	Book value	%	(millions of euro)	
			Fair value changes due to credit spread fluctuations	
			+100 bps	-100 bps
Government bonds	71,765	79.23	-5,316	6,202
Corporate bonds	18,815	20.77	-985	876
<b>TOTAL</b>	<b>90,580</b>	<b>100.00</b>	<b>-6,301</b>	<b>7,078</b>

### Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to -227 million euro, as shown in the table below.

	Book value	%	(millions of euro)	
			Fair value changes due to stock price fluctuations	
			-10%	
Equities - Financial institutions	306	13.50	-31	
Equities - Non-financial companies and other counterparties	1,960	86.50	-196	
<b>TOTAL</b>	<b>2,266</b>	<b>100.00</b>	<b>-227</b>	

### Foreign exchange risk exposure

Approximately 97.65% of investments is made up of assets denominated in the EU currency. The residual exposure to foreign exchange risk was hedged by positions in derivative financial instruments, particularly domestic currency swaps, in the same currency.

### Derivative financial instruments

Financial derivative instruments are used to hedge the financial risks of the investment portfolio or for effective management. The table below shows the book values of the financial derivative instruments as at 31 December 2021.

Type of underlying	DEBT SECURITIES/ INTEREST RATES		EQUITIES, EQUITY INDICES, COMMODITIES, EXCHANGE RATES		(millions of euro)	
					TOTAL	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Hedging derivatives	-	291	-	-	-	291
Effective management derivatives	-	-117	55	-11	55	-128
<b>TOTAL</b>	<b>-</b>	<b>174</b>	<b>55</b>	<b>-11</b>	<b>55</b>	<b>163</b>

## SECTION 4 – RISKS OF OTHER COMPANIES

The risks of other companies are essentially concentrated:

- in the companies Romulus Funding Corp. and Duomo Funding Plc., included on the scope of consolidation pursuant to IFRS 10;
- in the Risanamento Group companies, consolidated for accounting purposes starting in 2015, but not subject to management and coordination.

### THE VEHICLES ROMULUS FUNDING CORPORATION AND DUOMO FUNDING PLC

#### Qualitative and quantitative information

These two special-purpose vehicles are the Intesa Sanpaolo Group's asset-backed commercial paper conduits, established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international asset-backed commercial paper market. The assets originated by European customers are purchased by Duomo, whereas Romulus is responsible for U.S. assets and fund-raising on the U.S. market through the issuance of asset-backed commercial paper. Nonetheless, due to the subsequent downgrading of Intesa Sanpaolo at the end of 2014, U.S. investors gradually divested without the vehicle being able to find new third-party investors with which to place the asset-backed commercial papers.

As at 31 December 2021, approximately 5.7 billion euro of the securities issued by Romulus, amounting to 5.9 billion euro, had been subscribed by the Parent Company Intesa Sanpaolo.

The risks associated with these entities, and more specifically, the potential interest rate and exchange rate risks arising from the operations of the two companies, must be covered in accordance with the Intesa Sanpaolo Group policy for the management of these risks.

Companies are not generally permitted to take foreign-exchange positions.

As at 31 December 2021, the assets of Romulus included 5.9 billion euro in loans to the vehicle Duomo.

Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a carrying amount of 5.9 billion euro, almost all of which has been subscribed by the Parent Company, Intesa Sanpaolo.

With regard to the portfolio of the vehicle Duomo, at the end of 2021 this portfolio mainly consisted of loans to customers of 7.4 billion euro.

The table below shows the information and figures for the above two vehicles as at 31 December 2021.

	Vehicle data		Liquidity lines (2)	Guarantees given		Securities issued	of which: held by the Group		
	Total assets	Cumulated losses		nature	amount	amount	amount	Accounting classification	Valuation
ROMULUS FUNDING CORP.	5,917	(1)	-	-	-	5,914	5,717	Fin.Ass. at am.cost	Amortised cost
DUOMO FUNDING PLC	7,381	-	7,354	-	-	-	-		

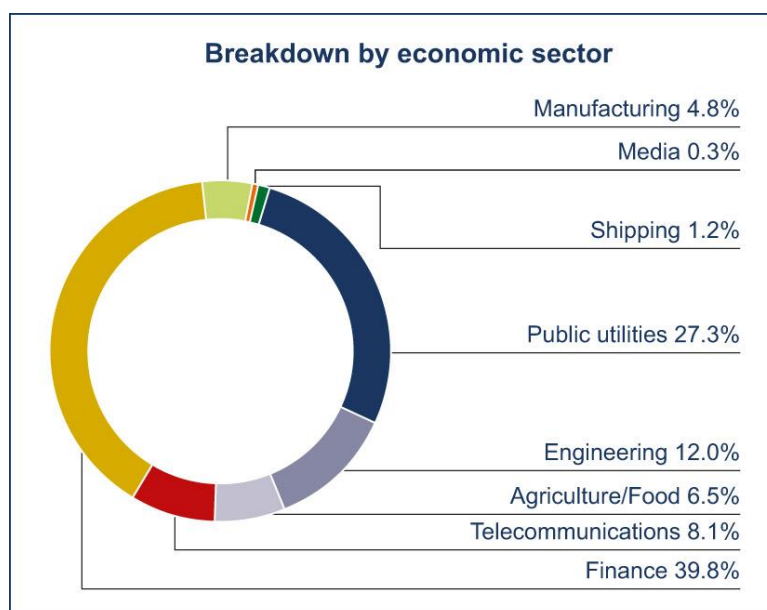
(1) Entirely made up of loans disbursed to Duomo for transactions booked in the financial statements of the vehicle.

(2) These are Fully Supporting Liquidity Facilities issued by the Parent Company Intesa Sanpaolo, of which 7,354 million euro is committed out of an amount granted of 12,500 million euro.

The total assets of the conduits Romulus and Duomo, net of dealings between the two vehicles, made up approximately 1% of the total consolidated assets.

The portfolio risk of the two vehicles is approximately 49.3% accounted for by trade receivables and the remainder by consumer loans (23.1%), loans deriving from lease contracts (5.6%), factoring contracts (3.3%), mortgage loans (0.3%), loans to SMEs (9.9%), loans/lease contracts to pharmaceutical companies (7.6%) and VAT credits (0.1%). The eligible assets held by the vehicles are mainly expressed in euro (96.8% of the total portfolio). The remainder is broken down into British pounds (1.7%), US dollars (1.2%), Australian dollars (0.1%) and Mexican pesos (0.2%).

The following information is provided concerning the portfolio of eligible assets.



With regard to the rating breakdown of the loan portfolio, 97% does not have a rating and the remaining 3% is rated above "A".

With reference to the geographical distribution of the assets held by the two vehicles, please note that approximately 94% of the debtors are located in Italy.

## RISANAMENTO GROUP

With regard to the risks of other companies, mention should also be made of the potential effects of the unfavourable real-estate market situation on the Risanamento Group, in consideration of the specific nature of that Group's business.

It is important to note that the real estate market suffered significant effects linked to the spread of the COVID-19 pandemic. With reference to this specific point, it is important to consider that the assets owned by the Risanamento Group are largely areas to be used for medium/long-term development operations. Specifically, for Milano Santa Giulia S.p.A. (which holds the main asset of the Group) the recent approval of the Variant to the Implementation Plan is an important step in the authorisation process, and brings the start of the actual realisation phase closer, also considering the deadline of the 2026 Winter Olympics, which, as known, should use the new arena.

Though it is currently not possible to forecast the future evolution of the pandemic, the phase of completion of the urban planning process and the constructions of the works makes it possible to believe that Santa Giulia may debut on the market at different, and hopefully better, conditions than current ones.

Moreover, below we set out the considerations made in measuring real estate assets to take account of the uncertainties correlated with the unforeseeable methods and timing of the future evolution of the pandemic:

- the current scenario has generated doubts regarding future scenarios, and no one can yet forecast with sufficient certainty the impacts of the health emergency on global economies and real estate markets. For this reason, the measurement of real estate assets was carried out under conditions of significant uncertainty;
- due to that uncertainty, which renders the transactions actually concluded in the last few months insignificant and low in number, it was decided not to conduct additional market surveys to support the measurement, both because the Milano Santa Giulia operation will build a new urban district (whose prices will be different and significantly higher than those in the surrounding area), and because the current dynamics in the real estate market, highly impacted by the health emergency, do not actually represent the scenario that the (medium/long-term) real estate offerings of Milano Santa Giulia will deal with once the development is completed;
- given the above, in any event, it was decided to incorporate prudential elements into the estimation parameters used for the measurement to consider the previously mentioned uncertainty. Following that measurement, the main asset of the group (Milano Santa Giulia) saw an increase in fair value of around 20 million euro, equal to approximately 3% compared to the market values observed in the previous year, mainly due to the increase in the floor space that may be constructed of approximately 50,000 square metres as a result of the definitive approval of the urban planning variant, as previously reported.

The general situation illustrated above inevitably reflects on the real estate sector, whose expectations are conditioned by economic growth, difficult credit access conditions and the high unemployment rate. The situation of the real estate sector thus continues to appear uncertain and complex, just as the macroeconomic context of reference. Indeed, the expected performance of the real-estate market in the coming months is linked to the development of the complex economic scenario.

The real-estate market is subject to the cyclical performance of rent values and property prices. The length of such cycles varies, but normally spans multiple years. The macro-economic factors with the greatest influence on property values and cyclical performance are as follows:

- interest rate performance;
- market liquidity and access to remunerative alternative investments;
- economic growth.

The Risanamento Group's management policy is aimed at minimising the effects of the various phases of the cycle through investments in development projects with high quality standards, flexibility and efficient management.

The main risks specifically relating to real estate managed by the Risanamento Group are represented below.

#### **Inability to sell / valuation of assets not in line with the Risanamento Group's strategic projections**

This risk relates to all potential events that may influence the achievement of the sales and lease targets for the Risanamento Group's assets. At present, the ability to identify potential commercial tenants that meet the Company's expected needs and requirements is often subject to factors and circumstances beyond the Company's control. The consequences for operations could translate into a decrease in purchasing transactions and an increase in vacant properties.

The Risanamento Group manages this risk through constant monitoring of commercial activities and observance of strategic objectives that allow it to assess and implement sales actions with a full awareness of the established strategic objectives.

#### **Risks associated with project execution**

The execution of real-estate initiatives presents risks associated with planning activity, environmental problems, building activity, and the length and potential exposure of the initiative to the cyclical nature of the real-estate market.

This latter aspect is inherent in larger, long-term projects that are inevitably affected by the cyclical nature of the real-estate sector due to the need to combine administrative formalities with innovative design quality, harnessed to stimulate demand from the market.

The potential risk in question also translates into the possibility that i) errors in or critical aspects of a design may compromise the objectives of the timeliness and proper execution of the works, and ii) the works may not be completed according to the agreed terms and conditions for reasons attributable to the contractor.

In reference to point i), the Group has implemented a structured contractor selection process aimed at identifying professionals with a track record of strong technical expertise. In addition, the Group enters into contracts that include warranty and indemnification clauses. The Group monitors the design process through constant discussions with counterparties about all related activities and verification of periodic quality status and project compliance.

In reference to point ii), the Group adopts structured supplier selection processes to select contractors that meet requirements of integrity, suitability, technical and professional qualification and operational and organisational adequacy in addition to being financially solid. Contractors are constantly monitored in order to ensure constant access to information useful in assessing the situation and taking the appropriate corrective measures in a timely manner. In addition, the contracts contain warranty clauses benefiting the principal.

Subject to the risks indicated above, the observation, already made in the previous years' Annual Reports, still applies, regarding the signing of an important agreement with a leading international operator for the implementation in partnership of the Milano Santa Giulia real estate project, which represents the Group's main asset.

Although it is currently subject to conditions precedent, this agreement is of considerable importance for the Risanamento Group because it (i) confirms the soundness and feasibility of the project and (ii) can generate benefits and synergies both during the development and marketing phases.

The total carrying amount of the Risanamento Group's real-estate portfolio in Intesa Sanpaolo's consolidated financial statements is 691 million euro.

In further detail, the portfolio may be broken down as follows:

- owner-occupied properties: 37 million euro (registered office and place of business);
- real-estate development areas and projects: 614 million euro (Milano Santa Giulia);
- other trading and development properties: 40 million euro.

As mentioned above, Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

# Part F – Information on consolidated capital

## SECTION 1 – CONSOLIDATED CAPITAL

### A. Qualitative information

The control of capital adequacy both at consolidated level and at single entities level is ensured by capital management which defines the size and optimum combination of the different capital instruments in accordance with regulatory constraints and consistently with the risk exposure taken on by the Group.

The Intesa Sanpaolo Group assigns a primary role to the management and allocation of capital resources, considering this to be an instrument for strategic leverage, as well as a way to ensure consistency of the operating plans of the business units.

Once the Group's strategic profitability, capital strength and liquidity objectives have been defined, capital and financial resources are allocated to the business units through a process that evaluates their growth potential, capacity to generate value and financial autonomy.

The capital at risk considered is twofold:

- regulatory capital covering Pillar 1 risks;
- overall internal capital covering Pillar 2 risks, for ICAAP purposes.

Regulatory capital and overall internal capital differ from each other by definition and by their coverage of risk categories. The first arises from formats defined in supervisory provisions, the second from operational measurements.

Hence, the capital management activity comprises the management of current and prospective capital adequacy through careful control of both regulatory Pillar 1 constraints (in compliance with Basel 3 rules, effective from 1 January 2014) and operational Pillar 2 constraints. Projections are also produced under stress conditions in order to ensure that the available resources are adequate to cover all risks, even in adverse conditions. Furthermore, since 2013, the Group has been drawing up a Recovery Plan, in line with regulatory indications (directives "Bank Recovery and Resolution Directive – BRRD" - 2014/59/EU transposed in Italy through Legislative Decrees 180 and 181 on 16 November 2015 and "Bank Recovery and Resolution Directive – BRRD II" - Directive (UE) 2019/879, transposed into Italian law on 8 November 2021 by Legislative Decree 193, which entered into force on 1 December), with international practice and in compliance with both the Group Risk Appetite Framework and the crisis management model adopted by the Bank.

As part of the process of defining budget targets, a projection compatibility analysis is conducted annually at Group level and at the level of individual entities in the Group. Depending on the expected performance of balance sheet and income statement aggregates, the appropriate capital management measures to ensure the required financial resources for the individual business units are already identified in this phase, if necessary. Compliance with the target levels of capitalisation is monitored on a quarterly basis, taking appropriate action when necessary.

Compliance with capital adequacy is sought via various levers, such as the dividend distribution policy, the definition of strategic finance operations (capital increases, issue of convertible loans and subordinated bonds, disposal of non-core assets, etc.) and the management of investments, particularly loans, on the basis of counterparty risk.

Further analyses for preliminary assessment of capital adequacy are performed during extraordinary operations (mergers, acquisitions, disposals, etc.) whether internal to the Group or changing the scope of consolidation of the Group.

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

On 25 November 2020, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 January 2021.

The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.59%.

This is the result of:

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

Considering the additional requirement consisting of the Institution-Specific Countercyclical Capital Buffer, the Common Equity Tier 1 ratio was 8.63% in 2021 and 8.64% on a fully-loaded basis<sup>86</sup>.

With effect from 30 September 2019, following permission from the ECB, the Intesa Sanpaolo Group calculates capital ratios applying the so-called Danish Compromise, under which insurance investments, held indirectly through Intesa Sanpaolo Vita, are risk weighted instead of being deducted from capital.

As stated in Part E, compared to 31 December 2020, with regard to the scope of application of internal credit risk models, the ECB's authorisations to use the new Institutions and Retail SME models for regulatory purposes were implemented starting from June 2021.

With regard to the scope of application of internal counterparty risk models, with respect to 31 December 2020 the approval letter authorising the use of the initial margin simulation model for central counterparties and bilateral counterparties for

<sup>86</sup> Countercyclical Capital Buffer calculated taking into account the exposure as at 31 December 2021 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2023, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2021 and for the first quarter of 2022).



reporting purposes was received on 6 April 2021. The model was applied starting from June 2021. Also from June 2021, the internal counterparty risk model also covers positions arising from the merger of UBI Banca. In addition, in compliance with the entry into force of Regulation (EU) 2019/876 (CRR II), starting from June 2021 Intesa Sanpaolo adopted the SA-CCR method when calculating counterparty risk exposures on derivative transactions not covered by an internal model. In compliance with the regulatory transaction thresholds, several of the Group's international subsidiary banks have adopted simplified methods for calculating exposures.

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

On 3 February 2022, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 January 2022.

The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.76%.

This is the result of:

a) an SREP requirement in terms of Total Capital ratio of 9.79%, comprising a minimum Pillar 1 capital requirement of 8%, and an additional Pillar 2 capital requirement of 1.79%, of which 4.5% and 1.01%, respectively, in the Common Equity Tier 1 ratio and 6% and 1.34%, respectively, in the Tier 1 ratio;

b) the additional Capital Conservation Buffer requirement of 2.5% on a fully-loaded basis already from 2019 and the additional O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75% on a fully-loaded basis already from 2021.

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

The transitional period (2018-2022), aimed at mitigating the capital impacts linked to the introduction of the new financial reporting standard IFRS 9, started from 1 January 2018. Intesa Sanpaolo has exercised the option provided in EU Regulation 2395/2017 to adopt the "static" approach that allows the neutralisation of a progressively decreasing amount of the impact of IFRS 9 in its CET 1 relating solely to the FTA component of the impairment. In particular, the result from the comparison between the IAS 39 adjustments at 31 December 2017 and the IFRS 9 adjustments at 1 January 2018 – relating to performing loans and securities (stage 1 and 2) and adjustments to NPLs (stage 3), net of tax and having eliminated any existing shortfall – is re-included in the capital according to phase-in percentages of 70% in 2020, 50% in 2021 and 25% in 2022. Within the framework of the COVID-19 pandemic scenario, Regulation (EU) 2020/873 of 24 June 2020, amending Regulations (EU) 575/2013 (CRR) and Regulation (EU) 2019/876 (CRR 2) containing temporary support provisions in terms of capital and liquidity, was published with an accelerated approval procedure (the "quick fix"). Among the provisions set out in Regulation (EU) 2020/873 relating to the calculation of own funds, the Intesa Sanpaolo Group opted not to use, as from 30 June 2020, either the changes to the transitional regime for the application of IFRS 9 (art. 473 bis of the CRR) or the temporary reintroduction of the prudential filter aimed at excluding unrealised gains and losses measured at fair value through other comprehensive income (FVOCI) on exposures to central governments and public sector entities (art. 468 CRR).

For the purposes of calculating capital ratios, starting from 31 December 2020, the Intesa Sanpaolo Group has applied Commission Delegated Regulation (EU) 2020/2176, which entered into force on 23 December 2020 and which amends Commission Delegated Regulation (EU) 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items. The Regulation, which is, inter alia, intended to support the transition to a more digitalised banking sector, introduces the criterion of prudential amortisation applied to all software assets over a three-year period, regardless of their estimated useful lives for accounting purposes. Specifically, the difference, where positive, between prudential cumulative amortisation and accounting cumulative amortisation (including impairment losses) is fully deducted from CET1.

**B. Quantitative information****B.1. Consolidated book shareholders' equity: breakdown by type of company**

Balance sheet captions	Prudential consolidation	Insurance companies	Other companies	Netting and adjustments on consolidation	(millions of euro)	
					TOTAL	of which minority interests
1. Share capital	10,122	-	101	-	10,223	139
2. Share premium reserves	27,308	-	1	-	27,309	23
3. Reserves	18,060	759	-561	-233	18,025	319
3.5 (Interim dividend)	-1,399	-	-	-	-1,399	-
4. Equity instruments	6,282	-	-	-	6,282	-
5. (Treasury shares)	-136	-5	-	5	-136	-
6. Valuation reserves:	-285	474	91	-561	-281	-48
- Equities designated at fair value through other comprehensive income	-143	-	-	-	-143	4
- Hedges of equities designated at fair value through other comprehensive income	-	-	-	-	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	-328	-	-	-	-328	5
- Property and equipment	1,594	-	33	-	1,627	30
- Intangible assets	-	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-	-
- Cash flow hedges	-607	-	-	-	-607	-
- Hedging instruments (non-designated items)	-	-	-	-	-	-
- Foreign exchange differences	-1,219	-	52	1	-1,166	-80
- Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-77	-	-	-	-77	-
- Actuarial gains (losses) on defined benefit plans	-422	-2	-	-	-424	-7
- Share of valuation reserves connected with investments carried at equity	609	-	6	-562	53	-
- Legally-required revaluations	308	-	-	-	308	-
- Share of valuation reserves pertaining to insurance companies	-	476	-	-	476	-
7. Parent company's net income (loss) and minority interest (+/-)	4,054	607	8	-626	4,043	-142
<b>Shareholders' equity</b>	<b>64,006</b>	<b>1,835</b>	<b>-360</b>	<b>-1,415</b>	<b>64,066</b>	<b>291</b>

The table above indicates the components of net book value, adding those of the Group to those of third parties, broken down by the type of consolidated company. In further detail, the column for the Banking group indicates the amount resulting from the consolidation of the companies belonging to such group, gross of the effects on the income statement of transactions with other companies within the scope of consolidation. Subsidiaries other than those belonging to the Banking group and consolidated on a line-by-line basis are stated at equity. The columns Insurance companies and Other companies contain the amounts resulting from consolidation, gross of the effects on the income statement of transactions with companies belonging to the Banking group. The columns Netting and Adjustments on consolidation show the adjustments required to obtain the figure presented in the financial statements.

**B.2. Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown**

(millions of euro)

	Banking group		Insurance companies		Other companies		Netting and adjustments on consolidation		TOTAL	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	689	-638	400	-23	-	-	-400	23	689	-638
- of which measured pursuant to IAS 39	400	-23	400	-23	-	-	-400	23	400	-23
2. Equities	253	-353	45	-1	-	-	-45	1	253	-353
- of which measured pursuant to IAS 39	45	-1	45	-1	-	-	-45	1	45	-1
2bis. Quotas of UCI (pursuant to IAS 39)	63	-15	63	-15	-	-	-63	15	63	-15
4. Loans	7	-2	-	-	-	-	-	-	7	-2
<b>Total as at 31.12.2021</b>	<b>1,012</b>	<b>-1,008</b>	<b>508</b>	<b>-39</b>	<b>-</b>	<b>-</b>	<b>-508</b>	<b>39</b>	<b>1,012</b>	<b>-1,008</b>
<b>Total as at 31.12.2020</b>	<b>1,481</b>	<b>-626</b>	<b>778</b>	<b>-21</b>	<b>-</b>	<b>-</b>	<b>-778</b>	<b>21</b>	<b>1,481</b>	<b>-626</b>

The reserve on equities classified as level 1 is negative for about 283 million euro.

**B.3. Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes**

(millions of euro)

	Debt securities	Debt securities: of which measured pursuant to IAS39	Equities	Equities: of which measured pursuant to IAS39	Quotas of UCI (pursuant to IAS39)	Loans
<b>1. Opening balance</b>	<b>895</b>	<b>687</b>	<b>-76</b>	<b>33</b>	<b>37</b>	<b>-1</b>
<b>2. Increases</b>	<b>5,181</b>	<b>4,708</b>	<b>298</b>	<b>145</b>	<b>58</b>	<b>7</b>
2.1. Fair value increases	4,505	4,109	251	134	56	6
2.2. Adjustments for credit risk	16	-	X	-	-	1
2.3. Reversal to the income statement of negative reserves from disposal	36	-	4	4	-	-
2.3bis Reversal to the income statement of negative reserves from impairment (pursuant to IAS39)	-	-	-	-	-	-
2.4. Transfer to other shareholders' equity items (equities)	-	-	5	-	-	-
2.5. Other increases	624	599	38	7	2	-
<b>3. Decreases</b>	<b>-6,025</b>	<b>-5,018</b>	<b>-322</b>	<b>-134</b>	<b>-47</b>	<b>-1</b>
3.1. Fair value decreases	-5,384	-4,862	-306	-122	-40	-
3.2. Recoveries for credit risk	-6	-	-	-	-	-1
3.2bis Impairment losses (pursuant to IAS39)	-	-	-	-	-	-
3.3. Reversal to the income statement of positive reserves from disposal	-490	-53	-1	-1	-3	-
3.4. Transfer to other shareholders' equity items (equities)	-	-	-1	-	-	-
3.5. Other decreases	-145	-103	-14	-11	-4	-
<b>4. Final balance</b>	<b>51</b>	<b>377</b>	<b>-100</b>	<b>44</b>	<b>48</b>	<b>5</b>

"Other changes", both positive and negative, mainly include the balance contributed by Assicurazioni Vita and Lombarda Vita, which entered the scope of consolidation in 2021.

**Trading on treasury shares**

During the year, Intesa Sanpaolo and the Group companies – on the basis of specific Shareholders' Meeting authorisations – carried out the following transactions on treasury shares:

Ordinary shares:

Initial number	no.	65,933,744
Purchases	no.	20,568,055
Sales	no.	-46,020,243
End-of-year number	no.	40,481,556

***B.4. Valuation reserves relating to the defined benefit plans: annual changes***

During the year, the reserves at issue recorded an increase of 4 million euro. Therefore, as at 31 December 2021 there was an overall negative reserve equal to approximately 424 million euro for defined benefit plans.

**SECTION 2 – OWN FUNDS AND CAPITAL RATIOS FOR BANKS**

Reference is made to the “Basel 3 Pillar 3” public disclosure as at 31 December 2021 for the disclosure on own funds and capital adequacy.

# Part G – Business combinations

## SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

### 1.1 Business combinations

Companies	Date of the transaction (a)	Cost of the transaction	Equity stake % (b)	Net interest and other banking income (c)	Net income / loss for the year (d)	(millions of euro)
						Net income / loss recorded as of acquisition date (e)
1. Assicurazioni Vita (f)	01-apr-21	565	80	n.a.	n.a.	n.a.
2. Lombarda Vita (f)	12-apr-21	550	60	n.a.	n.a.	n.a.
3. Cargeas Assicurazioni	27-mag-21	309	100	n.a.	30 (g)	2
4. Reyl & Cie S.A.	28-mag-21	316	100	53	2	1

(a) Date of acquisition of control.

(b) Percentage of voting rights at the Ordinary Shareholders' Meeting plus possible options on minorities' stakes. For Assicurazioni Vita and Lombarda Vita, considering the stakes previously held in both companies, the total equity investment is 100%.

(c) Net interest and other banking income (Caption 120 of the income statement) referred to full year 2021.

(d) Net income/loss recorded by the subsidiary/business for full year 2021.

(e) Net income/loss recorded by the subsidiary/business after acquisition date and included in the consolidated result of the Intesa Sanpaolo Group.

(f) Assicurazioni Vita (former Aviva Vita) and Lombarda Vita were merged by incorporation into Intesa Sanpaolo Vita as of 31 December 2021, with accounting effects backdated to 1 January 2021; As a result, the net income of the individual companies is not available.

(g) Net income reported in the company's financial statements prepared in accordance with the National Accounting Standards issued by the Italian Accounting Standard-Setter.

In addition to business combinations accounted for by IFRS 3, summarised in the previous table, several extraordinary intragroup transactions were carried out during the year, which had no effects on the consolidated financial statements. Such transactions, which are scoped out of IFRS 3, involved the transfer of business lines or legal entities between Intesa Sanpaolo Group companies or business combinations (under common control).

Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply recorded applying book value accounting in the individual statements of the companies involved, without recognition of any economic effect.

The main intragroup transactions completed during the year concerned:

- de-merger in favour of Fideuram - Intesa Sanpaolo Private Banking of the equity investment held by UBI Banca in IW Bank;
- de-merger in favour of Fideuram - Intesa Sanpaolo Private Banking of a business line of UBI Banca dedicated to performing servicing activities for IW Bank;
- de-merger in favour of Intesa Sanpaolo Private Banking of the Top Private Banking business line of UBI Banca dedicated to operations in favour of customers and companies with significant wealth;
- merger by incorporation of UBI Banca into Intesa Sanpaolo;
- sale of the investment in Intesa Sanpaolo Rent ForYou by Intesa Sanpaolo Forvalue to Intesa Sanpaolo;
- merger by incorporation of Pramerica SGR S.p.A. into Eurizon Capital SGR S.p.A.;
- merger by incorporation of Pramerica Management Company into Eurizon Capital S.A.;
- merger by incorporation of UBI Sistemi e Servizi into Intesa Sanpaolo;
- merger by incorporation of Kedomus into IMMIT - Immobili Italiani (formerly BPB Immobiliare);
- merger by incorporation of UBI Factor into Intesa Sanpaolo;
- merger by incorporation of Financière Fideuram into Fideuram;
- sale of ordinary shares of Intesa Sanpaolo Private Banking to Fideuram – Intesa Sanpaolo Private Banking by Intesa Sanpaolo. These shares were assigned to Intesa Sanpaolo within the framework of the demerger of the Top Private Banking business line of the former UBI Banca;
- merger by incorporation of Bancassurance Popolari into Intesa Sanpaolo Vita;
- merger by incorporation of Assicurazioni Vita (formerly Aviva Vita) into Intesa Sanpaolo Vita;
- merger by incorporation of Lombarda Vita into Intesa Sanpaolo Vita.

*Annual changes in goodwill*

	(millions of euro) 31.12.2021
<b>Initial goodwill</b>	<b>3,154</b>
<b>Increases</b>	<b>420</b>
- Goodwill recorded in the year	406
- Positive foreign exchange differences and other changes	14
<b>Decreases</b>	<b>-</b>
- Impairment recorded in the year	-
- Disinvestments	-
- Negative foreign exchange differences and other changes (reclassified to discontinued operations)	-
<b>Final Goodwill</b>	<b>3,574</b>

*Goodwill*

CGUs/Goodwill	31.12.2021	(millions of euro) 31.12.2020 (*)
Banca dei Territori	-	-
IMI Corporate & Investment Banking	56	56
Insurance	976	773
Asset Management	1,060	1,059
Private Banking	1,482	1,266
International Subsidiary Banks	-	-
Bank of Alexandria (Egypt)	-	-
Pravex Bank (Ukraine)	-	-
<b>Total</b>	<b>3,574</b>	<b>3,154</b>

(\*) The table does not include the goodwill reclassified to discontinued operations as at 31 December 2020, attributable to the Custodian Bank and Fund Administration business line of FLB (Private Banking CGU) to be sold during 2021 and the 31 branches to be sold to BPER in compliance with the instructions from the competent authorities following the acquisition of UBI Banca.

**1.2 Other information****The acquisition of Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita**

UBI Banca distributed the life policies of Assicurazioni Vita (formerly Aviva Vita), an insurance company set up as a joint venture with the Aviva Group, as well as those of Lombarda Vita, a company formed through a joint venture with the Cattolica Assicurazioni Group. UBI Banca held 20% of Aviva Vita (with the remaining 79.5% held by Aviva Italia Holding and 0.5% by Aviva Italia) and 40% of Lombarda Vita, whereas the remaining 60% was held by Cattolica Assicurazioni. In both cases, in addition to drawing up a framework agreement governing the joint venture, and specific distribution, insurance brokerage and shareholders' agreements, the parties had also entered into purchase options on the majority interests not held by UBI Banca. In further detail, in the case of Aviva Vita, UBI Banca held a call option on the remaining 80% interest, whereas in the case of Lombarda Vita a reciprocal option agreement had been entered into with Cattolica Assicurazioni on the shares of Lombarda Vita not held by UBI Banca.

The agreements set the methods of exercise of UBI Banca's call options, the trigger event for which was the termination of the commercial agreements, and laid down the criteria for formulating the purchase consideration. In particular:

- the call option on the interest in Aviva Vita involved a strike price equal to pro rata net book value at the exercise date plus lump-sum consideration agreed between the parties;
- the call option on the investment in Lombarda Vita involved a strike price equal to the greater of the capital invested by Cattolica Assicurazioni, inclusive of capital increases and net of any extraordinary distributions of reserves, and the company's pro rata embedded value, estimated by an independent third party identified by the parties.

Compared to the timescales envisaged in the original agreements, after the Public Purchase and Exchange Offer whereby Intesa Sanpaolo acquired UBI Banca was finalised, it was deemed appropriate to proceed with early exercise of the call options; this choice was approved by the Board of Directors of UBI Banca on 2 October 2020. Accordingly, a new agreement was signed with Aviva Italia Holding on 23 November 2020 in view of early termination of the Aviva Vita joint venture through the exercise of the call option. An identical agreement was signed on 23 December 2020 by UBI Banca and Cattolica Assicurazioni with regard to early termination of the Lombarda Vita joint venture.

After the authorisations were received from IVASS in March 2021 the Intesa Sanpaolo Group then exercised its option to purchase the remaining interests in the two insurance companies. The exercise of the options took place on 1 April 2021 with regard to Aviva Vita and on 12 April 2021 in the case of Lombarda Vita. Accordingly, with effect from the dates of exercise of the options, and following the completion of the merger by incorporation of UBI Banca into the Parent Company, Intesa Sanpaolo held 100% interests in both companies and hence acquired control of them, concurrently assuming management and coordination activity pursuant to Article 2497 of the Italian Civil Code.

Aviva Vita and Lombarda Vita thus became part of the Intesa Sanpaolo Vita Insurance Group in accordance with Article 1 r-bis) 1) of the Private Insurance Code. Finally, after having entered the group, Aviva Vita changed its name to Assicurazioni Vita on 30 May 2021.

Lastly, as part of the project for the reorganisation of the life insurance segment of the Intesa Sanpaolo Group, effective 31 December 2021 and with accounting and tax effects moved back to 1 January 2021, the two companies were merged into Intesa Sanpaolo Vita. The transaction, whose corporate and authorisation processes were started in May 2021, was approved by IVASS on 28 July 2021.

#### *The accounting treatment of the business combination according to the acquisition method under IFRS 3*

The acquisition of control of the two companies constituted a business combination that must be accounted for in accordance with IFRS 3, which requires the application of the acquisition method. On the basis of this method, on the acquisition date, the acquirer must:

- identify the acquirer and the acquisition date;
- determine the purchase cost;
- allocate the purchase cost (the “Purchase Price Allocation” or “PPA”) by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at their acquisition date fair value, excluding non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5. The latter assets are instead measured at fair value less costs to sell. In addition, any intangible assets not yet recognised by the acquiree must be recorded.

Moreover, in business combinations carried out in steps (i.e., combinations in which the acquirer already held a minority interest in the acquiree before the transaction), as in the cases of Assicurazioni Vita and Lombarda Vita, at the acquisition date the acquirer must remeasure at fair value the minority interest it already held as an element of total acquisition cost, recognising the difference compared to the previous carrying amount through profit or loss.

Any excess of the cost not allocated to the individual assets and liabilities acquired of the combination must be recognised as goodwill; alternatively, the negative difference, resulting from the recognition of the combination at favourable prices, is recognised in the income statement as negative goodwill.

The purchase price allocation was completed for the 2021 financial statements, involving the recognition at fair value of the assets and liabilities of the acquiree, including any intangible assets not already entered into the two companies' financial statements, exercising the option afforded by para. 45 of IFRS 3, which grants the acquirer 12 months from the acquisition date to complete the definitive PPA process.

#### *Identifying the acquirer and determining the acquisition date and acquisition cost*

Without prejudice to the identification of Intesa Sanpaolo (which absorbed UBI Banca in the interim) as the acquirer, the acquisition date is a significant element for the purposes of identifying the transaction, inasmuch as it is the reference date for determining the fair values of the assets and liabilities acquired and the date with effect from which the financial performance of the acquiree is recognised in the acquirer's consolidated income statement. The exercise of the options took place on 1 April 2021 with regard to Assicurazioni Vita (formerly Aviva Vita) and on 12 April 2021 in the case of Lombarda Vita. Accordingly, Intesa Sanpaolo acquired control of the companies pursuant to IFRS 10 with effect from those dates, as it held 100% of share capital. Given the availability of a balance sheet and income statement as at and for the period ended 31 March 2021 and the inability, for Lombarda Vita, to prepare a balance sheet and income statement as at and for the period ended 12 April 2021, and considering that between this date and 31 March 2021 there were no extraordinary or material events, the accounting acquisition date has been taken by convention to be 1 May 2021 for both companies. Accordingly, the closing balances as at 31 March 2021 have been adopted for the purposes of the balance sheet subject to initial consolidation, and for the purposes of determining the fair value of the assets acquired and liabilities assumed. Likewise, with regard to the recognition of the economic effects in the consolidated financial statements of Intesa Sanpaolo, the companies' economic contribution was recognised line by line with effect from 1 April 2021.

With regard to the determination of the acquisition cost, account must be taken of the minority interests already held by Intesa Sanpaolo in Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita before assuming control of them, and it must therefore be considered that the transactions in question qualify as business combinations achieved in stages. Accordingly, the acquisition cost has been determined by taking into account the sum of the cash consideration for the majority interests, corresponding to the strike price of the call options exercised, the fair value of those call options and the fair value of the interests already held. A mandate was granted to an independent expert to determine the acquisition date fair value of the minority interests and call options on the majority interests in Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita. The expert therefore estimated the fair value of 100% of the companies at the acquisition date, considering that the valuation exercise was functional to both determining the fair value of the minority interests and updating the fair value of the call options exercised on the majority interests. In estimating the fair value of the two companies, the appointed expert made use of the Dividend Discount Model (DDM) as the main criterion. On the basis of this model, fair value is a function of the expected cash flows that each company may distribute in terms of dividends and/or excess regulatory capital. A balance sheet criterion (the Market Consistent Value Balance Sheet) was used as the control of reference. According to this criterion, fair value is a function of tangible equity at the measurement date, adjusted to express the economic value of the existing portfolio as a function of expected economic margins. Once the economic value of 100% of the companies was identified, the amount was attributed to the minority and majority interests in the two companies in order to determine their fair value, in the case of the latter to prepare the estimate of the fair value of the call options exercised.

In the case of Assicurazioni Vita (formerly Aviva Vita), the fair value of the 20% already held by Intesa Sanpaolo as at the acquisition date was determined to be 113 million euro. Compared to the carrying amount of the investment at the acquisition date, this entailed a negative effect on the consolidated income statement at the acquisition date of approximately 10 million euro. In the case of Lombarda Vita, the fair value of the 40% already held by Intesa Sanpaolo as at the acquisition date was determined to be 220 million euro. Compared to the carrying amount of the investment at the acquisition date (225 million euro), this entailed a negative effect on the consolidated income statement at the acquisition date of approximately 5 million euro. The fair value measurement of the minority interests thus resulted in an overall negative effect on the income statement of approximately 15 million euro.



With regard to the call options exercised by Intesa Sanpaolo on the majority interests in the two companies, the updated acquisition date fair values were reclassified as an increase in the carrying amount of the controlling equity investments in the two companies and, accordingly, were considered an integral part of the acquisition cost for the purposes of Intesa Sanpaolo's consolidated financial statements. In the case of Assicurazioni Vita (formerly Aviva Vita), the fair value of the call option was found to be approximately 39 million euro, 19 million euro less than the previous carrying amount, whereas for Lombarda Vita the fair value of the option was determined to be 30 million euro, 13 million euro higher than the previous carrying amount. The effect on the income statement, gross of the tax effect, of the updated valuation of the above call options was thus a negative 6 million euro.

With regard to the cash consideration transferred to acquire the majority interests, following the exercise of the call options:

- in the case of Assicurazioni Vita (formerly Aviva Vita), the consideration was 413 million euro, determined on the basis of net book value at 31 December 2020, plus a lump sum agreed between the parties;
- in the case of Lombarda Vita, according to the agreements between UBI Banca and Cattolica Assicurazioni, the price of the option, equal to the greater of the capital invested by Cattolica Assicurazioni (inclusive of capital increases and net of any extraordinary distributions of reserves) and the company's pro rata embedded value, was found to be 300 million euro.

In short, the total acquisition cost was found to be 565 million euro for Assicurazioni Vita (formerly Aviva Vita) and 550 million euro for Lombarda Vita.

#### *Fair value of assets acquired and liabilities assumed*

On the basis of IFRS 3, at the acquisition date, the acquirer must allocate the cost of a business combination by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at their acquisition date fair value, excluding non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5. The assets to be recognised in the PPA also include any intangible assets, where identifiable, not previously recognised by the acquiree as internally developed.

During the PPA process, no significant differences were found at the acquisition date between the carrying amounts in the two insurance companies' financial statements and fair values. With regard to identifying specific intangible assets, an intangible asset typical of the insurance business, previously not recognised in the two companies' financial statements, i.e. the Value of Business Acquired (VoBA), was recognised. VoBA is a specific intangible asset related to the client relationship, identified among intangible assets typical of the insurance business pursuant to IFRS 4, and represents the value of the existing policy portfolio, in which the acquired client relationship is substantiated, and is representative of the current value of future profits generated by the insurance contracts in effect upon acquisition. In line with relevant valuation practice, VoBA was identified and determined, with the support of an independent expert, as the difference between the economic value of the two companies as at the acquisition date, net of differences of a residual nature not attributable to the value of the future profits of the contracts in place at the time of acquisition and the two companies' equity, determined in accordance with IAS/IFRS. The two companies' economic value was in the market-consistent value balance sheet configuration (the DDM method was used as the control criterion) on the basis of Solvency II own funds as at 31 March 2021. From the valuations conducted, VoBA was found to be 280 million euro for Assicurazioni Vita (formerly Aviva Vita) and 207 million euro for Lombarda Vita. Since VoBA represents the capacity of contracts with customers in force at the time of acquisition to generate revenues over the useful life of acquired relationships, it was considered an intangible asset with a finite useful life. In view of the provisions of IAS 12, deferred tax liabilities were recognised along with the intangible asset, applying the nominal tax rate applicable to the insurance companies.

With regard to VoBA, in 2021 Assicurazioni Vita (formerly Aviva Vita) finalised the sale to Aviva Life of a business line composed of assets of around 1.4 billion euro, mainly represented by government bonds classified as AFS and technical reserves of around 1.3 billion euro, referring to several line IV policies and collective agreements. This transaction resulted in the cancellation of an 8 million euro share of VoBA, which was reallocated as an adjustment of the economic effects of the sale.

#### *Summary of the purchase price allocation and final goodwill calculation process*

At the acquisition date the acquirer must recognise the goodwill acquired in a business combination as an asset and initially measure such goodwill as the residual amount of the acquisition cost, as it constitutes the amount by which the cost of the business combination exceeds the acquirer's interest in the net fair value of the assets, liabilities and contingent liabilities identified. However, if the fair value of the acquiree's identifiable net assets exceeds the acquisition cost, negative goodwill must be recognised in the acquirer's income statement.

The following is a summary of the purchase price allocation process and the resulting goodwill.

		(millions of euro)	
		Assicurazioni Vita	Lombarda Vita
<b>Total acquisition cost at acquisition date</b>	<b>a</b>	<b>565</b>	<b>550</b>
<b>IAS/IFRS shareholders' equity at acquisition date</b>	<b>b</b>	<b>369</b>	<b>352</b>
<b>PPA effects</b>	<b>c = d + e</b>	<b>194</b>	<b>143</b>
VoBA recognition	d	280	207
Deferred tax liabilities on VoBA	e	-86	-64
<b>Shareholders' equity at acquisition date fair value</b>	<b>f = b + c</b>	<b>563</b>	<b>495</b>
<b>Goodwill recognised</b>	<b>a - f</b>	<b>2</b>	<b>55</b>

As a result of the above table, the comparison between the total acquisition cost and equity remeasured at fair value yields residual unallocated differences of 2 million euro for Assicurazioni Vita (formerly Aviva Vita) and of 55 million euro for Lombarda Vita, which were recognised as goodwill.

According to IAS 36, the goodwill and intangible assets recognised in a business combination must, from the acquisition date, be allocated to the CGU that is expected to benefit from the synergies of the business combination; within the Intesa Sanpaolo Group, all intangible assets recognised in the PPA process conducted on the two companies were allocated to the Insurance CGU.

In the interest of completeness, the balance sheet of Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita, as accounted for at the acquisition date by Intesa Sanpaolo, is provided below.

(millions of euro)

Assets	Assicurazioni Vita		
	Carrying amount at acquisition date	Fair value differences	Acquisition date fair value
Financial assets at fair value pursuant to IAS 39	18,734	-	18,734
Financial assets at amortised cost pursuant to IAS 39	210	-	210
Technical insurance reserves reassured with third parties	19	-	19
Tax assets	5	-	5
Intangible assets	-	282	282
- of which VoBa	-	280	280
- of which: goodwill	-	2	2
Other assets	342	-	342
<b>Total assets</b>	<b>19,310</b>	<b>282</b>	<b>19,592</b>

(millions of euro)

Liabilities and shareholders' equity	Assicurazioni Vita		
	Carrying amount at acquisition date	Fair value differences	Acquisition date fair value
Financial liabilities at amortised cost pursuant to IAS 39	88	-	88
Financial liabilities held for trading	59	-	59
Financial liabilities at fair value pursuant to IAS 39	3,209	-	3,209
Tax liabilities	25	86	111
Other liabilities	173	-	173
Employee termination indemnities	1	-	1
Allowances for risks and charges	1	-	1
Technical reserves	15,385	-	15,385
Shareholders' equity	369	196	565
<b>Total liabilities and shareholders' equity</b>	<b>19,310</b>	<b>282</b>	<b>19,592</b>

(millions of euro)

Assets	Lombarda Vita		
	Carrying amount at acquisition date	Fair value differences	Acquisition date fair value
Financial assets at fair value pursuant to IAS 39	8,747	-	8,747
Financial assets at amortised cost pursuant to IAS 39	71	-	71
Technical insurance reserves reassured with third parties	31	-	31
Tax assets	220	-	220
Intangible assets	-	262	262
- of which VoBa	-	207	207
- of which: goodwill	-	55	55
Other assets	229	-	229
<b>Total assets</b>	<b>9,298</b>	<b>262</b>	<b>9,560</b>

(millions of euro)

Liabilities and shareholders' equity	Lombarda Vita		
	Carrying amount at acquisition date	Fair value differences	Acquisition date fair value
Financial liabilities at amortised cost pursuant to IAS 39	213	-	213
Financial liabilities held for trading	-	-	-
Financial liabilities at fair value pursuant to IAS 39	-	-	-
Tax liabilities	231	64	295
Other liabilities	122	-	122
Employee termination indemnities	-	-	-
Allowances for risks and charges	1	-	1
Technical reserves	8,379	-	8,379
Shareholders' equity	352	198	550
<b>Total liabilities and shareholders' equity</b>	<b>9,298</b>	<b>262</b>	<b>9,560</b>

### Acquisition of Cargeas

Cargeas Assicurazioni is an insurance company operating in the non-life business whose products were distributed through the UBI Banca Group's network and, to a residual extent, through the branches of Banca Nazionale del Lavoro. UBI Banca and Cargeas Assicurazioni were parties to a distribution agreement governing the exclusive sale of standard Cargeas Assicurazioni non-life products at all branches in the UBI Banca network, with the exception of those of IW Bank. The company was 100% owned by the BNP Paribas Group through BNP Paribas Cardif S.A.

In view of the highly strategic nature of the non-life business to the Group, once the acquisition of UBI Banca was completed, the Intesa Sanpaolo Group began discussions with BNP Paribas to verify the early termination of the partnership with Cargeas Assicurazioni. On the basis of the in-depth negotiations emerged a possibility of acquiring 100% of the company from BNP Paribas with concurrent early termination of all commercial undertakings.

The acquisition of Cargeas Assicurazioni was approved by the Board of Directors of Intesa Sanpaolo Vita on 5 February 2021. The sale agreement was finalised on 20 February 2021 with closing conditional on obtaining the necessary authorisations from the Supervisory Authorities. After the conclusion of the authorisation procedure, the transaction was finalised on 27 May 2021 with the acquisition by Intesa Sanpaolo Vita of 100% of the company's share capital. The terms of the transaction involved the acquisition by Intesa Sanpaolo Vita of 100% of the share capital of Cargeas Assicurazioni on the basis of consideration of 390 million euro, subject to an adjustment at closing as a function of any discrepancy between final equity at 31 December 2020 and that resulting from the temporary situation of reference.

With regard to the valuation of the company and in support of the approval of the price by the Board of Directors of Intesa Sanpaolo Vita, a specific, independent valuation was issued by a third-party consultant, attesting to the fairness of the price agreed by the parties. On the basis of the decrease in final equity at 31 December 2020 compared to that resulting from the temporary situation of reference at signing, attributable to dividends on 2019 and 2020 earnings distributed by the company to the previous shareholder, the final price, paid by Intesa Sanpaolo Vita in full at the closing date of the transaction, was 309 million euro.

*Accounting treatment of the business combination and PPA process*

The acquisition of 100% of the share capital of Cargeas Assicurazioni constituted a business combination that must be accounted for in accordance with IFRS 3, which requires the application of the acquisition method. On the basis of this method, on the acquisition date, the acquirer must:

- identify the acquirer and the acquisition date;
- determine the purchase cost;
- allocate the purchase cost (the “Purchase Price Allocation” or “PPA”) by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at their acquisition date fair value, excluding non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5. The latter assets are instead measured at fair value less costs to sell. In addition, any intangible assets not yet recognised by the acquiree must be recorded.

The purchase price allocation was completed for the 2021 financial statements, involving the recognition at fair value of the assets and liabilities of the acquiree and potential new intangible assets not already recognised in the financial statements of Cargeas Assicurazioni, exercising the option afforded by para. 45 of IFRS 3, which grants the acquirer 12 months from the acquisition date to complete the definitive PPA process.

Without prejudice to the identification of Intesa Sanpaolo Vita as the acquirer, the acquisition date is a significant element for the purposes of identifying the transaction, inasmuch as it represents the reference date for determining the fair values of the assets and liabilities acquired and the date with effect from which the financial performance of the acquiree is recognised in the acquirer’s consolidated income statement. The acquisition of the company was finalised on 27 May 2021 and Intesa Sanpaolo Vita acquired control from that date. Given the brief period between 1 June 2021 and the effective acquisition date and that between that date and 1 June 2021 there were no extraordinary or material events, the accounting acquisition date has been taken by convention to be 1 June 2021. Accordingly, the closing balances as at 31 May 2021 have been adopted for the purposes of the balance sheet subject to initial consolidation, and for the purposes of determining the fair value of the assets acquired and liabilities assumed. Likewise, with regard to the recognition of the economic effects in the consolidated financial statements of Intesa Sanpaolo Vita and Intesa Sanpaolo, the companies’ economic contribution was recognised line by line in the Intesa Sanpaolo Group’s financial statements with effect from 1 June 2021.

The acquisition cost was determined on the basis of the cash consideration transferred on the closing date for 100% of share capital, i.e. 309 million euro.

In accordance with IFRS 3, within the framework of the PPA process, the acquiree’s assets and liabilities were recognised at their respective fair values. In particular, from an analysis of the financial statements and on the basis of the information provided by the company, no significant differences were found at the acquisition date between the carrying amounts in the IAS/IFRS situation of Cargeas Assicurazioni and the related fair values, with the exception of intangible assets represented by software. On this aspect, specific analyses were conducted, identifying a portion of the software capitalised by the company, which, given the integration and migration process already known and defined at the acquisition date, was derecognised during the PPA as it will no longer be used and will not contribute to the company production process. Upon the conclusion of the PPA process, on the basis of intangible assets relating to the IT system, a total impairment loss on the carrying amounts of 2 million euro was determined. In view of the provisions of IAS 12, deferred tax assets were recognised on the write-off of these intangible assets, on the basis of the nominal tax rate applicable to the insurance companies.

With regard to identifying specific intangible assets not previously recognised in the company’s financial statement, an intangible asset typical of the insurance business, i.e. the Value of Business Acquired (VoBA), was recognised. VoBA is a specific intangible asset identified within the framework of the client relationship and specifically indicated among the intangible assets typical of the insurance business pursuant to IFRS 4. VoBA represents the value of the existing policy portfolio, in which the acquired client relationship is substantiated, and is representative of the current value of future profits generated by the insurance contracts in effect upon acquisition. In line with relevant valuation practice, VoBA was identified and determined, with the support of an independent expert, as the difference between the economic value of own funds, as presented in the Market Value Balance Sheet for Solvency II purposes, and the IAS/IFRS equity of Cargeas at the acquisition date. The calculations performed yielded a VoBA, gross of the related tax effect, of 64 million euro. Since VoBA represents the capacity of contracts with customers in force at the time of acquisition to generate revenues over the useful life of acquired relationships, it was considered an intangible asset with a finite useful life. In view of the provisions of IAS 12, deferred tax liabilities were recognised along with the intangible asset, applying the nominal tax rate applicable to the insurance companies.

The following is a summary of the purchase price allocation process and the resulting goodwill.

(millions of euro)

		<b>Cargeas Assicurazioni</b>
<b>Total acquisition cost at acquisition date</b>	<b>a</b>	<b>309</b>
<b>IAS/IFRS shareholders' equity at acquisition date</b>	<b>b</b>	<b>120</b>
<b>PPA effects</b>	<b>c = d + e + f + g</b>	<b>43</b>
- VoBA recognition	<b>d</b>	<b>64</b>
- Deferred tax liabilities from VoBA recognition	<b>e</b>	<b>-20</b>
- Write-off of intangible assets	<b>f</b>	<b>-2</b>
- Deferred tax assets from write-offs of intangible assets	<b>g</b>	<b>1</b>
<b>Shareholders' equity at acquisition date fair value</b>	<b>d = b + c</b>	<b>163</b>
<b>Goodwill recognised</b>	<b>e = a - d</b>	<b>146</b>

The comparison between the total acquisition cost and the shareholders' equity of the company at fair value as at 31 May 2021 produced a residual difference of 146 million euro which, for the purposes of the 2021 financial statements, was recognised as goodwill. According to IAS 36, the goodwill and intangible assets recognised in a business combination must, from the acquisition date, be allocated to the CGU that is expected to benefit from the synergies of the business combination; the goodwill and VoBA recognised from the acquisition of Cargeas Assicurazioni were allocated to the Insurance CGU of the Intesa Sanpaolo Group.

In the interest of completeness, the balance sheet of Cargeas Assicurazioni, as accounted for at the acquisition date by Intesa Sanpaolo Vita, is provided below.

(millions of euro)

<b>Assets</b>	<b>Cargeas assicurazioni</b>		
	<b>Carrying amount at acquisition date</b>	<b>Fair value differences</b>	<b>Acquisition date fair value</b>
Financial assets at fair value pursuant to IAS 39	424	-	424
Financial assets at amortised cost pursuant to IAS 39	47	-	47
Technical insurance reserves reassured with third parties	29	-	29
Property and equipment	5	-	5
Intangible assets	4	208	212
- of which write-off of intangible assets	4	-2	2
- of which VoBa	-	64	64
- of which: goodwill	-	146	146
Tax assets	9	1	10
Other assets	57	-	57
<b>Total assets</b>	<b>575</b>	<b>209</b>	<b>784</b>

(millions of euro)

<b>Liabilities and shareholders' equity</b>	<b>Cargeas assicurazioni</b>		
	<b>Carrying amount at acquisition date</b>	<b>Fair value differences</b>	<b>Acquisition date fair value</b>
Financial liabilities at amortised cost pursuant to IAS 39	12	-	12
Tax liabilities	18	20	38
Other liabilities	22	-	22
Employee termination indemnities	2	-	2
Allowances for risks and charges	5	-	5
Technical reserves	396	-	396
Shareholders' equity	120	189	309
<b>Total liabilities and shareholders' equity</b>	<b>575</b>	<b>209</b>	<b>784</b>

### The acquisition of Reyl & Cie S.A.

As part of the wider process of the strengthening and strategic repositioning of the international operations of the Private Banking Division, on 2 and 5 October 2020 the Boards of Directors of Intesa Sanpaolo and Fideuram - Intesa Sanpaolo Private Banking (hereinafter "Fideuram") authorised the acquisition by Fideuram of an equity investment of 69% of the share capital of Reyl & Cie S.A. – a Swiss private bank with an international presence – with the concurrent contribution to Reyl of the entire equity investment held by Fideuram in Intesa Sanpaolo Private Bank (Suisse) Morval (hereinafter "Morval"). The choice of acquiring control of Reyl and further reinforcing the Swiss wealth management hub, following the acquisition of Morval in 2018, derives from an analysis of a sector that remains a global leader in terms of cross-border activity, representing the key for access to geographical areas and markets undergoing significant growth, and characterised by the presence, alongside various large global operators, of a large number of operators of modest size.

The sale agreement was finalised by the parties on 7 October 2020 with closing conditional on obtaining the necessary authorisations from the Supervisory Authorities. After the conclusion of the authorisation procedure, the transaction was finalised on 28 May 2021 with the acquisition by Fideuram of 69% of Reyl and the concurrent contribution to Reyl & Cie S.A. of the equity investment held by Fideuram in Morval. As a result of this transfer, following the completion of the transaction, 69% of the share capital of Morval is held indirectly by Fideuram, which therefore continues to control the Swiss company, although indirectly through Reyl & Cie S.A. In further detail, Fideuram acquired the equity investment in Reyl through:

- the cash purchase of 100% of the holding company RB Participations S.A., which in turn holds 30% of Reyl & Cie S.A.;
  - the direct purchase by Fideuram of 39% of Reyl & Cie S.A., partly in cash and partly through the contribution of Morval.
- The parties agreed a price on the basis of a valuation of 100% of Reyl & Cie S.A. of 348 million Swiss francs; applying to the total valuation of the company the percentage acquired by Fideuram, the total price of 240 million Swiss francs, paid at closing, was thus defined.

To determine the fairness of the price paid from an economic and financial standpoint, an independent third party was asked to provide a specific fairness opinion, which attested that the price agreed between the parties for the acquisition of 69% of Reyl on a stand-alone basis may be considered fair. The agreement between the parties provides for a total valuation of Morval of 165 million Swiss francs. The agreed value was subject to an adjustment to account for the changes in equity until the closing date, resulting in a final value for 100% of the company of 156 million Swiss francs. On the basis of the above considerations, the price to acquire 69% of Reyl & Cie S.A. of 240 million Swiss francs was paid:

- in part through the valuation of 31% of Morval, transferred to the shareholders of Reyl & Cie S.A. for an amount of 48 million Swiss francs;
- for the remainder in cash, amounting to 192 million Swiss francs;

In addition to the acquisition of 69% of share capital, the parties also signed a Shareholders' Agreement which sets out, inter alia, specific put and call options on the remaining share of 31% of the share capital of Reyl & Cie to be activated at 5 years from the date of closing for 50% of the share and 7 years from the date of closing for the remaining 50%. The strike prices of the options are equal to fair market value, to be calculated at the option exercise date.

### Accounting treatment of the business combination and PPA process

The acquisition of control of Reyl & Cie S.A. is a business combination that must be accounted for in accordance with IFRS 3, which requires the application of the acquisition method. On the basis of this method, on the acquisition date, the acquirer must:

- identify the acquirer and the acquisition date;
- determine the purchase cost;
- allocate the purchase cost (the "Purchase Price Allocation" or "PPA") by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at their acquisition date fair value, excluding non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5. The latter assets are instead measured at fair value less costs to sell. In addition, any intangible assets not yet recognised by the acquiree must be recorded.

It should be emphasised that, before the transaction, Fideuram, and therefore Intesa Sanpaolo as Parent Company, already had control of Morval, contributed to Reyl & Cie S.A. as part of the consideration for acquisition, which at the end of the transaction continues to be controlled by Fideuram, albeit indirectly. Accordingly, for the purposes of preparation of the Intesa Sanpaolo Group's consolidated financial statements, the PPA process was applied solely to the assets and liabilities of Reyl & Cie S.A. on a stand-alone basis, therefore excluding the equity investment held by Reyl & Cie S.A. in Morval following the transaction.

The purchase price allocation was completed for the 2021 financial statements, involving the recognition at fair value of the assets and liabilities of the acquiree and potential new intangible assets not already recognised in the financial statements of Reyl & Cie S.A., exercising the option afforded by para. 45 of IFRS 3, which grants the acquirer 12 months from the acquisition date to complete the definitive PPA process.

Without prejudice to the identification of Fideuram as acquirer, the acquisition date was identified as 28 May 2021, i.e. the date on which the transaction was finalised. It was thus with effect from this date that Fideuram (and thus Intesa Sanpaolo) acquired control of Reyl & Cie S.A. pursuant to IFRS 10, with the consequent obligation to include it within its consolidation scope. Since it was not possible for Reyl & Cie S.A. to prepare a consolidated balance sheet as at 27 May 2021 (the day prior to the acquisition date pursuant to IFRS 3), it was decided to refer, for the purposes of the PPA and the initial consolidation of the company, to the balance sheet prepared at 31 May 2021, considering the brief period of time between that date and 28 May. Accordingly, the economic result of Reyl & Cie S.A. was included in the consolidated financial statements of Fideuram Intesa Sanpaolo Private Banking and Intesa Sanpaolo pursuant to IFRS 3 with effect from 1 June 2021.

The acquisition cost was determined on the basis of the consideration transferred on the closing date for 69% of Reyl & Cie S.A., equal to 240 million Swiss francs. In addition, given the clear strategic intention of Fideuram to acquire the remaining Reyl & Cie shares over time, reaching 100% ownership of the company in 2028, as established by the contractual agreements, which provide for put and call options, essentially representing a forward purchase, exercisable from 2026 to 2028, it was opted also to include in the acquisition cost the shares underlying the put and call agreement through the expression of minority interests in equity at fair value, as permitted by para. 19 of IFRS 3 ("full goodwill" criterion). Given the presence of the put options for the minority shareholder, the result for Fideuram is an unconditional undertaking to purchase the shares underlying the option, which must be recognised as a financial liability in the parent entity's consolidated financial



statements. Accordingly, the minority interest in equity has been derecognised and a financial liability recognised, also at fair value, representing Fideuram's undertaking to purchase the Reyl & Cie S.A. shares held by third parties. With regard to the determination of the acquisition date fair value of the financial liability for the undertaking relating to the put options, given that the strike price of the options is equal to the market value of the underlying shares, reference was made to the pro rata valuation of 100% of the company, agreed between the parties and certified by an independent third party.

The total consideration for the acquisition of Reyl & Cie S.A. was 348 million Swiss francs, as the sum of the price paid by Fideuram to acquire 69% of the company, equal to 240 million Swiss francs, and the fair value of the financial liability recognised on the acquisition date to reflect the subscription of the put options provided on the minority interest of 108 million Swiss francs.

After the purchase price was determined, it was allocated to the equity acquired (100% in light of the application of the "full goodwill" criterion as permitted by IFRS 3), after adjusting it to reflect the fair value of the assets acquired and liabilities assumed.

For the purposes of the 2021 financial statements, with the support of an independent expert, the PPA was definitively completed, concluding the analysis aimed at redetermining the fair value of the assets acquired and liabilities assumed and identifying any specific intangibles not previously recognised by Reyl & Cie S.A. In particular, the following accounting entries emerged as worthy of attention in terms of potential differences between carrying amounts and fair values:

- the portfolio of medium-long term loans;
- the Additional Tier 1 instruments issued, which, while classified to equity pursuant to IAS 32, have not been considered in the equity of Reyl & Cie S.A., eliminated during the PPA process as they are not within the scope of the acquisition transaction, which pertained solely to the ordinary shares issued by Reyl & Cie S.A. (and not the Additional Tier 1 instruments, which continue to be held by third parties) and on conclusion of the transaction continue to represent equity instruments issued by the acquiree and subscribed by third parties. Accordingly, within the framework of the PPA process they were considered "non-controlling interests" nonetheless to be recognised at fair value pursuant to IFRS 3;
- the specific intangible relating to customer assets. The analyses conducted resulted in the recognition of an intangible asset with a definite useful life relating to customer relationships, typical of the wealth management sector, previously not recognised by Reyl & Cie S.A.;
- the measurement of the equity investment in Alpiant, recognised in the IAS/IFRS financial statements of the company among FVOCI (fair value through other comprehensive income) equity instruments and measured at its fair value of 20 million Swiss francs, on the basis of the valuation of the company agreed by the parties within the framework of the total valuation of Reyl.

In particular, with regard to the loan portfolio, in order to determine the scope subject to measurement, for exposures with residual maturity of less than 12 months, as they are short-term transactions, the carrying amount was considered to be a reasonable approximation of their fair value in accordance with IFRS 13, taking into account that the discounting of future cash flows is of little significance in presence also of changes in the reference market rates. The method used by the expert to estimate the fair value of the medium/long-term portfolio, in line with market practice, involved discounting cash flows at a certain market discount rate (the Discounted Cash Flow or DCF method). The valuation process thus conducted resulted in a total fair value of the medium/long-term loan portfolio in line with its book value in the financial statements of Reyl & Cie, which was therefore confirmed for the purposes of the PPA process.

The fair value of Additional Tier 1 instruments was also estimated on the basis of the DCF method and found to be in line with their book value.

Finally, specific analyses were conducted, resulting in the recognition of a customer relationship related intangible asset, specifically associated with indirect customer deposits (AuM). The Customer Relationship Related intangible assets are composed of the set of contractual business relationships established by the company with customers. The value, if any, of those assets lies in the economic benefits that the Bank may receive over time as a result of the relationships established with customers. For the purpose of estimating the value of the intangible assets pursuant to IAS 38 and IFRS 3, only the value of the existing relationships at the acquisition date was considered, not that of new relationships, as the ability to generate new relationships cannot be separated and transferred to third parties and is included in goodwill. Accordingly, the intangible asset recognised was considered to have a definite useful life.

The Multi-period Excess Earnings Method (MEEM) was used to measure the AuM intangible asset at the acquisition date. This method defines the value of the intangible on the basis of the estimated gross cash flows generated by contracts in place through the use of forward-looking data, appropriately adjusted to take account of: i) the administrative costs required to produce income flows; ii) the tax effect; iii) the cost associated with the capital absorbed by the intangible asset; iv) the cost of risk, where applicable; and v) the cost associated with the use of other assets that contribute to the generation of cash flows associated with the specific intangible ("contributory assets").

The measurement process resulted in a total fair value of the AuM intangible of 84 million Swiss francs, converted into 76 million euro on the basis of the spot exchange rate as at 28 May 2021, equal to 0.5% of the assets acquired and in line with the valuation of other comparable PPA processes. Along with the above intangible, the correlated deferred tax liabilities were also recognised on the basis of the nominal Swiss rate.



*Summary of the purchase price allocation and final goodwill calculation process*

As described above, by virtue of the put and call agreements entered into on the minority interest, goodwill was recognised on 100% of Reyl & Cie S.A. on a stand-alone basis according to the full goodwill criterion, as the difference between the total acquisition cost (consideration transferred for 69% of the company, in addition to the fair value of the financial liability relating to the put options) and the total shareholders' equity acquired, appropriately revalued at fair value (and therefore including the value of the AuM intangible net of the related tax effect).

The total acquisition cost was found to be 348 million Swiss francs (316 million euro), whereas the share of IAS/IFRS equity at fair value of Reyl acquired (net of the Additional Tier 1 instruments) was found at the acquisition date to be 125 million Swiss francs (113 million euro).

The following table contains a summary of the purchase price allocation and final goodwill calculation process.

		(millions of euro) Reyl & Cie S.A.
<b>Consideration transferred at closing for 69% of share capital</b>	<b>a</b>	<b>218</b>
Fair value of financial liability for put option on 31%	<b>b</b>	98
<b>Total acquisition cost of Reyl at acquisition date</b>	<b>c = a + b</b>	<b>316</b>
IAS/IFRS shareholders' equity at acquisition date	<b>d</b>	53
- of which AT1 instruments subscribed by third parties	<b>e</b>	23
<b>Tangible IAS/IFRS equity of Reyl net of AT1 instruments at acquisition date</b>	<b>f = d - e</b>	<b>30</b>
<b>PPA effects</b>	<b>g = h + i + l</b>	<b>83</b>
- of which AuM intangible	<b>h</b>	76
- of which revaluation of the investment in Alpien	<b>i</b>	18
- of which DTL	<b>l</b>	-11
<b>Shareholders' equity at acquisition date fair value</b>	<b>m = f + g</b>	<b>113</b>
<b>Goodwill recognised</b>	<b>n = c - m</b>	<b>203</b>

The comparison between the total acquisition cost and the shareholders' equity of Reyl at fair value identified a residual difference of 223 million Swiss francs, converted into 203 million euro using the spot exchange rate as at 31 May 2021, which was recognised as goodwill following the completion of the PPA. According to IAS 36, the goodwill and intangible assets recognised in a business combination must, from the acquisition date, be allocated to the CGU that is expected to benefit from the synergies of the business combination; in the ISP Group, the goodwill and AuM intangible were allocated to the Private Banking CGU.

In the interest of completeness, the balance sheet of Reyl & Cie S.A. is provided below, as accounted for at the acquisition date by Fideuram Intesa Sanpaolo Private Banking.

(millions of euro)

Assets	Reyl & Cie S.A.		
	Carrying amount at acquisition date	Fair value differences	Acquisition date fair value
Due from banks	255	-	255
Loans to customers	1,396	18	1,414
Property, equipment and intangible assets	18	279	297
<i>Property and equipment</i>	15	-	15
<i>Intangible assets</i>	3	279	282
- of which AuM intangible	-	76	76
- of which: goodwill	-	203	203
Tax assets	7	-	7
Other assets	492	-	492
<b>Total assets</b>	<b>2,168</b>	<b>297</b>	<b>2,465</b>

(millions of euro)

Liabilities and shareholders' equity	Reyl & Cie S.A.		
	Carrying amount at acquisition date	Fair value differences	Acquisition date fair value
Due to banks at amortised cost	25	-	25
Due to customers at amortised cost and securities issued	1,995	-	1,995
Financial liabilities held for trading	15	-	15
Tax liabilities	-	11	11
Other liabilities	51	-	51
Allowances for risks and charges	29	-	29
Equity instruments	23	-	23
Shareholders' equity (excluding equity instruments)	30	286	316
<b>Total liabilities and shareholders' equity</b>	<b>2,168</b>	<b>297</b>	<b>2,465</b>

## SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE END OF THE YEAR

### 2.1 Business combinations

No business combinations within the scope of IFRS 3 have been undertaken since the end of 2021.

## SECTION 3 – RETROSPECTIVE ADJUSTMENTS

No adjustments are recognised in the current year that relate to business combinations that occurred in previous reporting periods.

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# Part H – Information on compensation and transactions with related parties

## A) TRANSACTIONS WITH RELATED PARTIES

### 1. Procedural features

The Board of Directors of Intesa Sanpaolo S.p.A. adopted, in compliance with the procedures set out by regulations, the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking.

These Procedures, most recently updated in June 2021, take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, and the supervisory provisions introduced by the Bank of Italy on 12 December 2011 in terms of risk-related activities and conflicts of interest by banks and banking groups with respect to "Associated Entities", issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and CICR (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008, as well as the rules established by Article 136 of the Consolidated Law on Banking.

The Procedures apply to the entire Intesa Sanpaolo Group with respect to the following aspects:

- the criteria for identifying Related Parties and Associated Entities;
- the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and Associated Entities;
- market disclosure for transactions with Related Parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy for risk-related activities in relation to associated entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention about the management of the personal interests by management body members, employees and company staff, including other than Associated Entities.

Pursuant to the Procedures, the following are considered Related Parties of Intesa Sanpaolo: parties that exercise significant control or influence, subsidiaries and associates, joint ventures, pension funds of the Group, Management Body Members and Key Managers of Intesa Sanpaolo and their close family members and significant shareholdings.

The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent Company) and each monitored significant intermediary with own funds greater than 2% of the total of consolidated own funds. The following are considered to be Associated Entities for each monitored significant bank or intermediary of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; iii) management body members and their relative close family members up to the second degree and significant subsidiary entities.

As a form of self-regulation, the Bank has extended the regulations on transactions with Related Parties, as well as those on risk-related activities and conflicts of interest with Associated Entities to:

- a) Intesa Sanpaolo shareholders and their groups that hold a stake in the share capital with voting rights of the Bank that exceeds the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them with others;
- b) companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chairman of the management body; ii) hold a qualifying holding equal to or exceeding 10% of the capital or voting rights of that entity, or a position of significant influence;
- c) companies which the Group has notable investments in and financial links with, attributable to at least two of the following indicators:
  - the counterparty holds a stake in Intesa Sanpaolo's capital with an amount between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies;
  - an entity of the Intesa Sanpaolo Group holds a stake in the counterparty exceeding 10% of the voting rights;
  - significant credit exposure of the Group to the counterparty.

This approach allows closer monitoring of transactions with the main entities in potential conflict of interest risk.

The Procedures set forth the assessment process that must be followed by the Parent Company and subsidiary companies when carrying out transactions with Related Parties of Intesa Sanpaolo, Associated Entities of the Group and Relevant Persons pursuant to Art. 136 of the Consolidated Law on Banking, to ensure appropriateness of the transactions. The Procedures also require detailed examination of the reasons and interests behind the transactions, their effects on the Bank's financials and the terms of the transaction.

In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full or partial exemptions from the application of the regulations is also envisaged.

With regard to the decision-making for transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, the procedure distinguishes between:

- transactions involving smaller amounts: with a value of less than or equal to 250 thousand euro for individuals and 1 million euro for persons other than natural persons (excluded from application of the regulations);
- less significant transactions: with a value higher than the small-amount thresholds (250 thousand euro for individuals and 1 million euro for persons other than natural persons) but lower than or equal to the most significant thresholds indicated below;
- most significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 3.1 billion euro for the Intesa Sanpaolo Group);
- transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Committee for Transactions with Related Parties, which meets the independence requirements laid down in the Corporate Governance Code for Listed Companies and Art. 148 of the Consolidated Law on Finance. The Committee for Transactions with Related Parties can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.

For most significant transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.

All transactions – that are not exempt based on the Procedures – undertaken by the Parent Company with one of its related parties or associated entities are subject to approval by the Board, upon recommendation by the Committee for Transactions with Related Parties.

The Procedures set out specific controls in the event that a less significant or most significant transaction is approved in spite of a negative opinion of the independent Committee.

Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved by the Board of Directors of the subsidiaries concerned, subject to prior authorisation from the Parent Company released in accordance with the procedure described above.

The Procedures also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the directors and the control body regarding transactions with Related Parties and Associated Entities completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts greater than the small-amount thresholds. Transactions of less significant importance and intragroup loans and bank funding are excluded from this requirement (provided they do not regard a subsidiary with significant interests of another Related Party or Associated Entity and are not carried out at market or standard conditions). For ordinary intragroup less significant transactions carried out at market conditions, reporting is on an aggregate annual basis.

Transactions undertaken by Italian subsidiary banks with Related Parties and Associated Entities of the Group that have not been considered exempt must, subject to authorisation by the Parent Company, be approved by the relative Board of Directors, upon obtaining the opinion of a Committee of independent directors set up within the Board of Directors of the bank itself. Furthermore, specific reporting rules apply to transactions by the Bank's Bodies.

The Procedures also apply to transactions with Relevant Persons pursuant to Art. 136 of the Consolidated Law on Banking, which must be applied by all the Italian banks of the Intesa Sanpaolo Group, including the Parent Company. This provision requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body, excluding the vote of the interested member, and favourable vote of members of the control body) in order to allow the bank management body members to contract obligations, directly or indirectly, with the bank of which they act as management body members.

Furthermore, the requirements envisaged by the Italian Civil Code (Article 2391) and Article 53 of the Consolidated Law on Banking governing directors' personal interests are confirmed.

In particular, Article 2391 of the Italian Civil Code requires each Board Member to report every interest held, in his/her own name or on behalf of third parties, that may be significant in carrying out his/her management function, with reference to a specific transaction. In accordance with the abovementioned provision, the Board has jurisdiction over decisions regarding transactions – including those with Related Parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the Board as per Article 2391 of the Italian Civil Code.

In addition, Article 53 of the Consolidated Law on Banking requires banks' directors to abstain from voting on resolutions where they have a conflict of interest on their own behalf or on behalf of third parties.

**2. Information on balances with related parties**

Receivable and payable balances with related parties as at 31 December 2021 within the consolidated accounts – other than those fully consolidated intragroup – amount to a total that is insignificant compared to the size of the Group's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.

	31.12.2021	
	Amount (millions of euro)	Impact (%)
Total financial assets (1)	15,415	1.5
Total other assets (2)	554	3.2
Total financial liabilities (3)	7,100	0.8
Total other liabilities (4)	638	0.4

(1) Includes captions 10, 20, 30, 35, 40, 45 and 70 of balance sheet assets.

(2) Includes captions 50, 60, 120 and 130 of balance sheet assets.

(3) Includes captions 10, 15, 20, 30 and 35 of balance sheet liabilities.

(4) Includes captions 40, 50, 70, 80, 90, 100 and 110 of balance sheet liabilities.

	31.12.2021	
	Amount (millions of euro)	Impact (%)
Total interest income	68	0.6
Total interest expense (1)	45	-
Total fee and commission income	120	1.0
Total fee and commission expense	-124	4.6
Total operating costs (2)	-163	1.4

(1) The positive balance of interest expense is due to the differentials on hedging derivatives which adjust interest recognised on hedged financial instruments.

(2) Includes caption 190 of the income statement.

In relation to associates, in the period a total of around 18 million euro of net adjustments to loans were recorded, partially offset by releases of allowances for commitments and guarantees given of around 8 million euro.

The table below reports the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of operations with fully consolidated entities, with the category of Significant Shareholders of Intesa Sanpaolo and their corporate groups (subsidiaries also controlled jointly with others, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank greater than the minimum threshold set out in regulations on communications of significant shareholdings in listed companies calculated only based on shares owned or under management, as well as with the additional subjects included in the scope set as a form of self-regulation.

The following table does not show the impact of related party transactions on the Group's cash flows, as this was not significant.

For greater clarity and in line with the reports sent to the Supervisory Authorities, note that the off-balance sheet items were detailed on two separate rows by grouping on one side the guarantees/commitments given and on the other the guarantees/commitments received. The first category also includes the revocable commitments issued totalling 8 billion euro.

	Subsidiaries not consolidated on a line-by-line basis	Companies subject to joint control and their subsidiaries	Associates and their subsidiaries	Board Members and General Managers, Key Managers and their related parties	Pension funds	TOTAL	Shareholders (*)	Companies which the Group has notable investments in and financial links with (**)	Other companies linked to Board Members and General Managers (***)
(millions of euro)									
Cash and cash equivalents	-	-	-	-	-	-	-	156	-
Financial assets measured at fair value through profit or loss	3	-	218	-	-	221	-	900	43
a) financial assets held for trading	-	-	-	-	-	-	-	843	43
b) financial assets designated at fair value	3	-	-	-	-	3	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	218	-	-	218	-	57	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	21	-	-
Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	-	-	-	-	-	-	3	213	-
Financial assets measured at amortised cost	-	46	552	14	-	612	1	2,838	8,755
a) due from banks	-	-	6	-	-	6	-	2,654	-
b) loans to customers	-	46	546	14	-	606	1	184	8,755
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	-	-	-	-	-	-	-	-	-
Other assets	20	-	215	-	1	236	-	318	-
Investments in associates and companies subject to joint control	58	49	1,545	-	-	1,652	-	-	-
Financial liabilities measured at amortised cost	52	18	915	23	233	1,241	203	1,347	1,292
a) due to banks	1	-	2	-	-	3	-	1,275	-
b) due to customers	51	18	913	23	233	1,238	203	72	1,292
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	-	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	3	-	-	3	-	2,885	129
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	-	-	-	-	-	-	-	-	-
Other financial liabilities	4	-	41	18	522	585	11	33	9
Guarantees and commitments given	23	23	624	2	1	673	8	1,365	6,560
Guarantees and commitments received	-	10	4	3	-	17	3	36	8,550

(\*) As a result of self-regulation, shareholders and their groups that hold a stake in the share capital that exceeds the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them.

(\*\*) As a result of self-regulation, companies that meet the conditions of at least two of these indicators: i) the counterparty holds a stake in Intesa Sanpaolo's capital with an amount between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies; ii) an entity of the ISP Group holds a stake in the counterparty exceeding 10% of the voting rights; iii) significant credit exposure of the Group to the counterparty. The amounts shown largely refer to the companies in the JP Morgan Group and Bank of Qingdao.

(\*\*\*) As a result of self-regulation, companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chairman of the management body; ii) hold a qualifying holding equal to or exceeding 10% of the capital or voting rights of that entity, or on which those persons may exercise a significant influence. Loans to customers, Amounts due to customers and Guarantees and commitments mainly relate to exposures to the Borsa Italiana Group.

For the sake of completeness, the Group's most significant associates included in the category of related parties in accordance with the version of IAS 24 in effect are: Intrum Italy S.p.A., Penghua Fund Management Co. Ltd., RSCT FUND - Comparto Crediti, Zhong Ou Asset Management Company Limited, Fondo Back2Bonis, FI.NAV Comparto A1 Crediti, Equiter S.p.A., Innolva S.p.A., Mooney Group S.p.A., Neva First-Fcc, Cassa di Risparmio di Fermo S.p.A., CAMFIN S.p.A., 1875 Finance Holding Ag and Bancomat S.p.A.

The main joint ventures include: Mir Capital Sca Sicar, VUB Generali Dochodkova Spravcovska Spolocnost AS and PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management.

### 3. Information on transactions with related parties

It is noted that transactions with fully consolidated intragroup related parties are not included in this document because they are netted at consolidated level.

For details of the transactions carried out by Intesa Sanpaolo S.p.A., see the information provided in Part H of Parent Company's Financial Statements.

**Most significant transactions**

During the year, the Intesa Sanpaolo Group did not carry out any transactions that qualified as non-ordinary “most significant transactions” and at non-market or non-standard conditions subject – in accordance with the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking – to the obligation to publish a market disclosure document. Please note that the most significant transactions in the period are those that exceed the threshold of 5% of Own Funds at consolidated level (approximately 3.1 billion) or of the other indicators defined by the Consob regulation.

**Other significant transactions**

The transactions undertaken by the Intesa Sanpaolo Group with related parties generally fall within the scope of the Group's ordinary activities and are generally entered into at market conditions, based on considerations of mutual economic interest, in line with the internal procedures mentioned above.

The main less significant transactions concluded during the period by Intesa Sanpaolo Group Companies with related parties are reported below.

Relations between the Intesa Sanpaolo Group and the management body members, key managers and parties associated to them refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied.

With respect to transactions with Shareholders – which hold equity investments in Intesa Sanpaolo S.p.A. with voting rights greater than the minimum threshold set out in regulations on communications of significant shareholdings in listed companies calculated only based on shares owned or under management, and with other significant shareholders because of the significant shareholding or financial relationships present, mainly ordinary lending transactions and transactions in financial instruments were undertaken at market conditions.

Again in the context of transactions with Shareholders, in line with what has already been subscribed by the Parent Company, the supply contracts by Fideuram - Intesa Sanpaolo Private Banking S.p.A., Intesa Sanpaolo Private Banking S.p.A. and IW Bank S.p.A. (now IW Private Investments SIM S.p.A.) with Blackrock Financial Management Inc. are worth noting, which are aimed at creating a single and integrated architectural solution at Group level for all the Asset, Risk and Wealth Management segments.

With regard to transactions with associated entities and joint ventures, the following are reported:

- the update to the collaboration and service agreements between Banca 5 S.p.A. and Mooney S.p.A. for 2021;
- the credit transaction between Vseobecna Uverova Banka A.S. and Vub Generali Dochodkova Spravcovska Spolocnost, A.S.

**Other significant information**

With regard to companies carried at equity, adjustments were posted in the equity investments in Vesta OML, FI.NAV, RSCT FUND, Fondo Back2Bonis, Cassa di Risparmio di Fermo and Pietra S.r.l.



## B) INFORMATION REGARDING COMPENSATION OF THE MEMBERS OF MANAGEMENT AND CONTROL BODIES AND KEY MANAGERS

The following table shows the amounts of the compensation paid in 2021 to the members of the Management and Control Bodies and the General Managers of the subsidiary companies, as well as the compensation paid to other Key Managers of the Parent Company who fall within the notion of “related party”. This also includes the maximum amounts of the variable portion of remuneration which shall be paid in cash and/or shares of the Parent Company, based on the Group's remuneration and incentive policy, subject to the verification of achievement of the assigned targets and the decisions of the competent bodies of the Parent Company.

(millions of euro)

	MANAGEMENT BODIES/ CONTROL BODIES <sup>(1)</sup>		OTHER MANAGERS <sup>(2)</sup>		TOTAL as at 31.12.2021	
	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid
Short-term benefits <sup>(3)</sup>	19	16	54	44	73	60
Post-employment benefits <sup>(4)</sup>	-	-	5	4	5	4
Other long-term benefits <sup>(5)</sup>	-	-	11	-	11	-
Termination benefits <sup>(6)</sup>	-	-	-	-	-	-
Share-based payments <sup>(7)</sup>	-	-	26	-	26	-
<b>Total</b>	<b>19</b>	<b>16</b>	<b>96</b>	<b>48</b>	<b>115</b>	<b>64</b>

(1) Figures referring to 441 positions. The table does not include approximately 1.9 million euro relating to 78 positions in the Boards of Directors (or similar bodies), as this was fully transferred to other Group Companies.

(2) Figures referring to 113 positions. The table does not include approximately 4.2 million euro relating to 15 General Manager positions (or similar positions), as this was fully transferred to other Group Companies

(3) Includes fixed and variable remuneration of Directors that may be treated as equivalent to labour cost and social security charges paid by the company for its employees.

(4) Includes company contribution to pension funds and provisions for employee termination indemnities pursuant to law and company regulations.

(5) Includes an estimate of provisions for employee seniority bonuses.

(6) Includes benefits due under the employment contract for termination of employment.

(7) Includes the cost referring to the variable portion of short-/long-term remuneration to be paid in Intesa Sanpaolo shares/through POP Plan.

Detailed information on remuneration policies, pursuant to Art. 123-ter of the Consolidated Law on Finance, is published annually in the “Report on remuneration policy and compensation paid”, which includes:

- the details of the remuneration paid to members of management and control bodies, to General Managers, and to other Key Managers;
- the details and the progress of the stock option plans for the members of the Management Body, General Managers and other Key Managers;
- the details and the progress of the incentive plans based on financial instruments other than stock options, in favour of the Managing Director and CEO and other Key Managers;
- the details of the monetary incentive plans in favour of the Managing Director and CEO and other Key Managers;
- the shares of the Parent Company and subsidiaries held by the members of the Management and Control bodies, Key Managers and other associated entities.

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# Part I – Share-based payments

## A. QUALITATIVE INFORMATION

### Description of share-based payments

#### **Annual incentive plan based on financial instruments**

The Supervisory Provisions regarding remuneration and incentive policies and practices in banks and in banking groups, issued on 30 March 2011 (now integrated in Circular 285 of the Bank of Italy) required, *inter alia*, that a portion of annual incentives paid to “Risk Takers” be granted through the assignment of financial instruments, over a multi-year time horizon. As a result, the Intesa Sanpaolo Group sets up annual incentive plans linked to performance. In fulfilment of these plans:

- with regard to the results for 2016, and in implementation of the Shareholders' Meeting resolution of 27 April 2017, on 18 September 2017 the Group totally purchased - through Banca IMI, in charge of the programme execution - 8,091,160 Intesa Sanpaolo ordinary shares (representing approximately 0.05% of the ordinary share capital) at an average purchase price of 2.937 euro per share, for a total value of 23,762,245 euro.
- with regard to the results for 2017, and in implementation of the Shareholders' Meeting resolution of 27 April 2018, on 12 September 2018 the Group totally purchased - through Banca IMI, in charge of the programme execution - 12,686,321 Intesa Sanpaolo ordinary shares (representing approximately 0.07% of the ordinary share capital) at an average purchase price of 2.291 euro per share, for a total value of 29,061,008 euro.
- with regard to the results for 2018, and in implementation of the Shareholders' Meeting resolution of 30 April 2019, on 17 and 18 September 2019 the Group totally purchased - through Banca IMI, in charge of the programme execution - 17,137,954 Intesa Sanpaolo ordinary shares (representing approximately 0.10% of the ordinary share capital) at an average purchase price of 2.129 euro per share, for a total value of 36,481,543 euro. In addition, the purchase programme has been implemented in order to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions;
- with regard to the results for 2019, and in implementation of the Shareholders' Meeting resolution of 27 April 2020, on 16, 17 and 18 November 2020 the Group totally purchased - through its IMI Corporate & Investment Banking Division, in charge of the programme execution - 25,400,000 Intesa Sanpaolo ordinary shares (representing approximately 0.13% of the share capital of the Parent Company) at an average purchase price of 1.852 euro per share, for a total value of 47,046,279 euro. In addition, the purchase programme has been implemented in service of the 2018-2021 Incentive Plan for financial advisors of the Fideuram – Intesa Sanpaolo Private Banking and Sanpaolo Invest networks and to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions;
- with regard to the results for 2020, and in implementation of the Shareholders' Meeting resolution of 28 April 2021, on 13 and 14 September 2021 the Group totally purchased - through its IMI Corporate & Investment Banking Division, in charge of the programme execution - 20,000,000 Intesa Sanpaolo ordinary shares (representing approximately 0.10% of the share capital of the Parent Company) at an average purchase price of 2.391 euro per share, for a total value of 47,822,401 euro. In addition, the purchase programme has been implemented in service of the former UBI Banca Group's shared-based payment incentive system for Risk Takers in regard to 2020 and residual shares from the former UBI Banca Group's incentive systems for previous years, as well as to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions.

The above Shareholders' Meetings also authorised the sale on the regulated market of any shares exceeding requirements, or their retention for any future incentive plans.

The above shares shall be assigned to the beneficiaries in compliance with the implementing regulations set forth in the above incentive systems. Generally, according to these regulations, the beneficiaries must remain in service up to the time the shares are actually delivered to them, and the deferred portion (either in cash or in financial instruments) of the incentive is subject to an ex post correction mechanism – the “malus condition” – according to which the relative amount paid and the number of shares assigned, if any, may be reduced by the level of achievement, in the year to which the deferred portion refers, of specific income statement-balance sheet targets which measure the sustainability of the results achieved over time.

**Long-Term Incentive Plans 2018-2021: POP and LECOIP 2.0 Plans**

At the time of launching the 2018-2021 Business Plan, two new long-term incentive plans were launched targeting different clusters of employees:

- The Performance-based Option Plan (POP) targeted at the Top Management, Risk Takers and Key Managers;
- The LECOIP 2.0 Plan targeted at Managers and the remaining personnel.

With reference to the Top Management, Risk Takers and Key Managers, which have a direct impact on the Group's results, it was considered necessary to adopt an instrument specifically linked to the achievement of the Business Plan targets and with an adequate risk/return profile in respect of the role held and the levels of ambition and challenge of the new Business Plan.

The POP is based on financial instruments linked to shares (Call Options) and subject to the achievement of the key performance conditions of the Business Plan as well as subordinated to gateway conditions and individual access (compliance breach).

The entire amount accrued will be paid in shares over a 3/5-year time horizon (depending on the sub-cluster of the beneficiary and subject to verification of the malus conditions, defined in a mirrored manner to the gateway conditions, in those years when they are envisaged).

Furthermore, in June 2018 the Group signed a novation agreement (*accollo liberatorio*) with JP Morgan. Under the terms of this agreement, Intesa Sanpaolo transferred to JP Morgan the obligation to deliver to the Intesa Sanpaolo Group employees any ordinary shares that may be due when the POP Options expire, and JP Morgan thereby took on all the volatility risks associated with the Plan.

Instead, with reference to the Managers and the remaining personnel, basically in line with the LECOIP 2014-2017, a LECOIP 2.0 retention plan 2018 – 2021 was introduced.

The LECOIP 2.0, aimed at enabling the sharing of the value created over time, at every level of the organization, as a result of the achievement of the objectives of the Business Plan and fostering the identification (ownership) and the spirit of belonging to Intesa Sanpaolo Group, is assigned as certificates issued by JP Morgan, i.e. share-based financial instruments. In particular, the LECOIP 2.0 includes:

- the assignment, free of charge, to employees, of new Intesa Sanpaolo ordinary shares deriving from a capital increase without payment ("Free Shares");
- the assignment, also free of charge, to employees, of additional new Intesa Sanpaolo ordinary shares deriving from the same capital increase without payment ("Matching Shares") and the subscription by employees to new Intesa Sanpaolo ordinary shares deriving from a capital increase with payment, reserved for employees, through the issue of shares at a discounted price ("Discounted Shares").

The Certificates are divided into two categories, and have different characteristics according to whether they are reserved for Professionals or for Managers employed by the Group in Italy. The Certificates reflect the terms of certain options that have Intesa Sanpaolo ordinary shares as their underlying instruments, and will allow employees to receive, at maturity, in the absence of trigger events, an amount in cash (or in Intesa Sanpaolo ordinary shares) that is equal to the original market value of the Free Shares and the Matching Shares with regard to Professionals and 75% of this value with regard to Managers, plus a portion of any appreciation, compared to the original market value, related to the amount of the Free Shares, Matching Shares and Discounted Shares.

The POP and the LECOIP 2.0 plans were subject to the approval of the ordinary Shareholders' Meeting of 27 April 2018.

With specific reference to the LECOIP 2.0, the extraordinary session of the Shareholders' Meeting resolved on granting a power of attorney to the Board of Directors to increase the share capital pursuant to Article 2443 of the Italian Civil Code, conducive to the implementation of the LECOIP 2.0. These capital increases were carried out on 11 July 2018, at the same time as launching the long-term incentive plans 2018-2021.

With regard to the POP Plan, in light of the exogenous and extraordinary events (i.e. the limited dividend distributions in the European banking sector in the context of the COVID-19 pandemic) and with the aim of neutralising their technical effects on the functioning mechanism of the POP Plan that undermined its incentivising value, i.e. the realistic possibility for the POP Plan to be in the money in case the value of the Intesa Sanpaolo share recovers and dividend distributions restart taking place regularly, the Ordinary Shareholders' Meeting of 28 April 2021 approved certain amendments.

In particular, the amendments regarded the mechanism for correcting the strike price as a function of the amount of dividends actually distributed in each year of the plan compared to consensus expectations and the postponement of the averaging period (i.e., the observation period during which the average price of the ISP shares to be compared with the strike price is determined), originally set in the time interval 11 March 2021 - 11 March 2022, by one year, with the consequent postponement of the date of exercise of the POP Options by one year as well.

Both the long-term incentive plans in question (the POP and the LECOIP 2.0) fall within the scope of IFRS 2 and qualify as equity-settled share-based payment plans.

With reference to the POP, at the assignment date, the fair value of the equity instruments that are subject to the plan was calculated (represented by the fair value of the options adjusted to consider the availability constraint the shares will be subject to following the exercise of the options) and then updated following the changes to the Plan. The Plan envisages the presence of non-market service and performance conditions (the gateway conditions and performance conditions), which were considered in order to determine the number of shares for the measurement of the cost of the plan. These estimates will be subject to review during the vesting period and until the expiry. The cost of the plan, so defined, is attributed to the income statement (as labour costs) pro rata temporis along the period of accrual of the benefit, as a balancing entry for a specific shareholders' equity reserve. A similar accounting representation for the purposes of IFRS 2 is applied to the Plan

amendments. In particular, the cost of the original plan continues to be recognised over the initial vesting period (i.e., until 11 March 2022), whereas the additional cost of the plan modification is recognised over the new vesting period, i.e. until 10 March 2023. The postponement of the observation period by one year, with the consequent extension of the period of service, constitutes an increase of the vesting period.

Upon the occurrence of the events that imply the loss of the right to the benefits of the POP (performance conditions, gateway conditions and the discontinuation of employment) for the employees, Intesa Sanpaolo recognises a financial asset through shareholders' equity. Upon measurement, subsequent changes in fair value are taken to profit or loss. Concerning the right of novation – as this can essentially be considered as the operational method adopted by the Group to fulfil the obligation of physical delivery of the shares deriving from the Plan - the accounting representation is that of an equity instrument, with a balancing entry under shareholders' equity. In addition, the amendment to the POP Plan also entailed the consequent amendment to the novation agreement (*accollo liberatorio*) already signed by the Bank, the beneficiaries and the financial partner, by virtue of which the latter became responsible for the obligation to deliver the ISP shares underlying the POP Options to the beneficiaries.

With regard to the LECOIP 2.0 Plan, at the assignment date, the fair value of the equity instruments that are subject to the plan was calculated (equivalent to the sum of the fair value of the shares assigned free of charge and the fair value of the discount for the paid shares) and no longer modified. The Plan envisages the presence of non-market service and performance conditions (trigger events), which were considered in order to determine the number of shares for the measurement of the cost of the plan. These estimates will be subject to review during the vesting period and until the expiry. The cost of the plan, so defined, is attributed to the income statement (as labour costs) pro rata temporis along the period of accrual of the benefit, as a balancing entry for a specific shareholders' equity reserve.

Upon the occurrence of the events that imply the loss of the rights to the benefits of the LECOIP 2.0 Certificates (trigger events and the discontinuation of employment) for the employees, Intesa Sanpaolo recognises a financial asset as a balancing entry in Shareholders' Equity. In particular, the Certificates entered in the Group's financial statements, as part of IFRS 9, are classified among financial assets mandatorily measured at fair value. Upon measurement, subsequent changes in fair value are taken to profit or loss.

**B. QUANTITATIVE INFORMATION*****Evolution of the annual incentive plans based on financial instruments in 2021***

	Number of shares	Average strike price (euro)	Residual life
Financial instruments outstanding as at 31 December 2020	37,344,074	-	2021/2025
Financial instruments granted during the year (a)	17,191,795	-	2021/2026
Financial instruments no longer assignable (b)	330,388	-	
Financial instruments vested during the year and assigned	31,675,655	-	
Financial instruments outstanding as at 31 December 2021	22,529,826	-	2022/2026
of which: vested and assigned as at 31 December 2021	-	-	

(a) Including the shares deriving from corporate transactions (5,433,197 shares relating to the scope of the UBI Group for incentive systems prior to 2020, acquired during the year).

(b) Shares no longer deliverable to the beneficiaries following the related employment agreement ceasing and/or due to the application of the so-called malus conditions.

In addition to the shares specified above, in accordance with the Provisions of the Bank of Italy regarding remuneration and the Remuneration and Incentive Policies of the Group, during 2021, 1,562,346 shares were assigned with reference to remuneration granted in the event of early termination (severance). The residual life of those shares, assigned over a multi-year time horizon, ends between October 2021 and November 2026.

***Breakdown by residual life***

Residual life (a)	Number of shares
2022	6,810,045
2023	9,918,186
2024	3,818,046
2025	1,469,232
2026	514,317

(a) End of retention period

**Evolution of long-term share-based instruments: LECOIP 2.0 and POP**

LECOIP PLAN 2.0													
	Free Shares at July 2018		Matching Shares at July 2018		Discounted Shares at July 2018		Sell to cover shares at July 2018 (a)		Total number of shares assigned at July 2018	Number of LECOIP Certificates at 31.12.2020	Changes in the year (c)	Number of LECOIP Certificates at 31.12.2021	Average fair value 31.12.2021
	Number of shares	Average unit fair value	Number of shares	Average unit fair value	Number of shares	Average unit fair value (b)	Number of shares	Average unit fair value (b)					
Total employees	25,147,152	2.4750	47,411,243	2.4750	507,908,765	0.3771	96,595,275	2.5416	677,062,435	68,685,965	-1,059,076	67,626,889	2.3897

(a) Assigned shares allocated to cover the payment relating to the employee's tax burden.

(b) Fair value of the subscription discount.

(c) Number of Certificates for which Intesa Sanpaolo shall take over the rights that would have been recognised to the employees by virtue of the Certificates due to failure to comply with the condition of continuation of employment for the duration of the Plan and other vesting conditions.

	Performance-based Option Plan (POP)										
	POP options at July 2018 (a)		POP options at 31.12.2020					POP options at 31 December 2021			
	Number of POP options	Average unit fair value	Number of POP options	Average unit fair value	of which: POP Options restructured as at 07.06.2021		Number of POP options - changes in the year (b)	Number of POP options	Average unit fair value	of which: POP Options restructured as at 07.06.2021	
					Number of POP options	Average unit fair value				Number of POP options	Average unit fair value
Total beneficiaries (Top Management, Risk Takers and Key Managers)	517,066,285	0.3098	483,804,278	0.0004	370,862,202	0.2049	-6,223,535	477,580,743	-	370,862,202	0.0819

(a) Number of POP Options and the average fair value assigned to the beneficiaries (Top Management, Risk Takers and Key Managers) on 11 July 2018.

(b) Number of POP Options, which provide for Intesa Sanpaolo to takeover the rights that would have been awarded to the employees, in the event they fail to meet the condition of continuation of employment and other vesting conditions (non-restructured options).

## Part L – Segment reporting

### Breakdown by business area: 2021 income statement figures<sup>(a)</sup>

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	(millions of euro) Total Redetermined figures
Net interest income	3,985	2,094	1,337	212	-1	-	273	7,900
Net fee and commission income	4,836	1,176	546	2,097	1,282	2	-399	9,540
Income from insurance business	-	-	-	-	-	1,586	43	1,629
Profits (Losses) on financial assets and liabilities designated at fair value	103	1,299	127	46	-4	-	54	1,625
Other operating income (expenses)	14	2	-38	21	67	-16	42	92
<b>Operating income</b>	<b>8,938</b>	<b>4,571</b>	<b>1,972</b>	<b>2,376</b>	<b>1,344</b>	<b>1,572</b>	<b>13</b>	<b>20,786</b>
Personnel expenses	-3,526	-503	-554	-483	-120	-143	-1,444	-6,773
Other administrative expenses	-2,933	-841	-401	-350	-112	-238	1,976	-2,899
Adjustments to property, equipment and intangible assets	-6	-21	-117	-73	-7	-20	-1,004	-1,248
<b>Operating costs</b>	<b>-6,465</b>	<b>-1,365</b>	<b>-1,072</b>	<b>-906</b>	<b>-239</b>	<b>-401</b>	<b>-472</b>	<b>-10,920</b>
<b>Operating margin</b>	<b>2,473</b>	<b>3,206</b>	<b>900</b>	<b>1,470</b>	<b>1,105</b>	<b>1,171</b>	<b>-459</b>	<b>9,866</b>
Net adjustments to loans	-1,235	21	-157	3	-	-	-1,398	-2,766
Other net provisions and net impairment losses on other assets	-120	-45	-74	-37	-	-334	-241	-851
Other income (expenses)	12	-	6	195	-	-	119	332
Income (Loss) from discontinued operations	-	-	-	-	-	-	58	58
<b>Gross income (loss)</b>	<b>1,130</b>	<b>3,182</b>	<b>675</b>	<b>1,631</b>	<b>1,105</b>	<b>837</b>	<b>-1,921</b>	<b>6,639</b>
Taxes on income	-358	-976	-143	-481	-296	-211	842	-1,623
Charges (net of tax) for integration and exit incentives	-180	-24	-43	-40	-8	-42	-102	-439
Effect of purchase price allocation (net of tax)	-15	20	-	-22	-4	-52	34	-39
Levies and other charges concerning the banking industry (net of tax)	-190	-	-26	-15	-	-	-280	-511
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Minority interests	-2	-	-	3	-10	180	-13	158
<b>Net income (loss)</b>	<b>385</b>	<b>2,202</b>	<b>463</b>	<b>1,076</b>	<b>787</b>	<b>712</b>	<b>-1,440</b>	<b>4,185</b>

(a) Figures from the reclassified financial statements as described in the Report on operations.

(b) The Corporate Centre has been attributed the intersector netting.



In application of IFRS 15, in particular paragraphs 114 and 115, which require a breakdown of revenues from contracts with customers, the breakdown of fee and commission income and expense by business area is provided below.

Captions (a)								(millions of euro)
	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total Redetermined figures
Guarantees given	91	270	36	2	-	-	-	399
Collection and payment services	410	107	181	7	-	-	6	711
Current accounts	1,230	34	138	10	-	-	-	1,412
Credit and debit cards	534	3	223	14	-	-	7	781
<b>Commercial banking activities</b>	<b>2,265</b>	<b>414</b>	<b>578</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>3,303</b>
Dealing and placement of securities	1,409	253	23	291	598	-	-1,302	1,272
Currency dealing	7	2	4	3	-	-	1	17
Portfolio management	115	7	23	1,874	2,354	-	-284	4,089
Distribution of insurance products	863	-	27	717	-	2	-2	1,607
Other	159	71	13	209	-	-	-4	448
<b>Management, dealing and consultancy activities</b>	<b>2,553</b>	<b>333</b>	<b>90</b>	<b>3,094</b>	<b>2,952</b>	<b>2</b>	<b>-1,591</b>	<b>7,433</b>
<b>Other net fee and commission income</b>	<b>383</b>	<b>547</b>	<b>89</b>	<b>27</b>	<b>159</b>	<b>-</b>	<b>13</b>	<b>1,218</b>
<b>Fee and commission income</b>	<b>5,201</b>	<b>1,294</b>	<b>757</b>	<b>3,154</b>	<b>3,111</b>	<b>2</b>	<b>-1,565</b>	<b>11,954</b>
<b>Fee and commission expense</b>	<b>-365</b>	<b>-118</b>	<b>-211</b>	<b>-1,057</b>	<b>-1,829</b>	<b>-</b>	<b>1,166</b>	<b>-2,414</b>
<b>Net fee and commission income</b>	<b>4,836</b>	<b>1,176</b>	<b>546</b>	<b>2,097</b>	<b>1,282</b>	<b>2</b>	<b>-399</b>	<b>9,540</b>

(a) Figures from the reclassified financial statements as described in the Report on operations.

(b) The Corporate Centre has been attributed the intersector netting.

### Breakdown by business area: balance sheet figures as at 31 December 2021<sup>(a)</sup>

								(millions of euro)
	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total
Loans to customers	250,984	152,082	38,970	13,833	783	-	8,602	465,254
Direct deposits from banking business	296,250	88,931	51,529	54,212	21	-	64,622	555,565

(a) Figures from the reclassified financial statements as described in the Report on operations.

(b) The Corporate Centre has been attributed the intersector netting.

**Breakdown by geographical area: 2021 income statement figures<sup>(a)</sup>**

	Italy	Europe	Rest of the world	(millions of euro) Total Redetermined figures
Net interest income	5,893	1,429	578	7,900
Net fee and commission income	7,787	1,575	178	9,540
Income from insurance business	1,339	290	-	1,629
Profits (Losses) on financial assets and liabilities designated at fair value	1,448	163	14	1,625
Other operating income (expenses)	-13	14	91	92
<b>Operating income</b>	<b>16,454</b>	<b>3,471</b>	<b>861</b>	<b>20,786</b>
Personnel expenses	-5,947	-669	-157	-6,773
Other administrative expenses	-2,381	-422	-96	-2,899
Adjustments to property, equipment and intangible assets	-1,085	-132	-31	-1,248
<b>Operating costs</b>	<b>-9,413</b>	<b>-1,223</b>	<b>-284</b>	<b>-10,920</b>
<b>Operating margin</b>	<b>7,041</b>	<b>2,248</b>	<b>577</b>	<b>9,866</b>
Net adjustments to loans	-2,685	-88	7	-2,766
Other net provisions and net impairment losses on other assets	-775	-65	-11	-851
Other income (expenses)	132	199	1	332
Income (Loss) from discontinued operations	58	-	-	58
<b>Gross income (loss)</b>	<b>3,771</b>	<b>2,294</b>	<b>574</b>	<b>6,639</b>
Taxes on income	-1,041	-480	-102	-1,623
Charges (net of tax) for integration and exit incentives	-397	-41	-1	-439
Effect of purchase price allocation (net of tax)	-34	-5	-	-39
Levies and other charges concerning the banking industry (net of tax)	-461	-50	-	-511
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	185	-4	-23	158
<b>Net income (loss)</b>	<b>2,023</b>	<b>1,714</b>	<b>448</b>	<b>4,185</b>

(a) Figures from the reclassified financial statements, as described in the Report on operations.

The International Branches are reported in the geographical breakdown with reference to the country where the branches are located. As far as taxes on income are concerned, since Intesa Sanpaolo did not apply the option for the scheme of income exemption for international branches (known as Branch exemption), these branches' income is also taxed in Italy. In application of IFRS 15, in particular paragraphs 114 and 115, which require a breakdown of revenues from contracts with customers, the breakdown of fee and commission income and expense by geographical area is provided below.

	Italy	Europe	Rest of the world	(millions of euro) Total Redetermined figures
Fee and commission income	12,154	3,375	222	15,751
Fee and commission expense	-4,367	-1,800	-44	-6,211

(a) Figures from the reclassified financial statements, as described in the Report on operations.

**Breakdown by geographical area: balance sheet figures as at 31 December 2021<sup>(a)</sup>**

	Italy	Europe	Rest of the world	(millions of euro) Total
Loans to customers	383,765	61,711	19,778	465,254
Direct deposits from banking business	480,993	66,453	8,119	555,565

Breakdown by geographical area is carried out with reference to the location of Group entities.

(a) Figures from the reclassified financial statements, as described in the Report on operations.

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## Part M – Disclosure of leases

This section provides the information required by IFRS 16 that is not included in other parts of the financial statements, divided between lessee and lessor.

### SECTION 1 - LESSEE

#### QUALITATIVE INFORMATION

The Intesa Sanpaolo Group essentially has real estate and car or other vehicle lease contracts in place. There are also other types of lease contracts, for residual amounts, mainly relating to hardware.

As at 31 December 2021, there were 9,297 lease contracts (10,326 as at 31 December 2020), 5,963 of which (7,275 as at 31 December 2020) relating to real estate leases, for a total value of rights of use of 1,521 million euro (1,806 million euro as at 31 December 2020). Real estate lease contracts include properties designated for use as offices or bank branches. The contracts, within Italy, normally have a term of more than 12 months and typically have renewal and termination options that can be exercised by the lessor and the lessee in accordance with the law or specific contractual provisions. These contracts usually do not include the option to purchase at the end of the lease or significant restoration costs for the companies. On the basis of the characteristics of the Italian lease contracts and the provisions of Law 392/1978, in the event of the signing of a new lease contract with a contractual term of six years and the option to automatically renew the contract after six years for another six years, the total term of the lease will be set at twelve years. This general rule is superseded if there are new elements or specific situations within the contract. Within the international scope, contractual terms may vary according to local practice, while generally not exceeding a period of 5 years, subject to renewal. In the case of the international subsidiaries as well, these contracts do not provide for either an option to purchase at the end of the lease or significant restoration costs for the companies.

Contracts for vehicles are long-term rental contracts relating to the company fleet made available to employees (mixed use) or to the organisational structures of the individual companies. These contracts generally have a four-year term, with monthly payments, no renewal option and do not include the option to purchase the asset. The contract may be extended depending on the management of the car fleet and there may be a penalty in the event of early termination.

Lease contracts other than those relating to real estate and cars primarily relate to hardware and are immaterial in amount.

The amounts of the sale or leaseback transactions carried out in 2021 were insignificant.

Sub-leasing transactions are immaterial and are connected to intra-group transactions.

Lastly, the Group makes use of the exemptions allowed by IFRS 16 for short-term leases (i.e. with a term of less than or equal to 12 months) or leases of low value assets (i.e. with a value of 5,000 euro or less).

#### QUANTITATIVE DISCLOSURES

Part B - Assets in the Notes to the consolidated financial statements contains information on the rights of use acquired through leases (Table 9.1 - Property and equipment used in operations: breakdown of assets measured at cost and Table 9.4 - Investment property: breakdown of assets measured at fair value) and Part B - Liabilities contains information on the lease payables (Table 1.1 - Financial liabilities measured at amortised cost: breakdown of amounts due to banks and Table 1.2 - Financial liabilities measured at amortised cost: breakdown of amounts due to customers and Table 1.6 bis – Amounts due to customers: breakdown).

In particular, the rights of use acquired through leases amounted to 1,521 million euro (1,806 million euro as at 31 December 2020), of which 1,340 million euro relating to real estate leases (1,703 million euro as at 31 December 2020).

Lease payables amounted to 1,394 million euro (1,747 million euro as at 31 December 2020). See the abovementioned sections for more details.

Part C of the Notes to the consolidated financial statements contains information on the interest expense on lease payables and other charges connected to rights of use acquired through leases, and on the income from sub-leasing transactions. See the specific sections for more details.

The table below provides a breakdown of the amortisation and depreciation charges for assets consisting of the right of use among the various categories, in line with the disclosure of property and equipment/intangible assets.

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>Depreciation charges by asset class</b>	-	-
<b>Property and equipment used in operations</b>	<b>288</b>	<b>242</b>
a) buildings	236	226
b) furniture	-	-
c) electronic equipment	7	4
d) other	45	12
<b>Property and equipment for investment</b>	-	-
a) buildings	-	-
<b>TOTAL</b>	<b>288</b>	<b>242</b>

As at 31 December 2021, there was no property and equipment relating to commitments for leases not yet commenced. There is no other information that needs to be reported in addition to that already contained in this section.

## SECTION 2 - LESSOR

### QUALITATIVE INFORMATION

The Intesa Sanpaolo Group undertakes leasing transactions, as lessor, primarily through the Parent Company, Intesa Sanpaolo, the subsidiary UBI Leasing and various international subsidiaries, specifically PBZ Leasing, VUB Leasing, CIB Leasing and Intesa Leasing Beograd.

The transactions primarily consist of finance leases of real estate and industrial and commercial assets. The companies are also present on the market with lease products relating to capital goods, industrial vehicles, boats and pleasure craft. The risks associated with the ownership rights to the leased assets within Italy are managed through the compulsory subscription of an all-risk insurance policy, either offered through concessionary agreements or taken out directly by the customer with their insurer.

Operating leases refer to both real estate and vehicles and equipment.

The Notes to the consolidated financial statements report the following:

- finance leases (Part B, Assets: Table 4.1 - Financial assets measured at amortised cost: breakdown of amounts due from banks and Table 4.2 - Financial assets measured at amortised cost: breakdown of loans to customers);
- assets leased under operating leases contained in caption 90 Property and equipment and described in Part B, Assets (Table 9.4 - Investment property: breakdown of assets measured at fair value); this consists of real estate no longer used in operations by the Group, which is leased to third parties or held for possible appreciation in value. The amounts involved are immaterial.

See the abovementioned sections for more details.

Part C of the Notes to the consolidated financial statements contains information on interest income on finance leases and other income from finance and operating leases. See the specific sections for more details.

## 2. Finance leases

### *2.1. Breakdown by time bands of payments to be received and reconciliation with finance leases recorded as assets*

This table provides the breakdown by time bands of lease payments to be received and the reconciliation between lease payments to be received and finance leases in accordance with IFRS 16, paragraph 94. In particular, the lease payments to be received, representing the sum of the minimum payments due as principal and interest, are shown net of the adjustment allowances and the unguaranteed residual value due to the lessor. The reconciliation with finance leases, shown in the financial statements under financial assets measured at amortised cost, is performed by subtracting the unearned finance income and adding the unguaranteed residual value.

	31.12.2021	(millions of euro) 31.12.2020
<b>Time bands</b>	<b>Payments to be received</b>	<b>Payments to be received</b>
Up to 1 year	2,471	2,936
Between 1 and 2 years	2,064	2,413
Between 2 and 3 years	1,802	2,074
Between 3 and 4 years	1,537	1,695
Between 4 and 5 years	1,259	1,440
Over 5 years	3,750	4,872
<b>Total lease payments to be received</b>	<b>12,883</b>	<b>15,430</b>
<b>Reconciliation with loans</b>	<b>-408</b>	<b>-123</b>
Not accrued gains (+)	2,024	2,648
Unguaranteed residual value (-)	-2,432	-2,771
<b>Loans for leases</b>	<b>13,291</b>	<b>15,553</b>

## 2.2. Other information

### 2.2.1 Classification of finance leases by type of leased asset

The table shows the classification of finance leases by credit quality (performing and non-performing) and by type of leased asset. The amounts are shown net of adjustments.

<b>Finance leases</b>	<b>Performing exposures</b>	(millions of euro) <b>Non-performing exposures</b>
<b>A. Real estate assets</b>	<b>9,811</b>	<b>410</b>
<b>B. Operating assets</b>	<b>1,776</b>	<b>18</b>
<b>C. Movable assets</b>	<b>1,237</b>	<b>27</b>
- Motor vehicles	855	24
- Aircraft and rolling stock	250	2
- Other	132	1
<b>D. Intangible assets</b>	<b>12</b>	<b>-</b>
- Trademarks	12	-
- Software	-	-
- Other	-	-

### 2.2.2 Classification of assets under finance leases

The table below provides a breakdown by category of leased asset (not yet transferred to property and equipment) relating to lease receivables, net of adjustments.

	Unexercised assets	Assets withdrawn following termination	(millions of euro) Other assets
<b>A. Real estate assets</b>	<b>12</b>	<b>11</b>	<b>10,198</b>
<b>B. Operating assets</b>	<b>-</b>	<b>-</b>	<b>1,794</b>
<b>C. Movable assets</b>	<b>65</b>	<b>-</b>	<b>1,199</b>
- Motor vehicles	47	-	832
- Aircraft and rolling stock	1	-	251
- Other	17	-	116
<b>D. Intangible assets</b>	<b>-</b>	<b>-</b>	<b>12</b>
- Trademarks	-	-	12
- Software	-	-	-
- Other	-	-	-
<b>TOTAL</b>	<b>77</b>	<b>11</b>	<b>13,203</b>

Unexercised assets are assets still held by customers, for which the repurchase option has not been exercised, related to positions that do not show any deterioration in credit quality. Assets withdrawn following termination relate to terminated contracts, where the customer has not yet been released from the contractual obligations, despite having returned the asset covered by the lease contract. The category "other assets" includes the assets underlying the other lease receivables not included in the previous columns.

### 3. Operating lease

#### 3.1. Breakdown of payments to be received by time bands

This refers to lease instalments to be received for owned real estate assets.

Time bands	(millions of euro)	
	31.12.2021 Payments to be received for leases	31.12.2020 Payments to be received for leases
Up to one year	15	15
Over one year up to 2 years	11	11
Over 2 years up to 3 years	10	8
Over 3 years up to 4 years	9	10
Over 4 years up to 5 years	10	9
For over 5 years	19	19
<b>Total</b>	<b>74</b>	<b>72</b>

#### 3.2. Other information

There is no other information that needs to be reported in addition to that already contained in this section.

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# Certification of the consolidated financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Carlo Messina (as Managing Director and CEO) and Fabrizio Dabbene (as Manager responsible for preparing the Company's financial reports) of Intesa Sanpaolo, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of 24 February 1998, do hereby certify to:
  - the adequacy in relation to the Company's features and
  - the actual application of the administrative and accounting procedures employed to draw up the consolidated financial statements during 2021.
2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the consolidated financial statements as at 31 December 2021 was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems<sup>87</sup>.
3. The undersigned also certify that:
  - 3.1 The Consolidated financial statements as at 31 December 2021:
    - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
    - correspond to the results of the books and accounts;
    - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.
  - 3.2 The report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer and the companies included in the consolidation, together with a description of the main risks and uncertainties that they face.

1 March 2022

Carlo Messina  
Managing Director and CEO

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

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<sup>87</sup> The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control Objectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.





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## Independent Auditors' Report on the Consolidated financial statements



**Independent auditor's report  
pursuant to article 14 of Legislative Decree no. 39/2010 and article  
10 of Regulation (EU) no. 537/2014**

**(Translation from the original Italian text)**

To the Shareholders of  
Intesa Sanpaolo S.p.A.

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of the Intesa Sanpaolo Group (the "Group"), which comprise the consolidated balance sheet as at 31 December 2021, the consolidated income statement, statement of consolidated comprehensive income, changes in consolidated shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Intesa Sanpaolo Group as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree no. 38/2005 and article 43 of Legislative Decree no. 136/2015.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Intesa Sanpaolo S.p.A. (the "Bank") in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p><b>Classification and measurement of loans to customers (loans) at amortised cost</b></p> <p>Loans to customers (loans) recorded in assets measured at amortised cost, line item 40. b), amount to Euro 456,415 million as at 31 December 2021 and represent approximately 42.7% of total assets in the consolidated balance sheet. The composition of such loans is included in tables 4.2 and 4.3 in Part B, section 4, of the notes to the consolidated financial statements. Net impairment losses for credit risk on the loans to customers (loans) measured at amortised cost, included in line item 130. a) of the consolidated income statement, amount to Euro 2,858 million for the year ended 31 December 2021; the composition of such net impairment losses is included in table 8.1 in Part C, section 8, of the notes to the consolidated financial statements.</p> <p>The disclosure regarding the changes in the quality of the loans to customers (loans) and the classification and measurement criteria adopted is provided in Part A - <i>Accounting policies</i>, in Part B - <i>Information on the consolidated balance sheet</i>, in Part C - <i>Information on the consolidated income statement</i> and in Part E - <i>Information on risks and relative hedging policies</i> of the notes to the consolidated financial statements.</p> <p>The classification and measurement of the loans to customers (loans) measured at amortised cost in the appropriate stage are relevant for the audit because the amount of loans is significant to the financial statements as a whole and because the amount of the related impairment losses is determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity.</p>	<p>In relation to this aspect, our audit procedures, which have been performed also with the support of our risk management and information technology specialists, included among others:</p> <ul style="list-style-type: none"> <li>▶ the understanding of the policies, valuation models (including the analyses of the updates required by the economic impacts of the Covid-19 pandemic), processes and controls applied by the Group in relation to the classification and measurement of loans to customers (loans);</li> <li>▶ the assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls in order to test their operational effectiveness;</li> <li>▶ the analysis of the changes in the composition of loans to customers (loans) compared to the previous year and the discussion of the results with management;</li> <li>▶ the performance of substantive procedures in order to verify, on a sample basis, the correct classification and measurement of credit exposures;</li> <li>▶ the verification, through the analysis of the supporting documentation, of the accounting for the loans' disposals occurred in the year</li> <li>▶ the assessment of the adequacy of the disclosures provided in the notes to the consolidated financial statements.</li> </ul>

For classification purposes, the Directors make complex analyses, which involve internally developed models, as well as subjective elements, in order to identify exposures that show evidence of a significant increase in credit risk since the date of initial recognition or evidence of impairment. The processes for the classification of such loans consider both internal information about the historical performance of exposures and external information about the reference sector or the borrowers' overall exposure to the banking system.

Measuring loans to customers (loans) is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the Directors also apply internally developed valuation models and make estimates that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, an assessment of any guarantees, the impact of macroeconomic variables and future scenarios also related to the sale of non-performing loans and risks of the sectors in which the Group's customers operate.

Moreover, the classification and measurement processes of the loans to customers (loans) involve consideration of specific factors aimed at reflecting the current uncertainty on the evolution of the macro economic scenario determined by the persistence of the Covid-19 pandemic and effects of the Italian Government support measures including, in particular, the moratoria on loan repayments and the provision or renegotiation of loans supported by Italian state guarantees.

#### Classification and measurement of non-performing loans held for sale

In the notes to the consolidated financial statements, Part E - *Information on risks and relative hedging policies*, section 1.1 Credit risk, the Directors describe the de-risking operations relating to the disposal of non-performing loans.

For the purposes of the consolidated financial statements as at 31 December 2021:

- ▶ the non-performing loans to customers held for sale, the disposal of which is estimated as highly probable in the next 12 months, have been classified under item 120. *Non-current assets held for sale and discontinued operations*, as required by IFRS 5, for a gross book value of Euro 4.5 billion;
- ▶ the non-performing loans to customers which are intended for sale, but do not meet the classification criteria of IFRS 5, have been recorded, as required by IFRS 9, as financial assets measured at amortised cost, item 40. b), for a gross book value of Euro 4.8 billion.

The classification and measurement of non-performing loans held for sale is relevant to the audit because the amount of such loans is significant to the financial statements as a whole and because the determination of their disposal value is determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity.

The Directors estimated the value of non-performing loans held for sale, also through the use of independent experts, on the basis of their expected recovery values and, limited to the loans which do not meet the classification criteria of IFRS 5, of the estimated probability of disposal, in accordance with the accounting standards.

The related impact on the estimate of the expected credit losses has been recognised in the consolidated income statement for the year ended 31 December 2021 under item 130. a), *Net losses/recoveries for credit risks*.

In relation to this aspect, our audit procedures, which have been performed also with the support of our non-performing loans specialists, included among others:

- ▶ the understanding of the policies, valuation models, processes and controls applied by the Group in relation to the classification and measurement of loans to customers held for sale;
- ▶ the acquisition and the analysis of the documentation related to the non-performing loans held for sale, also in order to assess the compliance with the IFRS 5 classification criteria;
- ▶ the analysis of the adequacy of the methodology and of the reasonableness of the main inputs considered by the Directors for the purpose of determining the disposal value of the non-performing loans, including the analysis of the report prepared by the appointed independent experts and, limited to non-performing loans not meeting the IFRS 5 classification criteria, the reasonableness of the probabilistic sales scenarios;
- ▶ the assessment of the adequacy of the disclosures provided in the notes to the consolidated financial statements.



**Classification and measurement of financial  
assets and liabilities at fair value  
(levels 2 and 3)**

Financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy, amount to a total asset balance of Euro 50,728 million and a total liability balance of Euro 127,371 million as at 31 December 2021. The composition of financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy, is included in tables A.4.5.1 and A.4.5.1 bis, Part A of the notes to the consolidated financial statements.

The disclosures on the classification and measurement of financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy is provided in Part A - *Accounting policies*, in Part B - *Information on the consolidated balance sheet*, in Part C - *Information on the consolidated income statement* and in Part E - *Information on risks and relative hedging policies* of the notes to the consolidated financial statements.

The valuation of these financial instruments is performed by the Group through the use of complex models, accepted by the prevailing valuation practice, which are fed by directly or indirectly observable inputs and internally estimated based on qualitative and quantitative assumptions.

The measurement of such financial instruments is relevant to the audit because the amount of such financial instruments is significant to the financial statements as a whole and because of the multiplicity and complexity of the valuation models and parameters used and for the subjective elements considered for the purposes of the estimates.

In relation to this aspect, our audit procedures, which have been performed also with the support of our risk management and information technology specialists, included among others:

- ▶ the understanding of the policies, valuation models, processes and controls applied by the Group in relation to the classification and measurement of level 2 and level 3 financial instruments measured at fair value on a recurring basis;
- ▶ the assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls in order to verify their operational effectiveness;
- ▶ the analysis of the changes in the composition of the financial instruments' portfolio compared to the previous year and the discussion of the results with management;
- ▶ the performance of substantive procedures in order to verify, on a sample basis, the fair value of certain financial instruments through the analysis of the valuation models, the reasonableness of the qualitative and quantitative assumptions and inputs as well as the classification in the appropriate fair value level;
- ▶ the assessment of the adequacy of the disclosures provided in the notes to the consolidated financial statements.

## **Responsibilities of the Directors and of the Management Control Committee for the Consolidated Financial Statements**

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree no. 38/2005 and article 43 of Legislative Decree no. 136/2015 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Management Control Committee is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- ▶ we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- ▶ we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- ▶ we have concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- ▶ we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We have described these matters in our auditor's report.

#### **Additional Information pursuant to Article 10 of Regulation (EU) no. 537/2014**

The Shareholders of Intesa Sanpaolo S.p.A., in the general meeting held on 30 April 2019, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2021 to 31 December 2029.

We declare that we have not provided prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) no. 537/2014, and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the Management Control Committee in its capacity as audit committee, prepared pursuant to article 11 of the Regulation (EU) no. 537/2014.

## **Report on Compliance with other Legal and Regulatory Requirements**

### **Opinion on the Compliance with Delegated Regulation (EU) no. 815/2019**

The Directors of Intesa Sanpaolo S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) no. 815/2019 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the “Delegated Regulation”) to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia no. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

### **Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree no. 39/2010 and article 123-bis, paragraph 4 of Legislative Decree no. 58/1998**

The Directors of Intesa Sanpaolo S.p.A. are responsible for the preparation of the report on operations and of the report on corporate governance and ownership structure as at 31 December 2021, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia no. 720B, in order to express an opinion on the consistency of the report on operations and of specific information included in the report on corporate governance and ownership structure as provided for by article 123-bis, paragraph 4, of Legislative Decree no. 58/1998 with the Group consolidated financial statements as at 31 December 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information included in the report on corporate governance and ownership structure are consistent with the Intesa Sanpaolo Group consolidated financial statements as at 31 December 2021 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree no. 39/2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.



**Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree no. 254/2016**

The Directors of Intesa Sanpaolo S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree no. 254/2016. We have verified that non-financial information has been approved by the Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree no. 254/2016, such non-financial information is subject to a separate compliance report signed by us.

Milan, 22 March 2022

EY S.p.A.  
Signed by: Guido Celona, Auditor

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative*



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# Attachments to the Intesa Sanpaolo Group Financial Statements

## Consolidated reconciliation statements

### Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2020 and adjusted consolidated balance sheet as at 31 December 2020

Reconciliation between published consolidated income statement for 2020 and adjusted consolidated income statement for 2020

### Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2020 and restated consolidated balance sheet as at 31 December 2020

Reconciliation between published consolidated income statement for 2020 and restated consolidated income statement for 2020

Reconciliation between consolidated income statement for 2021 and restated consolidated income statement for 2021

## Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

### Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

### Reclassified consolidated income statement – Reconciliation with redetermined figures

Reclassified consolidated income statement – Reconciliation with redetermined figures





## **Reconciliation between published consolidated financial statements and adjusted consolidated financial statements**

**Reconciliation between published consolidated balance sheet as at 31 December 2020 and adjusted consolidated balance sheet as at 31 December 2020**

		(millions of euro)	
Assets	31.12.2020 Published	Amendments to Bank of Italy Circular 262 (a)	31.12.2020 Adjusted
10. Cash and cash equivalents	9,814	3,919	13,733
20. Financial assets measured at fair value through profit or loss	58,246	-	58,246
a) financial assets held for trading	53,165	-	53,165
b) financial assets designated at fair value	3	-	3
c) other financial assets mandatorily measured at fair value	5,078	-	5,078
30. Financial assets measured at fair value through other comprehensive income	57,858	-	57,858
35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	177,170	-	177,170
40. Financial assets measured at amortised cost	615,260	-2,779	612,481
a) due from banks	110,095	-2,779	107,316
b) loans to customers	505,165	-	505,165
45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,211	-1,140	71
50. Hedging derivatives	1,134	-	1,134
60. Fair value change of financial assets in hedged portfolios (+/-)	2,400	-	2,400
70. Investments in associates and companies subject to joint control	1,996	-	1,996
80. Technical insurance reserves reassured with third parties	93	-	93
90. Property and equipment	10,850	-	10,850
100. Intangible assets	8,194	-	8,194
of which:			
- goodwill	3,154	-	3,154
110. Tax assets	19,503	-	19,503
a) current	2,326	-	2,326
b) deferred	17,177	-	17,177
120. Non-current assets held for sale and discontinued operations	28,702	-	28,702
130. Other assets	10,183	-	10,183
<b>Total assets</b>	<b>1,002,614</b>	<b>-</b>	<b>1,002,614</b>

(a) Includes the changes to "Cash and cash equivalents" made as a result of the update of 29 October 2021 of Bank of Italy Circular 262.

		(millions of euro)	
Liabilities and Shareholders' Equity		31.12.2020 Published	Amendments to Bank of Italy Circular 262 (a)
			31.12.2020 Adjusted
10.	Financial liabilities measured at amortised cost	630,146	-
	<i>a) due to banks</i>	115,947	-
	<i>b) due to customers</i>	422,365	-
	<i>c) securities issued</i>	91,834	-
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,935	-
20.	Financial liabilities held for trading	59,033	-
30.	Financial liabilities designated at fair value	3,032	-
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	77,207	-
40.	Hedging derivatives	7,088	-
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	733	-
60.	Tax liabilities	3,029	-
	<i>a) current</i>	284	-
	<i>b) deferred</i>	2,745	-
70.	Liabilities associated with non-current assets held for sale and discontinued operations	35,676	-
80.	Other liabilities	14,439	-
90.	Employee termination indemnities	1,200	-
100.	Allowances for risks and charges	5,964	-
	<i>a) commitments and guarantees given</i>	626	-
	<i>b) post-employment benefits</i>	324	-
	<i>c) other allowances for risks and charges</i>	5,014	-
110.	Technical reserves	96,811	-
120.	Valuation reserves	-515	-
125.	Valuation reserves pertaining to insurance companies	809	-
130.	Redeemable shares	-	-
140.	Equity instruments	7,441	-
150.	Reserves	17,461	-
155.	Interim dividend (-)	-	-
160.	Share premium reserve	27,444	-
170.	Share capital	10,084	-
180.	Treasury shares (-)	-130	-
190.	Minority interests (+/-)	450	-
200.	Net income (loss) (+/-)	3,277	-
<b>Total liabilities and shareholders' equity</b>		<b>1,002,614</b>	<b>-</b>
			<b>1,002,614</b>

(a) Includes the changes to "Cash and cash equivalents" made as a result of the update of 29 October 2021 of Bank of Italy Circular 262.

**Reconciliation between published consolidated income statement for 2020 and adjusted consolidated income statement for 2020**

The published consolidated income statement for 2020 did not require any adjustments.

## **Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements**

**Reconciliation between published consolidated balance sheet as at 31 December 2020 and restated consolidated balance sheet as at 31 December 2020**

		(millions of euro)		
Assets		31.12.2020 Adjusted	Changes in the scope of consolidation (a)	31.12.2020 Restated
10.	Cash and cash equivalents	13,733	897	14,630
20.	Financial assets measured at fair value through profit or loss	58,246	9	58,255
	<i>a) financial assets held for trading</i>	53,165	9	53,174
	<i>b) financial assets designated at fair value</i>	3	-	3
	<i>c) other financial assets mandatorily measured at fair value</i>	5,078	-	5,078
30.	Financial assets measured at fair value through other comprehensive income	57,858	5	57,863
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	177,170	28,367	205,537
40.	Financial assets measured at amortised cost	612,481	1,230	613,711
	<i>a) due from banks</i>	107,316	-	107,316
	<i>b) loans to customers</i>	505,165	1,230	506,395
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	71	90	161
50.	Hedging derivatives	1,134	-	1,134
60.	Fair value change of financial assets in hedged portfolios (+/-)	2,400	-	2,400
70.	Investments in associates and companies subject to joint control	1,996	-325	1,671
80.	Technical insurance reserves reassured with third parties	93	91	184
90.	Property and equipment	10,850	17	10,867
100.	Intangible assets	8,194	70	8,264
	<i>of which:</i>			
	<i>- goodwill</i>	3,154	-	3,154
110.	Tax assets	19,503	274	19,777
	<i>a) current</i>	2,326	8	2,334
	<i>b) deferred</i>	17,177	266	17,443
120.	Non-current assets held for sale and discontinued operations	28,702	-	28,702
130.	Other assets	10,183	663	10,846
<b>Total assets</b>		<b>1,002,614</b>	<b>31,388</b>	<b>1,034,002</b>

(a) The restatement refers to the entry into the Group of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas and the Reyl Group, suitably modified to take account of the update to Bank of Italy Circular 262/2021.



Liabilities and Shareholders' Equity		(millions of euro)		
		31.12.2020 Adjusted	Changes in the scope of consolidation (a)	31.12.2020 Restated
10.	Financial liabilities measured at amortised cost	630,146	1,777	631,923
	<i>a) due to banks</i>	115,947	1	115,948
	<i>b) due to customers</i>	422,365	1,776	424,141
	<i>c) securities issued</i>	91,834	-	91,834
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,935	100	2,035
20.	Financial liabilities held for trading	59,033	11	59,044
30.	Financial liabilities designated at fair value	3,032	-	3,032
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	77,207	3,492	80,699
40.	Hedging derivatives	7,088	-	7,088
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	733	-	733
60.	Tax liabilities	3,029	341	3,370
	<i>a) current</i>	284	2	286
	<i>b) deferred</i>	2,745	339	3,084
70.	Liabilities associated with non-current assets held for sale and discontinued operations	35,676	-	35,676
80.	Other liabilities	14,439	343	14,782
90.	Employee termination indemnities	1,200	1	1,201
100.	Allowances for risks and charges	5,964	29	5,993
	<i>a) commitments and guarantees given</i>	626	-	626
	<i>b) post-employment benefits</i>	324	21	345
	<i>c) other allowances for risks and charges</i>	5,014	8	5,022
110.	Technical reserves	96,811	24,549	121,360
120.	Valuation reserves	-515	-	-515
125.	Valuation reserves pertaining to insurance companies	809	-	809
130.	Redeemable shares	-	-	-
140.	Equity instruments	7,441	23	7,464
150.	Reserves	17,461	-	17,461
155.	Interim dividend (-)	-	-	-
160.	Share premium reserve	27,444	-	27,444
170.	Share capital	10,084	-	10,084
180.	Treasury shares (-)	-130	-	-130
190.	Minority interests (+/-)	450	722	1,172
200.	Net income (loss) (+/-)	3,277	-	3,277
Total liabilities and shareholders' equity		1,002,614	31,388	1,034,002

(a) The restatement refers to the inclusion in the Group of the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas and the Reyl Group.

**Reconciliation between published consolidated income statement for 2020 and restated consolidated income statement for 2020**

	2020	Change in the scope of consolidation (a)	(millions of euro) 2020 Restated
10. Interest and similar income	10,183	19	10,202
<i>of which: interest income calculated using the effective interest rate method</i>	10,277	-	10,277
20. Interest and similar expense	-2,451	-3	-2,454
<b>30. Interest margin</b>	<b>7,732</b>	<b>16</b>	<b>7,748</b>
40. Fee and commission income	10,312	55	10,367
50. Fee and commission expense	-2,334	-14	-2,348
<b>60. Net fee and commission income</b>	<b>7,978</b>	<b>41</b>	<b>8,019</b>
70. Dividend and similar income	86	-	86
80. Profits (Losses) on trading	628	17	645
90. Fair value adjustments in hedge accounting	71	-	71
100. Profits (Losses) on disposal or repurchase of:	633	-	633
<i>a) financial assets measured at amortised cost</i>	-193	-	-193
<i>b) financial assets measured at fair value through other comprehensive income</i>	870	-	870
<i>c) financial liabilities</i>	-44	-	-44
Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-9	-	-9
<i>a) financial assets and liabilities designated at fair value</i>	57	-	57
<i>b) other financial assets mandatorily measured at fair value</i>	-66	-	-66
Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	3,463	-	3,463
<b>120. Net interest and other banking income</b>	<b>20,582</b>	<b>74</b>	<b>20,656</b>
130. Net losses/recoveries for credit risks associated with:	-4,364	-	-4,364
<i>a) financial assets measured at amortised cost</i>	-4,356	-	-4,356
<i>b) financial assets measured at fair value through other comprehensive income</i>	-8	-	-8
135. Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-81	-	-81
140. Profits (Losses) on changes in contracts without derecognition	-29	-	-29
<b>150. Net income from banking activities</b>	<b>16,108</b>	<b>74</b>	<b>16,182</b>
160. Net insurance premiums	10,842	165	11,007
170. Other net insurance income (expense)	-12,802	-88	-12,890
<b>180. Net income from banking and insurance activities</b>	<b>14,148</b>	<b>151</b>	<b>14,299</b>
190. Administrative expenses:	-12,160	-80	-12,240
<i>a) personnel expenses</i>	-7,562	-59	-7,621
<i>b) other administrative expenses</i>	-4,598	-21	-4,619
200. Net provisions for risks and charges	-793	-	-793
<i>a) commitments and guarantees given</i>	4	-	4
<i>b) other net provisions</i>	-797	-	-797
210. Net adjustments to / recoveries on property and equipment	-578	-4	-582
220. Net adjustments to / recoveries on intangible assets	-818	-2	-820
230. Other operating expenses (income)	3,347	-1	3,346
<b>240. Operating expenses</b>	<b>-11,002</b>	<b>-87</b>	<b>-11,089</b>
250. Profits (Losses) on investments in associates and companies subject to joint control	-16	10	-6
Valuation differences on property, equipment and intangible assets measured at fair value	-42	-	-42
260. Goodwill impairment	-981	-	-981
270. Profits (Losses) on disposal of investments	101	-	101
<b>290. Income (Loss) before tax from continuing operations</b>	<b>2,208</b>	<b>74</b>	<b>2,282</b>
300. Taxes on income from continuing operations	-59	-22	-81
<b>310. Income (Loss) after tax from continuing operations</b>	<b>2,149</b>	<b>52</b>	<b>2,201</b>
320. Income (Loss) after tax from discontinued operations	1,136	-	1,136
<b>330. Net income (loss)</b>	<b>3,285</b>	<b>52</b>	<b>3,337</b>
340. Minority interests	-8	-52	-60
<b>350. Parent Company's net income (loss)</b>	<b>3,277</b>	<b>-</b>	<b>3,277</b>

(a) The restatement refers to the economic results of the first four months of 2020 of Intesa Sanpaolo RBM Salute S.p.A. and the economic results of the twelve months of 2020 of Reyl Group.

# Reconciliation between consolidated income statement for 2021 and restated consolidated income statement for 2021

	2021	Changes in the scope of consolidation (a)	(millions of euro) 2021 Restated
10. Interest and similar income	10,473	9	10,482
<i>of which: interest income calculated using the effective interest rate method</i>	10,039	-	10,039
20. Interest and similar expense	-2,480	-2	-2,482
<b>30. Interest margin</b>	<b>7,993</b>	<b>7</b>	<b>8,000</b>
40. Fee and commission income	12,087	25	12,112
50. Fee and commission expense	-2,723	-5	-2,728
<b>60. Net fee and commission income</b>	<b>9,364</b>	<b>20</b>	<b>9,384</b>
70. Dividend and similar income	161	-	161
80. Profits (Losses) on trading	503	7	510
90. Fair value adjustments in hedge accounting	36	-	36
100. Profits (Losses) on disposal or repurchase of:	758	-	758
<i>a) financial assets measured at amortised cost</i>	201	-	201
<i>b) financial assets measured at fair value through other comprehensive income</i>	611	-	611
<i>c) financial liabilities</i>	-54	-	-54
110. Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	71	-	71
<i>a) financial assets and liabilities designated at fair value</i>	-42	-	-42
<i>b) other financial assets mandatorily measured at fair value</i>	113	-	113
Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	4,754	-	4,754
<b>120. Net interest and other banking income</b>	<b>23,640</b>	<b>34</b>	<b>23,674</b>
130. Net losses/recoveries for credit risks associated with:	-2,843	-	-2,843
<i>a) financial assets measured at amortised cost</i>	-2,813	-	-2,813
<i>b) financial assets measured at fair value through other comprehensive income</i>	-30	-	-30
135. Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-26	-	-26
140. Profits (Losses) on changes in contracts without derecognition	-29	-	-29
<b>150. Net income from banking activities</b>	<b>20,742</b>	<b>34</b>	<b>20,776</b>
160. Net insurance premiums	10,557	-	10,557
170. Other net insurance income (expense)	-13,525	-	-13,525
<b>180. Net income from banking and insurance activities</b>	<b>17,774</b>	<b>34</b>	<b>17,808</b>
190. Administrative expenses:	-12,012	-33	-12,045
<i>a) personnel expenses</i>	-7,187	-32	-7,219
<i>b) other administrative expenses</i>	-4,825	-1	-4,826
200. Net provisions for risks and charges	-374	-	-374
<i>a) commitments and guarantees given</i>	97	-	97
<i>b) other net provisions</i>	-471	-	-471
210. Net adjustments to / recoveries on property and equipment	-659	-1	-660
220. Net adjustments to / recoveries on intangible assets	-934	-1	-935
230. Other operating expenses (income)	980	-	980
<b>240. Operating expenses</b>	<b>-12,999</b>	<b>-35</b>	<b>-13,034</b>
250. Profits (Losses) on investments in associates and companies subject to joint control	138	2	140
260. Valuation differences on property, equipment and intangible assets measured at fair value	-21	-	-21
270. Goodwill impairment	-	-	-
280. Profits (Losses) on disposal of investments	289	-	289
<b>290. Income (Loss) before tax from continuing operations</b>	<b>5,181</b>	<b>1</b>	<b>5,182</b>
300. Taxes on income from continuing operations	-1,138	-	-1,138
<b>310. Income (Loss) after tax from continuing operations</b>	<b>4,043</b>	<b>1</b>	<b>4,044</b>
320. Income (Loss) after tax from discontinued operations	-	-	-
<b>330. Net income (loss)</b>	<b>4,043</b>	<b>1</b>	<b>4,044</b>
340. Minority interests	142	-1	141
<b>350. Parent Company's net income (loss)</b>	<b>4,185</b>	<b>-</b>	<b>4,185</b>

(a) The restatement refers to the income statement figures for the first five months of 2021 of the Reyl Group, as well as the reclassification to administrative and personnel expenses in 2021 to reflect the inhousing of activities previously outsourced by the UBI Group, resulting in the re-hiring of personnel who had been transferred or seconded to external services.



## **Restated consolidated financial statements**

## Consolidated Balance Sheet

		(millions of euro)		
Assets		31.12.2021	31.12.2020 Restated	Changes
				amount %
10.	Cash and cash equivalents	14,756	14,630	126 0.9
20.	Financial assets measured at fair value through profit or loss	52,731	58,255	-5,524 -9.5
	a) financial assets held for trading	47,181	53,174	-5,993 -11.3
	b) financial assets designated at fair value	4	3	1 33.3
	c) other financial assets mandatorily measured at fair value	5,546	5,078	468 9.2
30.	Financial assets measured at fair value through other comprehensive income	67,580	57,863	9,717 16.8
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	206,800	205,537	1,263 0.6
40.	Financial assets measured at amortised cost	668,866	613,711	55,155 9.0
	a) due from banks	163,937	107,316	56,621 52.8
	b) loans to customers	504,929	506,395	-1,466 -0.3
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	85	161	-76 -47.2
50.	Hedging derivatives	1,732	1,134	598 52.7
60.	Fair value change of financial assets in hedged portfolios (+/-)	392	2,400	-2,008 -83.7
70.	Investments in associates and companies subject to joint control	1,652	1,671	-19 -1.1
80.	Technical insurance reserves reassured with third parties	208	184	24 13.0
90.	Property and equipment	10,792	10,867	-75 -0.7
100.	Intangible assets	9,342	8,264	1,078 13.0
	of which:			
	- goodwill	3,574	3,154	420 13.3
110.	Tax assets	18,808	19,777	-969 -4.9
	a) current	3,555	2,334	1,221 52.3
	b) deferred	15,253	17,443	-2,190 -12.6
120.	Non-current assets held for sale and discontinued operations	1,422	28,702	-27,280 -95.0
130.	Other assets	13,837	10,846	2,991 27.6
<b>Total assets</b>		<b>1,069,003</b>	<b>1,034,002</b>	<b>35,001 3.4</b>

		(millions of euro)			
Liabilities and Shareholders' Equity		31.12.2021	31.12.2020	Changes	
			Restated	amount	%
10.	Financial liabilities measured at amortised cost	710,055	631,923	78,132	12.4
	<i>a) due to banks</i>	165,258	115,948	49,310	42.5
	<i>b) due to customers</i>	458,239	424,141	34,098	8.0
	<i>c) securities issued</i>	86,558	91,834	-5,276	-5.7
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,146	2,035	111	5.5
20.	Financial liabilities held for trading	56,306	59,044	-2,738	-4.6
30.	Financial liabilities designated at fair value	3,674	3,032	642	21.2
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	84,770	80,699	4,071	5.0
40.	Hedging derivatives	4,868	7,088	-2,220	-31.3
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	53	733	-680	-92.8
60.	Tax liabilities	2,285	3,370	-1,085	-32.2
	<i>a) current</i>	363	286	77	26.9
	<i>b) deferred</i>	1,922	3,084	-1,162	-37.7
70.	Liabilities associated with non-current assets held for sale and discontinued operations	30	35,676	-35,646	-99.9
80.	Other liabilities	15,639	14,782	857	5.8
90.	Employee termination indemnities	1,099	1,201	-102	-8.5
100.	Allowances for risks and charges	5,716	5,993	-277	-4.6
	<i>a) commitments and guarantees given</i>	508	626	-118	-18.8
	<i>b) post-employment benefits</i>	290	345	-55	-15.9
	<i>c) other allowances for risks and charges</i>	4,918	5,022	-104	-2.1
110.	Technical reserves	118,296	121,360	-3,064	-2.5
120.	Valuation reserves	-709	-515	194	37.7
125.	Valuation reserves pertaining to insurance companies	476	809	-333	-41.2
130.	Redeemable shares	-	-	-	-
140.	Equity instruments	6,282	7,464	-1,182	-15.8
150.	Reserves	17,706	17,461	245	1.4
155.	Interim dividend (-)	-1,399	-	1,399	
160.	Share premium reserve	27,286	27,444	-158	-0.6
170.	Share capital	10,084	10,084	-	-
180.	Treasury shares (-)	-136	-130	6	4.6
190.	Minority interests (+/-)	291	1,172	-881	-75.2
200.	Net income (loss) (+/-)	4,185	3,277	908	27.7
<b>Total liabilities and shareholders' equity</b>		<b>1,069,003</b>	<b>1,034,002</b>	<b>35,001</b>	<b>3.4</b>



## Restated consolidated income statement

		(millions of euro)			
		31.12.2021	31.12.2020	Changes	
		Restated	Restated	amount	%
10.	Interest and similar income	10,482	10,202	280	2.7
	<i>of which: interest income calculated using the effective interest rate method</i>	10,039	10,277	-238	-2.3
20.	Interest and similar expense	-2,482	-2,454	28	1.1
<b>30.</b>	<b>Interest margin</b>	<b>8,000</b>	<b>7,748</b>	<b>252</b>	<b>3.3</b>
40.	Fee and commission income	12,112	10,367	1,745	16.8
50.	Fee and commission expense	-2,728	-2,348	380	16.2
<b>60.</b>	<b>Net fee and commission income</b>	<b>9,384</b>	<b>8,019</b>	<b>1,365</b>	<b>17.0</b>
70.	Dividend and similar income	161	86	75	87.2
80.	Profits (Losses) on trading	510	645	-135	-20.9
90.	Fair value adjustments in hedge accounting	36	71	-35	-49.3
100.	Profits (Losses) on disposal or repurchase of:	758	633	125	19.7
	<i>a) financial assets measured at amortised cost</i>	201	-193	394	
	<i>b) financial assets measured at fair value through other comprehensive income</i>	611	870	-259	-29.8
	<i>c) financial liabilities</i>	-54	-44	10	22.7
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	71	-9	80	
	<i>a) financial assets and liabilities designated at fair value</i>	-42	57	-99	
	<i>b) other financial assets mandatorily measured at fair value</i>	113	-66	179	
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	4,754	3,463	1,291	37.3
<b>120.</b>	<b>Net interest and other banking income</b>	<b>23,674</b>	<b>20,656</b>	<b>3,018</b>	<b>14.6</b>
130.	Net losses/recoveries for credit risks associated with:	-2,843	-4,364	-1,521	-34.9
	<i>a) financial assets measured at amortised cost</i>	-2,813	-4,356	-1,543	-35.4
	<i>b) financial assets measured at fair value through other comprehensive income</i>	-30	-8	22	
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-26	-81	-55	-67.9
140.	Profits (Losses) on changes in contracts without derecognition	-29	-29	-	-
<b>150.</b>	<b>Net income from banking activities</b>	<b>20,776</b>	<b>16,182</b>	<b>4,594</b>	<b>28.4</b>
160.	Net insurance premiums	10,557	11,007	-450	-4.1
170.	Other net insurance income (expense)	-13,525	-12,890	635	4.9
<b>180.</b>	<b>Net income from banking and insurance activities</b>	<b>17,808</b>	<b>14,299</b>	<b>3,509</b>	<b>24.5</b>
190.	Administrative expenses:	-12,045	-12,240	-195	-1.6
	<i>a) personnel expenses</i>	-7,219	-7,621	-402	-5.3
	<i>b) other administrative expenses</i>	-4,826	-4,619	207	4.5
200.	Net provisions for risks and charges	-374	-793	-419	-52.8
	<i>a) commitments and guarantees given</i>	97	4	93	
	<i>b) other net provisions</i>	-471	-797	-326	-40.9
210.	Net adjustments to / recoveries on property and equipment	-660	-582	78	13.4
220.	Net adjustments to / recoveries on intangible assets	-935	-820	115	14.0
230.	Other operating expenses (income)	980	3,346	-2,366	-70.7
<b>240.</b>	<b>Operating expenses</b>	<b>-13,034</b>	<b>-11,089</b>	<b>1,945</b>	<b>17.5</b>
250.	Profits (Losses) on investments in associates and companies subject to joint control	140	-6	146	
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-21	-42	-21	-50.0
270.	Goodwill impairment	-	-981	-981	
280.	Profits (Losses) on disposal of investments	289	101	188	
<b>290.</b>	<b>Income (Loss) before tax from continuing operations</b>	<b>5,182</b>	<b>2,282</b>	<b>2,900</b>	
300.	Taxes on income from continuing operations	-1,138	-81	1,057	
<b>310.</b>	<b>Income (Loss) after tax from continuing operations</b>	<b>4,044</b>	<b>2,201</b>	<b>1,843</b>	<b>83.7</b>
320.	Income (Loss) after tax from discontinued operations	-	1,136	-1,136	
<b>330.</b>	<b>Net income (loss)</b>	<b>4,044</b>	<b>3,337</b>	<b>707</b>	<b>21.2</b>
340.	Minority interests	141	-60	201	
<b>350.</b>	<b>Parent Company's net income (loss)</b>	<b>4,185</b>	<b>3,277</b>	<b>908</b>	<b>27.7</b>

## **Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements**

## Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Assets		31.12.2021	31.12.2020
			Restated
<b>Cash and cash equivalents</b>		<b>14,756</b>	<b>14,630</b>
Caption 10	Cash and cash equivalents	14,756	14,630
<b>Due from banks</b>		<b>162,121</b>	<b>105,261</b>
Caption 40a (partial)	Financial assets measured at amortised cost - Due from banks	162,083	105,236
Caption 20a (partial)	Financial assets held for trading - Due from banks	-	-
Caption 20b (partial)	Financial assets designated at fair value - Due from banks	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks	38	25
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks	-	-
<b>Loans to customers</b>		<b>465,254</b>	<b>462,802</b>
<b>Loans to customers measured at amortised cost</b>		<b>463,458</b>	<b>461,373</b>
Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers	456,415	454,148
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	7,043	7,225
<b>Loans to customers at fair value through other comprehensive income and through profit or loss</b>		<b>1,796</b>	<b>1,429</b>
Caption 20a (partial)	Financial assets held for trading - Loans to customers	19	21
Caption 20b (partial)	Financial assets designated at fair value - Loans to customers	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Loans to customers	1,038	1,135
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Loans to customers	739	273
<b>Financial assets measured at amortised cost which do not constitute loans</b>		<b>43,325</b>	<b>47,102</b>
Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (banks)	1,854	2,080
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	41,471	45,022
<b>Financial assets at fair value through profit or loss</b>		<b>51,636</b>	<b>57,074</b>
Caption 20a (partial)	Financial assets held for trading	47,162	53,152
Caption 20b (partial)	Financial assets designated at fair value - Debt securities	4	3
Caption 20c (partial)	Other financial assets mandatorily measured at fair value	4,470	3,919
<b>Financial assets at fair value through other comprehensive income</b>		<b>66,841</b>	<b>57,590</b>
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income	66,841	57,590
<b>Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39</b>		<b>206,800</b>	<b>205,537</b>
Caption 35	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	206,800	205,537
<b>Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39</b>		<b>85</b>	<b>161</b>
Caption 45	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	85	161
<b>Investments in associates and companies subject to joint control</b>		<b>1,652</b>	<b>1,671</b>
Caption 70	Investments in associates and companies subject to joint control	1,652	1,671
<b>Property, equipment and intangible assets</b>		<b>20,134</b>	<b>19,131</b>
<b>Assets owned</b>		<b>18,613</b>	<b>17,311</b>
Caption 90 (partial)	Property and equipment	9,271	9,047
Caption 100	Intangible assets	9,342	8,264
<b>Rights of use acquired under leases</b>		<b>1,521</b>	<b>1,820</b>
Caption 90 (partial)	Property and equipment	1,521	1,820
<b>Tax assets</b>		<b>18,808</b>	<b>19,777</b>
Caption 110	Tax assets	18,808	19,777
<b>Non-current assets held for sale and discontinued operations</b>		<b>1,422</b>	<b>28,702</b>
Caption 120	Non-current assets held for sale and discontinued operations	1,422	28,702
<b>Other assets</b>		<b>16,169</b>	<b>14,564</b>
Caption 50	Hedging derivatives	1,732	1,134
Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	392	2,400
Caption 80	Technical insurance reserves reassured with third parties	208	184
Caption 130	Other assets	13,837	10,846
<b>Total Assets</b>		<b>1,069,003</b>	<b>1,034,002</b>

(millions of euro)

Liabilities		31.12.2021	31.12.2020
			Restated
<b>Due to banks at amortised cost</b>		<b>165,250</b>	<b>115,944</b>
Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks	165,258	115,948
- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	-8	-4
<b>Due to customers at amortised cost and securities issued</b>		<b>543,418</b>	<b>514,229</b>
Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers	458,239	424,141
Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued	86,558	91,834
- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	-1,379	-1,746
<b>Financial liabilities held for trading</b>		<b>56,306</b>	<b>59,044</b>
Caption 20	Financial liabilities held for trading	56,306	59,044
<b>Financial liabilities designated at fair value</b>		<b>3,674</b>	<b>3,032</b>
Caption 30	Financial liabilities designated at fair value	3,674	3,032
<b>Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39</b>		<b>2,139</b>	<b>2,023</b>
Caption 15	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,146	2,035
- Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	-7	-12
<b>Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39</b>		<b>84,770</b>	<b>80,699</b>
Caption 35	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	84,770	80,699
<b>Tax liabilities</b>		<b>2,285</b>	<b>3,370</b>
Caption 60	Tax liabilities	2,285	3,370
<b>Liabilities associated with non-current assets held for sale and discontinued operations</b>		<b>30</b>	<b>35,676</b>
Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	30	35,676
<b>Other liabilities</b>		<b>21,954</b>	<b>24,365</b>
Caption 40	Hedging derivatives	4,868	7,088
Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	53	733
Caption 80	Other liabilities	15,639	14,782
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	8	4
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	1,379	1,746
Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	7	12
<b>Technical reserves</b>		<b>118,296</b>	<b>121,360</b>
Caption 110	Technical reserves	118,296	121,360
<b>Allowances for risks and charges</b>		<b>6,815</b>	<b>7,194</b>
Caption 90	Employee termination indemnities	1,099	1,201
Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	508	626
Caption 100 b)	Allowances for risks and charges - Post-employment benefits	290	345
Caption 100 c)	Allowances for risks and charges - Other allowances for risks and charges	4,918	5,022
<b>Share capital</b>		<b>10,084</b>	<b>10,084</b>
Caption 170	Share capital	10,084	10,084
<b>Reserves</b>		<b>44,856</b>	<b>44,775</b>
Caption 130	Redeemable shares	-	-
Caption 150	Reserves	17,706	17,461
Caption 160	Share premium reserve	27,286	27,444
- Caption 180	Treasury shares	-136	-130
<b>Valuation reserves</b>		<b>-709</b>	<b>-515</b>
Caption 120	Valuation reserves	-709	-515
<b>Valuation reserves pertaining to insurance companies</b>		<b>476</b>	<b>809</b>
Caption 125	Valuation reserves pertaining to insurance companies	476	809
<b>Interim dividend</b>		<b>-1,399</b>	<b>-</b>
Caption 155	Interim dividend (-)	-1,399	-
<b>Equity instruments</b>		<b>6,282</b>	<b>7,464</b>
Caption 140	Equity instruments	6,282	7,464
<b>Minority interests</b>		<b>291</b>	<b>1,172</b>
Caption 190	Minority interests	291	1,172
<b>Net income (loss)</b>		<b>4,185</b>	<b>3,277</b>
Caption 200	Net income (loss) (+/-)	4,185	3,277
<b>Total Liabilities and Shareholders' Equity</b>		<b>1,069,003</b>	<b>1,034,002</b>

## Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Captions		(millions of euro)	
		31.12.2021 Restated	31.12.2020 Restated
<b>Net interest income</b>		<b>7,966</b>	<b>7,799</b>
Caption 30	Interest margin	8,000	7,748
- Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	-37	-32
- Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	8	81
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	31	77
+ Caption 60 (partial)	Net fee and commission income (Fee and commission income negative rates)	40	-
	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (Dividends received and paid within securities lending operations)	8	4
+ Caption 70 (partial)			
+ Caption 80 (partial)	Hedging swap differentials	-70	-61
+ Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-14	-18
+ Caption 200 (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
<b>Net fee and commission income</b>		<b>9,634</b>	<b>8,344</b>
Caption 60	Net fee and commission income	9,384	8,019
- Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	245	235
- Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	3	3
- Caption 60 (partial)	Net fee and commission income (Effect of purchase price allocation)	-	1
- Caption 60 (partial)	Net fee and commission income (Fee and commission income negative rates)	-40	-
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	55	39
	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	48	93
+ Caption 110 a) (partial)			
	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	5	3
+ Caption 110 b) (partial)			
+ Caption 190 b) (partial)	Other administrative expenses (Recovery of other expenses)	-66	-49
<b>Income from insurance business</b>		<b>1,586</b>	<b>1,353</b>
Caption 115	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	4,754	3,463
Caption 160	Net insurance premiums	10,557	11,007
Caption 170	Other net insurance income (expense)	-13,525	-12,890
+ Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	37	32
+ Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	-245	-235
+ Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	-78	42
+ Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	-22	-63
- Caption 160 (partial)	Net premiums (Policies: prospective claims in excess of premiums issued)	1	-
- Caption 160 (partial)	Net premiums (Policies: claims in excess of premiums issued ceded to reinsurers)	135	-
- Caption 170 (partial)	Other net insurance income (expense) (Policies: settled and open claims ceded to reinsurers)	-187	-
- Caption 170 (partial)	Other net insurance income (expense) (Policies: provisions for settled and open claims)	162	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	-3	-3
<b>Profits (Losses) on financial assets and liabilities designated at fair value</b>		<b>1,626</b>	<b>1,589</b>
Caption 80	Profits (Losses) on trading	510	645
Caption 90	Fair value adjustments in hedge accounting	36	71
	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value	-42	57
Caption 110 a)			
	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value	113	-66
Caption 110 b)			
	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	611	870
Caption 100 b)			
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	-54	-44
	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs)	161	87
+ Caption 70 (partial)			
	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (Dividends received and paid within securities lending operations)	-8	-4
- Caption 70 (partial)			
- Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	-55	-39
- Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	78	-42
- Caption 80 (partial)	Hedging swap differentials	70	61
	Profits (losses) on trading (Components relating to Profits (losses) on investments in associates and companies subject to joint control (carried at equity))	-	-47
- Caption 80 (partial)			
- Caption 80 (partial)	Profits (Losses) on trading (Effect of purchase price allocation)	16	18
	Fair value adjustments in hedge accounting - Reclassification of operations of entities not subject to management and coordination	-	4
- Caption 90 (partial)			
	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	307	87
+ Caption 100 a) (partial)			
	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	-28	-4
- Caption 100 b) (partial)			
	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	-48	-93
- Caption 110 a) (partial)			
	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-30	-12
- Caption 110 b) (partial)			
	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	2	31
- Caption 110 b) (partial)			
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	-19	-
	Net provisions for risks and charges - Other net provisions (Provisions/Releases linked to Profits (Losses) on financial assets and liabilities designated at fair value)	3	-
+ Caption 200 b) (partial)			
+ Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	3	9

		(millions of euro)	
Captions		31.12.2021	31.12.2020
		Restated	Restated
<b>Other operating income (expenses)</b>		<b>106</b>	<b>12</b>
Caption 70	Dividend and similar income	161	86
Caption 230	Other operating expenses (income)	980	3,346
+ Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	-8	-81
+ Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-3	-3
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs)	-161	-87
+ Caption 80 (partial)	Profits (losses) on trading (Components relating to Profits (losses) on investments in associates and companies subject to joint control (carried at equity))	-	47
+ Caption 90 (partial)	Fair value adjustments in hedge accounting - Reclassification of operations of entities not subject to management and coordination	-	-4
- Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-22	-19
- Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	-959	-845
- Caption 230 (partial)	Other operating expenses (income) (Non-recurring expenses)	39	18
- Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	7	66
- Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	2	-
- Caption 230 (partial)	Other operating expenses (income) (Effect of purchase price allocation)	-	-2,505
- Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-3	-9
+ Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-5	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-30	-
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-3	-
+ Caption 250 (partial)	Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	111	2
<b>Operating income</b>		<b>20,918</b>	<b>19,097</b>
<b>Personnel expenses</b>		<b>-6,824</b>	<b>-6,196</b>
Caption 190 a)	Personnel expenses	-7,219	-7,621
- Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	381	1,406
- Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	14	18
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-	1
<b>Other administrative expenses</b>		<b>-2,892</b>	<b>-2,693</b>
Caption 190 b)	Other administrative expenses	-4,826	-4,619
- Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	109	271
- Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	761	710
- Caption 190 b) (partial)	Other administrative expenses (Recovery of other expenses)	66	49
- Caption 190 b) (partial)	Other administrative expenses (Effect of purchase price allocation)	-	33
- Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	5	-
- Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax)	11	-
- Caption 190 b) (partial)	Other administrative expenses (Derisking charges)	1	-
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	959	845
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	22	18
<b>Adjustments to property, equipment and intangible assets</b>		<b>-1,246</b>	<b>-1,159</b>
Caption 210	Net adjustments to / recoveries on property and equipment	-660	-582
Caption 220	Net adjustments to / recoveries on intangible assets	-935	-820
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	3	3
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	40	27
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	10	7
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Effect of purchase price allocation)	-	-2
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	30	-
- Caption 210 (partial)	Net adjustments to / recoveries on intangible assets (Entities not subject to management and coordination - concession rights)	-	14
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	106	117
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	41	-
- Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	116	77
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	3	-
<b>Operating costs</b>		<b>-10,962</b>	<b>-10,048</b>
<b>Operating margin</b>		<b>9,956</b>	<b>9,049</b>

## Attachments to the consolidated financial statements

		(millions of euro)	
Captions		31.12.2021	31.12.2020
		Restated	Restated
<b>Net adjustments to loans</b>		<b>-2,772</b>	<b>-4,214</b>
Caption 140	Profits/losses from changes in contracts without derecognition	-29	-29
Caption 200 a)	Net provisions for risks and charges for credit risk related to commitments and guarantees given	97	4
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans	-110	-274
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	5	-1
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	123	34
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans	-2,828	-4,356
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	13	-
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - (Charges for integration)	-	21
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - (Effect of purchase price allocation)	-	428
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Loans	-	-7
+ Caption 190 b) (partial)	Other administrative expenses (Derisking charges)	-1	-
+ Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	-42	-34
<b>Other net provisions and net impairment losses on other assets</b>		<b>-848</b>	<b>-346</b>
Caption 135	Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	-26	-81
Caption 260	Valuation differences on property, equipment and intangible assets measured at fair value	-21	-42
Caption 200 b)	Net provisions for risks and charges - Other net provisions	-471	-797
+ Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	25	9
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	4	1
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks)	-2	-1
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Debt securities	-30	-1
- Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	22	63
+ Caption 160 (partial)	Net premiums (Policies: prospective claims in excess of premiums issued)	-1	-
+ Caption 160 (partial)	Net premiums (Policies: claims in excess of premiums issued ceded to reinsurers)	-135	-
+ Caption 170 (partial)	Other net insurance income (expense) (Policies: settled and open claims ceded to reinsurers)	187	-
+ Caption 170 (partial)	Other net insurance income (expense) (Policies: provisions for settled and open claims)	-162	-
- Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-2	450
- Caption 200 b) (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	-178	109
- Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	42	34
- Caption 200 b) (partial)	Net provisions for risks and charges - Other net provisions (settlement of tax disputes)	-	5
- Caption 200 b) (partial)	Net provisions for risks and charges - Other net provisions (Provisions/Releases linked to Profits (Losses) on financial assets and liabilities designated at fair value)	-3	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-10	-7
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-41	-
+ Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-7	-66
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-39	-22
<b>Other income (expenses)</b>		<b>332</b>	<b>73</b>
Caption 250	Profits (Losses) on investments in associates and companies subject to joint control	140	-6
Caption 280	Profits (Losses) on disposal of investments	289	101
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	306	82
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks)	-	-
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	-307	-87
+ Caption 200 b) (partial)	Net provisions for risks and charges - Other net provisions (settlement of tax disputes)	-	-5
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Entities not subject to management and coordination - concession rights)	-	-14
+ Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Non-recurring expenses)	-39	-18
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-111	-2
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Effect of purchase price allocation)	15	-
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	39	22
<b>Income (Loss) from discontinued operations</b>		<b>-</b>	<b>1,163</b>
Caption 320	Income (Loss) after tax from discontinued operations	-	1,136
+ Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	27
<b>Gross income (loss)</b>		<b>6,668</b>	<b>5,725</b>



		(millions of euro)	
Captions		31.12.2021	31.12.2020
		Restated	Restated
<b>Taxes on income</b>		<b>-1,622</b>	<b>-1,361</b>
Caption 300	Taxes on income from continuing operations	-1,138	-81
+ Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax)	-11	-
- Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	-197	-729
- Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-37	-226
- Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-239	-229
- Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-69
- Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-27
<b>Charges (net of tax) for integration and exit incentives</b>		<b>-439</b>	<b>-1,563</b>
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Charges for integration	-	-21
+ Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-381	-1,406
+ Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	-109	-271
+ Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	2	-450
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-40	-27
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-106	-117
+ Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-2	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	197	729
<b>Effect of purchase price allocation (net of tax)</b>		<b>-39</b>	<b>1,960</b>
+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-31	-77
+ Caption 60 (partial)	Net fee and commission income (Effect of purchase price allocation)	-	-1
+ Caption 80 (partial)	Profits (Losses) on trading (Effect of purchase price allocation)	-16	-18
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	-123	-34
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	28	4
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	19	-
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - (Effect of purchase price allocation)	-	-428
+ Caption 190 b) (partial)	Other administrative expenses (Effect of purchase price allocation)	-	-33
+ Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	178	-109
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Effect of purchase price allocation)	-	2
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Effect of purchase price allocation)	-116	-77
+ Caption 230 (partial)	Other operating expenses (income) (Effect of purchase price allocation)	-	2,505
+ Caption 250 (partial)	Profits (Losses) on investments investments in associates and companies subject to joint control (Effect of purchase price allocation)	-15	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	37	226
<b>Levies and other charges concerning the banking industry (net of tax)</b>		<b>-524</b>	<b>-512</b>
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	-2	-31
+ Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-761	-710
+ Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	239	229
<b>Impairment (net of tax) of goodwill and other intangible assets</b>		<b>-</b>	<b>-912</b>
Caption 270	Goodwill impairment	-	-981
+ Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	69
<b>Minority interests</b>		<b>141</b>	<b>-60</b>
Caption 340	Minority interests	141	-60
<b>Net income (loss)</b>		<b>4,185</b>	<b>3,277</b>



## **Reclassified consolidated income statement – Reconciliation with redetermined figures**



**Reclassified consolidated income statement – Reconciliation with redetermined figures**

	2021 Restated	Going concerns object of disposal	Inclusion insurance companies	2021 Redetermined figures	2020 Restated	Inclusion of the UBI Group (*)	Inclusion insurance companies	Going concerns object of disposal	(millions of euro) 2020 Redetermined figures
Net interest income	7,966	-66	-	7,900	7,799	966	-487	-	8,278
Net fee and commission income	9,634	-94	-	9,540	8,344	991	-610	-	8,725
Income from insurance business	1,586	-	43	1,629	1,353	10	-	322	1,685
Profits (Losses) on financial assets and liabilities designated at fair value	1,626	-1	-	1,625	1,589	91	-5	-	1,675
Other operating income (expenses)	106	-	-14	92	12	45	-3	-17	37
<b>Operating income</b>	<b>20,918</b>	<b>-161</b>	<b>29</b>	<b>20,786</b>	<b>19,097</b>	<b>2,103</b>	<b>-1,105</b>	<b>305</b>	<b>20,400</b>
Personnel expenses	-6,824	65	-14	-6,773	-6,196	-824	348	-33	-6,705
Other administrative expenses	-2,892	13	-20	-2,899	-2,693	-384	73	-74	-3,078
Adjustments to property, equipment and intangible assets	-1,246	-	-2	-1,248	-1,159	-128	35	-4	-1,256
<b>Operating costs</b>	<b>-10,962</b>	<b>78</b>	<b>-36</b>	<b>-10,920</b>	<b>-10,048</b>	<b>-1,336</b>	<b>456</b>	<b>-111</b>	<b>-11,039</b>
<b>Operating margin</b>	<b>9,956</b>	<b>-83</b>	<b>-7</b>	<b>9,866</b>	<b>9,049</b>	<b>767</b>	<b>-649</b>	<b>194</b>	<b>9,361</b>
Net adjustments to loans	-2,772	6	-	-2,766	-4,214	-446	167	-	-4,493
Other net provisions and net impairment losses on other assets	-848	-	-3	-851	-346	-11	-	-8	-365
Other income (expenses)	332	-	-	332	73	24	-	-	97
Income (Loss) from discontinued operations	-	58	-	58	1,163	-	425	-	1,588
<b>Gross income (loss)</b>	<b>6,668</b>	<b>-19</b>	<b>-10</b>	<b>6,639</b>	<b>5,725</b>	<b>334</b>	<b>-57</b>	<b>186</b>	<b>6,188</b>
Taxes on income	-1,622	6	-7	-1,623	-1,361	-104	18	-63	-1,510
Charges (net of tax) for integration and exit incentives	-439	-	-	-439	-1,563	13	1	-	-1,549
Effect of purchase price allocation (net of tax)	-39	-	-	-39	1,960	-	-	-	1,960
Levies and other charges concerning the banking industry (net of tax)	-524	13	-	-511	-512	-39	38	-	-513
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-912	-	-	-	-912
Minority interests	141	-	17	158	-60	-204	-	-123	-387
<b>Net income (loss)</b>	<b>4,185</b>	<b>-</b>	<b>-</b>	<b>4,185</b>	<b>3,277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,277</b>

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

(\*) Compared to the figures previously published, the captions Personnel expenses and Administrative expenses were subject to a reclassification as a result of the inhousing during 2021 of activities previously outsourced by the UBI Group.



## Other consolidated attachments



## List of the IAS/IFRS endorsed by the European Commission as at 31 December 2021

ACCOUNTING STANDARDS		Regulation endorsement
IFRS 1	First-time Adoption of International Financial Reporting Standards	1126/2008 mod. 1260/2008 - 1274/2008 - 69/2009 - 70/2009 - 254/2009 - 494/2009 - 495/2009 - 1136/2009 - 1164/2009 - 550/2010 - 574/2010 - 662/2010 - 149/2011 - 1205/2011 - 475/2012 - 1254/2012 - 1255/2012 - 183/2013 - 301/2013 - 1174/2013 - 2173/2015 - 2343/2015 - 2441/2015 - 1905/2016 - 2067/2016 - 182/2018 - 1080/2021 (*)
IFRS 2	Share-based Payment	1126/2008 mod. 1261/2008 - 495/2009 - 243/2010 - 244/2010 - 1254/2012 - 1255/2012 - 28/2015 - 2067/2016 - 289/2018 - 2075/2019
IFRS 3	Business Combinations	1126/2008 mod. 495/2009 - 149/2011 - 1254/2012 - 1255/2012 - 1174/2013 - 1361/2014 - 28/2015 - 1905/2016 - 2067/2016 - 412/2019 - 2075/2019 - 551/2020 - 1080/2021 (*)
IFRS 4	Insurance Contracts	1126/2008 mod. 1274/2008 - 494/2009 - 1165/2009 - 1255/2012 - 1905/2016 - 2067/2016 - 1988/2017 - 2097/2020 - 25/2021
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 1142/2009 - 243/2010 - 475/2012 - 1254/2012 - 1255/2012 - 2343/2015 - 2067/2016
IFRS 6	Exploration for and Evaluation of Mineral Resources	1126/2008 - 2075/2019
IFRS 7	Financial Instruments: Disclosures	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 495/2009 - 824/2009 - 1165/2009 - 574/2010 - 149/2011 - 1205/2011 - 475/2012 - 1254/2012 - 1255/2012 - 1256/2012 - 1174/2013 - 2343/2015 - 2406/2015 - 2067/2016 - 34/2020 - 25/2021
IFRS 8	Operating Segments	1126/2008 mod. 1274/2008 - 243/2010 - 632/2010 - 475/2012 - 28/2015
IFRS 9	Financial Instruments	2067/2016 - 498/2018 - 34/2020 - 25/2021 - 1080/2021 (*)
IFRS 10	Consolidated Financial Statements	1254/2012 mod. 313/2013 - 1174/2013 - 1703/2016
IFRS 11	Joint Arrangements	1254/2012 mod. 313/2013 - 2173/2015 - 412/2019
IFRS 12	Disclosure of Interests in Other Entities	1254/2012 mod. 313/2013 - 1174/2013 - 1703/2016 - 182/2018
IFRS 13	Fair Value Measurement	1255/2012 mod. 1361/2014 - 2067/2016
IFRS 15	Revenue from Contracts with Customers	1905/2016 - 1987/2017
IFRS 16	Leases	1986/2017 - 1434/2020 - 25/2021 - 1421/2021
IFRS 17	Insurance Contracts	2036/2021 (**)
IAS 1	Presentation of Financial Statements	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 243/2010 - 149/2011 - 475/2012 - 1254/2012 - 1255/2012 - 301/2013 - 2113/2015 - 2406/2015 - 1905/2016 - 2067/2016 - 2075/2019 - 2014/2019
IAS 2	Inventories	1126/2008 mod. 70/2009 - 1255/2012 - 1905/2016 - 2067/2016
IAS 7	Statement of Cash Flows	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 494/2009 - 243/2010 - 1254/2012 - 1174/2013 - 1990/2017
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 - 2067/2016 - 2075/2019 - 2104/2019
IAS 10	Events after the Reporting Period	1126/2008 mod. 1274/2008 - 70/2009 - 1142/2009 - 1255/2012 - 2067/2016
IAS 12	Income Taxes	1126/2008 mod. 1274/2008 - 495/2009 - 475/2012 - 1254/2012 - 1255/2012 - 1174/2013 - 1905/2016 - 2067/2016 - 1989/2017 - 412/2019
IAS 16	Property, Plant and Equipment	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 1255/2012 - 301/2013 - 28/2015 - 2113/2015 - 2231/2015 - 1905/2016 - 1080/2021 (*)
IAS 19	Employee Benefits	1126/2008 mod. 1274/2008 - 70/2009 - 475/2012 - 1255/2012 - 29/2015 - 2343/2015 - 402/2019
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1126/2008 mod. 1274/2008 - 70/2009 - 475/2012 - 1255/2012 - 2067/2016
IAS 21	The Effects of Changes in Foreign Exchange Rates	1126/2008 mod. 1274/2008 - 69/2009 - 494/2009 - 149/2011 - 475/2012 - 1254/2012 - 1255/2012 - 2067/2016
IAS 23	Borrowing costs	1126/2008 mod. 1260/2008 - 70/2009 - 2113/2015 - 2067/2016 - 412/2019
IAS 24	Related Party Disclosures	1126/2008 mod. 1274/2008 - 632/2010 - 475/2012 - 1254/2012 - 1174/2013 - 28/2015
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1126/2008
IAS 27	Separate Financial Statements	1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 494/2009 - 1254/2012 - 1174/2013 - 2441/2015
IAS 28	Investments in Associates and Joint Ventures	1126/2008 mod. 1274/2008 - 70/2009 - 494/2009 - 495/2009 - 1254/2012 - 1255/2012 - 2441/2015 - 1703/2016 - 2067/2016 - 182/2018 - 237/2019
IAS 29	Financial Reporting in Hyperinflationary Economies	1126/2008 mod. 1274/2008 - 70/2009
IAS 32	Financial Instruments: Presentation	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 1293/2009 - 475/2012 - 1254/2012 - 1255/2012 - 1256/2012 - 301/2013 - 1174/2013 - 1905/2016 - 2067/2016
IAS 33	Earnings per Share	1126/2008 mod. 1274/2008 - 494/2009 - 495/2009 - 475/2012 - 1254/2012 - 1255/2012 - 2067/2016
IAS 34	Interim Financial Reporting	1126/2008 mod. 1274/2008 - 70/2009 - 495/2009 - 149/2011 - 475/2012 - 1255/2012 - 301/2013 - 1174/2013 - 2343/2015 - 2406/2015 - 1905/2016 - 2075/2019
IAS 36	Impairment of Assets	1126/2008 mod. 1274/2008 - 69/2009 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 - 1255/2012 - 1374/2013 - 2113/2015 - 1905/2016 - 2067/2016
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1126/2008 mod. 1274/2008 - 495/2009 - 28/2015 - 1905/2016 - 2067/2016 - 2075/2019 - 1080/2021 (*)
IAS 38	Intangible Assets	1126/2008 mod. 1260/2008 - 1274/2008 - 70/2009 - 495/2009 - 243/2010 - 1254/2012 - 1255/2012 - 28/2015 - 2231/2015 - 1905/2016 - 2075/2019
IAS 39	Financial Instruments: Recognition and Measurement (except for certain rules on hedge accounting)	1126/2008 mod. 1274/2008 - 53/2009 - 70/2009 - 494/2009 - 495/2009 - 824/2009 - 839/2009 - 1171/2009 - 243/2010 - 149/2011 - 1254/2012 - 1255/2012 - 1174/2013 - 1375/2013 - 28/2015 - 1905/2016 - 2067/2016 - 34/2020 - 25/2021
IAS 40	Investment Property	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 - 1361/2014 - 2113/2015 - 1905/2016 - 400/2018
IAS 41	Agriculture	1126/2008 mod. 1274/2008 - 70/2009 - 1255/2012 - 2113/2015 - 1080/2021 (*)

(\*) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2022.

(\*\*) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2023.

INTERPRETATIONS		Regulation endorsement
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1126/2008 mod. 1260/2008 - 1274/2008
IFRIC 2	Members' Shares in Cooperative Entities and Similar Instruments	1126/2008 mod. 53/2009 - 1255/2012 - 301/2013 - 2067/2016
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008 mod. 1254/2012 - 2067/2016
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1126/2008
IFRIC 7	Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies	1126/2008 mod. 1274/2008
IFRIC 10	Interim Financial Reporting and Impairment	1126/2008 mod. 1274/2008 - 2067/2016
IFRIC 12	Service Concession Arrangements	254/2009 - 1905/2016 - 2067/2016 - 2075/2019
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008 mod. 1274/2008 - 633/2010 - 475/2012
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	460/2009 mod. 243/2010 - 1254/2012 - 2067/2016
IFRIC 17	Distributions of Non-cash Assets to Owners	1142/2009 mod. 1254/2012 - 1255/2012
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	662/2010 mod. 1255/2012 - 2067/2016 - 2075/2019
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1255/2012 - 2075/2019
IFRIC 21	Levies	634/2014
IFRIC 22	Foreign Currency Transaction and Advance Consideration	519/2018 - 2075/2019
IFRIC 23	Uncertainty over Income Tax Treatments	1595/2018
SIC 7	Introduction of the Euro	1126/2008 mod. 1274/2008 - 494/2009
SIC 10	Government Assistance - No Specific Relation to Operating Activities	1126/2008 mod. 1274/2008
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	1126/2008 mod. 1274/2008
SIC 29	Service Concession Arrangements: Disclosures	1126/2008 mod. 1274/2008 - 254/2009
SIC 32	Intangible Assets - Web Site Costs	1126/2008 mod. 1274/2008 - 1905/2016 - 2075/2019









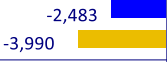

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## **Report and Parent Company's financial statements**



# **Report on operations**

# Intesa Sanpaolo – Financial highlights and alternative performance measures <sup>(\*)</sup>

Income statement figures - Redetermined figures (millions of euro)		Changes	
		amount	%
Net interest income		-363	-5.8
Net fee and commission income		356	6.9
Profits (Losses) on financial assets and liabilities designated at fair value		-84	-5.6
Operating income		-337	-2.1
Operating costs		-166	-1.9
Operating margin		-171	-2.4
Net adjustments to loans		-1,507	-37.8
Net income (loss)		4,958	






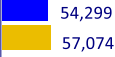

Redetermined figures have been prepared to take into account the inclusion of UBI Banca S.p.A., UBI Academy S.p.A., UBI Sistemi e Servizi S.c.p.A. and UBI Factor S.p.A. for the pre-acquisition period and, based on the management data, the reallocation of the contribution from the business lines object of disposal/demerger to income (loss) from discontinued operations.

2021 

2020 

(\*) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on Operations in the consolidated financial statements.



Balance sheet figures - Redetermined figures (millions of euro)		Changes	
		amount	%
Loans to customers		-4,245	-1.0
Total assets		21,496	2.9
Direct customer deposits		22,324	5.1
Indirect customer deposits:		16,968	5.5
<i>of which: Assets under management</i>		11,931	5.6
Shareholders' equity		-2,775	-4.9
Loans to customers/Direct deposits from banking business (%) (Loan to deposit ratio)			

Redetermined figures have been prepared to take account, based on management information, of the reclassification of the demerged business lines of the former UBI Banca S.p.A. to "Non-current assets held for sale and discontinued operations" and "Liabilities associated with non-current assets held for sale and discontinued operations".

31.12.2021   
31.12.2020 

Capital ratios (%)	
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	<div> <div>12.8</div> <div>13.3</div> </div>
TIER 1 Capital / Risk-weighted assets	<div> <div>14.6</div> <div>15.4</div> </div>
Total owns funds / Risk-weighted assets	<div> <div>17.3</div> <div>17.7</div> </div>
Risk-weighted assets (millions of euro)	<div> <div>331,732</div> <div>334,337</div> </div>

Profitability ratios (%)	
Cost / Income (Redetermined figures) <sup>(a)</sup>	<div> <div>55.4</div> <div>55.3</div> </div>
Net income <sup>(a)</sup> / Shareholders' equity (ROE) <sup>(b)</sup>	<div> <div>6.5</div> <div>-3.9</div> </div>
Net income <sup>(a)</sup> / Total assets (ROA) <sup>(c)</sup>	<div> <div>0.4</div> <div>-0.3</div> </div>

Figures restated on a consistent basis, where necessary and material.

(a) The redetermined figures have been prepared to take into account the inclusion of UBI Banca S.p.A., UBI Academy S.p.A., UBI Sistemi e Servizi S.c.p.A. and UBI Factor S.p.A. for the pre-acquisition period and, based on the management data, the reallocation of the contribution from the business lines object of disposal/demerger to income (loss) from discontinued operations.

(b) Ratio of net income to shareholders' equity at the end of the period. Shareholders' equity does not take account of AT 1 equity instruments and net income for the period.

(c) Ratio of net income to total assets.

31.12.2021 

31.12.2020 

Risk ratios (*) (%)	
Net bad loans / Loans to customers	<div> <div>0.5</div> <div>0.9</div> </div>
Net non-performing loans / Loans to customers	<div> <div>1.6</div> <div>2.4</div> </div>
Cumulated adjustments on bad loans / Gross bad loans to customers	<div> <div>70.2</div> <div>57.7</div> </div>
Cumulated adjustments on gross non-performing loans / Gross non-performing loans to customers	<div> <div>53.2</div> <div>47.8</div> </div>

(\*) The redetermined figures have been prepared to take account, based on management information, of the reclassification of the demerged business lines of the former UBI Banca S.p.A. to “Non-current assets held for sale and discontinued operations” and “Liabilities associated with non-current assets held for sale and discontinued operations”.

Operating structure	31.12.2021	31.12.2020	Changes amount
<b>Number of employees (*)</b>	<b>68,681</b>	<b>71,514</b>	<b>-2,833</b>
Italy	67,799	70,664	-2,865
Abroad	882	850	32
<b>Number of branches</b>	<b>3,484</b>	<b>4,394</b>	<b>-910</b>
Italy	3,469	4,379	-910
Abroad	15	15	-

Figures restated on a consistent basis, where necessary and material.

(\*) The headcount shown refers to the actual number of employees at the end of the year, with part-time employees also counted as 1 unit.

31.12.2021	<div></div>
31.12.2020	<div></div>

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# The Parent Company Intesa Sanpaolo results

## Introduction

The reclassified income statement and balance sheet of the Parent Company Intesa Sanpaolo S.p.A. as at and for the year ended 31 December 2021, accompanied by a brief comment on the income statement results and balance sheet aggregates are presented below.

For all aspects not directly covered in this Report, as specified in the subsequent chapter “Other information”, reference is made to the Report on operations accompanying the Consolidated financial statements and to the Notes to the Parent Company’s financial statements.

## General aspects on the income statement

The income statement is presented in a condensed reclassified format to enable a more immediate interpretation of the results.

In the reclassified income statement, the figures are normally restated, where necessary and if they are material, for ease of comparison. In particular, the amounts are provided as uniformly as possible for the different periods covered, above all in relation to the changes in the scope of reference. This uniformity is achieved through restated figures, which include/exclude the values of the companies that entered or left the scope of reference. In the 2021 Financial Statements, as a result of the acquisition of the UBI Banca Group, the restated figures have also been accompanied by the “redetermined” figures in order to align/supplement them through management figures.

Specifically, to enable like-for-like comparison, in this report the income statement figures for the previous periods have not been restated, but have been redetermined as a result of the absorption of UBI Banca S.p.A. (12 April 2021, with accounting and tax effects from 1 January 2021), the latter net of the going concern consisting of 455 branches and 132 operating points sold to BPER on 22 February 2021 (with accounting and tax effects from that date), the “Top Private” and “Service IW Bank” business lines that were partially demerged to Intesa Sanpaolo Private Banking S.p.A. and Fideuram – Intesa Sanpaolo Private Banking S.p.A. respectively (12 April 2021, with accounting and tax effects from that date) and the going concern consisting of 17 bank branches and 9 associated operating points (mini-branches) sold to Banca Popolare di Puglia e Basilicata (24 May 2021, with accounting and tax effects from that date). Moreover, the income statement figures for the previous periods have also been redetermined due to the sale of 31 branches and 2 operating points of the Parent Company to BPER (21 June 2021, with accounting and tax effects from that date), the absorption of UBI Academy S.r.l. (30 June 2021, with accounting and tax effects from 1 January 2021) the absorption of UBI Sistemi e Servizi S.c.p.A. (12 July 2021, with accounting and tax effects from 1 January 2021), the latter net of the going concern sold to BPER on 22 February 2021 (with accounting and tax effects from that date), as well as the absorption of UBI Factor S.p.A. (25 October 2021, with accounting and tax effects from 1 January 2021).

To enhance the comparability of the comparison periods, the redetermined figures have been presented on a like-for-like basis in terms of scope, date of commencement of the income effects (assuming full integration of UBI and its subsidiaries merged during 2021 from 1 January 2020) and accounting classification, and using the same financial statement presentation as that adopted by the Parent Company.

Lastly, to represent the trend in the various income statement captions related solely to operational events and not to the changes in the scope of reference due to the above-mentioned sales/demerger of business lines, the income components of the sold/demerged business lines have been reclassified from the original captions to the caption “Income (Loss) from discontinued operations” from 1 January to the effective date of the transaction, for both 2021 and 2020. Lastly, the income results of the sold/demerged business lines have been determined on the basis of management information.

Breakdowns of restatements and reclassifications made in accordance with the layout established in Bank of Italy Circular 262 are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.

In summary, the reclassifications and aggregations are as follows:

- dividends relating to investments carried at equity, as well as those received and paid under the securities lending activities, which have been reallocated to Profits (losses) on financial assets and liabilities designated at fair value;
- differentials on derivatives, classified to the trading book and contracted to hedge transactions in foreign currencies, have been allocated among Net interest income owing to the close correlation;
- periodic fees and commissions on current accounts with positive balances applied to customers (excluding the retail customers and SMEs segment), in accordance with the provisions of the term sheets, which are accounted for as interest income, inasmuch as they cover the financing cost incurred by the Bank;
- Profits (losses) on trading, fair value adjustments in hedge accounting, Profits (losses) on financial assets and liabilities measured at fair value through profit or loss and Profits (losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income and on sale or repurchase of financial liabilities, which have been reallocated to the Profits (losses) on financial assets and liabilities designated at fair value;
- the share of the premium on the issue of the certificates paid to the networks for their placement, which is reclassified from Profits (Losses) on assets and liabilities designated at fair value to Net fee and commission income;
- the recoveries of expenses, taxes and duties, recorded under Other income, which have been subtracted from Administrative expenses;

- Profits and losses on disposal or repurchase of financial assets measured at amortised cost (loans and debt securities representing loans), which have been allocated to Net adjustments to loans;
- Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, the effects on the income statement of the changes in contracts and the net provisions for risks and charges for credit risk relating to commitments and guarantees given, attributed to the single item Net adjustments to loans;
- the reversal in the time value of Employee termination indemnities and Allowances for risks and charges, which was included among Net interest income, as a phenomenon deriving directly from the application of the amortised cost criterion, in the absence of changes in projected future cash flows, in keeping with the treatment of the time value of financial assets measured at amortised cost;
- Net impairment losses on equity investments in associates, as well as property and equipment and intangible assets (including property and other assets resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future), which have been reclassified to Other net provisions and net impairment losses on other assets, which consequently include – in addition to the provisions for risks and charges, other than those relating to commitments and guarantees – the valuation effects of the assets other than loans, with the sole exception of impairment losses on intangible assets that have been reclassified, to Impairment (net of tax) of goodwill, other intangible assets and controlling interests;
- realised profits (losses) on financial assets measured at amortised cost other than loans, on equity investments and on other investments have been reallocated to Other income (expenses). Accordingly, in addition to the income and expenses not strictly related to operations, this caption represents the summary of the effects from the realisation of assets other than loans. Profits (Losses) realised on debt securities in correlation with trading activity represent an exception; in view of their business model, which involves management closely correlated with the other financial instruments, they are classified to Profits (Losses) on financial assets and liabilities designated at fair value;
- Charges (net of tax) for integration and exit incentives, which are reclassified from Personnel expenses, Other administrative expenses and other captions of the income statement to a separate caption;
- the purely accounting Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3;
- levies and other charges aimed at maintaining the stability of the banking industry, which have been reclassified, after tax, to the specific caption;
- Impairment losses on goodwill, investments in subsidiaries and impairment losses on other intangible assets, which are shown net of tax.

## Reclassified income statement

	2021	2020	(millions of euro)	
			Changes	
			amount	%
Net interest income	5,951	5,257	694	13.2
Net fee and commission income	5,668	4,467	1,201	26.9
Profits (Losses) on financial assets and liabilities designated at fair value	1,427	1,301	126	9.7
Other operating income (expenses)	2,546	2,623	-77	-2.9
Operating income	<b>15,592</b>	<b>13,648</b>	<b>1,944</b>	<b>14.2</b>
<b>Personnel expenses</b>	-5,473	-4,421	1,052	23.8
Other administrative expenses	-2,123	-1,803	320	17.7
Adjustments to property, equipment and intangible assets	-1,028	-898	130	14.5
Operating costs	<b>-8,624</b>	<b>-7,122</b>	<b>1,502</b>	<b>21.1</b>
<b>Operating margin</b>	<b>6,968</b>	<b>6,526</b>	<b>442</b>	<b>6.8</b>
<b>Net adjustments to loans</b>	-2,487	-3,657	-1,170	-32.0
Other net provisions and net impairment losses on other assets	-427	-236	191	80.9
Other income (expenses)	123	91	32	35.2
Income (Loss) from discontinued operations	-	1,153	-1,153	
<b>Gross income (loss)</b>	<b>4,177</b>	<b>3,877</b>	<b>300</b>	<b>7.7</b>
Taxes on income	-303	-257	46	17.9
Charges (net of tax) for integration and exit incentives	-218	-1,240	-1,022	-82.4
Effect of purchase price allocation (net of tax)	-48	-74	-26	-35.1
Levies and other charges concerning the banking industry (net of tax)	-442	-366	76	20.8
Impairment (net of tax) of goodwill, other intangible assets and controlling interests	-218	-1,261	-1,043	-82.7
<b>Net income (loss)</b>	<b>2,948</b>	<b>679</b>	<b>2,269</b>	

## Reclassified income statement – Redetermined figures

	2021 Redetermined figures	2020 Redetermined figures	(millions of euro) Changes	
			amount	%
Net interest income	5,884	6,247	-363	-5.8
Net fee and commission income	5,545	5,189	356	6.9
Profits (Losses) on financial assets and liabilities designated at fair value	1,426	1,510	-84	-5.6
Other operating income (expenses)	2,550	2,796	-246	-8.8
Operating income	<b>15,405</b>	<b>15,742</b>	<b>-337</b>	<b>-2.1</b>
<b>Personnel expenses</b>	-5,406	-5,388	18	0.3
Other administrative expenses	-2,101	-2,270	-169	-7.4
Adjustments to property, equipment and intangible assets	-1,028	-1,043	-15	-1.4
Operating costs	<b>-8,535</b>	<b>-8,701</b>	<b>-166</b>	<b>-1.9</b>
<b>Operating margin</b>	<b>6,870</b>	<b>7,041</b>	<b>-171</b>	<b>-2.4</b>
<b>Net adjustments to loans</b>	-2,483	-3,990	-1,507	-37.8
Other net provisions and net impairment losses on other assets	-427	-248	179	72.2
Other income (expenses)	123	107	16	15.0
Income (Loss) from discontinued operations	73	1,247	-1,174	-94.1
<b>Gross income (loss)</b>	<b>4,156</b>	<b>4,157</b>	<b>-1</b>	<b>-</b>
Taxes on income	-296	-283	13	4.6
Charges (net of tax) for integration and exit incentives	-218	-2,536	-2,318	-91.4
Effect of purchase price allocation (net of tax)	-47	-355	-308	-86.8
Levies and other charges concerning the banking industry (net of tax)	-429	-413	16	3.9
Impairment (net of tax) of goodwill, other intangible assets and controlling interests	-218	-2,580	-2,362	-91.6
<b>Net income (loss)</b>	<b>2,948</b>	<b>-2,010</b>	<b>4,958</b>	

The redetermined figures have been prepared to take into account the inclusion of UBI Banca S.p.A., UBI Academy S.r.l., UBI Sistemi e Servizi S.c.p.A. and UBI Factor S.p.A. for the pre-acquisition period and, based on the management data, the reallocation of the contribution from the business lines object of disposal/demerger to income (loss) from discontinued operations.



The income statement for 2021 closed with net income of 2,948 million euro, compared to the loss of 2,010 million euro recorded in 2020, with stable gross income of 4,156 million euro.

Note that the net income for the previous year was harshly impacted by the finalisation of the acquisition of control of UBI Banca by Intesa Sanpaolo S.p.A. This specifically resulted in the recognition in 2020 of i) the loss connected with the future sale of 486 branches to BPER, as part of the binding agreement signed by the parties, and in compliance with the commitments made to AGCM (for 1,310 million euro, net of tax) and the effect of the Redundancy Agreement of 29 September 2020 (for 865 million euro, net of taxes) under “Charges for integration and exit incentives”, as well as ii) of the full impairment of previous goodwill and intangible assets posted following the previous PPA of the former UBI Group, as the conditions to maintain them in the absorbing company’s financial statements were no longer met (1,217 million euro, net of taxes) and the full impairment of the goodwill of the Banca dei Territori CGU (1,086 million euro, net of tax) under “Impairment (net of tax) of goodwill, other intangible assets and controlling interests”.

More specifically, the annual change in net income is attributable to:

- lower operating income of 337 million euro (-2.1%), mainly due to the smaller contribution of net interest income (-363 million euro; -5.8%) and profits (losses) on trading (-84 million euro; -5.6%) and due to the decrease in dividends (-251 million euro; -9.8%), partially offset by the increase in net fee and commission income (+356 million euro; +6.9%);
- a reduction in operating costs of 166 million euro (-1.9%), due to the reduction in administrative expenses (-169 million euro; -7.4%) and in depreciation and amortisation (-15 million euro; -1.4%), partially offset by the slight increase in personnel expenses (+18 million euro; +0.3%);
- a reduction in net adjustments to loans of 1,507 million euro (-37.8%), which, in December 2020, were specifically impacted by the revision of scenarios as a result of the pandemic;
- an increase in Other net provisions and net impairment losses on other assets of 179 million euro (+72.2%), specifically including Other net provisions of 164 million euro and Net impairment losses on other assets for 19 million euro (+15.4%);
- an increase in Other income of 16 million euro (+15%);
- a decrease in net income from discontinued operations of 1,174 million euro (-94.1%). In that regard, the comparative figure benefited from the 1,100 million euro capital gain, before tax, on the sale of the acquiring business line as a result of the payment systems agreement entered into with Nexi S.p.A.;
- the tax effect related to the above changes, accompanied by the benefit from the realignment of the brand name and certain goodwill items, recognised in June 2021;
- a decrease in Charges for integration (net of tax) of 2,318 million euro (-91.4%) referring to both the aforementioned loss relating to the sale of the branches business line to BPER and to lower costs for exit incentives envisaged by the trade union agreements;
- the positive effect of 308 million euro relating to the effect of purchase price allocation (net of tax);
- an increase in Levies and other charges concerning the banking industry (net of tax) of 16 million euro (+3.9%);
- a decrease in Impairment of goodwill, other intangible assets and controlling interests (net of tax) of 2,362 million euro (-91.6%), mainly referring to the aforementioned full impairment of previous goodwill of the former UBI Banca S.p.A. and its subsidiaries UBI Sistemi e Servizi S.c.p.A. and UBI Factor S.p.A. following the acquisition of control by Intesa Sanpaolo, as well as the full goodwill impairment of the Banche dei Territori CGU.

Net interest income, amounting to 5,884 million euro was down on 2020 (-363 million euro; -5.8%). Although the average volume of loans increased compared to the corresponding period of the previous year, the result reflected the fall in interest rates, which also affected the average return on the securities portfolio, as well as the increase in excess liquidity deposited with the ECB at negative interest rates. Customer dealing contributed 4,597 million euro, down by 26 million euro on December 2020 (-0.6%), of which 258 million euro on relations with customers, offset by a reduction in interest expense on securities issued of 232 million euro. Interest on non-performing assets also fell by 259 million euro (-33.5%) to 515 million euro, due to the sharp reduction in the NPL stock. Interest on financial assets amounted to 682 million euro, down 268 million euro (-28.2%), mainly due to the reduction in the contribution from financial assets measured at fair value through other comprehensive income (-156 million euro) and other financial assets and liabilities measured at fair value through profit or loss (-116 million euro). The contribution of interbank transactions was +571 million euro, representing an increase of 195 million euro on 2020 (+51.9%). In particular, it is worth noting the greater contribution of TLTRO refinancing operations with the ECB, partly offset by the negative contribution of excess liquidity. Lastly, other net interest income was down, amounting to -26 million euro, compared to -38 million euro in December 2020 (12 million euro; -31.6%).

Net fee and commission income amounted to 5,545 million euro, up 356 million euro (+6.9%) on the previous year (5,189 million euro), which was impacted by the drop in production relating to the lockdown due to the COVID-19 health emergency.

This performance was supported by the recovery of financial markets and the increase in the placement of financial products, which were reflected in an increase across all the segments and, specifically, commercial banking (+94 million euro; +4.7%), management, dealing and consultancy activities (+234 million euro; +9.3%) and other net fee and commission income (+28 million euro; +4%).

In the commercial banking component, there was an increase in fees on ATM and credit card services (+78 million euro), on collection and payment services (+32 million euro) and on guarantees given and received (+22 million euro), while fee and commission income on current accounts decreased (-38 million euro, essentially due to commitment fees).

The increase in net fee and commission income from management, dealing and consultancy activities was mainly attributable to funds (+218 million euro, of which placement for 159 million euro), securities and derivatives (+8 million euro), currency dealing (+6 million euro) and other management and dealing commissions (+35 million euro). In contrast, there was a decrease in fee and commission income on the placement of insurance products (-27 million euro) and on portfolio management schemes (-7 million euro).

Lastly, within other net fee and commission income (+28 million euro), there was an increase in fee and commission income on land financing (+52 million euro) and on other loans (+36 million euro), while fee and commission income on other services decreased (-75 million euro).

Profits (Losses) on other financial assets and liabilities designated at fair value amounted to 1,426 million euro, compared to 1,510 million euro for the previous year (-84 million euro; -5.6%). That decrease was specifically attributable to the lower contribution from profits (losses) on trading and financial instruments under fair value option (-199 million euro; -33.8%), the decrease in profit on disposal of assets measured at fair value through other comprehensive income and at amortised cost (-47 million euro; -5%), and higher losses from the repurchase of financial liabilities (-46 million euro). These negative effects were offset by the higher contribution from profits (losses) on assets mandatorily measured at fair value through profit or loss (+194 million euro), in addition to the increase in profits on hedges under hedge accounting (+14 million euro; +56%).

Other net operating income amounted to 2,550 million euro compared to 2,796 million euro in the previous year, representing a decrease of 246 million euro (-8.8%). The aggregate includes dividends from investees, with the remainder comprised of sundry operating income. The change in this caption was almost entirely attributable to dividends, which decreased by 251 million euro (-9.8%). In particular, in 2021, dividends were recorded totalling 2,308 million euro, compared to 2,559 million euro in 2020. Other operating income, equal to 242 million euro, grew slightly compared to the end of 2020 (5 million euro; +2.1%).

As a result of these changes, Operating income amounted to 15,405 million euro, a slight decrease of on the previous year (-337 million euro, -2.1%).

Operating costs amounted to 8,535 million euro, down 1.9% on December 2020, due to the reduction in other administrative expenses, which fell from 2,270 million euro to 2,101 million euro (-169 million euro; -7.4%) and the fall in depreciation and amortisation of property and equipment and intangible assets, which came to 1,028 million euro compared to 1,043 million euro in December 2020 (-15 million; -1.4%). Conversely, personnel expenses grew slightly from 5,388 million euro to 5,406 million euro (+18 million euro; +0.3%).

For other administrative expenses, the decrease of 169 million euro was mainly attributable to savings on professional and insurance expenses (107 million euro), the decrease in real estate management expenses (33 million euro) due to the rationalisation of spaces and the streamlining of consumption linked to the branch merger and sale plan and the decrease in other costs (18 million euro), due to the decrease in charitable donations and membership fees. Instead, the decrease of 15 million euro in depreciation and amortisation of property and equipment and intangible assets is almost fully attributable to property and equipment, specifically plant and machinery.

Lastly, as regards personnel expenses, the slight increase of 18 million euro is the result of the reduction in ordinary wages and salaries and related social security contributions, related to the decrease in the workforce, offset by higher costs for extraordinary and variable components of remuneration and sundry indemnities as well as the increase in charges connected with other personnel benefits.

Total administrative expenses included costs of around 34 million euro related to the COVID-19 pandemic (79 million euro as at 31 December 2020), mainly due to higher IT costs related to remote operations required as a result of the continuation of the health emergency, the purchase of PPE and health insurance policies for cover in relation to COVID-19, higher costs related to the sanitisation of premises, and social expenditure in support of local communities.

The performance of operating income and costs illustrated above resulted in an Operating margin of 6,870 million euro. On a like-for-like basis, the comparison with the 7,041 million euro for the previous year shows a decrease of 171 million euro, or -2.4%.

The cost/income ratio for 2021 came to 55.4%, in line with the 2020 figure (55.3%).

Adjustments to loans, which included an additional allocation of around 1,409 million euro to accelerate the reduction of non-performing loans, amounted to 2,483 million euro, down sharply (-37.8%) on the figure recorded in 2020 (3,990 million euro), which was impacted by higher provisions due to the revision of the scenario following the pandemic. The decrease was driven by net recoveries on loans in Stage 2 and Stage 1 essentially as a result of the various macroeconomic scenarios and the related management overlays considered in the two periods, which in 2020 had entailed, overall, the recognition of 646 million euro of adjustments and in 2021 the recognition of 351 million euro of recoveries, as well as by lower adjustments to non-performing loans in Stage 3 (-365 million euro). The latter were essentially divided amongst bad loans (-172 million euro) and unlikely-to-pay loans (-207 million euro). In 2021, there was a progressive reduction in non-performing loans as a percentage of total loans, which dropped to 3.4% in December, compared to 4.5% at the end of 2020. Based on the EBA methodology, the gross NPL to total loan ratio stood at 2.6% at the end of 2021. The cost of credit, represented by the ratio of net adjustments to net loans, amounted to 61 bps (27 bps excluding the additional allocation to accelerate the reduction in non-performing loans) in 2021, down on the figure for 2020 (98 bps). The coverage of non-performing loans in 2021 amounted to 53.2%, up sharply, by 5.4 percentage points, on the 2020 figure. In detail, bad loans required net adjustments of 1,534 million euro, compared to 1,706 million euro in 2020, presenting a coverage ratio of 70.2%. Net adjustments to unlikely-to-pay loans, totalling 1,236 million euro, were down from 1,443 million euro recorded in 2020, with a coverage ratio of 40.3%. Net impairment losses on past due loans amounted to 183 million euro (169 million euro in 2020), with a coverage ratio of 16.5%, whereas that of forborne positions among non-performing assets was 41.2%. Finally, the coverage of performing loans was 0.5% and incorporates the physiological risk inherent in the loan portfolio.

Other net provisions and net impairment losses on other assets amounted to 427 million euro, compared to 248 million euro in 2020, an increase of 179 million euro, equal to 72.2%. These related to provisions for legal disputes and other charges (275 million euro), net adjustments to debt securities measured at amortised cost not treated as loans and to debt securities measured at fair value through other comprehensive income (10 million euro) and net adjustments to other assets (142 million euro). The latter specifically included the net impairment losses on non-controlling interests (72 million euro), adjustments to property, equipment and intangible assets (43 million euro), mainly relating to software, as well as the loss due to the update of the fair value of investment property and equipment and that subject to change in purpose (20 million euro).

Other income (expenses) amounted to 123 million euro (107 million euro as at 31 December 2020). This caption specifically includes gains on equity investments, net gains on disposals of investments (which include 97 million euro for the sale of the former UBI acquiring business line to Nexi S.p.A.) and other residual components.

Income (loss) from discontinued operations showed a profit of 73 million euro and included the restatement of the income effects (from the beginning of the year to the sale date) connected to the going concern sold to BPER on 22 February 2021

(with accounting and tax effects from that date), consisting of 455 branches and 132 operating points, the “Top Private” and “Service IW Bank” business lines that were partially demerged to Intesa Sanpaolo Private Banking and Fideuram – Intesa Sanpaolo Private Banking respectively (12 April 2021, with accounting and tax effects from that date), the going concern consisting of 17 bank branches and 9 associated operating points (mini-branches) sold to Banca Popolare di Puglia e Basilicata (24 May 2021, with accounting and tax effects from that date) and the going concern of 31 branches and 2 operating points of the Parent Company sold to BPER (21 June 2021, effective for accounting and tax purposes from that date). Lastly, the caption includes the results of the business line sold by UBI Sistemi e Servizi to BPER on 22 February 2021 (effective for accounting and tax purposes from that date).

This aggregate compared to an amount of 1,247 million euro in December 2020, where the latter consisted of 93 million euro for the income effects connected to the above-mentioned going concerns sold/demerged, plus 1,154 million euro for the components of the acquiring business line sold to Nexi S.p.A. in June 2020, under the payment systems agreement, including the capital gain of 1,100 million euro, before tax, from the completion of the sale.

Gross income therefore amounted to 4,156 million euro, substantially in line with the end of the previous year (4,157 million euro).

Taxes on income calculated on the components contributing to gross income amounted to -296 million euro, compared to -283 million euro in the previous year.

On 25 June 2021, the Board of Directors authorised the exercise of the option provided for by Article 110, paragraphs 8 and 8-bis, of Law Decree 104/2020 (the “August Decree”) to realign the tax values of the Sanpaolo IMI brand name and three goodwill items of the former Banco di Napoli to the higher carrying amounts recognised in the Parent Company’s financial statements, resulting in the recognition of a net benefit in the income statement of 453 million euro as at 30 June 2021.

Charges (net of tax) for integration and exit incentives amounted to 218 million euro and mainly consisted of personnel expenses (233 million euro, of which 202 million euro comprising charges for exit incentives set out in the trade union agreement of 16 November 2021), depreciation and amortisation of property and equipment and intangible assets (74 million euro) and other administrative expenses (28 million euro), partially offset by net provisions for risks and charges (106 million euro) and recoveries from Group companies (12 million euro). This compares with 2,536 million euro in December 2020, mainly attributable to the provisions for risks and charges due to the loss on the sale of the branches business line to BPER (1,310 million euro, net of tax) and the charge relating to the Redundancy Agreement of 29 September 2020 (865 million euro, net of tax), decreasing by 2,318 million euro.

The Effect of purchase price allocation (net of tax effects) amounted to -47 million euro, compared to -355 million euro for 2020 (-308 million euro; -86.8%), which included the significant effects of purchase price allocation connected with the integration of UBI Banca and its subsidiaries. This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition of investments and/or aggregate assets.

Levies and other charges concerning the banking industry (net of tax) amounted to 429 million euro, up compared to the 413 million euro recorded at the end of 2020 (+16 million euro; +3.9%). This caption included the amount for the ordinary contribution to the Single Resolution Fund (SRF), net of related tax (contribution of 331.5 million euro, with related tax of 107.2 million euro), the contribution to the National Interbank Deposit Guarantee Fund (FITD) net of tax effects (contribution of 303.4 million euro, with related tax effects 99.8 million euro) and write-downs of the Atlante Fund and Italian Recovery Fund (2.3 million euro gross, with related tax effect of 0.8 million euro).

The Impairment of goodwill, other intangible assets and controlling investments (net of related tax effect), amounted to 218 million euro, and related to the write-down of several controlling investments.

In December 2020 this caption amounted to -2,580 million euro, mainly relating to goodwill impairment, along with impairment losses of controlling investments and adjustments to other intangible assets. Specifically, the goodwill impairment recognised in December 2020 referred to both the previous goodwill of the former UBI Banca and its subsidiaries UBI Sistemi e Servizi and UBI Factor, which were fully written down following the acquisition of control by Intesa Sanpaolo (for 1,160 million euro, net of tax) and the full impairment of the goodwill of the Banca dei Territori CGU (for 1,086 million euro, net of tax).

### General aspects relating to the Balance Sheet

As already stated, to enable like-for-like comparison, the balance sheet figures for the previous period takes account of the changes in the scope of reference.

In particular, the reclassified balance sheet as at 31 December 2020 has been restated to include the results of the absorption of UBI Banca S.p.A. (12 April 2021, with accounting and tax effects from 1 January 2021), net of the going concern consisting of 455 branches and 132 operating points sold to BPER on 22 February 2021 (with accounting and tax effects from that date) and the going concern consisting of 17 bank branches and 9 associated operating points (mini-branches) sold to Banca Popolare di Puglia e Basilicata (24 May 2021, with accounting and tax effects from that date). Lastly, the balance sheet figures for the previous periods have also been restated due to the sale of 31 branches and 2 operating points of the Parent Company to BPER (21 June 2021, with accounting and tax effects from that date), the absorption of UBI Sistemi e Servizi S.c.p.A. (12 July 2021, with accounting and tax effects from 1 January 2021), the latter net of the business line sold to BPER on 22 February 2021 (with accounting and tax effects from that date), as well as the absorption of UBI Factor S.p.A. (25 October 2021, with accounting and tax effects from 1 January 2021).

The balance sheet entries relating to the going concerns object of disposal have been reported under “Non-current assets held for sale and discontinued operations” and “Liabilities associated with non-current assets held for sale and discontinued operations”.

In addition, the reclassified balance sheet as at 31 December 2020 has been redetermined to include the results of the “Top Private” and “Service IW Bank” business lines, which were partially demerged to Intesa Sanpaolo Private Banking S.p.A. and Fideuram – Intesa Sanpaolo Private Banking S.p.A., respectively (12 April 2021, with accounting and tax effects from that date).

To enhance the comparability of the comparison period, the redetermined figures have been presented on a like-for-like basis in terms of scope, date of commencement of the income effects and accounting classification, and using the same financial statement presentation as that adopted by the Parent Company.

In particular, the full integration of UBI and its subsidiaries merged during 2021 was assumed as from 1 January 2020. Moreover, as in the case of the income statement, to reduce the volatility of the various balance sheet items related to changes in the scope of reference due to the demergers of business lines, the related balance sheet components, determined on the basis of management information, have been reclassified as at 31 December 2020 from the original captions to the captions “Non-current assets held for sale and discontinued operations” and “Liabilities associated with non-current assets held for sale and discontinued operations”.

Breakdowns of restatements, aggregations and reclassifications are provided in separate tables included in the attachments to the income and financial situation, as also required by Consob in its Communication 6064293 of 28 July 2006.

In view of the payment of the 2021 interim dividend, a specific caption was added to the corresponding accounting schedule of the reclassified balance sheet, within the captions of shareholders' equity. In addition, following the update to Bank of Italy Circular 262, which provides that the caption “Cash and cash equivalents” include all “demand” loans, in the technical forms of current accounts and deposits, to banks and central banks (with the exception of the reserve requirement), the specific caption Cash and cash equivalents, previously included in Other assets, was opened accordingly in the reclassified balance sheet.

The aggregations of the captions of the reclassified balance sheet related to:

- the separate presentation of financial assets constituting Due from banks and Loans to customers, regardless of the accounting portfolios to which they have been allocated;
- the separate presentation of financial assets not constituting loans, divided into financial assets measured at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, net of the amounts reclassified to Due from banks and Loans to customers;
- the aggregation in one single caption of Property and equipment and Intangible assets, broken down into the sub-captions Assets owned and Rights of use acquired under lease;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios under Other assets/liabilities;
- the separate presentation of Due to banks at amortised cost;
- the aggregation of Due to customers at amortised cost and Securities issued into one caption;
- the aggregation into one caption (Allowances for risks and charges) of allowances for specific purposes (Employee termination indemnities, Allowances for credit risk associated with commitments and financial guarantees given, Allowances on other commitments and other guarantees given, Post-employment benefits and Other allowances for risks and charges);
- the reclassification of Lease payables to a specific sub-caption of Other liabilities;
- the presentation of Reserves as an aggregate and net of any treasury shares.

## Reclassified balance sheet

Assets	31.12.2021	31.12.2020	(millions of euro) Changes	
			amount	%
Cash and cash equivalents	7,730	7,487	243	3.2
Due from banks	158,962	103,916	55,046	53.0
Loans to customers	403,804	408,651	-4,847	-1.2
<i>Loans to customers measured at amortised cost</i>	402,118	407,353	-5,235	-1.3
<i>Loans to customers designated at fair value through other comprehensive income and through profit or loss</i>	1,686	1,298	388	29.9
Financial assets measured at amortised cost which do not constitute loans	38,434	42,580	-4,146	-9.7
Financial assets at fair value through profit or loss	50,651	57,658	-7,007	-12.2
Financial assets at fair value through other comprehensive income	51,410	43,978	7,432	16.9
Equity Investments	23,420	22,819	601	2.6
Property, equipment and intangible assets	11,887	12,116	-229	-1.9
<i>Assets owned</i>	10,892	10,819	73	0.7
<i>Rights of use acquired under leases</i>	995	1,297	-302	-23.3
Tax assets	17,394	18,080	-686	-3.8
Non-current assets held for sale and discontinued operations	1,326	27,384	-26,058	-95.2
Other assets	9,222	8,075	1,147	14.2
<b>Total Assets</b>	<b>774,240</b>	<b>752,744</b>	<b>21,496</b>	<b>2.9</b>
Liabilities	31.12.2021	31.12.2020	Changes	
			amount	%
Due to banks at amortised cost	191,149	144,226	46,923	32.5
Due to customers at amortised cost and securities issued	446,761	427,348	19,413	4.5
Financial liabilities held for trading	57,227	60,686	-3,459	-5.7
Financial liabilities designated at fair value	3,675	3,033	642	21.2
Tax liabilities	496	1,485	-989	-66.6
Liabilities associated with non-current assets held for sale and discontinued operations	25	34,840	-34,815	
Other liabilities	15,373	17,926	-2,553	-14.2
<i>of which lease payables</i>	1,010	1,346	-336	-25.0
Allowances for risks and charges	5,235	5,966	-731	-12.3
<i>of which allowances for commitments and financial guarantees given</i>	367	527	-160	-30.4
Share capital	10,084	10,084	-	-
Reserves	35,551	40,516	-4,965	-12.3
Valuation reserves	855	1,173	-318	-27.1
Interim dividend	-1,399	-	1,399	-
Equity instruments	6,260	7,441	-1,181	-15.9
Net income (loss)	2,948	-1,980	4,928	
<b>Total liabilities and shareholders' equity</b>	<b>774,240</b>	<b>752,744</b>	<b>21,496</b>	<b>2.9</b>

Figures restated, where necessary and material, considering the changes in the scope of reference. The figures for the demerged business lines of the former UBI Banca S.p.A. have not been restated.



## Reclassified balance sheet – Redetermined figures

Assets	31.12.2021	31.12.2020	(millions of euro) Changes	
	Redetermined figures	Redetermined figures	amount	%
Cash and cash equivalents	7,730	7,487	243	3.2
Due from banks	158,962	103,916	55,046	53.0
Loans to customers	403,804	408,049	-4,245	-1.0
<i>Loans to customers measured at amortised cost</i>	402,118	406,751	-4,633	-1.1
<i>Loans to customers designated at fair value through other comprehensive income and through profit or loss</i>	1,686	1,298	388	29.9
Financial assets measured at amortised cost which do not constitute loans	38,434	42,580	-4,146	-9.7
Financial assets at fair value through profit or loss	50,651	57,658	-7,007	-12.2
Financial assets at fair value through other comprehensive income	51,410	43,978	7,432	16.9
Equity Investments	23,420	22,711	709	3.1
Property, equipment and intangible assets	11,887	12,115	-228	-1.9
<i>Assets owned</i>	10,892	10,818	74	0.7
<i>Rights of use acquired under leases</i>	995	1,297	-302	-23.3
Tax assets	17,394	18,080	-686	-3.8
Non-current assets held for sale and discontinued operations	1,326	28,095	-26,769	-95.3
Other assets	9,222	8,075	1,147	14.2
<b>Total Assets</b>	<b>774,240</b>	<b>752,744</b>	<b>21,496</b>	<b>2.9</b>

Liabilities	31.12.2021	31.12.2020	Changes	
	Redetermined figures	Redetermined figures	amount	%
Due to banks at amortised cost	191,149	144,226	46,923	32.5
Due to customers at amortised cost and securities issued	446,761	424,048	22,713	5.4
Financial liabilities held for trading	57,227	60,686	-3,459	-5.7
Financial liabilities designated at fair value	3,675	3,033	642	21.2
Tax liabilities	496	1,485	-989	-66.6
Liabilities associated with non-current assets held for sale and discontinued operations	25	38,309	-38,284	
Other liabilities	15,373	17,929	-2,556	-14.3
<i>of which lease payables</i>	1,010	1,345	-335	-24.9
Allowances for risks and charges	5,235	5,954	-719	-12.1
<i>of which allowances for commitments and financial guarantees given</i>	367	527	-160	-30.4
Share capital	10,084	10,084	-	-
Reserves	35,551	40,386	-4,835	-12.0
Valuation reserves	855	1,173	-318	-27.1
Interim dividend	-1,399	-	1,399	-
Equity instruments	6,260	7,441	-1,181	-15.9
Net income (loss)	2,948	-2,010	4,958	
<b>Total liabilities and shareholders' equity</b>	<b>774,240</b>	<b>752,744</b>	<b>21,496</b>	<b>2.9</b>

The redetermined figures have been prepared to take account, based on management information, of the reclassification of the demerged business lines of the former UBI Banca S.p.A. to "Non-current assets held for sale and discontinued operations" and "Liabilities associated with non-current assets held for sale and discontinued operations".

Comments are provided below on the main balance sheet aggregates as at 31 December 2021 compared with those as at 31 December 2020, redetermined on a like-for-like basis and including the results for the going concerns sold/demerged.

As at 31 December 2021, loans to customers totalled around 403.8 billion euro, down slightly on 408 billion euro for the previous year (-4.2 billion euro; -1%).

In terms of loan quality, net non-performing exposures decreased by 33.9% to 6.6 billion euro compared to 9.9 billion euro as at 31 December 2020, as a result of the deleveraging carried out by the Bank.

Of note in this regard was the reclassification to “Assets held for sale”, in 2021, of portfolios and single names of non-performing loans totalling 1.2 billion euro.

The ratio of non-performing loans, before adjustments, to total loans to customers (excluding those represented by securities) was 3.43%.

The performance of the individual components shows:

- a decrease in bad loans of 44.5% (from 3,518 million euro to 1,952 million euro);
- a reduction in loans classified as “unlikely to pay” of 32% (from 5,991 million euro to 4,076 million euro);
- an increase in past-due loans, which amounted to 527 million euro compared to 407 million euro as at 31 December 2020 (+29.4%).

Net performing loans, excluding those represented by securities and intragroup loans, of approximately 9.9 billion euro, amounted to 379 billion euro, compared to 379.7 billion euro as at 31 December 2020, representing a decrease of 0.7 billion euro (-0.18%). The related average coverage was 0.5% (Stage 1 at 0.14% and Stage 2 at 2.97%) compared to 0.59% as at 31 December 2020 (Stage 1 at 0.17% and Stage 2 at 2.72%).

Financial assets measured at amortised cost which do not constitute loans amounted to around 38.4 billion euro, down 4.1 billion euro (-9.7%) compared to the previous year, mainly as a result of the decrease in debt securities with governments, financial companies and insurance companies.

Financial assets at fair value through profit or loss, which included financial and credit derivatives and debt and equity securities held for trading and mandatorily measured at fair value, are analysed below together with the financial liabilities held for trading and designated at fair value, net of certificates, already included in the direct deposits. This aggregate posted a positive amount of 1.9 billion euro, compared to 6.5 billion euro in December 2020. The change was mainly attributable to the decrease in financial assets held for trading of 7 billion euro, or -12.8%, mainly attributable to the decrease in the fair value of financial trading derivatives, and the reduction in financial liabilities held for trading of 2.4 billion euro, due to the decrease in the fair value of amounts due to customers of 2.8 billion euro and in financial trading derivatives of 8.7 billion euro, offset by the increase in fair value of amounts due to banks of 9.1 billion euro.

Financial assets at fair value through other comprehensive income amounted to 51.4 billion euro. These assets, which consisted of debt securities of 48.3 billion euro and equity investments and private equity interests of 3.1 billion euro, increased by 7.4 billion euro (+16.9%), primarily due to the debt security segment.

Direct deposits, consisting of amounts due to customers at amortised cost and securities issued, as well as certificates, which are a form of funding not measured at amortised cost alternative to bonds, totalled 458.9 billion euro, up 22.3 billion euro (+5.1%) compared to 31 December 2020, of which around 26.3 billion euro (+8%) attributable to non-securities funding, offset by a decrease of 4 billion euro (-4.3%) in securities funding.

Net exposure to banks, consisting of amounts due from banks at amortised cost and held for trading, net of amounts due to banks at amortised cost, amounted to -32.2 billion euro compared to -40.3 billion euro as at 31 December 2020, a decrease of 8.1 billion euro (-20.2%). This deviation is attributable to the increase in amounts due from banks of 55 billion euro (+53%), mainly attributable to the reserve requirement, and the increase of 46.9 billion euro in amounts due to banks (+32.5%), mainly due to the increase in T-LTRO refinancing operations with the ECB.

Cash and cash equivalents, including “demand” amounts due from banks, amounted to 7.7 billion euro, up slightly compared to 7.5 billion euro as at 31 December 2020 (0.2 billion euro, equal to +3.2%).

Equity investments, which amounted to 23.4 billion euro, included controlling interests in subsidiaries, associates and companies subject to joint control, and were up 0.7 billion (+3.1%) from the end of the previous year.

Property and equipment and intangible assets amounted to 11.9 billion euro, down 0.2 billion euro (-1.9%) compared to 12.1 billion euro as at 31 December 2020.

Tax assets, net of tax liabilities, amounted to 16.9 billion euro, a slight increase of 0.3 billion euro (+1.8%) on 31 December 2020.

Allowances for risks and charges amounted to around 5.2 billion euro, down from the end of the previous year (-0.7 billion euro; -12.1%), mainly due to the reduction in Other allowances for risks and charges (-0.4 billion euro, equal to -10.3%).

Non-current assets held for sale and discontinued operations and related associated liabilities contain assets and related liabilities which no longer refer to continuing operations as they are being disposed of. As at 31 December 2021, there were assets/groups of assets held for sale totalling 1.3 billion euro, while the associated liabilities amounted to 25 million euro. This caption refers to portfolios of non-performing loans and several single name loans, totalling 1.2 billion euro and forming part of the aforementioned deleveraging initiatives, the investment held in an associate for 119 million euro as well as several single properties for 39 million euro.

Shareholders' equity, including the net income of 2,948 million euro, amounted to 54.3 billion euro compared to 57.1 billion euro as at 31 December 2020.

In addition to the different net income of the two years subject to comparison, the change of -2.8 billion euro (-4.9%) mainly refers to the distribution of part of the Extraordinary reserve for the 2020 results for 1.9 billion euro, as resolved by the Ordinary Shareholders' Meeting on 14 October 2021, as well as the interim dividend on the 2021 income for 1.4 billion euro, resolved by the Board of Directors' meeting of 3 November 2021, in accordance with the provisions of Article 2433-bis, paragraph 4, of the Italian Civil Code, and paid on 24 November 2021.

Lastly, the balance of Additional Tier 1 capital instruments decreased by 1.2 billion euro, mainly as a result of the early redemption of a security in January.

Own funds amounted to around 57.5 billion euro. The calculation was carried out using the rules introduced, effective as of 1 January 2014, by European Regulation 575/2013 (CRR) and Directive 2013/36/EU (CRD IV) as part of the new regulatory framework of the European Union for banks and investment firms. Capital ratios remained high, far above the regulatory requirements. In particular, the Common Equity Tier 1 ratio was 12.8% according to the transitional rules in effect for 2021.



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## Other information

As provided for by article 2497 and subsequent articles of the Italian Civil Code, Intesa Sanpaolo exercises management and coordination activities for its direct and indirect subsidiaries, including companies which, on the basis of current laws, are not part of the Banking group, with the exception of Risanamento S.p.A. and its subsidiaries.

This Report on operations of Intesa Sanpaolo S.p.A. includes only a comment on the Bank's performance, as shown in the previous pages, and related Alternative Performance Measures. For all other information required by laws or regulations, reference should be made to the consolidated financial statements and to the related Report on operations, or the Notes to the Parent Company's financial statements, when illustrating specific themes.

Specifically, reference should be made to the Notes to these Parent Company's financial statements with regard to:

- information on the Bank's connections and transactions with related parties, which is provided in Part H. To enable a comprehensive understanding, Part H presents not only the information required by IAS 24 but also that required by Article 5, paragraph 8, of Consob Regulation 17221 of 12 March 2010 (adopted pursuant to Article 2391-bis of the Italian Civil Code);
- information on financial and operational risks, illustrated in Part E, which specifically illustrates the objectives and policies regarding the assumption, management and hedging of financial risks;
- the list of subsidiaries, companies subject to joint control and companies subject to significant influence, provided in Part B - Assets - Section 7;
- transactions with subsidiaries, companies subject to joint control and companies subject to significant influence, provided in Part H;
- information on capital, provided in Part B - Liabilities - Section 12, and in Part F.

Reference should instead be made to the consolidated financial statements with regard to:

- information on the main risks and uncertainties, illustrated in the paragraph "Overview of 2021" of the Report on operations of the consolidated financial statements;
- risks linked to capital stability and to going concern issues, discussed in the above-mentioned paragraph "Overview of 2021" and the Report on operations of the consolidated financial statements;
- information concerning obligations under Art. 15 of the Consob Market Regulation 20249/2017 (as amended), with respect to subsidiaries established and regulated under the laws of non-EU countries, which is reported in Part E - Introduction.

For information on the Corporate Governance system and the ownership structure of Intesa Sanpaolo, required by Article 123-bis of the Consolidated Law on Finance, reference is made to the summary provided in the chapter "Corporate Governance and remuneration policies" of the Report on operations of the consolidated financial statements and the specific separate "Report on Corporate Governance and Ownership Structures" available in the Governance section of the Group's website, at [www.group.intesasanpaolo.com](http://www.group.intesasanpaolo.com).

The information on remunerations pursuant to Art. 123-ter of the Consolidated Law on Finance is summarised in the Report on operations of the consolidated financial statements (chapter "Corporate Governance and remuneration policies") and illustrated in the separate "Report on remuneration policy and compensation paid", published in the Governance section of the Group's website.

With regard to the non-financial information required by Legislative Decree 254 of 30 December 2016 implementing Directive 2014/95/EU, Intesa Sanpaolo has opted to present this information at consolidated level, pursuant to Art. 4 of that Decree. The document, entitled "Consolidated Non-Financial Statement", can be viewed in the "Sustainability" section of the above-mentioned website.

Lastly, for an illustration of the Alternative Performance Measures used, see the specific chapter of the Report on operations of the consolidated financial statements.

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## Forecast for 2022

Intesa Sanpaolo's net income is expected to increase compared to 2021, due to the improvement in the operating margin and the decrease in the cost of risk. The Group's dividend policy envisages the distribution of cash dividends corresponding to a payout ratio of 70% on the 2022 consolidated results.

The Board of Directors

Milan, 1 March 2022

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## Proposals to the Shareholders' Meeting

Distinguished Shareholders.

Pursuant to Article 2364 of the Italian Civil Code and Articles 7.3 and 29.3 of the Company's Articles of Association, we hereby submit for your approval the financial statements of the Parent Company Intesa Sanpaolo S.p.A. as at 31 December 2021 and the related proposal for allocation of net income for the year.

The reclassifications made to the shareholders' equity items are described in section 12 of Part B - Liabilities of the Notes to the Financial Statements. You are also reminded that, pursuant to Article 6, paragraph 1, letter a) of Legislative Decree 38/2005 currently in force, a portion of net income corresponding to capital gains recognised in the income statement, net of the related tax charge and other than the gains from trading financial instruments and foreign exchange and hedging transactions, arising from application of the fair value criterion, must be recorded in an unavailable reserve. As at 31 December 2021, such amount was 232,635,704.80 euro.

It should be noted that, with communication dated 23 July 2021, the ECB indicated that it would not extend beyond 30 September 2021 its recommendation of 15 December 2020 aimed at all the banks to limit the distribution of dividends and the own share buy-back programmes and that it would therefore evaluate with each bank the evolution of the capital profile and the dividend distribution or share buy-back plans in the context of the regular supervisory cycle.

The Intesa Sanpaolo Group, in compliance with these instructions from the Supervisory Authorities and in line with the 2018-2021 Business Plan, envisaged the payment, from the 2021 net income, of cash dividends corresponding to a payout ratio of 70% of consolidated net income, to be partially distributed as an interim dividend already during 2021.

In this regard, on 3 November 2021, in compliance with the provisions of paragraph 4 of Article 2433-bis of the Italian Civil Code, the Board of Directors approved the distribution of an interim dividend from the 2021 net income, totalling 1,398,728,259.60 euro<sup>88</sup>, corresponding to a unit amount of 7.21 euro cents per ordinary share. The dividend was paid out on 24 November 2021.

Given all the above, it is proposed to allocate the net income for 2021 of Intesa Sanpaolo S.p.A., which amounts to 2,947,642,948.34 euro, as follows:

	(euro)
Net income for the year	2,947,642,948.34
Interim dividend for 2021 of 7.21 euro cents, as approved by the Board of Directors on 3 November 2021 and distributed on 24 November 2021, for each of the 19,399,837,165 ordinary shares outstanding on the record date of 23 November 2021, for a total of	1,398,728,259.60
Allocation of a dividend of 6.69 euro cents per share to the 19,430,463,305 ordinary shares outstanding, for a total of	1,299,897,995.10
Assignment to the Allowance for charitable, social and cultural contributions	16,000,000.00
Assignment to the Extraordinary reserve of the residual net income	233,016,693.64

In view of the above and taking into account that the consolidated net income relating to 2021 is equal to 4,185 million euro, it is proposed to resolve on a partial distribution of the free portion of the Share Premium Reserve of 1.20 euro cents for each of the 19,430,463,305 shares constituting the share capital for a total amount of 233,165,559.66 euro.

This assignment of reserves shall be subject to the same tax regime as the distribution of dividends.

Therefore, considering the interim dividend of 7.21 cents already paid and the remaining dividend of 7.89 cents yet to be paid, the dividend for the year 2021 would amount to 15.1 euro cents per share, for a total dividend of 2,932 million euro and a payout ratio of 70% of consolidated net income.

<sup>88</sup> It does not include the interim dividend on the 30,626,140 own shares held at the record date, equal to 2,208,144.69 euro.

If this proposal is approved, the consolidated capital requirements would show a Common Equity Tier 1 ratio of 14.5% and a Total Capital Ratio of 19.1%, both amply meeting the requirements of the EU Bodies and the Supervisory Authority. At Parent Company level as well, the capital requirements would be well above the minimum requirements.

We propose that the remaining dividend for 2021 of 7.89 euro cents be made payable, in compliance with legal provisions, as of 25 May 2022, with detachment of the coupon on 23 May 2022.

Please note that own shares possibly held by the Bank at the record date of 24 May 2022 are not entitled to dividends.

If the proposal submitted is approved by you, and taking into account the reclassification to the Extraordinary Reserve of the total net positive amount of 2,624,292,523.13 euro relating to the merger differences arising from the cancellation of the shares of the subsidiaries Unione di Banche Italiane S.p.A., UBI Sistemi e Servizi S.c.p.A., UBI Factor S.p.A. merged during the year (in this regard it should be noted that, pursuant to Article 172, paragraph 5, of the Consolidated Law on Income Taxes, in relation to the aforementioned merger differences, Suspended Tax Reserves will be re-established for an amount of 560,202,426.33 euro and a tax suspension constraint on the Capital, already imposed on the Capital of Unione di Banche Italiane S.p.A., will also be re-established, for an amount of 595,600,543.95 euro), the shareholders' equity of Intesa Sanpaolo S.p.A. will be as shown in the table below.

Shareholders' equity	Annual report 2021	Changes	(millions of euro)
			Share capital and reserves of Annual Report 2021 after the Shareholders' Meeting resolutions
<b>Share capital</b>	<b>10,084</b>	<b>-</b>	<b>10,084</b>
Share premium reserve	27,445	-233	27,212
Reserves	8,175	233	8,408
Valuation reserves	855	-	855
Equity instruments	6,260	-	6,260
Interim dividend	-1,399	1,399	-
Treasury shares	-69	-	-69
<b>Total reserves</b>	<b>41,267</b>	<b>1,399</b>	<b>42,666</b>
<b>TOTAL</b>	<b>51,351</b>	<b>1,399</b>	<b>52,750</b>

The Board of Directors

Milan, 1 March 2022



# **Parent Company's financial statements**





# Financial statements

## Balance sheet

(euro)

Assets	31.12.2021	31.12.2020	Changes amount	%
10. Cash and cash equivalents	7,730,324,619	6,747,903,240	982,421,379	14.6
20. Financial assets measured at fair value through profit or loss	51,636,942,275	57,072,628,465	-5,435,686,190	-9.5
<i>a) financial assets held for trading</i>	47,731,402,557	53,737,448,596	-6,006,046,039	-11.2
<i>b) financial assets designated at fair value</i>	1,288,582	1,163,237	125,345	10.8
<i>c) other financial assets mandatorily measured at fair value</i>	3,904,251,136	3,334,016,632	570,234,504	17.1
Financial assets measured at fair value through other comprehensive income	52,149,417,207	40,988,130,226	11,161,286,981	27.2
40. Financial assets measured at amortised cost	599,475,570,210	468,899,131,445	130,576,438,765	27.8
<i>a) due from banks</i>	160,488,003,922	89,270,609,597	71,217,394,325	79.8
<i>b) loans to customers</i>	438,987,566,288	379,628,521,848	59,359,044,440	15.6
50. Hedging derivatives	1,565,785,494	1,014,885,703	550,899,791	54.3
60. Fair value change of financial assets in hedged portfolios (+/-)	392,886,894	2,333,380,783	-1,940,493,889	-83.2
70. Equity investments	23,419,882,011	24,668,230,420	-1,248,348,409	-5.1
80. Property and equipment	7,875,007,061	6,557,904,180	1,317,102,881	20.1
90. Intangible assets	4,011,615,142	3,573,624,987	437,990,155	12.3
<i>of which:</i>				
<i>- goodwill</i>	67,487,402	67,487,402	-	-
100. Tax assets	17,393,927,239	14,216,445,687	3,177,481,552	22.4
<i>a) current</i>	3,387,103,966	1,428,233,703	1,958,870,263	
<i>b) deferred</i>	14,006,823,273	12,788,211,984	1,218,611,289	9.5
110. Non-current assets held for sale and discontinued operations	1,325,977,479	1,798,133,896	-472,156,417	-26.3
120. Other assets	7,262,958,025	3,861,580,219	3,401,377,806	88.1
<b>Total assets</b>	<b>774,240,293,656</b>	<b>631,731,979,251</b>	<b>142,508,314,405</b>	<b>22.6</b>

## Balance sheet

Liabilities and Shareholders' Equity	31.12.2021	31.12.2020	(euro)	
			Changes amount	%
10. Financial liabilities measured at amortised cost	638.920.703.828	491.392.699.923	147.528.003.905	30,0
<i>a) due to banks</i>	191.156.632.447	130.653.717.279	60.502.915.168	46,3
<i>b) due to customers</i>	357.473.742.383	288.693.749.406	68.779.992.977	23,8
<i>c) securities issued</i>	90.290.328.998	72.045.233.238	18.245.095.760	25,3
20. Financial liabilities held for trading	57.227.378.379	60.829.575.108	-3.602.196.729	-5,9
30. Financial liabilities designated at fair value	3.675.534.828	2.810.054.443	865.480.385	30,8
40. Hedging derivatives	3.971.114.708	5.386.985.108	-1.415.870.400	-26,3
50. Fair value change of financial liabilities in hedged portfolios (+/-)	59.665.441	721.478.156	-661.812.715	-91,7
60. Tax liabilities	495.727.310	831.482.469	-335.755.159	-40,4
<i>a) current</i>	51.794.223	12.857.298	38.936.925	
<i>b) deferred</i>	443.933.087	818.625.171	-374.692.084	-45,8
70. Liabilities associated with non-current assets held for sale and discontinued operations	24.695.000	2.594.333.881	-2.569.638.881	-99,0
80. Other liabilities	10.332.132.018	8.000.290.475	2.331.841.543	29,1
90. Employee termination indemnities	1.026.992.677	926.629.701	100.362.976	10,8
100. Allowances for risks and charges	4.207.552.371	4.124.438.581	83.113.790	2,0
<i>a) commitments and guarantees given</i>	366.761.822	404.079.280	-37.317.458	-9,2
<i>b) post-employment benefits</i>	245.144.709	212.006.481	33.138.228	15,6
<i>c) other allowances for risks and charges</i>	3.595.645.840	3.508.352.820	87.293.020	2,5
110. Valuation reserves	854.785.465	1.175.672.767	-320.887.302	-27,3
120. Redeemable shares	-	-	-	-
130. Equity instruments	6.259.543.240	7.053.190.135	-793.646.895	-11,3
140. Reserves	8.175.062.558	7.609.176.236	565.886.322	7,4
145. Interim dividend (-)	-1.398.728.260	-	1.398.728.260	
150. Share premium reserve	27.444.867.140	27.602.889.913	-158.022.773	-0,6
160. Share capital	10.084.445.148	10.084.445.148	-	-
170. Treasury shares (-)	-68.821.143	-90.059.757	-21.238.614	-23,6
180. Net income (loss) (+/-)	2.947.642.948	678.696.964	2.268.945.984	
<b>Total liabilities and shareholders' equity</b>	<b>774.240.293.656</b>	<b>631.731.979.251</b>	<b>142.508.314.405</b>	<b>22,6</b>

## Income statement

(euro)

	2021	2020	Changes amount	%
10. Interest and similar income	8,259,333,154	7,265,227,533	994,105,621	13.7
<i>of which: interest income calculated using the effective interest rate method</i>	7,756,271,932	7,376,596,616	379,675,316	5.1
20. Interest and similar expense	-2,322,412,807	-2,037,749,884	284,662,923	14.0
<b>30. Interest margin</b>	<b>5,936,920,347</b>	<b>5,227,477,649</b>	<b>709,442,698</b>	<b>13.6</b>
40. Fee and commission income	6,602,228,382	5,243,401,909	1,358,826,473	25.9
50. Fee and commission expense	-928,985,951	-847,625,430	81,360,521	9.6
<b>60. Net fee and commission income</b>	<b>5,673,242,431</b>	<b>4,395,776,479</b>	<b>1,277,465,952</b>	<b>29.1</b>
70. Dividend and similar income	2,453,820,843	2,536,369,058	-82,548,215	-3.3
80. Profits (Losses) on trading	442,495,813	463,395,069	-20,899,256	-4.5
90. Fair value adjustments in hedge accounting	38,522,691	36,167,928	2,354,763	6.5
100. Profits (Losses) on disposal or repurchase of:	683,025,705	562,385,475	120,640,230	21.5
<i>a) financial assets measured at amortised cost</i>	161,606,635	-200,010,161	361,616,796	
<i>b) financial assets measured at fair value through other comprehensive income</i>	575,615,419	782,793,418	-207,177,999	-26.5
<i>c) financial liabilities</i>	-54,196,349	-20,397,782	33,798,567	
Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	34,041,626	-51,273,079	85,314,705	
<i>a) financial assets and liabilities designated at fair value</i>	-55,470,089	55,848,050	-111,318,139	
<i>b) other financial assets mandatorily measured at fair value</i>	89,511,715	-107,121,129	196,632,844	
<b>120. Net interest and other banking income</b>	<b>15,262,069,456</b>	<b>13,170,298,579</b>	<b>2,091,770,877</b>	<b>15.9</b>
130. Net losses/recoveries for credit risks associated with:	-2,553,217,345	-3,377,134,142	-823,916,797	-24.4
<i>a) financial assets measured at amortised cost</i>	-2,537,577,790	-3,369,195,440	-831,617,650	-24.7
<i>b) financial assets measured at fair value through other comprehensive income</i>	-15,639,555	-7,938,702	7,700,853	97.0
140. Profits (Losses) on changes in contracts without derecognition	-23,497,373	-6,847,805	16,649,568	
<b>150. Net income from banking activities</b>	<b>12,685,354,738</b>	<b>9,786,316,632</b>	<b>2,899,038,106</b>	<b>29.6</b>
160. Administrative expenses:	-9,339,686,369	-8,573,392,874	766,293,495	8.9
<i>a) personnel expenses</i>	-5,822,468,328	-5,521,457,139	301,011,189	5.5
<i>b) other administrative expenses</i>	-3,517,218,041	-3,051,935,735	465,282,306	15.2
170. Net provisions for risks and charges	19,888,561	-629,401,493	649,290,054	
<i>a) commitments and guarantees given</i>	142,475,213	-14,342,480	156,817,693	
<i>b) other net provisions</i>	-122,586,652	-615,059,013	-492,472,361	-80.1
180. Net adjustments to / recoveries on property and equipment	-477,055,665	-381,324,336	95,731,329	25.1
190. Net adjustments to / recoveries on intangible assets	-726,347,882	-594,720,957	131,626,925	22.1
200. Other operating expenses (income)	861,336,393	620,289,244	241,047,149	38.9
<b>210. Operating expenses</b>	<b>-9,661,864,962</b>	<b>-9,558,550,416</b>	<b>103,314,546</b>	<b>1.1</b>
220. Profits (Losses) on equity investments	-216,531,718	-154,091,601	62,440,117	40.5
Valuation differences on property, equipment and intangible assets measured at fair value	-20,221,780	-33,266,293	-13,044,513	-39.2
240. Goodwill impairment	-	-1,155,000,000	-1,155,000,000	
250. Profits (Losses) on disposal of investments	89,061,777	28,757,915	60,303,862	
<b>260. Income (Loss) before tax from continuing operations</b>	<b>2,875,798,055</b>	<b>-1,085,833,763</b>	<b>3,961,631,818</b>	
270. Taxes on income from continuing operations	71,844,893	638,567,347	-566,722,454	-88.7
<b>280. Income (Loss) after tax from continuing operations</b>	<b>2,947,642,948</b>	<b>-447,266,416</b>	<b>3,394,909,364</b>	
290. Income (Loss) after tax from discontinued operations	-	1,125,963,380	-1,125,963,380	
<b>300. Net income (loss)</b>	<b>2,947,642,948</b>	<b>678,696,964</b>	<b>2,268,945,984</b>	



## Changes in shareholders' equity as at 31 December 2021

(euro)

	Share capital		Share premium reserve	Reserves		31.12.2021		Interim Dividend	Treasury shares	Net income (loss)	Shareholders' equity
	ordinary shares	other shares		retained earnings	other	Valuation reserves	Equity instruments				
<b>AMOUNTS AS AT 31.12.2020</b>	10,084,445,148	-	27,602,889,913	6,619,811,103	989,365,133	1,175,672,767	7,053,190,135	-	90,059,757	678,696,964	54,114,011,406
Changes in opening balances	-	-	-	-	-	-	-	-	-	-	-
<b>AMOUNTS AS AT 1.1.2021</b>	10,084,445,148	-	27,602,889,913	6,619,811,103	989,365,133	1,175,672,767	7,053,190,135	-	90,059,757	678,696,964	54,114,011,406
<b>ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)</b>											
Reserves	-	-	-	129,802,269	-	-	-	-	-	-129,802,269	-
Dividends and other allocations	-	-	-	-	-	-	-	-	-	-548,894,695	-548,894,695
<b>CHANGES IN THE PERIOD</b>											
<b>Changes in reserves</b>	-	-	3,250,072	2,271,033,703	97,201,850	25,661,350	-	-	-	-	2,397,146,975
<b>Operations on shareholders' equity</b>											
Issue of new shares	-	-	-	-	-	-	-	-	62,815,330	-	62,815,330
Purchase of treasury shares	-	-	-	-	-	-	-	-	41,576,716	-	-41,576,716
Interim dividend	-	-	-	-	-	-	-	1,398,728,260	-	-	-1,398,728,260
Dividends	-	-	-161,272,845	1,932,151,500	-	-	-	-	-	-	-2,093,424,345
Changes in equity instruments	-	-	-	-	-	-	-793,646,895	-	-	-	-793,646,895
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-346,548,652	-	-	-	2,947,642,948	2,601,094,296
<b>SHAREHOLDERS' EQUITY AS AT 31.12.2021</b>	10,084,445,148	-	27,444,867,140	7,088,495,575	1,086,566,983	854,785,465	6,259,543,240	1,398,728,260	68,821,143	2,947,642,948	54,298,797,096

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company.



## Changes in shareholders' equity as at 31 December 2020

(euro)

	31.12.2020									
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity
	ordinary shares	other shares		retained earnings	other					
<b>AMOUNTS AS AT 31.12.2019</b>	9,085,663,010	-	25,233,266,887	2,620,031,391	779,427,154	1,374,623,166	4,102,664,631	-60,813,066	2,136,974,390	45,271,837,563
Changes in opening balances	-	-	-	-	-	-	-	-	-	-
<b>AMOUNTS AS AT 1.1.2020</b>	9,085,663,010	-	25,233,266,887	2,620,031,391	779,427,154	1,374,623,166	4,102,664,631	-60,813,066	2,136,974,390	45,271,837,563
<b>ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)</b>										
Reserves	-	-	-	2,124,474,390	-	-	-	-	-2,124,474,390	-
Dividends and other allocations	-	-	-	-	-	-	-	-	-12,500,000	-12,500,000
<b>CHANGES IN THE PERIOD</b>										
<b>Changes in reserves</b>	-	-	4,634,860	1,875,305,322	209,937,979	13,940,413	-	-	-	2,103,818,574
<b>Operations on shareholders' equity</b>										
Issue of new shares	998,782,138	-	2,364,988,166	-	-	-	-	15,423,396	-	3,379,193,700
Purchase of treasury shares	-	-	-	-	-	-	-	-44,670,087	-	-44,670,087
Dividends	-	-	-	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	2,950,525,504	-	-	2,950,525,504
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-212,890,812	-	-	678,696,964	465,806,152
<b>SHAREHOLDERS' EQUITY AS AT 31.12.2020</b>	10,084,445,148	-	27,602,889,913	6,619,811,103	989,365,133	1,175,672,767	7,053,190,135	-90,059,757	678,696,964	54,114,011,406

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company.

## Statement of cash flows

	(euro)	
	2021	2020
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Cash flow from operations</b>	<b>5,950,305,106</b>	<b>-2,371,802,450</b>
Net income (loss) (+/-)	2,947,642,948	678,696,964
Gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit and loss (-/+)	-12,822,966	-5,859,422,819
Gains/losses on hedging activities (-/+)	-38,522,690	-36,167,928
Net losses/recoveries for credit risk (+/-)	2,977,677,181	3,585,541,872
Adjustments to/net recoveries on property, equipment and intangible assets (+/-)	1,203,403,547	976,045,293
Net provisions for risks and charges and other costs/revenues (+/-)	605,531,697	1,902,643,200
Taxes, duties and tax credits to be paid/collected(+/-)	-120,764,654	-636,520,178
Net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
Other adjustments (+/-)	-1,611,839,957	-2,982,618,854
<b>2. Cash flow from / used in financial assets</b>	<b>-20,318,141,158</b>	<b>-43,667,335,716</b>
Financial assets held for trading	6,689,059,367	5,425,641,906
Financial assets designated at fair value	-91,585	193,952,071
Other financial assets mandatorily measured at fair value	169,439,361	-71,578,282
Financial assets measured at fair value through other comprehensive income	-8,609,758,054	17,664,635,156
Financial assets measured at amortised cost	-18,640,652,862	-68,776,752,068
Other assets	73,862,615	1,896,765,501
<b>3. Cash flow from / used in financial liabilities (*)</b>	<b>20,896,556,412</b>	<b>41,374,549,139</b>
Financial liabilities measured at amortised cost	27,997,161,227	36,587,024,184
Financial liabilities held for trading	-3,141,878,530	6,714,952,826
Financial liabilities designated at fair value	677,413,206	2,725,597,691
Other liabilities	-4,636,139,491	-4,653,025,562
<b>Net cash flow from (used in) operating activities</b>	<b>6,528,720,360</b>	<b>-4,664,589,027</b>
<b>B. INVESTING ACTIVITIES</b>		
<b>1. Cash flow from</b>	<b>2,775,473,251</b>	<b>3,810,968,915</b>
Sales of investments in associates and companies subject to joint control	419,585,988	344,364,396
Dividends collected on investments in associates and companies subject to joint control	2,307,558,643	2,450,848,103
Sales of property and equipment	36,129,959	36,556,416
Sales of intangible assets	12,198,661	-
Sales of subsidiaries and business branches	-	979,200,000
<b>2. Cash flow used in</b>	<b>-2,816,816,415</b>	<b>-2,029,874,080</b>
Purchases of investments in associates and companies subject to joint control	-1,405,461,516	-890,764,121
Purchases of property and equipment	-529,396,881	-299,523,548
Purchases of intangible assets	-881,958,018	-839,586,411
Purchases of subsidiaries and business branches	-	-
<b>Net cash flow from (used in) investing activities</b>	<b>-41,343,164</b>	<b>1,781,094,835</b>
<b>C. FINANCING ACTIVITIES</b>		
Issues/purchases of treasury shares	21,238,614	-29,246,691
Share capital increases	-1,486,098,631	2,749,100,248
Dividend distribution and other	-4,041,047,300	-12,500,000
<b>Net cash flow from (used in) financing activities</b>	<b>-5,505,907,317</b>	<b>2,707,353,557</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>981,469,879</b>	<b>-176,140,635</b>
<b>RECONCILIATION</b>		
<b>Financial statement captions</b>		
Cash and cash equivalents at beginning of period	6,747,903,240	6,923,224,014
Net increase (decrease) in cash and cash equivalents	981,469,879	-176,140,635
Cash and cash equivalents: foreign exchange effect	951,500	819,861
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>7,730,324,619</b>	<b>6,747,903,240</b>

LEGEND: (+) from (-) used in

(\*) With regard to the disclosure required by par. 44 B of IAS 7, it is noted that the changes in liabilities deriving from financing activities amount to +20.9 billion euro (cash flow from) and comprise +28 billion euro in cash flows, -2.5 billion euro in fair value changes and -4.6 billion euro in other changes.

# **Notes to the Parent Company's financial statements**



# Part A – Accounting policies

## A.1 – GENERAL CRITERIA

### SECTION 1 – DECLARATION OF COMPLIANCE WITH IAS/IFRS

As set forth by Legislative Decree 38 of 28 February 2005, Intesa Sanpaolo's financial statements have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Standards - Interpretations Committee (IFRS-IC), endorsed by the European Commission as provided for by EC Regulation 1606 of 19 July 2002.

The financial statements as at 31 December 2021 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Article 43 of Legislative Decree 136/2015<sup>(\*)</sup>, with Regulation of 22 December 2005, which issued Circular 262/2005, and with the subsequent updates of 18 November 2009, 21 January 2014, 22 December 2014, 15 December 2015, 22 December 2017, 30 November 2018 and 29 October 2021<sup>89</sup>. These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the financial statements.

The financial statements have been prepared using the IAS/IFRS in force as at 31 December 2021 (including the SIC and IFRS-IC interpretation documents) as listed in the attachments to these financial statements.

The table below shows the new standards or amendments to existing ones, together with the related European Commission endorsement regulations, which came into force in 2021.

#### IFRS endorsed as at 31.12.2021 in force since 2021

Regulation endorsement	Title	Effective date
2097/2020	Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9	01/01/2021 First financial year starting on or after 01/01/2021
25/2021	Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01/01/2021 First financial year starting on or after 01/01/2021
1421/2021	Amendment to IFRS 16 Leases - Covid-19-Related Rent Concessions beyond 30 June 2021	01/04/2021 First financial year starting on or after 01/01/2021

As may be seen from the foregoing table, some amendments to existing accounting standards are applicable on a mandatory basis for the first time starting in 2021, with regard to the IBOR Reform.

Specifically, Regulation 25/2021 of 13 January 2021 endorsed "Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" published by the IASB on 27 August 2020 regarding phase two of the IASB's interest rate reform project. This relates to the developments concerning the revision or replacement of certain interest rate benchmarks used to set interest rates in various jurisdictions, such as LIBOR and, in Europe, EONIA, based on the indications from the G20 and the Financial Stability Board. As known, the IASB dealt with the possible accounting impacts of the reform of benchmark interest rates through a project organised in two phases. The first phase specifically regarded the possible accounting impacts of hedge accounting in the period prior to the replacement of the existing benchmark rates with the new interest rates (pre-replacement issue) and was completed with the publication of Regulation no. 34/2020.

The second phase of the project was completed with the publication of Regulation no. 25/2021, regarding the possible accounting impacts of the application of the new interest rates (replacement issue). The main amendments introduced concern the accounting treatment of amendments to existing contracts and to hedge accounting.

With regard to the first aspect – under IFRS 9, but also similarly in application of IFRS 16 to leases and IFRS 4 to insurance contracts – it is clarified that amendments resulting from the IBOR Reform relating to the replacement of the existing IBOR rate with the new risk-free rate, do not constitute a derecognition event but are to be considered a modification from an

<sup>(\*)</sup> Art. 43 of Legislative Decree 136/2015 confirmed to the Bank of Italy the powers concerning the layouts of financial statements already previously attributed to the same Authority by Legislative Decree 38/2005.

<sup>89</sup> With communication of the Bank of Italy dated 21 December 2021, the provisions governing the financial statements of Banks (Circular 262) were supplemented with regard to the impacts of COVID-19 and measures in support of the economy adopted to deal with the pandemic.

accounting standpoint. To this end, a practical expedient has been introduced allowing such amendments, if made as a direct consequence of the IBOR Reform and applied on equivalent economic bases, to be represented with a prospective adjustment of the effective interest rate, with impacts on net interest income in future periods.

The amendment from the IASB provides several examples of changes that give rise to a new basis economically equivalent to the previous basis:

- the replacement of the interest rate benchmark with an alternative benchmark rate with the addition of a fixed spread necessary to compensate for the basis difference between the existing interest rate benchmark and the alternative benchmark rate;
- changes to the reset period, reset dates or the number of days between coupon payment dates in order to implement the reform of an interest rate benchmark; and
- the addition of a fallback provision to the contractual terms of a financial asset or financial liability to enable any change described in the two above points to be implemented.

The guidance prepared by the IASB requires that the terms must be “substantially similar”. Thus, to apply the relief, the interest rate must be substantially the same before and after replacement, even though a quantitative demonstration is not required. In general terms, each economically equivalent transaction is defined to ensure a fair transaction at the new, alternative rate for both parties to the contract. That aspect can be easily demonstrated if the change is made in compliance with a protocol or a methodology accepted by the market, designed for that purpose.

In relation to the hedge accounting, several exceptions have been introduced to IAS 39 (and to IFRS 9 for those who have also adopted it for hedges) that make it possible not to apply discontinuation following an update of the documentation of the hedging relationship - due to modification of the hedged risk, the hedged underlying or the hedging derivative, or of the method for verifying hedge effectiveness - in the case of modifications required as a direct consequence of the IBOR Reform and applied on equivalent economic bases. Any cases of ineffectiveness must nonetheless be recognised in the income statement.

No impacts on the Bank are foreseen for the modifications with the characteristics envisaged by the standard, in line with the objective of the amendments introduced by the IASB aimed at preventing distortions in the financial statements as a result of the reform.

Disclosure is to be further enhanced, with qualitative and quantitative disclosure requirements with regard to the nature and risks associated with the IBOR reform, the management of such risks and progress in the process of transitioning to the new rates. For details, see Section 4 - Other Aspects, below.

Regulation 2097/2020 of 15 December 2020, endorsing the extension to 1 January 2023 of the temporary exemption from applying IFRS 9 (amendments to IFRS 4 Insurance Contracts) published by the IASB on 25 June 2020, came into force from 1 January 2021, which is relevant only at the level of the Intesa Sanpaolo Group.

Lastly, Regulation 1421/2021 of 30 August 2021 on “Covid-19-related rent concessions after 30 June 2021”, transposing the amendments published by the IASB on 31 March 2021 was applicable from 2021. This extended by one year the period of application of the amendment to IFRS 16 Leases issued in May 2020, which facilitates lessees in accounting for COVID-19-related concessions.

The original amendment was issued in order to provide a practical expedient to lessees, i.e. the option not to apply the rules of accounting for lease modifications in the event of rent concessions as a direct result of the COVID-19 pandemic (such as suspensions or temporary decreases in payments). The facilitation previously applied to concessions relating to rents originally due by 30 June 2021.

In response to the requests received from interested parties and the continuation of the COVID-19 pandemic, the IASB extended the application of the practical expedient to cover concessions for rental payments originally due by 30 June 2022, provided that the other conditions for applying the practical expedient are met, i.e. the revised consideration is substantially equal to or less than the original consideration and no other substantial modifications have been made to the terms of the lease contract. The amendments are applicable from 1 April 2021 for financial years starting on or after 1 January 2021.

Intesa Sanpaolo has chosen not to apply this practical expedient with effect from 2020, including in view of the immateriality of its impacts on the Bank. Accordingly, these additional amendments are not relevant to the Bank.

The table below shows the new standards or amendments to existing ones, together with the related EU endorsement regulations, which will become mandatory on 1 January 2022 – for financial statements reflecting the calendar year – or after this date, and for which Intesa Sanpaolo has not exercised the option of early adoption.

## IFRS endorsed as at 31.12.2021 applicable subsequent to 31.12.2021

Regulation endorsement	Title	Effective date
1080/2021	Amendments to IAS 16 Property, Plant and Equipment, IAS 37 Provision, Contingent Liabilities and Contingent Assets, IAS 41 Agriculture, IFRS 1 First-time Adoption of International Reporting Standards, IFRS 3 Business Combinations and IFRS 9 Financial Instruments	01/01/2022 First financial year starting on or after 01/01/2022
2036/2021	IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023
	Amendments to IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023

With reference to endorsement regulations that implement changes to existing accounting standards or new IAS/IFRS, the publication in the Official Journal of the EU dated 23 November 2021 of Regulation 2036/2021 of 19 November which endorses the new accounting standard IFRS 17 "Insurance Contracts" is relevant only at the level of the Intesa Sanpaolo Group. The standard was published in May 2017 and was subject to amendments published on 25 June 2020, which postponed the date of first-time adoption of the standard to 1 January 2023.

For the purpose of completeness, also note Regulation no. 1080/2021 of 28 June 2021, which implements several less material amendments, published by the IASB on 14 May 2020, to the international accounting standards IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRS 3 Business Combinations. The amendments, which are not expected to have significant impacts on the Bank, relate to:

- IAS 16 – Cost components: introduces a prohibition on deducting the amounts received from the sale of articles produced while the company was preparing the asset for the intended use from the cost of property, plant and equipment. The company must recognise such proceeds from sales and the related costs in the income statement;
- IAS 37 – Onerous contracts: it is clarified that to assess whether a contract is onerous, all costs directly related to the contract, rather than incremental costs necessary for fulfilling the contract, must be included in the estimate. Accordingly, the assessment of whether a contract is onerous includes the incremental costs (for example, the cost of the direct materials used in processing), as well as all costs that the entity cannot avoid as a consequence of entering into the contract (for example, the portion of personnel expenses and depreciation of the machinery employed to fulfil the contract);
- IFRS 3 – Reference to Conceptual Framework: the reference to the new version of the 2018 Conceptual Framework was updated and an exception added to the requirements for recognising contingent liabilities pursuant to IFRS 3, in order to avoid modifications to pre-existing accounting methods. In addition, the prohibition on recognising contingent assets (i.e., assets whose existence will only be confirmed by uncertain future events) in business combinations was explicitly stated (previously, this prohibition was explicitly stated only in the Basis for Conclusion).

The Regulation in question also endorses the customary annual improvements, the Annual Improvements to IFRS Standards 2018-2020 Cycle, which clarify the formulation or correct errors, oversights or conflicts between the requirements of the Standards. Those minor amendments included changes to IFRS 9 Financial Instruments, providing several clarifications on the fees and commissions to be included in the 10% test for derecognising financial liabilities. In that regard, it is specified that only fees paid or collected between the parties are to be included, not fees directly attributable to third parties.

The amendments in question apply from 1 January 2022.



The table below shows the new international financial reporting standards or amendments to existing standards that have not yet been endorsed by the European Commission. For further details, reference is made to Part A of the Consolidated Financial Statements.

### IFRS not endorsed as at 31.12.2021

Standard/ Interpretation	Amendments	Date of issue
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	23/01/2020
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date	15/07/2020
IAS 1	Presentation of Financial Statements: Disclosure of accounting policies and IFRS Practice Statement 2: Disclosure of accounting policies	12/02/2021
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	12/02/2021
IAS 12	Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	7/05/2021
IFRS 17	Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	9/12/2021

## SECTION 2 – GENERAL PREPARATION PRINCIPLES

The financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows, the Notes to the financial statements and the related comparative information; the Report on operations prepared by the Directors, on the economic results achieved and on Intesa Sanpaolo's balance sheet and financial position has also been included. In compliance with the provisions of Article 5 of Legislative Decree 38/2005, the financial statements have been drawn up in euro as functional currency.

The amounts indicated in the financial statements and in the Notes to the financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.

The financial statements are prepared with the application of the general principles set out by IAS 1 and the specific financial reporting standards endorsed by the European Commission and illustrated in Part A.2 of these Notes to the financial statements, as well as in compliance with the general assumptions set forth by the Conceptual Framework for the preparation and presentation of Financial Statements issued by IASB.

No exceptions to the application of IAS/IFRS have been made.

The Report on operations and the Notes to the financial statements contain all information required by the IAS/IFRS, by current regulations, by the Bank of Italy, by Consob (Italian Securities and Exchange Commission) and by the European Securities and Markets Authority - ESMA, in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair presentation of the Group's situation. In addition, account was taken of documents providing interpretation and support with the application of accounting standards in relation to the impacts of COVID-19 issued by European regulatory and supervisory authorities and the standard-setters illustrated in further detail in Section 4 - Other aspects.

The financial statement forms and the Notes to the financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2020.

In that regard, comparison data were also provided, where pertinent, in compliance with the provisions of the 7th update to Circular 262, which, as main changes to representation in the financial statements, required that:

- several categories of financial assets (on demand receivables due from banks and purchased and originated credit-impaired loans) be represented in the same manner set out in harmonised European reporting (FINREP);
- with regard to intangible assets, specific information be provided on software that is not an integral part of hardware, in accordance with IAS 38;
- fee and commission income and expense be illustrated in accordance with a different detailed layout;
- contributions to the Resolution Fund and Deposit Guarantee Schemes have separate disclosure in the captions.

Lastly, with reference to various corporate transactions carried out in 2021, specifically the merger of UBI Banca S.p.A. on 12 April 2021, it is noted that the balance sheet and income statement accounts, as well as the tables of the notes to the financial statements referring to the previous year were not restated, and, therefore, are not readily comparable with the 2021 figures.

## Contents of financial statement forms

### Balance sheet and income statement

The compulsory forms of the balance sheet and income statement are made up of captions, sub-captions and further detailed information (specified as the “of which” items in the captions and sub-captions).

In the interests of completeness, it should be noted that with regard to the compulsory forms defined by the Bank of Italy, captions which do not have amounts for the reporting year and the previous year have also been shown. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

### Statement of comprehensive income

The statement of comprehensive income shows, starting from the net income/(loss) for the year, the income components recognised as a balancing entry in valuation reserves, net of the tax effect, in compliance with international financial reporting standards.

Comprehensive income is represented by providing separate recognition of the income components that will not be reversed to the income statement in the future and those which, conversely, could later be reclassified to income/(loss) for the year under specific conditions. Similarly to the balance sheet and the income statement, with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for the reporting year and the previous year are in any case included. Negative amounts are preceded by the minus sign.

### Changes in shareholders' equity

The statement of changes in shareholders' equity presents shareholders' equity accounts and changes which occurred in the reference year and in the previous year, broken down in share capital, reserves, reserves from retained earnings, valuation reserves and net income. Treasury shares are deducted from shareholders' equity. The table is presented by inverting the rows and the columns with respect to the same form provided for by the updating of Bank of Italy Circular 262/2005.

### Statement of cash flows

The statement of cash flows registered in the reference year and in the previous year is prepared using the indirect method, on the basis of which cash flows from operating activities are represented by net income adjusted for the effects of non-cash transactions.

Cash flows are broken down into flows from operating activities, from investing activities and from financing activities.

In the form, cash flows generated in the year are indicated without sign, whereas cash flows absorbed are preceded by the minus sign.

## Contents of the Notes to the financial statements

The Notes to the financial statements include the information provided for by International Financial Reporting Standards and Circular 262 issued by the Bank of Italy on 22 December 2005 and subsequently amended, applicable for the preparation of these financial statements.

**SECTION 3 – SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

Reference is made to the similar disclosure of the Consolidated financial statements.

**SECTION 4 - OTHER ASPECTS****RISKS, UNCERTAINTIES AND IMPACTS OF THE COVID-19 PANDEMIC**

In its communication of 15 December 2020 concerning the “impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS” (subject to a subsequent limited update on 21 December 2021), the Bank of Italy, supplemented the provisions governing bank financial statements set out in “Circular 262 - Bank financial statements: layouts and preparation”, with the aim of providing the market information on the effects that the COVID-19 outbreak and the consequent measures to support the economy have had on the strategies, objectives and risk management policies, and on the operating performance and financial position of intermediaries.

In defining the additions, the Bank of Italy took into account, where applicable, the documents published essentially in 2020 and, to a lesser extent, in 2021 by the European regulatory and supervisory bodies and by the standard setters aimed at clarifying the methods of application of the IAS/IFRS in the context of the pandemic, with particular reference to IFRS 9, as well as to the required information for the amendment to IFRS 16 COVID-19-Related Rent Concessions.

In fact, during these two years, in line with the evolution of the health and economic situation, a variety of regulatory measures were put in place, mainly providing interpretation and support for the application of accounting standards in relation to the impacts of COVID-19. The following table shows the most relevant documents and their scope of application.

Issuing body	Date	Title	Classifications	Main topic	
				Measurement	Financial reporting
EBA	25.3.20	Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID 19 measures	X		
ESMA	25.3.20	Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9		X	
IFRS Foundation	27.3.20	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		X	
BCE	1.4.20	IFRS 9 in the context of the coronavirus (COVID 19) pandemic		X	
EBA	2.4.20	Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis	X		
ESMA	20.5.20	Implications of the COVID-19 outbreak on the half-yearly financial reports			X
EBA	2.6.20	Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis	X		X
ESMA	28.10.20	European common enforcement priorities for 2020 annual financial reports			X
EBA	2.12.20	Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis	X		
BCE	4.12.20	Identification and measurement of credit risk in the context of the coronavirus (COVID 19) pandemic	X	X	
ESMA	29.10.21	European common enforcement priorities for 2021 annual financial reports	X	X	X
ESMA	16.12.21	Report on the application of the IFRS 7 and IFRS 9 requirements regarding banks' expected credit losses (ECL)	X	X	X

The measures adopted by the regulators, aimed essentially at clarifying the treatment of moratoria, indicating the minimum conditions for clear financial reporting in this context, uniformly guiding the definition of prospective scenarios and allowing flexibility in defining credit assessments, have gradually strengthened and adapted the regulatory framework - that was already being developed in the first months of 2020 and was progressively fine-tuned during the previous year and substantially confirmed also in 2021 - to the evolving situation. In effect, the ESMA documents introduced in 2021 do not contain substantial new changes, rather, they provide an overall framework of the various requests, better clarifying the purposes and application methods. It should be noted, however, that the guidelines provided by the regulators allow / invite the intermediaries to exercise flexibility and their own expert judgment in making decisions, bearing in mind that the guidelines provided do not constitute a "relaxation" of the rules but rather the granting of further necessary discretion in the current context.

For the Financial Statements at 31 December 2021, the Bank has therefore decided to maintain the approaches adopted starting from the 2020 Half-yearly Report, summarised in the following paragraphs and further detailed in Part E, with the appropriate refinements and adjustments stemming from the longer time frame available for their implementation as well as the evolution of the related health and economic situation.

In these circumstances, it should be stressed that from the very beginning of the dramatic public health and social emergency that swept Italy, Intesa Sanpaolo has been fully committed to tackling the difficult situation effectively, whilst ensuring the continuity of its processes and services, in spite of considerable operating costs and additional investments. As illustrated in more detail in the Report on operations to the Consolidated Financial Statements, the main solutions successfully adopted to deal with the emergency, mitigate the risk, and ensure continuity of service, related to remote working, measures adopted at the branches, process digitalisation, and actions taken on the systemic processes.

Although the COVID-19 outbreak did not lead to the suspension of the Bank's activities or the disappearance of the reference markets in which it operates, it nevertheless contributed to creating a climate of extreme uncertainty, which has not yet been eliminated by the results of vaccination campaigns. In this regard, it bears recalling that the preparation of the financial statements in accordance with IFRS requires - as usual - that the management make estimates and assumptions that affect the amount reported in the financial statements concerning assets, liabilities, income and expenses recognised in the financial year, as well as other comprehensive income. As indicated in greater detail in the specific paragraph of these Notes (Part A - A2 – Main financial statement captions - Use of estimates and assumptions in preparing financial reports), the estimates made by the management are based on historical experience and other reasonable assumptions. The main areas of uncertainty in the estimate include those relating to loan losses, the fair value of financial instruments (including derivatives), corporate income taxes, employee benefits, goodwill and intangible assets, the fair value of identifiable assets and liabilities following business combinations, impairment of non-financial assets, derecognition of financial assets and liabilities and provisions for risks and charges. COVID-19, as the first global pandemic in over a century, continues to affect the markets in which the Bank operates. Governments around the world have imposed on the one hand a series of specific measures to contain the pandemic, including travel restrictions and quarantines and, on the other hand, they are trying to avoid the economic slowdown and favour a rapid recovery once the health crisis is over.

This has caused and continues to cause greater volatility and uncertainty in the financial sector and markets, which has also been reflected in key areas for determination of estimates. The Bank therefore used estimates, assumptions and judgments that reflect this uncertainty. In the current situation of uncertainty, the Bank's assessments are also supported, as detailed below, by sensitivity analyses, subject to specific disclosure, to provide users of the financial statements a more complete and transparent understanding of these phenomena.

#### *Intesa Sanpaolo macroeconomic scenarios for the valuation of loans in the 2021 financial statements*

2021 was undoubtedly characterised by the start of extensive vaccination campaigns (at least in the more developed countries), reaching (also in Italy) a high coverage ratio and effectiveness in slowing hospitalisations and, as a result, deaths, avoiding the reintroduction of strict restrictive measures, even when faced with new variants of the virus. The Italian scenario thus seems to be one of cautious optimism, considering the success of the national vaccination campaign and the major public and private investment plans under way and planned, though the path to normality is still marked by uncertainties and possible obstacles, mainly related to risks and unexpected events on the health front.

That being said, regarding the macroeconomic scenario used in the models for determining expected credit losses, note that in June 2020, following the indications from the regulators and standard setters, the Bank anchored its macroeconomic forecasts to the projections published by the central banks. In light of the context described to this point, in a macroeconomic scenario of significant recovery, and considering the lesser uncertainties that characterise the process of estimating the projections, the Bank decided to return to using the scenarios produced internally by the Research Department as input to the ECL models, thus once again ensuring substantial uniformity between the scenarios used in the other measurement/forecasting processes (impairment tests, budgeting, etc.), especially with regard to the new Business Plan starting in 2022. That choice seems reasonable also in light of the marked convergence between the forecasts produced internally by the Research Department and the forecasts prepared in the last few quarters by the ECB/Bank of Italy, also confirmed by the substantial consistency confirmed with the latest projections of the European Central Bank and the Bank of Italy, published in mid-December 2021 and updated further (for Italy) in January 2022, to take account of several factors such as the worsening in the pandemic scenario once again at the end of 2021 and the spike in energy prices. In any event, the forecasts of the internal scenario used for IFRS 9 modelling should be considered together with the choices made regarding managerial overlays and triggers for sliding into Stage 2 illustrated below.

For a table illustration of the scenarios actually used in the valuation of loans, please refer to the specific section of Part E of the Notes to the Consolidated Financial Statements, which also contains, as specified below, further details on the sensitivity of the ECL to changes in macroeconomic scenarios.

#### *Sensitivity analysis in the light of alternative scenarios*

As already done in previous years and as also recommended in the recent ESMA guidelines (document "European common enforcement priorities for 2021 annual financial reports"), in its Notes to the financial statements the Bank provides sensitivity analyses on the issues indicated below in order to allow users of the financial statements a better understanding of the valuation choices adopted in this particular context. In particular, reference should be made to the following parts of the Notes to the Consolidated Financial Statements, regarding:

- the effects of a change in one or more non-observable parameters used in the valuation techniques adopted to determine the fair value, the financial assets and liabilities measured at fair value level 3 (Part A - A.4.2 Valuation processes and sensitivity);
- sensitivity analysis for real estate assets measured at fair value. The analysis essentially concerned the properties of Intesa Sanpaolo, which represent the Core perimeter of the Group's real estate assets (Part A - A.4.5 Fair value hierarchy - Sensitivity of property valuations);
- sensitivity of the Value in use of Cash Generating Units for which intangible assets with indefinite useful lives remain (Part B – Assets: Section 10 Intangible assets);
- sensitivity to changes in interest rates of net defined benefit liabilities (Part B - Liabilities: Section 10.5 Post-employment defined benefit plans);

- sensitivity analysis of IFRS 9 ECL in order to analyse the variability with respect to individual alternative scenarios (Part E - Section 2 Credit risk management and policies);
- sensitivity of net interest income, assuming a change in interest rates, and sensitivity analysis of the banking book to price risk for listed assets recognised in the HTCS category (Part E - Banking book: interest rate risk and price risk);
- scenario analysis relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices for trading activity (Part E - Trading book: interest rate risk and price risk).

#### *Measurement of goodwill in the COVID-19 scenario*

In the current challenging market environment, measuring the recoverable amount of intangible assets is also particularly difficult. Therefore, also for the Financial Statements as at 31 December 2021, the effects of the COVID-19 pandemic were carefully considered in conducting the annual impairment testing of goodwill. For more details of impairment testing on goodwill and brand name, reference is made to Part B - Information on the Consolidated balance sheet, in the consolidated financial statements.

#### *Probability test on deferred taxation in the COVID-19 scenario*

As envisaged in IAS 12, a deferred tax asset (or DTA) must be recognised for all deductible temporary differences to the extent that it is probable that taxable income will be earned that can offset the deductible temporary differences. Deferred tax assets are then divided into “eligible” deferred tax assets and “ineligible” deferred tax assets. While for the former Italian regulations set out a specific mechanism for conversion into tax credits which legitimises, in and of itself, their recognition in the financial statements (see Part B – Assets: Section 11 Deferred Tax Assets and Liabilities), the amount of “ineligible” deferred tax assets is tested to determine whether it is likely that taxable income will be earned in the future that will ensure their recovery (probability test). Therefore, also in the current pandemic, the Group carried out that test, without the effects of the pandemic giving rise to negative impacts. For a more detailed illustration, refer to the Consolidated Financial Statements, Part B – Assets: Section 11 Deferred Tax Assets and Liabilities - Probability test on deferred taxation.

#### *Loan classification and valuation in the COVID-19 scenario*

As shown by the relevant legislation on the subject, mentioned above, the scenario resulting from the COVID-19 pandemic had a particular impact on the issues of classification of credit exposures, specifically the aspects linked to payment moratoria, as well as for the purpose of determining the Expected Credit Loss (ECL) pursuant to IFRS 9.

In terms of classification of credit exposures, the COVID-19 outbreak primarily resulted in the need, also recognised by the banking system and institutions (governments and regulators), to offer general payment suspension measures (moratoria) to already performing customers, using simplified procedures and without any penalties for the parties involved – both banks and customers. These measures, partly governed by national regulations and partly decided autonomously by the banks, were the subject of a specific regulation, summarised in the EBA Guidelines (“Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis”). In summary, the granting by banks and financial intermediaries - according to the aforementioned Guidelines - of legislative moratoria, or even private ones (as long as in relation to an objective context-related need that affects several financed parties and not the individual loan), does not automatically constitute a default event, with consequent classification of the loan as non-performing, or a forbearance measure, with resulting transfer to Stage 2. The EBA sets out the conditions for the qualification of general payment moratoria, for the purpose of applicability of the exemption (terms for the granting and the duration of the moratoria).

More in detail, with regard to classification of the positions subject to payment moratoria linked to the COVID-19 pandemic, in line with the guidance provided by the various regulators that have commented on this aspect, it is specified that up to 30 September 2020, performing positions that were subject to those measures (both legislative moratoria or moratoria decided autonomously by the Bank) were treated as follows:

- they were not normally classified as Stage 2 (or considered as forborne according to the prudential rules). Solely for positions with companies with a high risk, where the Bank decided to grant a moratorium, specific assessments were made to verify whether or not to consider the renegotiation as a forbearance measure, with consequent transfer to Stage 2;
- they were not classified as non-performing (Stage 3). In particular, performing loans that are subject to a moratorium are not classified as past due, because the moratorium deactivates the past due count for the loans that are subject to the measure. Moreover, the adoption of a moratorium is not considered an automatic trigger of unlikelihood to pay.

Moratoria granted to customers already classified under non-performing loans are subject to a specific assessment and considered forbearance measures.

Starting from 1 October 2020, following the first phase-out of the afore-mentioned EBA Guidelines on moratoria, the Bank started to assess on a case-by-case basis whether the granting of a new moratorium on a performing loan constituted forbearance measures.

Following the second wave of COVID-19 which hit Europe in mid-October, the EBA reconsidered the issue, and in its communication of 2 December 2020, it:

- re-opened the option to grant moratoria according to the pre-existing guidelines, up to 31 March 2021;
- introduced a nine-month cap for new moratoria or the extension of an existing moratorium. The cap applied to the granting of non-consecutive periods of suspension (in this case, the durations of the various periods are added together). The nine-month cap did not apply retroactively to moratoria granted up to 30 September 2020.

In December 2020, the Bank aligned itself to the provisions of the amendment issued by the EBA on 2 December, restoring the framework in force up to 30 September, described above, while introducing a case-by-case assessment of the



classification as forborne for moratoria with a duration of more than nine months, as required by the EBA. With reference to the legislative moratoria granted to domestic SMEs, previously extended by the “Cura Italia” Decree in March 2020, Budget Act no. 178 of December 2020 set out an additional legal extension to 30 June 2021. Therefore, Intesa Sanpaolo took the necessary actions to comply with the provisions of Italian law. In particular, a centralised approach was adopted, with the mass extension of the legislative moratoria until 30 June 2021. With regard to classification as forbearance, given the time frames imposed by law for the extension, the Bank opted for a centralised analysis, though granular at the level of single position, identifying the positions to be marked as forborne in accordance with risk-based criteria.

Lastly, the “Sostegni bis” Law Decree provided the possibility of benefiting from a further extension of legislative moratoria until 31 December 2021. That provision was valid only upon request from businesses already eligible for a moratorium previously granted under the “Cura Italia” Decree (as stated, expired on 30 June 2021). Requests for extension had to be formalised by customers by 15 June. The suspension from 1 July onwards only related to the principal, while the interest accruing had to be paid. Regarding the new extension, the Bank's choice – in view of the large number of outstanding moratoria and the consequent potential requests from customers, to be managed in a very short time – was to identify a small cluster with particularly high credit quality, which the Bank considers not to be subject to financial difficulty and therefore does not meet the conditions for classification as forborne. The cluster has been identified based on both the rating and the granular assessment carried out within the commercial/credit action plans aimed at determining the ability of customers to resume payments. For all positions not included in the cluster, the case-by-case checks were carried out by the relationship managers.

Considering that no legislative measures were subsequently decided by the Italian authorities, any further extensions of existing moratoria/granting of new suspensions shall thus follow the ordinary credit processes.

With regard to loan valuation, Intesa Sanpaolo has adopted a prudential approach since the Interim Statement at 31 March 2020 regarding the adjustment of the ECL results stemming from the IFRS 9 models in use, in the context of the uncertain but expected further worsening of economic conditions - even dramatic in the short term - while taking into account the effects of the public support measures made promptly available by the national authorities and supported by the accommodative policy of the ECB.

This approach was gradually rendered more sophisticated and consistent in 2021 and 2020 by defining management overlays, which were gradually enriched following the improved perception of the evolution of the crisis (partly drawn up in the ECL estimates starting from the updates of the macroeconomic forecasts previously described), the definition of new frameworks to assess expected vulnerabilities, as well as the results of the operational responses adopted by the Bank (e.g. re-rating campaigns, campaigns to revitalise and restructure the Businesses segment, priority analysis of the portfolio of moratoria, etc.). All the initiatives were characterised by timeliness and intensity and were supported by adequate monitoring of prospective risk in the set up and managerial decision phase.

For a more in-depth discussion of the aspects briefly summarised herein, in particular for management overlay issues adopted by the Bank in the context of the COVID-19 pandemic, please refer to Part E - Section 2: Credit risk management policies of the Consolidated Financial Statements.

#### *Economic impacts resulting from COVID-19 on the 2021 financial statements*

In addition to the equivalent section in the Consolidated Financial Statements (Part A – Section 4 Other aspects) and, for greater details, Part E - Section 2 Credit risk management and policies of the Notes to the Consolidated Financial Statements, reference is made to the specific paragraph in the Report on Operations of the Consolidated financial statements for a detailed explanation of the “Impacts of the pandemic on the operations, business activities and risk profile”, in particular with regard to the valuation of credit positions, of which the portfolio of the Parent Company Intesa Sanpaolo S.p.A. comprises the main part.

To complete the disclosure, in line with the provisions of said Communication of 21 December 2021 of the Bank of Italy, which supplements Circular 262, also see the quantitative information on the loans subject to COVID-19 support measures and the related net adjustments for credit risk published, respectively:

- in Part B – Information on the Balance sheet – Assets, in the tables:
  - 3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross amount and total adjustments;
  - 4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross amount and total adjustments;
- in Part C – Information on the income statement:
  - 8.1a Net adjustments for credit risk associated with loans measured at amortised cost subject to COVID-19 support measures: breakdown;
  - 8.2a Net adjustments for credit risk associated with loans measured at fair value through other comprehensive income subject to COVID-19 support measures: breakdown;

Lastly, for quantitative information on transfers between different stages of credit risk and loans subject to COVID-19 support measures broken down by category of non-performing exposures, refer to the following tables in Part E (Section 2 “Credit risks”) in these financial statements:

- A.1.5a Loans subject to COVID-19 support measures: transfers between stages of credit risk (gross amounts);
- A.1.7a Loans subject to COVID-19 support measures: gross and net amounts.

**CHANGES IN CONTRACTS DUE TO COVID-19**

The detailed information required by the specific instructions of Circular 262 of the Bank of Italy on changes in contracts due to COVID-19 in light of the provisions of IFRS 9 and IFRS 16 is provided below.

*Changes in contracts and derecognition (IFRS 9)*

The moratoria granted by the Bank, in line with the EBA guidelines, comply with some specific requirements. More specifically, they must:

- be offered without distinction to a large group of (performing) borrowers or following legislative provisions;
- not provide a waiver of contractual interest or principal but solely a deferral/extension of payments.

Since the granted moratoria provide solely a deferral/extension of the period in which payments are due, the application of a moratorium does not therefore entail the derecognition of the loan.

*Amendment to IFRS 16*

Although the subject in question is not relevant for the Bank, it is specified that with reference to lease contracts (on the lessee side), having assessed the nature of the existing contracts and the active role played by the Bank in supporting the economy, Intesa Sanpaolo decided not to apply the “practical expedient” introduced under IFRS 16 - Leases on discounts and deferral of payments on existing lease contract payables.

**ADDITIONAL INFORMATION ON THE INTEREST RATE BENCHMARK REFORM** Based on the instructions in Circular 262, this section sets out the disclosure in accordance with IFRS 7, paragraphs 24I and 24J relating to the Interest Rate Benchmark Reform (IBOR Reform).

Specifically, the table below shows the quantitative information on financial instruments – divided into financial assets, financial liabilities and derivative contracts – which still had to transition to an alternative rate as at 31 December 2021, broken down by benchmark indexes subject to the IBOR Reform. The Bank considers a contract as not having changed to an alternative benchmark when the interest under the contract is linked to a benchmark index impacted by the IBOR Reform, even when the contract includes a fallback clause for managing the cessation of the existing benchmark.

	(millions of euro)				
	Loans and advances - gross value	Debt securities (assets) - nominal value	Deposits (liabilities) - nominal value	Debt securities issued (liabilities) - nominal value	Derivatives - notional
<b>Referenced to EONIA</b>	5,375	-	1,203	-	32,574
<b>Referenced to LIBOR USD</b>	11,774	1,146	811	236	605,458
<i>of which expiring after 30.06.2023</i>	9,462	1,146	714	17	231,624
<b>Referenced to LIBOR other currency (all tenors)</b>	1,595	-	-	-	56,353
<i>of which: GBP</i>	1,403	-	-	-	51,262
<i>of which: JPY</i>	23	-	-	-	113
<i>of which: CHF</i>	169	-	-	-	1,836
<i>of which: EUR</i>	-	-	-	-	3,142
<b>Other IBORs</b>	38	24	-	-	-
<b>Total</b>	<b>18,782</b>	<b>1,170</b>	<b>2,014</b>	<b>236</b>	<b>694,385</b>

The disclosure does not include financial instruments linked to the Euribor, as that parameter was reformed in November 2019, through the adoption of a hybrid calculation method, which fully meets the requirements for critical benchmarks set out in the Benchmark Regulation EU 2016/1011 and the IOSCO principles. Therefore, the Bank does not deem that there is uncertainty on the timing or the amount of cash flows linked to the Euribor, and does not consider the financial instruments linked to this benchmark as instruments impacted by the reform as at 31 December 2021.

This information on the IBOR Reform does illustrate the instruments linked to the LIBOR in various currencies (specifically, the USD, GBP, JPY, CHF and EUR LIBOR), in addition to those linked to the EONIA in Europe.

Referring to Part E - Information on risks and relative hedging policies of the Consolidated Financial Statements for a more detailed analysis on the nature and risks the Bank is exposed to with regard to the financial instruments impacted by the IBOR Reform and the methods for managing the transition, in light of the regulatory changes and the activities implemented by the Bank, no critical issues are envisaged in completing the transition by the set deadlines. Specifically, to manage the stock of existing instruments, the Bank set out the mass adoption of the new Risk Free Rates (RFR) on the financial instruments newly subscribed, thus abandoning the use of the benchmarks impacted by the reform and stabilising the stock of transactions to be transitioned, on the one hand, while setting up the solutions for the transition to the new RFR, defined based on the main international recommendations, capable of minimising the financial impacts of the transition, on the other.



With regard to financial instruments other than derivatives, the transition activities were implemented mainly in the second half of 2021, and there were no specific critical issues regarding compliance with the deadlines envisaged by the reform. Specifically, the residual financial assets and liabilities linked to the EONIA and LIBOR in the four currencies other than USD are mainly attributable to instruments containing fallback clauses that guarantee the transition to the new RFR after 31 December 2021.

More in detail, the financial instruments linked to the EONIA mainly refer to active and passive margins of CSAs (Credit Support Annex) and, to a lesser extent, to collateral of repos and securities lending. With regard to the former, the Bank joined the ISDA 2021 EONIA Collateral Agreements Fallbacks Protocol and, therefore, CSAs with counterparties participating in the protocol have incorporated fallback clauses. Instead, for CSAs with non-participating counterparties, the Bank entered into bilateral agreements to either insert fallback clauses or transition to index linking to the €STR flat rate, with the resulting monetary offsetting. For the collateral for repos and securities lending (GMRA, GMSLA), of residual amounts compared to the CSAs, as no protocols similar to those used for the CSAs are available, the Bank activated a process, which is being completed, to transform the benchmark rates through bilateral agreements.

With specific reference to instruments linked to the USD LIBOR, the transition must be carried out by 30 June 2023 (the last date of publication of only the 1-week and 2-month USD LIBOR rates was 31 December 2021). Therefore, for the purpose of managing the transition to the new RFR, only the financial instruments with maturities after that date are concerned, the details of which are shown separately in the table. The date on which the USD LIBOR will no longer be used does not give rise to specific uncertainties except for those linked to trading timescales, which could be deferred by the counterparties.

The instruments linked to the GBP LIBOR are loans which have previously been mapped to differentiate the approaches to the transition, based on the role held by the Bank (bilateral loans, syndicated loans with Intesa Sanpaolo as the lead bank and syndicated loans with another lead bank) on which actions were implemented to renegotiate the benchmarks to ensure the adoption of indexes different from the LIBOR in accordance with the main international recommendations disseminated and recognised by market participants (specifically, the SONIA index - Sterling Over Night Interest Average). The decrease in the stock of instruments linked to the GBP LIBOR and the concurrent increase in those linked to the new RFR will therefore gradually occur at the time of the first deadline for calculating interest following 31 December 2021. Actions were also implemented for transition to the respective RFRs for loans linked to the JPY LIBOR and CHF LIBOR.

With specific reference to derivative contracts linked to the EONIA and the LIBOR, exposures decreased sharply over the year compared to 31 December 2020 as a result of the transition, mainly carried out in the last quarter of the year, and as a result of the transition process implemented by the central clearing counterparties (CCP) both regarding contracts linked to the EONIA and for the GBP, CHF, JPY and EUR LIBOR. Specifically, note that for derivative contracts linked to the EONIA (i.e. the EONIA Overnight Indexed Swaps), fallback clauses were inserted in all derivatives with that underlying, through bilateral amendments. For derivatives linked to the LIBOR subject to cessation as at 31 December 2021, the Bank adhered to the ISDA 2020 IBOR Fallbacks Protocol, incorporating the fallback clauses in the contracts with participating counterparties. The residual derivatives not included in that protocol were replaced by contracts linked to the corresponding RFR.

For derivatives linked to the USD LIBOR, the same considerations set out above for other financial instruments apply.

For a full overview of the disclosure required by IFRS 7, paragraph 24H, on the uncertainty arising from interest rate benchmark reform on hedging relationships and the notional amount of hedging derivatives, refer to the specific section set out in Part E – Information on risks and relative hedging policies.

## OTHER ASPECTS

### Option for the national fiscal consolidation provisions

Intesa Sanpaolo and the Group's Italian companies have adopted the "national fiscal consolidation", set forth by Articles 117-129 of the Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides an option, based on which the total net income or fiscal loss of every subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries) and, consequently, a sole tax debit/credit. Based on this option, Group companies that opted for the "national fiscal consolidation" determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent Company. In 2021, following the merger of UBI Banca into Intesa Sanpaolo, the fiscal consolidation in place at the former UBI Group was interrupted, with retroactive effect from 1 January 2021, and the consolidated companies joined the fiscal consolidation of by the merging company.

### Set up of a VAT Group

Intesa Sanpaolo and all of the Italian companies in the Group that meet the requirements for participation opted to set up the VAT Group, governed by Articles from 70-bis to 70-duodecies of Presidential Decree 633/1972.

This option takes effect from 1 January 2019 and has a duration of three years, automatically renewed each year, unless revoked.

As a result of this option, the tax will not apply to either the provision of services and sales of goods between participating parties, with a few exceptions. Sales of goods and provision of services by a participating party to an external party shall be considered made out by the Group. Sales of goods and provision of services by an external party to a participating party shall be considered made to the Group. Considering that the same option had also been exercised in the former UBI Group, up to the date of merger of UBI Banca, two separate VAT Groups were present at the same time within the Intesa Sanpaolo Group. On 12 April 2021, the companies already part of the VAT Group of UBI Banca joined that of Intesa Sanpaolo, with the sole exception of IW Bank, whose entry was postponed to 1 January 2022, concurrent with the first renewal of the Group VAT option.

**“Cooperative compliance” regime**

Intesa Sanpaolo applied for and obtained from the Italian Revenue Agency admission to the “cooperative compliance” regime set out in Legislative Decree 128/2015. The admission is effective from the tax period 2017.

The purpose of this regime is to promote the use of enhanced forms of communication and cooperation based on the reciprocal trust between the tax authorities and the taxpayer, as well as favouring the prevention and resolution of tax disputes, in the common interest of the parties.

Under the regime, Intesa Sanpaolo is required to maintain an appropriate system of recognition, measurement and management of tax risk as well as act in a cooperative and transparent manner, and the Italian Revenue Agency is required to promote a relationship based on the principles of transparency, cooperation and fairness. The gradual adoption of this regime by the main Italian subsidiaries is now also under way.

In addition to Intesa Sanpaolo, the following companies applied for admission and were admitted to the regime: Fideuram (with effect from 2018), as well as Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Fideuram Vita, Eurizon SGR and Epsilon SGR (with effect from 2019). Intesa Sanpaolo Private Banking, Fideuram Asset Management SGR, Sanpaolo Invest SIM and S.I.RE.F were admitted in 2021 with effect from 2020.

**Certification pursuant to Article 154 bis of the Consolidated Law on Finance and non-EU subsidiaries**

Please refer to Part E of the Notes to the consolidated financial statements for information on the disclosure about the Certification pursuant to Article 154 bis of the Consolidated Law on Finance and subsidiaries based in non-European countries that are considered significant on the basis of the Consob regulations.

**Auditing**

E.Y. S.p.A. audited the Intesa Sanpaolo financial statements, in execution of the Shareholders' Meeting resolution of 30 April 2019, which appointed the company as independent auditor for the years from 2021 to 2029, included.

**Other aspects**

A reformulation of the rules on the transparency of government grants laid down in Article 1, paragraphs 125-129 of Law No. 124/2017 has been introduced in Article 35 of Law Decree 34/2019 (the “Crescita” Decree), converted by Law 58/2019. This reformulation indicates that the scope of transparency obligations applies to information regarding grants, subsidies, advantages, contributions or aid, in cash or in kind, “not of a general character and which do not represent consideration, remuneration or compensation” effectively disbursed by public authorities and the entities indicated in Article 2-bis of Legislative Decree 33/2013.

In the light of this reformulation, additional interpretative clarification provided in Assonime Circular No. 32 of 23 December 2019 has confirmed that the transparency obligation applies to awards of economic benefits arising from a bilateral relationship between a public entity and a specific beneficiary. Sums received by a company as consideration for a service rendered, as remuneration for an assignment received or as compensation for damages are expressly excluded. Economic advantages received in application of a general regime, such as tax or contribution relief accessible to all parties who meet certain conditions, are also excluded.

In consideration of the above, there were no cases to report in 2021 for Intesa Sanpaolo.

In the interest of completeness, reference should also be made to the National State Aid Registry, available for public consultation on the relevant website, in which aid measures and the related individual aid packages granted and recorded in the system by the managing entities are published, although, given the foregoing, for Intesa Sanpaolo the circumstances indicated therein for the year 2021 are not subject to financial statement transparency obligations pursuant to paragraphs 125 and 125-bis.

## A.2 – MAIN FINANCIAL STATEMENT CAPTIONS

To ensure uniformity in the accounting policies used for the financial statements, the Intesa Sanpaolo Group has adopted an internal set of rules and policies for the various operational and organisational areas.

The methodological document used for the application of the accounting standards is the Group Accounting Policies, which describes the application models adopted by the Group, within the framework of the standards and the legislation applicable to the various companies/subsidiaries, and sets out the choices made when the regulations envisage alternative or optional accounting treatments.

With regard to the valuation processes, the Group, in the document “Guidelines for the valuation of Balance Sheet Items”, has drawn up the principles and regulatory framework for the valuation of the balance sheet items and the roles and responsibilities of the Corporate Bodies, the Manager responsible for preparing the Company's financial reports and the Parent Company's corporate functions involved in the valuation process; the prerequisites for the existing valuation processes and the control system necessary to ensure proper valuation; the general valuation processes based on accounting standards specific to the various categories of balance sheet items being measured (assets and liabilities); and the rules for guidance and coordination of Group Companies on the valuation of balance sheet items.

The guidelines and policies also include the Business Model Rules, the Rules on the measurement of expected credit loss in accordance with IFRS 9 (Impairment Policy), and the “Rules for Valuation of Financial Instruments at Fair Value” (former Fair Value Policy), in addition to more specific documents relating to non-performing loans, equity investments, and the management of hedging financial instruments.

Finally, with regard to prudential supervision, the Group has drawn up a specific document called Harmonised Prudential Supervision Rules.

In general, these documents are approved by the competent Corporate Bodies. They are updated by the management structures in response to needs arising both from external factors (e.g. changes in regulations) and from internal factors within the Group (e.g. new operations and products) and are subject to a specific approval process, based on the significance and scope of the changes made.

### 1. Financial assets measured at fair value through profit or loss (FVTPL)

#### *Classification criteria*

This category contains the financial assets not classified as Financial assets measured at fair value through other comprehensive income or as Financial assets measured at amortised cost. This caption includes in particular:

- financial assets held for trading, essentially consisting of debt securities and equity instruments and the positive value of derivative contracts held for trading;
- financial assets mandatorily measured at fair value through profit or loss, consisting of financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding (SPPI Test not passed) or that are not held under a Hold to Collect business model or a Hold to Collect and Sell business model;
- financial assets designated at fair value, i.e. financial assets that are defined as such upon initial recognition and when the conditions apply. In relation to this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss only if it eliminates or significantly reduces a measurement inconsistency.

This caption therefore includes:

- debt securities and loans that are included in an Other/Trading business model (i.e., that do not come under the Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are not part of a Hold to Collect and Sell business model;
- equity instruments – that do not qualify as investments in subsidiaries, associates or joint ventures – held for trading purposes or for which the option was not exercised, upon initial recognition, to designate them at fair value through other comprehensive income;
- quotas of UCI (Undertakings for Collective Investment).

This caption also includes the derivatives, recognised under financial assets held for trading, which are presented as assets if the fair value is positive and as liabilities if the fair value is negative. The positive and negative current values arising from transactions with the same counterparty – also between derivatives allocated to the trading book and hedging derivatives, as envisaged by the Bank of Italy Circular 262 – may be offset only when the legal right to offset amounts recognised for accounting purposes currently exists and the net settlement of positions subject to offsetting is carried out.

Derivatives also include those embedded in combined financial contracts – where the host contract is a financial liability – which are subject to separate accounting when:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments, even though separate, fully meet the definition of derivative;
- the combined instruments are not measured at fair value with changes in fair value recognised through profit or loss.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through profit or loss to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and that date is considered as the initial recognition date for the credit risk stage assignment for impairment purposes.

For more information regarding the classification criteria for the financial instruments see the paragraph below “Classification drivers for the financial assets”.

### **Recognition criteria**

Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments, at disbursement date for loans and at trade date for derivative contracts.

On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

### **Measurement criteria**

After initial recognition, the financial assets measured at fair value through profit or loss are recorded at fair value. The effects of the application of this measurement criterion are recorded in the income statement.

For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc. For equities and derivative instruments that have equities as underlying assets, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.

For more information regarding the criteria for the determination of fair value, see the Section “A.4 – Information on Fair Value”.

### **Derecognition criteria**

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.

When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.

Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

## **2. Financial assets measured at fair value through other comprehensive income (FVOCI)**

### **Classification criteria**

This category includes the financial assets that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved both through the collection of expected contractual cash flows and through sale (Hold to Collect and Sell business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI Test” passed).

This caption also includes equity instruments, not held for trading, for which the option was exercised upon initial recognition of their designation at fair value through other comprehensive income.

In particular, this caption includes:

- debt securities that can be attributed to a Hold to Collect and Sell business model and that have passed the SPPI test;
- equity interests, that do not qualify as investments in subsidiaries, associates or joint ventures and are not held for trading, for which the option has been exercised of their designation at fair value through other comprehensive income;
- loans that are attributable to a Hold to Collect and Sell business model and have passed the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are part of a Hold to Collect and Sell business model.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets.

In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through other comprehensive income to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is allocated as an adjustment to the fair value of the financial asset at the reclassification date. In the event of reclassification to the fair value through profit or loss category, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to net income (loss).

For more information regarding the classification criteria for the financial instruments see the paragraph below "Classification drivers for the financial assets".

#### **Recognition criteria**

Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

#### **Measurement criteria**

After initial recognition, the Assets classified at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with the recognition in profit or loss of the impact resulting from the application of the amortised cost, the impairment effects and any exchange rate effect, whereas the other gains and losses resulting from a change in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised. Upon the total or partial sale, the cumulative gain or loss in the valuation reserve is transferred, in whole or in part, to the income statement.

Equity instruments, for which the choice has been made to classify them in this category, are measured at fair value and the amounts recognised in Other comprehensive income cannot be subsequently transferred to profit or loss, not even if they are sold. The only component related to these equities that is recognised through profit or loss is their dividends.

Fair value is determined on the basis of the criteria already described for Financial assets measured at fair value through profit or loss.

For the equity instruments included in this category, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.

For more information regarding the criteria for the determination of fair value, see the Section "A.4 – Information on Fair Value".

Financial assets measured at fair value through other comprehensive income – both in the form of debt securities and loans – are subject to the verification of the significant increase in credit risk (impairment) required by IFRS 9, in the same way as Assets measured at amortised cost, with the consequent recognition through profit or loss of a value adjustment to cover the expected losses. More specifically, for instruments classified as Stage 1 (i.e., financial assets at origination, when not impaired, and instruments for which there has not been a significant increase in credit risk since the initial recognition date), a 12-month expected loss is recognised on the initial recognition date and at each subsequent reporting date. For instruments classified as Stage 2 (performing for which there has been a significant increase in credit risk since the initial recognition date) and as Stage 3 (credit-impaired exposures), a lifetime expected loss for the financial instrument is recognised.

Equity instruments are not subject to the impairment process.

See the paragraph below "Impairment of financial assets" for more details.

#### **Derecognition criteria**

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.

When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.

Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.



### 3. Financial assets measured at amortised cost

#### **Classification criteria**

This category includes the financial assets (in particular loans and debt securities) that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Hold to Collect business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

More specifically, the following are recognised in this caption:

- loans to banks in their various forms that meet the requirements referred to above;
- loans to customers in their various forms that meet the requirements referred to above;
- debt securities that meet the requirements referred to above.

This category also includes the operating loans and receivables connected to the provision of financial activities and services as defined by the Consolidated Law on Banking and the Consolidated Law on Finance (e.g. for the distribution of financial products and servicing activities).

According to the general rules established by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the amortised cost category to one of the other two categories established by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. Gains and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised through profit or loss in the event of reclassification to Financial assets measured at fair value through profit or loss and under Shareholders' equity, in the specific valuation reserve, in the event of reclassification to Financial assets measured at fair value through other comprehensive income.

For more information regarding the classification criteria for the financial instruments see the paragraph below "Classification drivers for the financial assets".

#### **Recognition criteria**

Initial recognition of the financial asset occurs at settlement date for debt securities and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

In particular, for loans, the disbursement date is usually the same as the date of signing of the contract. Should this not be the case, a commitment to disburse funds is made along with the subscription of the contract, which will cease to exist upon disbursement of the loan. The loan is recognised based on its fair value, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.

Repurchase agreements and reverse repurchase agreements are recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as payables for the spot amount received, whereas reverse repurchase agreements are recognised as receivables for the spot amount paid.

#### **Measurement criteria**

After the initial recognition, these financial assets are measured at amortised cost, using the effective interest method. The assets are recognised in the balance sheet at an amount equal to their initial carrying amount less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest method) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income directly attributable to the individual asset) and adjusted by any provision for losses. The effective interest rate is the rate that exactly discounts estimated future cash payments of the asset, as principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to that financial asset. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/income directly attributable to a financial asset over its expected lifetime.

The amortised cost method is not used for assets, measured at historical cost, whose short duration makes the effect of discounting negligible, or for assets without a definite maturity or revocable loans.

The measurement criteria, as described in more detail in the paragraph "Impairment of financial assets", are closely linked to the inclusion of these instruments in one of the three stages of credit risk established by IFRS 9, the last of which (Stage 3) consists of non-performing financial assets and the remaining (Stages 1 and 2) of performing financial assets.

With regard to the accounting representation of the above measurement effects, the adjustments for this type of asset are recognised in profit or loss:

- on initial recognition, for an amount equal to the 12-month expected credit loss;
- on subsequent measurement of the asset, when the credit risk has not increased significantly since initial recognition, in relation to changes in the amount of adjustments for the 12-month expected credit losses;
- on subsequent measurement of the asset, when the credit risk has increased significantly since initial recognition, in relation to the recognition of adjustments for expected credit losses over the contractually agreed remaining lifetime of the asset;
- on subsequent measurement of the asset, where – after a significant increase in credit risk has occurred since initial recognition – the increase is no longer “significant” due to the alignment of the cumulative value adjustments to take account of the change from a lifetime expected credit loss to a 12-month expected credit loss for the instrument.

These financial assets, when they are performing, are subject to an assessment, aimed at establishing the value adjustments to be recognised in the financial statements, at the level of individual loan (or “tranches” of securities), according to the risk parameters consisting of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), derived from the AIRB models, and duly adjusted to take account of the provisions of IFRS 9.

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset – classified as “non-performing”, like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss, to be recognised through profit or loss, is established based on individual measurement or determined according to uniform categories and, then, individually allocated to each position, and, as detailed in the paragraph “Impairment of financial assets”, takes account of forward-looking information and possible alternative recovery scenarios.

Non-performing assets include financial assets classified as bad, unlikely-to-pay or past due by over ninety days according to the rules issued by the Bank of Italy, in line with the IAS/IFRS and EU Supervisory Regulations.

The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest.

If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement. The size of the recovery must not lead the carrying value of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Recoveries on impairment with time value effects are recognised in net interest income.

In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual conditions may be subsequently modified by the parties to the contract. When the contractual clauses are subject to change during the lifetime of an instrument, it is necessary to verify whether the original asset should continue to be recognised in the balance sheet or whether, instead, the original instrument needs to be derecognised and a new financial instrument needs to be recognised.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are “substantial”. The assessment of the “substantial nature” of the change must be made using both qualitative and quantitative information. In some cases, in fact, it may be clear, without resorting to complex analysis, that the changes introduced substantially modify the characteristics and/or contractual flows of a particular asset while, in other cases, further analysis (including quantitative analysis) will need to be carried out to assess the effects of the changes and verify whether or not to derecognise the asset and recognise a new financial instrument.

The qualitative and quantitative analyses aimed at defining the “substantial nature” of contractual changes made to a financial asset must therefore consider:

- the purposes for which the changes were made: e.g. renegotiations for commercial reasons and forbearance measures due to financial difficulties of the counterparty:
  - the former, aimed at “retaining” the customer, involve a borrower that is not in financial difficulty. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These operations involve a change in the original conditions of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, 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 could borrow from another intermediary and the bank would incur a decrease in expected future revenues;
  - the latter, carried out for “reasons of credit risk” (forbearance measures), relate to the bank’s attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the changes, are not normally substantially transferred and, consequently, the accounting representation that provides the most relevant information for the readers of the financial statements (apart from the triggers discussed below) is “modification accounting” – which involves the recognition through profit or loss of the difference between the carrying value and the present value of the modified cash flows discounted at the original interest rate – rather than derecognition;
- the presence of specific triggers that affect the contractual characteristics and/or cash flows of the financial instrument (such as, for example, a change in currency or a modification of the type of risk the financial instrument is exposed to, when correlated to equity and commodity parameters), which are considered to result in derecognition due to their impact (expected to be significant) on the original contractual cash flows.

Conversely, the amendments to financial assets following the Interest Rate Benchmark Reform (so-called IBOR Reform), relating to the change in the basis for determining contractual cash flows (the replacement of the existing interest rate benchmark with an alternative benchmark rate), do not constitute a derecognition event, but are to be considered a modification from an accounting standpoint. Such amendments, if made as a direct consequence of the IBOR Reform and applied on equivalent economic bases, are represented with a prospective adjustment of the effective interest rate - by applying paragraph B5.4.5 of IFRS 9 instead of modification accounting, with impacts on net interest income in future periods.



**Derecognition criteria**

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.

When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.

Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

**4. Hedging transactions**

Intesa Sanpaolo exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).

**Classification criteria: type of hedge**

Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.

The following types of hedging transactions are used:

- fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39 endorsed by the European Commission. Fair value macro hedges are aimed at reducing fluctuations in the fair value, as a result of interest rate risk, of a sum of money flowing from a portfolio of financial assets or liabilities. Net amounts resulting from mismatches between assets and liabilities cannot be subject to macro hedges;
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

Only hedging transactions which involve counterparties outside the Bank may qualify for hedge accounting.

The choice made by the Group to take advantage of the possibility of continuing to fully apply the IAS 39 rules for hedging relationships means that the equity instruments classified as Financial assets measured at fair value through other comprehensive income (FVOCI) cannot be measured as hedged items for price or exchange rate risk, since these instruments are not recognised through profit or loss, not even if they are sold (except for dividends that are recognised through profit or loss).

**Recognition criteria**

Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.

A relationship qualifies as a hedging relationship, and is appropriately reported in the financial statements only if, all of the following conditions are met:

- at the inception of the hedge, the hedging relationship is formally designated and documented, including the company's risk management objectives and strategy in undertaking the hedge. This documentation includes the identification of the hedging instrument, the item or transaction hedged, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposures to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged;
- the hedge is expected to be highly effective;
- the planned transaction hedged, to hedge the cash flows, is highly probable and has an exposure to changes in cash flows that could have effects on the income statement;
- the effectiveness of the hedge can be reliably measured;
- the hedge is measured on an ongoing basis and is considered highly effective for all the financial years in which it was designated.

**Measurement criteria**

Hedging derivatives are measured at fair value. In particular:

- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (with regard to the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect. In case of fair value macro hedges, fair value changes related to the hedged risk of assets and liabilities in hedged portfolios are allocated to the balance sheet under caption 60. "Fair value change of financial assets in hedged portfolios" or under caption 50. "Fair value change of financial liabilities in hedged portfolios";
- in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction. A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.

Effectiveness is assessed at every close of annual or interim financial statements using:

- prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- retrospective tests, which demonstrate the effectiveness of the hedge for the reference period, or measure how much the effective results diverge from perfect coverage.

Fair value hedge accounting is discontinued prospectively in the following cases:

- the hedging instrument expires or is sold, terminated, or exercised;
- the hedge no longer meets the hedge accounting criteria described above;
- the entity revokes the designation.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet. If the assets or liabilities hedged are measured at amortised cost, the higher or lower value resulting from the fair value measurement due to the hedge becoming ineffective is recognised through profit or loss, using the effective interest rate method. When a fair value macrohedging relationship is discontinued, the cumulative change in fair value losses carried under caption 60 "Fair value change of financial assets in hedged portfolios" or caption 50. "Fair value change of financial liabilities in hedged portfolios" are transferred to the income statement among interest income or expense over the residual life of the original hedging relationships, without prejudice to verification that the requirements have been met.

An entity must discontinue cash flow hedge accounting prospectively in each of the following circumstances:

- a) the hedging instrument expires or is sold, terminated, or exercised (for this purpose the replacement or exchange of one hedging instrument with another hedging instrument is not a conclusion or termination if that replacement or exchange forms part of an entity's documented hedging strategy). In this case the total profit (or loss) on the hedging instrument continues to be recognised directly in shareholders' equity until the end of the reporting period in which the hedge became effective and it continues to be recognised separately until the programmed transaction, being hedged, occurs;
- b) the hedge no longer meets the criteria for hedge accounting. In this case the total profit or loss on the hedging instrument is recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective and continues to be recognised separately in shareholders' equity until the programmed transaction occurs;
- c) it is no longer considered that the future transaction will occur, in which case any related total profit or loss on the hedging instrument recognised directly in equity starting from the reporting period in which the hedge became effective must be recognised through profit or loss;
- d) the entity revokes the designation. For hedges of a programmed transaction, total profits or losses on the hedging instrument recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective continue to be recognised separately in shareholders' equity until the programmed transaction occurs or it is expected that it will no longer occur.

As an exception to the provisions of IAS 39 discontinuation following an update of the documentation of the hedging relationship (due to modification of the hedged risk, the hedged underlying or the hedging derivative, or of the method for verifying hedge effectiveness) does not apply in the case of modifications required as a direct consequence of the Interest Rate Benchmark Reform (so-called IBOR Reform) and applied on equivalent economic bases.

## 5. Equity investments

### *Classification, recognition and measurement criteria*

The caption includes investments in subsidiaries, companies subject to joint control and associates.

Entities are considered subsidiaries where Intesa Sanpaolo is exposed to, or has rights to, variable returns from its involvement with them, and has the ability to affect those returns by exercising its own power over the entities in question.

Entities are considered to be companies subject to joint control (joint ventures), if control is contractually shared by Intesa Sanpaolo with one or more other parties external to the Group, or where the decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Companies are considered subject to significant influence (associates) when Intesa Sanpaolo holds 20% or more of the voting rights (including "potential" voting rights) or if it – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates.

Certain companies in which Intesa Sanpaolo holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.

Equity investments are recognised at settlement date. On initial recognition equity investments are recorded at cost.

Equity investments are measured at cost, which may be adjusted if impairment losses are deemed to have occurred. If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.

If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.

If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

### *Derecognition criteria*

Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, substantially transferring all the risks and rewards connected to the assets.

## 6. Property and equipment

### *Classification criteria*

Property and equipment include land, owner-occupied property, investment property, valuable art assets, technical plants, furniture and fittings and any type of equipment that are expected to be used during more than one period.

Property and equipment held for use in the production or supply of goods and services are classified as "Property and equipment used in operations", in accordance with IAS 16. Real estate owned for investment purposes (to obtain rental income or gains on the capital invested) is classified as "Investment property" based on IAS 40.

This caption also includes property and equipment classified in accordance with IAS 2 - Inventories, which refer both to assets resulting from the enforcement of guarantees or from purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not meet the requirements for classification in the previous categories.

Lastly, they include the rights of use acquired under a lease and relating to the use of an item of property and equipment (for lessees) and assets leased under an operating lease (for lessors).

### *Recognition criteria*

Property and equipment are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be operational.

Extraordinary maintenance expenses which lead to a rise in future economic benefits are attributed to increase the value of assets, while other ordinary maintenance costs are recorded in the income statement.

### *Measurement criteria*

Property and equipment are measured at cost, net of depreciation and impairment losses, except for owner-occupied properties and valuable art assets, which are measured according to the revaluation model.

The investment properties are measured with the fair value method.

For the property and equipment subject to assessment according to the revaluation model:

- if the carrying value of an asset is increased following a revaluation, the increase must be recognised in the Statement of comprehensive income and accumulated in the shareholders' equity under the caption revaluation reserve; conversely, in the case where an impairment loss on the same asset recognised previously in the income statement is recovered, it must be recognised as income;
- if the carrying value of an asset is decreased following the revaluation, the decrease must be recognised in the Statement of comprehensive income to the extent in which there are possible credit balances in the revaluation reserve referring to this asset; otherwise, this reduction is recorded in the income statement.

Property and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount is the cost of the goods (or the net value recalculated if the method adopted for the valuation is the one of the value recalculation) net of the residual value at the end of the depreciation period, if significant. Buildings are depreciated for a portion deemed to be suitable to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in the carrying value of the assets. In order to determine the useful life of the various types of assets and the corresponding depreciation rates, the Group's real estate assets have been divided into four clusters: (i) historical properties (useful life of 65 years), (ii) Entire buildings (useful life of 33 years), (iii) Banking branches

(useful life of 20 years) and (iv) Other properties (useful life of 20 years). These clusters do not include the New Intesa Sanpaolo Headquarters in Turin, for which the useful life was estimated through a specific analysis which considered the innovative characteristics of the work, featuring strategic importance and extensive architectonic value, built using complex technologies, and having few, or even zero peers not only within the Group's real estate assets but also in general. Other property and equipment is depreciated based on the following useful lives: furniture from 5 to 10 years, plants from 4 to 10 years, hardware and IT equipment for a period from 4 to 8 years and, lastly, other assets from 3 to 13 years.

The following are not depreciated:

- land, irrespective of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life;
- the valuable art assets, the other historical, artistic and decorative assets, since their useful life cannot be estimated and their value is normally destined to increase over time;
- the investment properties, as required by IAS 40, must not be depreciated, as they are measured at fair value through profit or loss.

If there is some evidence that property and equipment measured at cost may have been impaired, the carrying amount of the asset and its recoverable amount are compared. Any impairment losses are recorded in the income statement.

If the reasons for impairment cease to exist, a value recovery is recorded and may not exceed the value that the asset would have had, net of depreciation, determined in the absence of previous impairment losses.

With regard to the property and equipment recognised in accordance with IAS 2, these are measured at the lesser of cost and net realisable value, without prejudice to the comparison between the asset's carrying amount and its recoverable amount where there is an indication that the asset may have been impaired. Any impairment losses are recorded in the income statement.

### Property and equipment consisting of the right-of-use of assets subject to leases

According to IFRS 16, a lease is a contract or part of a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

According to IFRS 16, leases are accounted for on the basis of the right of use model, where, at the initial date, the lessee has a financial obligation to make payments due to the lessor to compensate for its right of use of the underlying asset during the lease term.

When the asset is made available to the lessee for use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.

In particular, the right of use acquired with a lease is measured as the sum of the present value of the future payments over the term of the contract, the lease payments made at or before the commencement date, the lease incentives received, if any, the initial direct costs and any estimated costs of dismantling or restoring the underlying asset.

The financial liability recognised corresponds to the present value of the payments to be made for the lease.

With regard to the discount rate, based on the requirements of IFRS 16, the Group uses the implicit interest rate for each lease contract, when it is available. For leases from the lessee's point of view, in some cases, for example for rental agreements, the implicit interest rate cannot always be readily determined without using estimates and assumptions (the lessee does not have enough information about the unguaranteed residual value of the leased asset). In these cases, the Group has developed a methodology for setting the incremental interest rate as an alternative to the implicit interest rate and has decided to adopt the Funds Transfer Pricing (FTP) method. This is based on an unsecured and amortising rate curve, which envisages lease payments for the lease contract that are typically constant over the lease term, rather than a single payment upon maturity. The FTP method takes into account the creditworthiness of the lessee, the term of the lease, as well as the economic environment in which the transaction takes place and is therefore in line with the requirements of the standard.

The lease term is determined taking into account:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;
- periods covered by an option to terminate the lease if the lessee is reasonably certain to exercise that option.

During the course of the lease term a lessee shall:

- measure the right-of-use at cost less accumulated depreciation and accumulated impairment losses determined and recognised based on the provisions of IAS 36 "Impairment of assets", adjusted to take account of any remeasurement of the lease liability;
- increase the liability arising from the lease following the accrual of interest expense calculated at the interest rate implicit in the lease or alternatively at the incremental borrowing rate, and decrease it for payments of principal and interest made.

If changes are made to the lease payments, then the lease liability must be remeasured and the impact of the remeasurement of the liability is recognised against the right-of-use asset.

### Derecognition criteria

Property and equipment are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

## 7. Intangible assets

### **Classification criteria**

Intangible assets consist of goodwill and other intangible assets governed by IAS 38. They may include the rights of use acquired under a lease and relating to the use of an intangible asset (for lessees) and assets leased under an operating lease (for lessors).

Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include goodwill, which represents the positive difference between purchase price and fair value of assets and liabilities pertaining to the acquired company.

### **Recognition and measurement criteria**

Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. If this is not the case, the cost of the intangible asset is recorded in the income statement in the year in which it was incurred.

For assets with finite useful life, the cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected from the asset. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment testing.

If there is any indication that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the income statement, is equal to the difference between the carrying value of the assets and the recoverable amount.

In particular, intangible assets include:

- technology-related intangibles, such as software, which are amortised on the basis of their expected technological obsolescence and over a maximum period of seven years; in particular, the costs incurred internally for the development of software projects are considered as intangible assets and are recognised under assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability of making the intangible asset available for use or sale, iii) the future economic benefits to be generated by the asset can be demonstrated. Software development capitalised costs only comprise the costs directly attributable to the development process. Capitalised software development costs are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity from the beginning of production over the product's estimated life;
- customer-related intangibles generally represented, in business combinations, by asset management relations, non-financial activities related to provision of services and insurance portfolios. Such assets, with a finite life, are originally measured by the discounting, using a rate representing the time value of money and the asset's specific risks, of the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. For asset management relations and non-financial activities related to provision of services, they are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration and, for relations from insurance contracts, generally in decreasing portions corresponding to the duration of the contract in case of relations with predetermined expiry (residual lives of the policies);
- marketing-related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered as having indefinite life since it is deemed to contribute for an indefinite period of time to the formation of income flows.

Lastly, intangible assets include goodwill.

With respect to business combinations, goodwill may be recorded when the positive difference between the fair value of shareholders' equity acquired and the purchase price of the equity investment is representative of the future income-generation potential of the equity investment.

If this difference is negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the income statement.

Once a year (or every time that there is evidence of impairment losses), an impairment test is carried out for goodwill. This requires the identification of the Cash Generating Unit (or CGU) to which goodwill is allocated. The cash-generating units of the Intesa Sanpaolo Group correspond to the operating divisions presented in segment reporting. The business operations carried out directly by the Parent Company falls under the Cash-generating units corresponding to Banca dei Territori and Corporate and Investment Banking. Therefore, goodwill is allocated to such divisions. Any impairment losses are determined on the basis of the difference between the recognition value of goodwill and its recoverable amount, if lower. The recoverable amount is equal to the higher between the fair value of the cash-generating unit, less any cost to sell, and the relative value in use. The consequent adjustments are posted in the income statement.

With regard to the intangible asset represented by the brand name, if the reference CGU does not have any goodwill allocated and, as a result, it is not possible to test the recoverable amount of the specific intangible as part of the impairment test of the goodwill based on total cash flows at the level of the CGU, then an independent and specific valuation is made on the basis of the fair value certified by the appraisal of an independent expert.

### **Derecognition criteria**

Intangible assets are derecognised from the balance sheet on disposal and if no future economic benefits are expected.



**8. Other assets**

Other assets essentially consist of items awaiting classification and items not attributable to the other balance-sheet captions, including receivables arising from the supply of goods and non-financial services, sundry tax items other than those recognised in their own caption (e.g., connected to withholding agent activities), gold, silver and precious metal, and accrued income other than that capitalised on the related financial assets, including the income resulting from contracts with customers in accordance with IFRS 15, paragraphs 116 and following. As required by paragraphs 91 and following of IFRS 15, the costs incurred for the acquisition and fulfilment of long-term contracts with customers are capitalised and amortised when they are incremental and are expected to be recovered.

**9. Non-current assets held for sale and discontinued operations and related liabilities**

Non-current assets/liabilities for which a disposal process has commenced and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. These assets/liabilities are measured at the lower of the carrying amount and fair value less cost to sell, except for some type of assets (e.g., financial assets within the scope of IFRS 9) for which IFRS 5 specifically establishes that the measurement principles of the applicable accounting standard must be used.

Non-current assets held for sale and discontinued operations may include portfolios of assets for which there are no prices in an active market. In such case, where an agreement has been reached with the purchaser, they are measured at fair value by referring to the sale prices resulting from that agreement. Where there is no agreement, they are measured using specific valuation techniques based on the asset and, where necessary, by employing external fairness opinions.

The income and charges (net of tax effect) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the income statement in a separate caption.

**10. Current and deferred tax**

Taxes on income, calculated according to domestic tax regulations, are accounted for as a cost on an accruals basis, in line with the method followed to include, in the financial statements, the costs and income that generated them. Therefore, they represent the balance of current and deferred income taxes for the year. Current tax assets and liabilities include the balances of the Bank due to the relevant Italian and foreign tax authorities relating to direct taxation. More specifically, these captions include the net balance of tax liabilities from previous years and the current year, calculated on the basis of a prudent estimate of the tax charges due for the year, assessed according to the tax regulations currently in force, and the current tax assets represented by advances, by withholding taxes borne or other tax credits. The risk inherent in such proceedings and the risks inherent in proceedings where preliminary disbursements have not been requested are evaluated in applying the principles contained in IAS 37 regarding the best estimate of the economic resources required.

Considering the Group's adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.

Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.

Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (so-called probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are offset.

If deferred tax assets and liabilities refer to items affecting the Income statement, the balancing entry is represented by taxes on income.

Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, measurements of financial assets recognised at fair value through other comprehensive income or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).

No provision is made for reserves subject to latent taxation only in the event of distribution, since the size of the available reserves which have already been taxed leads to the belief that no transactions will be undertaken which may cause taxation of the untaxed reserves.

Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the accrual basis principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.

**11. Allowances for risks and charges*****Allowances for risks and charges for commitments and guarantees given***

This sub-caption of the allowances for risks and charges contains the allowances for credit risk recognised for loan commitments and guarantees given that come under the scope of the IFRS 9 impairment rules. For these cases, in general, the methods described for financial assets measured at amortised cost or at fair value through other comprehensive income are adopted for the assignment to the three credit risk stages and the calculation of the expected credit loss.

This aggregate also includes allowances for risks and charges made to cover other types of commitments and guarantees given that, due to their specific characteristics, do not fall under the scope of impairment pursuant to IFRS 9.

**Post-employment benefits**

Company post-employment benefits are based on agreements and qualify as defined benefit plans. Liabilities related to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected Unit Credit Method. This method sets out that future obligations are forecast using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each year of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The discounting rate is determined on the basis of market returns, surveyed as at the date of measurement, on high-quality corporate bonds, taking account of the residual average life of the liability. The present value of the liability at the reporting date is also adjusted by the fair value of any plan assets.

Actuarial profits and losses (namely the changes in the current value of the obligation resulting from changes in the actuarial assumptions and adjustments based on past experience) are recognised in the statement of comprehensive income.

**Other allowances**

Other allowances for risks and charges record provisions related to legal obligations or connected to labour relationships or to litigations, also of a fiscal nature, originating from a past event for which a disbursement will probably arise to settle the obligations, provided that the amount of the disbursement may be estimated reliably.

Consequently, a provision is recognised when, and only when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date and takes into account the risks and uncertainties that inevitably surround many events and circumstances. Where time value is significant, provisions are discounted using current market rates. Provisions and increases due to time value are recorded in the income statement.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation or when the obligation is settled, the provision should be reversed.

The caption also includes long-term benefits to employees, whose charges are determined with the same actuarial criteria described for post-employment benefits. Actuarial profits and losses are all immediately recognised in the income statement.

**12. Financial liabilities measured at amortised cost****Classification criteria**

Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.

It also includes the payables recorded by the Bank in the capacity of lessee in lease transactions.

**Recognition criteria**

Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which usually coincides with the time of collection of the sums deposited or the issue of debt securities.

Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.

Lease payables are recognised at the present value of the future lease payments, discounted using the implicit interest rate of the transaction or, where it cannot be determined, the marginal financing rate.

**Measurement criteria**

After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.

An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.

Lease payables are remeasured when there is a lease modification (e.g. a change in the contract which is not accounted for/considered as a separate contract); the effect of the remeasurement will be a corresponding adjustment to the right-of-use asset.

**Derecognition criteria**

Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the income statement.

Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.



### 13. Financial liabilities held for trading

#### **Recognition criteria**

These financial instruments are recognised at the subscription or issue date at the fair value of the instrument, without taking into account directly attributable transaction costs or revenues.

This liability category includes, in particular, the negative fair value of trading derivatives, as well as embedded derivatives with a negative fair value separated from liabilities measured at amortised cost.

It also includes liabilities determined by short selling generated by trading of securities and certificates forming part of the trading business model.

#### **Measurement criteria**

All financial liabilities held for trading are measured at fair value through profit or loss.

#### **Derecognition criteria**

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed of with the substantial transfer of all the risks and rewards connected to it.

### 14. Financial liabilities designated at fair value

#### **Classification criteria**

Financial liabilities designated at fair value are recorded under this caption, on the basis of the fair value option given to companies by IFRS 9 and in compliance with the cases contemplated in the reference regulations.

This category of liabilities includes certificates that form part of the banking book business model.

#### **Recognition criteria**

These liabilities are recorded at fair value as at the date of issue, including the value of any embedded derivatives, net of placement fees paid.

#### **Measurement criteria**

These liabilities are measured at fair value according to the following rules established by IFRS 9:

- changes in fair value attributable to changes in own credit risk must be recognised in the statement of comprehensive income (shareholders' equity);
- the remaining changes in fair value must be recognised in the income statement.

The amounts recognised in the statement of comprehensive income are not subsequently recycled to the income statement. This method of accounting must not be applied when recognition of the effects of own credit risk on shareholders' equity results in or accentuates an accounting mismatch in the income statement. In this case, gains and losses associated with the liability, including those resulting from changes in own credit risk, must be recognised in the income statement.

#### **Derecognition criteria**

The financial liabilities designated at fair value are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed with the substantial transfer of all the risks and rewards connected to it.

### 15. Foreign currency transactions

#### **Definition**

The foreign currency is a currency that is not the functional currency of the entity, which is in turn the currency of the primary economic environment in which the entity operates.

#### **Initial recognition**

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

#### **Subsequent measurement**

At every close of annual or interim financial statements, captions in foreign currency are measured as follows:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit or loss, any exchange component of that gain or loss is recognised through profit or loss.

## 16. Other information

### **Own shares**

Any own shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

### **Accruals, prepayments and deferrals**

Accruals, prepayments and deferrals for the year that include income and charges for the year, accrued on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities to which they are related.

### **Leasehold improvements**

The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. These costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

### **Employee termination indemnities**

Employee termination indemnities qualify as a “post-employment benefit” classified as:

- a “defined contribution plan” to the extent of the portions accruing from 1 January 2007 (the date the reform of the supplementary pension schemes came into force pursuant to Legislative Decree 252 of 5 December 2005) when the employee opted for the complementary pension scheme or decided to allocate such portions to the INPS (the Italian Social Security Institute) Treasury fund. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation;
- a “defined benefit plan” to the extent of the portions of employee termination indemnities accrued until 31 December 2006.

These amounts are recognised at their actuarial value determined using the “Projected Unit Credit Method”, without applying the pro-rata of the service rendered. Indeed, the current service cost of employee termination indemnities is almost entirely accrued and its revaluation in the years to come is not expected to generate significant benefits for employees.

For the purposes of discounting, the rate used is the market yield of high-quality corporate bonds taking into account the average remaining life of the liability, weighted based on the percentage amount paid and advanced, for each maturity, with respect to the total to be paid and advanced until the expiry of the entire obligation.

The plan's costs are recorded under personnel expenses, while actuarial profits and losses are recognised in the statement of comprehensive income.

### **Share-based payments**

Share-based payments are recorded in the income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.

In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned.

The combination of the two values supplies the fair value of the assigned instrument.

Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

### **Employee benefits**

Employee benefits are defined as all forms of consideration given by an entity in exchange for service rendered by employees. Employee benefits are divided into:

- short-term benefits (other than termination benefits or equity compensation benefits) that are expected to be paid in full within twelve months after the end of the period in which the employees render the related service and recognised in full through profit or loss when they become due (this category includes, for example, wages, salaries and “extraordinary” benefits);
- post-employment benefits payable after the conclusion of employment that require the entity to provide future benefits to employees. These include employee termination indemnities and pension funds, which are in turn divided into defined contribution plans and defined benefit plans or company pension funds;
- termination benefits, i.e. compensation that the company recognises to the staff members upon termination of the employment agreement, following the company's decision to terminate the employment relationship prior to the normal retirement date;
- long-term benefits, other than those above, that are not expected to be paid in full within twelve months after the end of the period in which the employee rendered their service.

**Offsetting of financial instruments**

According to IAS 32, paragraph 42, financial assets and financial liabilities are offset and the net amount presented in the financial statements when an entity:

- has a legal enforceable right of set off which is currently exercisable in all circumstances, both in the ordinary course of business or in the event of default, insolvency or bankruptcy of the parties;
- intends to settle the transactions on a net basis or on a gross settlement basis whose substantive effects are equivalent to a net settlement.

For derivative instruments covered by netting agreements that meet the above requirements, Bank of Italy Circular 262 also requires the offsetting to be performed between trading and hedging derivatives, with the mismatches to be presented on a net basis. The net balance is usually allocated to the trading book rather than to the hedging derivatives, based on the actual amount of the mismatch between trading and hedging derivatives.

In compliance with the requirements of IFRS 7, more detailed information is provided in the tables contained in Part B – Other information of these Notes to the financial statements, which present the following:

- the carrying amounts of assets and liabilities that meet the requirements of IAS 32, paragraph 42, before and after offsetting;
- the exposures subject to master netting agreements that have not been offset but have the potential to be offset following specific circumstances;
- the collateral associated with them.

**Tax credits related to the “Cura Italia” and “Rilancio” Law Decrees acquired as a result of transfer by direct beneficiaries or previous purchasers (e.g. ecobonus)**

Law Decrees no. 18/2020 (“Cura Italia” Decree) and no. 34/2020 (“Rilancio” Decree) introduced tax incentives related to both investment expenditure (e.g. ecobonus and seismicbonus) and current expenditure (e.g. rents for non-residential premises). These tax incentives apply to households or businesses, are linked to a percentage of the expenditure incurred (in some cases up to 110%) and are granted in the form of tax credits or tax deductions (with option for conversion into tax credits). The main features of these tax credits are: i) the possibility of using them for offsetting; ii) their transferability to third-party purchasers; and iii) their non-refundability by the Treasury.

The accounting for tax credits acquired from a third party (transferee of the tax credit) is not covered by a specific international accounting standard. IAS 8 requires, in cases where there is a circumstance not explicitly addressed by an IAS/IFRS accounting standard, that management develop an accounting policy to ensure relevant and reliable disclosure of such transactions.

To this end, Intesa Sanpaolo, in view of the guidance provided by the Authorities, in the document Accounting treatment of tax credits acquired pursuant to the ‘Cura Italia’ and ‘Rilancio’ Law Decrees published on 5 January 2021 by the Coordination Committee between the Bank of Italy, Consob and IVASS concerning the application of IAS/IFRS has adopted an accounting policy that refers to the accounting rules established by IFRS 9, applying the provisions that are consistent with the characteristics of the transaction. The Bank purchases the credits according to its tax capacity, for the purpose of holding them and using them for future offsets. As a result, these credits come under a hold to collect business model and are recognised at amortised cost, with the remuneration recognised in net interest income during the period of recovery. The measurement of these credits is carried out considering the cash flows from the estimated future offsets. The accounting framework established by IFRS 9 for calculating expected losses does not apply in this case: the ECL is not calculated on these tax credits, as there is no counterparty credit risk, because the credit is realised through offsetting against payables and not through collection. As specified in the joint document from the Authorities, as mentioned above, given that the purchased tax credits do not qualify as tax assets, public subsidies, intangible assets or financial assets under the international accounting standards, the most appropriate classification, for their presentation in the financial statements, is the residual classification under Other Assets in the balance sheet.

**TLTRO III**

The TLTRO III (Targeted Longer Term Refinancing Operations) seek to preserve favourable bank lending conditions and support the defined monetary policy stance. Some of the parameters that characterise these transactions, established by the ECB on 6 June 2019 were subsequently revised to make improvements, most recently on 10 December 2020, in light of the economic impact of the continuation of the COVID-19 emergency. The amount of funding that each bank can obtain depends on the amount of loans granted to non-financial companies and households at particular reporting dates (so-called eligible loans). The operations have been conducted on a quarterly basis, from September 2019, and each operation has a duration of three years.

The interest rate for each operation is set at a level equal to the average interest rate on the Eurosystem’s main refinancing operations (MROs), currently 0%, except for the special interest rate period from 24 June 2020 to 23 June 2022, when a rate of 50 basis points lower will apply. Banks granting net eligible loans above a benchmark net lending can receive an interest rate reduction. Specifically, the favourable rate applied will be equal to the average rate on deposits with the central bank (Deposit Facility), currently -0.5%, for the entire duration of the respective operation, except for the special interest rate period where an additional reduction of 50 basis points will be added (but in any event not higher than -1%). The interest is paid in arrears at the maturity date of each TLTRO III transaction or at the time of early repayment.

It is also noted that, on 6 January 2021, ESMA issued a Public Statement with the aim of promoting transparency in the banks’ IFRS financial reports concerning the accounting treatment of TLTRO III: in light of the significant numerical impacts of the operations in question and of the level of judgment required for defining the accounting policy, ESMA highlighted the importance of providing in the financial statements an adequate level of transparency on the accounting treatment of operations.

Intesa Sanpaolo applies the accounting treatment determined in accordance with IFRS 9 to TLTRO III transactions, treating the refinancing conditions established by the ECB as market rates within the Eurosystem’s monetary policy measures.

Under the Bank’s accounting policy, the special interest rates for the period from 24 June 2020 to 23 June 2022 are recognised in accordance with IFRS 9 as floating rates applicable to the reporting period, because the Governing Council of the ECB may at any time change the interest rate of TLTRO III operations prospectively (as it did in April and December

2020). The interest is therefore recognised periodically based on the interest rate of the instrument for each period (-0.5% until 24 June 2020, -1% until 23 June 2022, and -0.5% thereafter and until maturity, based on current rates) as required by paragraph B5.4.5 of IFRS 9.

A requirement for the recognition of the favourable interest rates – in keeping with the approach already adopted for TLTRO II – is a reliable estimate of the achievement of the benchmark net lending, which the Bank performs through forecast reports on the lending performance monitored at set dates, approved by an appropriate level of management. Please refer to Part C with reference to the interest recognised in the period and the achievement of the benchmarks.

In the event of changes to the forecasts on the achievement of those targets, the IFRS 9 provisions on the revision of cash flow estimates apply.

### **Recognition of revenues and costs**

Revenues are gross flows of economic benefits deriving from the performance of the company's ordinary business and are recognised when control of the goods or services is transferred to the customer, at an amount that represents the amount of consideration that the company considers it is entitled to. In particular, revenues are recognised by applying a model that must meet the following criteria:

- identification of the contract, defined as an agreement in which the parties are committed to perform their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sale prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is satisfied by transferring a promised good or service to a customer.

The transaction price is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services promised. It may include fixed or variable amounts or both. Revenues from variable fees are recognised in the income statement if they can be reliably estimated and only if it is highly likely that all or a significant part of this fee will not need to be reversed from the income statement in future periods. Where there is a high level of uncertainty related to the nature of the consideration, it will be recognised only when this uncertainty is resolved.

Revenues may be recognised:

- at a specific point in time, when the entity satisfies a performance obligation by transferring a promised good or service to the customer, or
- over time, as the entity satisfies a performance obligation by transferring a promised good or service to the customer.

The good is transferred when, or in the period when, the customer acquires control of the good.

In particular:

- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued up to the reporting date, relating to financial derivatives:
  - a) hedging interest-generating assets and liabilities;
  - b) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit or loss (fair value option) in management terms;
  - c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
- overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement when their distribution is approved, unless this date is not known or the information is not immediately available, in which case they may be recognised when they are collected;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate is recognised under interest;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, or when the performance obligation towards the customer is satisfied.

Costs are recognised in the income statement on an accruals basis. Costs relating to the receipt and performance of contracts with customers are recognised in the income statement in the periods when the related revenues are recognised.

### **Use of estimates and assumptions in preparing financial reports**

The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the contingent assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, also founded on past experience, which are used to formulate reasonable assumptions in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.

If there are greater uncertainties and/or the assets being measured are particularly material, the valuation is supported by specific fairness opinions from external appraisers/experts.

The main cases for which subjective evaluations are required to be made by corporate management include:

- the measurement of impairment losses on loans, investments, and, generally, other financial assets;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the fair value measurement of real estate and valuable art assets;
- the measurement of personnel funds and allowances for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets.

For some of the types listed above, the main factors subject to estimates by the Bank and which determine the carrying value of assets and liabilities in the financial statements can be identified. The following are noted, by way of example:

- to determine the fair value of financial instruments not listed on active markets, if the use of parameters that cannot be obtained from the market is necessary, the main estimates regard, on one hand, development of future cash flows (or even income flows, in the case of equities), possibly conditional on future events and, on the other, the level of specific input parameters not listed on active markets;
- the estimates for the assignment of loans and debt securities classified as Financial assets measured at amortised cost and Financial assets measured at fair value through other comprehensive income to the three credit risk stages required by IFRS 9 and to calculate the related expected credit losses involve:
  - the determination of the parameters for a significant increase in credit risk, essentially based on models for measuring the probability of default (PD) upon origination of the financial assets and at the reporting date;
  - the inclusion of forward-looking factors, including macroeconomic factors, for the determination of the PD and LGD;
  - the determination of the likelihood of sale of impaired financial assets, through the realisation of market positions;
- to determine the future cash flow estimates from non-performing loans, a number of items are considered: the expected recovery times, the presumed realisable value of guarantees and the costs to be sustained for the recovery of credit exposure;
- to determine the value in use of intangible assets with an indefinite life (brand name and goodwill) with regard to the Cash-Generating Units (CGU) comprising Intesa Sanpaolo, the future cash flows in the forecasting period of the analysis and the flows used to determine the terminal value, generated by the CGU, are subject to estimate, separately and appropriately discounted. Also the cost of capital is among the items subject to estimate;
- to determine the value in use of intangible assets with a finite life (asset management and insurance portfolios) with regard to the CGUs comprising Intesa Sanpaolo, the useful life is subject to estimate, on the one hand, as well as the future cash flows arising from the asset, on the other. The cost of capital is subject to estimate in the case of intangible assets with a finite life as well;
- the fair value measurement of real estate and valuable art assets is based on valuations prepared by qualified independent firms. Lease rentals, selling prices, discount rates and capitalisation rates are estimated in order to conduct the appraisals of the properties, while to conduct the appraisals on the valuable art assets, the estimate of the value is gathered from the performance of the exchanges of similar works (in terms of technique, size, subject) by the same author or regional movements and schools that are close with regard to style and technique;
- to measure post-employment benefits, the present value of the obligations is subject to estimate, taking into account the flows, appropriately discounted, arising from past time-series analyses and the demographic curve;
- to measure allowances for risks and charges, the amount of outflows necessary to fulfil the obligations is estimated, where possible, taking into account the effective probability of having to utilise resources;
- to determine the value of deferred tax items, the likelihood of an effective future tax burden is estimated (taxable temporary differences) and the level of reasonable certainty – if it exists – of future taxable amounts at the time when the tax deductibility occurs (deductible temporary differences and tax losses carried forward).

#### **The classification drivers for financial assets**

The classification of the financial assets into the three categories established by the standard depends on two classification drivers: the business model used to manage the financial instruments and the contractual cash flow characteristics of the financial assets (or SPPI Test).

The classification of the financial assets derives from the combined effect of the two drivers mentioned above, as described below:

- Financial assets measured at amortised cost: assets that pass the SPPI test and come under the Hold to Collect (HTC) business model;
- Financial assets measured at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and come under the Hold to Collect and Sell (HTCS) business model;
- Financial assets measured at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test of the contractual cash flow characteristics (SPPI test not passed).

#### **SPPI test**

For a financial asset to be classified as at amortised cost or at FVOCI – in addition to the analysis of the business model – the contractual terms of the asset must also provide, on specified dates, for cash flows that are solely payments of principal and interest (SPPI). This analysis must be carried out for loans and debt securities in particular.

The SPPI test must be carried out on each individual financial instrument at the time of recognition in the balance sheet. After initial recognition, and as long as it is recognised in the balance sheet, the asset is no longer subject to new assessment for the purposes of the SPPI test. If a financial instrument is derecognised and a new financial asset is recognised, the SPPI test must be performed on the new asset.

For the application of the SPPI test, IFRS 9 provides the following definitions:



- Principal: this is the fair value of the financial asset at initial recognition. This value may change over the life of the financial instrument, for example as a result of repayments of part of the principal;
- Interest: this is the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks and costs and a profit margin.

In assessing whether the contractual flows of a financial asset can be defined as SPPI, IFRS 9 refers to the general concept of a 'basic lending arrangement', which is independent of the legal form of the asset. When contract terms introduce exposure to risks or volatility in the contractual cash flows that is inconsistent with the definition of a basic lending arrangement, such as exposure to changes in share or commodity prices, the contractual cash flows do not meet the definition of SPPI. The application of the classification driver based on contractual cash flows sometimes requires a subjective judgement and, consequently, the establishment of internal application policies.

In cases of modified time value of money – for example, when the interest rate of the financial asset is recalculated periodically, but the frequency of the recalculation or the frequency of payment of the coupons does not reflect the nature of the interest rate (such as when the interest rate is recalculated monthly on the basis of a one-year rate) or when the interest rate is recalculated regularly on the basis of an average of particular short or medium-to-long term rates – an entity should assess, using both quantitative and qualitative information, whether the contractual cash flows still meet the definition of SPPI (benchmark cash flows test). If the test shows that the (undiscounted) contractual cash flows are "significantly different" from the (also undiscounted) cash flows of a benchmark instrument (i.e. without the modified time value element), the contractual cash flows cannot be considered to meet the definition of SPPI.

The standard requires specific analyses ("look through test") to be performed and these are therefore also conducted on multiple contractually linked instruments (CLIs) that create concentrations of credit risk for debt repayment and on non-recourse assets, for example in cases where the loan can only be enforced on specified assets of the debtor or on the cash flows from specified assets.

The presence of contractual clauses that may change the frequency or amount of the contractual cash flows must also be considered to determine whether those cash flows meet the requirements to be considered as SPPIs (e.g. prepayment options, the possibility of deferring contractually agreed cash flows, embedded derivative instruments, subordinated instruments, etc.).

However, as envisaged by IFRS 9, a contractual cash flow characteristic does not affect the classification of the financial asset if it could have only a de minimis effect on the contractual cash flows of the financial asset (in each year and cumulatively). Similarly, if a cash flow characteristic is not genuine, i.e. if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur, it does not affect the classification of the financial asset.

For operations in debt securities, Intesa Sanpaolo uses the services offered by well-known info-providers for the performance of the SPPI Tests. This choice, on one hand, provides front office staff who deal in securities with an immediate result for the performance of the test, enabling the streamlining of purchasing processes, and, on the other hand, provides access to market approaches shared by numerous operators and audit firms. Only in cases where the securities are not managed by info-providers, the test is carried out manually using a proprietary tool based on an internally developed methodology (decision-making trees).

A proprietary tool based on an internally developed methodology (decision-making trees) has also been developed for carrying out the SPPI test for the lending processes. In particular, given the significant differences in characteristics, the procedure differs between products related to a contractual standard (typically the retail loan portfolio) and tailor-made loans (typically the corporate loan portfolio).

For standard products, the SPPI test is carried out during the structuring of the contractual standard, through the "New Product Coordination" process, and the result of the test is applied to all the individual relationships related to the same catalogue product. For tailor-made products, on the other hand, the SPPI test is carried out for each new credit line/relationship submitted to the decision-making body through the use of the proprietary tool.

The decision-making trees – included in the proprietary tool – have been produced internally (both for debt securities and loans) and capture the possible non-SPPI compliant characteristics. They take account of the instructions provided by IFRS 9, as well as the interpretations of the standard made by the Intesa Sanpaolo Group. The trees are used both for the implementation of the rules of the proprietary tool and for the verification and validation of the methodology adopted by the info-providers.

#### *Business model*

With regard to the business models, IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed:

- Hold to Collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the portfolios associated to it. The inclusion of the portfolio of financial assets in this business model does not necessarily result in the inability to sell the instruments, but the frequency, value and timing of sales in prior periods, the reasons for the sales, and the expectations about future sales, need to be considered;
- Hold to Collect and Sell (HTCS): this is a mixed business model whose objective is achieved by collecting the contractual cash flows of the financial assets in portfolio and (also) through the sale of the financial assets, which is an integral part of the strategy. Both activities (collection of contractual flows and sale) are indispensable for achieving the business model's objective. Accordingly, sales are more frequent and significant than for an HTC business model and are an integral part of the strategies pursued;

- Other/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not come under the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured based on fair value.

The business model reflects the way in which financial assets are managed to generate cash flows for the benefit of the entity and is defined by top management with the appropriate involvement of the business structures. It is observed by considering the way in which financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows derive from the collection of contractual flows, from the sale of the financial assets, or from both. This assessment is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as 'worst case' or 'stress case' scenarios. For example, if an entity expects that it will sell a particular portfolio of financial assets only in a stress case scenario, that scenario does not affect the entity's assessment of the business model for those assets if the entity reasonably expects that such a scenario will not occur.

The business model does not depend on management's intentions regarding an individual financial instrument, but refers to the way in which groups of financial assets are managed in order to achieve a specific business objective.

In summary, the business model:

- reflects the way in which financial assets are managed to generate cash flows;
- is defined by top management, with the appropriate involvement of the business structures;
- must be observable by considering the way the financial assets are managed.

In operational terms, the assessment of the business model is carried out in line with the company's organisation, the specialisation of the business functions, the risk cascading model, and the assignment of delegated powers (limits). All relevant factors available at the date of the assessment are used in the assessment of the business model. The above information includes the strategy, the risks and their management, the remuneration policies, the reporting, and the amount of the sales. In the analysis of the business model, the elements investigated must be consistent with each other and, in particular, must be consistent with the strategy pursued. Evidence of activities not in line with the strategy must be analysed and duly justified.

In this regard, and in relation to the business models under which the financial assets are held, a specific set of "Business Model Rules" (approved by the competent levels of governance) has been drafted for the Parent Company and Banking Group Companies. It defines and sets out the components of the business model in relation to the financial assets included in the portfolios managed as part of the operations of Intesa Sanpaolo's business structures. In further detail, the mapping of the business model adopted by the various structures through which the Bank operates, with regard to both loans and receivables and debt securities, takes account of the structure of the division model and the Corporate Centre; this structure has been identified as the relevant level for formulating and representing the various business models applied by Intesa Sanpaolo's risk-taking centres.

Within the Chief Risk Officer Area, the Financial and Market Risks Head Office Department of the Bank provides high-level supervision of the procedure required for determining the business model within which a given set of assets is held and verifies the need for any updates (to be incorporated, at least annually, in the Business Model Rules document).

#### *Monitoring of the business model*

The monitoring of the reference business model of the various structures through which Intesa Sanpaolo operates is performed by the Financial and Market Risks Head Office Department, which uses indicators intended to verify the consistency of the declared strategy with that pursued within the business models; these indicators, differentiated for the various business models, have been developed in accordance with IFRS 9 and corporate rules and procedures.

For the Hold to Collect portfolios, Intesa Sanpaolo has set limits for frequent but not significant sales to be considered eligible (individually or in aggregate), or for infrequent sales even if their amount is significant, and the parameters have also been established for identifying sales as being consistent with that business model because they relate to an increase in credit risk or for securities nearing maturity.

More specifically, within an HTC business model, sales are allowed:

- in the event of an increase in credit risk, which occurs:
  - for securities, when there is a downgrade of predetermined notches with respect to the rating upon origination. The approach adopted differentiates the number of notches according to the rating upon origination, in line with the method used to identify significant deterioration, i.e. for the staging assignment;
  - for loans, if they are sales of non-performing loans or loans classified as Stage 2;
- for securities nearing maturity (i.e., according to the Group rules, in the 6 months preceding maturity), provided that the amount collected is close to the current value of the remaining contractual flows;
- when they are frequent but not significant in terms of value or occasional even if significant in terms of value, subject to authorisation assessment by the competent Control bodies. In order to determine these aspects, thresholds of frequency and significance have been set:
  - frequency is defined as the percentage ratio between the number of positions sold over the year and the number of portfolio positions;
  - significance is defined as the percentage ratio between the nominal value of the sales during the current year and the nominal value of the instruments held in the portfolio.

With regard to the determination of the "Risks" and the "Reporting" for the HTCS and Trading business models, the provisions of the RAF and Market Risk Charter and of internal policies in the area of market risk controls apply in principle, and measures are concurrently established for monitoring the consistency of the HTCS and Other/Trading business models.



With regard to the HTCS business model, IFRS 9 does not provide for the need for limits on the frequency or the value of the sales. However, Intesa Sanpaolo has established indicators for debt securities only in order to ensure that they are properly assigned to the chosen business model over time. These indicators are:

- The holding period, which measures the time for which a certain instrument has been held in portfolio;
- Turnover rate, which measures the speed with which positions in portfolio turn over during a predefined period of time.

Within the framework of the monitoring of the indicators set out above, limits and early-warning thresholds apply according to the overall strategies pursued by the HTCS portfolio.

Finally, with regard to debt or equity securities held for trading, a measure of the consistency of inclusion in the chosen business model applies, represented by the indicator of "expected average permanence" (so-called Vintage) which measures the observed holding period of all securities in portfolio.

The monitoring measures relating to the various business models are subject to regular reporting through technical committees.

#### **Amortised cost measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.

The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions recur (for example review of market interest rates).

After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost is different depending on the fact that financial assets/liabilities have fixed or floating rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or floating) over the life of the loan. For financial assets/liabilities with a floating rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate, the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.

Measurement at amortised cost is applied for the financial assets measured at amortised cost and for the financial assets measured at fair value through other comprehensive income, as well as the financial liabilities measured at amortised cost.

Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.

Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the customer. These commissions, which must be directly attributable to the single financial asset or liability, modify the original effective return, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for retrocession, for non-use, for advance termination. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions for services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction (e.g. facility and arrangement fees).

With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation in syndicated loans and lastly, up-front fees correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front fees correlated to loans disbursed at rates below market rates, income for the participation in syndicated loans and brokerage commissions received.

For debt securities not measured at fair value through profit or loss, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since immaterial.

Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and remuneration paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/review expenses for the annual update of prospectuses, the costs for the use of indexes and commissions which originate during the life of the bond issue.

Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective rate of return of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous recognition in

the income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, structured liabilities that are not measured at fair value through profit or loss, for which the embedded derivative has been separated from the financial instrument, are also measured at amortised cost.

As specified by IFRS 9, in some cases, a financial asset is considered credit-impaired at initial recognition because the credit risk is very high, and in the case of a purchase it is purchased at a deep discount (with respect to the initial disbursement value). If these financial assets, based on the application of the classification drivers (SPPI Test and business model), are classified as assets measured at amortised cost or at fair value through other comprehensive income, they are classed as Purchased or Originated Credit Impaired (POCI) assets and are subject to special treatment for the impairment process. In addition, for the financial assets classed as POCI, the credit-adjusted effective interest rate is calculated, at the initial recognition date, which requires the inclusion of the initial expected credit losses in the cash flow estimates. This credit-adjusted effective interest rate is used for the application of the amortised cost and the consequent calculation of interest.

For non-performing loans arising from business combinations, the difference between the initial recognition amount (the fair value determined in the PPA) of the POCIs and the previous carrying amount at the acquired entity is split into two components: one related to the lower recoverable cash flows estimated at fair value, which therefore include the expected credit losses over their entire remaining life, and the other related to the discounting of those lower recoverable cash flows. Please note that the reversal of discounting (connected with the estimate of recoverable cash flows attributed to non-performing loans at the moment of the PPA) is recognised, on a pro-rata basis, among interest income so as to supplement the contractual interest rate with the higher return resulting from the lower value attributed to the recoverable cash flows, which, as mentioned above, take into account the expected losses over the entire remaining life of the POCI assets.

The amortised cost measurement criterion is not applied to hedged financial assets/liabilities for which fair value changes related to the risk hedged are recorded through profit or loss. The financial instrument is again measured at amortised cost in the case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraphs relating to financial assets and liabilities measured at amortised cost, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable loans.

## **Impairment of assets**

### **Impairment of financial assets**

At each reporting date, pursuant to IFRS 9, financial assets other than those measured at fair value through profit or loss are subject to an assessment aimed at verifying whether there is any evidence that the carrying value of the assets may not be fully recoverable. A similar analysis is also performed for loan commitments and for guarantees given that must be tested for impairment under IFRS 9.

In preparation for the determination of the impairment losses, at each reporting date the financial instruments must be assigned to the following categories (Stage Assignment or Staging):

- Stage 1: comprising financial instruments for which, from their initial recognition up to the reporting date, there is no evidence of a significant increase in credit risk;
- Stage 2: it comprises financial assets that have had a significant increase in credit risk since initial recognition;
- Stage 3: if there is evidence of impairment, these financial assets – in line with any other assets pertaining to the same counterparty – are considered impaired and are therefore included in Stage 3.

The impaired exposures consist of financial assets classified in the categories of bad loans, unlikely-to-pay (UTP) loans and exposures past due by more than ninety days, defined in Bank of Italy Circular 272/2008.

Before illustrating the methods for determining the impairment of performing and non-performing financial assets, it is noted that the treatment described below must be read along with the measures introduced – also as per instructions from regulators - as a result of the COVID-19 pandemic, which are outlined in general in Section 4 of this Part A of the Notes to the Parent Company's financial statements and described in more detail in Part E – Section 1 Credit risk (2.3 Methods for measuring expected losses) of the Group consolidated financial statements.

### **Impairment of performing financial assets**

For financial assets for which there is no evidence of impairment (unimpaired financial instruments), it is necessary to check whether there are indicators that the credit risk of the individual transaction has increased significantly since initial recognition. This check, in terms of classification (or, more precisely, staging) and measurement, has the following consequences:

- where these indicators exist, the financial asset is included in Stage 2. In this case, in compliance with international accounting standards and despite the absence of an actual impairment, the measurement consists of the recognition of value adjustments equal to the lifetime expected credit losses of the financial instrument. These adjustments are subject to revision at each subsequent reporting date, both to periodically check their consistency with the continuously updated loss estimates and to take account – if the indicators of “significantly increased” credit risk are no longer present – of the change in the forecast period for the calculation of the expected credit loss;
- where these indicators do not exist, the financial asset is included in Stage 1. In this case, in compliance with international accounting standards and despite the absence of an actual impairment, the measurement consists of the recognition of the 12-month expected credit losses for the specific financial instrument. These adjustments are subject to revision at each subsequent reporting date both to periodically check their consistency with the continuously updated loss estimates and to take into account – if there are indicators that the credit risk has “significantly increased” – the change in the forecast period for the calculation of the expected loss.

With regard to the measurement of financial assets and, in particular, the identification of the “significant increase” in credit risk (a necessary and sufficient condition for the classification of the asset being measured as Stage 2), the following factors constitute the key elements to be taken into account, in accordance with the standard and its operational implementation by the Intesa Sanpaolo Group:

- the variation (beyond set thresholds) of the lifetime probabilities of default compared to the time of initial recognition of the financial instrument. This is therefore an assessment made on a “relative” basis, which constitutes the main driver;
- the presence of a past due position that – subject to the materiality thresholds identified by the regulations – has been in that status for at least 30 days. If these circumstances apply, the credit risk of the exposure is considered to have “significantly increased” and the exposure is therefore transferred to Stage 2 (when the exposure was previously included in Stage 1);
- the presence of forbearance measures, which – again on a presumption basis – result in the classification of the exposures under those whose credit risk has “significantly increased” since initial recognition.

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

The significant deterioration is therefore based on the increase in the lifetime PD caused by downgrades of the position from its origination to the reporting (observation) date, as well as the change in the forecast of the future macroeconomic factors.

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

The determination of the thresholds has been calibrated to find a suitable balance between the performance indicators relating to the ability of the thresholds to:

- detect Stage 2 positions before their transition to default;
- identify positions for which a return to Stage 1 is due to an actual improvement in credit rating.

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

Once the allocation of the exposures to the various credit risk stages has been established, the expected credit losses (ECL) are determined at individual transaction or securities tranche level, using the IRB/Business models, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate corrections are made to ensure compliance with the specific requirements of IFRS 9.

The following definitions apply for PD, LGD and EAD:

- PD (Probability of Default): likelihood of migrating from performing to non-performing status over the period of one year. In models consistent with supervisory provisions, the PD factor is typically quantified through the rating. In Intesa Sanpaolo, the PD values are derived from internal rating models where available, supplemented by external ratings or segment/portfolio average figures;
- LGD (Loss Given Default): percentage loss in the event of default. In the models consistent with supervisory provisions, it is quantified through the historical experience of discounted recoveries on exposures that have become non-performing;
- EAD (Exposure At Default) or credit equivalent: amount of the exposure at the time of default.

As mentioned above, in order to comply with IFRS 9, specific adjustments had to be made to these factors, including in particular:

- adoption of a Point in Time (PIT) PD compared to the Through the Cycle (TTC) PD used for Basel purposes;
- removal of some additional components from the TTC LGD, such as indirect costs (non-recurring costs) and an additional margin of conservatism specifically introduced for the regulatory models, as well as the component linked to the economic downturn;
- the introduction of specific treatments with respect to the regulations, for the purposes of estimating the accounting LGD, to include in the models (in line with the indications of IFRS 9 on the use of entity specific information) the positions defined from a regulatory perspective as “substantially closed” (non-performing loans with particularly high vintage) and the effects of massive/strategic transfers of NPLs;
- the use of PDs and, where necessary, multi-period LGDs, to determine the lifetime expected loss of the financial instrument (Stages 2 and 3);

- the use of the effective interest rate of the individual transaction in the discounting of the expected future cash flows, unlike in the regulatory models, where the individual cash flows are discounted using the discounting rates determined in compliance with the prudential regulations.

In relation to the multi-period EAD, in line with IFRS 9 Intesa Sanpaolo refers to the plans at amortised cost for both loans and receivables and debt securities, regardless of the measurement method used (amortised cost or fair value through other comprehensive income). For loan commitments (margins), on the other hand, the EAD is assumed to be equal to the nominal amount weighted according to a specific Credit Conversion Factor (CCF).

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

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

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

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

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

The alternative paths are selected using external information. In particular:

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

The percentile value identified is used, for the most likely scenario, to determine the variations corresponding to a probability gap, calculated through statistical analysis of the historical distribution of the observations. The two (positive and negative) changes with respect to the Most Likely scenario are then used to calculate the level of the individual identified indices, reconstructing the two alternative paths (one positive and one negative) for each of them that represent the input for the determination of the Add-On. The probability gap used is identified based on the variability characteristics of the series, to obtain a significant deviation from the Most Likely scenario.

In addition to defining the alternative paths, a map of possible additional factors is maintained, i.e., adverse idiosyncratic events or scenarios, not explicitly incorporated in the time series used for the construction of the Most Likely scenario or in the alternative paths, which can generate further significant effects on expected losses.

The following is assessed for these events/scenarios:

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

The map of additional factors also draws on the list of risk factors contained in the forecast reports of the IMF (World Economic Outlook) and the European Commission and may change over time.

Within the assessment of the time frame for the additional factors, note is made if the factor cannot be placed within a specific time period, which makes its incorporation into the Most Likely scenario or alternative paths unfeasible.

The assessments made take account of the fact that the consensus estimates may include forecasts that already incorporate the total or partial realisation of one or more risk factors in their estimates, which means that the alternative paths may already incorporate these additional factors to some extent.



Where there is considerable uncertainty in the national and international macroeconomic forecasts, as well as significant deviations in terms of best-case forecasts with respect to the TTC scenario, prudential factors may be introduced in relation to the deviations in the minimum and maximum values of the variables based on the above-mentioned consensus or historical figures.

The above macroeconomic scenarios (Most Likely and alternative scenarios) are used in internal models to determine the point-in-time (PIT) parameters.

Specifically, the time series of default rates acquired from the Bank of Italy are differentiated over the main economic macro-sectors (e.g. consumer households, family businesses, construction) and, for each of these, specific satellite models establish the relationships with the macroeconomic variables in order to obtain the forecast default rates. In turn, these impact the TTC transition matrices between rating classes and thus provide the PIT transition matrices for each scenario (most likely and alternative scenarios). These give rise to the lifetime conditional PD.

In particular, the TTC matrices are calculated using internal default rates for the Corporate, Retail SME and Retail segments, whereas the Bank of Italy system rates are used for the Low Default segments, because the internal time series data for those segments is less extensive. The forward-looking point-in-time matrices, on the other hand, are calculated using the system default rates for all the segments.

A similar process is used to determine the PIT LGD grids.

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

### **Impairment of non-performing financial assets**

Non-performing loans are represented by bad loans, unlikely to pay and past due positions by more than 90 days.

Non-performing loans classified as bad loans are subject to the following measurement methods:

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

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

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

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

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

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

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

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

For bad loans in particular, a series of elements are relevant, which differ according to the characteristics of the positions, and must be thoroughly and prudently assessed, including the following, listed merely as examples:

- nature of the credit, whether preferential or unsecured;
- net asset value of the borrowers/third party collateral providers;

- complexity of existing or potential litigation and/or the underlying legal issues;
- exposure of the borrowers to the banking system and other creditors;
- last available financial statements;
- legal status of the borrowers and any pending insolvency and/or individual proceedings.

In order to determine the estimated realisable value of loans secured by real estate, and to take into account both the time series of recoveries and the forward-looking information in accordance with IFRS 9, an approach is applied focused on the valuation of real estate based on the expected average auction price and the related reduction in the observed price, with the calculation of average haircuts that differ according to the type of real estate collateral (residential, commercial, industrial and land). Accordingly, to avoid duplications, a macroeconomic Add-On is not used in the analytical-specific measurement for bad mortgage loans, because the forward-looking component is already taken into account through the haircut.

For real-estate bad loans arising from lease contracts, in view of the particular nature of the product (lack of auctions), the haircut is estimated as the depreciation of the asset with respect to the appraised value observed at the time of classification as non-performing and the actual price of sale.

In addition, for unlikely-to-pay loans, the measurement is based on a qualitative and quantitative analysis of the borrower's financial position and on precise assessment of the risk situation.

The calculation of the impairment loss involves the valuation of the future cash flows that the borrower is considered to be able to generate and that will also be used to service the financial debt. This estimate must be made based on two alternative approaches:

- the going concern approach: the operating cash flows of the borrower (or the beneficial owner) continue to be generated and are used to repay the financial debts contracted. The going concern assumption does not rule out the realisation of collateral, but only to the extent that this can take place without affecting the borrower's ability to generate future cash flows. The going concern approach is also used in cases where the recoverability of the exposure is based on the possible sale of assets by the borrower or on extraordinary transactions. Similarly to the case of bad loans, haircuts are also used in measuring real-estate collateral for unlikely-to-pay positions. For going-concern positions, these haircuts are determined on the basis of the haircuts applied in the liquidation process (gone-concern bad loan or UTP position), while applying a calibration factor equal to the probability of migration of the UTP positions to the bad loan category;
  - the gone concern approach: applicable in cases when it is believed that the borrower's cash flows will cease. This is a scenario that can apply to positions that are expected to be classified as bad loans. In this context, assuming that shareholders' interventions and/or extraordinary operations to restructure debt in turnaround situations are not reasonably feasible, recovery of the credit is essentially based on the value of the collateral that secures the Bank's credit claim, net of the application of a haircut (determined as for bad loans) and, alternatively, on the realisable value of the assets, taking into account the liabilities and possible pre-emptive claims;
- the analytical-statistical measurement, performed for bad loans and unlikely-to-pay loans of less than 2 million euro and for past-due loans has specific features according to the type of exposure involved.

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

For unlikely-to-pay loans, the measurement is performed using statistical LGD grids estimated specifically for positions classified as unlikely-to-pay loans, in line with the estimated LGD grids for bad loans. The estimation model for the LGD grid for unlikely-to-pay loans is similar to the one described above for bad loans and calculates the expected loss rate of the relationship being valued according to its characteristics. The LGD for unlikely-to-pay loans is obtained by recalibrating the bad loan LGD using the Danger Rate module. The Danger Rate is a multiplying correction factor to apply to the bad loan LGD, in order to take into account the loss rates that can be recorded in the various default statuses (Unlikely-to-Pay and/or past due). The Danger Rate is estimated using the information available on the status of entry into default and on the status changes of the counterparties once the default has occurred.

In addition, for the two subclasses of the "Unlikely-to-Pay Loans" risk status ("Non-Forborne Unlikely-to-Pay Loans" and "Forborne Unlikely-to-Pay Loans"), differentiated grids are estimated to take into account the characteristics of the Forborne loans, which, in addition to having lower average loss levels due to the effect of the Forbearance Measures, are also affected by the regulatory constraints that prevent their return to performing loan status before 12 months from the date of the renegotiation.

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

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

With regard to the inclusion of current and forward looking information, it should be noted that, also in relation to non-performing exposures, in addition to a component linked to management variables applied by the manager for the analytical-specific measurements and based on a specific Add-On for analytical-statistical measurements, a component linked to the Most Likely and downside scenarios expected over the period of the next three years is considered, according to the criteria already described.

In fact, as required by IFRS 9, the effects of the forward-looking scenario on LGD estimates must also be considered using the above-mentioned component. As already stated, the forward-looking scenario component is aimed at capturing the non-linearity of the relationship between the macroeconomic variables and ECL measurement, by analysing the forecast uncertainty of the variables used for the preparation of the Most Likely scenario. It is based on the methodological framework that is used for performing loans, but ignores the upside scenario from a prudential perspective and only considers the average downside and Most Likely scenarios over the period of the next three years.

Furthermore, an additional factor is applied to the analytical/statistical measurement firmly based on internal management variables, in particular the level of past and prospective NPL ratio envisaged by the NPL Plan, which, on the basis of long-term observation, is statistically correlated with the loss performance. This factor makes the LGD estimate more sensitive to changes in the current and future economic/management context.

Also in terms of future scenarios, with regard to the unlikely to pay category, which includes positions that are still performing but show signs of difficulty, both for positions with analytical-specific measurement and those with analytical-statistical measurement, when there are no effective forbearance measures, an additional component shall be applied (in addition to the aforementioned add on from the macroeconomic scenario) to reduce the recoverable amount of the positions based on their vintage in the risk status and the absence of movements and/or recoveries in a specific period of time.

With regard to the alternative recovery scenarios, the Intesa Sanpaolo Group, in relation to the objectives of reducing the stock of outstanding non-performing loans, included in its business plans, and the commitments made to the Supervisory Authorities, with specific regard to the NPL Strategy, considers the sale of particular portfolios as the strategy that, in certain conditions, can maximise the cash flow recovery, also considering the recovery times.

In its "NPL Guidance" published in March 2017, the ECB also requested banks with non-performing loans above the average of European banks to establish a strategy aimed at achieving a progressive reduction in those loans.

Consequently, the "ordinary" scenario, which assumes a recovery strategy based on the collection of credit, typically through legal actions, mandates to credit recovery companies and the realisation of mortgage collateral, is also been accompanied - where applicable and as an alternative recovery strategy - by the scenario of the sale of the loan.

In compliance with the "NPL Guidance" the business strategies regarding NPL reduction are illustrated in the "NPL plan", a document approved by the Board of Directors to be sent to the Supervisory Authority and updated annually.

Where said document identifies disposal objectives and strategies and, as a result, a portfolio of non-performing loans that may be disposed of, until the disposal objectives are reached, the loans and receivables included in that portfolio shall be measured taking account of both the amount recoverable through operating activities and market valuations (based on external appraisals) and/or sales prices, if already defined.

In particular, where the "NPL plan" identifies a larger loan portfolio that may be sold represented by Group loans that are disposable (thus, for example, positions that are not involved in disputes, as per precise indication by the management structures and which are not subject to synthetic securitisation), in relation to the sales objectives, the book value of said portfolio is determined by weighting the amount recoverable through operating activities with the amount recoverable through sale.

More specifically, the recoverable amount of disposable non-performing loans is quantified as the average between (i) the value in the event of sale (fair value) and (ii) the collection amount, weighted on the basis of the percentage of the loans eligible for sale - determined as the ratio between the target volume of loans to be sold and the respective non bankruptcy-remote portfolios having the same profile, i.e. as a percentage that adequately reflects the probability of sale of the portfolios whose disposal is considered highly probable. The "collection amount" was determined according to the previously illustrated ordinary methods adopted by Intesa Sanpaolo for the impairment of non-performing loans, i.e. based on the individual measurement of the exposures exceeding a defined threshold and based on an analytical-statistical measurement for the others. The measurement of the value in the event of sale is carried out by an external expert, based on market valuations.

However, where the "NPL plan" specifically identifies the positions to be sold, those positions shall be measured exclusively taking account of the market values established by external experts, based on a specific fairness opinion or, if already defined through a binding agreement with the buyer, the sales price. Those loans are also reclassified as assets held for sale.

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

Lastly, with regard to non-performing loans, it is highlighted that Intesa Sanpaolo uses the – full or partial – write-off/derecognition of unrecoverable 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.

### **Impairment of equity investments**

At each balance sheet date the equity investments are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.

The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative and quantitative indicators.

Qualitative indicators include:

- the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market;
- the announcement/initiation of insolvency proceedings or restructuring plans;
- the downgrading by more than two rating classes;
- failure to discharge payment obligations for debt securities issued fully and in a timely manner;
- use of industrial policy tools aimed at responding to a serious crisis or allowing companies to face restructuring/reorganisation processes.

Quantitative indicators include:

- a reduction in fair value of over 30% below the carrying value or for a period of over 24 months;
- a market capitalisation lower than the company's net book value, in the case of securities listed on active markets, a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill, or distribution by the investee of a dividend that is higher than its total income.

The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.

The recoverable amount consists of the higher of the fair value and the value in use, less costs to sell.

For an illustration of the valuation techniques used to determine fair value, see the specific Section A.4 – Information on fair value.

Value in use is the present value of expected future cash flows from the asset; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, which may affect the appreciation by market participants of expected future cash flows from the asset.

Value in use is determined by discounting future cash flows.

For controlling investments in subsidiaries, the single equity investments are not individually significant for the purposes of the impairment test in the Parent Company's financial statements, instead they are included in the impairment test of the Cash-Generating Units (CGU) conducted at consolidated level. The CGUs identified are represented in some cases (Banca dei Territori and IMI Corporate & Investment Banking) by operations conducted directly by the Parent Company and some subsidiaries, in other cases (International Subsidiary Banks) by combinations of subsidiaries, and in other cases (Private Banking and Asset Management) they correspond to the associated legal entity. When an equity investment does not produce cash flows that are largely independent of the cash flows from other assets the impairment tests are conducted at CGU level, rather than at the individual investment level. Consequently, when the assets attributable to a subsidiary are included in a CGU that is broader than the equity investment itself, as described in more detail in the following chapter, the impairment test can only be conducted at this level and not at the level of individual subsidiary for which the accurate estimation of a value in use is not possible.

### **Impairment of non-financial assets**

Property, equipment and intangible assets with definite useful life are subject to impairment testing if there is the indication that the book value of the asset may no longer be recovered. The recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use, if determinable and if it is higher than fair value.

For property and equipment other than real estate and valuable art assets and intangible assets (other than those recognised following business combinations) it is assumed that the carrying amount normally corresponds to the value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment in case of damages, exit from the production process or other similar non-recurring circumstances.

As clarified in the discussion of "Property and equipment and intangible assets", Intesa Sanpaolo measures owner-occupied properties and valuable art assets according to the revaluation model; in this case, any impairment loss on a revalued asset

must be treated as a decrease in the revaluation up to the relevant amount, after which any difference is taken to the income statement.

As described in Part A.4 Information on fair value - Fair value of real estate and valuable art assets, for owner-occupied properties each year a scenario analysis is conducted on trends in the real-estate market to assess whether there are any significant deviations in the value of the assets. If significant changes are identified (+ or - 10%), an updated appraisal is prepared to adjust the fair value of the asset to the valuations of the real estate market. If there are no significant differences, the value is redetermined through a new expert appraisal every two years for "trophy assets" (i.e. particularly prestigious properties used by management functions located in the main cities where the bank is based or properties of particular historical and artistic interest because they are listed by the Ministry for Cultural Heritage and Activities) and every three years for other owner-occupied properties.

For the valuable art assets, the revaluation is carried out by means of a new expert appraisal every three years. However, a scenario analysis is carried out annually to identify any appreciable changes in value in order to bring forward the valuation. If the annual monitoring identifies a possible positive or negative value deviation of more than 15% for individual works of artists in the bank's collections and comparable on the basis of objective criteria (size, technique, period of production, etc.), new appraisals are commissioned.

Intangible assets recognised following a business combination and in application of IFRS 3 are subjected to an impairment test at each reporting date to assess whether there is objective evidence that the asset may have been impaired.

Intangible assets with a finite life, represented by the value of the asset management portfolio and the value of the insurance portfolio, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.

Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash-Generating Unit (CGU) to which the values are attributed at the time of the business combinations. As CGU identification requires an analysis of the management characteristics and reporting methods used by management, and as the logic for strategic decision-making by management of the Parent Company is that of the Group as a whole and not only that of the Parent Company as an individual entity, the CGUs are identified in the consolidated financial statements.

The CGUs identified are represented in some cases (Banca dei Territori and IMI Corporate & Investment Banking) by operations conducted directly by the Parent Company and some subsidiaries, in other cases (International Subsidiary Banks) by combinations of subsidiaries, and in other cases (Private Banking and Asset Management) they correspond to the associated legal entity. As stated, as these are the same CGUs identified at consolidated level, the assessment of the retention of goodwill and other assets with an indefinite life recorded in the Intesa Sanpaolo Group's financial statements is also valid with reference to the values recorded in the Parent Company's financial statements. Therefore, the assessment conducted at consolidated level with reference to the individual CGUs is used, after comparing the book value of the assets in the Parent Company's financial statements, without conducting, if the result is positive, a new test in the Parent Company's financial statements.

If, at consolidated financial statement level, an impairment loss needs to be recognised for a particular CGU, this write-down must be assigned to the assets that make up the CGU starting with goodwill. If the need to record an adjustment is found relating to a CGU that does not coincide with the associated legal entity, the write-down is assigned to the banking subsidiaries, after the elimination of the goodwill pertaining to the CGU recorded in the Parent Company's financial statements under a specific caption, on the basis of the respective fair values.

For a description of the criteria for the determination of the recoverable amount of the CGUs see the contents of Part A - Accounting policies, of the consolidated financial statements.

With regard to the intangible asset represented by the brand name, if the reference CGU does not have any goodwill allocated and, as a result, it is not possible to test the recoverable amount of the specific intangible as part of the impairment test of the goodwill based on total cash flows at the level of the CGU, then an independent and specific valuation is made on the basis of the fair value certified by the appraisal of an independent expert.

### **Business combinations**

Business combinations are governed by IFRS 3.

The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.

To this end, control is deemed to have transferred when the investor is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns by exercising its power over the investee.

IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity investments, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.

The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange usually coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.

The consideration transferred as part of a business combination is equal to the sum of the fair value, at the exchange date, of the transferred assets, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.

In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the purchase price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred

component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see Section A.4 – Information on fair value and note that, in the case of shares quoted on active markets, fair value is represented by Stock Exchange price at acquisition date or, should that not be available, the last price available.

Purchase price at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.

Acquisition costs refer to the charges incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees as well as debt securities' or equities' registration and issue costs.

Acquisition costs must be recognised as charges when incurred and when the related services are provided, except for the costs relating to the issue of debt securities or equities which must be recognised in accordance with IAS 32.

Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at acquisition date.

Moreover, as specifically required by IFRS 3, for each business combination, any minority interest in the acquired company can be recognised at fair value (therefore increasing the consideration transferred) or in proportion to the minority investment in the net identifiable assets of the acquired companies.

If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying value is taken to income statement.

Excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased, where present, by minority interests (determined as above) as well as the fair value of the stakes already held by the acquirer, and the fair value of acquired assets and liabilities should be recognised as goodwill. Conversely, such difference is taken to the income statement when the latter exceed the sum of the consideration, minority interests and the fair value of the stakes already held.

The accounting for business combination can be determined provisionally by the end of the year in which the combination is realised and must be completed within twelve months of the acquisition date.

The following transactions are outside the scope of business combinations: transactions aimed at acquiring control over one or more entities which are not part of the company's business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction, these are accounted for safeguarding the continuing values in the financial statements of the acquirer.

Mergers are examples of combinations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.

Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:

- if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
- if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values.

### **A.3 – INFORMATION ON TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS**

Following the adoption of IFRS 9, the Intesa Sanpaolo Group did not make changes to its business model for managing its financial assets and, therefore, no transfers occurred between portfolios of financial assets.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. Such changes are expected to be extremely rare and must be decided by the management following significant external or internal changes that can be demonstrated to external parties.

#### ***A.3.1 Reclassified financial assets: change in business model, book value and interest income***

No disclosure is required since there are no reclassified financial assets recognised under balance sheet assets.

#### ***A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income***

No disclosure is required since no transfers were carried out between portfolios of financial assets in 2021.

#### ***A.3.3 Reclassified financial assets: change in business model and effective interest rate***

No disclosure is required since there are no reclassified financial assets recognised under balance sheet assets.

## A.4 – INFORMATION ON FAIR VALUE

### FAIR VALUE, INDEPENDENT PRICE VERIFICATION AND PRUDENT VALUE OF FINANCIAL INSTRUMENTS

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

#### General fair value principles

The Bank governs and defines the fair value measurement of financial instruments through the Group Guidelines and Rules for Valuation of Financial Instruments at Fair Value, drawn up by the Market and Financial Risk Management Head Office Department.

The “Guidelines for Valuation of Financial Instruments at Fair Value”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks Committee. The “Rules for Valuation of Financial Instruments at Fair Value” are reviewed, revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

The “Rules for the Measurement of Unlisted Equity Investments”, drawn up by the Group M&A and Equity Investments Head Office Department, govern the fair value measurement of unlisted equities and financial instruments with unlisted equities as their underlying.

IFRS 13, which harmonises the measurement rules and the related disclosure, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single bank. Underlying the definition of fair value is the assumption that the Bank is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.

The bank measures the fair value of an asset or liability by adopting the assumptions that would be used by market participants when pricing an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible. Measurement at fair value presumes that the asset is sold or the liability transferred:

- a. in the principal active market for the asset or liability;
- b. in the absence of a major market, in the most advantageous active market for the asset or liability.

The bank is not required to conduct an exhaustive study of all possible markets to identify the major market or, in the absence of the major market, the most advantageous market, but must take into account all the reasonably available information. If there is no evidence to the contrary, the market that the entity normally operates in to sell the asset or transfer the liability is assumed to be the major market or the most advantageous market, if there is no major market. The Bank considers the principal market of a financial asset or liability to be the market in which the Bank generally operates.

In accordance with IFRS 13, the Bank considers an active market to be a market where transactions in an asset or liability occur with sufficient frequency and volume to provide useful information for determining price on an ongoing basis. More specifically, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In specific cases, governed by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value, and despite being quoted on regulated markets, relevant research is carried out to verify the significance of the official market values. In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit premiums for liquidity risk, widening or increase of the bid-ask spread, reduction or total lack of market for new issuances, limited publicly-available information), analyses of the transactions or of the quoted prices must be carried out. A reduction in the volume or the level of activity alone may not indicate that the price of a transaction or the quoted price does not represent fair value or that the transaction in that market is not ordinary. If an entity determines that a transaction price or quoted price does not represent fair value (e.g., non-ordinary transactions) an adjustment to the transaction prices or listed prices is required if the entity uses those prices as the basis for fair value measurement and that adjustment may be significant with respect to the fair value as a whole.



### General Independent Price Verification principles

The Bank governs and defines the independent price verification process through the Group Guidelines and Rules on Independent Price Verification, documents that are coordinated by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries of the Banking Group.

The "Guidelines on Independent Price Verification", once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks Committee. The level I and II "Rules on Independent Price Verification" are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

According to the provisions of Regulation (EU) 575/2013 (Capital Requirement Regulation – CRR), Article 4, par. 1.70 and Article 105, par. 8, the Bank governs the Independent Price Verification (IPV) process, which consists of the regular verification of the accuracy and independence of market prices or the data input in pricing models, carried out by an organisational unit independent from the business functions, at a frequency commensurate with the trading carried out and the nature of the market.

The Bank has set up an IPV process with 3 levels of control in line with the provisions of Bank of Italy Circular 285/2013 (Supervisory regulations for banks), incorporated into the Integrated Internal Control System, which requires the risk management processes to be incorporated in the processes and methods for valuing the company activities, also for accounting purposes.

Within the IPV, the level I, II and III control functions have the following main responsibilities:

- the level I control function participates in the definition of the related methodological framework and carries out the level I implementations and controls, reporting the results to the business function and the level II control functions;
- the level II control function defines the methodological and control framework, ensures alignment with current regulations and consistency between the IPV controls, accounting valuations and additional valuation adjustments (AVA) (carried out, respectively, on the basis of the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value) and supervises the level I controls and performs the level II controls;
- the level III control function carries out internal audit controls to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and the IT system at Bank level, at scheduled deadlines in relation to the nature and intensity of the risks.

The level I and II IPV controls are qualitative and quantitative controls and are distinguished according to the type of instruments subject to control. They are applied consistently to both the input data underlying the valuations and the valuations themselves, and ensure consistency between the management valuations and the accounting valuations carried out in the various systems. They are characterised by completeness and suitability of application, absence of overlaps, sequentiality and complementarity in execution. The IPV control instruments use, as far as possible, specific applications or IT procedures, which enable extensive data analysis on a daily basis. In particular:

- the level I controls are aimed at ensuring the validation of the market data entered into the systems and are based on an in-depth analysis of the data obtained from external providers. If the level I controls detect that certain thresholds have been exceeded for the data contained in the systems, or the data is not considered correct by the level I control functions, a comparison process (challenge) is activated with the involvement of the business function and the level II control functions, in line with the degree of complexity of the report;
- the level II controls are characterized by sequentiality and complementarity in execution with the level I controls and are designed to ensure alignment between management and accounting valuations, based on an in-depth analysis of consensus or counterparty data and, where these are not available, through the application of pricing models associated with the respective instruments.

The results of the IPV process are analysed, assessed and coordinated by the Financial Measurements Working Group, a technical body set up specifically for this purpose, with the aim of facilitating integration and comparison between the business functions and the control functions.

### The fair value of financial instruments

The presence of quoted prices in an active market represents the best evidence of fair value and these prices are therefore the quoted prices to be used on a priority basis for the measurement of financial assets and liabilities. If there is no active market, the fair value is determined using valuation techniques aimed, ultimately, at establishing the price the product would have had, at the measurement date, in an arm's length exchange motivated by normal business considerations.

The choice of the above measurement methods is not optional, because they must be applied in hierarchical order: the availability of a price stated in an active market prevents the use of one of the other measurement approaches.

### Inputs of the valuation techniques

The inputs are defined as the assumptions that market operators would have used to determine the price of the asset or the liability, including assumptions regarding risk, such as, for example, the risk relating to a particular valuation technique used to measure fair value or the risk relating to the inputs of the valuation technique. The inputs may be observable or unobservable. Observable inputs are those produced using market data, such as publicly available information on operations or actual events, which reflect the assumptions that market participants would use in determining the price of the asset or the liability. Unobservable inputs are those for which no market information is available and that are produced using the best available information regarding the assumptions that market participants would use to determine the price of the asset or the liability.

### Fair value hierarchy

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

- fair value level 1 applies when an instrument is measured directly on the basis of (unadjusted) quoted prices on active markets for identical assets or liabilities to which the entity has access on the measurement date;
- fair value level 2 applies when a price has not been found on an active market and the instrument is measured according to valuation techniques, on the basis of observable market parameters, or of the use of parameters that are not observable but are supported and confirmed by market evidence, such as prices, spreads or other inputs;
- fair value level 3 applies when fair value is measured using various inputs, not all of which are directly drawn from observable market parameters, and which thus entail estimates and assumptions by the valuator.

If various inputs are used to measure the fair value of an asset or liability, classification in the hierarchy is determined on the basis of the lowest-level input used in measurement. When assigning a level in the fair value hierarchy, priority is given to the inputs of the valuation techniques rather than the valuation techniques themselves.

The attachment "Fair Value Hierarchy Rules" to the "Rules for Valuation of Financial Instruments at Fair Value" defines, with regard to the respective financial instrument valuation models/inputs, the basic rules that market inputs must comply with in order to be classified as Level 2, and the significance thresholds which, when overrun, result in the assignment of Level 3.

For level 1 financial instruments, the current bid price is used for financial assets and the current ask price for financial liabilities, struck on the principal active market at the end of the reference period.

For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.

The following are considered as level 1 financial instruments: contributed bonds (i.e. bonds for which the Composite Bloomberg Bond Trader is available from the Information Provider Bloomberg, or, alternatively, a price on the EuroMTS circuit, or at least three prices available from the Information Provider Bloomberg), contributed equities (i.e., quoted on the official market of reference), contributed UCITS funds (covered by EU directives), spot exchange rates, derivatives for which prices are available on an active market (for example, exchange traded futures and options) and hedge funds whose Net Asset Value (NAV) is available, according to the frequency established in the subscription contract, and in which assets classified as level 1 predominate among the assets invested in by the fund, as a percentage of the NAV, provided the level 3 instruments do not exceed a set threshold.

Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value are not considered level 1 instruments.

When no listing on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.

In the case of instruments classified as level 2, the valuation is based on prices or credit spreads presumed from the official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretionary parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final measurement.

The following are measured using level 2 input models:

- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- loans whose fair value is determined through the use of an appropriate credit spread which is estimated starting from market data of financial instruments with similar characteristics;
- derivatives (including securitised derivatives) measured through specific models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- structured credit products (ABSs, HY CLOs, CDOs) for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters that can be gathered from the market;
- non-contributed equity instruments measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, or using the "relative" valuation models based on multipliers;
- hedge funds in which Level 2 assets predominate, as a percentage of the NAV, provided the Level 3 instruments do not exceed a set threshold.

In case of instruments classified as level 3, the calculation of the fair value is based on valuation models which consider input parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator. In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:

- the development of future cash flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured using this method:

- some transactions in derivatives, bonds, or complex structured credit instruments measured using level 3 inputs;
- hedge funds in which the level 3 assets are above a set limit;
- private equity funds, private debt funds, real estate funds and closed-end funds resulting from sales of non-performing loans valued at NAV, with possible discounts;
- shareholdings and other equities measured using models based on discounted cash flows or using equity methods;



- loans whose fair value is determined through the use of a credit spread that does not meet the criteria to be considered level 2;
- loans with underlying equity risk, whose fair value is calculated based on the discounting of expected contractual flows.

The transfer of fair value levels of financial assets and financial liabilities measured at fair value on a recurring basis occurs, as established by IFRS 13, as follows: the transfer between levels 2 and 3 occurs upon a change in the observability or significance of an input to the measurements; and the transfer between levels 1 and 2 or 3 occurs upon a change in the availability of prices in an active market.

For OTC derivatives, the initial choice of the level of fair value hierarchy depends on the degree of observability and significance of the parameters used to determine the risk-free component. The calculation of the counterparty/issuer default risk component may result in a transfer to level 3 when the current exposure is positive for the bank and the counterparty is in non-performing loan status, or when the determination of default risk requires unobservable inputs and the bilateral credit value adjustment (bCVA) component is significant when compared to the overall fair value of the netting set, or when the counterparty's sensitivity to downgrading is significant when compared to the overall fair value of the netting set.

For non-contributed equity instruments, the change of the level occurs:

- when inputs observable on the market (e.g., prices defined based on comparable transactions on the same instrument between independent and informed counterparties) have become available during the period. In this case, Intesa Sanpaolo reclassifies from level 3 to level 2;
- when the directly or indirectly observable elements used as the basis for the valuation cease to exist, or when they are no longer up to date (e.g., comparable transactions that are no longer recent or multiples that are no longer applicable). In this case, Intesa Sanpaolo uses valuation techniques that use unobservable inputs.

### Valuation of financial instruments

The valuation of financial instruments entails the following phases:

- identification of the sources for valuation: for each asset class, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes that are necessary to identify market parameters and the manner according to which such data must be extracted and used;
- validation and processing of input data for periodic valuation: this stage consists of the accurate verification, at each accounting measurement date, of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
- certification of the measurement methods: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the measurement models used and at determining any adjustments necessary for measurement;
- monitoring and revision of the measurement methods: the monitoring consists of the ongoing checking of the adherence to the market of the valuation model and enables the timely discovery of any gaps, in order to initiate the necessary checks and measures.

### Identification, certification and processing of the input data for the measurements

The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of measurement techniques, highlight the need to establish univocal principles in the determination of market parameters. To this end, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes needed to identify the market parameters, the contribution sources considered appropriate and how the data must be received (cut-offs) and used for the measurement of financial instruments held for any purpose in the proprietary portfolios of the Parent Company and its subsidiaries. The same sources are used in measurements carried out for third parties under Service Level Agreements, entered into in advance. The adequacy of the input data for the measurements is guaranteed by the respect of reference requirements, which are based on comparability, availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, measuring the contribution bid-ask, and lastly, for OTC products, verifying the comparability of the contribution sources.

The use of all market parameters in Intesa Sanpaolo is subordinated to their certification by the IMI CIB Risk Management Head Office Department, in terms of specific controls (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.

**Certification of measurement methods**

The measurement methods used by the Intesa Sanpaolo Group are certified by the IMI CIB Risk Management Head Office Department, with the involvement of all relevant structures. The purpose of the certification is to verify the consistency of the methods with current market practice, to highlight any problems or limitations, and to determine any fair value adjustments, in accordance with the applicable regulations. The certification process considers all aspects of the measurement method (basic assumptions, mathematical derivation, any approximations, numerical algorithms used, inputs and outputs) but also all contextual elements that are relevant to the management, including the characteristics of the associated products (payoffs, early termination clauses, etc.), any ancillary agreements (e.g. netting or collateral agreements), the market where the products are traded, and how they are used by end users (e.g. precision vs. performance, calculation of risk measures, etc.). These aspects are subject to qualitative and quantitative analysis and are duly reported in the internal documentation. The possibility of independent validation issued by high standing financial service companies is also envisaged in highly-complex cases and/or in presence of market turbulence (market dislocation). At the end of the certification process, the measurement method is recorded in the Rules for Valuation of Financial Instruments at Fair Value.

**Monitoring and review of measurement methods**

As required by the applicable regulations, the measurement methods used are subject to ongoing monitoring of their performance with respect to the evolution of financial instruments, markets and methodological innovations developed by the scientific community, in order to ensure their continuous alignment to the market, promptly highlight any inadequacies and initiate the necessary checks and actions. The Rules for Valuation of Financial Instruments at Fair Value detail all elements considered for the periodic monitoring and revision of the measurement methods. The functions involved in the monitoring process are the same as those involved in the process of certification of the measurement methods mentioned above and in the IPV process governed by the Guidelines and Rules on Independent Price Verification.

**Valuation risk: fair value adjustments**

The Bank defines valuation risk as the risk of losses arising from the valuation uncertainty for the fair value exit price of financial instruments, due to any limitations of the measurement techniques used or particular market conditions. The main measure of the valuation risk associated with a financial instrument of the fair value adjustments, which are designed to take into account the valuation uncertainty or the difficulty in the disposal of specific financial positions, and may relate to a single financial instrument or to the net position for a particular risk factor. The adjustments may be calculated as add-ons to the valuation or included directly in the valuation. They are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in measurement methods chosen and their implementation.

In particular, the Bank envisages fair value adjustments for the following categories of valuation uncertainty.

- uncertainty of input data: any valuation uncertainty related to the input data for the valuation (whether mid, bid or ask) is measured with respect to temporary or structural conditions on the markets or in relation to the size of the values held (in the case of concentration), and where necessary a fair value adjustment is made, quantifying the consequent impact on the valuations;
- illiquidity of the underlying positions or risk factors: similarly to the case above, the market bid-ask spread is measured and, where necessary, a fair value adjustment is made, quantifying the consequent impact on the valuations;
- model risk: this is based on the identification and use of variants of the same model or alternative models, with which to carry out comparison analyses aimed at quantifying the variability of the valuations (in particular any directionality of the price when the model changes) and the behaviour of the model in various market scenarios (stress tests). The quantification of the fair value adjustment is based, where possible, on easily comprehensible and measurable financial variables (e.g. vega, delta, correlation shift);
- counterparty and funding risk: counterparty and funding risks, collectively referred to as XVA, include Bilateral Credit Value Adjustment (bCVA) and Funding Value Adjustment (FVA). The bCVA takes account of the counterparty risk premium associated with the possibility that the counterparties may not honour their mutual commitments (for example in the event of bankruptcy). This component derives, in turn, from two components: the Credit Value Adjustment (CVA, negative) and the Debt Value Adjustment (DVA, positive), which consider, respectively, the scenarios where the Counterparty goes bankrupt before the Bank (and the Bank has a positive exposure towards the Counterparty), and vice versa the scenarios where the Bank goes bankrupt before the Counterparty (and the Bank has a negative exposure towards the Counterparty). The Funding Value Adjustment (FVA, negative), on the other hand, takes into consideration the funding risk premium, connected to the costs of funding the cash flows (coupons, dividends, collateral, etc.) generated by the Bank's overall OTC derivatives portfolio. The calculation of the XVAs depends on the overall exposure between the two counterparties, calculated using techniques for simulating the underlying risk factors of the transactions considered, taking into account any counterparty risk mitigation arrangements (in particular netting and collateralisation agreements), as well as any contractual clauses. The calculation of the XVAs also depends on the Loss Given Defaults (LGDs) based on the estimated value of the expected recovery in the event of counterparty default, and the probability of counterparty default (PD). LGDs and PDs are obtained from credit default swap market quotes or are based on internal estimates by sector/rating used for credit risk. In addition, the FVA calculation is based on a funding curve representative of the best market counterparties that the Bank could renegotiate transactions with, in accordance with the most IFRS 13 advantageous market principle, as there is currently no real main market for these transactions.

The management process for fair value adjustments is formalised in the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the "Rules for the Valuation of Unlisted Equity Investments" with appropriate calculation methodologies on the basis of the different configurations of the points set out above, and is carried out in the most objective, consistent and systematic manner possible by the IMI CIB Risk Management Head Office Department and the Group M&A and Equity Investments Head Office Department. The introduction and release of the fair value adjustments depend on the

factors described above. Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements, valued based on the different configuration over time of the risk factors which generated the adjustments. Thus, the estimates subsequent to initial recognition are always guided by the mitigation or elimination of said risks.

For new products, the decision to apply the adjustments is taken during the new product approval process, upon the proposal of the IMI CIB Risk Management Head Office Department.

The application of the adjustments is subject to an authorisation procedure that, above a certain warning threshold defined for specific cases, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company's financial reports.

#### A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products, hedge funds, and loans), on the valuation models used.

##### I. Valuation of non-contributed debt securities

The fair value of non-contributed bonds is measured using the income approach, i.e. by calculating the present value of expected future cash flows using an appropriate risk premium represented by the credit spread, identified on the basis of contributed and liquid financial instruments with similar characteristics. The sources used for this measurement are the following:

- contributed and liquid debt securities of the same issuer;
- credit default swaps on the same reference entity;
- contributed and liquid securities of an issuer with the same rating and belonging to the same sector.

In any case, the different seniority of the security to be priced is considered with regard to the issuer's debt structure.

In the case of Italian public issuers, a rating/maturity matrix is defined on the basis of the spread levels on government issues, to which the spreads among the various rating/maturity classes with respect to public issues (regions, provinces, municipalities, government entities) are applied.

When applying the spread for the pricing of the non-contributed instrument, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.

Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar contributed securities.

Finally, if the instrument includes an optional component, a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and any illiquidity of the underlying assets. This component is calculated based on the type of option, using the corresponding valuation models for derivatives mentioned below.

Similarly, Intesa Sanpaolo's credit spread for the Bank's financial liabilities designated at fair value is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market prices and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level.

Similarly, the issued certificates are measured at fair value by breaking them down into the following two components: an issued bond, measured as described above, and an option component, measured using the corresponding derivative pricing models described below.

##### II. Valuation of loans

Loans are measured at fair value through contributions from info providers when available or by calculating the present value of expected future cash flows using an appropriate credit spread, identified starting from the following sources:

- contributed loans on the market;
- sector/rating-specific loan market curves;
- contributed securities of the same issuer;
- credit default swaps on the same reference entity.

In any case, the different seniority of the instrument to be priced is considered with regard to the issuer's debt structure.

When applying the spread for the pricing of the loan, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.

Moreover, where, in determining the credit spread of the loans, reference is made to the curves created through bonds, a Bond – Loan basis must be applied, to capture the different structure of the market, if any, and the different type of loan.

In order to consider the premium required by the market for illiquid and/or structured instruments, several adjustments are applied to the credit spread.

Loans with an underlying unlisted equity risk (which include financial instruments that, pursuant to IAS 32, cannot be classed as equity, e.g. loans convertible into shares) are usually measured by discounting the cash flows provided for by the contract. Since these are debt securities, the cash flows are normally discounted using a rate consisting of the sum of: a risk free rate, a spread deriving from the CDS or measured on listed securities or similar disbursements, and any additional risk premium.

In the case of non-performing loans, the fair value is determined based on the recoverable amount of the position. This estimate is made taking into account the contractual elements that characterise the loan and may involve, for example, the valuation of the cash flows from the sale of the real estate pledged as collateral or the valuation of any capital instruments that may be acquired following the introduction of an equity conversion clause for the position.

### III. Valuation of OTC derivatives

Derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are measured through specific measurement methods and input parameters (such as, for example, interest rate, foreign exchange and volatility curves) observed on the market and subject to the certification monitoring illustrated above.

The fair value of an OTC derivative is calculated considering the risk premium related to the various underlying risk factors. Specifically, there are two relevant cases, according to whether or not the instrument is subject to collateralisation agreements (CSAs) aimed at mitigating the counterparty and funding risk.

- a. For CSA transactions with characteristics that reduce counterparty and funding risk to a negligible level, the fair value is calculated according to the non-arbitrage principle, by including the market risk premium related to the risk factors underlying the contract (e.g. interest rates, volatility, etc.), and, in the most significant cases, using the rate of remuneration for the collateral as the discount rate for the future cash flows.
- b. For transactions without CSAs, or with CSAs with characteristics that do not reduce the counterparty and funding risk to a negligible level (e.g., One Way CSAs, or with non-negligible limits or minimum transfer amounts), the fair value of the instrument may be stated, under appropriate circumstances, as the sum of the reference (or base) value, equal to the price of the corresponding collateralised instrument, and several additional valuation components related to the counterparty and funding risk premium, referred to jointly as XVA (see "Valuation risk: fair value adjustments").

In view of the number and complexity of the OTC derivatives, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used for their measurement.

The table below illustrates the main methods used to measure OTC derivatives based on the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black, SABR, Libor Market Model, Hull-White, Bivariate log-normal, Rendistato, Hagan exact formula for CMS	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, CMS, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV), Stochastic Local Volatility (SLV), Local Volatility (LV)	Interest rate curves, spot and forward FX curves, FX volatility, "quanto" volatility and correlations
Equity	Accrual, Net present Value Equity, Generalised Black-Scholes, Heston, Local Volatility, Jump Diffusion	Interest rate curves, underlying asset spot rate, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Inflation NPV, Inflation SABR, Inflation Jarrow-Yildirim	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward, Local Volatility, 2-Factors Jump Diffusion	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Loans	Net present Value, CDS Option (or log-normal model), Contingent CDS	Probability of default, Recovery rate, credit index volatility.

As envisaged by IFRS 13, in determining fair value, the Bank also takes into account the effect of non-performance risk. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.

#### IV. Valuation model for structured credit products

With regard to asset-backed securities (ABSs), if significant prices are not available, valuation techniques are used that take into account parameters that can be gathered from an active market (level 2 inputs) or, where parameters cannot be observed, estimated parameters (level 2 or 3 inputs, where immaterial or material).

In this case, the cash flows are obtained from infoproviders or specialised platforms, where available, or are taken from the business plan of the transaction, supplemented with periodic reporting, such as the case of Non-Performing Loans (NPLs) and Unlikely to Pay (UTP); the spreads are gathered from prices available on the market/market info provider, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures.

In the case of securitised high-yield loans to European corporate borrowers (CLO HY loans), valuation techniques call for calculation of the net present value of the expected cash flows, determined through specialised platforms, discounted using market spreads. When modelling expected future flows, account is taken of all contractual aspects of the HY CLO loans that may influence the waterfall, i.e. the distribution of cash flows from the collateral on the notes.

After this valuation, credit analyses on underlying assets are fine-tuned to incorporate possible further valuation elements not included in the quantitative models. In that case, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the HY CLO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point.

#### V. Valuation of non-contributed equities

Level 2 equities include:

- equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions;
- equities measured using relative methods, based on multipliers: implied multiples in transactions in comparable listed or unlisted companies, within a time frame deemed sufficiently short with respect to the time of measurement and under constant market conditions (M&A multiples) or implicit multiples in the stock market prices of a sample of comparable companies (stock market multiples).

Level 3 equities for which the "relative" models described above are not applicable in significant terms, and, therefore, "absolute" valuation models are used, include:

- equities for which analytical models based on flows are used, which determine the value through estimates of the cash or income flows that the company is expected to generate over time, discounted using an appropriate rate based on the level of risk of the instrument;
- equities measured based on asset criteria such as NAV or Adjusted Net Asset Value (ANAV), which estimates the fair value of the various components of the assets of the investee.

Any values deemed representative of the fair value of the equity instrument deriving from contractual clauses (for example, options) are classified in level 2 or 3 of the fair value hierarchy, according to the observability of the inputs used in the valuation. Specifically, if the negotiation of the clause resulted in strike prices or pre-defined algorithms and multiples, the instrument is classified in level 2.

The cost criterion as estimate of fair value is used to a lesser extent, where none of the previous methods are applicable due to lack of sufficient information, and in the cases where there is a wide range of possible fair value measurements and it is not possible to identify the most appropriate value among these.

This case also includes Equity Instruments which, in accordance with IAS 32, have the characteristics to be considered as equities.

#### VI. The valuation of hedge funds

The determination of the fair value of a hedge fund is the result of an analytical process that involves two distinct approaches applied respectively to investments in funds made through the direct purchase of units and to funds managed through a Managed Account Platform (MAP), which ensures daily transparency of the instruments underlying the funds.

For the funds not managed via a MAP, the fair value corresponds to the Net Asset Value (NAV) provided by the fund administrator, to which an adjustment can be applied, deriving from a measurement process aimed at capturing the main risk factors that the management of the funds is subject to, which consist of the following two types:

- counterparty (broker) risk, i.e. the risk that the assets of the fund are exposed to when a single service provider is entrusted with prime brokerage or custodian activities, subject to the risk of default;
- illiquidity risk, i.e. the risk that the assets of the fund are illiquid due to the limited prices available or due to a lack of information on the assessment policies used by the fund.

These risks are assessed on the basis of the information contained in the documentation received periodically from the fund managers or administrators.

For the funds managed via a MAP, the Fair Value corresponds to the NAV provided by the fund administrator. For this type of fund, no adjustment is applied because it is considered that the infrastructure that guarantees the daily transparency enables sufficient control and monitoring of the underlying instruments to mitigate counterparty and illiquidity risk.

For both types of investment, the fair value hierarchy level is assigned based on prevalence, in terms of percentage of NAV, of the weight of assets priced according to the various levels.



**VII. The valuation of private debt funds**

For Private Debt AIFs (Alternative Investment Funds), the investment authorisation process involves an initial due diligence to verify the consistency between each fund's asset valuation policy and the Guidelines and Rules for Valuation of Financial Instruments at Fair Value. The fund is subsequently valued at NAV.

**VIII. Valuation of closed-end private equity funds, real estate funds and closed-end funds resulting from sales of non-performing loans**

Closed-end private equity funds are usually valued using the latest Net Asset Value approved by the asset management company (published half yearly or quarterly), adjusted solely to take into account events that have not yet occurred at the reference date of the NAV, such as:

- a material transaction on a portfolio company;
- the bankruptcy or liquidation of a portfolio company;
- the alignment of any listed assets to current prices;
- call ups and distributions by the fund.

Closed-end real estate funds are valued using the last available Net Asset Value, adjusted for any subsequent call ups or distributions and, where considered necessary, applying a discount calculated using an internal model. Specifically, this model enables the calculation of a discount on the Net Asset Value based on five different variables: (i) the size of the asset management company that manages the fund; (ii) the number of subscribers; (iii) the fund's historical return; (iv) the fund's return for the period; and (v) the level of debt. These variables are calibrated differently based on the business model and the fund's resulting risk profile, distinguishing between core, value added and opportunistic funds.

For closed-end funds resulting from sales of non-performing loans, the NAV is taken as the fair value only following a successful joint check of the following conditions: i) the asset management company of the fund calculates the NAV in accordance with the EVCA or IPEV guidelines or other criteria in line with the definition of fair value pursuant to IFRS 13; ii) there is an updated plan and the fund is not underperforming on its plan; and iii) the IRR implicit in the NAV is higher than a threshold rate identified as the WACC of a sample of listed companies that invest in non-performing loans. If the check is unsuccessful, the NAV is decreased by applying a discount on liquidity as per our valuation practices.

**Valuation of financial assets and liabilities not measured at fair value on a recurring basis**

Finally, for asset and liability financial instruments measured at amortised cost, whose fair value is determined solely for the purposes of disclosure in the notes to the financial statements, the following is noted:

- the fair value of the bonds is calculated using the methods described above;
- the fair value measurement of the other medium- and long-term asset and liability financial instruments is performed by discounting future cash flows using the discount rate adjustment approach, which requires credit risk factors to be taken into account in the discount rate for future cash flows;
- for short-term assets and liabilities, the book value is assumed to be a reasonable approximation of fair value.

For more information see paragraph A.4.5.4.

As required by IFRS 13, the table below highlights, for financial assets and liabilities measured at level 3 fair value, quantitative information on the significant, unobservable inputs used in the fair value measurement.

Financial assets/ liabilities	Valuation technique	Main non- observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	(thousands of euro)	
						Favourable changes in FV	Unfavourable changes in FV
Securities and Loans	Discounting Cash Flows	Credit Spread	-3	2	%	609	-403
Structured securities and loans	JD model	JD parameters	-38	5	%	257	-51
Structured securities and loans	Two-factor model	Correlation	-43	22	%	378	-68
ABSs	Discounting Cash Flows	Credit Spread	-3	4	%	1,093	-1,500
CLOs Cash	Discounting Cash Flows	Credit Spread	-3	3	%	646	-650
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Loss Given Default Rate (LGD)	-	100	%	1,840	-1,303
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Probability of default (PD) based on counterparty's internal rating	CCC	BBB	Internal rating	251	-403
OTC Derivatives - Equity basket option	Black - Scholes model	Equity basket correlation	-10.93	25.84	%	526	-664
OTC Derivatives - Equity Option	Black - Scholes model	Historical volatility	8.15	76.17	%	760	-3,225
OTC Derivatives - Equity Option	Marshall Olkin Model	Historical correlation	-4.03	57.36	%	238	-132
OTC Derivatives - Spread option on swap rates	Bivariate log- normal model	Correlation between swap rates	-30.25	96.53	%	259	-203

#### A.4.2 Valuation processes and sensitivity

For a description of the valuation processes used by the Group for instruments measured at level 3 in a recurring and non-recurring manner, see paragraphs A.4.1 and A.4.5 respectively.

For financial assets and liabilities measured at level 3, for which their sensitivity analysis can be performed, in view of the measurement model used, the table below (as required by IFRS 13) details the effects of a change in one or more non-observable parameters used in the valuation techniques adopted to determine the fair value.

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non-observable parameter
FVTPL and FVTOCI securities and loans	Credit spread	-116	1 bp
FVTPL and FVTOCI securities and loans	JD parameters	-7	0
FVTPL and FVTOCI securities and loans	Correlation	-16	1%
OTC Derivatives - Interest rate	Correlation by spread options between swap rates	41	0.1
OTC Derivatives - Equity	Correlation between underlying equity baskets	309	0.1
OTC Derivatives - Equity	Historical volatility	1,025	10%
OTC Derivatives - Equity CPPI	Historical correlation	-60	0.1

#### A.4.3 Fair value hierarchy (transfers between the different levels)

A description of the policy for determining when transfers occur between the different levels of fair value hierarchy (see IFRS 13, par. 95) is provided above (see "Fair value hierarchy").



#### A.4.4 Other information

In calculating the bCVA, the Bank considers the net positions in derivatives of each counterparty (see paragraph A.4.1 above for further details on the measurement of derivatives). For other cases, the Bank does not make use of the option provided in paragraph 48 of IFRS 13, which permits an entity “to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions”.

#### General prudent value principles

The framework of financial measurements is completed with the prudent valuation of financial instruments measured at fair value, which involves the calculation of additional valuation adjustments for prudential purposes, without impacts on the fair value calculated for accounting purposes in accordance with the IFRS.

The Bank governs and defines the prudent value measurement of financial instruments through the Group Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all the consolidated subsidiaries of the Banking Group.

The “Guidelines on Prudent Valuation of Financial Instruments”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks Committee. The “Rules for Prudent Valuation of Financial Instruments” are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

In accordance with the provisions of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR), prudent valuation entails the calculation of specific additional valuation adjustments (AVAs) for the financial instruments measured at fair value, aimed at capturing different sources of valuation uncertainty and ensuring the achievement of a suitable level of certainty in the measurement of the positions. The total value of the AVAs is deducted from the Common Equity Tier 1 capital, without impacts on accounting fair values.

The Bank, in line with the criteria indicated in Delegated Regulation (EU) 2016/101, is subject to the application of the core approach for the determination of AVAs both at individual and at consolidated level for all the positions measured at fair value. In particular the following AVAs are considered:

- Market price uncertainty: this reflects the uncertainty of the market prices, calculated at valuation exposure level.
- Close-out costs: it reflects the uncertainty of the exit price calculated at valuation exposure level.
- Model risks: it considers the valuation model risk which arises due to the potential existence of a range of different models or model calibrations, which are used by market participants, and the lack of a firm exit price for the specific product being valued.
- Unearned credit spreads: it reflects the valuation uncertainty in the adjustment necessary according to the applicable accounting framework to include the current value of expected losses due to counterparty default on derivative positions.
- Investment and funding costs: it represents the valuation uncertainty in the funding costs used when assessing the exit price according to the applicable accounting framework.
- Concentrated positions: it reflects the uncertainty relating to the exit price of the positions defined as concentrated.
- Future administrative costs: it considers administrative costs and future hedging costs over the expected life of the valuation exposures for which a direct exit price is not applied for the close-out costs AVAs for concentrated positions.
- Early termination: it considers the potential losses arising from non-contractual early terminations of customer trades.
- Operational risks: it considers the potential losses which may be incurred consequently to the operational risks connected to the valuation processes.

The prudent value corresponds to the exit price from the position with a level of certainty equal to 90%. Where possible, this value is determined on the basis of a distribution of exit prices observed on the market. In all the other cases, an expert-based approach is used, referring to the qualitative and quantitative information available.

The AVA value associated to the single position and to the single source of uncertainty in valuation thus corresponds to the difference between the prudent value and the fair value. The total AVA is obtained by aggregating the single AVAs, taking into account the corresponding weighting ratios.

The “Rules for Prudent Valuation of Financial Instruments” outline, for each AVA, the definition and interpretation, the scope of application, the input data and the detailed calculation method for each class of financial instrument.

Since 1 January 2021, when the transitional provisions under Commission Delegated Regulation (EU) 866/2020 ceased to apply, the Group has used the AVAs aggregation factor established by Commission Delegated Regulation (EU) 2016/101.

## FAIR VALUE OF REAL ESTATE AND VALUABLE ART ASSETS

### Fair value of real estate assets

As extensively illustrated in the first part regarding the accounting policies, the Group has adopted the revaluation model as the basis of measurement for the owner-occupied properties accounted for according to IAS 16 and fair value for the investment properties accounted for according to IAS 40.

### Measurement of real estate assets

The revaluation model applied to owner-occupied properties envisages that property and equipment, whose fair value can be reliably determined, is recorded at a revalued amount, equal to its fair value at the date of the revaluation, net of depreciation and any accumulated impairment losses.

For the properties held for investment, the Intesa Sanpaolo Group has chosen the fair value method, according to which, after initial recognition, all investment properties are measured at fair value.

### Valuation approach

IFRS 13 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

The valuation approach has been defined on the basis of the business relevance and plan for the use of the properties, which consists of three main groups:

- “trophy assets”, i.e. particularly prestigious properties used by management functions located in the main cities where the Bank is based or properties of particular historical and artistic interest because they are listed by the Ministry for Cultural Heritage and Activities;
- “owner-occupied properties”;
- “investment properties”.

The properties are valued individually asset-by-asset without considering any discount, or premium, that may be agreed during commercial negotiations if all or part of the portfolio is sold in bulk or in lots.

The Intesa Sanpaolo Group has chosen to assign the valuation activity to professionally qualified external companies with an international structure, able to provide property valuations based on the RICS Valuation standards<sup>90</sup> which guarantee:

- determination of the value consistent with the fair value configuration indicated in the IAS/IFRS;
- compliance with the professional, ethical and independence requirements for experts, in line with the provisions of international and European standards.

To determine the value of the assets, the following valuation methods are used based on the characteristics of the asset and the conditions of the market of reference; the valuer determines the most suitable method for each individual property.

- The Discounted Cash Flow Method: the discounted cash flow method is based on the discounting (for a variable period based on the rental/occupational situation of the property and its subsequent optimisation) of the future net proceeds from the rental or sale of the property. At the end of this period, the value of the property is assumed to be the sale price obtained by capitalising the income of the last year at a market rate for investments similar to the object of the estimate or through a split sale. This method is used for the valuation of all the owner-occupied properties or real estate leased to third parties, located in Italy.
- Comparative or Market Method: the comparative or market method is based on the comparison between the assets examined and similar assets recently sold/purchased or offered on the same market or in competitive environments. This criterion is based on a comparison with properties that have recently been sold or offered on the open market and, if possible, have the same characteristics. In the absence of observations directly related to the property examined, cases are used that are as similar as possible to the property examined, making the necessary adjustments. This method, which also represents the basis for other valuation methods, can be adopted in particular for non-owner-occupied assets and/or, in any case, for unrestricted and available assets in Italy and abroad.
- Direct capitalisation income approach: the income approach is based on the current value of the potential market income of a property, obtained by capitalising the income at a market rate. This approach is applied mainly to owner-occupied properties abroad, where a prolonged stay within the building is envisaged.
- Investment Value (Worth): the Investment Value (Worth) is defined by the International Valuation Standard as: “the value of an asset to a particular owner or prospective owner for individual investment or operational objectives”. This definition is consistent with the provisions of the latest edition of the “RICS Valuation - Global Standards 2020” of the Royal Institution of Chartered Surveyors of the United Kingdom, where the Investment Value is defined as “the value of an asset to the owner or a prospective owner for individual investment or operational objectives”.

The Investment Value is applicable to properties built by the entity or properties with a strong business relevance subject to significant investments for technological, construction and functional adaptation.

The Investment Value of these properties is determined on the basis of a 12+6 year plan for business use without break options, whose annual rent is determined by applying an appropriate gross rate of return to the amount of direct and indirect costs capitalised by the Owner, including the costs of purchasing the land.

<sup>90</sup> Standards set out in the Royal Institution of Chartered Surveyors of the United Kingdom document “RICS Valuation – Global Standard” (also known as the “Red Book”); the updated version was issued in November 2019 and took effect on 31 January 2020.

**Frequency of valuation**

Revaluations must be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

The frequency of revaluations depends upon the changes in fair values of the property and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

Specifically, based on the market trends, different valuation frequencies have been identified that, according to the characteristics of the assets and their location, are considered capable of capturing the significant changes in the value of the assets.

The following distinction is made for owner-occupied properties:

- for trophy assets, the revaluation is carried out by verifying the value through a scenario analysis (market trend analysis) every year and with a new appraisal every two years;
- for the other owner-occupied properties, the revaluation is carried out through scenario analysis (market trend analysis) every year and through a new appraisal every three years.

If the scenario analysis identifies significant changes (+/- 10%), specific and updated appraisals must be carried out to adjust the fair value of the asset to the valuations of the real estate market.

For investment properties, the value is determined on the basis of new appraisals each year.

Based on the rules referred to in 2021, the properties under real estate assets that are classified as trophy assets, along with investment properties, were subject to periodic valuation.

**Scenario analysis**

As part of the annual update of the fair value of the owner-occupied properties, in the years when a revaluation of the property is not envisaged, a scenario analysis (market trend analysis) is carried out using the best information sources available for the various countries in which the properties are located, in order to identify deviations, using databases, in the market values between the analysis period and the previous period.

In particular, for real estate located in Italy, the changes are defined using at least 3 different sources. The main source is that provided by the Italian Revenue Agency, based on the specific OMI (Real Estate Market Monitor) zones. The second publication source is Nomisma for which, for the related zoning, the same queries are conducted as those for the OMI (main database). Lastly, the third source is based on the analyses of the changes during the year surveyed in terms of the offers present on the real estate market.

Accordingly, the experts identify the annual deviations in rents and/or prices by related asset class for each property.

Real estate located abroad is grouped, for each country, into different clusters based on location and asset class. Specific market analyses are conducted based on local and national knowledge of the particular target real estate market.

The market study also takes account of the following macroeconomic drivers:

- analysis of economic data (unemployment rate, GDP per capita, inflation and consumer price index); these macroeconomic factors constitute the first economic analysis, supporting the real estate market forecasts;
- movement in average yield;
- movement in market rents;
- range of movement in unit values.

The above-mentioned market survey, together with a qualitative weighting of the macroeconomic key drivers is used to determine a range of percentage deviation from the last assessment carried out, which is compared with the target threshold set, identifying a synthetic percentage factor for each individual property, included in a single worksheet.

This activity is carried out close to the end of the year in order to produce a range of deviations within a reference threshold and to enable the timely planning of the updating of the specific appraisals for the properties whose deviation exceeds the threshold.

The permitted variation threshold is +/-10%.

If the deviations identified exceed this threshold, a new valuation will be carried out before the end of the year.

**Sensitivity of valuations**

Just as for financial instruments, level 3 non-financial assets and liabilities measured at fair value for which, due to the valuation model used to determine the fair value, execution is possible, and whose results are significant, are subject to sensitivity analysis. The analysis essentially concerned the properties of the Parent Company Intesa Sanpaolo, which represent the Core perimeter of the Group's real estate assets.

It is noted that the sensitivity analysis was conducted by identifying the most important variables in the valuation model used as at 31 December 2021 to value the various classes of real estate, represented by the discounted cash flow method. In particular, reference was made to market rents for owner-occupied properties, and to the exit value for investment properties. For the variables identified above, a change equal to +5%/-5% was assumed, in relation to which an average deviation of the fair value of real estate of 6% was recorded in both hypothetical scenarios.

### Fair value of valuable art assets

The bank's valuable art assets are also valued using the revaluation model, which envisages that property and equipment, whose fair value can be reliably determined, is recorded at a revalued amount, equal to its fair value at the date of the revaluation.

Works of art included in the asset class "valuable art assets" are works of particular importance, recognised for their historic and artistic value by experts and in line with the ministerial guidelines, and particularly those set out in Ministerial Decree 537 of 6 December 2017 on the exportation of works of art, such as: the state of preservation, the historical importance of the artist, the importance of the work in terms of art criticism/history, illustrious origin, certain quality and attribution and the declaration of interest by the Italian government.

### Valuation approach

The valuation is carried out by determining the value through external appraisals, entrusted to qualified independent experts. These values are obtained from online databases such as Artnet and Artprice, which list over 100 million works of art and monitor the results of leading Italian and international auction houses. These are objective parameters that are compared with the market as a whole, in an analysis that also involves monitoring galleries and art fairs.

In particular, the factors considered for the fair value measurement include objective factors relating to the historical-critical-artistic value of the author, state of preservation, execution technique, size and quality of the artwork, importance of the artwork in the production by the artist, publication of the artwork in specialist catalogues, period of execution of the artwork, international exposure of the artworks by the artist, distinguished provenance, certainty of attribution, guarantee of authenticity of an artwork, as well as other factors (which may change over time, depending on the evolution and tastes of the market), such as the reputation of the museum hosting the artwork by the artist, the prestige of fairs/exhibitions/galleries/auction houses that handle the artwork, the reputation of its critics and collectors, and the quality of the communications concerning the artist's work.

Once these factors have been identified, the fair value is determined comparing them firstly with artworks similar to those examined (in terms of period of production/year, technique, size, type of subject and state of preservation), by the same artist and from the same period, if available (this is more feasible for modern and contemporary works) and, secondly, with works by artists or schools and areas that are close in style, philosophy and importance in the same historical period. Where several similar artworks are available, average values are used to take account of price volatility.

In addition to considering the trends in auction trading, starting from the most recent trading and also including unsold items in the analysis (which are a possible indicator of the loss of market value for the artwork/artist), the valuation also considers the current market interest in an artwork or an artist, measured by the number and quality of temporary exhibitions held in internationally important museum spaces and accompanied by specific publications.

The valuations also take into account any declarations of historical-artistic interest formally expressed by the Italian Ministry of Cultural Heritage and Activities (commonly referred to as "notifications"), which tie part of the artworks in the collection to Italy's heritage and restrict their circulation to the country's territory, reducing the price obtainable on the international market.

The pricing is also influenced by the importance of the buyers/sellers (e.g. prices paid by famous collectors or known investors may be more significant).

The valuation approach is based on the monitoring of the objective market values of the artworks included in the category examined, which follows three methodological approaches:

- prudent basis, analysing the average values of a variety of different information sources, based on robust, updated and statistically representative databases: in a market of "unique" artworks, often without transactions for decades, this approach ensures the periodic identification of any outlier values and avoids following speculative trends;
- comparison, monitoring the transactions that have taken place at a global level in a variety of distribution channels, in order to avoid considering only certain forms of transaction and the related financial values: in a global market with global demand, this approach enables verification of the presence of any geographical arbitrage or specific appreciation/depreciation phenomena with potential impacts;
- recurrence, since it updates and monitors price trends over the shortest period of time that the specific features of the market allow, i.e. the half year: in a market in which there are no public trades monitored daily, the shortness of the measurement period ensures maximum attention and timeliness of any changes.

This approach is applied to all the "valuable art assets".

### Frequency of valuation

For valuable art assets, the revaluation is carried out by means of an expert appraisal every three years. However, a scenario analysis is carried out annually to identify any appreciable changes in value in order to bring forward the valuation.

In accordance with the rules on valuation frequencies, note that, at the end of 2020, following the completion of the first three-year fair value measurement cycle, the appraisals were updated for all valuable art assets.

**Scenario analysis**

In order to identify and determine the changes in the market of the artworks being valued, market trends are monitored to detect signs of significant change that require appraisals to be made in advance with respect to the frequency established.

This monitoring is carried out on a two-fold basis:

- Monitoring of the market prices of the top artworks in terms of value held in Intesa Sanpaolo's collections, which represent 75% of the total value of the artworks included in the "valuable art assets" class, by verifying both the results of the main international auctions (which are based on a calendar of precise seasonal deadlines) and the reports of the two main world databases (Artprice and Artnet), whose analytics provide useful tools for monitoring prices;
- Monitoring the performance of the art market in general, to identify trends and changes with respect to Intesa Sanpaolo's "valuable art assets", verifying both the results of the main international auctions (which are based on a calendar of precise seasonal deadlines), and the reports of the two main world databases (Artprice and Artnet); since the works of many artists in the Intesa Sanpaolo's collection very rarely go up for auction due to the limited number of items left in the market, it is important to monitor the trend of similar artists or works; accordingly, the monitoring is not just limited to the works held and their artists, but also extends to the authors and artworks related to the same area, to take into account trend data.

If the annual monitoring identifies a potential, positive or negative, value deviation of more than 15% (for individual artworks/collections of artists in Intesa Sanpaolo's collections and comparable on the basis of objective criteria (such as period of production/year, size, technique, period of production, etc.), the appraisals are commissioned according to the usual internal procedures in order to align the carrying amount.

## Quantitative information

### A.4.5 Fair value hierarchy

#### A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: fair value by level

Assets / liabilities at fair value	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	22,553	25,984	3,099	19,876	34,462	2,735
a) Financial assets held for trading	22,279	25,265	187	19,749	33,674	315
of which: Equities	673	-	16	652	-	-
of which: quotas of UCI	24	-	25	26	-	31
b) Financial assets designated at fair value	-	1	-	-	1	-
c) Other financial assets mandatorily measured at fair value	274	718	2,912	127	787	2,420
of which: Equities	159	107	225	-	83	191
of which: quotas of UCI	115	136	2,046	127	227	1,416
2. Financial assets measured at fair value through other comprehensive income	47,431	4,335	383	37,290	3,417	281
of which: Equities	1,512	1,297	327	1,460	1,634	237
3. Hedging derivatives	-	1,566	-	1	999	15
4. Property and equipment	-	-	5,964	-	-	4,875
5. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>69,984</b>	<b>31,885</b>	<b>9,446</b>	<b>57,167</b>	<b>38,878</b>	<b>7,906</b>
1. Financial liabilities held for trading	22,241	34,867	119	15,383	45,324	123
2. Financial liabilities designated at fair value	6	3,643	26	-	2,810	-
3. Hedging derivatives	-	3,971	-	1	5,383	3
<b>Total</b>	<b>22,247</b>	<b>42,481</b>	<b>145</b>	<b>15,384</b>	<b>53,517</b>	<b>126</b>

During 2021, pursuant to IFRS13, par. 93(c), transfers were carried out from level 1 to level 2 of assets for 125 million euro, in addition to transfers from level 2 to level 1 of assets for 235 million euro, and of liabilities for 112 million euro. In particular:

- from level 1 to level 2:
  - “Financial assets held for trading” under debt securities of 20 million euro;
  - “Financial assets measured at fair value through other comprehensive income” under debt securities of 105 million euro;
- from level 2 to level 1:
  - “Financial assets held for trading” under debt securities of 227 million euro;
  - “Financial assets measured at fair value through other comprehensive income” under debt securities of 8 million euro;
  - “Financial liabilities held for trading” under payables, represented by short selling positions on securities for 112 million euro.

The transfers between fair value levels are determined by the trends in the observability of prices or market data used to measure the financial instruments and by the materiality of the unobservable inputs.

The transition from level 1 to level 2 is a consequence of the disappearance of an active market, assessed by analysing the reliability and the reciprocal consistency of the available prices according to the provisions of the Rules for Valuation of Financial Instruments at Fair Value. Conversely, financial instruments for which a mark-to-model measurement is performed using inputs that can be observed on the market – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

As at 31 December 2021, the impact of non-performance risk (Credit Value Adjustment and Debt Value Adjustment) in the determination of the fair value of derivative contracts amounted to a reduction of 184 million euro in positive fair value and an increase of 82 million euro in negative fair value.

The impact of the Funding Value Adjustment in reducing the fair value amounted to 125 million euro, equal to the cost of funding the cash flows generated by the Bank's overall portfolio of OTC derivatives.

Determining the quantity of those adjustments is irrespective of the effects of the correlated operational hedging strategies, where present.



The aggregate of “Financial assets mandatorily measured at fair value” includes level 3 quotas of UCI of 326 million euro in interests held by the Bank in the Atlante Fund and in the Italian Recovery Fund (formerly Atlante Fund II), as alternative investment funds to support Italian banks in their recapitalisation transactions and in the management of the bad loans in the sector.

The aggregate of Property and equipment of 5,964 million euro relates to the criterion of revaluation of owner-occupied properties and valuable art assets and the fair value measurement of investment property.

#### A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets designated at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	TOTAL	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) Other financial assets mandatorily designated at fair value				
<b>1. Initial amount</b>	<b>2,735</b>	<b>315</b>	-	<b>2,420</b>	<b>281</b>	<b>15</b>	<b>4,875</b>	-
<b>2. Increases</b>	<b>1,310</b>	<b>229</b>	-	<b>1,081</b>	<b>152</b>	-	<b>1,401</b>	-
2.1. Purchases	213	68	-	145	22	-	3	-
2.2 Gains recognised in:	211	39	-	172	17	-	10	-
2.2.1. Income statement	211	39	-	172	-	-	5	-
- of which capital gains	207	39	-	168	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	17	-	5	-
2.3. Transfers from other levels	155	25	-	130	55	-	-	-
2.4 Other increases	731	97	-	634	58	-	1,388	-
<b>3. Decreases</b>	<b>-946</b>	<b>-357</b>	-	<b>-589</b>	<b>-50</b>	<b>-15</b>	<b>-312</b>	-
3.1. Sales	-312	-195	-	-117	-6	-	-13	-
3.2 Reimbursements	-153	-26	-	-127	-	-	-	-
3.3 Losses recognized in:	-212	-34	-	-178	-12	-8	-37	-
3.3.1. Income statement	-212	-34	-	-178	-	-8	-25	-
- of which capital losses	-123	-34	-	-89	-	-	-	-
3.3.2 Shareholders' equity	-	X	X	X	-12	-	-12	-
3.4. Transfers from other levels	-128	-99	-	-29	-23	-7	-	-
3.5 Other decreases	-141	-3	-	-138	-9	-	-262	-
<b>4. Final amount</b>	<b>3,099</b>	<b>187</b>	-	<b>2,912</b>	<b>383</b>	-	<b>5,964</b>	-

The captions of transfers between levels of “Financial assets measured at fair value through profit or loss” refer to transfers from level 3 for a total of 128 million euro and to level 3 for a total of 155 million euro.

The former are transfers of “Financial assets held for trading” from level 3 to level 2 involving debt securities for 37 million euro and financial derivatives for 62 million euro, in addition to transfers of “Financial assets mandatorily measured at fair value” from level 3 to level 2 involving loans for 20 million euro and from level 3 to level 1 involving quotas of UCI for 9 million euro.

The latter are transfers of “Financial assets mandatorily measured at fair value” from level 2 to level 3 involving quotas of UCI for 123 million euro, loans for 3 million euro and equity instruments for 4 million euro, in addition to transfer of “Financial assets held for trading” from level 2 to level 3 involving debt securities for 2 million euro and financial derivatives for 7 million euro, in addition to transfers from level 1 to level 3 involving equity instruments for 16 million euro.

The transfers between levels of debt securities occurred, in the case of transfers from level 3, due to the use in fair value measurement as at 31 December 2021 of parameters that can be observed on the market, and in the case of transfers to level 3, due to the lack of observability on the market of the reference parameters, in compliance with the guidelines described in paragraph A.4.3 – Fair value hierarchy.

The transfers of equities to level 3 refer to equity interests measured based on equity criteria - NAV and Adjusted Net Asset Value (ANAV) - as the fair value estimate of the equity components of the equity interest, in addition to the change in the measurement method used in determining the fair value of investments.

Transfers of derivative contracts are due to the changes in counterparty risk, considering that derivatives with non-performing counterparties are classified in level 3 of the fair value hierarchy.



Transfers of loans refer to whether or not parameters observable on the market are used in fair value measurement.

For “Financial assets measured at fair value through other comprehensive income”, we note transfers from level 3 to level 2 of equities held for 3 million euro and of debt securities for 20 million euro and transfers from level 2 to level 3 of equities for 55 million euro due to whether or not parameters observable on the market are used in fair value measurement.

The transfers of quotas of UCI between levels occur due to the presence (exit from level 3) or the loss (entry into level 3) of level 1 assets of 30% of the NAV in the mix of investments in financial instruments by the funds.

Transfers between fair value levels were carried out in accordance with the guidelines described in paragraph A.4.3 - Fair value hierarchy.

During the year, the value of trophy asset properties was updated, valued according to the revaluation model, as well as of investment property, which was measured at fair value. That adjustment resulted in the recognition of gains and losses, both through profit and loss and equity, posted under sub-captions 2.2 and 3.3, respectively.

The caption “Other increases” primarily refers to increases relating to the business combinations undertaken during the year. The caption “Other decreases” of property and equipment mainly includes depreciation. With reference to UCI represented under “Financial assets mandatorily measured at fair value”, the increases and decreases include the payments made and the reimbursements received by the Bank, with no change in the quotas held.

#### A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value	(millions of euro) Hedging derivatives
<b>1. Initial amount</b>	<b>123</b>	<b>-</b>	<b>3</b>
<b>2. Increases</b>	<b>116</b>	<b>26</b>	<b>1</b>
2.1 Issues	2	-	-
2.2 Losses recognised in:	57	-	1
2.2.1. Income statement	57	-	1
- of which capital losses	57	-	-
2.2.2 Shareholders' equity	X	-	-
2.3 Transfers from other levels	57	26	-
2.4 Other increases	-	-	-
<b>3. Decreases</b>	<b>-120</b>	<b>-</b>	<b>-4</b>
3.1 Reimbursements	-	-	-
3.2. Repurchases	-	-	-
3.3 Gains recognised in:	-16	-	-
3.3.1. Income statement	-16	-	-
- of which capital gains	-16	-	-
3.3.2 Shareholders' equity	X	-	-
3.4. Transfers to other levels	-104	-	-4
3.5 Other decreases	-	-	-
<b>4. Final amount</b>	<b>119</b>	<b>26</b>	<b>-</b>

The “Final amount” of Level 3 “Financial liabilities held for trading” refer to derivative contracts with a negative fair value for 26 million euro and to certificates with characteristics similar to derivative instruments mainly for market risk for 93 million euro. Transfers from level 3 totalling 104 million euro refer to certificates for 47 million euro and to derivative contracts for 57 million euro, while those to level 3 for a total of 57 million euro refer to certificates for 51 million euro and to derivative contracts for 6 million euro.

The final amount of “Financial liabilities designated at fair value” derives from transfers from level 2, and refer to certificates which provide for partial or full redemption of the premiums paid on maturity, pursuant to Bank of Italy Communication of 21 October 2014 (certificates with guaranteed or protected capital), classified in that accounting category if issued after 1 January 2020.

**A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: fair value by level**

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2021				31.12.2020			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	599,476	26,734	449,091	130,093	468,899	23,458	346,439	110,463
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	1,326	-	-	1,326	1,798	-	904	913
<b>Total</b>	<b>600,802</b>	<b>26,734</b>	<b>449,091</b>	<b>131,419</b>	<b>470,697</b>	<b>23,458</b>	<b>347,343</b>	<b>111,376</b>
1. Financial liabilities measured at amortised cost	638,920	48,740	560,066	32,392	491,393	38,256	420,415	35,035
2. Liabilities associated with non-current assets	25	-	-	25	2,594	-	1,264	1,302
<b>Total</b>	<b>638,945</b>	<b>48,740</b>	<b>560,066</b>	<b>32,417</b>	<b>493,987</b>	<b>38,256</b>	<b>421,679</b>	<b>36,337</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Bank of Italy Circular 262, which provides for on demand loans and receivables due from banks to be represented under "Cash and cash equivalents", and no longer under "Financial assets measured at amortised cost".

**Financial assets and liabilities**

For financial assets and liabilities not measured at fair value (loans and loans represented by securities, amounts due to customers and securities issued), the Bank measures fair value by calculating the present value of future cash flows at a rate that incorporates the estimate of the main risks and uncertainties associated with the financial instrument to be measured (discount rate adjustment approach).

In particular, the interest rate used to discount the future cash flows is determined by taking into account the following risk factors:

- interest rate risk, which represents the rate offered by the market for each unit of capital provided to risk-free counterparties;
- credit risk, which is the premium for having provided capital to counterparties with insolvency risk.

For fixed-rate instruments, the cash flows are those envisaged by the contracts. For floating-rate instruments, the future cash flows are determined based on forward rates, implicit in the zero-coupon interest rate curves observed at the various fixing dates and differentiated by indexation type.

The value of the risk premium (credit spread) is determined per individual position, through acquisition of the risk class (LGD) and rating (PD). These amounts, together with the average residual financial life, constitute the guideline for acquisition of the credit spread. The construction of the spread curve follows the rules set out in the Rules for Valuation of Financial Instruments at Fair Value.

The following assumptions were used in determining the fair values indicated in table A.4.5.4:

- for loans represented by securities, the same rules envisaged for the fair value measurement of other categories of securities are used;
- for securities issued, the rules used are the same as those applied to securities under assets;
- the book value is calculated as the reasonable approximation of fair value for:
  - demand financial items (assets and liabilities) or financial items with an original maturity equal to or shorter than 12 months and residual maturity equal to or shorter than 12 months: in the table, the column corresponding to level 2 of the fair value hierarchy presents the short-term financial items and cash collateral for financial operations, while the column corresponding to level 3 of the fair value hierarchy presents demand loans;
  - non-performing assets which in the table are included in the column corresponding to level 3 of the fair value hierarchy.

**A.5 – INFORMATION ON “DAY ONE PROFIT/LOSS”**

Under IFRS 9, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument at initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities.

The fact that, upon initial recognition, the fair value of a financial instrument coincides with the transaction price is usually intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy.

Also in the case of level 2, which is based on quotes that can be derived indirectly from the market (Comparable Approach), the fair value and the price often coincide upon initial recognition. Any differences between the price and the fair value are usually allocated to the so-called commercial margins, which are taken to the income statement when the financial instrument is initially measured.

Conversely, with respect to level 3 instruments, which have more discretion in fair value measurement, no definite reference benchmark is available to compare the transaction price with.

For the same reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at the transaction cost. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (also defined as Day-One-Profit - DOP).

This difference shall be recognised in the income statement only when it arises from changes to the factors over which market participants base their valuations when fixing prices (including the time effect). Where the instrument has a definite maturity and no model is available to monitor the changes to the factors over which prices are based, the DOP can be recognised in the income statement systematically over the life of such instrument.

When a level 3 instrument is reclassified to level 2, the residual deferred Day-One-Profits are recognised in the income statement. Similarly, in the event of “on the book” transactions falling under the Bank's activities, the Day-One-Profits earned on level 3 transactions (including in the above “on the book” management) are taken to the income statement when the Bank carries out transactions which substantially eliminate the risks of the level 3 instrument which generated the DOP.

The following table shows the changes in the DOP deferred in the balance sheet.

(millions of euro)

<b>1. Initial amount</b>	<b>1</b>
<b>2. Increases</b>	<b>-</b>
2.1 New transactions	-
<b>3. Decreases</b>	<b>-1</b>
3.1 Releases to the income statement	-1
<b>4. Final amount</b>	<b>-</b>

Lastly, during the year, operations were finalised for which the differences in the amounts paid and the fair values on initial recognition, classified in levels 1 and 2, generated insignificant gains to the income statement.

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## Part B – Information on the Parent Company's balance sheet

### ASSETS

#### SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

##### 1.1 Cash and cash equivalents: breakdown

	(millions of euro)	
	31.12.2021	31.12.2020
a) Cash	2,416	2,545
b) Current accounts and on demand deposits with Central Banks	2,956	2,857
c) Current accounts and on demand deposits with banks	2,358	1,346
<b>Total</b>	<b>7,730</b>	<b>6,748</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Bank of Italy Circular 262, which provides for on demand loans and receivables due from banks to be represented under "Cash and cash equivalents", and no longer under "Financial assets measured at amortised cost" under "Due from banks".

## SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - CAPTION 20

### 2.1 Financial assets held for trading: breakdown

Captions	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. Cash assets</b>						
1. Debt securities	21,556	1,312	89	19,022	1,666	176
1.1 Structured securities	5	1,009	42	1,289	46	3
1.2 Other debt securities	21,551	303	47	17,733	1,620	173
2. Equities	673	-	16	652	-	-
3. Quotas of UCI	24	-	25	26	-	31
4. Loans	-	14	5	-	15	7
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	14	5	-	15	7
<b>Total (A)</b>	<b>22,253</b>	<b>1,326</b>	<b>135</b>	<b>19,700</b>	<b>1,681</b>	<b>214</b>
<b>B. Derivatives</b>						
1. Financial derivatives	26	21,691	52	49	30,350	101
1.1 trading	26	21,691	52	49	30,350	101
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	2,248	-	-	1,643	-
2.1 trading	-	2,248	-	-	1,643	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
<b>Total (B)</b>	<b>26</b>	<b>23,939</b>	<b>52</b>	<b>49</b>	<b>31,993</b>	<b>101</b>
<b>Total (A+B)</b>	<b>22,279</b>	<b>25,265</b>	<b>187</b>	<b>19,749</b>	<b>33,674</b>	<b>315</b>

Debt securities connected with securitisations amounted to 1,092 million euro, of which 666 million euro relating to senior notes, 412 million euro relating to mezzanine notes and 14 million euro relating to junior notes, mainly represented by Other debt securities.

Structured securities as at 31 December 2021 amounted to 1,050 million euro in structured credit products, represented by investments in ABS (Asset Backed Securities) for 772 million euro and in CLO (Credit Loan Obligations) for 278 million euro, in addition to 6 million euro in instruments convertible into shares.

The amount of Derivatives as at 31 December 2021 includes the results of the offsetting of gross positive and negative balances pursuant to IAS 32, paragraph 42, which are not represented in Part E of these Notes to the financial statements.

In particular, the gross positive fair value of the derivative contracts implemented with the legal clearing agent LCH Ltd. for 38,716 million euro - of which 37,948 million euro refers to transactions on own behalf and 768 million euro to transactions originated by customers and Group companies - meets the requirements set out for offsetting and was subject to netting under Liabilities in Hedging derivatives and Financial liabilities held for trading, respectively. The total positive fair value of derivatives gross of on-balance sheet offsetting would amount to 62,733 million euro (Financial derivatives of 60,485 million euro and Credit derivatives of 2,248 million euro).

**2.2 Financial assets held for trading: borrower/issuer breakdown**

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>A. Cash Assets</b>		
<b>1. Debt securities</b>	<b>22,957</b>	<b>20,864</b>
a) Central Banks	44	25
b) Public administration	20,129	17,610
c) Banks	1,149	1,302
d) Other financial companies	1,250	1,597
<i>of which: insurance companies</i>	75	474
e) Non financial companies	385	330
<b>2. Equities</b>	<b>689</b>	<b>652</b>
a) Banks	70	82
b) Other financial companies	95	31
<i>of which: insurance companies</i>	31	11
c) Non financial companies	524	539
d) Other issuers	-	-
<b>3. Quotas of UCI</b>	<b>49</b>	<b>57</b>
<b>4. Loans</b>	<b>19</b>	<b>22</b>
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	1
<i>of which: insurance companies</i>	-	-
e) Non financial companies	19	21
f) Households	-	-
<b>Total A</b>	<b>23,714</b>	<b>21,595</b>
<b>B. Derivatives</b>		
a) Central counterparties	1,858	1,857
b) Other	22,159	30,286
<b>Total B</b>	<b>24,017</b>	<b>32,143</b>
<b>TOTAL (A+B)</b>	<b>47,731</b>	<b>53,738</b>

Quotas of UCI held at the end of the year include hedge funds for 27 million euro, shares of SICAVs for 11 million euro, investments in real estate funds for 7 million euro and other types for 4 million euro.

**2.3 Financial assets designated at fair value: breakdown**

Captions	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Debt securities</b>	-	1	-	-	1	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	1	-	-	1	-
<b>2. Loans</b>	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-
2.2 Others	-	-	-	-	-	-
<b>Total</b>	-	1	-	-	1	-

The Bank has included in this category debt securities linked to financial instruments measured at fair value through profit and loss, such as financial derivatives. On the basis of the debt securities, no hedges were arranged through credit derivatives or similar instruments to mitigate the relevant credit risk.

The fair value change attributable to the measurement of credit risk of financial assets designated at fair value was insignificant, both during the year and in cumulative terms.

**2.4 Financial assets designated at fair value: borrower/issuer breakdown**

Captions	31.12.2021	31.12.2020
	(millions of euro)	(millions of euro)
<b>1. Debt securities</b>	1	1
a) Central Banks	-	-
b) Public administration	1	1
c) Banks	-	-
d) Other financial companies	-	-
<i>of which: insurance companies</i>	-	-
e) Non financial companies	-	-
<b>2. Loans</b>	-	-
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
<i>of which: insurance companies</i>	-	-
e) Non financial companies	-	-
f) Households	-	-
<b>Total</b>	1	1



**2.5 Other financial assets mandatorily measured at fair value: breakdown**

Captions	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Debt securities</b>	-	42	107	-	241	275
1.1 Structured securities	-	-	5	-	-	5
1.2 Other debt securities	-	42	102	-	241	270
<b>2. Equities</b>	159	107	225	-	83	191
<b>3. Quotas of UCI</b>	115	136	2,046	127	227	1,416
<b>4. Loans</b>	-	433	534	-	236	538
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	433	534	-	236	538
<b>Total</b>	<b>274</b>	<b>718</b>	<b>2,912</b>	<b>127</b>	<b>787</b>	<b>2,420</b>

Debt securities include the securities connected with securitisation transactions for a total amount of 106 million euro, of which 44 million euro is senior, 46 million euro is mezzanine and 16 million euro is junior.

**2.6 Other financial assets mandatorily measured at fair value: borrower/issuer breakdown**

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Equities</b>	<b>491</b>	<b>274</b>
<i>of which: banks</i>	-	-
<i>of which: other financial companies</i>	151	3
<i>of which: non financial companies</i>	339	271
<b>2. Debt securities</b>	<b>149</b>	<b>516</b>
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	146	516
<i>of which: insurance companies</i>	-	1
e) Non financial companies	3	-
<b>3. Quotas of UCI</b>	<b>2,297</b>	<b>1,770</b>
<b>4. Loans</b>	<b>967</b>	<b>774</b>
a) Central Banks	-	-
b) Public administration	-	6
c) Banks	38	9
d) Other financial companies	199	115
<i>of which: insurance companies</i>	68	10
e) Non financial companies	723	639
f) Households	7	5
<b>Total</b>	<b>3,904</b>	<b>3,334</b>

Caption 3. "Quotas of UCI" refers to private equity and venture capital funds for 798 million euro, real estate funds for 396 million euro, private debt funds for 351 million euro, hedge funds for 199 million euro, infrastructure funds for 163 million euro and other equity funds for 64 million euro. The caption also includes 326 million euro in interests held by the bank in the Atlante Fund and in the Italian Recovery Fund (formerly Atlante Fund II), as alternative investment funds to support Italian banks in their recapitalisation transactions and in the management of the bad loans in the sector.

Caption 4. "Loans" includes credit exposures classified among financial assets mandatorily measured at fair value as they failed the test on the contractual characteristics of cash flows (SPPI Test) required by IFRS 9.

## SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CAPTION 30

### 3.1 Financial assets measured at fair value through other comprehensive income: breakdown

Captions	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Debt securities</b>	<b>45,919</b>	<b>2,352</b>	<b>3</b>	<b>35,830</b>	<b>1,529</b>	<b>25</b>
1.1 Structured securities	-	587	-	-	-	-
1.2 Other debt securities	45,919	1,765	3	35,830	1,529	25
<b>2. Equities</b>	<b>1,512</b>	<b>1,297</b>	<b>327</b>	<b>1,460</b>	<b>1,634</b>	<b>237</b>
<b>3. Loans</b>	<b>-</b>	<b>686</b>	<b>53</b>	<b>-</b>	<b>254</b>	<b>19</b>
<b>Total</b>	<b>47,431</b>	<b>4,335</b>	<b>383</b>	<b>37,290</b>	<b>3,417</b>	<b>281</b>

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

Debt securities include the securities connected with securitisations for a total amount of 1,695 million euro, of which 1,652 million euro is senior and 43 million euro is mezzanine.

Financial assets measured at fair value through other comprehensive income (caption "2. Equities – Level 2) include the stakes in the capital of the Bank of Italy for an amount of 1,109 million euro. For the related valuation, as in the previous years, the direct transaction method was used, considering the purchases and sales made starting from 2015 and continuing in subsequent years, including 2021. Considering that all the main transactions were finalised at nominal value, the use of this approach confirms the recognition value of the stakes held in the financial statements of the Bank. To support valuation according to the direct transaction method, a valuation was also carried out using the DDM (Discounted Dividend Model) method, based on discounting future dividends deriving from the investment. The application of the DDM returned a value of the stake in the Bank of Italy substantially in line with the value posted in the Financial Statements of Intesa Sanpaolo as at 31 December 2021. Following the approach taken in the previous years, the use of direct transaction prices as the reference for determining fair value for the 2021 financial statements also resulted in the confirmation of level 2 in the fair value hierarchy.

The book value of equity instruments deriving from the recovery of impaired financial assets amounted to 32 million euro.

**3.2 Financial assets measured at fair value through other comprehensive income: borrower/issuer breakdown**

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Debt securities</b>	<b>48,274</b>	<b>37,384</b>
a) Central Banks	-	-
b) Public administration	39,958	30,478
c) Banks	3,114	3,549
d) Other financial companies	3,213	2,184
<i>of which: insurance companies</i>	-	-
e) Non financial companies	1,989	1,173
<b>2. Equities</b>	<b>3,136</b>	<b>3,331</b>
a) Banks	1,456	1,791
b) Other issuers:	1,680	1,540
- other financial companies	1,168	1,149
<i>of which: insurance companies</i>	3	3
- non financial companies	512	380
- other	-	11
<b>3. Loans</b>	<b>739</b>	<b>273</b>
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	61	26
<i>of which: insurance companies</i>	-	-
e) Non financial companies	678	247
f) Household	-	-
<b>Total</b>	<b>52,149</b>	<b>40,988</b>

**3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total adjustments**

		(millions of euro)								
		Gross amount				Total adjustments				Total partial write-offs
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities	48,179	438	124	35	-	-19	-10	-35	-	-
Loans	723	-	20	-	-	-3	-1	-	-	-
<b>Total 31.12.2021</b>	<b>48,902</b>	<b>438</b>	<b>144</b>	<b>35</b>	<b>-</b>	<b>-22</b>	<b>-11</b>	<b>-35</b>	<b>-</b>	<b>-</b>
<b>Total 31.12.2020</b>	<b>36,772</b>	<b>975</b>	<b>910</b>	<b>39</b>	<b>-</b>	<b>-13</b>	<b>-13</b>	<b>-38</b>	<b>-</b>	<b>-</b>

For the approach used to represent the gross value and the total adjustments to impaired financial assets, see the illustration provided in Part A – Accounting policies.

**3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross amount and total adjustments**

As at 31 December 2021 this case was not present.

## SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTISED COST – CAPTION 40

## 4.1 Financial assets measured at amortised cost: breakdown of amounts due from banks

(millions of euro)

Transaction type/Amount	31.12.2021							31.12.2020					
	Book value			Fair value				Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	First and second stage	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	
A. Due from Central Banks	121,493	-	-	-	121,493	-	52,591	-	-	-	52,591	-	
1. Time deposits	87	-	-	X	X	X	29	-	-	X	X	X	
2. Compulsory reserve	121,401	-	-	X	X	X	52,554	-	-	X	X	X	
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X	
4. Other	5	-	-	X	X	X	8	-	-	X	X	X	
B. Due from banks	38,942	53	-	1,547	30,979	6,505	36,615	64	-	1,159	29,638	5,950	
1. Loans	37,378	53	-	-	30,945	6,505	35,194	64	-	-	29,373	5,950	
1.1 Current accounts	-	-	-	X	X	X	12,314	-	-	X	X	X	
1.2. Time deposits	5,290	-	-	X	X	X	5,516	-	-	X	X	X	
1.3 Other loans:	32,088	53	-	X	X	X	17,364	64	-	X	X	X	
- Reverse repurchase agreements	12,387	-	-	X	X	X	8,690	-	-	X	X	X	
- Finance leases	5	-	-	X	X	X	5	-	-	X	X	X	
- Other	19,696	53	-	X	X	X	8,669	64	-	X	X	X	
2. Debt securities	1,564	-	-	1,547	34	-	1,421	-	-	1,159	265	-	
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Other	1,564	-	-	1,547	34	-	1,421	-	-	1,159	265	-	
Total	160,435	53	-	1,547	152,472	6,505	89,206	64	-	1,159	82,229	5,950	

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Bank of Italy Circular 262, which provides for on demand loans and receivables due from banks to be represented under "Cash and cash equivalents", and no longer under "Financial assets measured at amortised cost" under "Due from banks".

The sub-caption "Other loans" includes operating loans, i.e. loans for operations connected to the provision of activities and financial services, with no credit facilities, for an amount of 15 million euro (65 million euro as at 31 December 2020). Insignificant writebacks were recorded on those exposures classified as Stage 1.

## 4.2 Financial assets measured at amortised cost: breakdown of loans to customers

(millions of euro)

Transaction type/Amount	31.12.2021						31.12.2020					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3
<b>1. Loans</b>	<b>388,895</b>	<b>6,189</b>	<b>317</b>	<b>-</b>	<b>282,600</b>	<b>119,487</b>	<b>332,145</b>	<b>9,321</b>	<b>246</b>	<b>-</b>	<b>254,545</b>	<b>98,898</b>
1.1. Current accounts	9,413	611	21	X	X	X	8,037	1,029	4	X	X	X
1.2. Reverse repurchase agreements	18,897	-	-	X	X	X	16,546	-	-	X	X	X
1.3. Mortgages	235,350	4,077	271	X	X	X	196,140	5,374	225	X	X	X
1.4. Credit card loans, personal loans and transfer of one fifth of salaries	13,057	214	2	X	X	X	12,451	211	-	X	X	X
1.5. Finance leases	8,428	260	-	X	X	X	9,040	1,217	-	X	X	X
1.6. Factoring	9,118	63	-	X	X	X	9,078	55	-	X	X	X
1.7. Other loans	94,632	964	23	X	X	X	80,853	1,435	17	X	X	X
<b>2. Debt securities</b>	<b>43,559</b>	<b>28</b>	<b>-</b>	<b>25,187</b>	<b>14,019</b>	<b>4,101</b>	<b>37,886</b>	<b>31</b>	<b>-</b>	<b>22,299</b>	<b>9,665</b>	<b>5,615</b>
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	43,559	28	-	25,187	14,019	4,101	37,886	31	-	22,299	9,665	5,615
<b>Total</b>	<b>432,454</b>	<b>6,217</b>	<b>317</b>	<b>25,187</b>	<b>296,619</b>	<b>123,588</b>	<b>370,031</b>	<b>9,352</b>	<b>246</b>	<b>22,299</b>	<b>264,210</b>	<b>104,513</b>

Loans to customers include loans disbursed on public funds under administration for which the Bank holds the risk in the amount of 59 million euro.

Debt securities include the securities connected with securitisations for a total amount of 4,831 million euro, of which 4,819 million euro is senior and 12 million euro is mezzanine. The senior notes included 1,090 million euro relating to the vehicles Groggi SPV S.r.l. and Yoda SPV S.r.l., to which, in 2021 and 2020, loans classified as bad loans were sold pursuant to Law 130/99 and 1,548 million euro in notes of the vehicles Kerdos SPV S.r.l. and Kerma SPV S.r.l., to which, in 2021 and 2019, loans classified as unlikely to pay (UTP) were sold pursuant to Law 130/99.

They also include debt securities of 5,703 million euro, connected with the securitisation of the vehicle Romulus Funding Corporation, included in the Group's scope of consolidation.

During the year, as part of business combinations under common control, non-performing loans of 257 million euro were acquired.

The sub-caption "Other loans" includes operating loans, i.e. loans for operations connected to the provision of activities and financial services, with no credit facilities, for an amount of 631 million euro (490 million euro as at 31 December 2020). Insignificant value adjustments were recorded on those exposures classified as Stage 1.

**4.3 Financial assets measured at amortised cost: breakdown by borrower/issuer of loans to customers**

(millions of euro)

Transaction type/Amount	31.12.2021			31.12.2020		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired
<b>1. Debt securities</b>	<b>43,559</b>	<b>28</b>	<b>-</b>	<b>37,886</b>	<b>31</b>	<b>-</b>
a) Public administration	25,310	15	-	24,122	17	-
b) Other financial companies	14,561	1	-	11,007	-	-
<i>of which: insurance companies</i>	6	-	-	-	-	-
c) Non financial companies	3,688	12	-	2,757	14	-
<b>2. Loans:</b>	<b>388,895</b>	<b>6,189</b>	<b>317</b>	<b>332,145</b>	<b>9,321</b>	<b>246</b>
a) Public administration	13,175	355	-	13,594	178	-
b) Other financial companies	52,621	260	1	45,664	287	3
<i>of which: insurance companies</i>	814	-	-	497	-	-
c) Non financial companies	182,069	3,422	147	156,449	6,467	131
d) Households	141,030	2,152	169	116,438	2,389	112
<b>TOTAL</b>	<b>432,454</b>	<b>6,217</b>	<b>317</b>	<b>370,031</b>	<b>9,352</b>	<b>246</b>

**4.4 Financial assets measured at amortised cost: gross amount and total adjustments**

(millions of euro)

(millions of euro)											
		Gross amount					Total adjustments				Total partial write-offs
		Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		42,180	5,792	3,004	85	-	-20	-41	-57	-	-
Loans		500,235	18,995	49,493	13,524	482	-500	-1,462	-7,282	-165	6,367
Total	31.12.2021	542,415	24,787	52,497	13,609	482	-520	-1,503	-7,339	-165	6,367
Total	31.12.2020	402,068	17,146	59,174	18,322	420	-508	-1,498	-8,906	-173	6,390

For the approach used to represent the gross value and the total adjustments to impaired financial assets, see the illustration provided in Part A – Accounting policies.



**4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross amount and total adjustments**

(millions of euro)

	Stage 1	of which: low credit risk	Gross value			Purchased or originated credit-impaired	Writedown			Purchased or originated credit-impaired	Write off partial total
			Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
1. EBA-compliant moratoria loans	74	-	967	11	-	-	-39	-2	-	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forbore	212	-	2,528	19	1	-1	-92	-4	-	-	-
2. Other loans with COVID-19-related forbearance measures	4	-	864	266	1	-	-50	-59	-	-	-
3. Newly originated loans	34,036	-	4,495	190	2	-39	-37	-59	-	-	-
<b>Total 31.12.2021</b>	<b>34,326</b>	<b>-</b>	<b>8,854</b>	<b>486</b>	<b>4</b>	<b>-40</b>	<b>-218</b>	<b>-124</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total 31.12.2020</b>	<b>41,361</b>	<b>16</b>	<b>11,765</b>	<b>326</b>	<b>4</b>	<b>-73</b>	<b>-379</b>	<b>-67</b>	<b>-</b>	<b>-</b>	<b>-</b>

The table above provides the comparison data to financial year 2020 in compliance with the new provisions of Bank of Italy Communication dated 21 December 2021 – Update to the additions to the provisions of Circular no. 262 "Bank financial statements: layouts and preparation" with regard to the impacts of COVID-19, measures in support of the economy.

The row "EBA-compliant moratoria loans" shows the information relating to financial assets subject to moratoria that fall within the scope of application of the "Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID-19 crisis", published by the EBA (EBA/GL/2020/02), as amended.

**SECTION 5 - HEDGING DERIVATIVES – CAPTION 50**

Concerning the objectives and the strategies underlying hedging transactions see the information provided in Part E – Information on risks and relative hedging policies, Section 2 – Market risks.

**5.1 Hedging derivatives: breakdown by type of hedge and level**

(millions of euro)

	Fair value 31.12.2021			Notional amount 31.12.2021	Fair value 31.12.2020			Notional amount 31.12.2020
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
<b>A. Financial derivatives</b>								
1. Fair Value	-	1,561	-	175,643	1	999	15	78,074
2. Cash flows	-	5	-	3,364	-	-	-	5,400
3. Foreign investments	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>								
1. Fair Value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,566</b>	<b>-</b>	<b>179,007</b>	<b>1</b>	<b>999</b>	<b>15</b>	<b>83,474</b>

The amounts of hedging derivatives as at 31 December 2021 include the results of the offsetting of gross positive and negative balances pursuant to IAS 32, paragraph 42, which are not represented in Part E of these Notes to the financial statements.

In particular, as the gross positive fair value of Hedging derivatives implemented on own behalf with the legal clearing agent LCH Ltd. for 2,367 million euro meets the requirements set out for offsetting, it was subject to offsetting under liabilities in Hedging derivatives. The total positive fair value of hedging derivatives gross of on-balance sheet offsetting would amount to 3,933 million euro (of which 3,928 million euro hedging fair value and 5 million euro hedging cash flows).

## 5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions / Type of hedge	Fair Value							Cash-flow hedges		Foreign investm
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equities and stock indices	foreign exchange rates and gold	credit risk	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	184	-	140	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	130	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	189	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
<b>Total assets</b>	<b>314</b>	<b>-</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Financial liabilities	520	X	342	-	-	-	X	5	X	X
2. Portfolio	X	X	X	X	X	X	56	X	-	X
<b>Total liabilities</b>	<b>520</b>	<b>-</b>	<b>342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>5</b>	<b>-</b>	<b>-</b>
1. Forecast transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.

Considering the values gross of netting in the financial statements, these mainly refer to micro fair value hedges of liabilities issued and debt securities under assets, as well as macro fair value hedges of loans disbursed and demand positions under liabilities (core deposits).

## SECTION 6 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 60

## 6.1 Fair value change of hedged assets: breakdown by hedged portfolios

Fair value change of hedged assets / Amount	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Positive fair value change</b>	<b>393</b>	<b>2,333</b>
1.1 of specific portfolios:	393	2,333
a) financial assets measured at amortised cost	393	2,333
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 overall	-	-
<b>2. Negative fair value change</b>	<b>-</b>	<b>-</b>
2.1 of specific portfolios:	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 overall	-	-
<b>Total</b>	<b>393</b>	<b>2,333</b>

The balance of the changes in value of assets subject to macrohedging against interest rate risk is recorded in this caption. For the application the Bank took advantage of the option envisaged by IFRS 9 to continue to apply the provisions permitted by the IAS 39 carve out.

The annual change in the positive adjustment of financial assets measured at amortised cost was due to the increase in the benchmark rates used to determine the fair value of the assets hedged by changes in the fair value for interest rate risk.

## SECTION 7 – EQUITY INVESTMENTS – CAPTION 70

## 7.1 Equity investments: information on equity interests

Companies	Registered office	Place of business	% held	% votes available (a)
<b>A. WHOLLY-OWNED SUBSIDIARIES</b>				
1 BANCA 5 S.P.A.	Milano	Milano	100.00	
2 BANCA COMERCIALA EXIMBANK S.A.	Chisinau	Chisinau	100.00	
3 BANK OF ALEXANDRIA	Cairo	Cairo	80.00	
4 BANKA INTESA SANPAOLO D.D. (b)	Koper	Koper	48.13	
5 CIB BANK LTD	Budapest	Budapest	100.00	
6 COLLINE E OLTRE S.P.A.	Pavia	Pavia	51.00	
7 CONSORZIO STUDI E RICERCHE FISCALI GRUPPO INTESA SANPAOLO	Roma	Roma	80.00	
8 EURIZON CAPITAL SGR S.P.A.	Milano	Milano	100.00	
9 EXETRA S.P.A. (c)	Milano	Milano	85.00	
10 FIDEURAM - INTESA SANPAOLO PRIVATE BANKING S.P.A.	Torino	Roma	100.00	
11 FIDEURAM VITA S.P.A.	Roma	Roma	80.01	
12 IMI INVESTMENTS S.A.	Luxembourg	Luxembourg	100.00	
13 IMMIT - IMMOBILI ITALIANI S.R.L.	Bergamo	Bergamo	100.00	
14 IN.FRA - INVESTIRE NELLE INFRASTRUTTURE S.R.L.	Milano	Milano	100.00	
15 INTESA SANPAOLO (QINGDAO) SERVICE COMPANY LIMITED	Qingdao	Qingdao	100.00	
16 INTESA SANPAOLO AGENTS4YOU S.P.A.	Torino	Torino	100.00	
17 INTESA SANPAOLO BANK ALBANIA SH.A.	Tirana	Tirana	100.00	
18 INTESA SANPAOLO BANK IRELAND PLC	Dublin	Dublin	100.00	
19 INTESA SANPAOLO BRASIL S.A. - BANCO MULTIPLO	Sao Paulo	Sao Paulo	99.90	
20 INTESA SANPAOLO CASA S.P.A.	Milano	Milano	100.00	
21 INTESA SANPAOLO EXPO INSTITUTIONAL CONTACT S.R.L.	Milano	Milano	100.00	
22 INTESA SANPAOLO FORMAZIONE S.P.A.	Milano	Milano	100.00	
23 INTESA SANPAOLO FUNDING LLC	Wilmington Delaware	New York	100.00	
24 INTESA SANPAOLO HIGHLINE S.R.L.	Torino	Torino	100.00	
25 INTESA SANPAOLO HOLDING INTERNATIONAL S.A.	Luxembourg	Luxembourg	100.00	
26 INTESA SANPAOLO INNOVATION CENTER S.P.A.	Torino	Torino	99.99	
27 INTESA SANPAOLO PROVIS S.P.A.	Milano	Milano	100.00	
28 INTESA SANPAOLO RE.O.CO. S.P.A.	Milano	Milano	100.00	
29 INTESA SANPAOLO RENT FORYOU S.P.A.	Torino	Torino	60.00	
30 INTESA SANPAOLO ROMANIA S.A. COMMERCIAL BANK	Bucharest	Bucharest	99.73	
31 INTESA SANPAOLO SMART CARE S.R.L.	Torino	Torino	51.01	
32 INTESA SANPAOLO VITA S.P.A.	Torino	Milano	99.99	
33 ISP CB IPOTECARIO S.R.L. (d)	Milano	Milano	60.00	
34 ISP CB PUBBLICO S.R.L. (d)	Milano	Milano	60.00	
35 ISP OBG S.R.L. (d)	Milano	Milano	60.00	
36 JOINT STOCK COMPANY BANCA INTESA (e)	Moscow	Moscow	46.98	
37 NEWCO 123 S.P.A.	Milano	Milano	100.00	
38 OOO INTESA REALTY RUSSIA	Mosca	Mosca	100.00	
39 PORTA NUOVA GIOIA (f)	Milano	Milano	100.00	
40 PRAVEX BANK JOINT-STOCK COMPANY	Kiev	Kiev	100.00	
41 PRESTITALIA S.P.A.	Bergamo	Bergamo	100.00	
42 PRIVATE EQUITY INTERNATIONAL S.A. (g)	Luxembourg	Luxembourg	94.39	100.00
43 QINGDAO YICAI FUND DISTRIBUTION CO. LTD.	Qingdao	Qingdao	100.00	
44 RISANAMENTO S.P.A. (e) (h)	Milano	Milano	48.88	
45 SOCIETA' BENEFIT CIMAROSA 1 S.P.A.	Milano	Milano	100.00	
46 SRM STUDI E RICERCHE PER IL MEZZOGIORNO (i)	Napoli	Napoli	60.00	25.00
47 UBI FINANCE S.R.L. (d)	Milano	Milano	60.00	
48 UBI LEASING S.P.A.	Brescia	Brescia	100.00	
49 UBI TRUSTEE S.A.	Luxembourg	Luxembourg	100.00	
50 INTESA SANPAOLO SERVICOS E EMPRENDIMENTOS LTDA EM LIQUIDACAO	Sao Paulo	Sao Paulo	100.00	
51 MECENATE S.R.L. - IN LIQUIDAZIONE	Arezzo	Arezzo	95.00	
52 ORO ITALIA TRADING S.P.A. - IN LIQUIDAZIONE	Arezzo	Arezzo	100.00	
53 UBI FINANCE CB 2 S.R.L. - IN LIQUIDAZIONE	Milano	Milano	60.00	

Companies		Registered office	Place of business	% held	% votes available (a)
<b>B. COMPANIES SUBJECT TO JOINT CONTROL</b>					
1	AUGUSTO S.R.L.	Milano	Milano	5.00	
2	DIOCLEZIANO S.R.L.	Milano	Milano	5.00	
3	IMMOBILIARE NOVOLI S.P.A.	Firenze	Firenze	50.00	
<b>C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE</b>					
1	ADRIANO LEASE SEC S.R.L. (j)	Conegliano	Conegliano	5.00	
2	APULIA FINANCE N. 4 S.R.L. (j)	Conegliano	Conegliano	10.00	
3	BACK2BONIS	Milano	Milano	34.39	
4	BACKTOWORK24 S.R.L. (k)	Milano	Milano	30.58	51.00
5	BANCOMAT S.P.A.	Roma	Roma	31.55	
6	BERICA ABS 3 S.R.L. (j)	Vicenza	Vicenza	5.00	
7	BRERA SEC S.R.L. (j)	Conegliano	Conegliano	5.00	
8	CAMFIN S.P.A. (l)	Milano	Milano	4.60	10.70
9	CASSA DI RISPARMIO DI FERMO S.P.A.	Fermo	Fermo	33.33	
10	CLARA SEC. S.R.L. (j)	Conegliano	Conegliano	5.00	
11	COMPAGNIA AEREA ITALIANA S.P.A.	Roma	Fiumicino	27.49	
12	EQUITER S.P.A.	Torino	Torino	32.88	
13	EUROMILANO S.P.A.	Milano	Milano	43.43	
14	EUSEBI HOLDINGS B.V.	Amsterdam	Amsterdam	47.00	
15	FI.NAV. COMPARTO A - CREDITI	Roma	Roma	43.80	
16	FOCUS INVESTMENTS S.P.A.	Milano	Milano	8.33	25.00
17	FONDO DI RIGENERAZIONE URBANA SICILIA S.R.L. (m)	Palermo	Torino	100.00	
18	FONDO PER LA RICERCA E L'INNOVAZIONE S.R.L. RIF (m)	Torino	Torino	100.00	
19	FONDO SARDEGNA ENERGIA S.R.L. (m)	Cagliari	Cagliari	100.00	
20	GIADA SEC. S.R.L. (j)	Conegliano	Conegliano	5.00	
21	GILDA S.R.L.	Montesilvano	Montesilvano	13.05	
22	INDACO VENTURE PARTNERS SGR S.P.A.	Milano	Milano	24.50	
23	INNOLVA S.P.A.	Buja	Buja	25.00	
24	INTRUM ITALY S.P.A.	Milano	Milano	49.00	
25	ISM INVESTIMENTI S.P.A.	Mantova	Mantova	27.36	
26	MARKETWALL S.R.L.	Milano	Milano	33.00	
27	MATERIAS S.R.L.	Napoli	Napoli	12.87	
28	MONTEFELTRO SVILUPPO SOC. CONS. A R.	Urbania	Urbania	26.37	
29	NETWORK IMPRESA S.P.A. IN CONCORDATO PREVENTIVO	Limena	Limena	28.95	
30	PIETRA S.R.L.	Milano	Milano	22.22	
31	RAINBOW	Verona	Verona	43.20	
32	RCN FINANZIARIA S.P.A.	Mantova	Mantova	23.96	
33	RSCT FUND - COMPARTO CREDITI	Milano	Milano	71.80	
34	S.F. CONSULTING S.R.L.	Bergamo	Bergamo	35.00	
35	SICILY INVESTMENTS S.A.R.L.	Luxembourg	Luxembourg	25.20	
36	TRINACRIA CAPITAL S.A.R.L.	Luxembourg	Luxembourg	25.20	

Companies	Registered office	Place of business	% held	% votes available (a)
37 UBI SPV LEASE 2016 S.R.L. (j)	Milano	Milano	10.00	
38 VESTA OML LIMITED	London	London	37.51	
39 24-7 FINANCE S.R.L. - IN LIQUIDAZIONE	Milano	Milano	10.00	
40 CLARIS FINANCE 2005 S.R.L. - IN LIQUIDAZIONE	Roma	Roma	5.00	
41 EUROPROGETTI & FINANZA S.R.L. - IN LIQUIDAZIONE	Roma	Roma	15.97	
42 INIZIATIVE IMMOBILIARI INDUSTRIALI S.P.A. - IN LIQUIDAZIONE	Arquà Polesine	Arquà Polesine	20.00	
43 LEONARDO TECHNOLOGY S.R.L. - IN LIQUIDAZIONE	Milano	Milano	26.60	
44 SVILUPPO INDUSTRIALE S.P.A. - IN LIQUIDAZIONE	Pistoia	Pistoia	28.27	
45 UBI FINANCE 2 S.R.L. - IN LIQUIDAZIONE	Brescia	Brescia	10.00	
46 UBI SPV GROUP 2016 S.R.L. - IN LIQUIDAZIONE	Milano	Milano	10.00	

(a) Where different from the % interest held, the actual availability of the votes in the Ordinary Shareholders' Meeting is indicated, distinguishing between the effective and potential voting rights, where applicable.

(b) Minority shareholders are subject to a legal commitment to purchase the remaining 0.7% of share capital.

(c) In the event that the investee company is placed in liquidation, the minority shareholder shall have the option to sell, and Intesa Sanpaolo will be required to purchase, the entire minority equity interest.

(d) Vehicles used for the covered bond issue.

(e) Company included among significant equity investments as, in total, the Group holds a controlling share, or when the other requirements set forth by IFRS 10 occur.

(f) A closed-end alternative real estate investment fund managed by COIMA SGR S.p.A.

(g) On 23 December 2016, the subsidiary Private Equity International S.A. issued a new category of class C shares, equal to 5.6% of the company's capital. These shares do not carry the right to vote in the shareholders' meeting and their return is dependent on the financial performance of certain investments held by Private Equity International S.A.

(h) Company not subject to the management and coordination activities pursuant to art. 2497 and following of the Italian Civil Code.

(i) The membership structure totals 5 members with identical per capita voting rights, pursuant to Article 6 of the Articles of Association (Compagnia di Sanpaolo, Intesa Sanpaolo S.p.A., Bank of Alexandria, Intesa Sanpaolo Rent Foryou S.p.A. and Intesa Sanpaolo Innovation Center S.p.A.)

(j) These are vehicles used for securitisation transactions within the Group.

(k) At any time between the date of subscription of the Second Capital Increase (24/11/2020) and the deadline of the 42nd month from that date, Intesa Sanpaolo has the right to increase its holding, in one or more tranches, in the company's share capital, obtaining a maximum overall equity interest of 51%. At present, the conditions pursuant to IFRS 10 for classification of the interest among Subsidiaries do not apply.

(l) The difference in value between the actual holding and the number of votes in the shareholders' meeting is due to the presence of different classes of shares (A and B). Only class A shares (also held by Intesa Sanpaolo) give the right to vote in the shareholders' meeting.

(m) EIB Funds: the economic effects of the investments in equity and loans underlying the fund's operations will be borne in full by the EIB.

The illustration of the criteria and the methods for the definition of the scope of consolidation and the reasons which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

The fair value as at 31 December 2021 of the only listed equity investment, Risanamento S.p.A, amounted to 107 million euro.

## 7.2 Individually material equity investments: book value, fair value and dividends received

For the information relating to this paragraph, not required by the instructions provided by the Bank of Italy concerning the financial statements, reference should be made to the relevant section of the Notes to the consolidated financial statements.

## 7.3 Individually material equity investments: financial information

For the information relating to this paragraph, not required by the instructions provided by the Bank of Italy concerning the financial statements, reference should be made to the relevant section of the Notes to the consolidated financial statements.

## 7.4 Individually immaterial equity investments: financial information

For the information relating to this paragraph, not required by the instructions provided by the Bank of Italy concerning the financial statements, reference should be made to the relevant section of the Notes to the consolidated financial statements.

## 7.5 Equity investments: annual changes

	31.12.2021	(millions of euro) 31.12.2020
<b>A. Initial amount</b>	<b>24,668</b>	<b>24,411</b>
<b>B. Increases</b>	<b>6,016</b>	<b>5,171</b>
B.1 purchases	3,436	4,648
<i>of which business combinations</i>	1,978	80
B.2 write-backs	-	-
B.3 revaluations	-	-
B.4 other changes	2,580	523
<b>C. Decreases</b>	<b>-7,264</b>	<b>-4,914</b>
C.1 sales	-4,701	-4,642
<i>of which business combinations</i>	-4,315	-4,337
C.2 impairment losses	-290	-232
C.3 write-downs	-	-
C.4 other changes	-2,273	-40
<b>D. Final amount</b>	<b>23,420</b>	<b>24,668</b>
<b>E. Total revaluations</b>	<b>-</b>	<b>-</b>
<b>F. Total impairment losses</b>	<b>-8,085</b>	<b>-7,815</b>

Sub-caption B.1 "Purchases" primarily relates to the following transactions:

- acquisition of the equity investment portfolio of the subsidiary Unione di Banche Italiane S.p.A. for 1,978 million euro, merged by incorporation into Intesa Sanpaolo S.p.A. on 12 April 2021, with accounting and tax effects from 1 January 2021;
- acquisition of stakes of 80% of Assicurazione Vita S.p.A. for 452 million euro and of 60% of Lombarda Vita S.p.A. for 330 million euro, both merged by incorporation into Intesa Sanpaolo Vita S.p.A. during the year;
- acquisition of a stake of 35% of Pramerica SGR S.p.A. for 386 million euro, both merged by incorporation into Eurizon Capital SGR S.p.A. during the year;
- subscription of a share capital increase of Intesa Sanpaolo Brasil S.A. - Banco Multiplo for 100 million euro;
- subscription of a share capital increase of Intesa Sanpaolo Provis S.p.A. for 60 million euro;
- acquisition of a stake of 25% of Innolva S.p.A. for 55 million euro in exchange for the contribution of the subsidiary Intesa Sanpaolo For Value S.p.A.;
- subscription of a share capital increase of Qingdao Ycai Fund Distribution CO Ltd for 16 million euro;
- increase in the value of the investment in the closed-end securities fund RSCT Fund - Loans Sub-Fund for 15 million euro, through the contribution of a portfolio of non-performing loans, in exchange for units of the Fund;
- the payment to the Porta Nuova Gioia fund for 15 million euro to subscribe units;
- acquisition of the equity investment in Intesa Sanpaolo Rent Foryou S.p.A. for 10 million euro from Intesa Sanpaolo For Value S.p.A., then contributed during the year.

Sub-caption B.4 "Other changes" essentially refers to:

- the mergers by incorporation of the wholly-owned subsidiaries Assicurazione Vita S.p.A., Bancassurance Popolari S.p.A. and Lombarda Vita S.p.A. into the subsidiary Intesa Sanpaolo Vita S.p.A. for a total of 1,258 million euro;
- increase in the equity investment in Eurizon Capital SGR S.p.A. for 532 million euro due to the merger by incorporation of Pramerica SGR S.p.A., 100%-owned by Intesa Sanpaolo S.p.A.;
- the acquisition of an equity investment in Intesa Sanpaolo Private Banking for 385 million euro as part of the partial demerger of the business line comprised of the "TOP Private Banking" unit of the former Unione di Banche Italiane S.p.A. to Intesa Sanpaolo Private Banking S.p.A.;
- the increase in the value of the equity investment in Fideuram - Intesa Sanpaolo Private Banking S.p.A. for 208 million euro, as part of the partial demerger of the investment held in IW Bank S.p.A. and the "Service IW Bank" business line to the wholly-owned subsidiary Fideuram - Intesa Sanpaolo Private Banking S.p.A.;
- the capitalisation of Intesa Sanpaolo Provis S.p.A. for 85 million euro;
- the gains realised on the contribution of Intesa Sanpaolo For Value S.p.A. for 53 million euro;
- the gains of 23 million euro attributable to the reclassification from the portfolio of companies subject to significant influence to equity investments at fair value through other comprehensive income of the equity investment in Autostrada Pedemontana Lombarda S.p.A., due to the elimination of the significant influence as a result of the entry of a new majority shareholder;
- the merger by incorporation of the subsidiary IMMIT S.r.l. into the subsidiary BPB Immobiliare S.r.l. for 3 million euro, then renamed IMMIT - Immobili Italiani S.r.l., and the merger of the subsidiary Kedomus S.r.l. into IMMIT - Immobili Italiani S.r.l. for 9 million euro.

Sub-caption C.1 "Sales" essentially includes:

- the incorporations of Unione di Banche Italiane S.p.A. for 4,143 million euro, UBI Factor S.p.A. for 111 million euro and UBI Sistemi e Servizi S.c.p.A. for 61 million euro, finalised during the year;

- the sale of the stake acquired in Intesa Sanpaolo Private Banking S.p.A. for 385 million euro to Fideuram - Intesa Sanpaolo Private Banking S.p.A.

Sub-caption C.2. "Impairment losses" refers to the impairment losses on the equity investments in Intesa Sanpaolo Provis S.p.A. for 172 million euro, Qingdao Yicai Fund Distribution Co. Ltd. for 25 million euro, FI.NAV Comparto A Crediti for 23 million euro, Back2Bonis for 17 million euro, Risanamento S.p.A. for 15 million euro, Immobiliare Novoli S.p.A. for 9 million euro, RSCT Fund Comparto Crediti for 8 million euro, Vesta OML Limited for 7 million euro, Cassa di Risparmio di Fermo S.p.A. for 6 million euro and other minority equity investments for 8 million euro.

Sub-caption C.4 "Other changes" essentially includes:

- the mergers by incorporation of the subsidiaries Assicurazione Vita S.p.A. for 564 million euro, Lombarda Vita S.p.A. for 548 million euro and Bancassurance Popolari S.p.A. for 146 million euro into Intesa Sanpaolo Vita S.p.A.;
- the merger by incorporation of the subsidiary Pramerica SGR S.p.A. into Eurizon Capital SGR S.p.A. for 532 million euro;
- the partial demerger of the equity investment in IW Bank S.p.A. for 197 million euro to Fideuram – Intesa Sanpaolo Private Banking S.p.A.;
- the reclassification of 120 million euro of the equity investment in Zhong Ou Asset Management Company Limited from the portfolio of companies under significant influence to equity investments held for sale;
- the reclassification of 62 million euro of the equity investment in Autostrada Pedemontana Lombarda S.p.A. from the portfolio of companies subject to significant influence to equity investments at fair value through other comprehensive income due to the elimination of the significant influence as a result of the entry of a new majority shareholder;

#### **7.6 Commitments referred to investments in companies subject to joint control**

For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

#### **7.7 Commitments referred to investments in companies subject to significant influence**

For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

#### **7.8 Significant restrictions**

For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

#### **7.9 Other information**

For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.



### Impairment tests of equity investments

As required under IAS/IFRS, equity investments are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable. With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two classes of the rating; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, by market capitalisation lower than the company's net book value, in the case of securities listed on active markets or by a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income. If impairment indicators are detected, the recoverable amount, represented by the higher of the fair value less costs to sell and the value in use, is calculated and if it proves lower than the carrying value, impairment is recognised.

In particular, where impairment indicators were recorded with respect to investments in associates or companies subject to joint control, analyses were carried out based, as a priority, on market methodologies (direct or comparable transactions and market multiples) or alternatively on "fundamental" analyses mainly based on an estimate of the expected discounted cash flows or on the adjusted net asset value (ANAV). The results of these assessments led to the need to recognise adjustments, mainly referring to the equity investments in FI.NAV Comparto A Crediti (23 million euro), Back2Bonis (17 million euro), Immobiliare Novoli (9 million euro), RSCT Fund Comparto Crediti (8 million euro), Vesta OML Limited (7 million euro), Cassa di Risparmio di Fermo (6 million euro) and in other minor investments for 2 million euro.

Individual investments in subsidiaries, while material as individual assets from an accounting standpoint, do not present independent cash flow generation and governance capacity, given the organisational model, which calls for CGUs larger than the individual legal entities. Accordingly, investments in subsidiaries are not individually material for the purposes of conducting impairment tests in the financial statements of the Parent Company, but rather are aggregated (along with the operating activities conducted directly by the Parent Company) into CGUs consistent with those identified at the level of the consolidated financial statements. This approach is tied to the organisational model applied by the Group. According to that model, individual investments belonging to a given CGU are not capable of generating cash flows independently from the other investments. Therefore, their recoverable amounts cannot be calculated individually, as required by IAS 36.

In view of the consistency that must be preserved between the impairment tests conducted in the consolidated financial statements and the Parent Company's financial statements, in addition to the homogeneity of the composition of CGUs, the correlation between the items tested in the two sets of financial statements must be carefully considered: the goodwill attributed to the various CGUs in the consolidated financial statements and the Parent Company's financial statements partly reflects the goodwill associated solely with the Parent Company and partly the carrying amounts of investments in subsidiaries. The goodwill associated with the latter is implicit in the carrying amounts of the equity investments in the financial statements of the Parent Company and emerges in the consolidated financial statements following the consolidation process on the basis of the values determined during the purchase process pursuant to IFRS 3.

If a need to recognise an impairment loss on goodwill attributable to a given CGU is identified at the level of the consolidated financial statements, in the Parent Company's financial statements that impairment loss is attributed to the assets pertaining to the same CGU not subject to testing individually, namely goodwill, the brand name and investments in subsidiaries. As described in Part B – Information on the Consolidated balance sheet - Assets, impairment tests on Cash Generating Units did not lead to the need to recognise in the consolidated financial statements impairment of goodwill. Accordingly, no impairment losses were recognised in relation to investments in subsidiaries.

Investments in subsidiaries that did not present goodwill values in the consolidated financial statements but that closed 2021 with a loss were treated differently. For such companies, it was prudentially verified that the latter result was due to contingent or structural factors; from this analysis the need emerged to make some adjustments, aligning the carrying amount of the investment to the proportional share of equity of the subsidiaries. The impairment refers to the equity investments held in Intesa Sanpaolo Provis S.p.A. for 172 million euro, Qingdao Yicai Fund Distribution Co. Ltd. for 25 million euro, Risanamento S.p.A. for 15 million euro, Intesa Sanpaolo Re.O.Co for 2 million euro and other minor interests for 1 million euro.

**SECTION 8 – PROPERTY AND EQUIPMENT – CAPTION 80**

(millions of euro)

Assets/Amounts	31.12.2021	31.12.2020
1. Property and equipment used in operations measured at cost	1,839	1,610
<i>Of which – Property and equipment used in operations – Rights of use acquired under leases</i>	995	1,023
2. Investment property measured at cost	-	-
3. Property and equipment used in operations, revalued	5,358	4,652
<i>Of which – Property and equipment used in operations, revalued – Rights of use acquired under leases</i>	-	-
4. Investment property measured at fair value	606	223
<i>Of which – Investment property – Rights of use acquired under leases</i>	-	2
5. Inventories of property and equipment governed by IAS 2	72	73
<b>Total Property and equipment – Caption 80</b>	<b>7,875</b>	<b>6,558</b>

**8.1 Property and equipment used in operations: breakdown of assets measured at cost**

(millions of euro)

Assets/Amounts	31.12.2021	31.12.2020
<b>1. Property and equipment owned</b>	<b>844</b>	<b>587</b>
a) land	-	-
b) buildings	-	-
c) furniture	168	122
d) electronic equipment	673	461
e) other	3	4
<b>2. Rights of use acquired through the lease</b>	<b>995</b>	<b>1,023</b>
a) land	9	1
b) buildings	957	1,008
c) furniture	-	-
d) electronic equipment	6	1
e) other	23	13
<b>Total</b>	<b>1,839</b>	<b>1,610</b>

*of which: resulting from the enforcement of guarantees*

- -

Sub-caption 2. includes the rights of use acquired through leases following the entry into force of IFRS 16 from 1 January 2019.

**8.2 Investment property: breakdown of assets measured at cost**

There was no investment property measured at cost.

**8.3 Property and equipment used in operations: breakdown of revalued assets**

(millions of euro)

Assets/Amounts	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Property and equipment owned</b>	-	-	<b>5,358</b>	-	-	<b>4,652</b>
a) land	-	-	2,214	-	-	1,947
b) buildings	-	-	2,833	-	-	2,411
c) valuable art assets	-	-	311	-	-	294
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
<b>2. Rights of use acquired through the lease</b>	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
<b>Total</b>	-	-	<b>5,358</b>	-	-	<b>4,652</b>
<i>of which: resulting from the enforcement of guarantees</i>	-	-	-	-	-	-

**8.4 Investment property: breakdown of assets measured at fair value**

Assets/Amounts	(millions of euro)					
	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>1. Property and equipment owned</b>	-	-	<b>606</b>	-	-	<b>221</b>
a) land	-	-	225	-	-	71
b) buildings	-	-	381	-	-	150
<b>2. Rights of use acquired through the lease</b>	-	-	-	-	-	<b>2</b>
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	2
<b>Total</b>	-	-	<b>606</b>	-	-	<b>223</b>
<i>of which: resulting from the enforcement of guarantees</i>	-	-	12	-	-	6

As explained in Part A – Fair value of real estate and valuable art assets, please note that:

- in accordance with the rules on valuation frequencies, at the end of 2021 the appraisals were updated for all the investment properties and trophy assets, which are included under owner-occupied properties. The valuation activity has been assigned to professionally qualified external companies with an international structure, able to provide property valuations based on the RICS Valuation standards which guarantee the determination of the value consistent with the fair value configuration indicated in the IAS/IFRS, as well as compliance with the professional, ethical and independence requirements for experts, in line with the provisions of international and European standards. The properties classified as owner-occupied assets, other than trophy assets, in the real estate portfolio were subject to full valuation at the end of 2020 and, therefore, were subject to scenario analysis for 2021;
- at the end of 2021, the valuable art assets were subject to scenario analyses, as they have been fully appraised at the end of 2020, through external appraisals, entrusted to qualified independent experts.

With regard to the provisions of IAS 40, paragraph 75, letters c), g) and h), there was no information worth mentioning.

**8.5 Inventories of property and equipment governed by IAS 2: breakdown**

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Inventories of property and equipment resulting from the enforcement of guarantees</b>	<b>64</b>	<b>65</b>
a) land	-	-
b) buildings	64	65
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
<b>2. Other inventories of property and equipment</b>	<b>8</b>	<b>8</b>
<b>Total</b>	<b>72</b>	<b>73</b>
<i>of which: measured at fair value less cost to sell</i>	-	-

## 8.6 Property and equipment used in operations: annual changes

Captions	(millions of euro)						
	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
<b>A. Gross initial carrying amount</b>	<b>1,948</b>	<b>3,730</b>	<b>1,428</b>	<b>5,339</b>	<b>294</b>	<b>88</b>	<b>12,827</b>
A.1 Total net adjustments	-	-311	-1,306	-4,877	-	-71	-6,565
<b>A. Net carrying amount</b>	<b>1,948</b>	<b>3,419</b>	<b>122</b>	<b>462</b>	<b>294</b>	<b>17</b>	<b>6,262</b>
<b>B. Increases:</b>	<b>331</b>	<b>1,160</b>	<b>76</b>	<b>447</b>	<b>27</b>	<b>85</b>	<b>2,126</b>
B.1 Purchases	323	829	72	397	27	82	1,730
<i>of which: business combinations</i>	322	790	21	88	27	61	1,309
B.2 Capitalised improvement costs	-	105	-	-	-	-	105
B.3 Recoveries	-	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	5	-	-	-	-	5
<i>a) net equity</i>	-	5	-	-	-	-	5
<i>b) income statement</i>	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	2	-	-	-	-	2
B.6 Transfer from investment property	6	5	X	X	X	X	11
B.7 Other changes	2	214	4	50	-	3	273
<b>C. Decreases:</b>	<b>-56</b>	<b>-789</b>	<b>-30</b>	<b>-230</b>	<b>-10</b>	<b>-76</b>	<b>-1,191</b>
C.1 Sales	-2	-6	-	-17	-	-1	-26
<i>of which: business combinations</i>	-	-	-	-	-	-	-
C.2 Depreciation	-	-262	-23	-176	-	-13	-474
C.3 Impairment losses recognised in	-	-	-1	-1	-	-	-2
<i>a) shareholders' equity</i>	-	-	-	-	-	-	-
<i>b) income statement</i>	-	-	-1	-1	-	-	-2
C.4 Negative fair value differences recognised in	-7	-10	-	-	-5	-	-22
<i>a) shareholders' equity</i>	-1	-6	-	-	-5	-	-12
<i>b) income statement</i>	-6	-4	-	-	-	-	-10
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-
C.6 Transfer to:	-47	-91	-	-1	-4	-	-143
<i>a) investment property</i>	-47	-90	X	X	X	X	-137
<i>b) non-current assets held for sale and discontinued operations</i>	-	-1	-	-1	-4	-	-6
C.7 Other changes	-	-420	-6	-35	-1	-62	-524
<b>D. Net final carrying amount</b>	<b>2,223</b>	<b>3,790</b>	<b>168</b>	<b>679</b>	<b>311</b>	<b>26</b>	<b>7,197</b>
D.1 Total net adjustments	-	-562	-1,717	-5,588	-	-86	-7,953
<b>D.2 Gross final carrying amount</b>	<b>2,223</b>	<b>4,352</b>	<b>1,885</b>	<b>6,267</b>	<b>311</b>	<b>112</b>	<b>15,150</b>
<b>E. Measurement at cost</b>	<b>1,500</b>	<b>1,979</b>	<b>-</b>	<b>-</b>	<b>111</b>	<b>-</b>	<b>3,590</b>

Sub-captions B.4 and C.4 respectively report the positive and negative changes in fair value relating to owner-occupied real estate (land and buildings) and valuable art assets, for which the Bank applies the revaluation model.

The "Other changes", both increases and decreases, refer mainly to renegotiations during the year of leases (IFRS 16) and, only regarding decreases, to amortisation and depreciation recorded during the year on assets deriving from the acquisition of business lines of the former Venetian banks, covered using the allowance for risks and charges specifically allocated at the time. These also include the reclassifications, which mainly regarded the category "Electronic equipment" and the residual reclassifications in "Other", resulting from the standardisation of the method of recognising assets, due to the business combinations carried out during the year.

Sub-caption "E - Measurement at cost" only contains property and equipment measured according to the revaluation model, in compliance with the instructions set out in Circular 262 of the Bank of Italy.

**8.6 bis Of which - Property and equipment used in operations - Rights of use acquired under leases: annual changes**

(millions of euro)

Captions	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
<b>A. Gross initial carrying amount</b>	1	1,261	-	3	-	26	1,291
A.1 Total net adjustments	-	-253	-	-2	-	-13	-268
<b>A. Net carrying amount</b>	<b>1</b>	<b>1,008</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>13</b>	<b>1,023</b>
<b>B. Increases:</b>	<b>8</b>	<b>534</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>34</b>	<b>596</b>
B.1 Purchases	6	319	-	18	-	31	374
<i>of which: business combinations</i>	6	283	-	8	-	10	307
B.2 Capitalised improvement costs	-	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-	-
<i>a) net equity</i>	-	-	-	-	-	-	-
<i>b) income statement</i>	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	2	-	-	-	-	2
B.6 Transfer from investment property	-	-	X	X	X	X	-
B.7 Other changes	2	213	-	2	-	3	220
<b>C. Decreases:</b>	<b>-</b>	<b>-585</b>	<b>-</b>	<b>-15</b>	<b>-</b>	<b>-24</b>	<b>-624</b>
C.1 Sales	-	-4	-	-	-	-1	-5
<i>of which: business combinations</i>	-	-	-	-	-	-	-
C.2 Depreciation	-	-161	-	-4	-	-12	-177
C.3 Impairment losses recognised in	-	-	-	-	-	-	-
<i>a) shareholders' equity</i>	-	-	-	-	-	-	-
<i>b) income statement</i>	-	-	-	-	-	-	-
C.4 Negative fair value differences recognised in	-	-	-	-	-	-	-
<i>a) shareholders' equity</i>	-	-	-	-	-	-	-
<i>b) income statement</i>	-	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-
C.6 Transfer to:	-	-1	-	-	-	-	-1
<i>a) investment property</i>	-	-	X	X	X	X	-
<i>b) non-current assets held for sale and discontinued operations</i>	-	-1	-	-	-	-	-1
C.7 Other changes	-	-419	-	-11	-	-11	-441
<b>D. Net final carrying amount</b>	<b>9</b>	<b>957</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>23</b>	<b>995</b>
D.1 Total net adjustments	-	-441	-	-12	-	-19	-472
<b>D.2 Gross final carrying amount</b>	<b>9</b>	<b>1,398</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>42</b>	<b>1,467</b>
<b>E. Measurement at cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**8.7 Investment property: annual changes**

(millions of euro)

Captions	Lands	Buildings
<b>A. Initial carrying amount</b>	<b>71</b>	<b>152</b>
<b>B. Increases</b>	<b>170</b>	<b>258</b>
B.1 Purchases	118	152
<i>of which: business combinations</i>	118	152
B.2 Capitalised improvement costs	-	2
B.3 Positive fair value differences	2	3
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfer from property used in operations	47	90
B.7 Other changes	3	11
<b>C. Decreases</b>	<b>-16</b>	<b>-29</b>
C.1 Sales	-4	-5
<i>of which: business combinations</i>	-	-
C.2 Depreciation	-	-
C.3 Negative fair value differences	-5	-10
C.4 Impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfer to:	-7	-6
a) <i>property used in operations</i>	-6	-5
b) <i>non-current assets held for sale and discontinued operations</i>	-1	-1
C.7 Other changes	-	-8
<b>D. Final amount</b>	<b>225</b>	<b>381</b>
<b>E. Fair value measurement</b>	<b>-</b>	<b>-</b>

Investment property, comprised of land and buildings, is measured at fair value, in compliance with IAS 40.

It is noted that, during the year, the related fair value was updated. The effects of that update are recognised in sub-captions B.3 "Positive fair value differences" and C.3 "Negative fair value differences".



**8.7 bis Of which - Investment property - Rights of use acquired under leases: annual changes**

Captions	(millions of euro)	
	Lands	Buildings
<b>A. Initial carrying amount</b>	-	<b>2</b>
<b>B. Increases</b>	-	<b>6</b>
B.1 Purchases	-	-
<i>of which business combinations</i>	-	-
B.2 Capitalised improvement costs	-	-
B.3 Positive fair value differences	-	-
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfer from investment property	-	-
B.7 Other changes	-	6
<b>C. Decreases</b>	-	<b>-8</b>
C.1 Sales	-	-
<i>of which business combinations</i>	-	-
C.2 Depreciation	-	-
C.3 Negative fair value differences	-	-
C.4 Impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfer to:	-	-
a) <i>property used in operations</i>	-	-
b) <i>non-current assets held for sale and discontinued operations</i>	-	-
C.7 Other changes	-	-8
<b>D. Final carrying amount</b>	-	-
<b>E. Fair value measurement</b>	-	-

**8.8 Inventories of property and equipment governed by IAS 2: annual changes**

							(millions of euro)
Captions	Inventories of property and equipment resulting from the enforcement of guarantees					Other inventories of property and equipment	Total
	Land	Buildings	Furniture	Electronic equipment	Other		
A. Initial carrying amount	-	65	-	-	-	8	73
B. Increases	-	1	-	-	-	-	1
B.1 Purchases	-	-	-	-	-	-	-
- of which: business combinations	-	-	-	-	-	-	-
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	1	-	-	-	-	1
C. Decreases	-	-2	-	-	-	-	-2
C.1 Sales	-	-	-	-	-	-	-
C.2 Impairment losses	-	-1	-	-	-	-	-1
C.3 Negative foreign exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-	-1	-	-	-	-	-1
D. Final amount	-	64	-	-	-	8	72

**8.9 Commitments to purchase property and equipment**

Commitments to purchase property and equipment in existence as at 31 December 2021 amounted to approximately 3 million euro. Any commitments relating to lease agreements are illustrated in Part M.

**SECTION 9 - INTANGIBLE ASSETS - CAPTION 90****9.1 Intangible assets: breakdown by type of asset**

	31.12.2021		31.12.2020	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
<b>A.1 Goodwill</b>	<b>X</b>	<b>67</b>	<b>X</b>	<b>67</b>
<b>A.2 Other intangible assets</b>	<b>2,438</b>	<b>1,507</b>	<b>1,999</b>	<b>1,507</b>
<i>of which: Software</i>	<i>2,100</i>	<i>-</i>	<i>1,916</i>	<i>-</i>
A.2.1 Assets measured at cost	2,438	1,507	1,999	1,507
a) internally generated intangible assets	1,972	-	1,792	-
b) other assets	466	1,507	207	1,507
A.2.2 Assets measured at fair value	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
<b>Total</b>	<b>2,438</b>	<b>1,574</b>	<b>1,999</b>	<b>1,574</b>

Other intangible assets and goodwill with an indefinite useful life essentially reflect components from the purchase price allocation process, as per IFRS 3, as part of the merger by incorporation of Sanpaolo IMI into Banca Intesa finalised on 1 January 2007 and the subsequent business combinations under common control.

The sub-caption A.2.1 a) "internally-generated intangible assets" with a finite useful life refers to software licenses developed internally as well as digital training. The sub-caption "other assets", on the other hand, comprises the software licenses purchased from external suppliers, in addition to the intangible assets identified under the purchase price allocation of the price paid for business combinations. IFRS 3 requires that an acquisition that is part of a business combination must be recognised using the purchase method and that the price paid must be allocated to the assets acquired and the liabilities assumed, measured at their respective fair values. The intangibles identified, which express the value of the relationships acquired, are amortised over the estimated duration of their benefit.

**9.2 Intangible assets: annual changes**

Captions	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		(millions of euro) Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Initial carrying amount	7,220	6,996	-	2,714	2,009	18,939
A.1 Total net adjustments	-7,153	-5,204	-	-2,507	-502	15,366
A.2 Net initial carrying amount	67	1,792	-	207	1,507	3,573
B. Increases	-	839	-	471	-	1,310
B.1 Purchases	-	-	-	471	-	471
- of which: business combinations	-	-	-	422	-	422
B.2 Increases of internally generated intangible assets	X	833	-	-	-	833
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	6	-	-	-	6
C. Decreases	-	-659	-	-212	-	-871
C.1 Sales	-	-11	-	-84	-	-95
- of which: business combinations	-	-	-	-83	-	-83
C.2 Impairment losses	-	-645	-	-81	-	-726
- Amortisation	X	-606	-	-79	-	-685
- Write-downs recognised in	-	-39	-	-2	-	-41
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-39	-	-2	-	-41
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-38	-	-38
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-3	-	-9	-	-12
D. Net final carrying amount	67	1,972	-	466	1,507	4,012
D.1 Total net adjustments	7,153	5,842	-	2,567	502	16,064
E. Gross final carrying amount	7,220	7,814	-	3,033	2,009	20,076
F. Measurement at cost	-	-	-	-	-	-

**9.3 Intangible assets: other information**

As at 31 December 2021, the commitments relating to investments in intangible assets, essentially software, amounted to around 26 million euro.

### Information on intangible assets and goodwill

Intangible assets and goodwill recognised into the Intesa Sanpaolo financial statements derive mainly from the merger between Banca Intesa and Sanpaolo IMI completed on 1 January 2007, and subsequent mergers of the network banks and the merger by incorporation of UBI Banca, finalised on 12 April 2021.

As already specified in relation to the consolidated situation, in the period immediately prior to the merger, the related transactions took effect consisting of the partial demerger of UBI Banca's Top Private Banking business line to Intesa Sanpaolo Private Banking and the partial demerger from UBI Banca to Fideuram - Intesa Sanpaolo Private Banking of the equity interest held by UBI Banca in IW Bank and the ancillary business line dedicated to administrative and online services. Following those operations, Intesa Sanpaolo therefore recognised the intangible assets recorded in the Consolidated Financial Statements as a result of the application of IFRS 3 to the acquisition of UBI Banca, with accounting effects from 1 January 2021. Specifically, intangible assets relating to asset management accounts were recognised for 157 million euro, for assets under administration accounts for 16 million euro, for the valuation of the insurance portfolio for 105 million euro and the acquiring business for 39 million euro.

Also for Intesa Sanpaolo's financial statements, as specified in relation to the consolidated situation, the transfer to Nexi of the Intesa Sanpaolo acquiring business line was finalised on 26 October 2021, with the resulting elimination of the specific intangible assets attributable to the line transferred to Nexi.

Lastly, on 21 June 2021 the sale of 31 branches of Intesa Sanpaolo to BPER Banca, defined as part of the acquisition of UBI Banca, was finalised. In relation to the finalisation of the transaction, the goodwill attributable to the 31 branches sold, equal to 20 million euro and previously reclassified under assets held for sale in the 2020 Financial Statements, was derecognised.

Reference should be made to Part B – Information on the consolidated Balance sheet – Assets of the consolidated financial statements for further details of the various components and measurement criteria.

The following table summarises the recorded values of intangible assets, with their changes recorded in the Parent Company's Financial Statements during 2021.

	2020 financial statements	Merger by incorporation of UBI	Sale of acquiring business line	Sale of branches to BPER	Amortisation	(millions of euro) 2021 financial statements
<b>BANCA DEI TERRITORI DIVISION</b>	<b>1,574</b>	<b>317</b>	<b>-38</b>	<b>-</b>	<b>-23</b>	<b>1,830</b>
- Asset management intangible assets- distribution	59	157	-	-	-15	201
- Insurance intangible assets - distribution	8	105	-	-	-6	107
- Intangible under administration - distribution	-	16	-	-	-1	15
- Brand name intangible	1,507	-	-	-	-	1,507
- Intangible acquiring	-	39	-38	-	-1	-
- Goodwill	-	-	-	-	-	-
<b>IMI CORPORATE &amp; INVESTMENT BANKING DIVISION</b>	<b>67</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67</b>
- Intangible brand name	-	-	-	-	-	-
- Goodwill	67	-	-	-	-	67
<b>CGU TOTAL</b>	<b>1,641</b>	<b>317</b>	<b>-38</b>	<b>-</b>	<b>-23</b>	<b>1,897</b>
- Asset management intangible assets - distribution	59	157	-	-	-15	201
- Insurance intangible assets - distribution	8	105	-	-	-6	107
- Intangible under administration - distribution	-	16	-	-	-1	15
- Brand name intangible	1,507	-	-	-	-	1,507
- Intangible acquiring	-	39	-38	-	-1	-
- Goodwill	67	-	-	-	-	67
<b>DISCONTINUED OPERATIONS - ACQUIRING BUSINESS LINE</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-20</b>	<b>-</b>	<b>-</b>
- Goodwill - Acquiring business line	-	-	-	-	-	-
- Customer-related intangible - Acquiring business line	-	-	-	-	-	-
- Goodwill - 31 ISP branches sold to BPER	20	-	-	-20	-	-

The intangible assets with finite useful lives shown in the table above refer to assets linked to customer relationships and are represented by the insurance portfolio and asset management accounts for the value components attributable to distribution activities. Those intangible assets with a finite life are originally measured by discounting the income margin cash flows over a period representing the residual life, contractual and estimated, of relationships existing at the time of the business combination.

The brand name, an intangible asset linked to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.

For the intangible assets with a finite useful life, the amortisation for the year was recognised to the income statement (under "190. Net adjustments to/recoveries on intangible assets") for a total of 23 million euro.

Based on IAS 36, both intangible assets with an indefinite useful life and goodwill are submitted to impairment testing on an annual basis to verify recoverability of their value. For intangible assets with a finite useful life, impairment must be calculated each time there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value and the value in use, less costs to sell.

With regard to the other intangible assets with finite useful lives, specific analyses were conducted regarding the recoverable amount which did not identify any problems. Moreover, consideration should be given to the amortisation process that had reduced their carrying amounts compared to their initial book values and bearing in mind that the standard requires the recoverable amount be determined by referring to the contractual relationships of the entire CGU at the reporting date and not only to the residual assets for which the initial value of the intangible asset was determined. In that regard, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows for the intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows arising from the asset initially recognised according to IFRS 3 and those deriving from later changes, improvements or developments since its acquisition. This because it would be difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers or contracts, to separate flows relating to the original asset from others.

This concept can also be applied in impairment testing of goodwill to calculate the Value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.

As in previous financial statements, given the instability of the financial markets and the available market values for calculation of the recoverable amount of goodwill, the values in use that represent the present value of net future cash flows from the asset (or business) being valued was used in the impairment tests for the 2021 financial statements.

As previously specified in relation to the consolidated situation, there were no critical issues in terms of impairment of either the goodwill allocated to the Corporate and Investment Banking CGU or the brand name allocated to the Banca dei Territori CGU, whose recoverable amount, in terms of fair value, was confirmed by a specific valuation drawn up by an independent expert.

Furthermore, the methods and assumptions of the impairment test procedures for intangible assets and goodwill defined by management were approved by the Board of Directors prior to approval of the draft financial statements for 2021.

## Impairment testing of intangibles

### *Insurance portfolio*

As previously specified, as part of the merger by incorporation of UBI Banca into Intesa Sanpaolo, finalised on 12 April 2021, the intangible assets referring to the component of the insurance business linked to the distribution activities were valued for a total amount of 105 million euro. The value of that intangible asset is represented by the capacity of contracts with customers (insurance policies) in force at the time of acquisition to generate revenues over the useful life of acquired relationships. For the 2021 financial statements the amortisation of the asset for the year, calculated on a variable basis corresponding to the residual life of the policies, amounting to 6 million euro gross of the tax effect, was recognised to the income statement.

The analyses conducted during the year on the main impairment indicators were updated and extended for this type of intangible as well. However, a thorough recalculation of value of the intangible asset was not performed since in 2021 the performance of the insurance business did not present any particular critical issues or indicators of impairment deriving from the performances of the various variables subject to constant monitoring on a periodic basis.

For more details, reference is made to Part B - Information on the Consolidated balance sheet – Assets.

### *Portfolio of assets under management and under administration*

As part of the acquisition of certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca in compulsory administrative liquidation, in 2017 the intangible assets linked to Assets Under Management (AUM) deriving from the acquired Aggregate Set were calculated, represented by the capacity of the relationships existing at the acquisition date to generate cash flows over the residual useful life of those relationships. That type of intangible asset increased during 2019 due to the incorporation of Banca Apulia, and during 2021 due to the merger by incorporation of UBI Banca into Intesa Sanpaolo. Both of these transactions were recorded maintaining consistency with the values of the merged companies deriving from the Group's consolidated financial statements.

For the purpose of the impairment test as at 31 December 2021, no problems arose in relation to the strength of the value recorded, taking account of the fact, also specified above, that the valuation for the purpose of impairment testing is not limited only to the cash flows deriving from the asset acquired, but also takes account of all the cash flows linked to the assets of the specific CGU, which were significantly higher than the new assets acquired.

For more details, reference is made to Part B - Information on the Consolidated balance sheet – Assets.

**Brand name**

IFRS 3 considers the “brand name” a potential, marketing-related intangible asset, which may be recorded in the purchase price allocation process for business combinations.

For this purpose, please note that the term “brand” is used in accounting standards with an extensive meaning and not as a synonym of “logo” or “name”. It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

The value recorded in the Intesa Sanpaolo financial statements refers to the Sanpaolo IMI brand recognised at the time of the Banca Intesa-Sanpaolo IMI merger, and is allocated to the Banca dei Territori CGU.

In general, the brand name is considered an intangible asset that has no independent cash flows and, thus, to be subject to impairment testing as part of the verification of the retention of goodwill for the various CGUs. For the purposes of this impairment test, it was considered that the Banca dei Territori CGU did not have any goodwill allocated and, as a result, it was not possible to test the recoverable amount of the specific intangible as part of the impairment test of the goodwill based on total cash flows at the level of the CGU. As it was not possible to refer to the notion of Value in Use, i.e. the present value of net future cash flows from the assets valued, it was decided, in line with that carried out for the 2020 Financial Statements, to conduct a specific, autonomous valuation of the specific intangible based on the fair value resulting from the dedicated appraisal commissioned from Prof. Mauro Bini, Full Professor of Corporate Finance at Bocconi University.

For more details, reference is made to Part B - Information on the Consolidated balance sheet – Assets.

**Impairment testing of CGUs and goodwill**

For impairment testing purposes, the estimation of the value in use relating to intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, as per IAS 36, requires the preliminary assignment of such intangible assets to relatively independent business units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them. In IAS/IFRS terminology, such business units are known as Cash Generating Units (CGUs).

Specifically, the allocation of goodwill as at the date of the business combination takes into account the benefits produced by the synergies expected from the combination.

At the Intesa Sanpaolo Group level, the following CGUs have been identified:

- Banca dei Territori;
- IMI Corporate & Investment Banking;
- Insurance;
- Asset Management;
- Private Banking;
- International Subsidiary Banks;
- Bank of Alexandria;
- Pravex Bank.

For a description of the criteria relating to the definition of the Group's CGUs reference is made to Part B - Information on the Consolidated balance sheet – Assets. More specifically, goodwill recognised to the Intesa Sanpaolo financial statements has been allocated to the IMI Corporate & Investment Banking CGU.

As CGU identification requires an analysis of the management characteristics and reporting methods used by management, and as the logic for strategic decision-making by management of the Parent Company is that of the Group as a whole and not only that of the Parent Company as an individual entity, the CGUs are identified in the consolidated financial statements.

Furthermore, as illustrated in the Accounting Policies, investments in subsidiaries are not treated, for impairment test purposes, as single assets to be individually subjected to testing. Considering the organisational model adopted by Intesa Sanpaolo, CGUs are defined without regard to the structure of legal entities, inasmuch as investments are aggregated, along with the operating activities performed directly by the Parent Company, into CGUs of greater size or different structure. Accordingly, the impairment test performed at the consolidated level is also relevant at the Parent Company's financial statements level.

For an illustration of impairment tests for this caption, reference should be made to Part B - Information on the consolidated balance sheet - Assets.

If a need to recognise an impairment loss on goodwill attributable to a given CGU is identified at the level of the consolidated financial statements, in the Parent Company's financial statements that impairment loss is attributed to the assets pertaining to the same CGU not subject to testing individually, namely goodwill and investments in subsidiaries. As described in Part B – Information on the Consolidated balance sheet - Assets, no value adjustments were identified at the CGU level in the consolidated financial statements. Therefore, on the basis of the results of the impairment test conducted at the level of the consolidated financial statements, there was no need for adjustments to the goodwill recognised in the Parent Company's financial statements.

## SECTION 10 – TAX ASSETS AND LIABILITIES – CAPTION 100 OF ASSETS AND CAPTION 60 OF LIABILITIES

### 10.1 Deferred tax assets: breakdown

(millions of euro)

	31.12.2021		31.12.2020	
Corresponding caption in income statement	IRES (27,5%)	IRAP (5,56%)	IRES (27,5%)	IRAP (5,56%)
<b>A. Temporary deductible differences</b>				
Adjustment to/Impairment of loans deductible in future years	3,460	461	3,611	476
<i>of which pertaining to countries of foreign branches</i>	12	-	14	-
Provisions for future charges	605	74	581	83
Higher tax value of equity investments, securities and other assets	192	61	121	57
Extraordinary charges for incentive-driven exit plans	462	91	448	88
Goodwill, trademarks and other intangible assets	4,152	829	3,927	775
Other	2,896	141	2,092	89
<i>of which pertaining to countries of foreign branches</i>	4	-	2	-
<b>B. Taxable temporary differences offset</b>				
Costs deducted off balance sheet	-	-	-	-
Capital gains in instalments	-	-	-	-
Lower tax value of equity investments, securities and other assets	-87	-1	-79	-1
Other	-	-	-	-
<b>TOTAL (A+B)</b>	<b>11,680</b>	<b>1,656</b>	<b>10,701</b>	<b>1,567</b>
<b>Corresponding caption in Shareholders' equity</b>				
Cash flow hedge	252	49	335	65
Recognition of actuarial gains/losses	143	10	139	8
Financial assets measured at fair value	193	38	66	13
Property and equipment	25	4	23	4
Offset against deferred tax liabilities recorded in equity	-34	-9	-110	-23
<b>TOTAL</b>	<b>579</b>	<b>92</b>	<b>453</b>	<b>67</b>
<b>Total deferred tax assets</b>	<b>12,259</b>	<b>1,748</b>	<b>11,154</b>	<b>1,634</b>

Deductible temporary differences - "Other" include losses carried forward of 2,006 million euro.



**10.2 Deferred tax liabilities: breakdown**

(millions of euro)

	31.12.2021		31.12.2020	
Corresponding caption in income statement	IRES (27,5%)	IRAP (5,56%)	IRES (27.5%)	IRAP (5.56%)
<b>A. Taxable temporary differences</b>				
Costs deducted off balance sheet	82	15	418	82
Lower tax value of securities and other assets	215	31	190	16
<i>of which pertaining to countries of foreign branches</i>	-	-	-	-
Other	4	-	4	-
<b>B. Deductible temporary differences offset</b>				
Adjustment to/Impairment of loans deductible in future years	-	-	-	-
Higher tax value of securities and other assets	-63	-1	-55	-1
Other	-	-	-	-
<b>TOTAL (A+B)</b>	<b>238</b>	<b>45</b>	<b>557</b>	<b>97</b>
<b>Corresponding caption in Shareholders' equity</b>	<b>IRES (27,5%)</b>	<b>IRAP (5,56%)</b>	<b>IRES (27.5%)</b>	<b>IRAP (5.56%)</b>
Cash flow hedge	5	1	12	3
Recognition of actuarial gains/losses	-	-	-	-
Financial assets measured at fair value	30	8	98	21
Property and equipment	154	30	133	31
Offset against deferred tax assets recorded in equity	-34	-9	-110	-23
Offset against deferred tax assets (through profit and loss)	-24	-	-	-
<b>TOTAL</b>	<b>131</b>	<b>30</b>	<b>133</b>	<b>32</b>
<b>Total deferred tax liabilities</b>	<b>369</b>	<b>75</b>	<b>690</b>	<b>129</b>

**10.3 Changes in deferred tax assets (through profit or loss)**

(millions of euro)

Captions	31.12.2021	31.12.2020
<b>1. Initial amount</b>	<b>12,268</b>	<b>11,929</b>
<b>2. Increases</b>	<b>4,562</b>	<b>1,618</b>
2.1 Deferred tax assets recognised in the period	1,226	1,232
<i>a) related to previous years</i>	22	6
<i>b) due to changes in accounting criteria</i>	-	-
<i>c) recoveries</i>	-	-
<i>d) other</i>	1,204	1,226
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	183	205
2.4 Business combinations	3,153	181
<b>3. Decreases</b>	<b>-3,494</b>	<b>-1,279</b>
3.1 Deferred tax assets eliminated in the period	-2,122	-1,161
<i>a) reversals</i>	-1,954	-1,046
<i>b) write-offs</i>	-	-
<i>c) due to changes in accounting criteria</i>	-	-
<i>d) other</i>	-168	-115
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-1,372	-118
<i>a) changes into tax credits pursuant to Law no. 214/2011</i>	-1,242	-
<i>b) other</i>	-130	-118
3.4 Business combinations	-	-
<b>4. Final amount</b>	<b>13,336</b>	<b>12,268</b>

Increases d) "other" refers mainly to deductible temporary differences arising during the year, connected to provisions for risks and charges (268 million euro) and the recognition of convertible deferred tax assets on the portion of the tax loss that is attributable to the reversal of accumulated adjustments to loans and goodwill (920 million euro).

"Other increases" refer to the reversal of netting against deferred tax liabilities, applied as at 31 December 2020, amounting to 80 million euro, of which 56 million euro against deferred tax liabilities through profit and loss and 24 million euro against deferred tax liabilities recorded in equity. That caption also includes 78 million euro in deferred tax assets posted in relation to the tax loss carried forward (3.5% additional IRES).

Decreases a) "reversals" mainly refer to the elimination of deferred tax assets pursuant to Law no. 214/2011 (920 million euro) and deferred tax assets previously recorded in relation to provisions for risks and charges, as a result of their use during the year (857 million euro).

Decreases d) "other" include 110 million euro for the elimination of deferred tax assets on IRES tax losses carried forward, converted into tax credits pursuant to Art. 19, paragraph 1, of Law Decree 73 of 25 May 2021 (the "Decreto Sostegni bis"), which extended the relief provided for in Art. 44-bis of Law Decree 34/2019 (the "Decreto Crescita 2019") to 2021.

Other decreases a) "changes into tax credits pursuant to Law no. 214/2011" refers to the information set out in Part C, table 19.1.

Other decreases b) "other" include 88 million euro relating to the netting with deferred tax liabilities for the year, of which 64 million euro against deferred tax liabilities through profit and loss and 24 million euro against deferred tax liabilities recorded in equity.

### 10.3.1 Changes in deferred tax assets pursuant to Law 214/2011

Items	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Initial amount</b>	<b>8,330</b>	<b>8,246</b>
<b>2. Increases</b>	<b>2,570</b>	<b>690</b>
- of which: business combinations	1,650	101
<b>3. Decreases</b>	<b>-2,163</b>	<b>-606</b>
3.1 Reversals	-920	-587
3.2 Changes into tax credits	-1,242	-
a) from losses for the year	-525	-
b) from fiscal losses	-717	-
3.3 Other decreases	-1	-19
<b>4. Final amount</b>	<b>8,737</b>	<b>8,330</b>

### 10.4 Changes in deferred tax liabilities (through profit or loss)

Items	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Initial amount</b>	<b>654</b>	<b>725</b>
<b>2. Increases</b>	<b>282</b>	<b>65</b>
2.1 Deferred tax liabilities recognised in the period	20	13
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	20	13
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	131	51
2.4 Business combinations	131	1
<b>3. Decreases</b>	<b>-653</b>	<b>-136</b>
3.1 Deferred tax liabilities eliminated in the period	-558	-70
a) reversals	-9	-65
b) due to changes in accounting criteria	-	-
c) other	-549	-5
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-95	-66
3.4 Business combinations	-	-
<b>4. Final amount</b>	<b>283</b>	<b>654</b>

Increases c) "other" refers to taxable temporary differences arising during the year, mainly relating to the brand name and other intangible assets "realigned" pursuant to Art. 110, paragraphs 8 and 8-bis of Law Decree no. 104/2020 during the year (10 million euro) and the higher value of equity investments (9 million euro).

Other increases refer to write-off of netting against deferred tax assets through profit or loss applied as at 31 December 2020, amounting to 56 million euro.

Decreases c) "other" primarily refers to the release of deferred tax liabilities carried at 31 December 2020 on the brand name and other intangible assets following the exercise of the option for "realignment" pursuant to Art. 110, paragraphs 8 and 8-bis, of Law Decree 104/2020 (499 million euro).

Other decreases include 64 million euro attributable to the netting against deferred tax assets through profit or loss for the year.

## 10.5 Changes in deferred tax assets (recorded in equity)

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Initial amount</b>	<b>520</b>	<b>608</b>
<b>2. Increases</b>	<b>377</b>	<b>413</b>
2.1 Deferred tax assets recognised in the period	234	412
<i>a) related to previous years</i>	-	-
<i>b) due to changes in accounting criteria</i>	-	-
<i>c) other</i>	234	412
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	136	-
2.4 Business combinations	7	1
<b>3. Decreases</b>	<b>-226</b>	<b>-501</b>
3.1 Deferred tax assets eliminated in the period	-182	-366
<i>a) reversals</i>	-173	-366
<i>b) write-offs</i>	-	-
<i>c) due to changes in accounting criteria</i>	-	-
<i>d) other</i>	-9	-
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-44	-135
3.4 Business combinations	-	-
<b>4. Final amount</b>	<b>671</b>	<b>520</b>

Increases c) "other" refers to deductible temporary differences arising during the year, mainly connected with the results of cash flow hedging derivatives (34 million euro) and financial assets measured at fair value through other comprehensive income (188 million euro).

"Other increases" comprises 133 million euro for the write-off of netting against deferred tax liabilities recorded in equity, applied as at 31 December 2020.

Decreases a) "reversals" mainly refer to the elimination of deferred tax assets previously recorded in relation to the fair value measurement of cash flow hedging derivatives (134 million euro) and financial assets measured at fair value through other comprehensive income (36 million euro) following the adjustment of the valuation effects or the related realisation during the year.

"Other decreases – other" include 43 million euro attributable to the netting against deferred tax liabilities recorded in equity.

**10.6 Changes in deferred tax liabilities (recorded in equity)**

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Initial amount</b>	<b>165</b>	<b>180</b>
<b>2. Increases</b>	<b>318</b>	<b>266</b>
2.1 Deferred tax liabilities recognised in the period	160	245
<i>a) related to previous years</i>	-	-
<i>b) due to changes in accounting criteria</i>	-	-
<i>c) other</i>	160	245
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	158	20
2.4 Business combinations	-	1
<b>3. Decreases</b>	<b>-322</b>	<b>-281</b>
3.1 Deferred tax liabilities eliminated in the period	-251	-124
<i>a) reversals</i>	-	-122
<i>b) due to changes in accounting criteria</i>	-	-
<i>c) other</i>	-251	-2
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-71	-157
3.4 Business combinations	-	-
<b>4. Final amount</b>	<b>161</b>	<b>165</b>

Increases c) "other" mainly refers to taxable temporary differences arising during the year connected with the measurement of financial assets measured at fair value through other comprehensive income (158 million euro).

Other increases refer to the write-off of netting against deferred tax assets as at 31 December 2020 for 157 million euro, of which 133 million euro refers to deferred tax assets recorded in equity and 24 million euro to deferred tax assets through profit or loss.

Decreases c) "other" comprise 239 million euro for the discharge of deferred tax liabilities previously recorded in relation to the valuation of financial assets measured at fair value through other comprehensive income.

Other decreases include 43 million euro attributable to the netting against deferred tax assets recorded in equity and 24 million euro to the netting against deferred tax assets through profit or loss.

As indicated in the accounting policies, with regard to current and deferred taxation, no provision is made in the financial statements for reserves subject to latent taxation only in the event of distribution, since the size of the available reserves which have already been taxed leads to the belief that the Bank will not undertake any transactions which may cause taxation of those untaxed reserves.

**Probability test on deferred taxation**

For information concerning the probability test on deferred taxation, refer to the contents of Part B – Assets of the Notes to the consolidated financial statements.

The test performed at Group and Parent Company levels showed a taxable base that was sufficient and adequate to allow recovery of the deferred taxes carried in the financial statements as at 31 December 2021.

**10.7 Other information**

There is no other information to be provided in addition to that already contained in this Section.

## SECTION 11 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 110 OF ASSETS AND CAPTION 70 OF LIABILITIES

### 11.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>A. Non-current assets held for sale</b>		
A.1 Financial assets	1,167	1,710
A.2 Investments in associates and companies subject to joint control	120	-
A.3 Property and equipment	39	38
<i>of which: resulting from the enforcement of guarantees</i>	-	-
A.4 Intangible assets	-	20
A.5 Other	-	30
<b>Total A</b>	<b>1,326</b>	<b>1,798</b>
<i>of which measured at cost</i>	<i>1,312</i>	<i>1,795</i>
<i>of which Fair value level 1</i>	-	-
<i>of which Fair value level 2</i>	-	3
<i>of which Fair value level 3</i>	<i>14</i>	-
<b>B. Discontinued operations</b>		
B.1 Financial assets measured at fair value through profit or loss	-	-
<i>- Financial assets held for trading</i>	-	-
<i>- Financial assets designated at fair value</i>	-	-
<i>- Other financial assets mandatorily measured at fair value</i>	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Investments in associates and companies subject to joint control	-	-
B.5 Property and equipment	-	-
<i>of which: resulting from the enforcement of guarantees</i>	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
<b>Total B</b>	<b>-</b>	<b>-</b>
<i>of which measured at cost</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 1</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 2</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 3</i>	<i>-</i>	<i>-</i>
<b>C. Liabilities associated with non-current assets held for sale</b>		
C.1 Debts	-	-2,500
C.2 Securities	-	-
C.3 Other	-25	-94
<b>Total C</b>	<b>-25</b>	<b>-2,594</b>
<i>of which measured at cost</i>	<i>-25</i>	<i>-2,592</i>
<i>of which Fair value level 1</i>	-	-
<i>of which Fair value level 2</i>	-	-2
<i>of which Fair value level 3</i>	-	-
<b>D. Liabilities associated with discontinued operations</b>		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Allowances	-	-
D.5 Other	-	-
<b>Total D</b>	<b>-</b>	<b>-</b>
<i>of which measured at cost</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 1</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 2</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 3</i>	<i>-</i>	<i>-</i>

The table above contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of.

A.1 Financial assets comprise non-performing loans to be sold as part of operations planned for 2022 (for a GBV of 4,019 million euro and a book value of 1,167 million euro). Their carrying amount was aligned with the prices that are estimated may be obtained, also based on specific fairness opinions.

A.2 Equity investments essentially refer to the investment in Zhong Ou Asset Management Company Limited.

A.3 Property and equipment comprise properties to be sold to BPER, pending the resolution of the encumbrances in force (for 26 million euro) and individual properties held for sale (for 13 million euro).

Liabilities associated with assets held for sale are comprised of liabilities (for 25 million euro) linked to the sale of the non-performing loans mentioned above.

## 11.2 Other information

There is no other significant information to note as at 31 December 2021.

## SECTION 12 – OTHER ASSETS – CAPTION 120

### 12.1 Other assets: breakdown

Captions	(millions of euro)
Amounts to tax authorities	3,715
Amounts to be credited and items under processing	780
Invoices to be issued	719
Due from Group companies on fiscal consolidation	466
Bank cheques drawn on third parties to be settled	288
Accruals, prepayments and deferrals to be allocated	200
Cheques and other instruments held	122
Leasehold improvements	85
Other	888
<b>TOTAL 31.12.2021</b>	<b>7,263</b>
<b>TOTAL 31.12.2020</b>	<b>3,862</b>

As required by paragraph 116 et. seq. of IFRS 15, assets arising from contracts with customers, which are included under the sub-caption "Other" and "Invoices to be issued" amounted to 401 million euro (232 million euro at the end of 2020).

## LIABILITIES

### SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - CAPTION 10

#### 1.1 Financial liabilities measured at amortised cost: breakdown of amounts due to banks

Transaction type/Amount	31.12.2021			(millions of euro)				
	Book value	Fair Value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Due to central banks</b>	<b>129,197</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>72,809</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>2. Due to banks</b>	<b>61,959</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>57,845</b>	<b>X</b>	<b>X</b>	<b>X</b>
2.1 Current accounts and on demand deposits	10,546	X	X	X	8,368	X	X	X
2.2 Time deposits	27,105	X	X	X	28,659	X	X	X
2.3 Loans	19,083	X	X	X	14,323	X	X	X
2.3.1 Repurchase agreements	13,802	X	X	X	8,935	X	X	X
2.3.2 Other	5,281	X	X	X	5,388	X	X	X
2.4 Debts for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	7	X	X	X	4	X	X	X
2.6 Other debts	5,218	X	X	X	6,491	X	X	X
<b>Total</b>	<b>191,156</b>	<b>-</b>	<b>167,118</b>	<b>24,114</b>	<b>130,654</b>	<b>-</b>	<b>102,440</b>	<b>28,367</b>

The illustration of the criteria used to determine the fair value is contained in Part A – Accounting policies. Amounts due to Central Banks include loans received from the European Central Bank as part of the TLTRO programme, for a total of 125 billion euro, fully attributable to the “TLTRO III” operation. Repurchase agreements related to financial assets sold not derecognised are detailed in Part E – Section E of the Notes to the financial statements.

#### 1.2 Financial liabilities measured at amortised cost: breakdown of amounts due to customers

Transaction type/Amount	31.12.2021			(millions of euro)				
	Book value	Fair Value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>1. Current accounts and on demand deposits</b>	<b>338,265</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>268,077</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>2. Time deposits</b>	<b>4,797</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>9,779</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>3. Loans</b>	<b>5,071</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>2,131</b>	<b>X</b>	<b>X</b>	<b>X</b>
3.1 Repurchase agreements	2,669	X	X	X	875	X	X	X
3.2 Other	2,402	X	X	X	1,256	X	X	X
<b>4. Debts for commitments to repurchase own equity instruments</b>	<b>-</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>5. Lease liabilities</b>	<b>1,003</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>1,031</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>6. Other debts</b>	<b>8,338</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>7,676</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Total</b>	<b>357,474</b>	<b>-</b>	<b>349,289</b>	<b>8,233</b>	<b>288,694</b>	<b>-</b>	<b>282,174</b>	<b>6,622</b>

Repurchase agreements related to financial assets sold not derecognised are detailed in Part E – Section E of the Notes to the financial statements.

Other debts include 68 million euro regarding the Berica ABS 3 S.r.l and Berica ABS 4 S.r.l securitisations and those that are part of the K-Equity programme. For additional details, see Part E - Section C of the Notes to the financial statements.



**1.3 Financial liabilities measured at amortised cost: breakdown of securities issued**

(millions of euro)

Transaction type/Amount	31.12.2021				31.12.2020			
	Book value	Fair Value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. bonds	90,186	48,740	43,558	42	71,074	38,256	34,833	43
1.1 structured	2,096	246	1,848	42	2,362	-	2,377	43
1.2 other	88,090	48,494	41,710	-	68,712	38,256	32,456	-
2. other	104	-	101	3	971	-	968	3
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	104	-	101	3	971	-	968	3
<b>Total</b>	<b>90,290</b>	<b>48,740</b>	<b>43,659</b>	<b>45</b>	<b>72,045</b>	<b>38,256</b>	<b>35,801</b>	<b>46</b>

**1.4 Details of subordinated debts/securities**

There were no subordinated debts with banks and customers as at 31 December 2021.

At the reporting date, Intesa Sanpaolo has subordinated with banks securities issued for 12,703 million euro.

**1.5 Details of structured debts**

At the reporting date, Intesa Sanpaolo has structured debts with banks totalling 200 million euro.

**1.6 Lease payables**

As at 31 December 2021, Intesa Sanpaolo has lease payables of 1,010 million euro, of which 163 million euro maturing within one year, 465 million euro maturing within 1 to 5 years and 382 million euro maturing in over 5 years.

Lease payables comprise 1,003 million euro referring to customer counterparties and 7 million euro to bank counterparties.

These derive from the application of the financial reporting standard IFRS 16 relating to Leases, with effect from 1 January 2019.

## SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 20

## 2.1 Financial liabilities held for trading: breakdown

(millions of euro)

Transaction type/Amount	31.12.2021					31.12.2020				
	Nominal or notional amount	Fair value			Fair Value (*)	Nominal or notional value	Fair value			Fair Value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
<b>A. Cash liabilities</b>										
<b>1. Due to banks</b>	<b>19,827</b>	<b>22,222</b>	<b>40</b>	<b>-</b>	<b>22,262</b>	<b>11,117</b>	<b>12,913</b>	<b>210</b>	<b>-</b>	<b>13,123</b>
<b>2. Due to customers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,107</b>	<b>2,451</b>	<b>12</b>	<b>-</b>	<b>2,462</b>
<b>3. Debt securities</b>	<b>3,324</b>	<b>-</b>	<b>3,459</b>	<b>-</b>	<b>X</b>	<b>4,649</b>	<b>-</b>	<b>4,733</b>	<b>-</b>	<b>X</b>
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other	3,324	-	3,459	-	X	4,649	-	4,733	-	X
3.2.1 Structured	3,324	-	3,459	-	X	4,649	-	4,733	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
<b>Total A</b>	<b>23,151</b>	<b>22,222</b>	<b>3,499</b>	<b>-</b>	<b>22,262</b>	<b>17,873</b>	<b>15,364</b>	<b>4,955</b>	<b>-</b>	<b>15,585</b>
<b>B. Derivatives</b>										
<b>1. Financial derivatives</b>	<b>X</b>	<b>19</b>	<b>29,028</b>	<b>118</b>	<b>X</b>	<b>X</b>	<b>19</b>	<b>38,612</b>	<b>122</b>	<b>X</b>
1.1 Trading	X	19	28,947	105	X	X	19	38,557	73	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	81	13	X	X	-	55	49	X
<b>2. Credit derivatives</b>	<b>X</b>	<b>-</b>	<b>2,340</b>	<b>1</b>	<b>X</b>	<b>X</b>	<b>-</b>	<b>1,757</b>	<b>1</b>	<b>X</b>
2.1 Trading	X	-	2,340	1	X	X	-	1,757	1	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
<b>Total B</b>	<b>X</b>	<b>19</b>	<b>31,368</b>	<b>119</b>	<b>X</b>	<b>X</b>	<b>19</b>	<b>40,369</b>	<b>123</b>	<b>X</b>
<b>Total (A+B)</b>	<b>23,151</b>	<b>22,241</b>	<b>34,867</b>	<b>119</b>	<b>X</b>	<b>17,873</b>	<b>15,383</b>	<b>45,324</b>	<b>123</b>	<b>X</b>

(\*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Amounts due to banks consist entirely of short selling of securities.

Other structured securities under Debt securities entirely consist of certificates which provide for partial or full redemption of the premiums paid on maturity, pursuant to Bank of Italy Communication of 21 October 2014.

Derivative instruments include 5,014 million euro in certificates with characteristics similar to financial derivative instruments due to the prevalence of market risk in relation to the return of the premiums paid.

The changes in fair value recorded during the year due to the change in its own credit rating were positive overall by 79 million euro and related to Derivatives and Debt securities - Other.

The amount of Derivatives as at 31 December 2021 includes the results of the offsetting of gross positive and negative balances pursuant to IAS 32, paragraph 42, which are not represented in Part E of these Notes to the financial statements.

In particular, Financial liabilities held for trading - Derivatives state the offset negative net fair value of 510 million euro relating to the fair value of OTC derivatives originated by customers and Group companies transferred to the clearing agent LCH Ltd.; that net fair value derives from the on-balance sheet offsetting of the positive fair value of Financial assets held for trading for 768 million euro and the negative fair value of Financial liabilities held for trading for 1,278 million euro. Instead, the gross negative fair value of OTC derivatives implemented with the legal clearing agent LCH Ltd for transactions on own behalf, equal to 36,993 million euro, was subject to offsetting under liabilities in hedging derivatives.

The overall negative fair value of OTC derivatives gross of on-balance sheet offsetting would amount to 69,267 million euro (Financial derivatives for 66,926 million euro and Credit derivatives for 2,341 million euro), including the results of offsetting of 768 million euro for transactions originated by customers and Group companies and 36,993 million euro for transactions on own behalf.

**2.2 Breakdown of “Financial liabilities held for trading”: subordinated liabilities**

The aggregate “Financial liabilities held for trading” includes subordinated liabilities represented by debts with banks for 344 million euro.

**2.3 Breakdown of “Financial liabilities held for trading”: structured debts**

As at 31 December 2021, structured debts classified under Financial liabilities held for trading amounted to 2 million euro due to banks.

**SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE – CAPTION 30****3.1 Financial liabilities designated at fair value: breakdown**

Transaction type/Amount	31.12.2021					31.12.2020				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
<b>1. Due to banks</b>	<b>2</b>	-	<b>1</b>	-	<b>1</b>	<b>1</b>	-	<b>1</b>	-	<b>1</b>
1.1 Structured	2	-	1	-	X	1	-	1	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
<b>2. Due to customers</b>	<b>6</b>	-	<b>4</b>	-	<b>4</b>	<b>6</b>	-	<b>4</b>	-	<b>4</b>
2.1 Structured	6	-	4	-	X	6	-	4	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
<b>3. Debt securities</b>	<b>3,634</b>	<b>6</b>	<b>3,638</b>	<b>26</b>	<b>3,566</b>	<b>2,716</b>	-	<b>2,805</b>	-	<b>2,668</b>
3.1 Structured	3,634	6	3,638	26	X	2,716	-	2,805	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
<b>Total</b>	<b>3,642</b>	<b>6</b>	<b>3,643</b>	<b>26</b>	<b>3,571</b>	<b>2,723</b>	-	<b>2,810</b>	-	<b>2,673</b>

(\*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date

The Bank has classified the LECOIP for the employment agreements, terminated early, of employees of Group companies under amounts “Due to customers” and “Due to banks”, and life policies connected to social initiatives, managed by the Bank based on fair value, under amounts “Due to customers”.

Sub-caption 3.1 Debt securities - Structured comprised certificates which provide for partial or full redemption of the premiums paid on maturity, pursuant to Bank of Italy Communication of 21 October 2014 (certificates with guaranteed or protected capital). As they were issued after 1 January 2020, these are classified under Financial liabilities designated at fair value (Fair Value Option), as a result of the Bank's implementation of a new business model based on a banking book approach, with the goal of generating stable inflows.

Certificates representing Financial liabilities designated at fair value record the related changes in fair value attributable to changes in own credit risk in the statement of comprehensive income (shareholders' equity). Changes in the Bank's own credit rating during the year were positive by 33 million euro.

**3.2 Breakdown of “Financial liabilities designated at fair value”: subordinated liabilities**

Intesa Sanpaolo has no subordinated liabilities classified under Financial liabilities designated at fair value.

## SECTION 4 – HEDGING DERIVATIVES – CAPTION 40

## 4.1 Hedging derivatives: breakdown by type of hedge and level

Captions	Fair value 31.12.2021			Notional value 31.12.2021	Fair value 31.12.2020			Notional value 31.12.2020
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
<b>A) Financial derivatives</b>	-	3,971	-	97,878	1	5,383	3	127,995
1) Fair value	-	1,926	-	89,901	1	1,690	3	122,175
2) Cash flows	-	2,045	-	7,977	-	3,693	-	5,820
3) Foreign investments	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	-	3,971	-	97,878	1	5,383	3	127,995

The amounts of hedging derivatives as at 31 December 2021 include the results of the offsetting of gross positive and negative balances pursuant to IAS 32, paragraph 42, which are not represented in Part E of these Notes to the financial statements.

In particular, liabilities in hedging derivatives state the offset net fair value of 1,842 million euro relating to the fair value of OTC derivatives for transactions on own behalf transferred to the clearing agent LCH Ltd.; that net fair value derives from the on-balance sheet offsetting of the gross positive fair value of Financial assets held for trading for 37,948 million euro and of hedging derivatives for 2,367 million euro, and the gross negative fair value of Financial liabilities held for trading for 36,993 million euro and of hedging derivatives for 5,164 million euro.

The total negative fair value of hedging derivatives gross of on-balance sheet offsetting would amount to 7,293 million euro (of which 6,118 million euro hedging fair value and 1,175 million euro hedging cash flows), if the result of offsetting of trading derivatives of 955 million euro is included (positive fair value of 37,948 million euro and negative fair value of 36,993 million euro) and the offset positive fair value of hedging derivatives of 2,367 million euro.

## 4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value							(millions of euro)		Foreign invest.
							Cash flow			
	Specific						Generic			
	debt securities and interest rates	equities and stock indices	Foreign exchange rates and gold	credit risk	commodities	other		Specific	Generic	
1. Financial assets measured at fair value through other comprehensive income	94	-	6	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	1,375	X	326	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	9	X	5	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	1,469	-	332	-	-	-	9	-	5	-
1. Financial liabilities	58	X	24	-	-	-	X	7	X	X
2. Portfolio	X	X	X	X	X	X	34	X	2,033	X
Total liabilities	58	-	24	-	-	-	34	7	2,033	-
1. Forecast transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

The table indicates negative fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.

Considering the values gross of netting in the financial statements, these mainly refer to macro fair value hedges of loans disbursed and micro fair value hedge of loans and debt securities, as well as macro hedges of cash flows from liability portfolios. Cash flow hedges refer to funding through floating-rate securities issued used to fund fixed-rate investments.

## SECTION 5 – FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS – CAPTION 50

### 5.1 Fair value change of financial liabilities in hedged portfolios: breakdown by hedged portfolios

		(millions of euro)
Fair value change of hedged liabilities/Group members	31.12.2021	31.12.2020
1. Positive fair value change of financial liabilities	60	721
2. Negative fair value change of financial liabilities	-	-
<b>Total</b>	<b>60</b>	<b>721</b>

The balance of the changes in value of liabilities subject to macrohedging against interest rate risk is recorded in this caption. For the application, the Bank applies the option envisaged by IFRS 9 to continue to apply the provisions permitted by the IAS 39 carve out.

## SECTION 6 – TAX LIABILITIES – CAPTION 60

For information on this section, see Section 10 of Assets.

## SECTION 7 – LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 70

For information on this section, see Section 11 of Assets.

## SECTION 8 – OTHER LIABILITIES – CAPTION 80

### 8.1 Other liabilities: breakdown

Captions		(millions of euro)
Amounts to be credited and items under processing		3,029
Amounts to be credited and items under processing		2,305
Due to suppliers		1,764
Due to tax authorities		1,113
Amounts due to third parties		488
Personnel charges		232
Due to social security entities		208
Accruals, prepayments and deferrals not allocated		168
Due to Group companies on fiscal consolidation		155
Other		870
<b>TOTAL</b>	<b>31.12.2021</b>	<b>10,332</b>
<b>TOTAL</b>	<b>31.12.2020</b>	<b>8,000</b>

As required by paragraph 116 a) of IFRS 15, liabilities arising from contracts with customers, which are included under the sub-caption "Accruals, prepayments and deferrals not allocated", amounted to 117 million euro, while at the end of 2020 they amounted to 94 million euro.

**SECTION 9 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 90****9.1 Employee termination indemnities: annual changes**

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>A. Initial amount</b>	<b>927</b>	<b>1,057</b>
<b>B. Increases</b>	<b>480</b>	<b>253</b>
B.1 Provisions in the year	7	7
B.2 Other	473	246
- of which business combinations	205	9
<b>C. Decreases</b>	<b>-380</b>	<b>-383</b>
C.1 Benefits paid	-141	-136
C.2 Other	-239	-247
- of which business combinations	-5	-1
<b>D. Final amount</b>	<b>1,027</b>	<b>927</b>
<b>Total</b>	<b>1,027</b>	<b>927</b>

C.1. refers to benefits paid during the year.

For greater detail on actuarial calculations, see Section 10.5 – Post employment defined benefit plans.

**9.2 Other information**

There is no information further to that already provided in the previous sections.

**SECTION 10 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 100****10.1 Allowances for risks and charges: breakdown**

Captions/Components	(millions of euro)	
	31.12.2021	31.12.2020
<b>1. Allowances for credit risk associated with commitments and financial guarantees given</b>	<b>367</b>	<b>404</b>
<b>2. Allowances on other commitments and other guarantees given</b>	<b>-</b>	<b>-</b>
<b>3. Post-employment benefits</b>	<b>245</b>	<b>212</b>
<b>4. Other allowances for risks and charges</b>	<b>3,596</b>	<b>3,508</b>
4.1 legal disputes	843	646
4.2 personnel charges	2,289	2,120
4.3 other	464	742
<b>Total</b>	<b>4,208</b>	<b>4,124</b>

There are no amounts attributable to the caption “2. Allowances on other commitments and other guarantees given”.  
The contents of 4. Other allowances for risks and charges are illustrated in point 10.6 below.

**10.2 Allowances for risks and charges: annual changes**

Captions	(millions of euro)			
	Allowances on other commitments and other guarantees given	Post-employment benefits	Other allowances for risks and charges	Total
<b>A. Initial amount</b>	-	212	3,508	3,720
<b>B. Increases</b>	-	90	1,572	1,662
B.1 Provisions in the year	-	5	1,014	1,019
B.2 Time value changes	-	1	-	1
B.3 Changes due to discount rate variations	-	-	-	-
B.4 Other	-	84	558	642
- of which business combinations	-	79	508	587
<b>C. Decreases</b>	-	-57	-1,484	-
C.1 Uses in the year	-	-10	-1,465	-
C.2 Changes due to discount rate variations	-	-	-7	-7
C.3 Other	-	-47	-12	-59
- of which business combinations	-	-	-6	-6
<b>D. Final amount</b>	-	245	3,596	3,841

As specified in the comment to the previous table, there are no amounts attributable to the caption "Allowances on other commitments and other guarantees given".

Other allowances for risks and charges include net provisions of 123 million euro to caption 170, letter b) of the income statement and net provisions to other income statement captions, for the residual amount. The latter include the provision of 301 million euro following the agreement on exit incentives signed with the trade unions on 16 November 2021.

**10.3 Allowances for credit risk associated with commitments and financial guarantees given**

(millions of euro)					
Allowances for credit risk associated with commitments and financial guarantees given					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total
1. Commitments to disburse funds	73	52	26	-	151
2. Financial guarantees given	24	39	153	-	216
<b>Total</b>	<b>97</b>	<b>91</b>	<b>179</b>	<b>-</b>	<b>367</b>

**10.4 Allowances on other commitments and other guarantees given**

This caption is not filled in.



## 10.5 Post-employment defined benefit plans

### 1. Illustration of the characteristics of the funds and related risks

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank, according to IAS 19 “Employee Benefits”, is determined via the “projected unit credit method” by an independent actuary.

The defined benefit plans, in which Intesa Sanpaolo S.p.A. is jointly responsible, can be distinguished in:

- internal supplementary pension funds;
- external supplementary pension funds.

Internal funds include:

- Three defined benefit plans in force for the London branch, relating to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules for the various funds, on the basis of the annual gross wage received in the last year of service.
- Defined benefit plans at the former UBI Banca: in general, the purpose of those plans is to guarantee to subscribers a benefit to supplement the pensions paid by the “disability, retirement and survivors” fund managed by INPS, in the amount and using the methods set out in the individual regulations. These include the Funds pertaining to the former Centrobanca, the former Banca Regionale Europea, the former Carime and the former Banca Adriatica. The Supplementary Pension Fund for Personnel of Centrobanca - Banca Centrale di Credito Popolare S.p.A., which has a residual number of 7 subscriber retirees, and provides a direct supplementary pension for retirement and seniority, once the requirements to access the benefits provided by INPS are met (provided that the retiree has been a subscriber of the Fund for at least 15 years) and a direct supplementary pension for disability, once the requirements to access the benefits provided by INPS are met (provided that at least 5 years have passed since registering with the Fund). The Fund for personnel of the former Banca Regionale Europea is a fund that supplements the Compulsory Insurance for Disability, Retirement and Survivors for the personnel of Banca Regionale Europea (incorporated into the former UBI Banca effective in November 2016) deriving from the former Banca del Monte di Lombardia and the former Cassa di Risparmio di Cuneo. The fund provides the following benefits as a direct pension:
  - for retirement, when the subscribers have reached the contractual age limits in force at the specific time, provided that they have participated in the Fund for at least 15 years;
  - for seniority, when the subscribers have reached the minimum threshold of service in force at the specific time, set out in the contract;
  - for disability, when, having certified the status of disability at any age, seniority that can be calculated for the benefit of at least five years has been reached or, with any seniority, if the disability is permanent and derives from work-related causes.

Moreover, survivors of the subscriber shall be due an indirect pension in the event of death in service after one year of membership in the Fund or after any period if the death derives from work-related causes, and a survivor's pension in the event of death, provided that the direct pension has been liquidated.

The Fund of the former Carime, merged into the former UBI Banca in February 2017, in turn includes the following funds: the Fund of the former Cassa di Risparmio di Calabria e Lucania, the Fund of the former Cassa di Risparmio di Puglia and the Fund of the former Cassa di Risparmio Salernitana. The funds provide the following pension benefits, as direct pensions for:

- retirement, when the members reach 60 years of age, for men, or 55 years of age, for women, and provided that they have at least 15 years of service;
- seniority, when the members have accrued 35 years of service, for men, or 30 years, for women, irrespective of their age;
- disability, at any age, when they are absolutely and permanently unable to work and are subscribers of the fund (moreover, for the Fund of the former Cassa di Risparmio di Puglia, the disability must be due to work-related causes and for the Fund of the former Cassa di Risparmio Salernitana, at least 5 years' participation is required).

Moreover, survivors of the subscriber shall be due an indirect pension in the event of death in service, and a survivor's pension in the event of death, provided that the direct pension has been liquidated.

The Fund of the former Banca Adriatica, merged into the former UBI Banca in October 2017, includes, in turn: the Retirement Fund for personnel in the lending segment of the former Cassa di Risparmio di Macerata S.p.A. (former Banca Ca.Ri.Ma.), the Retirement Fund for former employees of Banca Ca.Ri.Ma., transferred to Se.Ri.Ma. (now Equitalia Servizi di Riscossione S.p.A.), the Retirement Fund for personnel of the former Mediocredito Fondiario Centro Italia S.p.A., the Retirement Fund for personnel in the tax-collection segment of the former Cassa di Risparmio di Pesaro, the Retirement Fund for personnel of the former Cassa di Risparmio di Jesi, the Retirement Fund for personnel in the tax-collection segment of the former Cassa di Risparmio di Pesaro S.p.A., transferred to the former SE.RI.T. S.p.A.

External funds include:

- the Intesa Sanpaolo Group Defined-Benefit Pension Fund “Fondo Pensione a Prestazione definita del Gruppo Intesa Sanpaolo”, the new name given to the former Supplementary Pension Fund for the Employees of Banco di Napoli “Fondo Pensione Complementare per il Personale del Banco di Napoli – Sezione A”, identified as a collector of other “defined benefit” forms under the reorganisation and rationalisation of the existing pension schemes within the Intesa Sanpaolo Group, with protection of the rights of the (active and retired) subscribers. To this end, the “Fund” – in the virtually separated sections within Section A – has been assigned the asset captions contained in the financial statements of the pre-existing pension schemes, in order to ensure full coverage of the supplementary benefits. The Fund, which is a legal entity with independently managed assets, includes the following: employees enrolled in the plan and other beneficiaries from former Banco di Napoli; retired employees receiving Supplementary Pension Cheques, formerly the SanPaolo IMI internal fund; retired employees from the former Banca Nazionale di Comunicazioni; current and retired employees of the Cassa di Risparmio in Bologna, formerly enrolled in the Complementary pension fund for the employees of said bank, transferred to the Complementary Pension Fund for the employees of Banco di Napoli in 2004; retired employees of the Complementary pension fund of the former Fin.Opi, transferred to the Fund in question on 1 June 2005; current and retired employees of Banca Popolare dell’Adriatico, formerly enrolled in the Company pension fund for the employees of the former Banca Popolare dell’Adriatico, transferred to the Fund in question on 30 June 2006; retired employees of Cassa di Risparmio di Udine e Pordenone, formerly enrolled in the Complementary pension fund for the Employees of said bank, transferred to the Fund in 2006; retired employees of Cassa di Risparmio di Forlì, formerly enrolled in the Complementary pension fund for the employees of said bank, transferred to the Fund in question on 1 January 2007; retired employees of the former Carive internal Fund, transferred to the Fund in question on 1 January 2008; retired employees of the former CR Firenze FIP internal fund, transferred to the Fund in question on 1 January 2010; retired employees of Cassa di Risparmio di Terni e Narni internal fund, transferred to the Fund in question on 1 January 2010, for which there were no longer any beneficiaries as at 31 December 2021; retired employees of Cassa di Risparmio di Pistoia e Pescia internal fund, transferred to the Fund in question on 1 September 2012; retired tax-collection personnel of the Supplementary pension fund for tax-collection personnel formerly employed by Cariplo, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the supplementary pension fund for employees of Mediocredito Lombardo S.p.A., transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the Pension Fund for key Managers, former Key Managers and entitled parties of former Comit, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the “Casse del Centro” Pension Funds, in particular those enrolled in the Supplementary INPS benefits fund for the compulsory insurance for invalidity, old-age and survivors for personnel of Cassa di Risparmio di Città di Castello, Supplementary INPS benefits fund for the compulsory insurance for invalidity, old-age and survivors for personnel of Cassa di Risparmio di Foligno, Company supplementary pension AGO fund for employees of Cassa di Risparmio di Spoleto, Supplementary/complementary pension fund for the mandatory pension for employees of Cassa di Risparmio di Rieti, Pension fund for the Employees of Cassa di Risparmio della Provincia di Viterbo and Company supplementary pension fund for employees of Cassa di Risparmio di Ascoli Piceno, transferred to the Fund in question on 1 January 2015; retired employees already formerly enrolled in the Company Supplementary pension of INPS benefits for employees of Cassa di Risparmio di Civitavecchia, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the supplementary fund of SIL – Società Italiana Leasing S.p.A., transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the Supplementary Pension Fund for the personnel of Banca Monte Parma, transferred to the Fund in question on 1 January 2016; employees and retired employees formerly enrolled in the Supplementary Pension Fund for the personnel of the former Crediop hired before 30 September 1989, transferred to the Fund in question on 1 January 2016; retired employees formerly enrolled in the Supplementary Pension Fund for the personnel of Cassa di Risparmio di Mirandola, transferred to the Fund in question on 1 April 2016; retired employees formerly enrolled in the Pension Fund for the Personnel of the former Cassa di Risparmio di Prato transferred to the Fund in question on 1 May 2018; retired employees formerly enrolled in the Defined Benefit Plan of the former Cassa di Risparmio di Fabriano e Cupramontana transferred to the Fund in question on 1 May 2018; current and retired employees of the Supplementary pension fund for the personnel of Istituto Bancario Sanpaolo di Torino, transferred to the Fund in question on 1 January 2019; and retired employees of the Supplementary pension fund for the personnel of Cassa di Risparmio di Padova e Rovigo, transferred to the Fund in question on 1 July 2019.  
It is necessary to specify that if the sections of the Fund, after approval of the financial statements, show a technical imbalance according to the statutory method, the Articles of Association envisage immediate settlement by the Banks jointly responsible;
- Pension fund for the employees of Cariplo, a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998;
- a defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service at the Bank for at least 5 years. The benefit is considered to be accrued even if the employment relationship ceases in advance. The benefit is calculated based on the highest average wage considering three consecutive years out of the last 10 years of service, or, if the employment relationship ceases before, based on the average wage in the last three years of service. The fund is no longer managed by the New York branch, but has been fully transferred to the Prudential Fund (a defined benefit plan that manages the positions of members);
- the pension fund of Cassa di Risparmio di Firenze: fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment to the bank’s employees in service as at 31 December 1990 and already enrolled in the former “contracted-out” fund;
- the Pension Fund of the UBI Banca Group of the former Banca Popolare di Bergamo and its subsidiaries: in implementation of the agreement of 21 March 1989, the Fund provides monthly disbursements to the beneficiaries, supplementary benefits in the form of an annuity in the amount set out in the agreement;
- the Pension Fund for Personnel of the former Banca Popolare di Ancona and its subsidiaries: the Fund disburses benefits in addition to or supplementing the benefits provided by INPS according to the regulations of 5 types of defined-

benefit pensions acquired over time by way of incorporation and/or agreements. Segment I of that Fund is defined benefit, with a guarantee of settlement of the respective shares of the subscribers by Intesa Sanpaolo S.p.A. (former UBI Banca), Credito Valtellinese and Agenzia Entrate Riscossioni.

On 5 December 2017, Intesa Sanpaolo S.p.A., also in its capacity as Parent Company, signed an agreement with the Trade Unions, as Fund Founders, for the integration of the Supplementary Pension Fund for the Personnel of Istituto Bancario San Paolo di Torino into the Supplementary Pension Fund for the Personnel of Banco di Napoli - Section A (which from 1 January 2019 changed its name to the "Fondo pensione a prestazione definita del Gruppo Intesa Sanpaolo", with registered office in Torino). This agreement also provided for the formulation of an individual capitalisation offer for the supplementary benefits to be made to the participants, which was carried out in the second half of 2018 and continued during 2019, 2020 and 2021: the subscriptions received in the current year led to a decrease in the obligation of around 4 million euro, partly covered by the Fund's assets (around 2 million euro) and partly through the use of Funds set up specifically for this purpose by the Bank, under the guarantee given (around 2 million euro).

With regard to the investment and integrated risk management policies, the Funds verify the level of coverage and the possible outcomes under various scenarios. For this purpose, various investment configurations and portfolio mixes and allocations are defined, in order to satisfy the pension and profitability objectives as adequately as possible.

**2. Changes in the year of net liabilities (assets) with defined benefits and redemption rights**

(millions of euro)

Pension plan liabilities defined benefit obligations	31.12.2021			31.12.2020		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
<b>Initial amount</b>	<b>927</b>	<b>178</b>	<b>1,604</b>	<b>1,057</b>	<b>169</b>	<b>1,667</b>
Current service costs	7	2	3	2	2	3
Recognised past service costs	-	-	-	-	-	-
Interest expense	-	3	2	5	3	11
Actuarial losses due to changes in financial assumptions	32	3	73	20	17	58
Actuarial losses due to changes in demographic assumptions	5	-	9	-	-	1
Actuarial losses based on past experience	1	1	28	-	-	8
Positive exchange differences	-	13	2	-	-	-
Increases - business combinations	205	79	9	9	-	-
Participants' contributions	X	-	-	X	-	-
Actuarial profits due to changes in financial assumptions	-	-10	-1	-	-	-
Actuarial profits due to changes in demographic assumptions	-	-	-5	-10	-	-1
Actuarial profits based on past experience	-	-	-	-28	-	-10
Negative exchange differences	-	-	-	-	-9	-2
Benefits paid	-141	-11	-117	-136	-3	-117
Decreases - business combinations	-5	-	-	-1	-	-
Curtailments of the fund	X	-	-6	X	-	-14
Settlements of the fund	X	-	-	X	-	-
Other increases	230	-	1	217	-	-
Other decreases	-234	-	-	-208	-1	-
<b>Final amount</b>	<b>1,027</b>	<b>258</b>	<b>1,602</b>	<b>927</b>	<b>178</b>	<b>1,604</b>

Liabilities of the defined benefit obligations pension plan	31.12.2021			31.12.2020		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	1,027	76	-	927	-	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	182	1,602	-	178	1,604

The actuarial losses recorded for variations in financial assumptions are mainly due to the trend in the annual inflation rate, which grew by around 1.00%.

On the basis of actuarial calculations, the present value of the defined benefit obligations, excluding Employee termination indemnities, was as follows.

**Internal plans**

- 182 million euro referred to defined benefit plans at the London branch, entirely contributed by Intesa Sanpaolo S.p.A.;
- 76 million euro referred to defined benefit plans of the Funds of the former UBI Banca, entirely contributed by Intesa Sanpaolo S.p.A.

**External plans**

- 693 million euro referred to the Intesa Sanpaolo Group Defined-Benefit Fund (of which 683 million euro pertaining to Intesa Sanpaolo S.p.A.);
- 462 million euro referred to the Pension fund for employees of Cariplo, entirely contributed by Intesa Sanpaolo S.p.A.;
- 27 million euro referred to defined benefit plans at the New York branch, entirely contributed by Intesa Sanpaolo S.p.A.;
- 411 million euro referred to the Pension Fund of Cassa di Risparmio di Firenze, almost fully contributed by Intesa

- Sanpaolo S.p.A.;
- 8 million euro referred to the Pension Fund of Banca Popolare di Ancona and its subsidiaries, entirely contributed by Intesa Sanpaolo S.p.A.;
  - 1 million euro referred to the Pension Fund of the UBI Banca Group, Banca Popolare di Bergamo and other subsidiaries, entirely contributed by Intesa Sanpaolo S.p.A.

### 3. Information on the fair value of plan assets

(millions of euro)

Plan assets	31.12.2021		31.12.2020	
	Internal plans	External plans	Internal plans	External plans
<b>Initial amount</b>	<b>131</b>	<b>1,475</b>	<b>132</b>	<b>1,533</b>
Return on assets net of interest	19	111	2	49
Interest income	2	2	3	9
Positive exchange differences	9	1	-	-
Increases - business combinations	-	9	-	-
Employer contributions	10	2	5	-
Participants' contributions	-	-	-	-
Negative exchange differences	-	-	-7	-2
Decreases - business combinations	-	-	-	-
Benefits paid	-3	-117	-3	-117
Curtailments of the fund	-	-6	-	-9
Settlements of the fund	-	-	-	-
Other changes	-	2	-1	12
<b>Final amount</b>	<b>168</b>	<b>1,479</b>	<b>131</b>	<b>1,475</b>

The final amount of the internal plans refers to defined benefit plans at the London branch.

The final amount of external plans was broken down as follows:

- 588 million euro relating to the Intesa Sanpaolo Group Defined-Benefit Fund Pension Fund;
- 454 million euro referred to the Pension fund for employees of Cariplo;
- 17 million euro referred to defined benefit plans at the New York branch;
- 411 million euro referred to the Pension fund of Cassa di Risparmio di Firenze.
- 8 million euro referred to the Pension Fund of Banca Popolare di Ancona and its subsidiaries;
- 1 million euro referred to the Pension Fund of the UBI Banca Group, Banca Popolare di Bergamo and other subsidiaries.

(millions of euro)

Plan assets: additional information	31.12.2021				31.12.2020			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
<b>Equities</b>	<b>89</b>	<b>53.1</b>	<b>414</b>	<b>28.0</b>	<b>67</b>	<b>51.2</b>	<b>250</b>	<b>17.0</b>
- of which level-1 fair value	89		395		67		231	
<b>Mutual funds</b>	<b>-</b>	<b>-</b>	<b>137</b>	<b>9.3</b>	<b>-</b>	<b>-</b>	<b>278</b>	<b>18.8</b>
- of which level-1 fair value	-		82		-		216	
<b>Debt securities</b>	<b>59</b>	<b>35.0</b>	<b>432</b>	<b>29.2</b>	<b>52</b>	<b>39.8</b>	<b>455</b>	<b>30.8</b>
- of which level-1 fair value	59		432		52		455	
<b>Real estate assets and investments in real estate companies</b>	<b>10</b>	<b>6.0</b>	<b>345</b>	<b>23.3</b>	<b>8</b>	<b>5.7</b>	<b>396</b>	<b>26.9</b>
- of which level-1 fair value	-		-		-		-	
<b>Insurance business</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- of which level-1 fair value	-		-		-		-	
<b>Other assets</b>	<b>10</b>	<b>5.9</b>	<b>151</b>	<b>10.2</b>	<b>4</b>	<b>3.3</b>	<b>96</b>	<b>6.5</b>
- of which level-1 fair value	-		-		-		-	
<b>TOTAL</b>	<b>168</b>	<b>100.0</b>	<b>1,479</b>	<b>100.0</b>	<b>131</b>	<b>100.0</b>	<b>1,475</b>	<b>100.0</b>

(millions of euro)

Plan assets: additional information	31.12.2021				31.12.2020			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
<b>Equities</b>	<b>89</b>	<b>53.1</b>	<b>414</b>	<b>28.0</b>	<b>67</b>	<b>51.2</b>	<b>250</b>	<b>17.0</b>
- of which financial companies	89		63		67		56	
- of which non financial companies	-		351		-		194	
<b>Mutual funds</b>	<b>-</b>	<b>-</b>	<b>137</b>	<b>9.0</b>	<b>-</b>	<b>-</b>	<b>278</b>	<b>18.8</b>
<b>Debt securities</b>	<b>59</b>	<b>35.0</b>	<b>432</b>	<b>29.0</b>	<b>52</b>	<b>39.8</b>	<b>455</b>	<b>30.8</b>
Government bonds	59		273		52		243	
- of which investment grade	59		273		52		239	
- of which speculative grade	-		-		-		4	
Financial companies	-		66		-		97	
- of which investment grade	-		60		-		66	
- of which speculative grade	-		6		-		31	
Non Financial companies	-		93		-		115	
- of which investment grade	-		75		-		81	
- of which speculative grade	-		18		-		34	
<b>Real estate assets and investments in real estate companies</b>	<b>10</b>	<b>6.0</b>	<b>345</b>	<b>24.0</b>	<b>8</b>	<b>5.7</b>	<b>396</b>	<b>26.9</b>
<b>Insurance business</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>	<b>10</b>	<b>5.9</b>	<b>151</b>	<b>10.0</b>	<b>4</b>	<b>3.3</b>	<b>96</b>	<b>6.5</b>
<b>TOTAL ASSETS</b>	<b>168</b>	<b>100.0</b>	<b>1,479</b>	<b>100.0</b>	<b>131</b>	<b>100.0</b>	<b>1,475</b>	<b>100.0</b>

The difference between net defined benefit liabilities (Table 10.5.2) and the plan assets (Table 10.5.3) is recognised in the post-employment plans.

#### 4. Description of the main actuarial assumptions

Actuarial assumptions	31.12.2021				31.12.2020			
	Discount rate	Expected yield rates	Expected increase in salaries (a)	Annual inflation rate	Discount rate	Expected yield rates	Expected increase in salaries (a)	Annual inflation rate
<b>EMPLOYEE TERMINATION INDEMNITIES</b>	0.4%	X	2.9%	2.2%	0.0%	X	2.0%	1.1%
<b>INTERNAL PLANS</b>	1.1%	0.0%	2.9%	2.6%	1.5%	0.0%	2.7%	2.7%
<b>EXTERNAL PLANS</b>	0.8%	2.9%	2.8%	2.1%	0.7%	2.9%	2.0%	1.0%

(a) Net of career developments.

The discount rate of internal plans for 2021 was 1.85% for the London branch, and around 0.4% on average for Italian Funds.

The discount rate of external plans for 2021 was 2.75% for the New York branch, and varies from 0.12% to 0.74% for Italian Funds.

Starting from 2013, the Intesa Sanpaolo Group primarily uses the Eur Composite AA rate as its discounting rate, weighted by the ratio of payments and advances referring to each maturity, on the one hand, and the total amount of payments and advances to be made for the final fulfilment of the entire obligation, on the other. In the case of defined-benefit plans in particular, the rate used is the average rate that reflects the market parameters covered by the plan. The EUR Composite AA curve is obtained daily from the Bloomberg's information provider and refers to a basket of securities issued by investment-grade corporate issuers included in the AA rating class, residing in the Eurozone and belonging to various sectors.

## 5. Information on amount, timing and uncertainty of cash flows

Sensitivity analysis	31.12.2021					
	EMPLOYEE TERMINATION INDEMNITIES		INTERNAL PLANS		EXTERNAL PLANS	
	+50 bps	-50 bps	+50 bps	-50 bps	+50 bps	-50 bps
Discount rate	982	1,070	250	265	1,518	1,694
Rate of wage rises	1,027	1,027	260	254	1,623	1,582
Inflation rate	1,052	998	261	253	1,667	1,541

The sensitivity analysis is not conducted on the expected rate of return as it has no effect on the calculation of the liabilities.

The sensitivity analysis was carried out on the net defined benefit liabilities pursuant to Table 10.5.2. The absolute values of the data presented indicate the possible amount of net defined benefit liabilities in the event of a change in rate of +/- 50 bps.

The average duration of the defined benefit obligation is 12.30 years for pension funds and 8.52 years for employee termination indemnities.

Any outflows to be made over the next year (settlement of the technical imbalance envisaged by the Articles of Association of the Intesa Sanpaolo Group Defined-Benefit Fund "Fondo Pensione a Prestazione Definita del Gruppo Intesa Sanpaolo") shall be determined upon preparation of the financial statements of said Fund, which will take place in the upcoming months of May/June.

## 6. Multi-employer plans

The Bank has defined benefit plans regarding more than one employer:

- Pension Fund for the employees of the former Crediop hired before 30 September 1989, which on 1 January 2016 was transferred to Section A of the Supplementary Pension Fund for the Employees of Banco di Napoli (now the Intesa Sanpaolo Group Defined-Benefit Fund "Fondo Pensione a Prestazione Definita del Gruppo Intesa Sanpaolo"). The commitments of Crediop S.p.A. (now Dexia-Crediop) and the former Sanpaolo IMI (now Intesa Sanpaolo S.p.A.) with regard to the Fund are governed by the agreement entered into between the parties on 28/05/1999. Its transfer into the Intesa Sanpaolo Group Defined-Benefit Fund "Fondo Pensione a Prestazione Definita del Gruppo Intesa Sanpaolo" did not modify the guarantees and commitments undertaken by the parties in the past;
- Retirement Fund for former employees of Banca Ca.Ri.Ma., transferred to Se.Ri.Ma. (now Equitalia Servizi di Riscossione Spa), whose tax-collection services were transferred on 1 January 1990 to the former Equitalia Marche S.p.A. (currently Agenzia delle Entrate - Riscossione). The trade union agreement and agreements between subscribers of the operation sanctioned that the then-parent company Ca.Ri.Ma. (then Banca Marche S.p.A., then Nuova Banca Marche S.p.A. and subsequently Banca Adriatica S.p.A, then merged into the former UBI Banca) would continue to allocate in its financial statements the mathematical reserves pertaining to personnel hired before the operation was finalised;
- Pension Fund for the Personnel of the former Banca Popolare di Ancona and its subsidiaries, which, as previously stated, provides a guarantee of settlement of the respective shares of the subscribers by Intesa Sanpaolo S.p.A. (former UBI Banca), Credito Valtellinese and Agenzia Entrate Riscossioni.

## 7. Defined benefit plans that share risks among entities under joint control

The Intesa Sanpaolo Group Defined-Benefit Fund "Fondo Pensione a Prestazione Definita del Gruppo Intesa Sanpaolo" and the Pension fund of Cassa di Risparmio di Firenze are defined benefit plans that share the risks among the various Group Companies. These Companies issue a joint guarantee for their registered employees and pensioners with respect to the subject pension entities.

The liabilities of each jointly responsible Company are determined by an Independent Actuary through the "projected unit credit method" and are recorded in the financial statements net of the plan assets. Similarly, the current service cost, which represents the average present value at the measurement date of the benefits accrued by workers in service during the year, is calculated for each Company by said Actuary.

Each jointly responsible Company reports in this section, for each table, the total liabilities/assets of the Funds for which it is jointly responsible, highlighting at the bottom of said tables the liability/asset amount under their responsibility.



**10.6 Allowances for risks and charges – Other allowances**

Captions/Components	(millions of euro)	
	31.12.2021	31.12.2020
<b>Other allowances</b>		
1. legal disputes	843	646
2. personnel charges	2,289	2,120
<i>incentive-driven exit plans</i>	1,705	1,652
<i>employee seniority bonuses</i>	108	108
<i>other personnel expenses</i>	476	360
3. other risks and charges	464	742
<b>Total</b>	<b>3,596</b>	<b>3,508</b>

Other allowances refers to:

- Legal and tax disputes: the allowance was set up mainly to cover expected outlay for litigation, revocatory action and tax disputes;
- Personnel charges: the allowance includes charges for incentive-driven exit plans, employee seniority bonuses (calculated on the basis of actuarial assumptions) and provisions for bonuses and other outlays relating to employees. The figure during 2021 is mainly attributable to the agreement for personnel exit incentives signed with the trade unions on 16 November 2021;
- Other risks and charges: these mainly refer to charges for integration of UBI Banca and the former Venetian banks, charges connected with the sale of a portfolio of NPLs and other charges relating to sundry obligations.

**SECTION 11 – REDEEMABLE SHARES – CAPTION 120****11.1 Redeemable shares: breakdown**

This caption is not present for Intesa Sanpaolo.

## SECTION 12 – PARENT COMPANY'S SHAREHOLDERS' EQUITY – CAPTIONS 110, 130, 140, 145, 150, 160, 170 AND 180

### 12.1 Share capital and Treasury shares: breakdown

As at 31 December 2021, the Bank's portfolio amounts to 30,629,777 treasury shares fully paid in. For information on this section, see point 12.3 below.

### 12.2 Share capital – Parent Company's number of shares: annual changes

Captions/Type	Ordinary
<b>A. Initial number of shares</b>	<b>19,430,463,305</b>
-fully paid-in	19,430,463,305
- not fully paid-in	-
A.1 treasury shares (-)	-42,128,001
<b>A.2 Shares outstanding: initial number</b>	<b>19,388,335,304</b>
<b>B. Increases</b>	<b>28,851,107</b>
B.1 New issues	-
- for consideration:	-
- business combinations	-
- conversion of bonds	-
- exercise of warrants	-
- other	-
- for free:	-
- in favour of employees	-
- in favour of directors	-
- other	-
B.2 Sale of treasury shares	28,851,107
B.3 Other	-
<b>C. Decreases</b>	<b>-17,352,883</b>
C.1 Annulment	-
C.2 Purchase of treasury shares	-17,352,883
C.3 Disposal of companies	-
C.4 Other	-
<b>D. Shares outstanding: final number</b>	<b>19,399,833,528</b>
D.1 Treasury shares (+)	30,629,777
D.2 Final number of shares	19,430,463,305
-fully paid-in	19,430,463,305
- not fully paid-in	-

### 12.3 Share capital: other information

The share capital of the Bank as at 31 December 2021 amounted to 10,084 million euro, divided into 19,430,463,305 ordinary shares, with no par value. Each ordinary share gives the right to one vote in the Shareholders' Meeting. At the date of this document, the share capital was fully paid-in.

Entries made in accordance with IFRS 3 regarding the merger between Banca Intesa and SANPAOLO IMI, finalised on 1 January 2007, generated a reserve of 23,734 million euro as at 31 December 2021, equal to the difference between the acquisition cost of the Sanpaolo IMI Group and the nominal value of the shares issued to service the exchange. In the 2007 financial statements, it was reported under share premium reserve, based on the opinions expressed by legal experts. This reserve will be reported differently should the Law or Supervisory Authorities indicate a different solution.

Note that there were no changes in capital during 2021, but the tax suspension restriction previously imposed on the capital of UBI Banca S.p.A. will be established, for an amount of 595,600,543.95 euro.

For the purpose of completeness, it is specified that 161,272,845.43 euro of the share premium reserve was used during the year for the distribution of reserves approved by the Shareholders' Meeting of 28 April 2021.

The share premium reserve was also decreased by a negative amount of 1,379,548 euro in relation to the assignment of shares to Key Managers and increased by a positive amount of 4,629,620 euro in relation to the trading of treasury shares.

#### 12.4 Reserves: other information

Reserves amounted to 8,175 million euro and included: legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30 July 1990, Art. 7, par. 3, and Law 218 of 30 July 1990, Art. 7) and other reserves. The legal reserve, set up as provided for by law, must be at least one fifth of share capital; in the past it was set up by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated through mandatory allocation of at least one twentieth of net income for the year. Concentration reserves under Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.

Other reserves included reserves pertaining to international branches and other reserves set up in the past following specific legal provisions.

Valuation reserves amounted to 855 million euro and included reserves of financial assets measured at fair value through other comprehensive income, reserves for cash flow hedging derivatives, financial liabilities designated at fair value through profit or loss (changes in the Bank's own credit rating) and revaluations of net defined benefit liabilities (assets), as well as legally-required revaluation reserves and revaluation reserves of properties and valuable art assets.

Note that in 2021, the following changes in the reserves occurred:

- allocation to the extraordinary reserve of the residual income for 2020, equal to 129,802,269 euro, as per the resolution of the Ordinary Shareholders' Meeting of 28 April 2021;
- partial distribution of the extraordinary reserve of 1,932,151,500 euro on the 2020 income, net of the portion due to own shares held by the Bank at the record date, equal to 3,122,645 euro;
- allocation to the extraordinary reserve of the total net positive amount of 2,624,292,523 euro relating to the merger surplus arising from the cancellation of the shares of the subsidiaries UBI Banca S.p.A., UBI Sistemi e Servizi S.c.p.A and UBI Factor S.p.A., merged during the year;
- allocation to other reserves of the total net negative amount of 304,780,687 euro for the coupons paid to subscribers of the Additional Tier 1 instruments, net of the related taxes;
- adjustment of the reserves for the Equity Settled Share Based Payment plans (named "LECOIP 2.0" and targeted to all employees) and the Performance-based Option Plan (named "POP" and reserved for the top management, Risk Takers and Key Managers of the Bank), for a total positive amount of 136,739,710 euro;
- allocation to other reserves of the total net negative amount of 37,663,272 euro for the component regarding certificates measured using the fair value option;
- allocation to other reserves of the total net negative amount of 28,905,946 euro for repurchases of own Additional Tier 1 instruments;
- recognition under other reserves pursuant to IFRS 2 of the fair value of the shares to be assigned to the top management as part of the equity settled plans reserved to them for a total net negative amount of 26,655,820 euro;
- transfer to other reserves of the valuation reserves for the gains/losses realised on Financial assets measured at fair value through other comprehensive income, on Property and equipment measured at fair value and on Defined benefit pension plans, for a total net positive amount of 3,442,147 euro;
- other effects, for a total net positive amount of 1,766,897 euro.

	Amount as at 31.12.2021	Principal	Portion of net income	Portion subject to a suspended tax regime	Portion available (a)	(millions of euro) Uses in the past three years
<b>Shareholders' equity</b>						
– Share capital (b)	10,084	7,560	739	1,785	-	-
– Equity instruments	6,260	6,292	-32	-	-	-
– Share premium reserve (c)	27,445	12,097	11,679	3,669	A, B, C	161
– Legal reserve	2,065	520	1,545	-	A(1), B, C(1)	-
– Extraordinary reserve	6,116	62	6,054	-	A, B, C	1,932
– Concentration reserve (Law 218 of 30/7/1990, art. 7, par. 3)	232	-	-	232	A, B(2), C(3)	-
– Concentration reserve (Law 218 of 30/7/1990, art. 7)	302	-	-	302	A, B(2), C(3)	-
– Other reserves, of which:						
<i>Legal Reserve Branches abroad</i>	15	-	15	-	A, B, C	-
<i>Reserve for contribution to LECOIP 2.0/POP incentive plans</i>	703	690	13	-	A	-
<i>Reserve for POP incentive plan novation agreement</i>	-236	-236	-	-	-	-
<i>IFRS 2 reserve for employee incentive scheme</i>	52	52	-	-	A	-
<i>Reserve for AT1 equity instruments coupons</i>	-1,239	-	-1,239	-	-	-
<i>Reserves: other</i>	165	-	162	3	A	-
– Valuation reserves						
<i>Revaluation reserve (Law 576 of 2/12/1975)</i>	4	-	-	4	A, B(2), C(3)	-
<i>Revaluation reserve (Law 72 of 19/3/1983)</i>	146	-	-	146	A, B(2), C(3)	-
<i>Revaluation reserve (Law 408 of 29/12/1990)</i>	9	-	-	9	A, B(2), C(3)	-
<i>Revaluation reserve (Law 413 of 30/12/1991)</i>	380	-	-	380	A, B(2), C(3)	-
<i>Revaluation reserve (Law 342 of 22/11/2000)</i>	457	-	-	457	A, B(2), C(3)	-
<i>FVOCI revaluation reserve</i>	-578	-	-578	-	-	-
<i>Property and equipment and intangible assets valuation reserve</i>	1,492	-	1,492	-	(4)	-
<i>CFH valuation reserve</i>	-604	-	-604	-	-	-
<i>Defined benefit plans valuation reserve</i>	-374	-	-374	-	-	-
<i>Financial liabilities designated at fair value through profit or loss valuation reserve</i>	-77	-	-77	-	-	-
– Treasury shares	-69	-69	-	-	-	-
– Interim dividend	-1,399	-	-1,399	-	-	-
<b>Total Capital and Reserves</b>	<b>51,351</b>	<b>26,968</b>	<b>17,396</b>	<b>6,987</b>	<b>(5)</b>	<b>-</b>
Non-distributable portion (d)	8,079	-	-	-	-	-

(a) A = capital increase; B = loss coverage; C = distribution to shareholders.

(b) The increase of 596 million euro in the portion subject to a suspended tax regime, which corresponds to an equivalent decrease in the portion of net income, is attributable to the transfer to the share capital of the tax suspension constraint previously applied to the capital of UBI Banca S.p.A.

(c) This reserve includes 23,734 million euro originating from the merger between Banca Intesa and Sanpaolo IMI, as a result of the application of IFRS 3 relating to business combinations.

Pending the issue of legal measures concerning the classification of the reserve recognised in application of that accounting standard, the reserve is considered unavailable up to the amount of goodwill and intangible assets recognised in the financial statements. It should be noted that, solely for the amount classified as suspended tax, if the reserve is used to cover losses, net income cannot be distributed unless the reserve is replenished or correspondingly reduced. In addition, if the suspended tax amount is distributed to shareholders, it contributes to the formation of the company income. The portion of profits subject to tax suspension, equal to 3,669 million euro, includes 1,685 million euro relating to the realignment of the tax values to the higher book values of several real estate assets in accordance with Article 1, paragraph 948, of Law 145/2018 and 1,473 million euro relating to the realignment of the tax values of the brand name and other intangible assets to the higher book values pursuant to Article 110, paragraphs 8 and 8 bis of Law Decree 104/2020.

(d) The non-distributable portion mainly relates to the revaluation reserves, the valuation reserves established as a direct balancing entry to the fair value measurement of property and equipment, the reserve established under the LECOIP 2.0/POP long-term incentive plans, a portion of the share premium reserve, the other suspended tax reserves, the share of net income corresponding to the capital gains recognised in the income statement of the previous year, net of the related tax charge, arising from the application of the fair value measurement, pursuant to Article 6, paragraph 1, letter a) of Legislative Decree 38/2005, and the amount of the legal reserve corresponding to one-fifth of the share capital, pursuant to Article 2430 of the Italian Civil Code.

(1) May be used to increase capital (A) and for distribution to shareholders (C) for the portion exceeding one fifth of the share capital.

(2) In case of use of the reserve to cover losses, net income may not be distributed unless the reserve is integrated or correspondingly reduced.

(3) The reserve, if it is not recorded under shareholders' equity, may be reduced only in compliance with the provisions of par. 2 and 3 of art. 2445 of the Italian Civil Code. If it is distributed to shareholders, it is recorded in the Company's taxable income.

(4) The reserve is unavailable pursuant to art. 6 of Legislative Decree no. 38/2005.

(5) Pursuant to art. 47, par. 1 of the Combined Tax Regulations, the portion of net income includes retained earnings reserves for 4,208 million euro classified for tax purposes as capital reserves.

The valuation reserves have been included under retained earnings reserves given that these are either reserves destined to be reversed to the income statement at the time of sale or discharge of the corresponding assets or liabilities, i.e. reserves essentially similar to retained earnings reserves.

Suspended tax reserves of 560 million euro will be reconstituted in shareholders' equity reserves, pursuant to Article 172, paragraph 5, of the Consolidated Law on Income Taxes, in the same amount as those included under the shareholders' equity reserves of the merged companies UBI Banca S.p.A. and UBI Sistemi e Servizi S.c.p.A.

The proposal for allocation of net income for the year 2021 is reported in the specific separate chapter of these financial statements.

## 12.5 Equity instruments: breakdowns and annual changes

In 2021, Intesa Sanpaolo carried out early redemption of the Additional Tier 1 capital instrument, issued in 2016, for a nominal value of 1.25 billion euro.

As part of the merger of UBI Banca S.p.A., an Additional Tier 1 instrument was acquired, with a nominal amount of 400 million euro, with characteristics in line with the CRD IV regulations. That instrument was added to the four Additional Tier 1 capital issues from 2020, a nominal value of 750 million euro each. Lastly, note that in 2017 two other instruments were issued, for 1.25 billion euro and 750 million euro, respectively, targeted at international markets, and that in 2015 an instrument was issued for 1 billion USD, targeted at the US and Canadian markets. These instruments also have characteristics in line with CRD IV provisions.

For the purpose of completeness, note that some of these issues of Additional Tier 1 equity instruments were repurchased as part of operations of the Bank on the secondary market of those instruments.

## 12.6 Other information

Pursuant to Art. 2433-bis, paragraph 4 of the Italian Civil Code, Intesa Sanpaolo distributed an interim dividend for 2021 to each of the 19,430,463,305 ordinary shares comprising the share capital. The total amount disbursed was 1,398,728,259.60 euro<sup>91</sup>, corresponding to a unit dividend of 7.21 euro cents per ordinary share. The dividend was paid out on 24 November 2021 (with coupon detachment on 22 November and record date on 23 November).

## OTHER INFORMATION

### 1. Commitments and financial guarantees given (other than those designated at fair value)

	Commitments and financial guarantees given - nominal amount				(millions of euro)	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	31.12.2021	31.12.2020
<b>1. Commitments to disburse funds</b>	<b>284,787</b>	<b>16,428</b>	<b>905</b>	<b>6</b>	<b>302,126</b>	<b>258,282</b>
a) Central Banks	1,216	18	-	-	1,234	1,280
b) Public Administration	9,235	992	44	-	10,271	7,304
c) Banks	75,271	1,027	23	-	76,321	71,058
d) Other financial companies	65,944	3,533	41	-	69,518	57,687
e) Non-financial companies	125,133	10,169	760	6	136,068	114,974
f) Households	7,988	689	37	-	8,714	5,979
<b>2. Financial guarantees given</b>	<b>52,139</b>	<b>4,155</b>	<b>505</b>	<b>-</b>	<b>56,799</b>	<b>72,046</b>
a) Central Banks	-	-	-	-	-	-
b) Public Administration	330	22	-	-	352	411
c) Banks	12,558	83	1	-	12,642	33,918
d) Other financial companies	2,589	337	3	-	2,929	5,447
e) Non-financial companies	36,397	3,679	495	-	40,571	32,015
f) Households	265	34	6	-	305	255

The "commitments to disburse funds" include the commitments that can give rise to credit risk subject to the rules for determining the expected loss in accordance with IFRS 9, including revocable margins available on credit lines granted to customers and banks (for a total amount of 222,052 million euro in 2021).

### 2. Other commitments and other guarantees given

This caption is not present for Intesa Sanpaolo.

<sup>91</sup> It does not include the interim dividend on the 30,626,140 own shares held at the record date, equal to 2,208,144.69 euro.

**3. Assets pledged as collateral of liabilities and commitments**

Portfolios	(millions of euro)	
	31.12.2021	31.12.2020
1. Financial assets measured at fair value through profit or loss	9,266	1,550
2. Financial assets measured at fair value through other comprehensive income	20,803	4,596
3. Financial assets measured at amortised cost	191,633	169,354
4. Property and equipment	-	-
<i>of which: property and equipment that constitute inventories</i>	-	-

**4. Management and dealing on behalf of third parties**

Type of service	(millions of euro)	
	31.12.2021	
<b>1. Trading on behalf of customers</b>		
a) Purchases		327,395
1. settled		327,395
2. to be settled		-
b) Sales		338,350
1. settled		338,350
2. to be settled		-
<b>2. Portfolio management</b>		
a) individual		-
b) collective		-
<b>3. Custody and administration of securities</b>		
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)		-
1. securities issued by companies included in the consolidation area		-
2. other securities		-
b) third party securities held in deposit		572,649
1. securities issued by companies included in the consolidation area		20,655
2. other securities		551,994
c) third party securities deposited with third parties		564,561
d) portfolio securities deposited with third parties		161,794
<b>4. Other</b>		<b>540,443</b>

Sub-caption 4. "Other transactions" relates to receipt and transmission of orders and to placement activities.

**Note regarding contractual clauses of financial payables**

For details, reference should be made to the relevant section of the Notes to the Consolidated Financial Statements.

**5. Financial assets subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements**

(millions of euro)							
Types	Gross amount of financial assets (a)	Amount of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c = a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount 31.12.2021	Net amount 31.12.2020
				Financial instruments (d)	Cash collateral (e)	(f=c-d-e)	
1. Derivatives	59,874	-41,083	18,791	15,295	2,834	662	1,553
2. Repurchase agreements	31,284	-	31,284	30,897	125	262	126
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
<b>TOTAL 31.12.2021</b>	<b>91,158</b>	<b>-41,083</b>	<b>50,075</b>	<b>46,192</b>	<b>2,959</b>	<b>924</b>	<b>X</b>
<b>TOTAL 31.12.2020</b>	<b>104,515</b>	<b>-54,645</b>	<b>49,870</b>	<b>44,241</b>	<b>3,950</b>	<b>X</b>	<b>1,679</b>

**6. Financial liabilities subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements**

(millions of euro)							
Types	Gross amount of financial liabilities (a)	Amount of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c=a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount 31.12.2021	Net amount 31.12.2020
				Financial instruments (d)	Cash deposits pledged as collateral (e)	(f=c-d-e)	
1. Derivatives	67,876	41,083	26,793	14,707	11,557	529	1,972
2. Repurchase agreements	16,526	-	16,526	16,345	98	83	51
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
<b>TOTAL 31.12.2021</b>	<b>84,402</b>	<b>41,083</b>	<b>43,319</b>	<b>31,052</b>	<b>11,655</b>	<b>612</b>	<b>X</b>
<b>TOTAL 31.12.2020</b>	<b>101,660</b>	<b>54,645</b>	<b>47,015</b>	<b>27,963</b>	<b>17,029</b>	<b>X</b>	<b>2,023</b>

IFRS 7, amended in 2013, requires specific disclosure for financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting since they are regulated by "master netting arrangements or similar agreements" that do not respect all of the criteria set forth by IAS 32, paragraph 42.

In this respect, Intesa Sanpaolo has netting arrangements in force that meet the requirements envisaged by IAS 32, paragraph 42, for netting in the financial statements.

In terms of instruments that may be potentially offset upon occurrence of such events and to be presented in Tables 5 and 6, it is noted that Intesa Sanpaolo uses bilateral netting arrangements that allow, in the event of counterparty default, the netting of claims and obligations in relation to financial and credit derivatives, as well as securities financing transactions (SFTs). In particular, there are ISDA agreements (for transactions in derivatives), GMRA's (for repurchase agreements) and GMSLA's (for securities lending).

With regard to securities lending transactions, only those transactions that require the payment of a cash guarantee fully available to the lender must be reported in tables 5 and 6, as this is the only type of transaction recognised in the Balance Sheet. Intesa Sanpaolo did not have any such transactions as at 31 December 2021.

For the purposes of preparing the tables and in compliance with the provisions of IFRS 7 and the new provisions that govern the financial statements of banks, the following are noted:

- the effects of the potential offsetting of the balance sheet values of financial assets and liabilities are indicated under column (d) "Financial instruments", together with the fair value of financial collateral consisting of securities;
- the effects of the potential offsetting of the exposure with the relative cash collateral are included under column (e) "Cash deposits pledged as collateral";
- repurchase agreement transactions are recognised in the tables based on the amortised cost measurement criterion, while the relative collateral is measured at fair value.
- derivatives transactions are recognised at fair value.



These effects are calculated for each individual counterparty included in a master netting arrangement, to the extent of the exposure indicated in column (c).

Based on the preparation methods indicated above, the netting arrangements between financial instruments and the relative collateral permit a significant reduction in credit/debt exposure to the counterparty, as indicated under column (f) "Net amount".

#### **7. Securities lending transactions**

The securities lending accessory banking service, offered by Intesa Sanpaolo to its customers (natural persons, legal entities and commercial entities), is worth mentioning. The contract envisages transfer of the ownership exclusively of government bonds and equity instruments, with the obligation for Intesa Sanpaolo to return them, paying a consideration amount as remuneration for their availability. The transaction has no speculative purposes.

As at 31 December 2021, the collateral of transactions amounted to 57 million euro.

#### **8. Disclosure on joint-control assets**

Intesa Sanpaolo has no joint-control assets.

# Part C – Information on the Parent Company's income statement

## SECTION 1 – INTEREST – CAPTIONS 10 AND 20

### 1.1 Interest and similar income: breakdown

Captions/Types	Debt securities	Loans	Other transactions	(millions of euro)	
				2021	2020
<b>1. Financial assets measured at fair value through profit or loss</b>	<b>22</b>	<b>26</b>	<b>-</b>	<b>48</b>	<b>74</b>
1.1 Financial assets held for trading	5	1	-	6	29
1.2 Financial assets designated at fair value	-	-	-	-	2
1.3 Other financial assets mandatorily measured at fair value	17	25	-	42	43
<b>2. Financial assets measured at fair value through other comprehensive income</b>	<b>329</b>	<b>11</b>	<b>X</b>	<b>340</b>	<b>414</b>
<b>3. Financial assets measured at amortised cost</b>	<b>535</b>	<b>6,881</b>	<b>X</b>	<b>7,416</b>	<b>6,963</b>
3.1 Due from banks	16	164	X	180	229
3.2 Loans to customers	519	6,717	X	7,236	6,734
<b>4. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>-1,017</b>	<b>-1,017</b>	<b>-942</b>
<b>5. Other assets</b>	<b>X</b>	<b>X</b>	<b>27</b>	<b>27</b>	<b>8</b>
<b>6. Financial liabilities</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>1,445</b>	<b>748</b>
<b>Total</b>	<b>886</b>	<b>6,918</b>	<b>-990</b>	<b>8,259</b>	<b>7,265</b>
<i>of which: interest income on impaired financial assets</i>	<i>2</i>	<i>520</i>	<i>-</i>	<i>522</i>	<i>635</i>
<i>of which: interest income on financial lease</i>	<i>X</i>	<i>187</i>	<i>X</i>	<i>187</i>	<i>210</i>

Interest and similar income also includes interest income on securities relating to repurchase agreements.

Interest income on impaired financial assets relate almost entirely to loans to customers and also include interest due to the passing of time, equal to 239 million euro (time value).

The caption "Hedging derivatives" includes the differentials on hedging transactions, which adjust interest income recognised on hedged financial instruments.

"Financial liabilities" include interest on funding transactions with negative rates. In that context, interest income was recognised on other TLTROs in the total amount of 1,162 million euro in 2021. The amount refers to interest accrued on TLTRO III operations. As described in further detail in Part A – Accounting policies of these Notes, in the paragraph "TLTRO III", the interest was recognised on the assumption that the relevant benchmarks would be achieved, as reliably estimated on the basis of reports on estimated loan performance monitored on predefined dates approved by the management at an appropriate level. These benchmarks – referring in particular to volumes as at 31 March 2021 and 31 December 2021 – were in fact achieved.

Finally, the caption "Financial assets measured at amortised cost", sub-caption "Due from banks", includes interest on "on demand" loans due from banks and central banks classified in the balance sheet to the caption "Cash and cash equivalents".

### 1.2 Interest and similar income: other information

#### 1.2.1 Interest income on foreign currency financial assets

As at 31 December 2021, interest income on foreign currency financial assets amounted to 434 million euro.

**1.3 Interest and similar expense: breakdown**

Captions/Types	Debts	Securities	Other transactions	(millions of euro)	
				2021	2020
<b>1. Financial liabilities measured at amortised cost</b>	<b>398</b>	<b>1,466</b>	<b>X</b>	<b>1,864</b>	<b>2,004</b>
1.1 Due to Central Banks	8	X	X	8	33
1.2 Due to banks	258	X	X	258	307
1.3 Due to customers	132	X	X	132	166
1.4 Securities issued	X	1,466	X	1,466	1,498
<b>2. Financial liabilities held for trading</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>4</b>
<b>3. Financial liabilities designated at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. Other liabilities and allowances</b>	<b>X</b>	<b>X</b>	<b>35</b>	<b>35</b>	<b>28</b>
<b>5. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>-464</b>	<b>-464</b>	<b>-377</b>
<b>6. Financial assets</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>807</b>	<b>379</b>
<b>Total</b>	<b>478</b>	<b>1,466</b>	<b>-429</b>	<b>2,322</b>	<b>2,038</b>
<i>of which: interest expense on lease liabilities</i>	<i>18</i>	<i>X</i>	<i>X</i>	<i>18</i>	<i>16</i>

"Due to banks" and "Due to customers" also include interest expense on repurchase agreements, even if the transaction referred to securities recorded under assets.

Lastly, the caption "Hedging derivatives" includes the differentials on hedging transactions, which adjust interest expense recognised on hedged financial instruments.

"Financial assets" include interest on lending transactions with negative rates.

**1.4 Interest and similar expense: other information****1.4.1 Interest expense on foreign currency financial liabilities**

As at 31 December 2021, interest expense on foreign currency financial liabilities amounted to 163 million euro.

**1.5 Differentials on hedging transactions**

Captions	(millions of euro)	
	2021	2020
A. Positive differentials on hedging transactions	2,536	2,301
B. Negative differentials on hedging transactions	-3,089	-2,866
<b>C. Balance (A-B)</b>	<b>-553</b>	<b>-565</b>

**SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50****2.1 Fee and commission income: breakdown**

Type of service/Amounts	(millions of euro)	
	2021	2020
<b>a) Financial instruments</b>	<b>1,590</b>	<b>1,250</b>
1. Placement of securities	1,410	1,080
1.1 Through underwriting and/or on a firm commitment basis	19	5
1.2 Without firm commitment	1,391	1,075
2. Reception and transmission of orders and execution of orders on behalf of customers	179	169
2.1 Reception and transmission of orders for one or more financial instruments	67	54
2.2 Execution of orders on behalf of customers	112	115
3. Other fee and commission income related to activities connected to financial instruments	1	1
<i>of which: dealing on own account</i>	1	1
<i>of which: individual portfolio management</i>	-	-
<b>b) Corporate Finance</b>	<b>2</b>	<b>1</b>
1. M&A advisory	2	1
2. Treasury services	-	-
3. Other fee and commission income related to corporate finance services	-	-
<b>c) Investment advice</b>	<b>106</b>	<b>57</b>
<b>d) Clearing and settlement</b>	<b>-</b>	<b>-</b>
<b>e) Custody and administration</b>	<b>71</b>	<b>58</b>
1. Depositary bank	12	10
2. Other fee and commission income related to custody and administration services	59	48
<b>f) Central administrative services for collective portfolio management</b>	<b>-</b>	<b>-</b>
<b>g) Fiduciary services</b>	<b>-</b>	<b>-</b>
<b>h) Payment services</b>	<b>2,396</b>	<b>1,853</b>
1. Current accounts	1,313	1,045
2. Credit cards	396	287
3. Debit cards and other payment cards	171	119
4. Credit transfers and other payment orders	243	186
5. Other fee and commission income related to payment services	273	216
<b>i) Distribution of third-party services</b>	<b>1,060</b>	<b>943</b>
1. Collective portfolio management	-	-
2. Insurance products	885	799
3. Other products	175	144
<i>of which: individual portfolio management</i>	122	112
<b>j) Structured finance</b>	<b>69</b>	<b>41</b>
<b>k) Servicing related to securitisations</b>	<b>-</b>	<b>-</b>
<b>l) Commitments to disburse funds</b>	<b>-</b>	<b>-</b>
<b>m) Financial guarantees given</b>	<b>371</b>	<b>319</b>
<i>of which: credit derivatives</i>	1	-
<b>n) Financing transactions</b>	<b>784</b>	<b>611</b>
<i>of which: for factoring transactions</i>	83	69
<b>o) Currency dealing</b>	<b>14</b>	<b>8</b>
<b>p) Commodities</b>	<b>-</b>	<b>-</b>
<b>q) Other fee and commission income</b>	<b>139</b>	<b>102</b>
<i>of which: for management of multilateral trading facilities</i>	-	-
<i>of which: for management of organised trading facilities</i>	-	-
<b>Total</b>	<b>6,602</b>	<b>5,243</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Bank of Italy Circular 262, which provides for fee and commission income to be represented according to a different detailed layout.

As required by IFRS 15, paragraph 116 b), it is noted that fee and commission income includes the revenues recognised during the year included in the opening balance of liabilities deriving from contracts with customers. In line with paragraph 116 c) of IFRS 15, revenues deriving from performance obligations satisfied in the previous years are included, amounting to 22 million euro.

## 2.2 Fee and commission income: distribution channels of products and services

Channels/Amounts	(millions of euro)	
	2021	2020
<b>a) Group branches</b>	<b>2,443</b>	<b>2,000</b>
1. portfolio management	-	-
2. placement of securities	1,393	1,060
3. third party services and products	1,050	940
<b>b) "Out-of-Branch" offer</b>	<b>25</b>	<b>7</b>
1. portfolio management	-	-
2. placement of securities	15	4
3. third party services and products	10	3
<b>c) Other distribution channels</b>	<b>2</b>	<b>1</b>
1. portfolio management	-	-
2. placement of securities	2	1
3. third party services and products	-	-

## 2.3 Fee and commission expense: breakdown

	(millions of euro)	
	2021	2020
<b>a) Financial instruments</b>	<b>99</b>	<b>206</b>
<i>of which: trading in financial instruments</i>	55	56
<i>of which: placement of financial instruments</i>	44	150
<i>of which: individual portfolio management</i>	-	-
- Own portfolio	-	-
- Third-party portfolio	-	-
<b>b) Clearing and settlement</b>	<b>19</b>	<b>9</b>
<b>c) Custody and administration</b>	<b>57</b>	<b>38</b>
<b>d) Collection and payment services</b>	<b>371</b>	<b>279</b>
<i>of which: credit cards, debit cards and other payment cards</i>	274	194
<b>e) Servicing related to securitisations</b>	-	-
<b>f) Commitments to receive funds</b>	-	-
<b>g) Financial guarantees received</b>	<b>212</b>	<b>176</b>
<i>of which: credit derivatives</i>	20	13
<b>h) "Out-of-branch" offer of financial instruments, products and services</b>	<b>20</b>	<b>7</b>
<b>i) Currency dealing</b>	<b>4</b>	<b>3</b>
<b>j) Other fee and commission expense</b>	<b>147</b>	<b>130</b>
<b>Total</b>	<b>929</b>	<b>848</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Bank of Italy Circular 262, which provides for fee and commission expense to be represented according to a different detailed layout.

As required by IFRS 15, paragraph 116 b), it is noted that fee and commission income includes the revenues recognised during the year included in the opening balance of liabilities deriving from contracts with customers in the amount of 65 million euro.

In line with paragraph 116 c) of IFRS 15, revenues deriving from performance obligations satisfied in the previous years are included, amounting to 8 million euro.

## SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

### 3.1 Dividend and similar income: breakdown

Captions/Income	2021		(millions of euro) 2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	27	-	23	-
B. Other financial assets mandatorily measured at fair value	5	73	2	22
C. Financial assets measured at fair value through other comprehensive income	42	-	34	4
D. Investments in associates and companies subject to joint control	2,307	-	2,451	-
<b>Total</b>	<b>2,381</b>	<b>73</b>	<b>2,510</b>	<b>26</b>

Sub-caption B. includes 5 million euro of dividends on equities and 73 million euro of income on quotas of closed-end funds classified among "Financial assets mandatorily measured at fair value".

Sub-caption "D. Equity investments" includes the dividends distributed by the subsidiaries and associates:

- Fideuram - Intesa Sanpaolo Private Banking S.p.A. for 851 million euro;
- Eurizon Capital SGR S.p.A. for 572 million euro;
- Intesa Sanpaolo Vita S.p.A. for 550 million euro;
- Intesa Sanpaolo Holding International S.A. for 260 million euro;
- Intesa Sanpaolo Private Banking S.p.A. for 27 million euro;
- Intesa Sanpaolo Bank Albania Sh.A. for 14 million euro;
- Intrum Italy S.p.A. for 11 million euro;
- Prestitalia S.p.A. for 7 million euro;
- other equity investments for 15 million euro.

**SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80****4.1 Profits (Losses) on trading: breakdown**

Transactions/Income components	(millions of euro)				
	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
<b>1. Financial trading assets</b>	<b>88</b>	<b>890</b>	<b>-342</b>	<b>-906</b>	<b>-270</b>
1.1 Debt securities	35	699	-329	-858	-453
1.2 Equities	52	188	-6	-45	189
1.3 Quotas of UCI	1	3	-7	-3	-6
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>412</b>	<b>7</b>	<b>-91</b>	<b>-108</b>	<b>220</b>
2.1 Debt securities	-	-	-	-	-
2.2 Payables	382	-	-8	-	374
2.3 Other	30	7	-83	-108	-154
<b>3. Financial assets and liabilities: foreign exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>21</b>
<b>4. Derivatives</b>	<b>37,831</b>	<b>38,792</b>	<b>-38,004</b>	<b>-38,184</b>	<b>471</b>
4.1 Financial derivatives:	36,395	37,757	-36,562	-37,101	525
- on debt securities and interest rates	33,842	31,165	-32,877	-31,844	286
- on equities and stock indexes	1,626	4,509	-2,541	-3,403	191
- on currencies and gold	X	X	X	X	36
- other	927	2,083	-1,144	-1,854	12
4.2 Credit derivatives	1,436	1,035	-1,442	-1,083	-54
<i>of which: natural hedging associated with the fair value option</i>	X	X	X	X	-
<b>Total</b>	<b>38,331</b>	<b>39,689</b>	<b>-38,437</b>	<b>-39,198</b>	<b>442</b>

Profits and losses on “Financial assets held for trading” are shown for each single purchase or sale, in line with the method of accounting recognition used by the Bank, and include the results of both long and short positions.

“Net result” includes profits, losses, revaluations and write-downs on currency transactions and currency and gold derivatives.



**SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90****5.1 Fair value adjustments in hedge accounting: breakdown**

Income component/Amount	(millions of euro)	
	2021	2020
<b>A. Income from:</b>		
A.1 fair value hedge derivatives	6,406	5,762
A.2 financial assets hedged (fair value)	141	4,658
A.3 financial liabilities hedged (fair value)	1,851	523
A.4 cash flow hedge: derivatives	-	-
A.5 currency assets and liabilities	-	-
<b>Total income from hedging (A)</b>	<b>8,398</b>	<b>10,943</b>
<b>B. Expenses for</b>		
B.1 fair value hedge derivatives	-3,657	-8,054
B.2 financial assets hedged (fair value)	-4,609	-1,604
B.3 financial liabilities hedged (fair value)	-93	-1,249
B.4 cash flow hedge: derivatives	-	-
B.5 currency assets and liabilities	-	-
<b>Total expense from hedging (B)</b>	<b>-8,359</b>	<b>-10,907</b>
<b>C. Fair value adjustments in hedge accounting (A - B)</b>	<b>39</b>	<b>36</b>
<i>of which: fair value adjustments in hedge accounting on net positions</i>	-	-

Intesa Sanpaolo has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges). For this reason, table "5.1 Fair value adjustments in hedge accounting: breakdown", contains no amounts in the row "of which: profits (losses) on hedges of net positions" envisaged for parties that apply IFRS 9 also to hedges.

**SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100****6.1 Profits (Losses) on disposal or repurchase: breakdown**

Captions/Income components	2021			2020		
	Profits	Losses	Net result	Profits	Losses	Net result
<b>A. Financial assets</b>						
1. Financial assets measured at amortised cost	442	-281	161	118	-318	-200
1.1 Due from banks	-	-	-	-	-	-
1.2 Loans to customers	442	-281	161	118	-318	-200
2. Financial assets measured at fair value through other comprehensive income	639	-63	576	1,355	-573	782
2.1 Debt securities	639	-63	576	1,355	-573	782
2.2 Loans	-	-	-	-	-	-
<b>Total assets</b>	<b>1,081</b>	<b>-344</b>	<b>737</b>	<b>1,473</b>	<b>-891</b>	<b>582</b>
<b>B. Financial liabilities measured at amortised cost</b>						
1. Due to banks	1	-3	-2	41	-14	27
2. Due to customers	6	-3	3	4	-2	2
3. Securities issued	19	-74	-55	214	-263	-49
<b>Total liabilities</b>	<b>26</b>	<b>-80</b>	<b>-54</b>	<b>259</b>	<b>-279</b>	<b>-20</b>

The Net result on Financial assets measured at amortised cost in sub-caption 1.2 mainly relate to the sale on the market of government debt securities and a portfolio of non-performing loans to an SPV formed pursuant to Law No. 130/99 with the obtainment of a "GACS" (government guarantee on securitisation of NPLs).

The Net result on Financial assets measured at fair value through other comprehensive income in sub-caption 2.1 relates to profits and losses mainly deriving from the sale of government debt securities.

Profits and losses on Financial assets measured at fair value through other comprehensive income, represented by debt securities, are shown for each single purchase or sale, in line with the method of accounting recognition used by the Bank.

**SECTION 7 – PROFITS (LOSSES) ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - CAPTION 110****7.1 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value**

Transactions/Income components	(millions of euro)				
	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result 2021
<b>1. Financial assets</b>	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
<b>2. Financial liabilities</b>	<b>82</b>	<b>15</b>	<b>-81</b>	<b>-41</b>	<b>-25</b>
2.1 Securities issued	82	15	-81	-41	-25
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
<b>3. Foreign currency financial assets and liabilities: foreign exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-30</b>
<b>Total</b>	<b>82</b>	<b>15</b>	<b>-81</b>	<b>-41</b>	<b>-55</b>

For information on the methods used to measure counterparty risk, reference should be made to Part A.4 - Information on fair value of the Notes to the financial statements.

## 7.2 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	(millions of euro)				
	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
<b>1. Financial assets</b>	<b>234</b>	<b>41</b>	<b>-116</b>	<b>-100</b>	<b>59</b>
1.1 Debt securities	1	3	-32	-91	-119
1.2 Equities	36	7	-17	-1	25
1.3 Quotas of UCI	186	10	-43	-2	151
1.4 Loans	11	21	-24	-6	2
<b>2. Financial assets: foreign exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>31</b>
<b>Total</b>	<b>234</b>	<b>41</b>	<b>-116</b>	<b>-100</b>	<b>90</b>

The losses on disposal in sub-caption 1.1 Debt securities mostly refer to the sale (except for a 5% share to comply with regulatory retention requirements) of the mezzanine and junior notes issued by Penelope SPV, a vehicle formed under Law 130/99, and subscribed by the Bank as part of a securitisation of non-performing loans originated by the Group, which had already been derecognised at the end of 2018.

The capital gains in sub-caption 1.3 Quotas of UCIs mainly refer to private-equity fund valuations, and, to a lesser extent, to real-estate funds and hedge funds.

## SECTION 8 – NET LOSSES/RECOVERIES FOR CREDIT RISK – CAPTION 130

### 8.1 Net adjustments for credit risk associated with financial assets measured at amortised cost: breakdown

Transactions/Income components									(millions of euro)			
	IMPAIRMENT LOSSES						RECOVERIES				2021	2020
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired			
			Write-off	Other	Write-off	Other						
A. Credit to banks	-2	-2	-	-	-	-	14	6	2	-	18	40
- Loans	-2	-	-	-	-	-	12	6	2	-	18	41
- Debt securities	-	-2	-	-	-	-	2	-	-	-	-	-1
B. Credit to clients	-30	-214	-119	-3,647	-	-6	142	449	867	2	-2,556	-3,409
- Loans	-24	-198	-119	-3,646	-	-6	97	446	866	2	-2,582	-3,410
- Debt securities	-6	-16	-	-1	-	-	45	3	1	-	26	1
Total	-32	-216	-119	-3,647	-	-6	156	455	869	2	-2,538	-3,369

### 8.1a Net adjustments for credit risk associated with loans measured at amortised cost subject to Covid-19 support measures: breakdown

Operation / P&L item	Net Adjustments								(millions of euro)	
									2021	2020
	Stage 1		Stage 2		Stage 3		Purchased or originated credit-impaired			
					Write-off	Others	Write-off	Others		
1. EBA-compliant moratoria loans	3	-13	-	-2	-	-	-	-	-12	-257
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	4	10	-	-3	-	-	-	-	11	-
3. Other loans with COVID-19-related forbearance measures	-	-88	-	-57	-	-	-	-	-145	-1
4. Newly originated loans	-12	-26	-	-56	-	-	-	-	-94	-45
<b>Total 2021</b>	<b>-5</b>	<b>-117</b>	<b>-</b>	<b>-118</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-240</b>	<b>-</b>
<b>Total 2020</b>	<b>-30</b>	<b>-233</b>	<b>-</b>	<b>-40</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-303</b>

Adjustments to forborne positions have mainly been determined using measurement approaches adopted as a result of COVID-19, outlined in Part A - Section 4 Other Aspects of these Notes to the financial statements and described in more detail in Part E - Section 1 Credit Risks of the Notes to the consolidated financial statements.

The table above provides the comparison data to financial year 2020 in compliance with the new provisions of Bank of Italy Communication dated 21 December 2021 – Update to the additions to the provisions of Circular no. 262 "Bank financial statements: layouts and preparation" with regard to the impacts of COVID-19, measures in support of the economy.

The row "EBA-compliant moratoria loans" shows the information relating to financial assets subject to moratoria that fall within the scope of application of the "Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID-19 crisis", published by the EBA (EBA/GL/2020/02), as amended.

The row "Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne" shows information regarding the outstanding loans subject to moratoria, assessed as compliant with EBA/GL/2020/02 at the date the measure was granted, but no longer compliant at the reporting date, which were not classified as "forborne exposures" (as defined by the supervisory reports in force) following the assessment conducted on occurrence of the event that generated the non-compliance with EBA/GL/2020/02.

The row "Newly originated loans" contains information regarding the exposures for which new liquidity was granted with the support of government guarantees; the adjustments thus benefit from those guarantees.

### 8.2 Net adjustments for credit risk associated with financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income components											(millions of euro)	
	IMPAIRMENT LOSSES						RECOVERIES				2021	2020
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-off		Write-off							
A. Debt securities	-16	-7	-	-	-	-	7	1	-	-	-15	-2
B. Loans	-5	-1	-	-	-	-	5	-	-	-	-1	-6
- to customers	-5	-1	-	-	-	-	5	-	-	-	-1	-6
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	-21	-8	-	-	-	-	12	1	-	-	-16	-8

### 8.2a Net adjustments for credit risk associated with loans measured at fair value through other comprehensive income subject to COVID-19 support measures: breakdown

Disclosure is not shown as the Bank did not implement COVID-19 support measures for this case in 2021.

**SECTION 9 – PROFITS/LOSSES FROM CHANGES IN CONTRACTS WITHOUT DERECOGNITION – CAPTION 140****9.1 Profits (Losses) from changes in contracts: breakdown**

As part of profits (losses) from changes in contracts without derecognition, losses of 23 million euro were recognised.

**SECTION 10 - ADMINISTRATIVE EXPENSES - CAPTION 160****10.1 Personnel expenses: breakdown**

Type of expense	(millions of euro)	
	2021	2020
<b>1) Employees</b>	<b>5,867</b>	<b>5,541</b>
a) wages and salaries	3,792	3,037
b) social security charges	1,021	823
c) termination indemnities	36	31
d) supplementary benefits	-	-
e) provisions for termination indemnities	7	7
f) provisions for post employment benefits	6	7
- defined contribution plans	-	-
- defined benefit plans	6	7
g) payments to external pension funds	332	270
- defined contribution plans	332	270
- defined benefit plans	-	-
h) costs from share based payments	197	176
i) other benefits in favour of employees	476	1,190
<b>2) Other non-retired personnel</b>	<b>8</b>	<b>5</b>
<b>3) Directors and statutory auditors</b>	<b>8</b>	<b>7</b>
<b>4) Early retirement costs</b>	<b>-</b>	<b>-</b>
<b>5) Recovery of expenses for employees seconded to other companies</b>	<b>-79</b>	<b>-48</b>
<b>6) Reimbursement of expenses for third party employees seconded to the company</b>	<b>18</b>	<b>16</b>
<b>Total</b>	<b>5,822</b>	<b>5,521</b>

The “other benefits in favour of employees” include 301 million euro relating to the agreement on voluntary exit incentives signed with the trade unions on 16 November 2021.

Provisions to employee termination indemnities determined on the basis of Art. 2120 of the Italian Civil Code amounted to 39 million euro.

**10.2 Average number of employees by categories**

	2021	2020
<b>Personnel employed</b>	<b>63,718</b>	<b>54,293</b>
a) managers	1,055	816
b) total officers	27,461	23,259
c) other employees	35,202	30,218
<b>Other personnel</b>	<b>23</b>	<b>25</b>
<b>TOTAL</b>	<b>63,741</b>	<b>54,318</b>

The change in the average number of employees was due to the increase resulting from the integration of UBI Banca and some of its subsidiaries, as well as to the reduction due to the downsizing of the headcount during the year.

**10.3 Post-employment defined benefit plans: costs and revenues**

(millions of euro)

	Employee Termination Indemnities	2021 Internal plans	External plans	Employee Termination Indemnities	2020 Internal plans	External plans
Current service cost	-7	-2	-3	-2	-2	-3
Interest expense	-	-3	-2	-5	-3	-11
Interest income	-	2	2	-	3	9
Reimbursement from third parties	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Curtailment of the fund	X	-	-	X	-	-
Settlement of the fund	X	-	-	X	-	-

This table illustrates the economic components referred to “Employee termination indemnities” – caption 90 of Balance sheet liabilities and “Allowances for risks and charges - post employment benefits” – caption 100b of Balance sheet liabilities.

**10.4 Other benefits in favour of employees**

In 2021, “other benefits in favour of employees” amounted to 476 million euro, of which 301 million euro relating to the agreement on voluntary exit incentives signed with the trade unions on 16 November 2021. The remainder essentially refers to contributions for health assistance, lunch and restaurant vouchers and provisions for seniority bonuses.

**10.5 Other administrative expenses: breakdown**

Type of expense/Amount	(millions of euro)	
	2021	2020
Expenses for maintenance of information technology and electronic equipment	619	600
Telephonic, teletransmission and transmission expenses	44	33
<b>Information technology expenses</b>	<b>663</b>	<b>633</b>
Rentals and service charges - real estate	29	24
Security services	30	23
Cleaning of premises	42	33
Expenses for maintenance of real estate assets furniture and equipment	72	58
Energy costs	90	75
Property costs	11	7
<b>Management of real estate assets expenses</b>	<b>274</b>	<b>220</b>
Printing, stationery and consumables expenses	22	36
Transport and related services expenses (including counting of valuables)	68	58
Information expenses	173	150
Postal and telegraphic expenses	39	33
<b>General structure costs</b>	<b>302</b>	<b>277</b>
Expenses for consultancy fees	111	140
Legal and judiciary expenses	131	127
Insurance premiums - banks and customers	52	33
<b>Professional and legal expenses</b>	<b>294</b>	<b>300</b>
<b>Advertising and promotional expenses</b>	<b>117</b>	<b>103</b>
<b>Services rendered by third parties</b>	<b>309</b>	<b>309</b>
<b>Indirect personnel costs</b>	<b>32</b>	<b>28</b>
<b>Other costs</b>	<b>20</b>	<b>16</b>
<b>Other costs</b>	<b>111</b>	<b>87</b>
<b>Contributions to resolution funds and deposit guarantee schemes</b>	<b>654</b>	<b>515</b>
<b>Taxes and duties</b>	<b>774</b>	<b>608</b>
<b>Recovery of other expenses</b>	<b>-33</b>	<b>-44</b>
<b>Total</b>	<b>3,517</b>	<b>3,052</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Bank of Italy Circular 262, which provides for the contribution to resolution funds and deposit guarantee schemes, previously presented in "Other expenses", to be presented in a specific caption.

The amount of the sub-caption "Rentals and service charges - real estate" relates to contracts with a total lease term of 12 months or less and to contracts with a value of the underlying asset, when new, of 5,000 euro or less ("low value"). In such cases, as allowed by IFRS 16, the lease payments for these leases are recognised as an expense on a straight-line basis for the contract term.

"Other administrative expenses" include costs of around 34 million euro related to the COVID-19 pandemic, mainly due to higher IT costs related to remote operations required as a result of the continuation of the health emergency, the purchase of PPE and health insurance policies for cover in relation to COVID-19, higher costs related to the sanitisation of premises, and social expenditure in support of local communities.



**SECTION 11 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 170****11.1 Net provisions for credit risk associated with loan commitments and financial guarantees given: breakdown**

Captions	Provision	Reallocations	(millions of euro)
			Net provision
Stage 1	-7	20	13
Stage 2	-7	48	41
Stage 3	-30	118	88
<b>Total</b>	<b>-44</b>	<b>186</b>	<b>142</b>

**11.2 Net provisions associated with commitments and other guarantees given: breakdown**

This case was not present.

**11.3 Net provisions for other risks and charges: breakdown**

	Provisions	Reallocations	(millions of euro)
			Net provision
Net provisions for legal disputes	-188	20	-168
Net provisions for other personnel charges	-	-	-
Net provisions for risks and charges	-176	221	45
<b>Total</b>	<b>-364</b>	<b>241</b>	<b>-123</b>

"Net provisions for other risks and charges", which amounted to 123 million euro, recorded the provisions attributable to the year relating to legal disputes and other risks and charges, net of reallocations.

In particular, the sub-caption "Net provisions for legal disputes" includes provisions for legal disputes, including bankruptcy claw-back actions and other disputes, net of releases for the year.

The sub-caption "Other net provisions for risks and charges" mainly includes, among reallocations, the release of some provisions in relation to the integration of UBI Banca.

**SECTION 12 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT - CAPTION 180****12.1 Net adjustments to property and equipment: breakdown**

Assets/Income components	Depreciation	Impairment losses	Recoveries	(millions of euro) Net result
A. Property and equipment				
A.1 Used in operations	-474	-2	-	-476
- Owned	-297	-2	-	-299
- Licenses acquired through lease	-177	-	-	-177
A.2 Investment property	-	-	-	-
- Owned	-	-	-	-
- Licenses acquired through lease	-	-	-	-
A.3 Inventories	X	-1	-	-1
B. Non-current assets held for sale	X	-	-	-
Total	-474	-3	-	-477

Depreciation of rights of use acquired under leases is associated with application of the accounting standard IFRS 16, which entered into effect on 1 January 2019. Please note that as at 31 December 2021 the analysis of factors internal and external to the Company did not indicate any impairment of rights of use (RoUs). Reference should be made to Part A "Accounting policies".

Impairment losses on inventories refer to the impairment of certain repossessed properties.

**SECTION 13 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 190****13.1 Net adjustments to intangible assets: breakdown**

				(millions of euro)
Assets/Income components	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
of which: software	-655	-40	-	-695
A.1 Owned	-685	-41	-	-726
- Internally generated	-606	-39	-	-645
- Others	-79	-2	-	-81
A.2 Rights of use acquired through the lease	-	-	-	-
B. Non-current assets held for sale	X	-	-	-
Total	-685	-41	-	-726

With regard to the method of the impairment testing for intangible assets and related impairment recognised to the income statement, see Part B – Section 9 – Intangible Assets in these Notes to the financial statements.

**SECTION 14 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 200****14.1 Other operating expenses: breakdown**

		(millions of euro)
Type of expense/Amount		
Other expenses for consumer credit and leasing transactions		15
Settlements for legal disputes		6
Amortisation of leasehold improvements		32
Other		284
<b>Total 2021</b>		<b>337</b>
<b>Total 2020</b>		<b>226</b>

"Other" includes losses and write-downs on precious metals and gold of 118 million euro.

**14.2 Other operating income: breakdown**

		(millions of euro)
Type of expense/Amount		
Recovery of insurance costs		10
Recovery of other expenses		16
Rentals and recovery of expenses on real estate		40
Income related to consumer credit and leasing		40
Recovery of services rendered to third parties		218
Recovery of taxes and duties		619
Other		255
<b>Total 2021</b>		<b>1,198</b>
<b>Total 2020</b>		<b>846</b>

"Other" includes profits and revaluations on precious metals and gold of 121 million euro.

As required by paragraph 116 c) of IFRS 15, revenues deriving from performance obligations satisfied in the previous years are included, amounting to 21 million euro.

**SECTION 15 – PROFITS (LOSSES) ON EQUITY INVESTMENTS - CAPTION 220****15.1 Profits (Losses) on equity investments: breakdown**

Income component/Amount	(millions of euro)	
	2021	2020
<b>A. Revenues</b>	<b>76</b>	<b>78</b>
1. Revaluations	-	-
2. Profits on disposal	76	78
3. Recoveries	-	-
4. Other	-	-
<b>B. Charges</b>	<b>-293</b>	<b>-232</b>
1. Write-downs	-	-
2. Impairment losses	-290	-232
3. Losses on disposal	-3	-
4. Other	-	-
<b>Net result</b>	<b>-217</b>	<b>-154</b>

Sub-caption A.2. "Profits on disposal" refers to the result of the contribution of Intesa Sanpaolo Forvalue S.p.A. of 53 million euro and the profit of 23 million euro attributable to the reclassification of Autostrada Pedemontana Lombarda S.p.A. from the portfolio of companies subject to significant influence to equity investments at fair value through other comprehensive income.

Sub-caption B.2. "Impairment losses" refers to the impairment losses on the equity investments in Intesa Sanpaolo Provis S.p.A. for 172 million euro, Qingdao Yicai Fund Distribution Co. Ltd. for 25 million euro, FI.NAV Comparto A - Crediti for 23 million euro, Back2Bonis for 17 million euro, Risanamento S.p.A. for 15 million euro, Immobiliare Novoli S.p.A. for 9 million euro, RSCT Fund Comparto Crediti for 8 million euro, Vesta OML Limited for 7 million euro, Cassa di Risparmio di Fermo S.p.A. for 6 million euro and other minority equity investments for 8 million euro.

Sub-caption B.3 "Losses on disposal" mainly refers to the equity investment in Experientia Global S.A. of 3 million euro.

**SECTION 16 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – CAPTION 230****16.1 Valuation differences on property, equipment and intangible assets measured at fair value or estimated realisable value: breakdown**

Assets/Income component	Revaluations	Write-downs	(millions of euro)		Net result
			Positive	Negative	
<b>A. Property and equipment</b>	<b>5</b>	<b>-25</b>	-	-	<b>-20</b>
A.1 Used in operations:	-	-10	-	-	-10
- Owned	-	-10	-	-	-10
- Licenses acquired through lease	-	-	-	-	-
A.2 Investment:	5	-15	-	-	-10
- Owned	5	-15	-	-	-10
- Licenses acquired through lease	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
<b>B. Intangible assets</b>	-	-	-	-	-
B.1 Owned:	-	-	-	-	-
B.1.1 Internally generated	-	-	-	-	-
B.1.2 Other	-	-	-	-	-
B.2 Licenses acquired through lease	-	-	-	-	-
<b>Total</b>	<b>5</b>	<b>-25</b>	-	-	<b>-20</b>

**SECTION 17 – GOODWILL IMPAIRMENT - CAPTION 240****17.1 Goodwill impairment: breakdown**

During the year, no impairment of goodwill was recognised.

As at 31 December 2020, the impairment test carried out led to the full impairment of the goodwill allocated to the Banca dei Territori Division for 1,155 million euro.

For a description of the impairment testing methods for goodwill, reference should be made to Part B of – Assets Section 9 – Intangible Assets.

**SECTION 18 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 250****18.1 Profits (Losses) on disposal of investments: breakdown**

Income component/Amount	(millions of euro)	
	2021	2020
<b>A. Real estate assets</b>	-	-
- profits on disposal	1	-
- losses on disposal	-1	-
<b>B. Other assets</b>	89	29
- profits on disposal	99	30
- losses on disposal	-10	-1
<b>Net result</b>	<b>89</b>	<b>29</b>

The profits on disposal in sub-caption B. Other assets mainly refer to the sale to Nexi of the business line consisting of the acquiring activities.

**SECTION 19 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 270****19.1 Taxes on income from continuing operations: breakdown**

Income component/Amount	(millions of euro)	
	2021	2020
1. Current taxes (-)	302	361
2. Changes in current taxes of previous years (+/-)	18	40
3. Reduction in current taxes of the year (+)	110	110
3. bis Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	1,242	-
4. Changes in deferred tax assets (+/-)	-2,138	70
5. Changes in deferred tax liabilities (+/-)	538	58
<b>6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)</b>	<b>72</b>	<b>639</b>

Following the sale for consideration of non-performing loans, the deferred tax assets on IRES tax loss were converted into tax credits pursuant to Art. 19-bis, para.1, of Law Decree 73 of 25 May 2021 (the "Decreto Sostegni bis"), which extended the relief provided for in Art. 44-bis of Law Decree 34/2019 (the "Decreto Crescita 2019") to 2021. This effect was taken to the caption "Reduction in current taxes of the year" for 110 million euro, with the corresponding decrease in the caption "Changes in deferred tax assets".

The reduction in current taxes for the year, measured at 1,242 million euro, as required by the "Roneata" Letter from the Bank of Italy of 7 August 2012, shows the transformation into tax credits of the deferred tax assets pursuant to Law 214/2011 due to both the loss reported by the incorporated UBI Banca and the tax loss of Intesa Sanpaolo and UBI Banca in relation to 2020. This effect is entirely offset by the corresponding decrease in the caption "Changes in deferred tax assets" with the ensuing nil impact on the income statement.

**19.2 Reconciliation of theoretical tax charge to total income tax expense for the period**

(millions of euro)

	<b>2021</b>	<b>2020</b>
Income before tax from continuing operations	2,876	-1,086
Income (Loss) before tax from discontinued operations	-	1,154
<b>Theoretical taxable income</b>	<b>2,876</b>	<b>68</b>

	<b>Taxes (a)</b>	<b>Impact (%) on theoretical taxable income</b>
<b>Income taxes - theoretical tax expense (income) <sup>(b)</sup></b>	<b>951</b>	<b>33.1</b>
<b>Increases of taxes</b>	<b>181</b>	<b>6.3</b>
Other non-deductible costs (loss on investments, out-of-period items, fines, IMU property tax)	128	4.5
Other	53	1.8
<b>Decreases of taxes</b>	<b>-1,204</b>	<b>-41.9</b>
Lower IRAP taxable income	-33	-1.1
Non-taxed capital gains on equity investments	-65	-2.3
Tax-exempt portion of dividends	-606	-21.1
Net effect of the realignment of the brand name and other intangible assets	-453	-15.8
Other	-47	-1.6
<b>Total change in taxes</b>	<b>-1,023</b>	<b>-35.6</b>
<b>Total tax expense (income) for the period</b>	<b>-72</b>	<b>-2.5</b>
<b>of which: - effective tax expense (income) from continuing operations</b>	<b>-72</b>	<b>-2.5</b>
<b>- effective tax expense (income) from discontinued operations</b>	<b>-</b>	<b>-</b>

(a) Tax expenses are indicated with a positive sign and tax income with a negative sign.

(b) Includes IRES ordinary tax 24%, IRES additional rate 3.5% and IRAP weighted average rate 5.56%.

**SECTION 20 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 290****20.1 Income (Loss) after tax from discontinued operations: breakdown**

Income component/Amount	(millions of euro)	
	2021	2020
1. Income	-	180
2. Charges	-	-126
3. Valuation differences on discontinued operations and related liabilities	-	-
4. Profits (losses) on disposal	-	1,100
5. Taxes and duties	-	-28
<b>Income (Loss)</b>	<b>-</b>	<b>1,126</b>

The caption had a nil value in 2021. In the comparative period, Income (Loss) from discontinued operations represented the income effects of the business line connected to the acquiring operations carried out by the Bank, which was transferred to NEXI S.p.A. in June 2020 under the relevant agreement on payment systems. The sale yielded a capital gain of 1,100 million euro, presented in sub-caption 4. Profits (losses) on disposal.

**20.2 Breakdown of taxes on income from discontinued operations**

Captions	(millions of euro)	
	2021	2020
1. Current taxes (-)	-	-28
2. Changes in deferred tax assets (+/-)	-	1
3. Changes in deferred tax liabilities (-/+)	-	-1
<b>4. Taxes on income (-1+/-2+/-3)</b>	<b>-</b>	<b>-28</b>

**SECTION 21 – OTHER INFORMATION**

There is no information further to that already provided in the previous sections.

**SECTION 22 – EARNINGS PER SHARE**

For details, reference should be made to the relevant section of the Notes to the consolidated financial statements.



## Part D – Comprehensive income

		(millions of euro)	
Statement of comprehensive income		2021	2020
10	<b>Net income (loss)</b>	<b>2.948</b>	<b>679</b>
	<b>Other comprehensive income that may not be reclassified to the income statement</b>	<b>-21</b>	<b>-360</b>
20	Equity instruments measured at fair value through other comprehensive income	-30	-290
	<i>a) fair value changes</i>	-34	-256
	<i>b) transfer to other components of shareholders' equity</i>	4	-34
30	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	22	-137
	<i>a) fair value changes</i>	22	-137
	<i>b) transfer to other components of shareholders' equity</i>	-	-
40	Hedging of equity instruments measured at fair value through other comprehensive income	-	-
	<i>a) fair value changes (hedged instrument)</i>	-	-
	<i>b) fair value changes (hedging instrument)</i>	-	-
50	Property and equipment	-14	10
60	Intangible assets	-	-
70	Defined benefit plans	-5	8
80	Non-current assets held for sale and discontinued operations	-	-
90	Share of valuation reserves connected with investments carried at equity	-	-
	Income taxes associated with other comprehensive income that may not be reclassified to the income statement	6	49
	<b>Other comprehensive income that may be reclassified to the income statement</b>	<b>-326</b>	<b>147</b>
110	Hedges of foreign investments:	-	-
	<i>a) fair value changes</i>	-	-
	<i>b) reclassification to the income statement</i>	-	-
	<i>c) other changes</i>	-	-
120	Foreign exchange differences:	-	-
	<i>a) value change</i>	-	-
	<i>b) reclassification to the income statement</i>	-	-
	<i>c) other changes</i>	-	-
130	Cash flow hedges:	275	86
	<i>a) fair value changes</i>	488	313
	<i>b) reclassification to the income statement</i>	-213	-227
	<i>c) other changes</i>	-	-
	<i>of which: gains (losses) on net positions</i>	-	-
140	Hedging instruments (not designated elements)	-	-
	<i>a) value change</i>	-	-
	<i>b) reclassification to the income statement</i>	-	-
	<i>c) other changes</i>	-	-
150	Financial assets (other than equities) measured at fair value through other comprehensive income	-761	133
	<i>a) fair value changes</i>	-148	402
	<i>b) reclassification to the income statement</i>	-561	-273
	- <i>adjustments for credit risk</i>	15	6
	- <i>gains/losses on disposals</i>	-576	-279
	<i>c) other changes</i>	-52	4
160	Non-current assets held for sale and discontinued operations	-	-
	<i>a) fair value changes</i>	-	-
	<i>b) reclassification to the income statement</i>	-	-
	<i>c) other changes</i>	-	-
170	Share of valuation reserves connected with investments carried at equity:	-	-
	<i>a) fair value changes</i>	-	-
	<i>b) reclassification to the income statement</i>	-	-
	- <i>impairment losses</i>	-	-
	- <i>gains/losses on disposals</i>	-	-
	<i>c) other changes</i>	-	-
	Income taxes associated with other comprehensive income that may be reclassified to the income statement	160	-72
180	<b>Total other comprehensive income</b>	<b>-347</b>	<b>-213</b>
190	<b>Comprehensive income (Captions 10+190)</b>	<b>2.601</b>	<b>466</b>

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## Part E – Information on risks and relative hedging policies

### INTRODUCTION

This part of the Notes to the Parent Company's financial statements provides the quantitative information on risks relative to the Parent Company, Intesa Sanpaolo. For qualitative information regarding the methods whereby risks are managed and monitored, the organisation of the Bank's risk governance, the associated processes and key functions, the culture of risk-awareness at the Bank and the methods whereby it is ensured that this culture is spread, the main risks associated with the Bank's business model, the risk appetite and the methods whereby such risks are managed and the use of stress tests within risk governance strategies, refer to Part E of the Notes to the consolidated financial statements.

Part E of the Notes to the consolidated financial statements also provides a description of the impact of the COVID-19 pandemic on each type of risk.

The qualitative and quantitative disclosure is presented according to the order established by Bank of Italy Circular 262, which specifically regulates not only the format of the tables but also the sequence of the various topics, except for the section relating to market risks in relation to the application of internal models.

### SECTION 1 – CREDIT RISK

#### QUALITATIVE INFORMATION

Qualitative information on Intesa Sanpaolo's credit quality is contained in Part E of the Notes to the consolidated financial statements.

Here we simply note that the 2018-2021 Business Plan included – among other things – the ambition to excel in asset quality in which the effective management of non-performing loans is one of the first priorities. In this regard, the extraordinary de-risking already planned at the end of 2020, aimed at reducing the Group's non-performing loans, was completed during the year. Portfolios and single names of bad loans or unlikely-to-pay positions held for disposal were also identified for the Parent Company in 2021, for a total gross book value of 4.0 billion euro, which have already been classified as assets held for sale in the 2021 financial statements. A target was also set for 2022 of further sales of non-performing loans for a gross book value of 4.7 billion euro within two portfolios totalling 6.6 billion euro. These portfolios were recognised on the basis of IFRS 9, factoring in a probabilistic scenario of sale at market prices, considering the above-mentioned sale target of 4.7 billion euro in terms of GBV.

## 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). Although on demand receivables due from banks and central banks come under the definition of on-balance sheet exposures, by convention they are not included in the tables in Section 1, except in cases specifically identified by Bank of Italy Circular 262, 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 Breakdown of financial assets by portfolio classification and credit quality (book values)

Portfolios/quality	(millions of euro)					
	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	TOTAL
1. Financial assets measured at amortised cost	1,948	4,045	526	4,805	588,152	599,476
2. Financial assets measured at fair value through other comprehensive income	-	-	-	238	48,775	49,013
3. Financial assets designated at fair value	-	-	-	-	1	1
4. Other financial assets mandatorily measured at fair value	3	85	1	44	983	1,116
5. Non-current financial assets held for sale	395	772	-	-	-	1,167
<b>Total 31.12.2021</b>	<b>2,346</b>	<b>4,902</b>	<b>527</b>	<b>5,087</b>	<b>637,911</b>	<b>650,773</b>
<b>Total 31.12.2020</b>	<b>3,710</b>	<b>5,899</b>	<b>385</b>	<b>1,979</b>	<b>497,584</b>	<b>509,557</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Bank of Italy Circular 262, which provides for on demand loans and receivables due from banks to be represented under “Cash and cash equivalents”, and no longer under “Financial assets measured at amortised cost” under “Due from banks”.

**A.1.2 Breakdown of financial assets by portfolio classification and credit quality (gross and net values)**

Portfolios/quality	IMPAIRED ASSETS				NOT IMPAIRED ASSETS			(millions of euro) TOTAL (net exposure)
	Gross exposure	Overall writedowns of value	Net exposure	Overall partial write-off	Gross exposure	Overall writedowns of value	Net exposure	
1. Financial assets valued to amortized cos	14,021	-7,502	6,519	6,367	594,982	-2,025	592,957	599,476
2. Financial assets valued to fair value with impact on overall profitability	35	-35	-	-	49,046	-33	49,013	49,013
3. Financial assets designated to fair value	-	-	-	-	X	X	1	1
4. Other financial assets mandatorily valued to fair value	105	-16	89	-	X	X	1,027	1,116
5. Financial assets as held for sale	4,036	-2,869	1,167	668	-	-	-	1,167
<b>Total 31.12.2021</b>	<b>18,197</b>	<b>-10,422</b>	<b>7,775</b>	<b>7,035</b>	<b>644,028</b>	<b>-2,058</b>	<b>642,998</b>	<b>650,773</b>
<b>Total 31.12.2020</b>	<b>21,197</b>	<b>-11,203</b>	<b>9,994</b>	<b>8,022</b>	<b>500,387</b>	<b>-2,039</b>	<b>499,563</b>	<b>509,557</b>

Portfolios/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		(millions of euro) OTHER ASSETS
	Cumulative capital losses	Net exposure	
1. Financial assets held for trading	-26	21	46,972
2. Hedging derivatives	-	-	1,566
<b>Total 31.12.2021</b>	<b>-26</b>	<b>21</b>	<b>48,538</b>
<b>Total 31.12.2020</b>	<b>-44</b>	<b>33</b>	<b>54,011</b>

The table above provides comparison data to financial year 2020 in compliance with the new provisions of the 7th update to Bank of Italy Circular 262, which provides for on demand loans and receivables due from banks to be represented under "Cash and cash equivalents", and no longer under "Financial assets measured at amortised cost" under "Due from banks".

**A.1.3 Breakdown of financial assets by past-due brackets (book value)**

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	1,396	194	137	2,428	475	169	214	171	4,272	3	6	213
2. Financial assets measured at fair value through other comprehensive income	238	-	-	-	-	-	-	-	-	-	-	-
3. Non-current financial assets held for sale	-	-	-	-	-	-	50	9	894	-	-	24
<b>Total 31.12.2021</b>	<b>1,634</b>	<b>194</b>	<b>137</b>	<b>2,428</b>	<b>475</b>	<b>169</b>	<b>264</b>	<b>180</b>	<b>5,166</b>	<b>3</b>	<b>6</b>	<b>237</b>
<b>Total 31.12.2020</b>	<b>502</b>	<b>271</b>	<b>153</b>	<b>294</b>	<b>446</b>	<b>313</b>	<b>383</b>	<b>192</b>	<b>7,280</b>	<b>-</b>	<b>1</b>	<b>227</b>

**A.1.4 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
<b>Total opening adjustments</b>	<b>1</b>	<b>507</b>	<b>13</b>	<b>2</b>	<b>523</b>	<b>-</b>	<b>1</b>	<b>1,497</b>	<b>13</b>	<b>5</b>	<b>1,516</b>	<b>-</b>
Changes in increase from financial assets acquired or originated	-	284	16	-	300	-	-	14	-	-	14	-
Cancellations other than write-offs	-	-101	-7	-41	-149	-	-	-136	-5	-84	-225	-
Net value adjustments / write-backs for credit risk	-1	-305	-4	-	-310	-	-1	-128	7	-	-122	-
Contractual changes without cancellations	-	33	4	-	37	-	-	-14	-3	-	-17	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other variations	-	102	-	39	141	-	-	270	-1	79	348	-
<b>Total closing adjustments</b>	<b>-</b>	<b>520</b>	<b>22</b>	<b>-</b>	<b>542</b>	<b>-</b>	<b>-</b>	<b>1,503</b>	<b>11</b>	<b>-</b>	<b>1,514</b>	<b>-</b>
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

(millions of euro)

(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	-	8,906	38	2,059	11,003	-	173	-	-	173	-	
Changes in increase from financial assets acquired or originated	-	-	-	-	-	-	X	X	X	X	X	
Cancellations other than write-offs	-	-3,225	-4	-2,096	-5,325	-	-	-	-551	-551	-	
Net value adjustments / write-backs for credit risk	-	2,668	-	-	2,668	-	4	-	-	4	-	
Contractual changes without cancellations	-	56	-	-	56	-	-	-	-	-	-	
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	
Write-offs non recorded directly in the income statement	-	-1,056	-	-35	-1,091	-	-37	-	-4	-41	-	
Other variations	-	-10	1	2,915	2,906	-	25	-	581	606	-	
Total closing adjustments	-	7,339	35	2,843	10,217	-	165	-	26	191	-	
Recoveries from financial assets subject to write-off	-	53	-	-	53	-	-	-	-	-	-	
Write-offs recorded directly in the income statement	-	-119	-	-	-119	-	-	-	-	-	-	

**A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions – continued –**

Reasons/risk stages	(millions of euro)				TOTAL
	TOTAL PROVISIONS ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN				
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given impaired purchased or originated	
Total opening adjustments	94	118	192	-	13,619
Changes in increase from financial assets acquired or originated	6	-	-	-	320
Cancellations other than write-offs	-6	-16	-8	-	-6,280
Net value adjustments / write-backs for credit risk	-15	-31	-89	-	2,105
Contractual changes without cancellations	-	-	-	-	76
Changes in the estimation methodology	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	-	-	-	-1,132
Other variations	18	20	84	-	4,123
Total closing adjustments	97	91	179	-	12,831
Recoveries from financial assets subject to write-off	-	-	-	-	53
Write-offs recorded directly in the income statement	-	-	-	-	-119

Intesa Sanpaolo 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.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between stages of credit risk (gross and nominal amounts)**

Portfolios/risk stages	(millions of euro)					
	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	31,764	19,782	1,000	327	1,308	109
2. Financial assets measured at fair value through other comprehensive income	26	284	-	-	-	-
3. Non-current financial assets held for sale	66	135	59	3	46	1
4. Commitments to provide funds and financial guarantees issued	12,859	14,243	85	25	172	22
<b>Total 31.12.2021</b>	<b>44,715</b>	<b>34,444</b>	<b>1,144</b>	<b>355</b>	<b>1,526</b>	<b>132</b>
<b>Total 31.12.2020</b>	<b>63,053</b>	<b>10,518</b>	<b>1,064</b>	<b>306</b>	<b>1,234</b>	<b>94</b>

**A.1.5a Loans subject to COVID-19 support measures: transfers between stages of credit risk (gross amounts)**

(millions of euro)

Portfolios/Risk stages	GROSS EXPOSURE / PAR VALUE					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfer 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
<b>A. Loans measured at amortized cost</b>	<b>7,691</b>	<b>900</b>	<b>204</b>	<b>13</b>	<b>536</b>	<b>11</b>
A.1 subject to EBA-compliant moratoria	656	4	4	3	2	-
A.2 Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	1,791	44	8	1	16	-
A.3 subject to COVID-19-related forbearance measures	515	2	128	6	392	-
A.4 newly originated loans	4,729	850	64	3	126	11
<b>B. Loans and advances valued at fair value with an impact on overall profitability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 subject to EBA-compliant moratoria	-	-	-	-	-	-
B.2 Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-
B.3 subject to COVID-19-related forbearance measures	-	-	-	-	-	-
B.4 newly originated loans	-	-	-	-	-	-
<b>Total 31.12.2021</b>	<b>7,691</b>	<b>900</b>	<b>204</b>	<b>13</b>	<b>536</b>	<b>11</b>
<b>Total 31.12.2020</b>	<b>7,558</b>	<b>720</b>	<b>100</b>	<b>105</b>	<b>137</b>	<b>31</b>

The row “EBA-compliant moratoria loans” shows the information relating to financial assets subject to moratoria that fall within the scope of application of the “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis”, published by the EBA (EBA/GL/2020/02), as amended.



**A.1.6 On- and off-balance sheet credit exposures to banks: gross and net values**

Type of exposure/amounts	Gross exposure				Total adjustments and total provisions for credit risk				(millions of euro)			
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Net exposure	Total partial write-offs		
<b>A. ON-BALANCE SHEET EXPOSURES</b>												
<b>A.1 ON DEMAND</b>	<b>5,314</b>	<b>5,265</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,314</b>	<b>-</b>	<b>-</b>
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	5,314	5,265	49	X	-	-	-	X	-	5,314	-	-
<b>A.2 OTHERS</b>	<b>164,868</b>	<b>163,164</b>	<b>403</b>	<b>70</b>	<b>-</b>	<b>35</b>	<b>-11</b>	<b>-7</b>	<b>-17</b>	<b>-</b>	<b>164,833</b>	<b>4</b>
a) Bad loans	4	X	-	4	-	-4	X	-	-4	-	-	4
- of which: forbore exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	66	X	-	66	-	13	X	-	-13	-	53	-
- of which: forbore exposures	66	X	-	66	-	13	X	-	-13	-	53	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forbore exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	859	831	28	X	-	-1	-	-	X	-	858	-
- of which: forbore exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	163,939	162,333	375	X	-	17	-11	-7	X	-	163,922	-
- of which: forbore exposures	9	-	9	X	-	-	-	-	X	-	9	-
<b>TOTAL (A)</b>	<b>170,182</b>	<b>168,429</b>	<b>452</b>	<b>70</b>	<b>-</b>	<b>35</b>	<b>-11</b>	<b>-7</b>	<b>-17</b>	<b>-</b>	<b>170,147</b>	<b>4</b>
<b>B. OFF-BALANCE SHEET EXPOSURES</b>												
a) Non-performing	24	X	-	24	-	-	X	-	-	-	24	-
b) Performing	117,482	89,045	1,128	X	-	-4	-3	-	X	-	117,478	-
<b>TOTAL (B)</b>	<b>117,506</b>	<b>89,045</b>	<b>1,128</b>	<b>24</b>	<b>-</b>	<b>-4</b>	<b>-3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117,502</b>	<b>-</b>
<b>TOTAL (A+B)</b>	<b>287,688</b>	<b>257,474</b>	<b>1,580</b>	<b>94</b>	<b>-</b>	<b>39</b>	<b>-14</b>	<b>-7</b>	<b>-17</b>	<b>-</b>	<b>287,649</b>	<b>4</b>

**A.1.7 On- and off-balance sheet credit exposures to customers: gross and net values**

Type of exposure/Amounts	Gross exposure				Total adjustments and total provisions for credit risk						(millions of euro)	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired			Net Exposure	Total partial write-offs
<b>A. ON-BALANCE SHEET EXPOSURES</b>												
a) Bad loans	8,344	X	-	8,048	291	-5,998	X	-	-5,858	-137	2,346	6,400
- of which: forbore exposures	1,718	X	-	1,664	50	-1,202	X	-	-1,169	-31	516	434
b) Unlikely to pay	9,152	X	-	8,882	171	-4,303	X	-	-4,238	-51	4,849	627
- of which: forbore exposures	3,744	X	-	3,653	66	-1,410	X	-	-1,390	-14	2,334	236
c) Non-performing past due exposures	631	X	-	628	2	-104	X	-	-104	-	527	4
- of which: forbore exposures	168	X	-	168	-	-32	X	-	-32	-	136	-
d) Performing past due exposures	4,357	1,139	3,168	X	5	-128	-4	-124	X	-	4,229	-
- of which: forbore exposures	724	3	720	X	1	-70	-	-70	X	-	654	-
e) Other performing exposures	498,878	427,015	49,069	X	65	-1,913	-528	1,383	X	-2	496,965	-
- of which: forbore exposures	6,910	560	6,005	X	15	-374	-3	-371	X	-	6,536	-
<b>TOTAL (A)</b>	<b>521,362</b>	<b>428,154</b>	<b>52,237</b>	<b>17,558</b>	<b>534</b>	<b>12,446</b>	<b>-532</b>	<b>1,507</b>	<b>10,200</b>	<b>-190</b>	<b>508,916</b>	<b>7,031</b>
<b>B. OFF-BALANCE SHEET EXPOSURES</b>												
a) Non-performing	1,392	X	-	1,386	6	-179	X	-	-179	-	1,213	-
b) Performing	348,319	247,880	19,455	X	1	-184	-94	-90	X	-	348,135	-
<b>TOTAL (B)</b>	<b>349,711</b>	<b>247,880</b>	<b>19,455</b>	<b>1,386</b>	<b>7</b>	<b>-363</b>	<b>-94</b>	<b>-90</b>	<b>-179</b>	<b>-</b>	<b>349,348</b>	<b>-</b>
<b>TOTAL (A+B)</b>	<b>871,073</b>	<b>676,034</b>	<b>71,692</b>	<b>18,944</b>	<b>541</b>	<b>12,809</b>	<b>-626</b>	<b>1,597</b>	<b>10,379</b>	<b>-190</b>	<b>858,264</b>	<b>7,031</b>

Purchased or originated credit-impaired financial assets mainly include financial assets purchased “through business combinations”.

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

**A.1.7a Loans subject to COVID-19 support measures: gross and net amounts**

Loans types / amounts	Gross exposure				Total value adjustments and total provisions				Net exposure	Write-off partial total		
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired				
A. BAD LOANS	18	-	-	18	-	-11	-	-	-11	-	7	-
a) Subject to EBA-compliant moratoria	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other COVID-19-related forbearance measures	1	-	-	1	-	-	-	-	-	-	1	-
d) Newly originated loans	17	-	-	17	-	-11	-	-	-11	-	6	-
B. UNLIKELY TO PAY LOANS	451	-	-	449	1	119	-	-	-119	-	332	-
a) Subject to EBA-compliant moratoria	9	-	-	8	-	-2	-	-	-2	-	7	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	20	-	-	20	-	-4	-	-	-4	-	16	-
c) Subject to other COVID-19-related forbearance measures	274	-	-	273	1	-68	-	-	-68	-	206	-
d) Newly originated loans	148	-	-	148	-	-45	-	-	-45	-	103	-
C. NON-PERFORMING PAST DUE LOANS	39	-	-	39	-	-6	-	-	-6	-	33	-
a) Subject to EBA-compliant moratoria	3	-	-	3	-	-1	-	-	-1	-	2	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	2	-	-	2	-	-	-	-	-	-	2	-
c) Subject to other COVID-19-related forbearance measures	5	-	-	5	-	-1	-	-	-1	-	4	-
d) Newly originated loans	29	-	-	29	-	-4	-	-	-4	-	25	-
D. OTHER PAST DUE PERFORMING LOANS	744	59	684	-	-	-18	-	-17	-	-	726	-
a) Subject to EBA-compliant moratoria	2	-	2	-	-	-	-	-	-	-	2	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	501	1	500	-	-	-12	-	-12	-	-	489	-
c) Subject to other COVID-19-related forbearance measures	112	-	112	-	-	-5	-	-5	-	-	107	-
d) Newly originated loans	129	58	70	-	-	-1	-	-	-	-	128	-
E. OTHER PERFORMING LOANS	42,441	34,267	8,170	-	3	241	-40	-201	-	-	42,200	-
a) Subject to EBA-compliant moratoria	1,039	74	965	-	-	-39	-	-39	-	-	1,000	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	2,240	211	2,028	-	1	-81	-1	-80	-	-	2,159	-
c) Subject to other COVID-19-related forbearance measures	757	4	752	-	-	-45	-	-45	-	-	712	-
d) Newly originated loans	38,405	33,978	4,425	-	2	-76	-39	-37	-	-	38,329	-
TOTAL (A+B+C+D+E)	43,693	34,326	8,854	506	4	395	-40	-218	-136	-	43,298	-

The row “EBA-compliant moratoria loans” shows the information relating to financial assets subject to moratoria that fall within the scope of application of the “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis”, published by the EBA (EBA/GL/2020/02), as amended.

**A.1.8 On-balance sheet credit exposures to banks: changes in gross non-performing exposures**

Reasons/Categories	Bad loans	Unlikely to pay	(millions of euro)
			Non-performing past due exposures
<b>A. Initial gross exposure</b>	<b>4</b>	<b>78</b>	<b>-</b>
- of which: exposures sold not derecognised	-	-	-
<b>B. Increases</b>	<b>-</b>	<b>2</b>	<b>-</b>
B.1 inflows from performing exposures	-	-	-
B.2 inflows from purchased or originated credit-impaired financial assets	-	1	-
B.3 transfers from other non-performing exposures categories	-	-	-
B.4 changes in contracts without derecognition	-	-	-
B.5 other increases	-	1	-
<b>C. Decreases</b>	<b>-</b>	<b>-14</b>	<b>-</b>
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	-	-1	-
<b>D. Final gross exposure</b>	<b>4</b>	<b>66</b>	<b>-</b>
- of which: exposures sold not derecognised	-	-	-

**A.1.8 Bis On-balance sheet credit exposures to banks: changes in gross forborne exposures broken down by credit quality**

Description/Quality	Forborne exposures: non-performing	(millions of euro)
		Forborne exposures: performing
<b>A. Initial gross exposure</b>	<b>78</b>	<b>-</b>
- of which: exposures sold not derecognised	-	-
<b>B. Increases</b>	<b>-</b>	<b>13</b>
B.1 inflows from performing not forborne exposures	-	13
B.2. inflows from performing forborne exposures	-	X
B.3. inflows from impaired forborne exposures	X	-
B.4 inflows from non-performing non-forborne exposures	-	-
B.5 other increases	-	-
<b>C. Decreases</b>	<b>-12</b>	<b>-4</b>
C.1 outflows to performing not forborne exposures	X	-
C.2 outflows to performing forborne exposures	-	X
C.3 outflows to exposures subject to impaired concessions	X	-
C.4 write-offs	-	-
C.5 collections	-11	-3
C.6 profits on disposal	-	-
C.7 losses on disposal	-	-
C.8 other decreases	-1	-1
<b>D. Final gross exposure</b>	<b>66</b>	<b>9</b>
- of which: exposures sold not derecognised	-	-

**A.1.9 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
<b>A. Initial gross exposure</b>	<b>10,647</b>	<b>10,024</b>	<b>444</b>
- of which: exposures sold not derecognised	8	15	1
<b>B. Increases</b>	<b>2,796</b>	<b>4,127</b>	<b>778</b>
B.1 inflows from performing exposures	77	1,817	649
B.2 inflows from purchased or originated credit-impaired financial assets	983	1,521	34
B.3 transfers from other non-performing exposures categories	1,254	353	5
B.4 changes in contracts without derecognition	-	6	-
B.5 other increases	482	430	90
<b>C. Decreases</b>	<b>-5,099</b>	<b>-4,999</b>	<b>-591</b>
C.1 outflows to performing exposures	-66	-472	-212
C.2 write-offs	-1,005	-245	-1
C.3 collections	-644	-962	-71
C.4 profits on disposal	-773	-1,387	-7
C.5 losses on disposal	-16	-14	-
C.6 transfers to other non-performing exposure categories	-87	-1,228	-297
C.7 changes in contracts without derecognition	-	-27	-
C.8 other decreases	-2,508	-664	-3
<b>D. Final gross exposure</b>	<b>8,344</b>	<b>9,152</b>	<b>631</b>
- of which: exposures sold not derecognised	196	862	242

“Inflows from purchased or originated credit-impaired financial assets” reports the amounts deriving from the acquisition, as part of business combinations under common control, of gross non-performing loans of 2,538 million euro. For those transactions, as a general rule, the Intesa Sanpaolo Group adopts the principle of consistency for recognition in the separate financial statements of the companies involved in the business combination.

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.1.9 Bis 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
<b>A. Opening balance (gross amount)</b>	<b>5,484</b>	<b>4,406</b>
- Sold but not derecognised	11	2
<b>B. Increases</b>	<b>3,236</b>	<b>5,567</b>
B.1 transfers from performing not forborne exposures	558	4,016
B.2.transfers from performing forborne exposures	281	X
B.3. transfers from impaired forborne exposures	X	300
B.4 inflows from forborne non-performing exposures	397	7
B.5 other increases	2,000	1,244
<b>C. Decreases</b>	<b>-3,090</b>	<b>-2,339</b>
C.1 Transfers to performing not forborne exposures	X	-1,291
C.2 Transfers to performing forborne exposures	-300	X
C.3 transfers to impaired exposures not forborne	X	-281
C.4 write-offs	-222	-
C.5 recoveries	-522	-684
C.6 sales proceeds	-640	-1
C.7 losses on disposals	-8	-
C.8 other decreases	-1,398	-82
<b>D. Closing balance (gross amounts)</b>	<b>5,630</b>	<b>7,634</b>
- Sold but not derecognised	573	1,767

The “other increases” mainly include the increases in the amounts for charges.

During the year, as part of business combinations under common control, gross forborne exposures of 1.206 million euro (non-performing) and of 1.065 million euro (performing) were acquired. For those transactions, as a general rule, the Intesa Sanpaolo Group adopts the principle of consistency for recognition in the separate financial statements of the companies involved in the business combination.

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

**A.1.10 Non-performing on-balance sheet credit exposures to banks: changes in total adjustments**

Reasons/Categories	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	Total	of which: forbome exposures	Total	of which: forbome exposures	Total	of which: forbome exposures
(millions of euro)						
<b>A. Initial total adjustments</b>	<b>4</b>	<b>-</b>	<b>14</b>	<b>14</b>	<b>-</b>	<b>-</b>
- of which: exposures sold not derecognised	-	-	-	-	-	-
<b>B. Increases</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 adjustments to purchased or originated credit-impaired assets	-	X	-	X	-	X
C.2 other adjustments	-	-	-	-	-	-
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	-	-	2	-	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>	<b>-3</b>	<b>-1</b>	<b>-</b>	<b>-</b>
C.1 recoveries on impairment losses	-	-	-1	-1	-	-
C.2 recoveries on repayments	-	-	-2	-	-	-
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	-	-	-	-	-	-
<b>D. Final total adjustments</b>	<b>4</b>	<b>-</b>	<b>13</b>	<b>13</b>	<b>-</b>	<b>-</b>
- of which: exposures sold not derecognised	-	-	-	-	-	-



**A.1.11 Non-performing on-balance sheet credit exposures to customers: changes in total adjustments**

Description/Category	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
(millions of euro)						
<b>A. Opening balance overall amount of writedowns</b>	<b>6,937</b>	<b>852</b>	<b>4,189</b>	<b>1,285</b>	<b>59</b>	<b>4</b>
- Sold but not derecognised	3	1	3	2	-	-
<b>B. Increases</b>	<b>3,030</b>	<b>713</b>	<b>1,981</b>	<b>870</b>	<b>108</b>	<b>33</b>
B.1 impairment losses on acquired or originated assets	358	X	315	X	3	X
B. 2 other value adjustments	1,931	406	1,242	499	102	31
B.3 losses on disposal	16	13	14	13	-	-
B.4 transfer from other impaired exposure	571	186	106	6	2	-
B. 5 contractual changes without cancellations	-	-	82	82	1	1
B.6 other increases	154	108	222	270	-	1
<b>C. Reductions</b>	<b>3,969</b>	<b>-363</b>	<b>1,867</b>	<b>-745</b>	<b>-63</b>	<b>-5</b>
C.1 write-backs from assessments	-167	-29	-197	-98	-11	-1
C.2 write-backs from recoveries	-109	-9	-108	-53	-2	-
C.3 gains on disposal	-14	-4	-21	-17	-	-
C.4 write-offs	1,005	-119	-245	-103	-1	-
C.5 transfers to other impaired exposures	-65	-3	-569	-186	-45	-3
C. 6 contractual changes without cancellations	-	-	-16	-16	-	-
C.7 other decreases	2,609	-199	-711	-272	-4	-1
<b>D. Closing overall amount of writedowns</b>	<b>5,998</b>	<b>1,202</b>	<b>4,303</b>	<b>1,410</b>	<b>104</b>	<b>32</b>
- Sold but not derecognised	105	28	221	116	35	4

“Adjustments to purchased or originated credit-impaired financial assets” reports the amounts deriving from the acquisition, as part of business combinations under common control, of adjustments to non-performing financial assets of 676 million euro. For those transactions, as a general rule, the Intesa Sanpaolo Group adopts the principle of consistency for recognition in the separate financial statements of the companies involved in the business combination.

The “other increases” mainly include the collections of loans already 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 financial assets, commitments to disburse funds and financial guarantees given based on internal and external rating

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

Intesa Sanpaolo 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 e DBRS Morningstar Ratings.

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.

For the mapping of the risk classes and agency ratings employed, see the corresponding section of the Notes to the consolidated financial statements.

Exposures	EXTERNAL RATING CLASSES						(millions of euro)	
	class 1	Class 2	Class 3	Class 4	Class 5	Class 6	UNRATED	TOTAL
<b>A. Financial assets measured at amortised cost</b>	<b>21,026</b>	<b>24,111</b>	<b>203,873</b>	<b>8,735</b>	<b>2,786</b>	<b>304</b>	<b>348,168</b>	<b>609,003</b>
- Stage 1	21,011	23,826	202,403	7,931	2,397	126	284,721	542,415
- Stage 2	15	285	1,470	802	165	130	49,630	52,497
- Stage 3	-	-	-	-	224	48	13,337	13,609
- Purchased or originated credit-impaired	-	-	-	2	-	-	480	482
<b>B. Financial assets measured at fair value through other comprehensive income</b>	<b>16,714</b>	<b>10,864</b>	<b>19,210</b>	<b>1,098</b>	<b>106</b>	<b>80</b>	<b>1,009</b>	<b>49,081</b>
- Stage 1	16,707	10,864	19,181	1,049	85	52	964	48,902
- Stage 2	7	-	29	49	21	14	24	144
- Stage 3	-	-	-	-	-	14	21	35
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
<b>C. Non-current financial assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,036</b>	<b>4,036</b>
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	3,987	3,987
- Purchased or originated credit-impaired	-	-	-	-	-	-	49	49
<b>Total (A+B+C)</b>	<b>37,740</b>	<b>34,975</b>	<b>223,083</b>	<b>9,833</b>	<b>2,892</b>	<b>384</b>	<b>353,213</b>	<b>662,120</b>
<b>D. Commitments to disburse funds and financial guarantees given</b>								
- Stage 1	14,449	27,308	143,994	13,243	2,645	101	135,186	336,926
- Stage 2	20	298	1,102	924	309	73	17,857	20,583
- Stage 3	-	-	-	-	43	-	1,367	1,410
- Purchased or originated credit-impaired	-	-	-	-	-	-	6	6
<b>Total (D)</b>	<b>14,469</b>	<b>27,606</b>	<b>145,096</b>	<b>14,167</b>	<b>2,997</b>	<b>174</b>	<b>154,416</b>	<b>358,925</b>
<b>Total (A+B+C+D)</b>	<b>52,209</b>	<b>62,581</b>	<b>368,179</b>	<b>24,000</b>	<b>5,889</b>	<b>558</b>	<b>507,629</b>	<b>1,021,045</b>

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

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.

Exposures	Internal rating classes						(millions of euro)	
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Unrated	Total
<b>A. Financial assets measured at amortized cost</b>	<b>68,636</b>	<b>86,706</b>	<b>297,729</b>	<b>99,835</b>	<b>23,113</b>	<b>4,569</b>	<b>28,415</b>	<b>609,003</b>
- Stage 1	68,237	85,355	289,246	78,494	10,428	708	9,947	542,415
- Stage 2	399	1,350	8,476	21,310	11,880	2,775	6,307	52,497
- Stage 3	-	-	-	-	773	1,062	11,774	13,609
- Purchased or originated credit-impaired	-	1	7	31	32	24	387	482
<b>B. Financial assets measured at fair value through other comprehensive income</b>	<b>14,487</b>	<b>12,521</b>	<b>17,053</b>	<b>1,474</b>	<b>375</b>	<b>41</b>	<b>3,130</b>	<b>49,081</b>
- Stage 1	14,487	12,516	17,038	1,431	357	41	3,032	48,902
- Stage 2	-	5	15	43	18	-	63	144
- Stage 3	-	-	-	-	-	-	35	35
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
<b>C. Non-current financial assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64</b>	<b>335</b>	<b>3,637</b>	<b>4,036</b>
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	64	334	3,589	3,987
- Purchased or originated credit-impaired	-	-	-	-	-	1	48	49
<b>Total (A+B+C)</b>	<b>83,123</b>	<b>99,227</b>	<b>314,782</b>	<b>101,309</b>	<b>23,552</b>	<b>4,945</b>	<b>35,182</b>	<b>662,120</b>
<b>D. Commitments and financial guarantees given</b>								
- Stage 1	24,696	56,375	200,343	46,034	5,702	351	3,425	336,926
- Stage 2	72	461	2,879	9,425	3,261	438	4,047	20,583
- Stage 3	-	-	-	-	93	190	1,127	1,410
- Purchased or originated credit-impaired	-	-	-	-	-	-	6	6
<b>Total (D)</b>	<b>24,768</b>	<b>56,836</b>	<b>203,222</b>	<b>55,459</b>	<b>9,056</b>	<b>979</b>	<b>8,605</b>	<b>358,925</b>
<b>Total (A+B+C+D)</b>	<b>107,891</b>	<b>156,063</b>	<b>518,004</b>	<b>156,768</b>	<b>32,608</b>	<b>5,924</b>	<b>43,787</b>	<b>1,021,045</b>

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

#### A.3.1 Guaranteed on- and off-balance sheet credit exposures to banks

	Gross exposure	Net exposures	Collaterals (*)				Personal guarantees (2)		
			(1)				Credit derivatives		
			Real estate assets - mortgages	Real estate assets - finance leases	Securities	Other	CLN	Other derivatives	
								Central counterparties	
<b>1. Guaranteed on-balance sheet credit exposures:</b>	<b>12,449</b>	<b>12,448</b>	-	<b>4</b>	<b>12,071</b>	-	-	-	-
1.1 totally guaranteed	12,294	12,293	-	4	12,051	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-
1.2 partly guaranteed	155	155	-	-	20	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-
<b>2. Guaranteed off-balance sheet credit exposures:</b>	<b>10,414</b>	<b>10,414</b>	-	-	<b>5,843</b>	<b>2,596</b>	-	-	-
2.1 totally guaranteed	8,245	8,245	-	-	5,812	1,371	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-
2.2 partly guaranteed	2,169	2,169	-	-	31	1,225	-	-	-
- 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.

	Personal guarantees (*)							Total
	(2)							
	Credit derivatives			Commitments				
	Other derivatives			Public Administration	Banks	Other financial companies	Other counterparties	(1)+(2)
	Banks	Other financial companies	Other counterparties					
<b>1. Guaranteed on-balance sheet credit exposures:</b>	-	-	-	<b>4</b>	<b>5</b>	-	<b>46</b>	<b>12,130</b>
1.1 totally guaranteed	-	-	-	4	5	-	46	12,110
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partly guaranteed	-	-	-	-	-	-	-	20
- of which non-performing	-	-	-	-	-	-	-	-
<b>2. Guaranteed off-balance sheet credit exposures:</b>	-	-	-	<b>29</b>	<b>56</b>	-	<b>21</b>	<b>8,545</b>
2.1 totally guaranteed	-	-	-	20	51	-	17	7,271
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partly guaranteed	-	-	-	9	5	-	4	1,274
- 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 Guaranteed on- and off-balance sheet credit exposures to customers**

(millions of euro)

	Gross exposure	Net exposures	Collaterals (*)				Guarantees (*)	
			(1)				(2)	
			Property, Mortgages	Financial leases	Securities	Other assets	Credit derivatives	
							CLN	Other derivatives
								Central counterparties
<b>1. Guaranteed on-balance sheet credit exposures:</b>	<b>279,964</b>	<b>272,067</b>	<b>145,286</b>	<b>6,258</b>	<b>20,237</b>	<b>7,443</b>	-	-
1.1 totally guaranteed	227,601	221,060	143,894	6,026	20,085	5,571	-	-
- of which non-performing	10,675	5,330	3,567	550	18	132	-	-
1.2 partly guaranteed	52,363	51,007	1,392	232	152	1,872	-	-
- of which non-performing	1,955	833	338	95	26	10	-	-
<b>2. Guaranteed off-balance sheet credit exposures:</b>	<b>39,582</b>	<b>39,502</b>	<b>1,922</b>	<b>18</b>	<b>7,837</b>	<b>1,115</b>	-	-
2.1 totally guaranteed	31,343	31,282	1,498	7	7,412	849	-	-
- of which non-performing	313	285	50	-	2	4	-	-
2.2. partly guaranteed	8,239	8,220	424	11	425	266	-	-
- of which non-performing	104	95	18	-	-	13	-	-

(\*) 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 (*)							Total
	(2)							
	Credit derivatives			Commitments				(1)+(2)
	Other derivatives			Public administration	Banks	Other financial companies	Other counterparties	
	Banks	Other financial companies	Other counterparties					
1. Guaranteed on-balance sheet credit exposures	45	-	-	50,013	453	1,317	23,726	254,778
1.1 totally guaranteed	-	-	-	24,842	314	943	18,855	220,530
- of which non-performing	-	-	-	349	-	70	632	5,318
1.2 partly guaranteed	45	-	-	25,171	139	374	4,871	34,248
- of which non-performing	-	-	-	104	-	10	88	671
2. Guaranteed off-balance sheet credit exposures:	-	-	-	1,420	357	964	22,025	35,658
2.1 totally guaranteed	-	-	-	731	138	906	19,133	30,674
- of which non-performing	-	-	-	45	-	3	177	281
2.2. partly guaranteed	-	-	-	689	219	58	2,892	4,984
- of which non-performing	-	-	-	4	-	-	29	64

(\*) 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 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
<b>A. Property and equipment</b>		<b>79</b>	<b>85</b>	<b>-9</b>	<b>76</b>	<b>7</b>
A.1 Used in operations		-	-	-	-	-
A.2. Investment		9	13	-1	12	5
A.3 Inventories		70	72	-8	64	2
<b>B. Equities and debt securities</b>		<b>371</b>	<b>371</b>	<b>-147</b>	<b>224</b>	<b>9</b>
<b>C. Other assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D. Non-current assets held for sale and discontinued operations</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
D.1 Property and equipment		-	-	-	-	-
D.2. Other assets		-	-	-	-	-
<b>Total</b>	<b>31.12.2021</b>	<b>450</b>	<b>456</b>	<b>-156</b>	<b>300</b>	<b>16</b>
<b>Total</b>	<b>31.12.2020</b>	<b>456</b>	<b>460</b>	<b>-147</b>	<b>313</b>	<b>45</b>

As at 31 December 2021, there were financial assets and non-financial assets resulting from the enforcement of guarantees.

The Property and equipment related to assets acquired upon closure of impaired credit exposures on finance lease contracts due to failure to repurchase the asset or early termination of the contract. Specifically, the book value of the assets collected consisted of 12 million euro in investment properties (9 million euro in buildings and 3 million euro in land) and 64 million euro in real estate stock (essentially buildings).

The equities and debt securities, with a book value of 224 million euro (46 million euro as "Equity investments", mainly relating to the investment in Risanamento and other minor investments, 115 million euro as "Financial assets mandatorily measured at fair value" and 63 million euro as "Financial assets measured at fair value through other comprehensive income") represent 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 Bank derecognised the related credit exposure.

## B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

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

Exposures/Counterparts	Public administration		Financial companies		Financial companies (of which: insurance companies)	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
<b>A. On-balance sheet exposures</b>						
A.1 Bad loans	126	-133	29	-148	-	-
- of which: forborne exposures	-	-	10	-76	-	-
A.2 Unlikely to pay	257	-53	201	-197	-	-
- of which: forborne exposures	28	-31	37	-36	-	-
A.3 Non-performing past due exposures	1	-	97	-25	-	-
- of which: forborne exposures	-	-	79	-21	-	-
A.4 Performing exposures	98,574	-70	72,051	-164	963	-
- of which: forborne exposures	121	-5	258	-5	-	-
<b>Total (A)</b>	<b>98,958</b>	<b>-256</b>	<b>72,378</b>	<b>-534</b>	<b>963</b>	<b>-</b>
<b>B. Off-balance sheet exposures</b>						
B.1 Non-performing exposures	44	-	43	-2	-	-
B.2 Performing exposures	38,302	-5	97,320	-29	8,351	-
<b>Total (B)</b>	<b>38,346</b>	<b>-5</b>	<b>97,363</b>	<b>-31</b>	<b>8,351</b>	<b>-</b>
<b>Total (A+B)</b>	<b>31.12.2021</b>	<b>137,304</b>	<b>-261</b>	<b>169,741</b>	<b>-565</b>	<b>9,314</b>
<b>Total (A+B)</b>	<b>31.12.2020</b>	<b>121,357</b>	<b>-205</b>	<b>146,710</b>	<b>-589</b>	<b>8,740</b>

Exposures/Counterparts	Non-financial companies		Households	
	Net exposure	Total adjustments	Net exposure	Total adjustments
<b>A. On-balance sheet exposures</b>				
A.1 Bad loans	1,590	-4,479	601	-1,238
- of which: forborne exposures	385	-945	121	-181
A.2 Unlikely to pay	3,027	-3,334	1,364	-719
- of which: forborne exposures	1,566	-1,112	703	-231
A.3 Non-performing past due exposures	91	-18	338	-61
- of which: forborne exposures	23	-4	34	-7
A.4 Performing exposures	189,481	-1,372	141,088	-435
- of which: forborne exposures	5,170	-383	1,641	-51
<b>Total (A)</b>	<b>194,189</b>	<b>-9,203</b>	<b>143,391</b>	<b>-2,453</b>
<b>B. Off-balance sheet exposures</b>				
B.1 Non-performing exposures	1,090	-170	36	-7
B.2 Performing exposures	202,321	-139	8,979	-11
<b>Total (B)</b>	<b>203,411</b>	<b>-309</b>	<b>9,015</b>	<b>-18</b>
<b>Total (A+B)</b>	<b>31.12.2021</b>	<b>397,600</b>	<b>-9,512</b>	<b>152,406</b>
<b>Total (A+B)</b>	<b>31.12.2020</b>	<b>336,208</b>	<b>-10,000</b>	<b>126,425</b>



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

(millions of euro)

Exposure/Geographical areas	Italy		Other european countries	
	Net exposures	Total adjustments	Net exposures	Total adjustments
<b>A. On-balance sheet exposures</b>				
A.1 Non-performing loans	2,340	-5,878	6	-65
A.2 Unlikely to pay	4,489	-4,178	64	-18
A.3 Non-performing past due exposures	524	-103	3	-1
A.4 Performing exposures	387,019	-1,839	70,391	-130
<b>Total (A)</b>	<b>394,372</b>	<b>-11,998</b>	<b>70,464</b>	<b>-214</b>
<b>B. Off-balance sheet exposure</b>				
B.1 Non-performing exposures	1,160	-179	7	-
B.2 Performing exposures	174,738	-142	93,348	-32
<b>Total (B)</b>	<b>175,898</b>	<b>-321</b>	<b>93,355</b>	<b>-32</b>
<b>Total (A+B)</b>	<b>570,270</b>	<b>-12,319</b>	<b>163,819</b>	<b>-246</b>
<b>Total (A+B)</b>	<b>484,504</b>	<b>-13,001</b>	<b>144,267</b>	<b>-291</b>

(millions of euro)

Exposure/Geographical areas	America		Asia		Rest of the world	
	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments
<b>A. On-balance sheet exposures</b>						
A.1 Non-performing loans	-	-53	-	-2	-	-
A.2 Unlikely to pay	21	-52	65	-37	210	-18
A.3 Non-performing past due exposures	-	-	-	-	-	-
A.4 Performing exposures	25,378	-40	14,899	-21	3,507	-11
<b>Total (A)</b>	<b>25,399</b>	<b>-145</b>	<b>14,964</b>	<b>-60</b>	<b>3,717</b>	<b>-29</b>
<b>B. Off-balance sheet credit exposures</b>						
B.1 Non-performing exposures	1	-	2	-	43	-
B.2 Performing exposures	65,072	-3	11,673	-3	2,091	-4
<b>Total (B)</b>	<b>65,073</b>	<b>-3</b>	<b>11,675</b>	<b>-3</b>	<b>2,134</b>	<b>-4</b>
<b>Total (A+B)</b>	<b>90,472</b>	<b>-148</b>	<b>26,639</b>	<b>-63</b>	<b>5,851</b>	<b>-33</b>
<b>Total (A+B)</b>	<b>78,022</b>	<b>-217</b>	<b>19,755</b>	<b>-71</b>	<b>4,152</b>	<b>-8</b>

**B.2 bis Breakdown of relations with customers resident in Italy by geographical area**

Exposure/Geographical areas		(millions of euro)							
		North West		North East		Centre		South and islands	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
<b>A. On-balance sheet exposures</b>									
A.1 Bad loans		683	-1,848	426	-1,145	565	-1,369	666	-1,516
A.2 Unlikely to pay		1,770	-1,858	713	-653	1,127	-990	879	-677
A.3 Non-performing past due exposures		231	-50	60	-11	101	-18	132	-24
A.4 Performing exposures		138,298	-768	68,187	-314	125,693	-392	54,841	-365
<b>Total A</b>		<b>140,982</b>	<b>-4,524</b>	<b>69,386</b>	<b>-2,123</b>	<b>127,486</b>	<b>-2,769</b>	<b>56,518</b>	<b>-2,582</b>
<b>B. Off-balance sheet exposures</b>									
B.1 Non-performing exposures		470	-54	329	-47	246	-67	115	-11
B.2 Performing exposures		76,199	-71	30,565	-29	55,962	-26	12,012	-16
<b>Total B</b>		<b>76,669</b>	<b>-125</b>	<b>30,894</b>	<b>-76</b>	<b>56,208</b>	<b>-93</b>	<b>12,127</b>	<b>-27</b>
									-
<b>Total (A+B)</b>	<b>31.12.2021</b>	<b>217,651</b>	<b>-4,649</b>	<b>100,280</b>	<b>-2,199</b>	<b>183,694</b>	<b>-2,862</b>	<b>68,645</b>	<b>-2,609</b>
<b>Total (A+B)</b>	<b>31.12.2020</b>	<b>173,106</b>	<b>-4,573</b>	<b>91,594</b>	<b>-2,494</b>	<b>160,527</b>	<b>-3,119</b>	<b>59,277</b>	<b>-2,815</b>

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

(millions of euro)

Exposures / Geographical Area	Italy		Other european countries	
	Net exposures	Total adjustments	Net exposures	Total adjustments
<b>A. On-balance sheet exposures</b>				
A.1 Bad loans	-	-	-	-1
A.2 Unlikely to pay	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	130,090	-4	31,092	-7
<b>Total (A)</b>	<b>130,090</b>	<b>-4</b>	<b>31,092</b>	<b>-8</b>
<b>B. Off-balance sheet exposures</b>				
B.1 Non-performing exposures	-	-	-	-
B.2 Performing exposures	9,261	-	88,714	-4
<b>Total (B)</b>	<b>9,261</b>	<b>-</b>	<b>88,714</b>	<b>-4</b>
<b>Total (A+B)</b>	<b>31.12.2021</b>	<b>139,351</b>	<b>119,806</b>	<b>-12</b>
<b>Total (A+B)</b>	<b>31.12.2020</b>	<b>97,256</b>	<b>114,864</b>	<b>-20</b>

(millions of euro)

Exposures / Geographical Area	America		Asia		Rest of the world	
	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments
<b>A. On-balance sheet exposures</b>						
A.1 Bad loans	-	-	-	-3	-	-
A.2 Unlikely to pay	52	-13	-	-	1	-
A.3 Non-performing past due exposures	-	-	-	-	-	-
A.4 Performing exposures	5,053	-	2,809	-1	1,050	-6
<b>Total (A)</b>	<b>5,105</b>	<b>-13</b>	<b>2,809</b>	<b>-4</b>	<b>1,051</b>	<b>-6</b>
<b>B. Off-balance sheet exposures</b>						
B.1 Non-performing exposures	14	-	-	-	10	-
B.2 Performing exposures	5,888	-	9,806	-	2,501	-
<b>Total (B)</b>	<b>5,902</b>	<b>-</b>	<b>9,806</b>	<b>-</b>	<b>2,511</b>	<b>-</b>
<b>Total (A+B)</b>	<b>31.12.2021</b>	<b>11,007</b>	<b>12,615</b>	<b>-4</b>	<b>3,562</b>	<b>-6</b>
<b>Total (A+B)</b>	<b>31.12.2020</b>	<b>7,808</b>	<b>11,182</b>	<b>-7</b>	<b>2,954</b>	<b>-5</b>

**B.3 bis Breakdown of relations with banks resident in Italy by geographical area**

Exposure/Geographical areas	NORTH WEST		NORTH EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments	Net exposures	Total adjustments
<b>A. On-balance sheet exposures</b>								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	6,368	-3	409	-	123,305	-1	8	-
<b>TOTAL A</b>	<b>6,368</b>	<b>-3</b>	<b>409</b>	<b>-</b>	<b>123,305</b>	<b>-1</b>	<b>8</b>	<b>-</b>
<b>B. Off-balance sheet exposures</b>								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	6,132	-	849	-	2,083	-	197	-
<b>TOTAL B</b>	<b>6,132</b>	<b>-</b>	<b>849</b>	<b>-</b>	<b>2,083</b>	<b>-</b>	<b>197</b>	<b>-</b>
<b>TOTAL (A+B)</b>	<b>31.12.2021</b>	<b>12,500</b>	<b>-3</b>	<b>1,258</b>	<b>-</b>	<b>125,388</b>	<b>-1</b>	<b>205</b>
<b>TOTAL (A+B)</b>	<b>31.12.2020</b>	<b>38,480</b>	<b>-6</b>	<b>1,102</b>	<b>-</b>	<b>57,453</b>	<b>-4</b>	<b>221</b>

**B.4 Large exposures****Large exposures**

a) Book value (millions of euro)	418,702
b) Weighted value (millions of euro)	27,197
c) 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 the new Regulation (EU) 876/2019 (CRR2). 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 risk weighting factors. These presentation criteria result in the inclusion among "Large exposures" of entities that – even with a weighting of 0% – present an unweighted exposure in excess of 10% of Tier 1 Capital of the entity. In that regard, it is noted that the table above includes exposures to Intesa Sanpaolo Group companies, whose book value amounted to 127,150 million euro which, in line with prudential regulations, have a weighted value of zero.

For completeness, it is noted that the table above also includes exposures to the Italian Treasury for a book value of 112,165 million euro and a weighted value of 2,702 million euro, and exposures to the Bank of Italy for 122,895 million euro and a weighted value of 1,330 million euro.

Lastly, it should be noted that 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 originator is the Bank 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 the Bank. For a description of these types of transactions, see the section on liquidity risk in Part E of the Notes to the Parent Company's financial statements.

### Qualitative information

The qualitative information is contained in Part E of the Notes to the consolidated financial statements.

### Quantitative information

#### ***C.1 Breakdown of exposures deriving from the main "originated" securitisations by type of securitised asset and by type of exposure***

##### ***On-balance sheet***

Type of securitised asset/ Exposure	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
<b>A. Fully derecognised</b>	<b>3,772</b>	<b>-2</b>	<b>46</b>	<b>-3</b>	<b>16</b>	<b>-14</b>
- Loans to businesses (including SMEs) (a)	3,109	-1	40	-1	15	-13
- Residential mortgage loans (a)	655	-1	2	-2	-	-1
- Leases (a)	7	-	4	-	-	-
- Consumer credit	1	-	-	-	1	-
<b>B. Partly derecognised</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Not derecognised</b>	<b>18,771</b>	<b>-46</b>	<b>198</b>	<b>-6</b>	<b>439</b>	<b>-10</b>
- Loans to businesses (including SMEs) (b) (c)	15,976	-42	66	-2	199	-1
- Residential mortgage loans (c)	1,813	-4	132	-4	234	-9
- Leases (c)	982	-	-	-	6	-
<b>TOTAL</b>	<b>22,543</b>	<b>-48</b>	<b>244</b>	<b>-9</b>	<b>455</b>	<b>-24</b>

(a) The entire amount refers to non-performing financial assets.

"Loans to businesses (including SMEs)" refer to the Savoy, Kerma, Yoda and Sirio securitisations (see the 2018, 2019 and 2020 Consolidated financial statements, respectively, for details about the transactions) and the Groggu and Kerdos transactions (described in the paragraph on "Qualitative information" of the Notes to the consolidated financial statements). "Residential mortgage loans" refer to the Maior and Iseo securitisations (deriving from the business combination with the former UBI Group). "Leases" refer to the Portland securitisation (described in the paragraph on "Qualitative information" of the Notes to the consolidated financial statements).

(b) The exposures include non-performing financial assets amounting to 27 million euro in Senior exposures, 35 million euro in Mezzanine exposures and 18 million euro in Junior exposures, respectively (net of adjustments).

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

##### ***Off-balance sheet***

This type of exposure did not exist as at 31 December 2021.

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

### On-balance sheet

(millions of euro)

Type of underlying assets/Exposures	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Loans to businesses (including SMEs) (a)	1,323	-	269	-2	5	-
Residential mortgage loans	1,023	-	108	1	-	-
Trade receivables	478	-	2	-	-	-
Securitisations	275	-1	-	-	-	-
Consumer credit	232	-	42	-	-	-
Commercial mortgage loans	128	3	31	2	-	-
Covered bonds	50	-	45	-	3	-
Leases	18	-	7	-	7	-
Other assets (b)	7,555	-	-	-	-	-
<b>TOTAL</b>	<b>11,082</b>	<b>2</b>	<b>504</b>	<b>1</b>	<b>15</b>	<b>-</b>

(a) The exposures include non-performing financial assets amounting to 40 million euro in mezzanine exposures and 1 million euro in junior exposures, net of adjustments. The aggregate also includes debt securities issued by the securitisation vehicle set up as part of the sale of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato to Credit Agricole by the National Interbank Deposit Guarantee Fund - Voluntary Scheme, which the Bank participates in. The related mezzanine notes amount to 3 million euro, while the junior notes were fully written off.

(b) The amount also includes the Romulus securities for 5,717 million, held by Intesa Sanpaolo, generally represented among third-party securitisations, as well as loans to the vehicle Duomo Funding Plc for 1,475 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 Part E of the Notes to the consolidated financial statements.

### Off-balance sheet

(millions of euro)

Type of underlying assets/Exposures	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 (a)	-	-	-	-	-	-	(a)	(a)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(a) With regard to the transactions carried out through Duomo Funding Plc and funded by ABCP, the Bank has granted credit lines (amounting to 5,879 million euro in terms of net exposures and 1 million euro of adjustments) to secure the assets included under “Other assets” in Table C.2 on-balance sheet exposures.

### C.3 Securitisation vehicles

(millions of euro)

SECURITISATION/ SPECIAL PURPOSE VEHICLE	REGISTERED OFFICE	CONSOLIDATION (a)	ASSETS (f)			LIABILITIES (f)		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Adriano Lease Sec S.r.l. (d)	Conegliano Veneto (TV)	Non consolidato (b)	2,028	-	139	686	-	1,351
Augusto S.r.l. (e)	Milano	Non consolidato (b)	-	-	2	13	-	-
Berica ABS 3 S.r.l.	Vicenza	Non consolidato (b)	239	-	12	-	66	115
Berica ABS 4 S.r.l.	Vicenza	Non consolidato	278	-	13	4	123	95
Brera Sec S.r.l. (d)	Conegliano Veneto (TV)	Non consolidato (b)	19,547	-	845	15,763	-	4,182
Clara Sec S.r.l. (d)	Conegliano Veneto (TV)	Non consolidato (b)	5,494	-	1,928	6,350	-	824
Diocleziano S.r.l. (e)	Milano	Non consolidato (b)	1	-	1	48	-	-
Giada Sec S.r.l. (d)	Conegliano Veneto (TV)	Non consolidato (b)	8,638	-	2,466	6,610	-	3,485
ISP CB Ipotecario S.r.l. (c)	Milano	Non consolidato (b)	15,988	-	5,021	-	19,921	-
ISP CB Pubblico S.r.l. (c)	Milano	Non consolidato (b)	2,084	1,393	1,189	-	4,567	-
ISP OBG S.r.l. (c)	Milano	Non consolidato (b)	47,811	-	8,662	-	56,381	-
UBI Finance S.r.l. (c)	Milano	Non consolidato (b)	8,860	-	1,706	-	10,549	-

(a) Consolidation method relating to the "prudential" scope applied in the Group's financial statements

(b) Not consolidated line-by-line, but using the equity method

(c) Vehicles used for the covered bond issue. For more information, see Section "E.4. Covered bond transactions" in Part E of these Notes to the financial statements

(d) Self-securitisation vehicle described in Section 4 - Liquidity Risk, Quantitative Information, paragraph 2

(e) The amounts shown under assets and liabilities refer to the latest financial statement data available (31 December 2020)

(f) The amounts shown under assets and liabilities refer to the total values reported in the financial statements of the special purpose vehicles

### C.4 Unconsolidated securitisation vehicles

The information set out in this section is not provided by the banks that draw up consolidated financial statements pursuant to Bank of Italy Circular 262.

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

The Bank does not perform servicer activities in originated securitisations where the assets sold have been derecognised in accordance with IFRS 9. Therefore, the related disclosure is omitted. For more information, reference should be made to the relevant section of the Notes to the consolidated financial statements.

## D. INFORMATION ON STRUCTURED ENTITIES NOT CONSOLIDATED IN THE ACCOUNTS (OTHER THAN SECURITISATION VEHICLES)

The qualitative and quantitative information set out in this section is not provided by the banks that draw up consolidated financial statements pursuant to Bank of Italy Circular 262.

## E. SALES

### A. Financial assets sold not fully derecognised

#### Qualitative information

For a description of the operations shown in tables E.1, E.2 and E.3, reference is made to the information shown below the relevant tables.

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****E.1 Financial assets sold fully recognised and related financial liabilities: book values**

(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	
<b>A. Financial assets held for trading</b>	<b>656</b>	-	<b>656</b>	<b>X</b>	<b>669</b>	-	<b>669</b>	
1. Debt securities	455	-	455	X	458	-	458	
2. Equities	201	-	201	X	211	-	211	
3. Loans	-	-	-	X	-	-	-	
4. Derivatives	-	-	-	X	-	-	-	
<b>B. Other financial assets mandatorily measured at fair value</b>	<b>-</b>	-	-	-	-	-	-	
1. Debt securities	-	-	-	-	-	-	-	
2. Equities	-	-	-	X	-	-	-	
3. Loans	-	-	-	-	-	-	-	
<b>C. Financial assets designated at fair value</b>	<b>-</b>	-	-	-	-	-	-	
1. Debt securities	-	-	-	-	-	-	-	
2. Loans	-	-	-	-	-	-	-	
<b>D. Financial assets measured at fair value through other comprehensive income</b>	<b>9,945</b>	-	<b>9,945</b>	-	<b>9,956</b>	-	<b>9,956</b>	
1. Debt securities	9,945	-	9,945	-	9,956	-	9,956	
2. Equities	-	-	-	X	-	-	-	
3. Loans	-	-	-	-	-	-	-	
<b>E. Financial assets measured at amortised cost</b>	<b>3,193</b>	<b>98</b>	<b>3,095</b>	<b>10</b>	<b>3,312</b>	<b>67</b>	<b>3,245</b>	
1. Debt securities	3,095	-	3,095	-	3,245	-	3,245	
2. Loans	98	98	-	10	67	67	-	
<b>TOTAL 31.12.2021</b>	<b>13,794</b>	<b>98</b>	<b>13,696</b>	<b>10</b>	<b>13,937</b>	<b>67</b>	<b>13,870</b>	
<b>TOTAL 31.12.2020</b>	<b>7,963</b>	<b>137</b>	<b>7,826</b>	<b>18</b>	<b>7,850</b>	<b>97</b>	<b>7,753</b>	

The table above does not include covered bond transactions in which the Bank is both the originator 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 Bank 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.

The aggregates of the securitisations refer to related assets and liabilities recognised for the Berica securitisations and those relating to the K-Equity programme.

**E.2 Financial assets sold partly recognised and related financial liabilities: book values**

These are not present in Intesa Sanpaolo.

**E.3 Sales with liabilities having recourse exclusively on the assets sold and not fully derecognised: fair value**

		(millions of euro)	
	Fully recognised	Partly recognised	31.12.2021 31.12.2020
<b>A. Financial assets held for trading</b>	<b>656</b>	<b>-</b>	<b>656 740</b>
1. Debt securities	455	-	455 552
2. Equities	201	-	201 188
3. Loans	-	-	- -
4. Derivatives	-	-	- -
<b>B. Other financial assets mandatorily measured at fair value</b>	<b>-</b>	<b>-</b>	<b>- -</b>
1. Debt securities	-	-	- -
2. Equities	-	-	- -
3. Loans	-	-	- -
<b>C. Financial assets designated at fair value</b>	<b>-</b>	<b>-</b>	<b>- -</b>
1. Debt securities	-	-	- -
2. Loans	-	-	- -
<b>D. Financial assets measured at fair value through other comprehensive income</b>	<b>9,945</b>	<b>-</b>	<b>9,945 4,374</b>
1. Debt securities	9,945	-	9,945 4,374
2. Equities	-	-	- -
3. Loans	-	-	- -
<b>E. Financial assets measured at amortised cost (fair value)</b>	<b>3,107</b>	<b>-</b>	<b>3,107 2,837</b>
1. Debt securities	3,009	-	3,009 2,700
2. Loans	98	-	98 137
<b>Total financial assets</b>	<b>13,708</b>	<b>-</b>	<b>13,708 7,951</b>
<b>Total related financial liabilities</b>	<b>13,937</b>	<b>-</b>	<b>13,937 7,851</b>
<b>Net value 31.12.2021</b>	<b>-229</b>	<b>-</b>	<b>-229 X</b>
<b>Net value 31.12.2020</b>	<b>100</b>	<b>-</b>	<b>X 100</b>

The table above does not include covered bond transactions in which the Bank is both the originator and lender for the vehicle issuing the debt securities.

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

These are not present in Intesa Sanpaolo.

**C. Financial assets sold and fully derecognised****Qualitative information*****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***

As at 31 December 2021, Intesa Sanpaolo held units of mutual funds acquired in multioriginator sales of loan portfolios.

In accordance with the provisions of the Communication of the Bank of Italy of 23 December 2019, incorporated into the seventh update to Circular 262, disclosures regarding “*Multioriginator sale transactions involving loan portfolios – classified as unlikely to pay in particular – attributable to the sale of loans to a mutual fund with the assignment of the units in the fund to the selling intermediaries*” are provided below.

**Fondo Back2Bonis**

In implementation of the derisking envisaged in the 2018-2021 Business Plan, in the third quarter of 2020 the Intesa Sanpaolo Group began 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 ISP and the merged UBI Banca, 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 by the merged UBI Banca in 2019 and 2020) of the sale of a loan portfolio, 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.

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:

- "Construction companies" at 64.3%;
- "Real estate business" at 17.5%;
- "Financial and insurance business" at 13.2%;
- 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:

- 70.7% North-West;
- 13.2% North-East;
- 11.9% South and Islands;
- 4.2% Centre;

At 31 December 2021, the Parent Company held a 34.39% stake in the Back2Bonis Fund, classified among investments subject to significant influence, for a book value of 141 million euro. The measurement of the Back2Bonis Fund yielded a negative effect for the year of 17 million euro.

**FI.NAV. Fund**

In pursuit of the de-risking activities provided for in the 2018-2021 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 Davy Global Fund Management, 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, which includes the loans contributed by the ISP Group and Unicredit and FI.NAV. Sub-fund B - New Finance, which includes 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).

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 2021, the Parent Company ISP held a 43.80% stake in the FI.NAV. Fund, classified among investments subject to significant influence, for a book value of 113 million euro. The measurement of the FI.NAV. Fund yielded a negative effect for the year of 23 million euro.

#### RSCT Fund – Loans Sub-Fund

As part of the derisking envisaged in the 2018-2021 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 ISP Group (ISP and Banca IMI, subsequently merged into ISP on 20 July 2020), Unicredit, BPER Banca and Crédit Agricole to the newly established closed-end alternative investment RSCT Fund, managed by Davy Investment Fund Services, 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 (ISP 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.

At 31 December 2021, the Parent Company ISP held a 71.80% stake in the RSCT Fund, classified among investments subject to significant influence, for a book value of 264 million euro. The measurement of the RSCT Fund yielded a negative effect for the year of 8 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 the current year, the Bank'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 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.

As at 31 December 2021, Intesa Sanpaolo held a 33.97% 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 87.8 million euro. The measurement of the IDEA CCR II Fund yielded a negative effect on the income statement for the year of 23 million euro.

**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 loans sub-funds, new finance and shipping. Following the merger of UBI Banca, ISP 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 the reporting year 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 2021, 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 23.9 million euro. The measurement of the IDEA CCR Corporate Credit Recovery II Fund - Shipping Sub-fund yielded a negative effect of 0.4 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 the reporting year 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 2021, Intesa Sanpaolo held a 4.38% stake in the CRF Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 8 million euro. The measurement of the Clessidra Restructuring Fund yielded a positive effect of 0.8 million euro during the year.

**E.4. 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 arranged three programmes for the issue 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 14.3 billion euro (net of retrocessions of assets of 0.5 billion euro). The last sale (amounting to around 1 billion euro) took place in April 2013. In September 2020, the retrocession of a customer was carried out for an amount of 132 million euro.

As at 31 December 2021, loans and securities sold to the vehicle had a book value of 3.5 billion euro.

Against these sales, Covered Bonds were issued over time for a total nominal value of 25.2 billion euro (of which 18.1 billion euro relating to issues acquired in full by the Bank and subject to early redemption or matured and 3.5 billion euro relating to an exchange offer to investors during 2012, one of which (2 billion euro) matured in the second quarter of 2017 and the other (1.5 billion euro) matured in January 2021).

As at 31 December 2020, a total nominal amount of 4.1 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP CB Pubblico was outstanding, of which 4 billion subscribed by the Bank and 0.1 billion placed with third party investors.

In 2021, the third series of Covered Bonds matured for a total nominal amount of 1.5 billion euro and the fourteenth series was issued for an amount of 1 billion euro.

Therefore, as at 31 December 2021, a total nominal amount of 3.6 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.

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 35.8 billion euro (net of retrocessions).

During 2021, the following additional transactions were also finalised:

- in January repurchases were carried out for an amount of 265 million euro;
- in June sales were carried out for an amount of 2.2 billion euro.

As at 31 December 2021, the loans sold to the vehicle had a book value of 16 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 33.9 billion euro (of which a total of 18.4 billion euro subject to early redemption or matured at December 2021).

As at 31 December 2020, a total nominal amount of 16.9 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 12 billion placed with third party investors and 4.9 billion subscribed by Intesa Sanpaolo. Part of the latter was subsequently used in repurchase agreements for an amount of 1.8 billion euro.

The eleventh series matured in 2021 for an amount of 1.4 billion euro, and no new issues were made.

As at 31 December 2021, a total nominal amount of 15.5 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 10.6 billion placed with third party investors and 4.9 billion subscribed by Intesa Sanpaolo. Part of the latter was subsequently used in repurchase agreements for an amount of 343 million 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 Bank has sold mortgages to the vehicle for an original total nominal value of 82.4 billion euro (net of exclusions).

In 2021, Intesa Sanpaolo sold mortgages to the vehicle for an original total nominal value of 7.4 billion euro (net of exclusions). The following sales were carried out:

- in March, sales for an amount of 4.2 billion euro;
- in November, sales for a total of 3.5 billion euro.

In addition, the following loans were repurchased:

- in January, for an amount of 321 million euro;
- in May, for an amount of 0.1 million euro.

As at 31 December 2021, the loans sold to the vehicle by Intesa Sanpaolo had a book value of 47.8 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 40.2 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 DBRS Morningstar A (High) rating.

As at 31 December 2020, the issues made under the programme guaranteed by the vehicle ISP OBG had a total nominal amount of 45.9 billion euro, fully subscribed by Intesa Sanpaolo and subsequently used in repurchase agreements for 50 million euro.

During 2021:

- in January, the securities of the seventeenth and eighteenth series were redeemed in advance for a total of 2.7 billion euro;
- in January, the forty-fifth and forty-sixth series of Covered Bonds were issued, each amounting to 1.35 billion euro, at floating rate and with maturities of 15 and 16 years, respectively;

Accordingly, as at 31 December 2021, 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.

Former UBI Banca, merged into Intesa Sanpaolo S.p.A. during 2021, included two covered bond programmes, run by two vehicle companies named UBI Finance S.r.l. and UBI Finance CB2 S.r.l., respectively.

The UBI Finance CB2 programme was closed in January 2021.

As at 31 December 2021, the programme of Covered Bonds through the Vehicle Company UBI Finance S.r.l. was still operating.

That programme, launched by the former UBI Banca Group in 2008, 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 a portfolio of residential mortgage loans assigned by the UBI Group's network banks. These banks participated in the programme as Originator Banks and Lending Banks.

In January 2021, an operation was finalised for the repurchase of loans totalling 5.2 billion euro (in terms of residual principal debt), of which 5 billion euro repurchased by Intesa Sanpaolo (former UBI Banca) and 0.2 billion euro repurchased by IW Bank, equal to its entire portfolio at the repurchase date.

In March 2021, an additional operation was then finalised for the repurchase of loans totalling 0.4 billion euro (in terms of residual principal debt), fully repurchased by Intesa Sanpaolo (former UBI Banca).

As at 31 December 2021, the loans sold to the vehicle had a book value of 8.9 billion euro and a total nominal amount of 9.1 billion euro of issues made as part of the covered bond programme of the vehicle UBI Finance was outstanding, of which 7.5 billion placed with third party investors and 1.6 billion retained.

During 2021:

- in January, the nineteenth and thirty-second issues were cancelled for a total of 1.5 billion euro and the sixth issue matured for an amount of 0.95 billion euro;
- in April, the third issue was redeemed for an amount of 11.4 million euro;
- in June, the thirtieth series was partially redeemed for an amount of 200 million euro;
- in October, the third issue was redeemed for an amount of 11.4 million euro;
- in November, the twenty-ninth series was partially redeemed for an amount of 200 million euro.

As at 31 December, the bonds under the programme were assigned an Aa3 rating from Moody's and AA from DBRS Morningstar.



The main features of the issues are shown in the table below.

(millions of euro)												
VEHICLE	NAME	TYPE OF UNDERLYING ASSET	ISSUE	MATURITY	RATING	VEHICLE DATA		SUBORDINATED FINANCING (1)		COVERED BOND ISSUED		
						Total assets	Cumulated write-downs to the securitised portfolio	amount	nominal amount (2)	book value (2)	IAS classification	Valuation
ISP CB PUBBLICO						4,666	12	4,567	-	-		
ISP CB IPOTECARIO						21,009	60	19,921	10,951	11,320	(3)	
	Intesa Sanpaolo 11/26 5,25%	Mortgage loans	17/02/2011	17/02/2026	Moody's Aa3				100	119	Securities issued	Amortised cost
	Intesa Sanpaolo 11/31 5,375%	Mortgage loans	17/02/2011	17/02/2031	Moody's Aa3				300	401	Securities issued	Amortised cost
	Intesa Sanpaolo 11/27 5,25%	Mortgage loans	16/09/2011	16/09/2027	Moody's Aa3				210	244	Securities issued	Amortised cost
	Intesa Sanpaolo 12/22 3,625%	Mortgage loans	03/12/2012	05/12/2022	Moody's Aa3				1,249	1,269	Securities issued	Amortised cost
	Intesa Sanpaolo 13/25 3,375%	Mortgage loans	24/01/2013	24/01/2025	Moody's Aa3				1,000	1,070	Securities issued	Amortised cost
	Intesa Sanpaolo 14/26 3,25%	Mortgage loans	10/02/2014	10/02/2026	Moody's Aa3				1,250	1,392	Securities issued	Amortised cost
	Intesa Sanpaolo 15/22 0,625%	Mortgage loans	23/01/2015	20/01/2022	Moody's Aa3				1,000	1,006	Securities issued	Amortised cost
	Intesa Sanpaolo 15/25 1,375%	Mortgage loans	18/12/2015	18/12/2025	Moody's Aa3				1,250	1,250	Securities issued	Amortised cost
	Intesa Sanpaolo 16/23 0,625%	Mortgage loans	23/03/2016	23/03/2023	Moody's Aa3				1,249	1,253	Securities issued	Amortised cost
	Intesa Sanpaolo 17/27 1,125%	Mortgage loans	16/06/2017	16/06/2027	Moody's Aa3				1,000	995	Securities issued	Amortised cost
	Intesa Sanpaolo 07/25 1,125%	Mortgage loans	13/07/2018	14/07/2025	Moody's Aa3				1,000	1,022	Securities issued	Amortised cost
	Intesa Sanpaolo 03/24 0,5%	Mortgage loans	05/03/2019	05/03/2024	Moody's Aa3				1,000	999	Securities issued	Amortised cost
	Intesa Sanpaolo 04/30 FRN	Mortgage loans	16/02/2018	12/04/2030	Moody's Aa3				343	300	Securities issued	Amortised cost
ISP OBG						56,473	231	56,381	-	-		
UBI FINANCE						10,566	81	10,549	7,508	7,846		
	Intesa Sanpaolo 04/22 FRN	Mortgage loans	30/04/2010	30/04/2022	Moody's Aa3 DBRS Morningstar AA				11	11	Securities issued	Amortised cost
	Intesa Sanpaolo 14/24 3,125%	Mortgage loans	05/02/2014	05/02/2024	Moody's Aa3 DBRS Morningstar AA				999	1,094	Securities issued	Amortised cost
	Intesa Sanpaolo 14/25 1,25%	Mortgage loans	07/11/2014	07/02/2025	Moody's Aa3 DBRS Morningstar AA				1,000	1,047	Securities issued	Amortised cost
	Intesa Sanpaolo 15/23 1%	Mortgage loans	27/10/2015	27/01/2023	Moody's Aa3 DBRS Morningstar AA				1,249	1,277	Securities issued	Amortised cost
	Intesa Sanpaolo 16/26 0,375%	Mortgage loans	14/09/2016	14/09/2026	Moody's Aa3 DBRS Morningstar AA				1,000	1,005	Securities issued	Amortised cost
	Intesa Sanpaolo 17/27 1,125%	Mortgage loans	04/10/2017	04/10/2027	Moody's Aa3 DBRS Morningstar AA				1,250	1,311	Securities issued	Amortised cost
	Intesa Sanpaolo 18/30 1,25%	Mortgage loans	15/01/2018	15/01/2030	Moody's Aa3 DBRS Morningstar AA				500	537	Securities issued	Amortised cost
	Intesa Sanpaolo 18/24 0,5%	Mortgage loans	15/01/2018	15/07/2024	Moody's Aa3 DBRS Morningstar AA				749	759	Securities issued	Amortised cost
	Intesa Sanpaolo 18/33 1,78%	Mortgage loans	23/02/2018	23/02/2033	Moody's Aa3 DBRS Morningstar AA				90	104	Securities issued	Amortised cost
	Intesa Sanpaolo 18/33 1,75%	Mortgage loans	26/02/2018	25/02/2033	Moody's Aa3 DBRS Morningstar AA				160	184	Securities issued	Amortised cost
	Intesa Sanpaolo 19/25 1%	Mortgage loans	25/02/2019	25/09/2025	Moody's Aa3 DBRS Morningstar AA				500	517	Securities issued	Amortised cost

(1) This caption includes the subordinated loan granted by Intesa Sanpaolo 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 are to be considered net of securities repurchased.

(3) The covered bonds (CB) issued by Intesa Sanpaolo were placed on the market with professional investors for almost the entire amount issued.

The additional information required by IFRS 12 is not provided by banks that draw up consolidated financial statements pursuant to Bank of Italy Circular 262.



**F. MODELS FOR THE MEASUREMENT OF CREDIT RISK**

At the end of the year, the expected loss was 0.40% of the amount drawn, in line with the figure at the end of 2020 (0.40%), mainly due to the exit of higher risk operations which offset the slight increase in risk observed on counterparties across the two periods. The stability is due to the offsetting of the incremental effects of the banks and public entities model change balanced by the effects of the Retail SME model change and the decline in operations associated with higher risk profiles.

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.

## SECTION 2 – MARKET RISKS

### REGULATORY TRADING BOOK

#### 2.1 INTEREST RATE RISK AND PRICE RISK

##### Qualitative information

Qualitative information on the measurement of financial risks of Intesa Sanpaolo's regulatory trading book is contained in Part E of the Notes to the consolidated financial statements.

##### Quantitative information

Operational quantitative information on Intesa Sanpaolo's market risks is contained in Part E of the Notes to the consolidated financial statements.

### BANKING BOOK

#### 2.2 INTEREST RATE RISK AND PRICE RISK

##### Qualitative information

Qualitative information on the measurement of financial risks in Intesa Sanpaolo's banking book is contained in Part E of the Notes to the consolidated financial statements.

##### Quantitative information

##### **Banking book - internal models and other sensitivity analysis methodologies**

The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 795 million euro, -688 million euro and 1,561 million euro, respectively, at the end of 2021. This latter figure was up compared to the end of 2020, when it was 2,141 million euro.

Interest rate risk, generated by Intesa Sanpaolo's banking book, measured through value shift sensitivity (sensitivity of portfolio value to a parallel and uniform shift in the yield curve of +100 basis points), recorded an average of -428 million euro during 2021 and amounted to -853 million euro at year-end (-485 million euro at the end of 2020). This change was due, especially in the last quarter of 2021, to the increased fixed-rate lending and to the hedging of on-demand deposits from customers.

Interest rate risk, measured in terms of VaR (99% confidence level, 10-day holding period), amounted to an average of 405 million euro during 2021, with a maximum value of 486 million euro and a minimum value of 301 million euro. The 2021 year-end figure was 477 million euro.

Price risk generated by minority stakes in listed companies, mostly held in the HTCS category and measured in terms of VaR, recorded an average level during 2021 of 200 million euro, with maximum and minimum values of 278 million euro and 151 million euro, respectively, amounting to 230 million euro at the end of 2021 (304 million euro at the end of 2020). The deviations in the values were mainly due to volatility in the markets recorded during 2021.

Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock for the abovementioned quoted assets recorded in the HTCS portfolio.

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

		Impact on shareholders' equity at 31.12.2021	Impact on shareholders' equity at 30.09.2021	Impact on shareholders' equity at 30.06.2021	Impact on shareholders' equity at 31.03.2021	(millions of euro) Impact on shareholders' equity at 31.12.2020
Price shock	10%	177	181	208	152	147
Price shock	-10%	-177	-181	-208	-152	-147

## 2.3 FOREIGN EXCHANGE RISK

### Qualitative information

Qualitative information, including hedging activities of foreign exchange risk, is contained in Part E of the Notes to the consolidated financial statements.

### Quantitative information

#### 1. Breakdown by currency of assets and liabilities and of derivatives

(millions of euro)

	CURRENCIES					
	US dollar	GB pound	Swiss franc	Yen	Australian dollar	Other currencies
<b>A. FINANCIAL ASSETS</b>	<b>36,809</b>	<b>3,747</b>	<b>315</b>	<b>3,660</b>	<b>2,024</b>	<b>3,537</b>
A.1 Debt securities	13,933	912	-	3,097	837	660
A.2 Equities	638	1	8	1	-	337
A.3 Loans to banks	5,363	39	55	3	23	370
A.4 Loans to customers	16,875	2,795	252	559	1,164	2,170
A.5 Other financial assets	-	-	-	-	-	-
<b>B. OTHER ASSETS</b>	<b>4,200</b>	<b>129</b>	<b>53</b>	<b>104</b>	<b>295</b>	<b>210</b>
<b>C. FINANCIAL LIABILITIES</b>	<b>36,518</b>	<b>2,529</b>	<b>475</b>	<b>745</b>	<b>816</b>	<b>1,723</b>
C.1 Due to banks	15,603	164	364	20	576	1,088
C.2 Due to customers	8,422	932	111	92	228	567
C.3 Debt securities	12,493	1,433	-	633	12	68
C.4 Other financial liabilities	-	-	-	-	-	-
<b>D. OTHER LIABILITIES</b>	<b>510</b>	<b>35</b>	<b>1</b>	<b>1</b>	<b>64</b>	<b>29</b>
<b>E. FINANCIAL DERIVATIVES</b>						
- Options						
<i>long positions</i>	1,616	-	-	11	-	22
<i>short positions</i>	1,607	61	-	13	-	19
- Other derivatives						
<i>long positions</i>	64,003	13,215	8,904	5,397	1,343	12,439
<i>short positions</i>	67,825	14,323	8,807	8,482	2,832	14,106
<b>TOTAL ASSETS</b>	<b>106,628</b>	<b>17,091</b>	<b>9,272</b>	<b>9,172</b>	<b>3,662</b>	<b>16,208</b>
<b>TOTAL LIABILITIES</b>	<b>106,460</b>	<b>16,948</b>	<b>9,283</b>	<b>9,241</b>	<b>3,712</b>	<b>15,877</b>
<b>DIFFERENCE (+/-)</b>	<b>168</b>	<b>143</b>	<b>-11</b>	<b>-69</b>	<b>-50</b>	<b>331</b>

#### 2. Internal models and other sensitivity analysis methodologies

Management of foreign exchange risk relating to trading activities is included in the operating procedures and in the estimation methodologies of the internal model based on VaR calculations, as described in Part E of the Notes to the consolidated financial statements.

Foreign exchange risk expressed by equity investments in foreign currency (banking book) originated a VaR (99% confidence level, 10-day holding period) amounting to 93 million euro as at 31 December 2021. This potential impact would only be reflected in the Shareholders' Equity.

## SECTION 3 – DERIVATIVES AND HEDGING POLICIES

The Bank is authorised to use EPE (Expected Positive Exposure) internal approaches to determine the capital requirement for counterparty risk.

These approaches are used for almost the entire trading book (as shown in the table below, as at 31 December 2021 approximately 98% of the total EAD of financial and credit derivatives is measured using EPE models).

Derivatives whose counterparty risk is measured using approaches other than internal models represent a residual portion of the portfolio (as at 31 December 2021 accounting for approximately 2% of overall EAD) and refer to residual contracts which are not simulated, in compliance with the immateriality thresholds set by the EBA.

As a result of the enactment of the Basel 3 rules, the scope of counterparty risk also includes Exchange Traded Derivatives (ETD) and contracts with central counterparties (CCP).

The table below shows the overall EAD of exposures in financial and credit derivatives, broken down by measurement approach.

Transaction categories	Exposure at default (EAD)			
	31.12.2021		31.12.2020	
	Standardised models	Internal Method (EPE)	Standardised models	Internal Method (EPE)
Derivative contracts	332	16,363	177	20,069

(millions of euro)

Using the EPE internal model, it is possible to consider the collateral collected to mitigate credit exposure and any excess collateral paid in the simulation. The value of the guarantees received and included in the calculation of the EAD amounts to approximately 8 billion euro for Intesa Sanpaolo, while the collateral paid equals approximately 19 billion euro (including the initial margins posted in connection with transactions with Central counterparties).

### 3.1 Trading derivatives

#### A. FINANCIAL DERIVATIVES

##### A.1 Financial trading derivatives: period-end notional amounts

Underlying asset/Type of derivatives	31.12.2021				31.12.2020			
	Over the counter			Organised markets	Over the counter			Organized markets
	Central Counterparties	Without central counterparties			Central Counterparts	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rate	1,933,669	302,251	76,452	167,501	1,885,799	363,611	70,434	161,456
a) Options	-	69,216	6,169	6,868	-	75,849	6,112	54,326
b) Swaps	1,933,669	233,035	68,777	-	1,885,799	287,762	60,904	-
c) Forwards	-	-	1,469	-	-	-	2,487	-
d) Futures	-	-	37	160,633	-	-	931	107,130
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indices	-	4,799	28,198	2,480	-	6,359	30,249	1,889
a) Options	-	4,792	28,189	609	-	6,359	30,236	400
b) Swaps	-	7	9	-	-	-	13	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	1,871	-	-	-	1,489
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	-	172,779	15,290	104	-	157,437	14,663	359
a) Options	-	22,637	1,181	89	-	17,118	780	117
b) Swaps	-	44,252	3,829	-	-	50,083	3,826	-
c) Forwards	-	105,707	9,504	-	-	89,984	9,478	-
d) Futures	-	-	-	15	-	-	-	242
e) Other	-	183	776	-	-	252	579	-
4. Commodities	-	3,068	1,070	1,698	-	3,002	695	1,685
5. Other underlying assets	-	-	-	-	-	-	-	-
Total	1,933,669	482,897	121,010	171,783	1,885,799	530,409	116,041	165,389

(millions of euro)

The notional amounts shown as at 31 December 2021 in the column “Over the counter” with central counterparties relate to interest rate derivatives settled through legal clearing for a total of 1,934 billion euro.

## A.2 Financial trading derivatives: gross positive and negative fair value – breakdown by product

(millions of euro)

Type of derivative	31.12.2021				31.12.2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	1,743	789	26	-	2,418	683	45
b) Interest rate swaps	39,039	10,033	5,337	-	52,352	16,825	7,134	-
c) Cross currency swaps	-	1,295	264	-	-	1,246	348	-
d) Equity swaps	-	-	-	-	-	-	6	-
e) Forwards	-	895	100	-	-	1,257	136	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	752	190	-	-	175	58	-
Total	39,039	14,718	6,680	26	52,352	21,921	8,365	45
2. Negative fair value								
a) Options	-	1,842	6,306	19	-	2,431	6,339	18
b) Interest rate swaps	39,252	14,130	855	-	53,475	21,051	1,238	-
c) Cross currency swaps	-	1,141	859	-	-	1,595	758	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	1,146	208	-	-	1,110	210	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	752	417	-	-	173	60	-
Total	39,252	19,011	8,645	19	53,475	26,360	8,605	18

This table shows the fair value of all the unmargined contracts, both on regulated markets and with Central counterparties.

The amounts shown in the column “Over the counter” with central counterparties relate to the gross fair value of the over-the-counter (OTC) derivatives settled through legal clearing, including LCH Ltd.

The fair value of the over-the-counter (OTC) trading derivatives held with the legal clearing agent LCH Ltd, considered to have met the requirements of IAS 32, paragraph 42, was offset in the financial statements (Part B of the Notes to financial statements) with a total positive difference for financial derivatives held for trading of 445 million euro (positive fair value of 38,716 million euro and negative fair value of 38,271 million euro). The difference relates to transactions originated by customers and Group companies for a negative clearing amount of 510 million euro, shown under financial liabilities held for trading, and to transactions on own account for a positive clearing amount of 955 million euro, shown in liabilities under hedging derivatives, together with the clearing amount from the hedging derivative contracts.

### A.3 Over the counter financial trading derivatives: notional amounts, gross positive and negative fair value by counterparty

Underlying asset	(millions of euro)			
	Central Counterparties	Banks	Other financial companies	Other counterparties
<b>Contracts not included under netting agreements</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	X	7,281	14,694	54,477
- positive fair value	X	883	263	4,234
- negative fair value	X	-571	-167	-255
<b>2) Equities and stock indices</b>				
- notional amount	X	16,273	6,435	5,490
- positive fair value	X	677	47	4
- negative fair value	X	-1,067	-154	-5,020
<b>3) Foreign exchange rates and gold</b>				
- notional amount	X	2,064	2,078	11,148
- positive fair value	X	10	16	360
- negative fair value	X	-697	-35	-267
<b>4) Commodities</b>				
- notional amount	X	-	78	992
- positive fair value	X	-	2	184
- negative fair value	X	-	-15	-397
<b>5) Other</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>Contracts included under netting agreements</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	1,933,669	236,577	50,540	15,134
- positive fair value	39,039	8,248	1,926	1,278
- negative fair value	-39,252	-12,596	-2,576	-366
<b>2) Equities and stock indices</b>				
- notional amount	-	1,992	2,792	15
- positive fair value	-	74	19	5
- negative fair value	-	-90	-88	-
<b>3) Foreign exchange rates and gold</b>				
- notional amount	-	132,990	28,473	11,316
- positive fair value	-	1,581	459	375
- negative fair value	-	-1,475	-599	-462
<b>4) Commodities</b>				
- notional amount	-	326	1,266	1,476
- positive fair value	-	47	312	394
- negative fair value	-	-19	-244	-496
<b>5) Other</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

**A.4 Residual maturity of over the counter financial derivatives: notional amounts**

		(millions of euro)			
Underlying/Residual maturity		Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		593,537	976,956	741,879	2,312,372
A.2 Financial derivatives on equities and stock indices		9,805	21,709	1,483	32,997
A.3 Financial derivatives on foreign exchange rates and gold		137,564	35,367	15,138	188,069
A.4 Financial derivatives on commodities		2,670	1,468	-	4,138
A.5 Other financial derivatives		-	-	-	-
<b>Total</b>	<b>31.12.2021</b>	<b>743,576</b>	<b>1,035,500</b>	<b>758,500</b>	<b>2,537,576</b>
<b>Total</b>	<b>31.12.2020</b>	<b>754,243</b>	<b>974,530</b>	<b>803,476</b>	<b>2,532,249</b>

**B. CREDIT DERIVATIVES****B.1 Credit trading derivatives: period-end notional amounts**

		(millions of euro)	
Categories of transactions	Trading derivatives		
	single counterparty	more counterparties (basket)	
<b>1. Protection purchases</b>			
a) Credit default products	7,531		67,468
b) Credit spread products	-		-
c) Total rate of return swap	-		-
d) Other	-		-
<b>Total 31.12.2021</b>	<b>7,531</b>		<b>67,468</b>
<b>Total 31.12.2020</b>	<b>7,072</b>		<b>58,756</b>
<b>2. Protection sales</b>			
a) Credit default products	8,243		63,098
b) Credit spread products	-		-
c) Total rate of return swap	-		-
d) Other	-		-
<b>Total 31.12.2021</b>	<b>8,243</b>		<b>63,098</b>
<b>Total 31.12.2020</b>	<b>7,453</b>		<b>51,887</b>

As at 31 December 2021, none of the contracts shown in the table were included within the disclosure on structured credit products reported in the chapter on market risks in the Notes to the consolidated financial statements.



**B.2 Credit trading derivatives: gross positive and negative fair value – breakdown by product**

		(millions of euro)
Type of derivative	Total 31.12.2021	Total 31.12.2020
1. Positive fair value		
a) Credit default products	2,248	1,643
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	2,248	1,643
2. Negative fair value		
a) Credit default products	2,341	1,758
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	2,341	1,758

As at 31 December 2021, none of the contracts shown in the table were included within the disclosure on structured credit products reported in the chapter on market risks in the Notes to the consolidated financial statements.

**B.3 Over the counter credit trading derivatives: notional amounts, gross positive and negative fair value by counterparty**

	Central counterparties	Banks	Other financial companies	(millions of euro) Other counterparties
<b>Contracts not included under netting agreements</b>				
<b>1) Protection purchases</b>				
– notional amount	X	-	-	246
– positive fair value	X	-	-	35
– negative fair value	X	-	-	-
<b>2) Protection sales</b>				
– notional amount	X	-	33	8
– positive fair value	X	-	-	-
– negative fair value	X	-	-1	-9
<b>Contracts included under netting agreements</b>				
<b>1) Protection purchases</b>				
– notional amount	49,299	12,574	12,880	-
– positive fair value	-	158	146	-
– negative fair value	-1,615	-170	-211	-
<b>2) Protection sales</b>				
– notional amount	46,227	13,242	11,831	-
– positive fair value	1,508	176	225	-
– negative fair value	-	-174	-161	-

As at 31 December 2021, none of the contracts shown in the table were included within the disclosure on structured credit products reported in the chapter on market risks in the Notes to the consolidated financial statements.

**B.4 Residual maturity of over the counter credit trading derivatives: notional amounts**

Underlying/Residual maturity	(millions of euro)			
	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
1. Protection sales	4,426	66,221	694	71,341
2. Protection purchases	4,719	69,749	531	74,999
<b>Total 31.12.2021</b>	<b>9,145</b>	<b>135,970</b>	<b>1,225</b>	<b>146,340</b>
<b>Total 31.12.2020</b>	<b>9,350</b>	<b>114,173</b>	<b>1,645</b>	<b>125,168</b>

**B.5 Credit derivatives associated with the fair value option: annual changes**

Intesa Sanpaolo does not hold credit derivatives associated with the fair value option.

**3.2 Accounting hedges****Qualitative information**

On first-time adoption of IFRS 9, the Intesa Sanpaolo Group exercised its option under the standard to continue to fully apply the rules of IAS 39 for all types of hedges (micro and macro hedges). As a result, the provisions of IFRS 9 on hedging do not apply.

**A. Fair value hedging**

The hedging carried out by the Bank is aimed at protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve (interest rate risk).

The Bank uses both micro fair value hedges and macro fair value hedges.

The micro fair value hedges mainly hedge bonds issued, securities under assets and loans to customers.

The macro fair value hedges are used for:

- core deposits, based on the applicable standards in the carved-out version of IAS 39 in accordance with the option provided by IFRS 9 to make use of the possibility of fully applying the provisions of IAS 39 on hedges;
- the already fixed portion of floating-rate loans, in which the macro fair value hedge is used to hedge the interest rate risk inherent in the floating-rate coupons of the loans granted, when the coupon rate is set;
- a portion of fixed-rate loans; for this type, in line with the carved-out version of IAS 39, an open-portfolio macrohedging model has been adopted according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics.

The main types of derivative contracts used are plain and structured interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS), forward sales and options on interest rates stipulated with third parties.

The derivatives are not listed on regulated markets but are traded in OTC (over the counter) circuits. The OTC (over the counter) contracts also include contracts entered into through clearing houses.

**B. Cash flow hedging**

The hedging carried out by the Bank is aimed at protecting it from the exposure to changes in future cash flows attributable to movements in the interest rate curve, associated with a particular asset/liability, such as variable future interest payments on a debt/loan or a highly probable expected future transaction.

The Bank uses both micro cash flow hedges and macro cash flow hedges. The micro cash flow hedges mainly hedge bonds issued.

The macro cash flow hedges are used for:

- floating-rate funding when it is used to finance fixed-rate loans;
- floating-rate loans to hedge the fixed-rate funding.

The derivatives used are interest rate swaps (IRS) with third parties.

The derivatives are not listed on regulated markets but are traded in OTC (over the counter) circuits. The OTC (over the counter) contracts also include contracts entered into through clearing houses.

## C. Hedging of foreign investments

In 2021, foreign exchange hedges were taken out against the foreign exchange risk on the cost of funding in foreign currency and on foreign currency gains generated by the Parent Company's international branches. These are operational hedges, which are therefore not recognised as accounting hedges covered by this section.

## D. Hedging instruments

The main causes of ineffectiveness of the model adopted by the Bank for verifying the effectiveness of the hedges are attributable to the following:

- misalignment between the notional value of the derivative and the hedged underlying recognised at the time of initial designation or generated subsequently, such as in the case of partial repayments of loans or the repurchase of bonds;
- application of different curves on the hedging derivative and hedged item for the purpose of carrying out the effectiveness test on fair value hedges. The derivatives, normally collateralised or entered into through clearing houses, are discounted on the overnight curves, while the hedged items are discounted on the indexing curve of the hedging instrument;
- inclusion in the effectiveness test of the value of the variable leg of the hedging derivative, in the case of fair value hedges.

The ineffectiveness of the hedge is promptly recognised for the purposes of:

- the determination of the effect on the income statement;
- the assessment of the possibility of continuing to apply the hedge accounting rules.

The Bank does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

## E. Hedged items

The main types of hedged items are:

- debt securities under assets;
- debt securities issued and non-securities funding;
- fixed-rate loans;
- floating-rate loans;
- optional embedded component of floating-rate mortgages;
- already fixed coupon of floating rate-loans;
- modelled on demand deposits.

### E.1 Debt securities under assets

These are hedged by micro fair value hedges, using IRS (interest rate swaps), OIS (overnight index swaps) and CCS (cross-currency swaps) as hedging instruments.

The interest rate risk is generally hedged for the entire duration of the obligation.

The Dollar Offset Method is used to verify the hedge effectiveness. This method is based on the ratio between the cumulative changes (from the inception of the hedge) in the fair value of the hedging instrument, attributable to the hedged risk, and past changes in the fair value of the hedged item (fair value change), net of accrued interest.

Micro fair value hedges also include forward sales on securities in the HTCS portfolio, carried out to hedge fair value risks from movements in credit spreads and interest rate curves. With regard to the forward sale contract, which is a derivative because it is a non-regular way transaction, the spot component is separated from the interest component by designating only the spot component as the hedging instrument in a fair value hedging relationship.

### E.2 Debt securities issued and non-securities funding

The Bank currently has micro fair value hedges in place on fixed- or structured-rate funding and micro cash flow hedges or macro cash flow hedges on floating-rate funding, using IRS (interest rate swaps), OIS (overnight index swaps) and CCS (cross-currency swaps) as hedging instruments.

The interest rate risk is generally hedged for the entire duration of the obligation.

For the micro hedges, the hedge effectiveness is verified using the Dollar Offset Method. This method is based on the ratio between the cumulative changes (from the inception of the hedge) in the fair value or the cash flows of the hedging instrument, attributable to the hedged risk, and past changes in the fair value or the cash flows of the hedged item (fair value change), net of accrued interest.

For the macro hedges, the hedge effectiveness is verified by means of a capacity test. This test involves a comparison of the consistency between the hedged items, referring to existing and expected floating-rate funding (so-called highly probable future transactions), and the hedging instruments, which must always be confirmed throughout the life of the hedging relationship and for each time band. In this case, the hedged item is represented by the expected cash flows from funding that will arise over the life of the issues.

### E.3 Fixed-rate loans

The Bank has designated micro fair value hedges for fixed-rate loans and macro fair value hedges for mortgage loans in the Bank's retail segment, mainly using IRS (interest rate swaps) as hedging instruments.

In a micro fair value hedge, the interest rate risk is hedged throughout the life of the underlying.

For the micro hedges, the hedge effectiveness is verified using the Dollar Offset Method.

For the macro hedges, the loan portfolio hedged is open, i.e. it is dynamically composed of fixed-rate instruments managed at aggregate level through hedging derivatives entered into over time.

The effectiveness of the macro hedges on fixed-rate loans is periodically verified through specific prospective and retrospective tests aimed at demonstrating that the hedged portfolio contains an amount of assets whose sensitivity profile and changes in fair value due to interest rate risk reflect those of the derivatives used for the hedge.

**E.4 Floating-rate loans**

The Bank currently has macro cash flow hedges in place on floating-rate loans, mainly using IRS as hedging instruments. The hedge effectiveness is verified by means of a capacity test. This test involves a comparison of the consistency between the hedged items, referring to the floating-rate loans outstanding, and the hedging instruments, which must always be confirmed throughout the life of the hedging relationship and for each time band. In this case, the hedged item is represented by the expected cash flows originating from the loans that will arise over the life of the assets.

**E.5 Optional embedded component of floating-rate mortgages**

The optional embedded components (interest rate options) of floating-rate mortgages are hedged by micro fair value hedges, using options (cap, floor, collar) as hedging instruments.

The underlying assets may be partially or totally hedged, over time and in terms of amount.

The Dollar Offset Method is used to verify the hedge effectiveness.

**E.6 Already fixed coupon of floating-rate loans**

The Bank has designated macro fair value hedges on coupons already set for floating-rate loans using OIS (overnight index swaps) as hedging instruments.

The purpose of this type of hedge is to neutralise the interest rate risk generated by the coupons already set for floating-rate loans.

The Dollar Offset Method is used to verify the hedge effectiveness, while the actual consistency of the hedged items is verified by a capacity test.

**E.7 Modelled on demand deposits.**

Modelled on demand deposits are hedged by macro fair value hedges, as required by the “carved-out” of IAS 39, using IRS (interest rate swaps) and OIS (overnight index swaps) as hedging instruments.

The purpose of this type of hedge is to protect the net interest income from possible falls in interest rates that reduce the spread generated by the Bank's core deposits.

The model is subject to continuous monitoring and verification by the Market and Financial Risk Management Head Office Department, in order to promptly incorporate changes in the main characteristics (volumes, stability, reactivity) and make the necessary adjustments where appropriate.

The Dollar Offset Method is used to verify the hedge effectiveness.

## Quantitative information

### A. Financial hedging derivatives

#### A.1 Financial hedging derivatives: period-end notional amounts

(millions of euro)

(millions of euro)

Underlying asset/Type of derivative	31.12.2021				31.12.2020			
	Over the counter			Organised markets	Over the counter			Organized markets
	Central Counterparties	Without central counterparties			Central Counterparts	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreement	
1. Debt securities and interest rates	253,223	10,980	3,262	-	190,108	11,137	2,947	-
a) Options	-	1,851	-	-	-	2,229	-	-
b) Swaps	253,223	9,129	2,514	-	190,108	8,908	1,502	-
c) Forwards	-	-	748	-	-	-	1,445	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	-	9,420	-	-	-	7,277	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	9,420	-	-	-	7,277	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
TOTAL	253,223	20,400	3,262	-	190,108	18,414	2,947	-

The average notional amount in the year of the financial hedging derivatives was 235,070 million euro.

The notional amounts shown as at 31 December 2021 in the column “Over the counter” with central counterparties relate to notional amounts of the interest rate derivatives settled through legal clearing for a total of 253 billion euro.

## A.2 Financial hedging derivatives: gross positive and negative fair value – breakdown by product

(millions of euro)

Type of derivative	Positive and negative fair value								Change in value used to calculate hedge effectiveness	
	Total 31.12.2021				Total 31.12.2020				Total 31.12.2021	Total 31.12.2020
	Over the counter			Organized markets	Over the counter			Organized markets		
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties				
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements			
Positive fair value										
a) Options	-	26	-	-	-	10	-	-	-114	-155
b) Interest rate swap	2,816	580	28	-	2,437	716	1	-	2,505	2,682
c) Cross currency swap	-	483	-	-	-	287	-	-	68	103
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	1	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	2,816	1,089	28	-	2,437	1,013	2	-	2,459	2,630
Negative fair value										
a) Options	-	2	-	-	-	3	-	-	2	3
b) Interest rate swap	5,238	1,686	10	-	8,349	1,533	40	-	5,743	8,871
c) Cross currency swap	-	356	-	-	-	388	-	-	378	204
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	1	-	-	-	12	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	5,238	2,044	11	-	8,349	1,924	52	-	6,123	9,078

The amounts shown as at 31 December 2021 in the column "Over the counter" with central counterparties relate to the gross fair value of the over-the-counter (OTC) derivatives settled through legal clearing, including LCH Ltd.

The fair value of the over-the-counter (OTC) hedging derivatives held with the legal clearing agent LCH Ltd, considered to have met the requirements of IAS 32, paragraph 42, was offset in the financial statements (Part B of the Notes to the financial statements) with a total negative difference of 2,797 million euro (positive fair value of 2,367 million euro and negative fair value of 5,164 million euro), represented among hedging derivative liabilities.

## A.3 Over the counter financial hedging derivatives: notional amounts, gross positive and negative fair values by counterparty

Underlying asset	(millions of euro)			
	Central counterparties	Banks	Other financial companies	Other counterparties
<b>Contracts not included under netting agreements</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	X	-	3,262	-
- positive fair value	X	-	28	-
- negative fair value	X	-	-11	-
<b>2) Equities and stock indices</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>3) Foreign exchange rates and gold</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>4) Commodities</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>5) Other</b>				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
<b>Contracts included under netting agreements</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	253,223	9,466	1,514	-
- positive fair value	2,816	570	36	-
- negative fair value	-5,238	-816	-872	-
<b>2) Equities and stock indices</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>3) Foreign exchange rates and gold</b>				
- notional amount	-	8,166	1,254	-
- positive fair value	-	458	25	-
- negative fair value	-	-151	-205	-
<b>4) Commodities</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
<b>5) Other</b>				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-



*A.4 Residual maturity of over the counter financial hedging derivatives: notional amounts*

		(millions of euro)			
Underlying/Residual maturity		Up to 1 year	Between 1 and 5 years	Over 5 year	Total
A.1 Financial derivatives on debt securities and interest rates		54,421	111,406	101,638	267,465
A.2 Financial derivatives on equities and stock indices		-	-	-	-
A.3 Financial derivatives on foreign exchange rates and gold		370	4,380	4,670	9,420
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
<b>Total</b>	<b>31.12.2021</b>	<b>54,791</b>	<b>115,786</b>	<b>106,308</b>	<b>276,885</b>
<b>Total</b>	<b>31.12.2020</b>	<b>52,426</b>	<b>76,022</b>	<b>83,021</b>	<b>211,469</b>

**Information on the uncertainty deriving from hedging derivative benchmark indices**

As illustrated in Part A – Accounting policies, Intesa Sanpaolo, from the 2019 Financial Statements, has applied Regulation (EU) 34/2020 of 15 January 2020, which adopted the document issued by the IASB in September 2019 on “Interest Rate Benchmark Reform (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)”. This regulation introduced several amendments regarding hedge accounting designed to prevent uncertainties about the amount and timing of the cash flows arising from the rate reform resulting in the discontinuation of existing hedges and difficulties in designating new hedging relationships. Therefore, the analysis of hedge effectiveness was carried out considering the flows and timing of outstanding hedging derivatives, assuming that the interest rate benchmarks used to set existing interest rates will not be changed as a result of the Interest Rate Benchmark Reform (IBOR Reform).

The disclosure required by IFRS 7, paragraph 24H, on the uncertainty arising from interest rate benchmark reform on hedging relationships and the nominal amount of hedging instruments potentially impacted by the benchmark rate reform is provided below. Reference should also be made to that set out in the Notes to the consolidated financial statements, in the Introduction of Part E – Information on risks and relative hedging policies, for an illustration of how the Group is managing the process to transition to alternative benchmark rates.

**B. Credit hedging derivatives***B.1 Credit hedging derivatives: period-end notional amounts**B.2 Credit hedging derivatives: gross positive and negative fair value - breakdown by product**B.3 Over the counter credit hedging derivatives: notional amounts, gross positive and negative fair values by counterparty**B.4 Residual maturity of over the counter credit hedging derivatives: notional amounts*

Intesa Sanpaolo does not hold credit derivatives classified as hedges in its portfolio

**C. Non-derivative hedging instruments***C.1 Non-derivative hedging instruments: breakdown by accounting portfolio and type of hedge*

Intesa Sanpaolo has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges). For this reason, the Bank does not hold financial instruments to be shown in table “C.1 Non-derivative hedging instruments: breakdown by accounting portfolio and type of hedge”.

*Fair value hedge derivatives*

Fair value hedge derivatives of the Bank are mainly index-linked to the Euribor, whose calculation method was revised during 2019 to be able to continue using that parameter also after 1 January 2022, both for outstanding contracts and new contracts. To make the Euribor compliant with the EU Benchmarks Regulation (BMR - Regulation 2016/1011/EU) the EMMI - European Money Markets Institute - implemented the change to a new “hybrid” calculation method. The current calculation system – which was completed at the end of November 2019 – does not change the economic variable that the benchmark measures: the Euribor expresses the actual cost of funding for contributing European banks, and is always available and consultable. Therefore, the Bank does not deem there to be uncertainty on the timing or cash flows of the Euribor, and the fair value hedges linked to the Euribor are not deemed to be impacted by the reform, in line with the approach already adopted in previous years.

The fair value hedges also include derivatives index-linked to benchmarks impacted by the reform, specifically to the EONIA and the LIBOR, for the various currencies, which are being replaced with new risk-free interest rates. In Europe, the EONIA fixing, calculated starting from October 2019 based on the new risk-free rate €STR, was published until the end of 3 January 2022, in reference to operations as at 31 December 2021, and then permanently replaced by €STR. For the LIBOR fixing, publication took place until 31 December 2021, with the exception of the USD LIBOR, the discontinuation of which was postponed until June 2023, and there are alternative risk-free rates available in the individual nations, which will replace the

LIBOR. In further detail, 31 December 2021 was the final date for publication of the one-week and two-month USD LIBOR rates, whereas the USD LIBOR rates on the other maturities will continue to be published until 30 June 2023.

Specifically, as at 31 December 2021, there were fair value hedges index-linked to the EONIA for a notional amount of 4 million euro (30,393 million euro as at 31 December 2020; 32,086 million euro including the former UBI Banca), to the USD LIBOR for a notional amount of 16,416 million euro (14,236 million euro as at 31 December 2020; 15,139 million euro including the former UBI Banca) and to other interest rates impacted by the reform, consisting of LIBOR of other currencies, for a notional amount of 62 million euro (31 million euro as at 31 December 2020; 57 million euro including the former UBI Banca). These amounts represent 6% of the total of fair value hedge derivatives of the Bank (22% as at 31 December 2020; 20% including the former UBI Banca). In 2021, there was also a progressive increase in the use of derivatives indexed to the €STR in the hedging subject to hedge accounting.

These amounts are included in the disclosure provided on the IBOR Reform in Part A Section 4 - Other aspects, where the table published includes, in the “derivatives” column, both trading and hedging derivatives not yet transitioned to the alternative benchmarks as at 31 December 2021. See that section for qualitative analyses of the methods of management of the transition by the Bank.

#### *Cash flow hedge derivatives*

Cash flow hedge derivatives are index-linked to the Euribor. As illustrated for fair value hedges, the Bank does not deem that there is uncertainty on the timing or cash flows of the Euribor, and, therefore does not consider the cash flow hedges linked to the Euribor to be impacted by the reform.

## D. Hedged items

Intesa Sanpaolo exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).

### D.1 Fair value hedges

(millions of euro)						
	Micro-hedges: book value	Micro-hedges – net positions: book value of assets and liabilities (prior to netting)	Cumulative fair value changes (hedged instrument)	Micro-hedges Termination of hedging: residual cumulative fair value changes	Changes in value used to assess hedge ineffectiveness	Macro-hedges: book value
<b>A. Assets</b>						
<b>1. Financial assets designated at fair value through other comprehensive income – hedging of:</b>						
	41,472	-	-304	453	-226	-
1.1 Debt securities and interest rates	38,659	-	-293	453	-264	x
1.2 Equities and stock indices	-	-	-	-	-	x
1.3 Foreign exchange rates and gold	-	-	-	-	-	x
1.4 Loans	-	-	-	-	-	x
1.5 Other	2,813	-	-11	-	38	x
<b>2. Financial assets measured at amortised cost - hedging of:</b>						
	33,676	-	3,002	-263	2,999	71,378
1.1 Debt securities and interest rates	33,085	-	2,647	-263	2,642	x
1.2 Equities and stock indices	-	-	-	-	-	x
1.3 Foreign exchange rates and gold	-	-	-	-	-	x
1.4 Loans	-	-	-	-	-	x
1.5 Other	591	-	355	-	357	x
<b>Total 31.12.2021</b>	<b>75,148</b>	<b>-</b>	<b>2,698</b>	<b>190</b>	<b>2,773</b>	<b>71,378</b>
<b>Total 31.12.2020</b>	<b>59,985</b>	<b>-</b>	<b>5,128</b>	<b>628</b>	<b>5,246</b>	<b>70,647</b>
<b>B. Liabilities</b>						
<b>1. Financial liabilities measured at amortised cost - hedging of:</b>						
	59,246	-	650	3	809	59,980
1.1 Debt securities and interest rates	54,311	-	631	3	783	x
1.2 Foreign exchange rates and gold	-	-	-	-	-	x
1.3 Other	4,935	-	19	-	26	x
<b>Total 31.12.2021</b>	<b>59,246</b>	<b>-</b>	<b>650</b>	<b>3</b>	<b>809</b>	<b>59,980</b>
<b>Total 31.12.2020</b>	<b>41,396</b>	<b>-</b>	<b>1,819</b>	<b>-5</b>	<b>2,084</b>	<b>30,082</b>

## D.2 Cash flow hedges and hedges of foreign investments

		(millions of euro)		
		Change in value used to assess hedge ineffectiveness	Hedging reserves	Termination of hedging: residual cumulative value of the hedging reserves
<b>A. Cash flow hedge</b>				
<b>1. Assets</b>		<b>-52</b>	<b>-37</b>	<b>-</b>
1.1 Debt securities and interest rates		-52	-37	-
1.2 Equities and stock indices		-	-	-
1.3 Foreign exchange rates and gold		-	-	-
1.4 Loans		-	-	-
1.5 Other		-	-	-
<b>2. Liabilities</b>		<b>-699</b>	<b>-567</b>	<b>-</b>
2.1 Debt securities and interest rates		-699	-567	-
2.2 Foreign exchange rates and gold		-	-	-
2.3 Other		-	-	-
<b>Total (A) 31.12.2021</b>		<b>-751</b>	<b>-604</b>	<b>-</b>
<b>Total (A) 31.12.2020</b>		<b>-1,038</b>	<b>-789</b>	<b>-</b>
<b>B. Hedges of foreign investments</b>				
		X	-	-
<b>Total (A+B) 31.12.2021</b>		<b>-751</b>	<b>-604</b>	<b>-</b>
<b>Total (A+B) 31.12.2020</b>		<b>-1,038</b>	<b>-789</b>	<b>-</b>

## E. Effects of hedging on shareholders' equity

## E.1 Reconciliation of components of shareholders' equity

		(millions of euro)									
		Cash flow hedging reserve					Reserve for hedging of foreign investments				
		Debt securities and interest rates	Equities and stock indices	Foreign exchange rates and gold	Loans	Other	Debt securities and interest rates	Equities and stock indices	Foreign exchange rates and gold	Loans	Other
<b>Initial amount</b>		<b>-789</b>	-	-	-	-	-	-	-	-	-
Fair value changes (effective portion)		185	-	-	-	-	-	-	-	-	-
Reclassification to the income statement		-	-	-	-	-	-	-	-	-	-
of which: future transactions no longer expected		-	-	-	-	-	X	X	X	X	X
Other changes		-	-	-	-	-	-	-	-	-	-
of which: transfer to the initial book value of the hedged instruments		-	-	-	-	-	X	X	X	X	X
<b>Final amount</b>		<b>-604</b>	-	-	-	-	-	-	-	-	-

The category "Hedging instruments (non-designated items)" is not present, because Intesa Sanpaolo has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).

### 3.3 Other information on derivative instruments (trading and hedging)

#### A. Credit and financial derivatives

##### A.1 Over the counter credit and financial derivatives: net fair values by counterparty

	(millions of euro)			
	Central counterparties	Banks	Other financial companies	Other counterparties
<b>A. Financial derivatives</b>				
<b>1) Debt securities and interest rates</b>				
- notional amount	1,784,370	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-2,352	-	-	-
<b>2) Equities and stock indices</b>				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
<b>3) Foreign exchange rates and gold</b>				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
<b>4) Commodities</b>				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
<b>5) Other</b>				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
<b>B. Credit derivatives</b>				
<b>1) Protection purchases</b>				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
<b>2) Protection sales</b>				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

The table shows the values resulting from the offsetting in the balance sheet for the derivatives whose netting agreements meet the criteria set out in IAS 32 paragraph 42.

In particular, the above refers to over-the-counter (OTC) trading and hedging financial and credit in place with the legal clearing agent LCH Ltd, for which the fair values attributable to transactions on own account and transactions on behalf of customers and Group companies have been offset separately in the financial statements.

The overall negative result of 2,352 million euro (negative fair value of 43,435 million euro and positive fair value of 41,083 million euro) is reported in Part B of the Notes to the financial statements under Hedging derivatives liabilities at 1,842 million euro for own account transactions and under Financial liabilities held for trading at 510 million euro for transactions on behalf of customers and Group companies.

## SECTION 4 - LIQUIDITY RISK

### QUALITATIVE INFORMATION

The qualitative information is contained in Part E of the Notes to the consolidated financial statements.

### QUANTITATIVE INFORMATION

#### 1. Breakdown by contractual residual maturity of financial assets and liabilities

The breakdown by maturity of financial assets and liabilities is shown in the tables below according to the rules set forth in the financial statement regulations (Bank of Italy Circular 262 and related clarifications issued by the Supervisory Authority), using accounting information organised by contractual residual maturity.

Therefore, no operational data was used that would require, for example, the modelling of core deposits and the representation of on-balance sheet items according to their level of liquidity.

**Currency of denomination: Euro**

Type/Residual maturity	(millions of euro)									
	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
<b>A. Cash assets</b>	<b>44,254</b>	<b>19,803</b>	<b>3,369</b>	<b>13,657</b>	<b>20,578</b>	<b>22,872</b>	<b>37,379</b>	<b>170,169</b>	<b>175,300</b>	<b>121,499</b>
A.1 Government bonds	23	11	247	60	322	1,064	3,122	14,923	43,127	-
A.2 Other debt securities	205	395	696	4,614	329	745	1,012	6,682	16,789	-
A.3 Quotas of UCI	1,888	-	-	-	-	-	-	-	-	-
A.4 Loans	42,138	19,397	2,426	8,983	19,927	21,063	33,245	148,564	115,384	121,499
- Banks	12,987	8,243	298	309	1,718	770	1,307	5,464	676	121,371
- Customers	29,151	11,154	2,128	8,674	18,209	20,293	31,938	143,100	114,708	128
<b>B. Cash liabilities</b>	<b>377,482</b>	<b>8,540</b>	<b>377</b>	<b>3,662</b>	<b>8,321</b>	<b>11,217</b>	<b>26,374</b>	<b>160,764</b>	<b>28,114</b>	<b>-</b>
B.1 Deposits and current accounts	343,591	6,455	48	670	4,543	4,469	2,353	5,813	752	-
- Banks	9,927	5,641	13	621	4,245	4,282	2,115	5,568	587	-
- Customers	333,664	814	35	49	298	187	238	245	165	-
B.2 Debt securities	14	2	8	2,799	3,157	4,270	6,272	41,723	23,901	-
B.3 Other liabilities	33,877	2,083	321	193	621	2,478	17,749	113,228	3,461	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with exchange of capital										
- Long positions	3,854	8,036	3,809	10,095	26,710	9,349	8,882	16,355	8,894	-
- Short positions	4,695	7,661	3,972	9,195	19,427	6,682	6,985	15,113	11,808	-
C.2 Financial derivatives without exchange of capital										
- Long positions	17,119	27	1	155	152	203	461	-	-	-
- Short positions	23,212	17	9	91	185	333	534	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	49,570	-	-	-	-	-	-	-	-	-
- Short positions	-	49,470	-	-	100	-	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	24,157	-	-	977	216	377	14,765	611	-
- Short positions	41,102	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	31	-	-	1	-	1	1	23	5	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	75	20	-	698	774	-
- Short positions	-	-	-	-	75	20	-	698	774	-
C.8 Credit derivatives without exchange of capital										
- Long positions	1,571	-	-	-	-	-	-	-	-	-
- Short positions	1,611	-	-	-	-	-	-	-	-	-

**Currency of denomination: Other currencies**

Type/Residual maturity	(millions of euro)									
	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
<b>A. Cash assets</b>	<b>1,904</b>	<b>2,125</b>	<b>703</b>	<b>2,602</b>	<b>3,982</b>	<b>2,605</b>	<b>3,359</b>	<b>19,945</b>	<b>12,138</b>	<b>47</b>
A.1 Government bonds	1	29	1	31	80	47	119	4,709	8,881	-
A.2 Other debt securities	33	27	41	154	143	212	118	2,974	1,503	-
A.3 Quotas of UCI	459	-	-	-	-	-	-	-	-	-
A.4 Loans	1,411	2,069	661	2,417	3,759	2,346	3,122	12,262	1,754	47
- Banks	145	555	257	541	1,279	697	1,109	1,177	86	30
- Customers	1,266	1,514	404	1,876	2,480	1,649	2,013	11,085	1,668	17
<b>B. Cash liabilities</b>	<b>7,327</b>	<b>5,521</b>	<b>4,803</b>	<b>4,006</b>	<b>4,424</b>	<b>672</b>	<b>1,730</b>	<b>7,771</b>	<b>6,575</b>	<b>-</b>
B.1 Deposits and current accounts	5,560	2,089	977	1,065	1,262	383	295	544	155	-
- Banks	912	1,476	571	628	543	121	24	542	155	-
- Customers	4,648	613	406	437	719	262	271	2	-	-
B.2 Debt securities	-	62	106	260	146	285	1,395	6,919	5,468	-
B.3 Other liabilities	1,767	3,370	3,720	2,681	3,016	4	40	308	952	-
<b>C. Off-balance sheet transactions</b>										
C.1 Financial derivatives with exchange of capital										
- Long positions	90	13,965	8,181	13,628	17,457	9,511	11,549	20,075	12,287	-
- Short positions	323	14,599	8,440	13,991	26,429	12,959	12,656	21,253	7,532	-
C.2 Financial derivatives without exchange of capital										
- Long positions	1,598	-	92	48	1	55	197	-	-	-
- Short positions	1,565	-	52	22	20	58	150	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	958	-	-	-	-	-	-	-	-	-
- Short positions	-	290	416	141	88	23	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	37	84	-	1,085	292	1,410	10,235	808	-
- Short positions	13,902	49	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	2	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	40	-	-
- Short positions	-	-	-	-	-	-	-	40	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	649	-	-	-	-	-	-	-	-	-
- Short positions	667	-	-	-	-	-	-	-	-	-

**2. Self-securitisations**

A brief illustration of the securitisations originated by Intesa Sanpaolo outstanding as at 31 December 2021 is shown below, in which the Bank subscribed all the securities issued by the related vehicle (self-securitisations), and which need not be shown in the tables of Part E, section C "Securitisations" of the Notes to the financial statements.

**Adriano Lease SEC S.r.l.**

This is a securitisation that was carried out in December 2017, which took the form of the sale by Mediocredito Italiano S.p.A. of a loan portfolio selected on the basis of pre-defined criteria and arising from performing property, equipment and car lease contracts to Adriano Lease Sec S.r.l. for a total amount of approximately 4.2 billion euro. The purpose of the transaction is to expand the liquidity reserve that can be used by the Bank for refinancing operations on the Eurosystem.

The vehicle Adriano Lease Sec S.r.l. originally issued two series of notes:

- a senior tranche (Class A), with a nominal amount of 2.9 billion euro, listed and assigned an A1 rating by Moody's and an A rating by DBRS Morningstar;
- a junior tranche (Class B), with a nominal amount of 1.4 billion euro, unlisted and unrated.

Following the merger by incorporation, the securities originally purchased by Mediocredito Italiano S.p.A. were included in Intesa Sanpaolo. As at 31 December 2021, the senior securities came to 686 million euro and junior securities to 1,351 million euro.

The senior securities are eligible for use in the Eurosystem.

**Brera Sec S.r.l.**

In October 2017, a self-securitisation was structured, carried out through the sale of five loan portfolios to the vehicle company Brera Sec S.r.l. and originated by the Parent Company and by four banks of the Group subsequently incorporated into Intesa Sanpaolo (Banco di Napoli, Cassa di Risparmio di Forlì e della Romagna and Cassa di Risparmio del Friuli



Venezia Giulia and Cassa di Risparmio in Bologna). The underlying consisted of residential mortgage loans held by households and/or family businesses. This transaction was the Group's first Multi-Originator Residential Mortgage Backed Security ("RMBS") securitisation.

The transaction involved the issuance by the vehicle company of two tranches of securities:

- a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar);
- and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed pro rata by each individual selling bank based on the sale price of each portfolio.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).

The total sale consideration was 7.1 billion euro. The sale price of each portfolio sold was settled through the issuance of securities on 11 December 2017 for a total of 7.1 billion euro.

The senior securities, which are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating, have been subscribed by Intesa Sanpaolo.

A retrocession of 67 million euro was finalised in January 2021.

As at 31 December 2021, the value of the outstanding subscribed securities was 3,342 million euro for the senior securities and 1,067 million euro for the junior securities.

#### **Brera Sec S.r.l. (SME)**

In October 2018, a self-securitisation was structured, implemented through the sale of three loan portfolios to the vehicle company Brera Sec S.r.l. and originated by the Parent Company and three of the Group banks subsequently merged by Intesa Sanpaolo (Banco di Napoli, Cassa di Risparmio in Bologna and Cassa di Risparmio di Firenze). The underlying is made up of mortgage loans and other loans to small and medium enterprises and corporates (the latter only if the group turnover is less than 100 million euro).

This is a Group multi-Originator Asset Backed Security ("ABS") securitisation and the first with an underlying of SME loans. The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating. Both the senior and junior securities were subscribed pro rata by each individual selling bank based on the sale price of each portfolio.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

On origination, the total sale consideration was 5.3 billion euro. The sale price of each portfolio was settled through the issuance of securities on 14 December 2018 for a total of 5.3 billion euro.

The senior securities, which are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating, are eligible for the Eurosystem and have been subscribed by Intesa Sanpaolo.

A retrocession of 23 million euro was finalised in January 2021.

As at 31 December 2021, the value of the outstanding securities was 447 million euro for the senior securities and 1,530 million euro for the junior securities.

#### **Brera Sec S.r.l. (SEC 2)**

In September 2019, a self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's second Residential Mortgage Backed Security ("RMBS") securitisation.

The transaction involved the issuance on 27 November 2019 by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The total sale consideration was 7.5 billion euro. The sale price of the portfolio was settled through the issuance of securities on 27 November 2019 for a total of 7.5 billion euro.

The senior securities, which are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating, have been fully subscribed by Intesa Sanpaolo.

A retrocession of 52 million euro was finalised in January 2021.

As at 31 December 2021, the value of the outstanding securities was 5,034 million euro for the senior securities and 860 million euro for the junior securities.

#### **Brera Sec S.r.l. (SEC 3)**

In October 2021, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's third Residential Mortgage Backed Security ("RMBS") securitisation.

The transaction involved the issuance by the vehicle company of two tranches of securities on 1 December 2021: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) as required by the European Central Bank criteria for eligibility, and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo, so that the loans could remain in the balance sheet of Intesa Sanpaolo without derecognition.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The total sale consideration was 7.7 billion euro. The sale price of the portfolio was settled through the issuance of securities on 1 December 2021 for a total of 7.7 billion euro.

The senior securities, which are listed with an A1 Moody's and an A (High) DBRS Morningstar rating, have been fully subscribed by Intesa Sanpaolo.

As at 31 December 2021, the value of the outstanding securities subscribed by Intesa Sanpaolo remained unchanged at 6,940 million euro for the senior securities and 725 million euro for the junior securities.

#### **Clara Sec S.r.l.**

In 2020, a revolving self-securitisation was structured involving receivables arising from performing personal loans within the consumer credit area and disbursed to consumer households, a transaction subject to periodic repurchase of the loans.

The transaction took place with the sale, in two tranches (April and May), of the portfolio of loans originated by Intesa Sanpaolo to the vehicle company Clara Sec S.r.l. and is the Group's second Asset Backed Security ("ABS") securitisation.

Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with an entity from outside the Group (Dutch-registered foundation known as a Stichting).

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The transaction involved the issuance by the vehicle company of two tranches of securities on 23 June 2020: a listed senior tranche with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) as required by the European Central Bank criteria for eligibility, and an unlisted junior tranche without a rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The total sale consideration was 7.6 billion euro. The sale price of the portfolio was settled through the issuance of securities on 23 June 2020 for a total of 7.2 billion euro.

The senior securities are listed with an A1 Moody's and an A (High) DBRS Morningstar rating.

A retrocession of 61 million euro was finalised in January 2021, followed by a sale of 620 million euro in May.

As at 31 December 2021, the value of the outstanding securities was 6,350 million euro for the senior securities and 824 million euro for the junior securities.

#### **Giada Sec S.r.l.**

In November 2020, a self-securitisation was structured, implemented through the sale of a portfolio of loans, disbursed to companies belonging to the small business, SME and Corporate segment and originated by Intesa Sanpaolo, to the vehicle company Giada Sec S.r.l.. This is the Group's third Asset Backed Security ("ABS") securitisation and the second with an underlying of SME loans.

Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).

The securitisation is a revolving transaction and Intesa Sanpaolo will have the option to sell the vehicle further portfolios of loans with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.

The total sale consideration was 10.1 billion euro.

The sale price of the portfolio was settled through the issuance of securities on 21 December 2020 for the same amount.

The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.

The listed senior security issued through the transaction, with a Moody's A1 and a DBRS Morningstar A rating. Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

A retrocession of 81 million euro was finalised in January 2021, followed by a sale of 1,439 million euro in June and a sale of 891 million euro in November.

As at 31 December 2021, the value of the outstanding securities was 6,610 million euro for the senior securities and 3,485 million euro for the junior securities.

					(millions of euro)
Vehicle	Type of security issued	Type of asset securitised	External rating	Principal as at 31.12.2021	
<b>ADRIANO LEASE SEC S.r.l.</b>					
<i>of which issued in euro</i>					<b>2,037</b>
Class A	Senior	Receivables from lease payments	Moody's A1 / DBRS Morningstar A	686	
Class B	Junior	Receivables from lease payments	no rating	1,351	
<b>BRERA SEC S.r.l.</b>					
<i>of which issued in euro</i>					<b>4,409</b>
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / DBRS Morningstar AH	3,342	
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	1,067	
<b>BRERA SEC S.r.l. (SME)</b>					
<i>of which issued in euro</i>					<b>1,977</b>
Class A Asset Backed F/R Notes	Senior	Receivables from SME and large corporate customers	Moody's Aa3 / DBRS Morningstar AH	447	
Class B Asset Backed F/R Notes	Junior	Receivables from SME and large corporate customers	no rating	1,530	
<b>BRERA SEC S.r.l. (SEC 2)</b>					
<i>of which issued in euro</i>					<b>5,894</b>
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / DBRS Morningstar AH	5,034	
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	860	
<b>BRERA SEC S.r.l. (SEC 3)</b>					
<i>of which issued in euro</i>					<b>7,665</b>
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's A1 / DBRS Morningstar AH	6,940	
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	725	
<b>CLARA SEC S.r.l.</b>					
<i>of which issued in euro</i>					<b>7,174</b>
Class A Asset Backed F/R Notes	Senior	Personal loans	Moody's A1 / DBRS Morningstar A	6,350	
Class B Asset Backed F/R Notes	Junior	Personal loans	no rating	824	
<b>GIADA SEC S.r.l.</b>					
<i>of which issued in euro</i>					<b>10,095</b>
Class A Asset Backed F/R Notes	Senior	Receivables from Small business, SME and corporate customers	Moody's A1 / DBRS Morningstar A	6,610	
Class B Asset Backed F/R Notes	Junior	Receivables from Small business, SME and corporate customers	no rating	3,485	
<b>TOTAL</b>					<b>39,251</b>

The Apulia Finance 4 S.r.l. self-securitisation was extinguished in 2021.

## **SECTION 5 – OPERATIONAL RISK**

### **QUALITATIVE INFORMATION**

The qualitative information, including legal risk and the tax litigation, is contained in Part E of the Notes to the consolidated financial statements.

### **QUANTITATIVE INFORMATION**

From 31 December 2010, Intesa Sanpaolo has been using the full AMA Method to determine its capital requirements, and the resulting capital absorption amounted to 1,445 million euro as at 31 December 2021.

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## Part F – Information on capital

### SECTION 1 – PARENT COMPANY'S SHAREHOLDERS' EQUITY

#### A. Qualitative information

Qualitative information on capital and capital management policies is contained in Part F of the Notes to the consolidated financial statements.

Own Funds, risk-weighted assets (RWAs) and the capital ratios as at 31 December 2021 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, amended respectively by Directive 2019/878/EU (CRD V) and by Regulation (EU) 2019/876 (CRR II), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circular 285.

The CRR, as cited above, was supplemented by Commission Delegated Regulation (EU) 241/2014 with regard to regulatory technical standards for own funds requirements for institutions, in turn amended first by Commission Delegated Regulation (EU) 2015/923 on indirect and synthetic holdings and then by Commission Delegated Regulation (EU) 2020/2176 on the prudential treatment of software assets, illustrated below.

The transition phase for the introduction of the "Basel 3" regulatory framework was completed in 2017. It provided for the partial inclusion within or deduction from the Own Funds of certain items in accordance with the provisions of CRD IV and the CRR; in addition, the period of exemption from the amendments to be applied to IAS 19 with a filter on retained earnings reserves and actuarial losses ended in 2018. The transitional period (2018-2022), aimed at mitigating the capital impacts linked to the introduction of the new financial reporting standard IFRS 9, started from 1 January 2018. Intesa Sanpaolo has exercised the option provided in EU Regulation 2395/2017 to adopt the "static" approach that allows the neutralisation of a progressively decreasing amount of the impact of IFRS 9 in its CET 1 relating solely to the FTA component of the impairment. In particular, the result from the comparison between the IAS 39 adjustments at 31 December 2017 and the IFRS 9 adjustments at 1 January 2018 – relating to performing loans and securities (Stage 1 and 2) and adjustments to NPLs (Stage 3), net of tax and having eliminated any existing shortfall – is re-included in the capital according to phase-in percentages of 50% in 2021 and 25% in 2022, the year in which the transitional rules will cease to apply.

Regulation (EU) 2019/630 of 17 April 2019 amending the CRR has been in effect since 26 April 2019; the Regulation introduces a deduction from CET 1 in the event of insufficient minimum coverage of the losses on non-performing exposures (minimum loss coverage), determined on the basis of differentiated provisioning percentages for guaranteed and non-guaranteed exposures, as well as a pre-established calendar by which to achieve this coverage objective (calendar provisioning).

Within the framework of the COVID-19 pandemic scenario, Regulation (EU) 2020/873 of 24 June 2020, amending the CRR and containing temporary support provisions in terms of capital and liquidity, was published with an accelerated approval procedure (the "quick fix").

Among the various provisions relating to the calculation of own funds, since June 2020 Intesa Sanpaolo has opted not to use either the changes to the transitional regime for the application of IFRS 9 (art. 473 bis of the CRR) or the temporary reintroduction of the prudential filter aimed at excluding unrealised gains and losses measured at fair value through other comprehensive income (FVTOCI) on exposures to central governments and public sector entities (art. 468 CRR).

With effect from 30 September 2019, following permission from the ECB, Intesa Sanpaolo calculates capital ratios applying the so-called Danish Compromise - under which insurance investments are risk weighted instead of being deducted from capital.

Finally, with effect from December 2020, Intesa Sanpaolo has applied Commission Delegated Regulation (EU) 2020/2176, published on 22 December 2020, which amends Commission Delegated Regulation (EU) 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items. The above Regulation, which is intended to support the transition to a more digitalised banking sector, introduced the concept of prudential amortisation applied to all software assets over a three-year period, regardless of their estimated useful lives for accounting purposes.

**B. Quantitative information****B.1 Parent Company's shareholders' equity: breakdown**

	(millions of euro)	
	31.12.2021	31.12.2020
1. Share capital	10,084	10,084
2. Share premium reserve	27,445	27,603
3. Reserves	8,175	7,609
retained earnings:	7,088	6,620
a) legal reserve	1,545	1,545
b) statutory reserve	-	-
c) treasury shares	-	-
d) other	5,543	5,075
other	1,087	989
3.5 Interim dividend (-)	-1,399	-
4. Equity instruments	6,260	7,053
5. (Treasury shares)	-69	-90
6. Valuation reserves	855	1,176
- Equity instruments measured at fair value through other comprehensive income	-183	-157
- Hedges of equity instruments measured at fair value through other comprehensive income	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	-395	81
- Property and equipment	1,492	1,503
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	-604	-789
- Hedging instruments (not designated elements)	-	-
- Foreign exchange differences	-	-
- Non-current assets held for sale and discontinued operations	-	-
- Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-77	-99
- Actuarial gains (losses) on defined benefit plans	-374	-359
- Share of valuation reserves connected with investments carried at equity	-	-
- Legally-required revaluations	996	996
7. Net income (loss)	2,948	679
<b>Total</b>	<b>54,299</b>	<b>54,114</b>

**B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown**

	(millions of euro)			
Assets/values	Total	31.12.2021	Total	31.12.2020
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	65	-466	235	-154
2. Equity securities	155	-338	155	-312
3. Loans	7	-1	3	-3
<b>Total</b>	<b>227</b>	<b>-805</b>	<b>393</b>	<b>-469</b>

**B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes**

	(millions of euro)		
	Debt securities	Equity securities	Loans
<b>1. Opening balance</b>	<b>81</b>	<b>-157</b>	<b>-</b>
<b>2. Positive changes</b>	<b>426</b>	<b>138</b>	<b>6</b>
2.1. Fair value increases	339	107	5
2.2. Value adjustments for credit risk	15	-	1
2.3. Transfer to the income statement of negative reserves to be realized	36	-	-
2.4. Transfers to other equity (capital securities)	-	4	-
2.5. Other changes	36	27	-
<b>3. Negative changes</b>	<b>-908</b>	<b>-164</b>	<b>-</b>
3.1. Fair value reductions	-444	-159	-
3.2. Write-backs for credit risk	-6	-	-
3.3. Reclassification through profit or loss of positive reserves: following disposal	-422	-	-
3.4. Transfers to other equity (capital securities)	-	-1	-
3.5. Other changes	-36	-4	-
<b>4. Closing balance</b>	<b>-401</b>	<b>-183</b>	<b>6</b>

Caption 2.5 “Other changes” refers to increases relating to the business combinations undertaken during the year (including 35 million euro referring to Debt securities and 1 million euro referring to Equity securities).

**B.4 Valuation reserves relating to the defined benefit plans: annual changes**

During the year, the reserves in question recorded a negative change in items taken to the statement of comprehensive income of 4 million euro (of which a 23 million euro increase referring to pension funds and a 27 million euro decrease to employee termination indemnities). As at 31 December 2021 there was an overall negative reserve equal to 374 million euro for defined benefit plans.

**SECTION 2 – OWN FUNDS AND CAPITAL RATIOS**

Reference is made to the Intesa Sanpaolo Group’s “Basel 3 Pillar 3” public disclosure as at 31 December 2021 for the disclosure on own funds and capital adequacy.



## Part G – Business combinations

### SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

During the year, no business combinations were undertaken, pursuant to IFRS 3, involving the acquisition of control over businesses or legal entities.

Conversely, several extraordinary intragroup transactions were carried out, which are not included in the scope of IFRS 3 and had no effects on the Consolidated financial statements. They consisted in transfers of business lines or legal entities between Intesa Sanpaolo Group companies or business combinations (under common control). Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply recorded applying book value accounting in the individual statements of the companies involved.

The main intragroup transactions completed during the year concerned:

- merger by incorporation of UBI Banca into Intesa Sanpaolo;
- sale of the investment in Intesa Sanpaolo Rent ForYou by Intesa Sanpaolo Forvalue to Intesa Sanpaolo;
- merger by incorporation of UBI Sistemi e Servizi into Intesa Sanpaolo;
- merger of UBI Factor into Intesa Sanpaolo;
- sale of ordinary shares of Intesa Sanpaolo Private Banking to Fideuram – Intesa Sanpaolo Private Banking by Intesa Sanpaolo. These shares were assigned to Intesa Sanpaolo within the framework of the demerger of the Top Private Banking business line of the former UBI Banca.

#### *Annual changes in goodwill*

	(millions of euro) 31.12.2021
<b>Initial goodwill</b>	<b>67</b>
<b>Increases</b>	-
- Goodwill recorded in the year	-
- Intragroup transactions	-
- Other changes	-
<b>Decreases</b>	-
- Impairment recorded in the year	-
- Disinvestments	-
- Intragroup transactions	-
- Other changes	-
<b>Final goodwill</b>	<b>67</b>

### SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE END OF THE YEAR

No business combinations within the scope of IFRS 3 have been undertaken since the end of 2021.

### SECTION 3 – RETROSPECTIVE ADJUSTMENTS

No adjustments are recognised in the current year that relate to business combinations that occurred in previous reporting periods.

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# Part H – Information on compensation and transactions with related parties

## A) TRANSACTIONS WITH RELATED PARTIES

### 1. Procedural features

The Board of Directors of Intesa Sanpaolo S.p.A. adopted, in compliance with the procedures set out by regulations, the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking.

These Procedures, most recently updated in June 2021, take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, and the supervisory provisions introduced by the Bank of Italy on 12 December 2011 in terms of risk-related activities and conflicts of interest by banks and banking groups with respect to "Associated Entities", issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and CICR (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008, as well as the rules established by Article 136 of the Consolidated Law on Banking.

The Procedures apply to the entire Intesa Sanpaolo Group with respect to the following aspects:

- the criteria for identifying Related Parties and Associated Entities;
- the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and Associated Entities;
- market disclosure for transactions with Related Parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy for risk-related activities in relation to associated entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention about the management of the personal interests by management body members, employees and company staff, including other than Associated Entities.

Pursuant to the Procedures, the following are considered Related Parties of Intesa Sanpaolo: parties that exercise significant control or influence, subsidiaries and associates, joint ventures, pension funds of the Group, Management Body Members and Key Managers of Intesa Sanpaolo and their close family members and significant shareholdings.

The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent Company) and each monitored significant intermediary with own funds greater than 2% of the total of consolidated own funds. The following are considered to be Associated Entities for each monitored significant bank or intermediary of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; iii) management body members and their relative close family members up to the second degree and significant subsidiary entities.

As a form of self-regulation, the Bank has extended the regulations on transactions with Related Parties, as well as those on risk-related activities and conflicts of interest with Associated Entities to:

- a) Intesa Sanpaolo shareholders and their groups that hold a stake in the share capital with voting rights of the Bank that exceeds the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them with others;
- b) companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chairman of the management body; ii) hold a qualifying holding equal to or exceeding 10% of the capital or voting rights of that entity, or a position of significant influence;
- c) companies which the Group has notable investments in and financial links with, attributable to at least two of the following indicators:
  - the counterparty holds a stake in Intesa Sanpaolo's capital with an amount between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies;
  - an entity of the Intesa Sanpaolo Group holds a stake in the counterparty exceeding 10% of the voting rights;
  - significant credit exposure of the Group to the counterparty.

This approach allows closer monitoring of transactions with the main entities in potential conflict of interest risk.

The Procedures set forth the assessment process that must be followed by the Parent Company and subsidiary companies when carrying out transactions with Related Parties of Intesa Sanpaolo, Associated Entities of the Group and Relevant Persons pursuant to Art. 136 of the Consolidated Law on Banking, to ensure appropriateness of the transactions. The Procedures also require detailed examination of the reasons and interests behind the transactions, their effects on the Bank's financials and the terms of the transaction.

In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full or partial exemptions from the application of the regulations is also envisaged.

With regard to the decision-making for transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, the procedure distinguishes between:

- transactions involving smaller amounts: with a value of less than or equal to 250 thousand euro for individuals and 1 million euro for persons other than natural persons (excluded from application of the regulations);
- less significant transactions: with a value higher than the small-amount thresholds (250 thousand euro for individuals and 1 million euro for persons other than natural persons) but lower than or equal to the most significant thresholds indicated below;
- most significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 3.1 billion euro for the Intesa Sanpaolo Group);
- transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Committee for Transactions with Related Parties, which meets the independence requirements laid down in the Corporate Governance Code for Listed Companies and Art. 148 of the Consolidated Law on Finance. The Committee for Transactions with Related Parties can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.

For most significant transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.

All transactions – that are not exempt based on the Procedures – undertaken by the Parent Company with one of its related parties or associated entities are subject to approval by the Board, upon recommendation by the Committee for Transactions with Related Parties.

The Procedures set out specific controls in the event that a less significant or most significant transaction is approved in spite of a negative opinion of the independent Committee.

Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved by the Board of Directors of the subsidiaries concerned, subject to prior authorisation from the Parent Company released in accordance with the procedure described above.

The Procedures also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the directors and the control body regarding transactions with Related Parties and Associated Entities completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts greater than the small-amount thresholds. Transactions of less significant importance and intragroup loans and bank funding are excluded from this requirement (provided they do not regard a subsidiary with significant interests of another Related Party or Associated Entity and are not carried out at market or standard conditions). For ordinary intragroup less significant transactions carried out at market conditions, reporting is on an aggregate annual basis.

Transactions undertaken by Italian subsidiary banks with Related Parties and Associated Entities of the Group that have not been considered exempt must, subject to authorisation by the Parent Company, be approved by the relative Board of Directors, upon obtaining the opinion of a Committee of independent directors set up within the Board of Directors of the bank itself. Furthermore, specific reporting rules apply to transactions by the Bank's Bodies.

The Procedures also apply to transactions with Relevant Persons pursuant to Art. 136 of the Consolidated Law on Banking, which must be applied by all the Italian banks of the Intesa Sanpaolo Group, including the Parent Company. This provision requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body, excluding the vote of the interested member, and favourable vote of members of the control body) in order to allow the bank management body members to contract obligations, directly or indirectly, with the bank of which they act as management body members.

Furthermore, the requirements envisaged by the Italian Civil Code (Article 2391) and Article 53 of the Consolidated Law on Banking governing directors' personal interests are confirmed.

In particular, Article 2391 of the Italian Civil Code requires each Board Member to report every interest held, in his/her own name or on behalf of third parties, that may be significant in carrying out his/her management function, with reference to a specific transaction. In accordance with the abovementioned provision, the Board has jurisdiction over decisions regarding transactions – including those with Related Parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the Board as per Article 2391 of the Italian Civil Code.

In addition, Article 53 of the Consolidated Law on Banking requires banks' directors to abstain from voting on resolutions where they have a conflict of interest on their own behalf or on behalf of third parties.

## 2. Information on balances with related parties

Receivable and payable balances with related parties as at 31 December 2021 – other than those intragroup – amount to a total that is insignificant compared to the size of the Bank's capital base. Likewise, the weight of income and charges with related parties on the Parent Company's operating margin is insignificant.

	31.12.2021 Amount (millions of euro)	Impact (%)
Total financial assets (1)	63,070	8.6
Total other assets (2)	1,116	10.6
Total financial liabilities (3)	44,959	6.4
Total other liabilities (4)	271	1.4
<p>(1) Including captions 10, 20, 30, 40 and 70 of the Balance sheet assets</p> <p>(2) Including captions 50, 60, 110 and 120 of the Balance sheet assets</p> <p>(3) Including captions 10, 20, and 30 of the Balance sheet liabilities</p> <p>(4) Including captions 40, 50, 70, 80, 90 and 100 of the Balance sheet liabilities</p>		

	31.12.2021 Amount (millions of euro)	Impact (%)
Total interest income	195	2.4
Total interest expense	-144	6.2
Total fee and commission income	2,505	37.9
Total fee and commission expense	-156	16.8
Total operating costs (1)	-150	1.6
<p>(1) Including caption 160 of the Income statement</p>		

In relation to associates, in the year a total of around 18 million euro of net adjustments to loans were recorded, partially offset by releases of allowances for commitments and guarantees given of around 8 million euro.

The table below reports the main terms of reference of transactions with each category of related party, as classified by IAS 24 (referring to the subsequent paragraph for information relating to compensation to the members of the management and control bodies), with the category of Significant Shareholders of Intesa Sanpaolo and their corporate groups (subsidiaries also controlled jointly with others, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank greater than the minimum threshold set out in regulations on communications of significant shareholdings in listed companies calculated only based on shares owned or under management, as well as with the additional subjects included in the scope set as a form of self-regulation.

With regard to Equity Investments, please see the tables in the Notes to the Parent Company's financial statements – Part B – Information on the Parent Company's balance sheet – Assets – Section 7.

The following table does not show the impact of related party transactions on the Group's cash flows, as this was not significant.

For greater clarity and in line with the reports sent to the Supervisory Authorities, note that the off-balance sheet items were detailed on two separate columns by grouping on one side the guarantees/commitments given and on the other the guarantees/commitments received. The first category also includes the revocable commitments issued totalling 93 billion euro, of which 86 billion euro to subsidiaries.

	SUBSIDIARIES				Companies subject to joint control and their subsidiaries	Associates and their subsidiaries	Board Members and General Managers, Key Managers and their related parties	Pension funds	TOTAL	(millions of euro)		
	100%-owned subsidiaries belonging to the banking group	subsidiaries not 100%-owned and belonging to the banking group	subsidiaries not belonging to the banking group	TOTAL						Shareholders (*)	Companies which the Group has notable investments in and financial links with (**)	Other companies linked to Board Members and General Managers (***)
Cash and cash equivalents	46	68	-	114	-	-	-	-	114	-	64	-
Financial assets measured at fair value through profit or loss	1,204	53	119	1,376	-	218	-	-	1,594	-	899	43
a) financial assets held for trading	1,204	53	12	1,269	-	-	-	-	1,269	-	842	43
b) financial assets designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	107	107	-	218	-	-	325	-	57	-
Financial assets measured at fair value through other comprehensive income	96	-	-	96	-	-	-	-	96	-	-	-
Financial assets measured at amortised cost	16,061	915	8,013	24,989	46	324	13	-	25,372	1	2,713	8,754
a) due from banks	8,179	914	-	9,093	-	-	-	-	9,093	-	2,529	-
b) loans to customers	7,882	1	8,013	15,896	46	324	13	-	16,279	1	184	8,754
Other assets	595	47	146	788	-	9	-	1	798	-	318	-
Investments in associates and companies subject to joint control	15,399	1,466	(a) 5,481	22,346	-	1,074	-	-	23,420	-	-	-
Financial liabilities measured at amortised cost	34,996	1,989	869	37,854	8	801	17	37	38,717	199	1,331	1,292
a) due to banks	32,842	1,964	1	34,807	-	2	-	-	34,809	-	1,275	-
b) due to customers	2,154	25	868	3,047	8	799	17	37	3,908	199	56	1,292
Financial liabilities held for trading	255	69	81	405	-	3	-	-	408	-	2,882	129
Financial liabilities designated at fair value	1	-	-	1	-	-	-	-	1	-	-	-
Other financial liabilities	117	6	66	189	-	36	-	2	227	10	25	9
Guarantees and commitments given	92,106	3,525	7,655	103,286	23	460	1	1	103,771	8	1,154	6,545
Guarantees and commitments received	394	364	7	765	10	4	2	-	781	3	18	8,550

(\*) As a result of self-regulation, shareholders and their groups that hold a stake in the share capital that exceeds the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them.

(\*\*) As a result of self-regulation, companies that meet the conditions of at least two of these indicators: i) the counterparty holds a stake in Intesa Sanpaolo's capital with an amount between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies; ii) an entity of the ISP Group holds a stake in the counterparty exceeding 10% of the voting rights; iii) significant credit exposure of the Group to the counterparty. The amounts shown largely refer to the companies in the JP Morgan Group and Bank of Qingdao.

(\*\*\*) As a result of self-regulation, companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chairman of the management body; ii) hold a qualifying holding equal to or exceeding 10% of the capital or voting rights of that entity, or on which those persons may exercise a significant influence. Loans to customers, Amounts due to customers and Guarantees and commitments mainly relate to exposures to the Borsa Italiana Group.

(a) The item includes the subsidiary Private Equity International S.A.; the Bank holds 94.39% of share capital and 100% of voting rights in the shareholders' meeting.

For the illustration of the associated companies and companies under joint control - and the companies controlled by them - that are most significant at Group level, see the description in the corresponding paragraph of the Notes to the consolidated financial statements.

### 3. Information on transactions with related parties

#### Most significant transactions

During the year, the Parent Company did not carry out any transactions that qualified as non-ordinary "most significant transactions" and/or at non-market or non-standard conditions subject – in accordance with the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking – to the obligation to publish a market disclosure document.

The transactions exempt from said obligation include the self-securitisation of approximately 7.7 billion euro aimed at expanding the portfolio of securities of Intesa Sanpaolo S.p.A. eligible for Eurosystem refinancing operations.

The transaction, involving performing loans originated by Intesa Sanpaolo S.p.A. sold to the vehicle Brera Sec S.r.l., subject to significant influence, was approved by Intesa Sanpaolo's Board of Directors and submitted in advance to the Committee for Transactions with Related Parties, which gave a favourable opinion.

Please note that the most significant transactions in the period are those that exceed the threshold of 5% of Own Funds at consolidated level (approximately 3.1 billion) or of the other indicators defined by the Consob regulation.

**Most significant intragroup transactions**

During the year there were no most significant intragroup transactions – exempt, pursuant to the aforementioned internal Procedures, from the special decision-making procedure and from the obligation to publish a market disclosure document, unless other related parties hold significant interests in the subsidiary.

**Other significant transactions**

The transactions entered into with related parties fall within the scope of Intesa Sanpaolo's ordinary activities and are usually performed at market or standard conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above.

Relations between Intesa Sanpaolo and the management body members, key managers and parties associated to them refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied.

With respect to transactions with Shareholders – which hold equity investments with voting rights greater than the minimum threshold set out in regulations on communications of significant shareholdings in listed companies calculated only based on shares owned or under management – and with entities with significant shareholding or financial relationships (to which the provisions governing transactions with related parties has been extended as a form of self-regulation), mainly ordinary lending transactions and transactions in financial instruments were undertaken at market conditions.

In particular, the transactions in OTC financial instruments carried out by Intesa Sanpaolo S.p.A. in the course of continuing operations included those with the groups of JP Morgan Chase & Co, JP Morgan Securities PLC, JP Morgan Asset Management UK Ltd., JP Morgan AG, Goldman Sachs (which ceased to be a related party in the second half of 2021), Blackrock Inc. and Fondazione Cassa di Risparmio di Firenze.

A service relating to development of a climate risk management framework was purchased from BlackRock Investment Management (UK) Ltd. to comply with regulatory requirements and to permit the performance of the 2022 stress test. The total value of the transaction is approximately 2.5 million euro.

Mention should also be made of the transaction finalised with JP Morgan Ltd and JP Morgan AG to implement the amendments approved by the Ordinary Shareholders' Meeting of 28 April 2021 concerning the 2018-2021 POP (Performance-based Option Plan) Long-Term Incentive Plan for Top Management, Risk Takers and Key Managers. In particular, the implementation of the amendments to this Plan required an update of the conditions of the Performance Call Options and the consequent obligations of delivery to the beneficiaries of Intesa Sanpaolo shares underlying them. This resulted in the need to amend the liability release agreement already signed by Intesa Sanpaolo, the Beneficiaries and JP Morgan Securities PLC, by virtue of which the latter became responsible for the obligation to deliver the Intesa Sanpaolo shares underlying the original POP Options to the beneficiaries. It is specified that in the mentioned agreement and in the other agreements implementing the POP Plan and the amendments, JP Morgan AG replaced JP Morgan Securities PLC. This transaction, not attributable to ordinary business operations, was finalised at market conditions, in compliance with the maximum cost of 65 million euro established by the Ordinary Shareholders' Meeting.

With regard to the transactions with jointly-controlled subsidiaries and associates, as well as with significant investees due to the presence of important equity and financial ties, mention should be made of:

- credit transactions in favour of ISM Investimenti S.p.A., Gesa S.r.l., VUB Generali A.S., Intermarine S.p.A., Trasporti Romagna S.p.A., Intesa Sanpaolo Rent Foryou S.p.A., Camfin S.p.A. and Autostrada Pedemontana Lombarda S.p.A.;
- the contribution to the RSCT Fund of the receivable due to Intesa Sanpaolo S.p.A. from third-party customers. The transaction - whose value equals 15.3 million euro - also includes the possibility to transfer further receivables in the future when certain conditions take place;
- transactions in OTC financial instruments carried out by Intesa Sanpaolo S.p.A., as part of its ordinary operations, with Cassa di Risparmio di Fermo;
- the early termination by Intesa Sanpaolo S.p.A. of the Apulia Finance n.4 S.r.l. securitisation;
- the transfer, in a syndication process, of portions of a loan to third parties by Intesa Sanpaolo S.p.A. to Cassa di Risparmio di Fermo;
- the request to extend by one year the unsecured commitments in place between Intesa Sanpaolo S.p.A. and Alitalia Società Aerea Italiana S.p.A. in A.S., needed for the regular operation of business and, specifically, the continuation of lease agreements on airplanes;
- the signing of supply contracts with Marketwall S.r.l. and Innolva S.p.A.;
- a distribution agreement with Investopro SIM.

Finally, mention should be made of an extraordinary corporate transaction and the participation as global coordinator in a bond issue with Nexi S.p.A. This latter company ceased to be considered a relevant person in the second half of 2021.

Concerning the transactions with subsidiaries carried out in 2021, please note that these are normal internal business activities of a multifunctional banking group. They are usually regulated at the conditions at which the Parent Company accesses the reference markets, which are not necessarily the same conditions that would be applicable if the Group's counterparties operated independently. These conditions are, in any case, applied in compliance with the reputation and fairness criteria and with the aim of creating value for the Group.

Intragroup transactions included:

- the support given by the Parent Company to the financial needs of the other Group companies by providing risk capital and loans and by subscribing securities issued by the subsidiaries;



- the channelling of foreign funding by specialist Group companies in favour of the Parent Company and, in part, of other subsidiaries;
- the Parent Company's investment of subsidiaries' liquidity;
- the structured finance transactions carried out within the Group;
- outsourcing arrangements, which govern services of an auxiliary nature rendered by the Parent Company to other Group companies;
- the agreements with Group companies on the distribution of products and/or services or, more generally, intragroup support and consultancy;

Extraordinary intragroup transactions included:

- merger by incorporation into Intesa Sanpaolo S.p.A. of Unione di Banche Italiane S.p.A., immediately preceded by the partial demerger of the latter for the benefit of Fideuram-Intesa Sanpaolo Private Banking S.p.A. and Intesa Sanpaolo Private Banking S.p.A.;
- the capital increase approved by Intesa Sanpaolo Private Banking S.p.A. for Intesa Sanpaolo S.p.A., in service of the partial demerger of the private banking business line originating from the incorporation of Unione di Banche Italiane S.p.A., with subsequent repurchase by Fideuram of the shares of Intesa Sanpaolo Private Banking S.p.A. issued to Intesa Sanpaolo S.p.A. during the demerger;
- merger by incorporation of UBI Academy S.r.l. into Intesa Sanpaolo S.p.A.;
- merger by incorporation of UBI Sistemi e Servizi S.c.p.A. into Intesa Sanpaolo S.p.A., following the acquisition, by Intesa Sanpaolo S.p.A., of the minority interests held by the other Group companies;
- merger by incorporation of UBI Factor S.p.A. into Intesa Sanpaolo S.p.A.;
- acquisition by Intesa Sanpaolo S.p.A. of an interest in Vesta OML Limited held by Eurizon Capital SGR S.p.A.;
- recapitalisation of Intesa Sanpaolo Provis S.p.A. for 145 million euro, of which 60 million euro via subscription of a capital increase, as well as of Oro Italia Trading S.r.l. for 1.5 million euro and of Eurizon Capital Asia Ltd for 2 million euro;
- capital strengthening of Qingdao Yicai Fund Distribution Co. Ltd., to be carried out in tranches, the first of which, of 16 million euro, was paid up in the first half of the year;
- capital increase of the subsidiary Intesa Sanpaolo Brasil S.A. - Banco Multiplo for 100 million euro;
- sale of a business line by Intesa Sanpaolo S.p.A. to Intesa Sanpaolo International Value Services Ltd to expand the operational development of the subsidiary through a process of convergence of activities, designed to establish a common technological framework for international subsidiary banks, in line with the 2018-2021 Business Plan;
- the long-term trilateral agreement between Intesa Sanpaolo S.p.A., Intesa Sanpaolo Vita S.p.A. and Intesa Sanpaolo Insurance Agency S.p.A., which provides for the sale to the latter by the Parent Company of insurance distribution and supplementary pension scheme placement activities relating to post-sales management of customers.

Bonifiche Ferraresi S.p.A. was also recapitalised for 20 million euro.

Additional information on the Intesa Sanpaolo Group's reorganisation operations is provided in Part G of the Notes to the consolidated financial statements and of the Notes to the Parent Company's financial statements. For more information on changes in the Parent Company's equity investment portfolio, see Section 7 of the Notes to the financial statements – Part B – Information on the balance sheet – Assets.

For information on the operations with the Special Purpose Entities over which the Group exercises control even in the absence of a stake, consolidated in accordance with IFRS 10, see the Notes to the consolidated financial statements - Part E – Information on risks and the relative hedging policies.

#### **Other significant information**

With reference to the investments in associates or companies subject to joint control, value adjustments/impairment losses were recognised for a total of 72 million euro, mainly attributable to FI.NAV. Comparto A – Crediti for 23 million euro, Back2Bonis for 17 million euro, Immobiliare Novoli S.p.A. for 9 million euro, Fondo RSCT – Comparto Crediti for 8 million euro, Vesta OML Limited (formerly Oval Money Ltd.) for 7 million euro, Cassa di Risparmio di Fermo S.p.A. for 6 million euro and other minor items for 2 million euro.

For Pension Funds in which Intesa Sanpaolo is co-obliged by virtue of guarantees given, during the year provisions were made for the settlement of the technical imbalance of said Funds, as indicated in the Notes to the financial statements – Part B – Information on the Balance Sheet – Liabilities, Post employment defined benefit plans, to which reference is made.

In addition, ordinary transactions in OTC financial instruments were undertaken by Intesa Sanpaolo S.p.A. with Cariplo Pension Fund.

#### **Other significant subsequent events**

The Governing Bodies of the Parent Company approved the plans for the demerger of IW Bank S.p.A. (which will become IW Private Investments Società di Intermediazione Mobiliare S.p.A.) for the benefit of Fideuram-Intesa Sanpaolo Private Banking S.p.A. and of Fideuram-Intesa Sanpaolo Private Banking S.p.A. for the benefit of Intesa Sanpaolo S.p.A., as well as the plan for the merger by incorporation of UBI Leasing S.p.A. into Intesa Sanpaolo S.p.A. The first of these transactions took legal effect on 14 February 2022, and the second one will be finalised within the first half of 2022.



## B) INFORMATION REGARDING COMPENSATION OF THE MEMBERS OF MANAGEMENT AND CONTROL BODIES AND KEY MANAGERS

Pursuant to IAS 24, "Key Managers" are considered to be the members of the Board of Directors (including members of the Management Control Committee, the Managing Director and CEO), the Manager responsible for preparing the Company's financial reports, the Heads of Business Units and the Heads of Head Office Departments that report directly to the Managing Director and CEO or to the Chairman of the Board of Directors, as well as the Chief Operating Officer and the Heads of the Governance Areas, the Chief Financial Officer, the Chief Risk Officer, the Chief Lending Officer, the Chief Innovation Officer and the Chief Governance Officer.

The following table shows the amounts of the main benefits paid in 2021 to members of the Management and Control Bodies, as well as to other Key Managers who fall within the notion of "related party". This also includes the maximum amounts of the variable portion of remuneration which shall be paid in cash and/or shares of the Parent Company, based on the Group's remuneration and incentive policy, subject to the verification of achievement of the assigned targets and the decisions of the competent bodies of the Parent Company.

	MANAGEMENT BODIES/ CONTROL BODIES <sup>(1)</sup>		OTHER MANAGERS <sup>(2)</sup>		(millions of euro) TOTAL as at 31.12.2021	
	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid
Short-term benefits <sup>(3)</sup>	8	8	27	22	35	30
Post-employment benefits <sup>(4)</sup>	-	-	2	2	2	2
Other long-term benefits <sup>(5)</sup>	-	-	5	-	5	-
Termination benefits <sup>(6)</sup>	-	-	-	-	-	-
Share-based payments <sup>(7)</sup>	-	-	19	-	19	-
<b>Total</b>	<b>8</b>	<b>8</b>	<b>53</b>	<b>24</b>	<b>61</b>	<b>32</b>

(1) Includes 19 members.

(2) Includes 20 members.

(3) Includes fixed and variable remuneration of Directors that may be treated as equivalent to labour cost and social security charges paid by the company for its employees.

(4) Includes company contribution to pension funds and provisions for employee termination indemnities pursuant to law and company regulations.

(5) Includes an estimate of provisions for employee seniority bonuses.

(6) Includes benefits due under the employment contract for termination of employment and non-competition agreements.

(7) Includes the cost referring to the variable portion of short-/long-term remuneration to be paid in Intesa Sanpaolo shares/through POP Plan.

As previously noted in Part H of the Notes to the consolidated financial statements, detailed information on remuneration policies, pursuant to Art. 123 ter of the Consolidated Law on Finance, is published annually in the "Report on the remuneration policy and compensation paid", which includes:

- the details of the remuneration paid to members of management and control bodies, to General Managers, and to other Key Managers;
- the details and the progress of the stock option plans for the members of the Management Body, General Managers and other Key Managers;
- the details and the progress of the incentive plans based on financial instruments other than stock options, in favour of the Managing Director and CEO and other Key Managers;
- the details of the monetary incentive plans in favour of the Managing Director and CEO and other Key Managers;
- the shares of the Parent Company and subsidiaries held by the members of the Management and Control bodies, Key Managers and other associated entities.

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# Part I – Share-based payments

## A. QUALITATIVE INFORMATION

### Description of share-based payments

#### **Annual incentive plan based on financial instruments**

The Supervisory Provisions regarding remuneration and incentive policies and practices in banks and in banking groups, issued on 30 March 2011 (now integrated in Circular 285 of the Bank of Italy) required, *inter alia*, that a portion of annual incentives paid to “Risk Takers” be granted through the assignment of financial instruments, over a multi-year time horizon. As a result, the Intesa Sanpaolo Group sets up annual incentive plans linked to performance. In fulfilment of these plans:

- with regard to the results for 2016, and in implementation of the Shareholders' Meeting resolution of 27 April 2017, on 18 September 2017 the Group totally purchased - through Banca IMI, in charge of the programme execution - 8,091,160 Intesa Sanpaolo ordinary shares (representing approximately 0.05% of the ordinary share capital) at an average purchase price of 2.937 euro per share, for a total value of 23,762,245 euro;
- with regard to the results for 2017, and in implementation of the Shareholders' Meeting resolution of 27 April 2018, on 12 September 2018 the Group totally purchased - through Banca IMI, in charge of the programme execution - 12,686,321 Intesa Sanpaolo ordinary shares (representing approximately 0.07% of the ordinary share capital) at an average purchase price of 2.291 euro per share, for a total value of 29,061,008 euro;
- with regard to the results for 2018, and in implementation of the Shareholders' Meeting resolution of 30 April 2019, on 17 and 18 September 2019 the Group totally purchased - through Banca IMI, in charge of the programme execution - 17,137,954 Intesa Sanpaolo ordinary shares (representing approximately 0.10% of the ordinary share capital) at an average purchase price of 2.129 euro per share, for a total value of 36,481,543 euro. In addition, the purchase programme has been implemented in order to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions;
- with regard to the results for 2019, and in implementation of the Shareholders' Meeting resolution of 27 April 2020, on 16, 17 and 18 November 2020 the Group totally purchased - through its IMI Corporate & Investment Banking Division, in charge of the programme execution - 25,400,000 Intesa Sanpaolo ordinary shares (representing approximately 0.13% of the share capital of the Parent Company) at an average purchase price of 1.852 euro per share, for a total value of 47,046,279 euro. In addition, the purchase programme has been implemented in service of the 2018-2021 Incentive Plan for financial advisors of the Fideuram – Intesa Sanpaolo Private Banking and Sanpaolo Invest networks and to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions;
- with regard to the results for 2020, and in implementation of the Shareholders' Meeting resolution of 28 April 2021, on 13 and 14 September 2021 the Group totally purchased - through its IMI Corporate & Investment Banking Division, in charge of the programme execution - 20,000,000 Intesa Sanpaolo ordinary shares (representing approximately 0.10% of the share capital of the Parent Company) at an average purchase price of 2.391 euro per share, for a total value of 47,822,401 euro. In addition, the purchase programme has been implemented in service of the former UBI Banca Group's shared-based payment incentive system for Risk Takers in regard to 2020 and residual shares from the former UBI Banca Group's incentive systems for previous years, as well as to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions.

The above Shareholders' Meetings also authorised the sale on the regulated market of any shares exceeding requirements, or their retention for any future incentive plans.

The above shares shall be assigned to the beneficiaries in compliance with the implementing regulations set forth in the above incentive systems. Generally, according to these regulations, the beneficiaries must remain in service up to the time the shares are actually delivered to them, and the deferred portion (either in cash or in financial instruments) of the incentive is subject to an ex post correction mechanism – the “malus condition” – according to which the relative amount paid and the number of shares assigned, if any, may be reduced by the level of achievement, in the year to which the deferred portion refers, of specific income statement-balance sheet targets which measure the sustainability of the results achieved over time.

#### **Long-Term Incentive Plans 2018-2021: POP and LECOIP 2.0 Plans**

At the time of launching the 2018-2021 Business Plan, two new long-term incentive plans were launched targeting different clusters of employees:

- The Performance-based Option Plan (POP) targeted at the Top Management, Risk Takers and Key Managers;
- The LECOIP 2.0 Plan targeted at Managers and the remaining personnel.

With reference to the Top Management, Risk Takers and Key Managers, which have a direct impact on the Group's results, it was considered necessary to adopt an instrument specifically linked to the achievement of the Business Plan targets and with an adequate risk/return profile in respect of the role held and the levels of ambition and challenge of the new Business Plan.

The POP is based on financial instruments linked to shares (Call Options) and subject to the achievement of the key performance conditions of the Business Plan as well as subordinated to gateway conditions and individual access (compliance breach).

The entire amount accrued will be paid in shares over a 3/5-year time horizon (depending on the sub-cluster of the beneficiary and subject to verification of the malus conditions, defined in a mirrored manner to the gateway conditions, in those years when they are envisaged).

Furthermore, in June 2018 the Group signed a novation agreement (*accollo liberatorio*) with JP Morgan. Under the terms of this agreement, Intesa Sanpaolo transferred to JP Morgan the obligation to deliver to the Intesa Sanpaolo Group employees any ordinary shares that may be due when the POP Options expire, and JP Morgan thereby took on all the volatility risks associated with the Plan.

Instead, with reference to the Managers and the remaining personnel, basically in line with the LECOIP 2014-2017, a LECOIP 2.0 retention plan 2018 – 2021 was introduced.

The LECOIP 2.0, aimed at enabling the sharing of the value created over time, at every level of the organization, as a result of the achievement of the objectives of the Business Plan and fostering the identification (ownership) and the spirit of belonging to Intesa Sanpaolo Group, is assigned as certificates issued by JP Morgan, i.e. share-based financial instruments. In particular, the LECOIP 2.0 includes:

- the assignment, free of charge, to employees, of new Intesa Sanpaolo ordinary shares deriving from a capital increase without payment (“Free Shares”);
- the assignment, also free of charge, to employees, of additional new Intesa Sanpaolo ordinary shares deriving from the same capital increase without payment (“Matching Shares”) and the subscription by employees to new Intesa Sanpaolo ordinary shares deriving from a capital increase with payment, reserved for employees, through the issue of shares at a discounted price (“Discounted Shares”).

The Certificates are divided into two categories, and have different characteristics according to whether they are reserved for Professionals or for Managers employed by the Group in Italy. The Certificates reflect the terms of certain options that have Intesa Sanpaolo ordinary shares as their underlying instruments, and will allow employees to receive, at maturity, in the absence of trigger events, an amount in cash (or in Intesa Sanpaolo ordinary shares) that is equal to the original market value of the Free Shares and the Matching Shares with regard to Professionals and 75% of this value with regard to Managers, plus a portion of any appreciation, compared to the original market value, related to the amount of the Free Shares, Matching Shares and Discounted Shares.

The POP and the LECOIP 2.0 plans were subject to the approval of the ordinary Shareholders' Meeting of 27 April 2018.

With specific reference to the LECOIP 2.0, the extraordinary session of the Shareholders' Meeting resolved on granting a power of attorney to the Board of Directors to increase the share capital pursuant to Article 2443 of the Italian Civil Code, conducive to the implementation of the LECOIP 2.0. These capital increases were carried out on 11 July 2018, at the same time as launching the long-term incentive plans 2018-2021.

With regard to the POP Plan, in light of the exogenous and extraordinary events (i.e. the limited dividend distributions in the European banking sector in the context of the COVID-19 pandemic) and with the aim of neutralising their technical effects on the functioning mechanism of the POP Plan that undermined its incentivising value, i.e. the realistic possibility for the POP Plan to be in the money in case the value of the Intesa Sanpaolo share recovers and dividend distributions restart taking place regularly, the Ordinary Shareholders' Meeting of 28 April 2021 approved certain amendments.

In particular, the amendments regarded the mechanism for correcting the strike price as a function of the amount of dividends actually distributed in each year of the plan compared to consensus expectations and the postponement of the averaging period (i.e., the observation period during which the average price of the ISP shares to be compared with the strike price is determined), originally set in the time interval 11 March 2021 - 11 March 2022, by one year, with the consequent postponement of the date of exercise of the POP Options by one year as well.

Both the long-term incentive plans in question (the POP and the LECOIP 2.0) fall within the scope of IFRS 2 and qualify as equity-settled share-based payment plans.

With reference to the POP, at the assignment date, the fair value of the equity instruments that are subject to the plan was calculated (represented by the fair value of the options adjusted to consider the availability constraint the shares will be subject to following the exercise of the options) and then updated following the changes to the Plan. The Plan envisages the presence of non-market service and performance conditions (the gateway conditions and performance conditions), which were considered in order to determine the number of shares for the measurement of the cost of the plan. These estimates will be subject to review during the vesting period and until the expiry. The cost of the plan, so defined, is attributed to the income statement (as labour costs) pro rata temporis along the period of accrual of the benefit, as a balancing entry for a specific shareholders' equity reserve. A similar accounting representation for the purposes of IFRS 2 is applied to the Plan amendments. In particular, the cost of the original plan continues to be recognised over the initial vesting period (i.e., until 11 March 2022), whereas the additional cost of the plan modification is recognised over the new vesting period, i.e. until 10 March 2023. The postponement of the observation period by one year, with the consequent extension of the period of service, constitutes an increase of the vesting period.

Upon the occurrence of the events that imply the loss of the right to the benefits of the POP (performance conditions, gateway conditions and the discontinuation of employment) for the employees, Intesa Sanpaolo recognises a financial asset through shareholders' equity. Upon measurement, subsequent changes in fair value are taken to profit or loss. Concerning the right of novation – as this can essentially be considered as the operational method adopted by the Group to fulfil the obligation of physical delivery of the shares deriving from the Plan - the accounting representation is that of an equity instrument, with a balancing entry under shareholders' equity. In addition, the amendment to the POP Plan also entailed the consequent amendment to the novation agreement (*accollo liberatorio*) already signed by the Bank, the beneficiaries and the financial partner, by virtue of which the latter became responsible for the obligation to deliver the ISP shares underlying the POP Options to the beneficiaries.

With regard to the LECOIP 2.0 Plan, at the assignment date, the fair value of the equity instruments that are subject to the plan was calculated (equivalent to the sum of the fair value of the shares assigned free of charge and the fair value of the discount for the paid shares) and no longer modified. The Plan envisages the presence of non-market service and performance conditions (trigger events), which were considered in order to determine the number of shares for the measurement of the cost of the plan. These estimates will be subject to review during the vesting period and until the expiry. The cost of the plan, so defined, is attributed to the income statement (as labour costs) pro rata temporis along the period of accrual of the benefit, as a balancing entry for a specific shareholders' equity reserve.

Upon the occurrence of the events that imply the loss of the rights to the benefits of the LECOIP 2.0 Certificates (trigger events and the discontinuation of employment) for the employees, Intesa Sanpaolo recognises a financial asset as a balancing entry in Shareholders' Equity. In particular, the Certificates entered in the Group's financial statements, as part of IFRS 9, are classified among financial assets mandatorily measured at fair value. Upon measurement, subsequent changes in fair value are taken to profit or loss.

## B. QUANTITATIVE INFORMATION

### *Evolution of the annual incentive plans based on financial instruments in 2021*

	Number of shares	Average strike price (euro)	Residual life
Financial instruments outstanding as at 31 December 2020	31,243,976	-	2021/2025
Financial instruments granted during the year (a)	13,876,379	-	2021/2026
Financial instruments no longer assignable (b)	282,142	-	-
Financial instruments vested during the year and assigned	25,736,631	-	-
Financial instruments outstanding as at 31 December 2021	19,101,582	-	2022/2026
of which: vested and assigned as at 31 December 2021	-	-	-

(a) Including the shares deriving from corporate transactions (5,348,561 shares relating to the scope of the former UBI Group for incentive systems prior to 2020, acquired during the year)

(b) Shares no longer deliverable to the beneficiaries following the related employment agreement ceasing and/or due to the application of the so-called malus conditions.

In addition to the shares specified above, in accordance with the Provisions of the Bank of Italy regarding remuneration and the Remuneration and Incentive Policies of the Group, during 2021, 1,562,346 shares were assigned with reference to remuneration granted in the event of early termination (severance). The residual life of those shares, assigned over a multi-year time horizon, ends between October 2021 and November 2026.

### *Breakdown by residual life*

Residual life (a)	Number of shares
2022	6,083,338
2023	8,383,171
2024	3,171,108
2025	1,150,154
2026	313,811

(a) Fine retention period.

**Evolution of long-term share-based instruments: LECOIP 2.0 and POP**

	LECOIP PLAN 2.0												
	Free Shares at July 2018		Matching Shares at July 2018		Discounted Shares at July 2018		Sell to cover shares at July 2018 (a)		Total number of shares assigned at July 2018	Number of LECOIP Certificates at 31.12.2020	Changes in the year (c)	Number of LECOIP Certificates at 31.12.2021	Average fair value 31.12.2021
	Number of shares	Average unit fair value	Number of shares	Average unit fair value	Number of shares	Average unit fair value (b)	Number of shares	Average unit fair value (b)					
Total employees	23,301,449	2.4750	40,244,229	2.4750	444,819,746	0.3771	82,912,968	2.5416	591,278,392	60,127,761	-851,474	59,276,287	2.3897

(a) Assigned shares allocated to cover the payment relating to the employee's tax burden.

(b) Fair value of the subscription discount.

(c) Number of Certificates which provide for Intesa Sanpaolo to takeover the rights that would have been awarded to the employees for Certificates deriving from the failure to meet the condition of continuation of employment and other vesting conditions.

	Performance-based Option Plan (POP)										
	POP options at July 2018 (a)		POP options at 31.12.2020					POP options at 31 December 2021			
	Number of POP options	Average unit fair value	Number of POP options	Average unit fair value	<i>of which: POP Options restructured as at 07.06.2021</i>		Number of POP options - Changes in the year (b)	Number of POP options	Average unit fair value	<i>of which: POP Options restructured as at 07.06.2021</i>	
					Number of POP options	Average unit fair value				Number of POP options	Average unit fair value
Total beneficiaries (Top Management, Risk Takers and Key Managers)	466,827,626	0.3098	434,928,747	0.0004	334,216,372	0.2049	-4,202,121	430,726,626	-	334,216,372	0.0819

(a) Number of POP Options and the average fair value assigned to the beneficiaries (Top Management, Risk Takers and Key Managers) on 11 July 2018.

(b) Number of POP Options, which provide for Intesa Sanpaolo to takeover the rights that would have been awarded to the employees, in the event they fail to meet the condition of continuation of employment and other vesting conditions (non-restructured options).

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## Part L – Segment reporting

Segment reporting is provided in the consolidated financial statements.

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## Part M – Disclosure of leases

This section provides the information required by IFRS 16 that is not included in other parts of the financial statements, divided between lessee and lessor.

### SECTION 1 - LESSEE

#### QUALITATIVE INFORMATION

Intesa Sanpaolo essentially has real estate and car or other vehicle lease contracts in place. There are also other types of lease contracts, for residual amounts, mainly relating to hardware.

As at 31 December 2021, there were 6,529 lease contracts (4,863 as at 31 December 2020), 4,036 of which (3,195 as at 31 December 2020) relating to real estate leases, for a total value of rights of use of 995 million euro (1,023 million euro as at 31 December 2020). The increase in the number of contracts was due to the merger, during the year, of UBI Group companies into the Parent Company, while the decrease in value is attributable to the downwards renegotiation of several contracts.

Real estate lease contracts include, for the most part, properties designated for use as offices or bank branches. The contracts, within Italy, normally have a term of more than 12 months and typically have renewal and termination options that can be exercised by the lessor and the lessee in accordance with the law or specific contractual provisions. These contracts usually do not include the option to purchase at the end of the lease or significant restoration costs for the Bank. On the basis of the characteristics of the Italian lease contracts and the provisions of Law 392/1978, in the event of the signing of a new lease contract with a contractual term of six years and the option to automatically renew the contract after six years for another six years, the total term of the lease will be set at twelve years. This general rule is superseded if there are new elements or specific situations within the contract.

The contracts relating to other leases mainly involve motor vehicles and hardware. For vehicles, these are long-term rental contracts relating to the company fleet made available to employees (mixed use) or to the organisational structures of the individual companies. These contracts generally have a four-year term, with monthly payments, no renewal option and do not include the option to purchase the asset. The contract may be extended depending on the management of the car fleet and there may be a penalty in the event of early termination.

Lease contracts other than those relating to real estate and cars are immaterial.

No sale or leaseback transactions were carried out in 2021.

Sub-leasing transactions are immaterial.

As already stated in the accounting policies, the Group makes use of the exemptions allowed by IFRS 16 for short-term leases (i.e. with a term of less than or equal to 12 months) or leases of low value assets (i.e. with a value of 5,000 euro or less).

#### QUANTITATIVE DISCLOSURES

Part B - Assets in the Notes to the financial statements contains information on the rights of use acquired through leases (Table 8.1 - Property and equipment used in operations: breakdown of assets measured at cost and Table 8.4 - Investment property: breakdown of assets measured at fair value) and Part B - Liabilities contains information on the lease payables (Table 1.1 - Financial liabilities measured at amortised cost: breakdown of amounts due to banks and Table 1.2 - Financial liabilities measured at amortised cost: breakdown of amounts due to customers).

In particular, as at 31 December 2021 the rights of use acquired through leases amounted to 995 million euro (1,023 million euro as at 31 December 2020), of which 966 million euro (1,009 million euro as at 31 December 2020) relating to real estate leases. As at 31 December 2021 lease payables amounted to 1,010 million euro (1,035 million euro as at 31 December 2020). See the above sections for more details.

Part C of the Notes to the financial statements contains information on the interest expense on lease payables and other charges connected to rights of use acquired through leases, and on the income from sub-leasing transactions. See the specific sections for more details.



The table below provides a breakdown of the amortisation and depreciation charges for assets consisting of the right of use among the various categories, in line with the disclosure of property and equipment/intangible assets.

Captions	(millions of euro)	
	31.12.2021	31.12.2020
<b>Depreciation charges by asset class</b>	-	-
<b>Property and equipment used in operations</b>	<b>177</b>	<b>144</b>
a) buildings	161	136
b) furniture	-	-
c) electronic equipment	4	1
d) other	12	7
<b>Property and equipment for investment</b>	-	-
a) buildings	-	-
<b>TOTAL</b>	<b>177</b>	<b>144</b>

As at 31 December 2021, commitments for lease contracts not yet entered into amounted to approximately 14 million euro and related essentially to hardware contracts.

There is no other information that needs to be reported in addition to that already contained in this section.

## SECTION 2 - LESSOR

### QUALITATIVE INFORMATION

As a result of the merger by incorporation of Mediocredito Italiano in 2019, Intesa Sanpaolo acquired specialist expertise in leasing operations, mainly with respect to finance leases of real estate, industrial and commercial assets, both already constructed and to be constructed. The Bank is also present on the market with lease products relating to capital goods, industrial vehicles, boats and pleasure craft. The risks associated with the ownership rights to the leased assets are managed through the compulsory subscription of an all-risk insurance policy, either offered through concessionary agreements or taken out directly by the customer with their insurer.

Operating leases are exclusively related to the leasing of owned real estate assets.

### QUANTITATIVE DISCLOSURES

The Notes to the financial statements report the following:

- finance leases (Part B, Assets: Table 4.1 - Financial assets measured at amortised cost: breakdown of amounts due from banks and Table 4.2 - Financial assets measured at amortised cost: breakdown of loans to customers);
- assets leased under operating leases contained in caption 80 Property and equipment and described in Part B, Assets (Table 8.4 - Investment property: breakdown of assets measured at fair value); this consists of real estate no longer used in operations by the Bank, which is leased to third parties or held for possible appreciation in value. The amounts involved are immaterial.

See the abovementioned sections for more details.

Part C of the Notes to the financial statements contains information on interest income on finance leases and other income from finance and operating leases. See the specific sections for more details.

## 2. Finance leases

### 2.1. Breakdown by time bands of payments to be received and reconciliation with finance leases recorded as assets

This table provides the breakdown by time bands of lease payments to be received and the reconciliation between lease payments to be received and finance leases in accordance with IFRS 16, paragraph 94. In particular, the lease payments to be received, representing the sum of the minimum payments due as principal and interest, are shown net of the adjustment allowances and the unguaranteed residual value due to the lessor. The reconciliation with finance leases, shown in the financial statements under financial assets measured at amortised cost, is performed by subtracting the unearned finance income and adding the unguaranteed residual value.

	31.12.2021	(millions of euro) 31.12.2020
Time bands	Payments to be received	Payments to be received
Up to 1 year	1,537	1,845
Between 1 and 2 years	1,316	1,525
Between 2 and 3 years	1,139	1,280
Between 3 and 4 years	977	1,084
Between 4 and 5 years	803	928
Over 5 years	2,616	3,487
<b>Total lease payments to be received</b>	<b>8,388</b>	<b>10,149</b>
<b>Reconciliation with loans</b>	<b>-305</b>	<b>-113</b>
Not accrued gains (+)	1,307	1,786
Unguaranteed residual value (-)	-1,612	-1,899
<b>Loans for leases</b>	<b>8,693</b>	<b>10,262</b>

The reduction in finance leases as at 31 December 2021 compared to the end of the previous year is due to the reclassification under IFRS 5 of these operations and primarily relates to non-performing exposures.

### 2.2. Other information

#### 2.2.1 Classification of finance leases by type of leased asset

The table shows the classification of finance leases by credit quality (performing and non-performing) and by type of leased asset. The amounts are shown net of adjustments.

Finance leases	Performing exposures	(millions of euro) Non-performing exposures
<b>A. Real estate assets</b>	<b>6,753</b>	<b>250</b>
<b>B. Operating assets</b>	<b>1,209</b>	<b>7</b>
<b>C. Movable assets</b>	<b>460</b>	<b>3</b>
- Motor vehicles	250	2
- Aircraft and rolling stock	210	1
- Other	-	-
<b>D. Intangible assets</b>	<b>11</b>	<b>-</b>
- Trademarks	11	-
- Software	-	-
- Other	-	-

#### 2.2.2 Classification of assets under finance leases

The table below provides a breakdown by category of leased asset (not yet transferred to property and equipment) relating to lease receivables, net of adjustments.

			(millions of euro)
	Unexercised assets	Assets withdrawn following termination	Other assets
<b>A. Real estate assets</b>	<b>3</b>	<b>4</b>	<b>6,996</b>
<b>B. Operating assets</b>	<b>-</b>	<b>-</b>	<b>1,216</b>
<b>C. Movable assets</b>	<b>-</b>	<b>-</b>	<b>463</b>
- Motor vehicles	-	-	252
- Aircraft and rolling stock	-	-	211
- Other	-	-	-
<b>D. Intangible assets</b>	<b>-</b>	<b>-</b>	<b>11</b>
- Trademarks	-	-	11
- Software	-	-	-
- Other	-	-	-
<b>TOTAL</b>	<b>3</b>	<b>4</b>	<b>8,686</b>

Unexercised assets are assets still held by customers, for which the repurchase option has not been exercised, related to positions that do not show any deterioration in credit quality. Assets withdrawn following termination relate to terminated contracts, where the customer has not yet been released from the contractual obligations, despite having returned the asset covered by the lease contract. The category "other assets" includes the assets underlying the other lease receivables not included in the previous columns.

### 3. Operating lease

This refers to lease instalments to be received for owned real estate assets.

#### 3.1. Breakdown of payments to be received by time bands

		(millions of euro)
Time bands	31.12.2021	31.12.2020
	Payments to be received for leases	Payments to be received for leases
Up to one year	5	4
Over one year up to 2 years	3	2
Over 2 years up to 3 years	3	1
Over 3 years up to 4 years	5	4
Over 4 years up to 5 years	4	4
For over 5 years	11	10
<b>Total</b>	<b>31</b>	<b>25</b>

#### 3.2. Other information

There is no other information that needs to be reported in addition to that already contained in this section.



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# Certification of the Parent Company's financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Carlo Messina (as Managing Director and CEO) and Fabrizio Dabbene (as Manager responsible for preparing the Company's financial reports) of Intesa Sanpaolo, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of 24 February 1998, do hereby certify to:
  - the adequacy in relation to the Company's features and
  - the actual application of the administrative and accounting procedures employed to draw up the Parent Company's financial statements during 2021.
2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the Parent Company's financial statements as at 31 December 2021 was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems.<sup>92</sup>
3. The undersigned also certify that:
  - 3.1 The Parent Company's financial statements as at 31 December 2021:
    - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
    - correspond to the results of the books and accounts;
    - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer.
  - 3.2 The report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer, together with a description of the main risks and uncertainties.

1 March 2022

Carlo Messina  
Managing Director and CEO

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

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<sup>92</sup> The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBJECTives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.



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## **Independent Auditors' Report on the Parent Company's financial statements**





**Independent auditor's report  
pursuant to article 14 of Legislative Decree no. 39/2010 and article 10  
of Regulation (EU) no. 537/2014**

**(Translation from the original Italian text)**

To the Shareholders of  
Intesa Sanpaolo S.p.A.

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Intesa Sanpaolo S.p.A. (the "Bank"), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Intesa Sanpaolo S.p.A. as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree no. 38/2005 and article 43 of Legislative Decree no. 136/2015.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Intesa Sanpaolo S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p><b>Classification and measurement of loans to customers (loans) at amortised cost</b></p> <p>Loans to customers (loans) recorded in assets measured at amortised cost, line item 40. b), amount to Euro 395,401 million as at 31 December 2021 and represent approximately 51.1% of total assets in the balance sheet. The composition of such loans is included in tables 4.2 and 4.3 in Part B, section 4, of the notes to the financial statements.</p> <p>Net impairment losses for credit risk on the loans to customers (loans) measured at amortised cost, included in line item 130. a) of the income statement, amount to Euro 2,582 million for the year ended 31 December 2021; the composition of such net impairment losses is included in table 8.1 in Part C, section 8, of the notes to the financial statements.</p> <p>The disclosure regarding the changes in the quality of the loans to customers (loans) and the classification and measurement criteria adopted is provided in Part A – <i>Accounting policies</i>, in Part B – <i>Information on the Parent Company's balance sheet</i>, in Part C – <i>Information on the Parent Company's income statement</i> and in Part E – <i>Information on risks and relative hedging policies</i> of the notes to the financial statements.</p> <p>The classification and measurement of the loans to customers (loans) measured at amortised cost in the appropriate stage are relevant for the audit because the amount of loans is significant to the financial statements as a whole and because the amount of the related impairment losses is determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity.</p>	<p>In relation to this aspect, our audit procedures, which have been performed also with the support of our risk management and information technology specialists, included among others:</p> <ul style="list-style-type: none"> <li>▶ the understanding of the policies, valuation models (including the analyses of the updates required by the economic impacts of the Covid-19 pandemic), processes and controls applied by the Bank in relation to the classification and measurement of loans to customers (loans);</li> <li>▶ the assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls in order to test their operational effectiveness;</li> <li>▶ the analysis of the changes in the composition of loans to customers (loans) compared to the previous year and the discussion of the results with management;</li> <li>▶ the performance of substantive procedures in order to verify, on a sample basis, the correct classification and measurement of credit exposures;</li> <li>▶ the verification, through the analysis of the supporting documentation, of the accounting for the loans' disposals occurred in the year;</li> <li>▶ the assessment of the adequacy of the disclosures provided in the notes to the financial statements.</li> </ul>

For classification purposes, the Directors make complex analyses, which involve internally developed models, as well as subjective elements, in order to identify exposures that show evidence of a significant increase in credit risk since the date of initial recognition or evidence of impairment. The processes for the classification of such loans consider both internal information about the historical performance of exposures and external information about the reference sector or the borrowers' overall exposure to the banking system.

Measuring loans to customers (loans) is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the Directors also apply internally developed valuation models and make estimates that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, an assessment of any guarantees, the impact of macroeconomic variables and future scenarios, also related to the sale of non-performing loans, and risks of the sectors in which the Bank's customers operate.

Moreover, the classification and measurement processes of the loans to customers (loans) involve consideration of specific factors aimed at reflecting the current uncertainty on the evolution of the macro economic scenario determined by the persistence of the Covid-19 pandemic and effects of the Italian Government support measures including, in particular, the moratoria on loan repayments and the provision or renegotiation of loans supported by Italian state guarantees.

#### Classification and measurement of non-performing loans held for sale

In the notes to the financial statements, Part E - *Information on risks and relative hedging policies*, section 1 Credit risk, the Directors describe the de-risking operations relating to the disposal of non-performing loans.

For the purposes of the financial statements as at 31 December 2021:

- ▶ the non-performing loans to customers held for sale, the disposal of which is estimated as highly probable in the next 12 months, have been classified under item 110. *Non-current assets held for sale and discontinued operations*, as required by IFRS 5, for a gross book value of Euro 4 billion;
- ▶ the non-performing loans to customers which are intended for sale, but do not meet the classification criteria of IFRS 5, have been recorded, as required by IFRS 9, as financial assets measured at amortised cost, item 40. b), for a gross book value of Euro 4.7 billion.

The classification and measurement of non-performing loans held for sale is relevant to the audit because the amount of such loans is significant to the financial statements as a whole and because the determination of their disposal value is determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity.

The Directors estimated the value of non-performing loans held for sale, also through the use of independent experts, on the basis of their expected recovery values and, limited to the loans which do not meet the classification criteria of IFRS 5, of the estimated probability of disposal, in accordance with the accounting standards.

The related impact on the estimate of the expected credit losses has been recognised in the income statement for the year ended 31 December 2021 under item 130. a), *Net losses/recoveries for credit risks*.

In relation to this aspect, our audit procedures, which have been performed also with the support of our non-performing loans specialists, included among others:

- ▶ the understanding of the policies, valuation models, processes and controls applied by the Bank in relation to the classification and measurement of loans to customers held for sale;
- ▶ the acquisition and the analysis of the documentation related to the non-performing loans held for sale, also in order to assess the compliance with the IFRS 5 classification criteria;
- ▶ the analysis of the adequacy of the methodology and of the reasonableness of the main inputs considered by the Directors for the purpose of determining the disposal value of the non-performing loans, including the analysis of the report prepared by the appointed independent experts and, limited to non-performing loans not meeting the IFRS 5 classification criteria, the reasonableness of the probabilistic sales scenarios;
- ▶ the assessment of the adequacy of the disclosures provided in the notes to the financial statements.

***Classification and measurement of financial  
assets and liabilities at fair value  
(levels 2 and 3)***

Financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy, amount to a total asset balance of Euro 35,367 million and a total liability balance of Euro 42,626 million as at 31 December 2021. The composition of financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy, is included in table A.4.5.1, Part A of the notes to the financial statements.

The disclosures on the classification and measurement of financial instruments measured at fair value on a recurring basis, classified in level 2 and level 3 of the fair value hierarchy is provided in Part A - *Accounting policies*, in Part B - *Information on the Parent Company's balance sheet*, in Part C - *Information on the Parent Company's income statement* and in Part E - *Information on risks and relative hedging policies* of the notes to the financial statements.

The valuation of these financial instruments is performed by the Bank through the use of complex models, accepted by the prevailing valuation practice, which are fed by directly or indirectly observable inputs and internally estimated based on qualitative and quantitative assumptions.

The measurement of such financial instruments is relevant to the audit because the amount of such financial instruments is significant to the financial statements as a whole and because of the multiplicity and complexity of the valuation models and parameters used and for the subjective elements considered for the purposes of the estimates.

In relation to this aspect, our audit procedures, which have been performed also with the support of our risk management and information technology specialists, included among others:

- ▶ the understanding of the policies, valuation models, processes and controls applied by the Bank in relation to the classification and measurement of level 2 and level 3 financial instruments measured at fair value on a recurring basis;
- ▶ the assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls in order to verify their operational effectiveness;
- ▶ the analysis of the changes in the composition of the financial instruments' portfolio compared to the previous year and the discussion of the results with management;
- ▶ the performance of substantive procedures in order to verify, on a sample basis, the fair value of certain financial instruments through the analysis of the valuation models, the reasonableness of the qualitative and quantitative assumptions and inputs as well as the classification in the appropriate fair value level;
- ▶ the assessment of the adequacy of the disclosures provided in the notes to the financial statements.

### **Responsibilities of the Directors and of the Management Control Committee for the Financial Statements**

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree no. 38/2005 and article 43 of Legislative Decree no. 136/2015 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Bank's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Management Control Committee is responsible, within the terms provided by the law, for overseeing the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- ▶ we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- ▶ we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;



- ▶ we have concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- ▶ we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We have described these matters in our auditor's report.

#### **Additional Information pursuant to Article 10 of Regulation (EU) no. 537/2014**

The Shareholders of Intesa Sanpaolo S.p.A., in the general meeting held on 30 April 2019, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2021 to 31 December 2029.

We declare that we have not provided prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) no. 537/2014, and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the Management Control Committee in its capacity as audit committee, prepared pursuant to article 11 of the Regulation (EU) no. 537/2014.

## **Report on Compliance with other Legal and Regulatory Requirements**

### **Opinion on the Compliance with Delegated Regulation (EU) no. 815/2019**

The Directors of Intesa Sanpaolo S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) no. 815/2019 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the “Delegated Regulation”) to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia no. 700B, in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

### **Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree no. 39/2010 and article 123-bis, paragraph 4 of Legislative Decree no. 58/1998**

The Directors of Intesa Sanpaolo S.p.A. are responsible for the preparation of the report on operations and of the report on corporate governance and ownership structure as at 31 December 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia no. 720B, in order to express an opinion on the consistency of the report on operations and of specific information included in the report on corporate governance and ownership structure as provided for by article 123-bis, paragraph 4, of Legislative Decree no. 58/1998 with the financial statements of the Bank as at 31 December 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information included in the report on corporate governance and ownership structure are consistent with the financial statements of the Bank as at 31 December 2021 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree no. 39/2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.



**Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree no. 254/2016**

The Directors of Intesa Sanpaolo S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree no. 254/2016. We have verified that non-financial information has been approved by the Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree no. 254/2016, such non-financial information is subject to a separate compliance report signed by us.

Milan, 22 March 2022

EY S.p.A.  
Signed by: Guido Celona, Auditor

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*



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# Attachments to the Parent Company's financial statements

## Intesa Sanpaolo reconciliation statements

### Reconciliation between published financial statements and adjusted financial statements

Reconciliation between the published balance sheet as at 31 December 2020 and the adjusted balance sheet as at 31 December 2020

Reconciliation between published income statement for 2020 and adjusted income statement for 2020

### Reconciliation between adjusted financial statements and restated financial statements

Reconciliation between the adjusted balance sheet as at 31 December 2020 and the restated balance sheet as at 31 December 2020

Reconciliation between adjusted income statement for 2020 and restated income statement for 2020

### Restated financial statements

Restated Intesa Sanpaolo balance sheet

Intesa Sanpaolo income statement

### Reconciliation between restated Intesa Sanpaolo financial statements and reclassified Intesa Sanpaolo financial statements

Reconciliation between restated Intesa Sanpaolo balance sheet and reclassified Intesa Sanpaolo balance sheet

Reconciliation between Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

### Reclassified financial statements – Reconciliation with redetermined figures

Reclassified balance sheet – Reconciliation with redetermined figures

Reclassified income statement – Reconciliation with redetermined figures



## **Reconciliation between published financial statements and adjusted financial statements**



**Reconciliation between the published balance sheet as at 31 December 2020 and the adjusted balance sheet as at 31 December 2020**

(millions of euro)			
Assets	31.12.2020 Published	Amendments to Bank of Italy Circular 262 (a)	31.12.2020 Adjusted
10. Cash and cash equivalents	5,402	1,346	6,748
20. Financial assets measured at fair value through profit or loss	57,073	-	57,073
<i>a) financial assets held for trading</i>	53,738	-	53,738
<i>b) financial assets designated at fair value</i>	1	-	1
<i>c) other financial assets mandatorily measured at fair value</i>	3,334	-	3,334
30. Financial assets measured at fair value through other comprehensive income	40,988	-	40,988
40. Financial assets measured at amortised cost	470,245	-1,346	468,899
<i>a) due from banks</i>	90,616	-1,346	89,270
<i>b) loans to customers</i>	379,629	-	379,629
50. Hedging derivatives	1,015	-	1,015
60. Fair value change of financial assets in hedged portfolios (+/-)	2,333	-	2,333
70. Equity investments	24,668	-	24,668
80. Property and equipment	6,558	-	6,558
90. Intangible assets	3,574	-	3,574
<i>of which:</i>			
<i>- goodwill</i>	67	-	67
100. Tax assets	14,216	-	14,216
<i>a) current</i>	1,428	-	1,428
<i>b) deferred</i>	12,788	-	12,788
110. Non-current assets held for sale and discontinued operations	1,798	-	1,798
120. Other assets	3,862	-	3,862
<b>Total assets</b>	<b>631,732</b>	<b>-</b>	<b>631,732</b>

(a) Includes the changes made based on the provisions of the 7th update of Bank of Italy Circular 262 of 29 October 2021.

		(millions of euro)	
Liabilities and Shareholders' Equity		31.12.2020 Published	Amendments to Bank of Italy Circular 262 (a)
			31.12.2020 Adjusted
10.	Financial liabilities measured at amortised cost	491,393	-
	<i>a) due to banks</i>	130,654	-
	<i>b) due to customers</i>	288,694	-
	<i>c) securities issued</i>	72,045	-
20.	Financial liabilities held for trading	60,830	-
30.	Financial liabilities designated at fair value	2,810	-
40.	Hedging derivatives	5,387	-
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	721	-
60.	Tax liabilities	832	-
	<i>a) current</i>	13	-
	<i>b) deferred</i>	819	-
70.	Liabilities associated with non-current assets held for sale and discontinued operations	2,594	-
80.	Other liabilities	8,000	-
90.	Employee termination indemnities	927	-
100.	Allowances for risks and charges	4,124	-
	<i>a) commitments and guarantees given</i>	404	-
	<i>b) post-employment benefits</i>	212	-
	<i>c) other allowances for risks and charges</i>	3,508	-
110.	Valuation reserves	1,176	-
120.	Redeemable shares	-	-
130.	Equity instruments	7,053	-
140.	Reserves	7,609	-
145.	Interim dividend (-)	-	-
150.	Share premium reserve	27,603	-
160.	Share capital	10,084	-
170.	Treasury shares (-)	-90	-
180.	Net income (loss) (+/-)	679	-
<b>Total liabilities and shareholders' equity</b>		<b>631,732</b>	<b>-</b>
			<b>631,732</b>

(a) Includes the changes made based on the provisions of the 7th update of Bank of Italy Circular 262 of 29 October 2021.

**Reconciliation between published income statement for 2020 and adjusted income statement for 2020**

The published income statement for 2020 did not require any adjustments.

## **Reconciliation between adjusted financial statements and restated financial statements**

**Reconciliation between the adjusted balance sheet as at 31 December 2020 and the restated balance sheet as at 31 December 2020**

Assets	31.12.2020 Adjusted	Change in the reference scope (a)	31.12.2020 Restated
10. Cash and cash equivalents	6,748	739	7,487
20. Financial assets measured at fair value through profit or loss	57,073	1,635	58,708
a) financial assets held for trading	53,738	1,013	54,751
b) financial assets designated at fair value	1	-	1
c) other financial assets mandatorily measured at fair value	3,334	622	3,956
30. Financial assets measured at fair value through other comprehensive income	40,988	3,262	44,250
40. Financial assets measured at amortised cost	468,899	84,926	553,825
a) due from banks	89,270	16,318	105,588
b) loans to customers	379,629	68,608	448,237
50. Hedging derivatives	1,015	14	1,029
60. Fair value change of financial assets in hedged portfolios (+/-)	2,333	3	2,336
70. Equity investments	24,668	-1,849	22,819
80. Property and equipment	6,558	1,562	8,120
90. Intangible assets	3,574	422	3,996
of which:			
- goodwill	67	-	67
100. Tax assets	14,216	3,864	18,080
a) current	1,428	676	2,104
b) deferred	12,788	3,188	15,976
110. Non-current assets held for sale and discontinued operations	1,798	25,586	27,384
120. Other assets	3,862	848	4,710
<b>Total assets</b>	<b>631,732</b>	<b>121,012</b>	<b>752,744</b>

(a) Effect connected to the absorption of UBI Banca S.p.A., net of the going concern consisting of 455 branches and 132 operating points sold to BPER, as well as the going concern consisting of 17 bank branches and 9 associated operating points (mini-branches) sold to Banca Popolare di Puglia e Basilicata. The balance sheet figures have also been restated due to the sale of 31 branches and 2 operating points of the Parent Company to BPER (finalised on 24 May 2021) as well as the mergers of UBI Sistemi e Servizi S.C.P.A. (12 July 2021) and UBI Factor S.p.A. (25 October 2021), with accounting and tax effects from 1 January 2021. The balance sheet entries relating to the going concerns object of disposal have been reported under "Non-current assets held for sale and discontinued operations" and "Liabilities associated with non-current assets held for sale and discontinued operations". The figures for the demerged business lines of the former UBI Banca S.p.A. have not been restated.

		(millions of euro)		
Liabilities and Shareholders' Equity		31.12.2020 Adjusted	Change in the reference scope (a)	31.12.2020 Restated
10.	Financial liabilities measured at amortised cost	491,393	81,527	572,920
	<i>a) due to banks</i>	130,654	13,576	144,230
	<i>b) due to customers</i>	288,694	45,689	334,383
	<i>c) securities issued</i>	72,045	22,262	94,307
20.	Financial liabilities held for trading	60,830	-144	60,686
30.	Financial liabilities designated at fair value	2,810	223	3,033
40.	Hedging derivatives	5,387	439	5,826
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	721	5	726
60.	Tax liabilities	832	653	1,485
	<i>a) current</i>	13	35	48
	<i>b) deferred</i>	819	618	1,437
70.	Liabilities associated with non-current assets held for sale and discontinued operations	2,594	32,246	34,840
80.	Other liabilities	8,000	2,028	10,028
90.	Employee termination indemnities	927	205	1,132
100.	Allowances for risks and charges	4,124	710	4,834
	<i>a) commitments and guarantees given</i>	404	123	527
	<i>b) post-employment benefits</i>	212	79	291
	<i>c) other allowances for risks and charges</i>	3,508	508	4,016
110.	Valuation reserves	1,176	-3	1,173
120.	Redeemable shares	-	-	-
130.	Equity instruments	7,053	388	7,441
140.	Reserves	7,609	5,394	13,003
145.	Interim dividend (-)	-	-	-
150.	Share premium reserve	27,603	-	27,603
160.	Share capital	10,084	-	10,084
170.	Treasury shares (-)	-90	-	-90
180.	Net income (loss) (+/-)	679	-2,659	-1,980
<b>Total liabilities and shareholders' equity</b>		<b>631,732</b>	<b>121,012</b>	<b>752,744</b>

(a) Effect connected to the absorption of UBI Banca S.p.A., net of the going concern consisting of 455 branches and 132 operating points sold to BPER, as well as the going concern consisting of 17 bank branches and 9 associated operating points (mini-branches) sold to Banca Popolare di Puglia e Basilicata. The balance sheet figures have also been restated due to the sale of 31 branches and 2 operating points of the Parent Company to BPER (finalised on 24 May 2021) as well as the mergers of UBI Sistemi e Servizi S.C.P.A. (12 July 2021) and UBI Factor S.p.A. (25 October 2021), with accounting and tax effects from 1 January 2021. The balance sheet entries relating to the going concerns object of disposal have been reported under "Non-current assets held for sale and discontinued operations" and "Liabilities associated with non-current assets held for sale and discontinued operations". The figures for the demerged business lines of the former UBI Banca S.p.A. have not been restated.

**Reconciliation between adjusted income statement for 2020 and restated income statement for 2020**

The published income statement for 2020 did not require any restatements.



## Restated financial statements

## Restated Intesa Sanpaolo balance sheet

		(millions of euro)			
Assets		31.12.2021	31.12.2020	Changes	
			Restated	amount	%
10.	Cash and cash equivalents	7,730	7,487	243	3.2
20.	Financial assets measured at fair value through profit or loss	51,636	58,708	-7,072	-12.0
	a) <i>financial assets held for trading</i>	47,731	54,751	-7,020	-12.8
	b) <i>financial assets designated at fair value</i>	1	1	-	-
	c) <i>other financial assets mandatorily measured at fair value</i>	3,904	3,956	-52	-1.3
30.	Financial assets measured at fair value through other comprehensive income	52,149	44,250	7,899	17.9
40.	Financial assets measured at amortised cost	599,476	553,825	45,651	8.2
	a) <i>due from banks</i>	160,488	105,588	54,900	52.0
	b) <i>loans to customers</i>	438,988	448,237	-9,249	-2.1
50.	Hedging derivatives	1,566	1,029	537	52.2
60.	Fair value change of financial assets in hedged portfolios (+/-)	393	2,336	-1,943	-83.2
70.	Equity investments	23,420	22,819	601	2.6
80.	Property and equipment	7,875	8,120	-245	-3.0
90.	Intangible assets	4,012	3,996	16	0.4
	of which:				
	- <i>goodwill</i>	67	67	-	-
100.	Tax assets	17,394	18,080	-686	-3.8
	a) <i>current</i>	3,387	2,104	1,283	61.0
	b) <i>deferred</i>	14,007	15,976	-1,969	-12.3
110.	Non-current assets held for sale and discontinued operations	1,326	27,384	-26,058	-95.2
120.	Other assets	7,263	4,710	2,553	54.2
<b>Total assets</b>		<b>774,240</b>	<b>752,744</b>	<b>21,496</b>	<b>2.9</b>

Liabilities and Shareholders' Equity		31.12.2021	31.12.2020 Restated	(millions of euro) Changes	
				amount	%
10.	Financial liabilities measured at amortised cost	638,920	572,920	66,000	11.5
	<i>a) due to banks</i>	191,156	144,230	46,926	32.5
	<i>b) due to customers</i>	357,474	334,383	23,091	6.9
	<i>c) securities issued</i>	90,290	94,307	-4,017	-4.3
20.	Financial liabilities held for trading	57,227	60,686	-3,459	-5.7
30.	Financial liabilities designated at fair value	3,675	3,033	642	21.2
40.	Hedging derivatives	3,971	5,826	-1,855	-31.8
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	60	726	-666	-91.7
60.	Tax liabilities	496	1,485	-989	-66.6
	<i>a) current</i>	52	48	4	8.3
	<i>b) deferred</i>	444	1,437	-993	-69.1
70.	Liabilities associated with non-current assets held for sale and discontinued operations	25	34,840	-34,815	-99.9
80.	Other liabilities	10,332	10,028	304	3.0
90.	Employee termination indemnities	1,027	1,132	-105	-9.3
100.	Allowances for risks and charges	4,208	4,834	-626	-12.9
	<i>a) commitments and guarantees given</i>	367	527	-160	-30.4
	<i>b) post-employment benefits</i>	245	291	-46	-15.8
	<i>c) other allowances for risks and charges</i>	3,596	4,016	-420	-10.5
110.	Valuation reserves	855	1,173	-318	-27.1
120.	Redeemable shares	-	-	-	
130.	Equity instruments	6,260	7,441	-1,181	-15.9
140.	Reserves	8,175	13,003	-4,828	-37.1
145.	Interim dividend (-)	-1,399	-	1,399	
150.	Share premium reserve	27,445	27,603	-158	-0.6
160.	Share capital	10,084	10,084	-	-
170.	Treasury shares (-)	-69	-90	-21	-23.3
180.	Net income (loss) (+/-)	2,948	-1,980	4,928	
<b>Total liabilities and shareholders' equity</b>		<b>774,240</b>	<b>752,744</b>	<b>21,496</b>	<b>2.9</b>

## Intesa Sanpaolo income statement

		(millions of euro)			
		2021	2020	Changes	
			Restated	amount	%
10.	Interest and similar income	8,259	7,265	994	13.7
	<i>of which: interest income calculated using the effective interest rate method</i>	7,756	7,377	379	5.1
20.	Interest and similar expense	-2,322	-2,038	284	13.9
<b>30.</b>	<b>Interest margin</b>	<b>5,937</b>	<b>5,227</b>	<b>710</b>	<b>13.6</b>
40.	Fee and commission income	6,602	5,243	1,359	25.9
50.	Fee and commission expense	-929	-847	82	9.7
<b>60.</b>	<b>Net fee and commission income</b>	<b>5,673</b>	<b>4,396</b>	<b>1,277</b>	<b>29.0</b>
70.	Dividend and similar income	2,454	2,536	-82	-3.2
80.	Profits (Losses) on trading	442	464	-22	-4.7
90.	Fair value adjustments in hedge accounting	39	36	3	8.3
100.	Profits (Losses) on disposal or repurchase of:	683	562	121	21.5
	<i>a) financial assets measured at amortised cost</i>	161	-200	361	
	<i>b) financial assets measured at fair value through other comprehensive income</i>	576	782	-206	-26.3
	<i>c) financial liabilities</i>	-54	-20	34	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	35	-51	86	
	<i>a) financial assets and liabilities designated at fair value</i>	-55	56	-111	
	<i>b) other financial assets mandatorily measured at fair value</i>	90	-107	197	
<b>120.</b>	<b>Net interest and other banking income</b>	<b>15,263</b>	<b>13,170</b>	<b>2,093</b>	<b>15.9</b>
130.	Net losses/recoveries for credit risks associated with:	-2,554	-3,377	-823	-24.4
	<i>a) financial assets measured at amortised cost</i>	-2,538	-3,369	-831	-24.7
	<i>b) financial assets measured at fair value through other comprehensive income</i>	-16	-8	8	
140.	Profits (Losses) on changes in contracts without derecognition	-23	-7	16	
<b>150.</b>	<b>Net income from banking activities</b>	<b>12,686</b>	<b>9,786</b>	<b>2,900</b>	<b>29.6</b>
160.	Administrative expenses:	-9,339	-8,573	766	8.9
	<i>a) personnel expenses</i>	-5,822	-5,521	301	5.5
	<i>b) other administrative expenses</i>	-3,517	-3,052	465	15.2
170.	Net provisions for risks and charges	19	-630	649	
	<i>a) commitments and guarantees given</i>	142	-15	157	
	<i>b) other net provisions</i>	-123	-615	-492	-80.0
180.	Net adjustments to / recoveries on property and equipment	-477	-381	96	25.2
190.	Net adjustments to / recoveries on intangible assets	-726	-595	131	22.0
200.	Other operating expenses (income)	861	620	241	38.9
<b>210.</b>	<b>Operating expenses</b>	<b>-9,662</b>	<b>-9,559</b>	<b>103</b>	<b>1.1</b>
220.	Profits (Losses) on equity investments	-217	-154	63	40.9
230.	Valuation differences on property, equipment and intangible assets measured at fair value	-20	-33	-13	-39.4
240.	Goodwill impairment	-	-1,155	-1,155	
250.	Profits (Losses) on disposal of investments	89	29	60	
<b>260.</b>	<b>Income (Loss) before tax from continuing operations</b>	<b>2,876</b>	<b>-1,086</b>	<b>3,962</b>	
270.	Taxes on income from continuing operations	72	639	-567	-88.7
<b>280.</b>	<b>Income (Loss) after tax from continuing operations</b>	<b>2,948</b>	<b>-447</b>	<b>3,395</b>	
290.	Income (Loss) after tax from discontinued operations	-	1,126	-1,126	
<b>300.</b>	<b>Net income (loss)</b>	<b>2,948</b>	<b>679</b>	<b>2,269</b>	

## **Reconciliation between restated Intesa Sanpaolo financial statements and reclassified Intesa Sanpaolo financial statements**

## Reconciliation between restated Intesa Sanpaolo balance sheet and reclassified Intesa Sanpaolo balance sheet

			(millions of euro)	
Assets			31.12.2021	31.12.2020 Restated
<b>Cash and cash equivalents</b>			<b>7,730</b>	<b>7,487</b>
	Caption 10	Cash and cash equivalents	7,730	7,487
<b>Due from banks</b>			<b>158,962</b>	<b>103,916</b>
	Caption 40a (partial)	Financial assets measured at amortised cost - Due from banks	158,924	103,892
	Caption 20a (partial)	Financial assets held for trading - Due from banks	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks	38	24
<b>Loans to customers</b>			<b>403,804</b>	<b>408,651</b>
<b>Loans to customers measured at amortised cost</b>			<b>402,118</b>	<b>407,353</b>
	Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers	395,401	400,413
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	6,717	6,940
<b>Loans to customers at fair value through other comprehensive income and through profit or loss</b>			<b>1,686</b>	<b>1,298</b>
	Caption 20a (partial)	Financial assets held for trading - Non-bank loans	19	22
	Caption 20b (partial)	Financial assets designated at fair value through profit or loss - Non-bank loans	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value through profit or loss - Non-bank loans	928	1,004
	Caption 30 (partial)	Financial assets at fair value through other comprehensive income - Non-bank loans	739	272
<b>Financial assets measured at amortised cost which do not constitute loans</b>			<b>38,434</b>	<b>42,580</b>
	Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities with banks	1,564	1,696
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	36,870	40,884
<b>Financial assets at fair value through profit or loss</b>			<b>50,651</b>	<b>57,658</b>
	Caption 20a (partial)	Financial assets held for trading	47,712	54,729
	Caption 20b (partial)	Financial assets designated at fair value - Debt securities	1	1
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value	2,938	2,928
<b>Financial assets at fair value through other comprehensive income</b>			<b>51,410</b>	<b>43,978</b>
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income	51,410	43,978
<b>Equity investments</b>			<b>23,420</b>	<b>22,819</b>
	Caption 70	Equity investments	23,420	22,819
<b>Property, equipment and intangible assets</b>			<b>11,887</b>	<b>12,116</b>
<b>Assets owned</b>			<b>10,892</b>	<b>10,819</b>
	Caption 80 (partial)	Property and equipment	6,880	6,823
	Caption 90	Intangible assets	4,012	3,996
<b>Rights of use acquired under leases</b>			<b>995</b>	<b>1,297</b>
	Caption 80 (partial)	Property and equipment	995	1,297
<b>Tax assets</b>			<b>17,394</b>	<b>18,080</b>
	Caption 100	Tax assets	17,394	18,080
<b>Non-current assets held for sale and discontinued operations</b>			<b>1,326</b>	<b>27,384</b>
	Caption 110	Non-current assets held for sale and discontinued operations	1,326	27,384
<b>Other assets</b>			<b>9,222</b>	<b>8,075</b>
	Caption 50	Hedging derivatives	1,566	1,029
	Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	393	2,336
	Caption 120	Other assets	7,263	4,710
<b>Total assets</b>			<b>774,240</b>	<b>752,744</b>

			(millions of euro)	
Liabilities			31.12.2021	31.12.2020 Restated
<b>Due to banks at amortised cost</b>			<b>191,149</b>	<b>144,226</b>
Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks		191,156	144,230
- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)		-7	-4
<b>Due to customers at amortised cost and securities issued</b>			<b>446,761</b>	<b>427,348</b>
Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers		357,474	334,383
Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued		90,290	94,307
- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)		-1,003	-1,342
<b>Financial liabilities held for trading</b>			<b>57,227</b>	<b>60,686</b>
Caption 20	Financial liabilities held for trading		57,227	60,686
<b>Financial liabilities designated at fair value</b>			<b>3,675</b>	<b>3,033</b>
Caption 30	Financial liabilities designated at fair value		3,675	3,033
<b>Tax liabilities</b>			<b>496</b>	<b>1,485</b>
Caption 60	Tax liabilities		496	1,485
<b>Liabilities associated with non-current assets held for sale and discontinued operations</b>			<b>25</b>	<b>34,840</b>
Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations		25	34,840
<b>Other liabilities</b>			<b>15,373</b>	<b>17,926</b>
Caption 40	Hedging derivatives		3,971	5,826
Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)		60	726
Caption 80	Other liabilities		10,332	10,028
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)		7	4
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)		1,003	1,342
<b>Allowances for risks and charges</b>			<b>5,235</b>	<b>5,966</b>
Caption 90	Employee termination indemnities		1,027	1,132
Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given		367	527
Caption 100 b)	Allowances for risks and charges - Post-employment benefits		245	291
Caption 100 c)	Allowances for risks and charges - Other allowances		3,596	4,016
<b>Share capital</b>			<b>10,084</b>	<b>10,084</b>
Caption 160	Share capital		10,084	10,084
<b>Reserves</b>			<b>35,551</b>	<b>40,516</b>
Caption 140	Reserves		8,175	13,003
Caption 150	Share premium reserve		27,445	27,603
Caption 170	Treasury shares (-)		-69	-90
<b>Valuation reserves</b>			<b>855</b>	<b>1,173</b>
Caption 110	Valuation reserves		855	1,173
<b>Interim dividend</b>			<b>-1,399</b>	<b>-</b>
Caption 145	Interim dividend (-)		-1,399	-
<b>Equity instruments</b>			<b>6,260</b>	<b>7,441</b>
Caption 130	Equity instruments		6,260	7,441
<b>Net income (loss)</b>			<b>2,948</b>	<b>-1,980</b>
Caption 180	Net income (loss) (+/-)		2,948	-1,980
<b>Total Liabilities and Shareholders' Equity</b>			<b>774,240</b>	<b>752,744</b>



## Reconciliation between Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

		(millions of euro)	
		2021	2020
<b>Net interest income</b>		<b>5,951</b>	<b>5,257</b>
Caption 30	Interest margin	5,937	5,227
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	17	69
+ Caption 60 (partial)	Net fee and commission income (Fees and commissions at negative rates for holding and management of overdrafts)	59	25
+ Caption 70 (partial)	Dividend and similar income (Dividends received and paid within securities lending operations)	9	4
+ Caption 80 (partial)	Profits (losses) on trading (Components of profits (losses) on trading relating to net interest income)	-70	-61
+ Caption 160 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-1	-7
+ Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Time value allowances for risks and charges)	-	-
<b>Net fee and commission income</b>		<b>5,668</b>	<b>4,467</b>
Caption 60	Net fee and commission income	5,673	4,396
- Caption 60 (partial)	Net fee and commission income (Fees and commissions at negative rates for holding and management of overdrafts)	-59	-25
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	55	38
+ Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss: a) financial assets and liabilities designated at fair value (Placement of Certificates)	48	93
+ Caption 160 b) (partial)	Other administrative expenses (Recovery of other expenses)	-49	-35
<b>Profits (Losses) on financial assets and liabilities designated at fair value</b>		<b>1,427</b>	<b>1,301</b>
Caption 80	Profits (Losses) on trading	442	464
Caption 90	Fair value adjustments in hedge accounting	39	36
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	576	782
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	-54	-20
Caption 110 a)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value	-55	56
Caption 110 b)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) financial assets mandatorily measured at fair value through profit or loss	90	-107
+ Caption 70 (partial)	Dividend and similar income (on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income, including dividends on UCIs)	146	85
- Caption 70 (partial)	Dividend and similar income (Dividends received and paid within securities lending operations)	-9	-4
- Caption 80 (partial)	Profits (losses) on trading (Components of profits (losses) on trading relating to net interest income)	70	61
- Caption 80 (partial)	Profits (Losses) on trading (Valuation effects of derivatives related to equity investments held)	-	-45
- Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	-55	-38
- Caption 80 (partial)	Profits (Losses) on trading (Economic effect of purchase price allocation)	16	-
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost (Effect associated with profits (losses) on trading)	310	88
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	-29	-
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	-19	-
- Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss: a) financial assets and liabilities designated at fair value (Placement of Certificates)	-48	-93
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) financial assets mandatorily measured at fair value through profit or loss (Charges concerning the banking industry)	2	27
+ Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Provisions/Releases linked to Profits (Losses) on trading)	2	-
+ Caption 200 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	3	9
<b>Other operating income (expenses)</b>		<b>2,546</b>	<b>2,623</b>
Caption 70	Dividend and similar income	2,454	2,536
Caption 200	Other operating expenses (income)	861	620
- Caption 70 (partial)	Dividend and similar income (on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income, including dividends on UCIs)	-146	-85
- Caption 200 (partial)	Other operating expenses (income) (Recovery of expenses and indirect taxes)	-649	-506
- Caption 200 (partial)	Other operating expenses (income) (Valuation effects of other assets)	6	66
- Caption 200 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-3	-9
- Caption 200 (partial)	Other operating expenses (income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	40	15
- Caption 200 (partial)	Other operating expenses (income) (Recovery of costs)	-	-
- Caption 200 (partial)	Other operating expenses (income) (Charges for integration and exit incentives)	-17	-14
+ Caption 220 (partial)	Profits (losses) on equity investments (carried at equity)	-	-
<b>Operating income</b>		<b>15,592</b>	<b>13,648</b>

		(millions of euro)	
		2021	2020
<b>Personnel expenses</b>		<b>-5,473</b>	<b>-4,421</b>
Caption 160 a)	Personnel expenses	-5,822	-5,521
- Caption 160 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	348	1,093
- Caption 160 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	1	7
+ Caption 200 (partial)	Other operating expenses (income) (Recovery of costs)	-	-
<b>Other administrative expenses</b>		<b>-2,123</b>	<b>-1,803</b>
Caption 160 b)	Other administrative expenses	-3,517	-3,052
- Caption 160 b) (partial)	Other administrative expenses (Charges for integration and exit incentives)	41	192
- Caption 160 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	654	516
- Caption 160 b) (partial)	Other administrative expenses (Recovery of other expenses)	49	35
- Caption 160 b) (partial)	Other administrative expenses (Derisking charges)	1	-
+ Caption 200 (partial)	Other operating expenses (income) (Recovery of expenses and indirect taxes)	649	506
<b>Adjustments to property, equipment and intangible assets</b>		<b>-1,028</b>	<b>-898</b>
Caption 180	Net adjustments to/recoveries on property and equipment	-477	-381
Caption 190	Net adjustments to/recoveries on intangible assets	-726	-595
- Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration and exit incentives)	33	17
- Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	3	4
- Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration and exit incentives)	77	49
- Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	40	-
- Caption 190 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	22	8
<b>Operating costs</b>		<b>-8,624</b>	<b>-7,122</b>
<b>Operating margin</b>		<b>6,968</b>	<b>6,526</b>
<b>Net adjustments to loans</b>		<b>-2,487</b>	<b>-3,657</b>
Caption 140	Profits/losses from changes in contracts without derecognition	-23	-7
Caption 170 a)	Net provisions for risks and charges: a) commitments and guarantees given	142	-15
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans	-154	-286
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	5	-1
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost (Effect of purchase price allocation)	124	34
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans	-2,563	-3,369
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	18	1
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Loans	-	-6
+ Caption 160 b) (partial)	Other administrative expenses (Derisking charges)	-1	-
- Caption 170 a) (partial)	Net provisions for risks and charges: a) commitments and guarantees given (provisions for credit risk related to commitments and guarantees given)	1	3
+ Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Provisions for non-recurring expenses)	-	-11
+ Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Derisking charges)	-36	-
<b>Other net provisions and net impairment losses on other assets</b>		<b>-427</b>	<b>-236</b>
Caption 170 b)	Net provisions for risks and charges: b) other net provisions	-123	-615
Caption 230	Valuation differences on property, equipment and intangible assets measured at fair value	-20	-33
+ Caption 80 (partial)	Profits (Losses) on trading (Valuation effects of derivatives related to equity investments held)	-	45
Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	7	-1
Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Debt securities	-16	-2
+ Caption 170 a) (partial)	Net provisions for risks and charges: a) commitments and guarantees given (provisions for credit risk related to commitments and guarantees given)	-1	-3
- Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Time value allowances for risks and charges)	-	-
- Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Charges for integration and exit incentives)	-147	488
- Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Provisions/Releases linked to Profits (Losses) on trading)	-2	-
- Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Derisking charges)	36	-
- Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Effect of purchase price allocation)	-40	-
- Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Provisions for non-recurring expenses)	-	11
+ Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-3	-4
+ Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-40	-
+ Caption 200 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-6	-66
+ Caption 220 (partial)	Profits (Losses) on equity investments (Adjustments/recoveries due to impairment of associates)	-72	-56

			(millions of euro)	
			2021	2020
<b>Other income (expenses)</b>			<b>123</b>	<b>91</b>
	Caption 220	Profits (Losses) on equity investments	-217	-154
	Caption 250	Profits (Losses) on disposal of investments	89	29
	+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	310	87
	- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost (Effect associated with profits (losses) on trading)	-310	-88
	+ Caption 200 (partial)	Other operating expenses (income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	-40	-15
	- Caption 220 (partial)	Profits (losses) on equity investments (carried at equity)	-	-
	- Caption 220 (partial)	Profits (Losses) on equity investments (Adjustments/recoveries due to impairment of associates)	72	56
	- Caption 220 (partial)	Profits (Losses) on equity investments (impairment of controlling interests)	219	176
	- Caption 250 (partial)	Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	-
<b>Income (Loss) from discontinued operations</b>			<b>-</b>	<b>1,153</b>
	Caption 290	Income (Loss) after tax from discontinued operations	-	1,126
	- Caption 290 (partial)	Income (Loss) after tax from discontinued operations (Taxes)	-	27
<b>Gross income (loss)</b>			<b>4,177</b>	<b>3,877</b>
<b>Taxes on income</b>			<b>-303</b>	<b>-257</b>
	Caption 270	Taxes on income from continuing operations	72	639
	+ Caption 290 (partial)	Income (Loss) after tax from discontinued operations (Taxes)	-	-27
	- Caption 270 (partial)	Taxes on income from continuing operations (Charges for integration and exit incentives)	-117	-585
	- Caption 270 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-43	-37
	- Caption 270 (partial)	Taxes on income from continuing operations (Goodwill impairment)	-	-69
	- Caption 270 (partial)	Taxes on income from continuing operations (Profits (Losses) on equity investments - Impairment of controlling interests)	-1	-1
	- Caption 270 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-213	-168
	- Caption 270 (partial)	Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking system)	-1	-9
<b>Charges (net of tax) for integration and exit incentives</b>			<b>-218</b>	<b>-1,240</b>
	+ Caption 160 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-348	-1,093
	+ Caption 160 b) (partial)	Other administrative expenses (Charges for integration and exit incentives)	-41	-192
	+ Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Charges for integration and exit incentives)	147	-488
	+ Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration and exit incentives)	-33	-17
	+ Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration and exit incentives)	-77	-49
	+ Caption 200 (partial)	Other operating expenses (income) (Charges for integration and exit incentives)	17	14
	+ Caption 270 (partial)	Taxes on income from continuing operations (Charges for integration and exit incentives)	117	585
<b>Effect of purchase price allocation (net of tax)</b>			<b>-48</b>	<b>-74</b>
	+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-17	-69
	+ Caption 80 (partial)	Profits (Losses) on trading (Economic effect of purchase price allocation)	-16	-
	+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost (Effect of purchase price allocation)	-124	-34
	+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	29	-
	+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	19	-
	+ Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Effect of purchase price allocation)	40	-
	+ Caption 190 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	-22	-8
	+ Caption 250 (partial)	Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	-
	+ Caption 270 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	43	37

		(millions of euro)	
		2021	2020
<b>Levies and other charges concerning the banking industry (net of tax)</b>		<b>-442</b>	<b>-366</b>
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) financial assets mandatorily measured at fair value through profit or loss (Charges concerning the banking industry)	-2	-27
+ Caption 160 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-654	-516
+ Caption 270 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	213	168
+ Caption 270 (partial)	Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking industry)	1	9
<b>Impairment (net of tax) of goodwill, other intangible assets and controlling interests</b>		<b>-218</b>	<b>-1,261</b>
Caption 240	Goodwill impairment	-	-1,155
+ Caption 220 (partial)	Profits (Losses) on equity investments (impairment of controlling interests)	-219	-176
+ Caption 270 (partial)	Taxes on income from continuing operations (Goodwill impairment)	-	69
+ Caption 270 (partial)	Taxes on income from continuing operations (Profits (Losses) on equity investments - Impairment of controlling interests)	1	1
<b>Net income (loss)</b>		<b>2,948</b>	<b>679</b>



## **Reclassified financial statements – Reconciliation with redetermined figures**





## Reclassified balance sheet – Reconciliation with redetermined figures

				(millions of euro)
Assets	31.12.2021	31.12.2020 Restated	Demerger of going concerns (a)	31.12.2020 Redetermined figures
Cash and cash equivalents	7,730	7,487	-	7,487
Due from banks	158,962	103,916	-	103,916
Loans to customers	403,804	408,651	-602	408,049
- <i>Loans to customers measured at amortised cost</i>	402,118	407,353	-602	406,751
- <i>Loans to customers designated at fair value through other comprehensive income and through profit or loss</i>	1,686	1,298	-	1,298
Financial assets measured at amortised cost which do not constitute loans	38,434	42,580	-	42,580
Financial assets at fair value through profit or loss	50,651	57,658	-	57,658
Financial assets at fair value through other comprehensive income	51,410	43,978	-	43,978
Equity Investments	23,420	22,819	-108	22,711
Property, equipment and intangible assets	11,887	12,116	-1	12,115
- <i>Assets owned</i>	10,892	10,819	-1	10,818
- <i>Rights of use acquired under leases</i>	995	1,297	-	1,297
Tax assets	17,394	18,080	-	18,080
Non-current assets held for sale and discontinued operations	1,326	27,384	711	28,095
Other assets	9,222	8,075	-	8,075
<b>Total Assets</b>	<b>774,240</b>	<b>752,744</b>	<b>-</b>	<b>752,744</b>
Liabilities	31.12.2021	31.12.2020 Restated	Demerger of going concerns (a)	31.12.2020 Redetermined figures
Due to banks at amortised cost	191,149	144,226	-	144,226
Due to customers at amortised cost and securities issued	446,761	427,348	-3,300	424,048
Financial liabilities held for trading	57,227	60,686	-	60,686
Financial liabilities designated at fair value	3,675	3,033	-	3,033
Tax liabilities	496	1,485	-	1,485
Liabilities associated with non-current assets held for sale and discontinued operations	25	34,840	3,469	38,309
Other liabilities	15,373	17,926	3	17,929
- <i>of which lease payables</i>	1,010	1,346	-1	1,345
Allowances for risks and charges	5,235	5,966	-12	5,954
- <i>of which allowances for commitments and financial guarantees given</i>	367	527	-	527
Share capital	10,084	10,084	-	10,084
Reserves	35,551	40,516	-130	40,386
Valuation reserves	855	1,173	-	1,173
Interim dividend	-1,399	-	-	-
Equity instruments	6,260	7,441	-	7,441
Net income (loss)	2,948	-1,980	-30	-2,010
<b>Total liabilities and shareholders' equity</b>	<b>774,240</b>	<b>752,744</b>	<b>-</b>	<b>752,744</b>
(a) Effect connected to the demerged going concerns of the former UBI Banca S.p.A.				

# Reclassified income statement – Reconciliation with redetermined figures

(millions of euro)

	2021	Disposal of going concerns (a)	2021 Redetermined figures	2020	Inclusion of UBI Banca (b)	Disposal of going concerns (a)	2020 Redetermined figures
Net interest income	5,951	-67	5,884	5,257	1,478	-488	6,247
Net fee and commission income	5,668	-123	5,545	4,467	1,439	-717	5,189
Profits (Losses) on financial assets and liabilities designated at fair value	1,427	-1	1,426	1,301	216	-7	1,510
Other operating income (expenses)	2,546	4	2,550	2,623	176	-3	2,796
<b>Operating income</b>	<b>15,592</b>	<b>-187</b>	<b>15,405</b>	<b>13,648</b>	<b>3,309</b>	<b>-1,215</b>	<b>15,742</b>
Personnel expenses	-5,473	67	-5,406	-4,421	-1,349	382	-5,388
Other administrative expenses	-2,123	22	-2,101	-1,803	-544	77	-2,270
Adjustments to property, equipment and intangible assets	-1,028	-	-1,028	-898	-181	36	-1,043
<b>Operating costs</b>	<b>-8,624</b>	<b>89</b>	<b>-8,535</b>	<b>-7,122</b>	<b>-2,074</b>	<b>495</b>	<b>-8,701</b>
<b>Operating margin</b>	<b>6,968</b>	<b>-98</b>	<b>6,870</b>	<b>6,526</b>	<b>1,235</b>	<b>-720</b>	<b>7,041</b>
Net adjustments to loans	-2,487	4	-2,483	-3,657	-500	167	-3,990
Other net provisions and net impairment losses on other assets	-427	-	-427	-236	-12	-	-248
Other income (expenses)	123	-	123	91	16	-	107
Income (Loss) from discontinued operations	-	73	73	1,153	-1	95	1,247
<b>Gross income (loss)</b>	<b>4,177</b>	<b>-21</b>	<b>4,156</b>	<b>3,877</b>	<b>738</b>	<b>-458</b>	<b>4,157</b>
Taxes on income	-303	7	-296	-257	-177	151	-283
Charges (net of tax) for integration and exit incentives	-218	-	-218	-1,240	-1,297	1	-2,536
Effect of purchase price allocation (net of tax)	-48	1	-47	-74	-281	-	-355
Levies and other charges concerning the banking industry (net of tax)	-442	13	-429	-366	-84	37	-413
Impairment (net of tax) of goodwill, other intangible assets and controlling interests	-218	-	-218	-1,261	-1,319	-	-2,580
<b>Risultato netto</b>	<b>2,948</b>	<b>-</b>	<b>2,948</b>	<b>679</b>	<b>-2,420</b>	<b>-269</b>	<b>-2,010</b>

(a) Effect connected to the going concerns of the former UBI Banca S.p.A. that were sold (going concern consisting of 455 branches and 132 operating points sold to BPER and going concern consisting of 17 bank branches and 9 associated operating points sold to Banca Popolare di Puglia e Basilicata) and the going concern of 31 branches and 2 operating points of the Parent Company sold to BPER. It also includes the income results of the "Top Private" and "Service IW Bank" business lines, partially demerged by UBI Banca S.p.A. to Intesa Sanpaolo Private Banking and Banca Fideuram, respectively.

(b) Effect of the merger of UBI Banca S.p.A., UBI Academy S.r.l., UBI Sistemi e Servizi S.C.P.A. and UBI Factor S.p.A.

## Other attachments



## Fees for auditing and services other than auditing pursuant to Article 149-duodecies of Consob Regulation 11971

Type of service	INTESA SANPAOLO		GROUP COMPANIES <sup>(*)</sup>	
	EY	EY Network	EY	EY Network
Independent audit (**)	9.22	-	10.20	-
Release of attestations (***)	2.90	-	3.38	-
Other services:				
<i>agreed audit procedures</i>	-	-	0.40	-
<i>consolidated non-financial statement</i>	0.13	-	-	-
<b>TOTAL</b>	<b>12.25</b>	<b>-</b>	<b>13.98</b>	<b>-</b>

(\*) Group companies and other consolidated subsidiaries.

(\*\*) Including costs for statutory audit and voluntary audit. Costs for audit of non-consolidated funds for about 8.2 million euro are not included.

(\*\*\*) Including audit costs, on a voluntary basis, for "Pillar 3" disclosure.

Amounts net of VAT and reimbursed expenses and Consob contribution.



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## Glossary





*The following are definitions of some terms used in financial statement and/or Pillar 3 disclosures, with the exclusion of terms that have entered the common Italian lexicon or are used in a context that already clarifies their meaning.*

**ABS – Asset-Backed Securities**

Financial securities whose yield and redemption are guaranteed by a pool of assets (collateral) of the issuer (usually a Special Purpose Vehicle – SPV), exclusively intended to ensure satisfaction of the rights attached to said financial securities.

Examples of assets pledged as collateral include mortgages, credit card receivables, short-term trade receivables and auto loans.

**Acquisition finance or Leverage and acquisition finance**

Leveraged buy-out financing.

**Additional return**

Type of remuneration of the junior securities arising from securitisation transactions. In addition to a fixed dividend, such securities accrue periodic earnings (quarterly, semi-annual, etc.), whose amount is linked to the profit generated by the transaction (which in turn reflects the performance of the securitised assets).

**Advisor**

Financial broker assisting government authorities or companies involved in privatisation or other corporate finance transactions, whose tasks range from arranging appraisals to drawing up documents and providing general professional advice about specific transactions.

**AIRB (Advanced Internal Rating Based) Approach**

Approach to using internal ratings within the framework of the New Basel Accord, which provides for either the Foundation or the Advanced Approach. The Advanced Approach may be used only by institutions meeting more stringent requirements compared to the Foundation Approach. In this case, the Bank uses its own internal estimates for all inputs (PD, LGD, EAD and Maturity) for credit risk assessment, whereas for Foundation IRB it only estimates PD.

**ALM – Asset & Liability Management**

Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

**Alternative investment**

Alternative investments comprise a wide range of investment products, including private equity and hedge funds (see definitions below).

**Other related parties – close relatives**

An individual's "close relatives" comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

**AMA – Advanced Measurement Approach**

An approach introduced by Basel 2 to determine the operational risk capital requirement based on internal estimation and valuation models. AMA internal models normally consist of two components:

- (i) a quantitative component based on internal and external loss data;
- (ii) a qualitative component based on questionnaires with an ordinal score linked to the perception of the risk level of the loss events.

**Arrangement fee**

A fee paid for professional consulting and assistance provided in the loan structuring and arranging stage.

**Arranger**

In the structured finance sector, the arranger is the entity that – albeit in different forms and with different titles (mandated lead arranger, joint lead arranger, sole arranger etc.) – coordinates the organisational aspects of the transaction.

**Asset allocation**

The distribution of assets in an investment portfolio among different markets, geographical areas, sectors and products.

**Asset encumbrance**

In legal terms, it represents a real right held by a creditor to an asset owned by another counterparty, which may be the debtor or a third party. It typically takes the form of a mortgage on real property or the creation of collateral in repurchase agreements and loans with the central bank.

**Asset management – Wealth management**

The various activities relating to the management and administration of different customer assets.

**Eligible assets**

Assets that may be used as collateral with the ECB to obtain liquidity at subsidised rates. There are three types of eligible assets:

- (i) credit claims (bank loans);
  - (ii) securitisations (see entry) and covered bonds (see entry);
  - (iii) debt securities
- which must meet some minimum quality requirements in terms of:
- (i) eligible debtors;
  - (ii) counterparty rating.

The amount of the liquidity that may be obtained is determined by applying a haircut (reduction) to the nominal value as a function of the quality and type of rate.

**AT1 – Additional Tier 1**

Additional Tier 1 capital. In general, the AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity) and which meet the regulatory requirements for inclusion in that level of own funds.

**Intangible asset**

An identifiable, non-monetary asset lacking physical substance.

**Discounting**

Process of determining the present value of a payment or payment flows to be received in the future

**Audit**

In listed companies, it indicates the various examinations of the business activities and bookkeeping of a company, performed by both in-house staff (internal audit) and independent audit firms (external audit).

**AVA (Additional Valuation Adjustment)**

Additional valuation adjustments necessary to adjust the fair value to the prudent value of the positions. To perform a prudent valuation of the positions measured at fair value, the EBA envisages two approaches for calculating the AVA (the Simplified approach and Core approach). The prudent valuation requirements apply to all positions measured at fair value regardless of whether they are held in the trading book or not, where the term 'positions' refers solely to financial instruments and commodities.

 **$\beta$** 

The beta coefficient of an issuer or a group of comparable issuers, an expression of the relationship between an equity's actual return and the total return of the market in question.

**Back office**

The unit of a bank or financial company that processes all the transactions performed by the operational units (front office).

**Backtesting**

Retrospective analyses performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

**Banking book**

Usually referred to securities or financial instruments in general, it identifies the portion of a portfolio dedicated to "proprietary" trading.

**Basis swap**

Contract providing for the exchange between two parties, of two floating-rate payments linked to a different index.

**Best practice**

It generally identifies conduct in line with state-of-the-art skills and techniques in a given technical/professional area.

**Bid-ask spread**

This is the difference between the buying and selling price of a given financial instrument or set of financial instruments.

**Brand name**

IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand" is used in accounting standards with an extensive meaning and not as a synonym of "logo" or "name". It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

**Budget**

Forecast of cost and revenue performance of a company over a period of time.

**Business combinations**

In accordance with IFRS 3, a transaction or other event in which an acquirer obtains control of one or more company assets.

**Business model**

The business model within which financial assets are managed.

With regard to the business models, IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed: Hold to Collect (HTC), Hold to Collect and Sell (HTCS), Others/Trading.

**CAGR (Compound Annual Growth Rate)**

Compound annual growth rate of an investment over a specified period of time. If  $n$  is the number of years, the CAGR is calculated as follows:  $(\text{Ending value}/\text{Beginning value})^{1/n} - 1$ .

**Capital Asset Pricing Model (CAPM)**

An economic model for determining the "opportunity cost" i.e. the amount of income for the period necessary to remunerate the cost of capital.

**Capital structure**

It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:

- Equity Tranche: the riskiest portion of the portfolio, it is also known as "first loss" and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.
- Mezzanine Tranche: the tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB and AAA.

- Senior/Supersenior Tranche: the tranche with the highest credit enhancement, i.e. having the highest priority claim on remuneration and reimbursement. It is normally also called super-senior tranche and, if rated, it has a rating higher than AAA since it is senior with respect to the AAA mezzanine tranche.

### **Captive**

Term generically referring to “networks” or companies that operate exclusively with their parent company or group customers.

### **Securitisation**

A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999, as amended.

### **STS Securitisations**

Securitisations, except for ABCP programmes and ABCP transactions, that meet the requirements set out in Articles 20, 21 and 22 of Regulation 2017/2402, are considered Simple, Transparent and Standardised Securitisations. For ABCP transactions and programmes, the requirements are set out in Articles 24 and 25-26 of that Regulation. As a result of their characteristics, STS securitisations can benefit from lighter prudential treatment in accordance with Regulation 2017/2401, which allows lower risk-weight floors than for other securitisations.

### **Cash flow hedge**

Coverage against exposure to variability in cash flows associated with a particular risk.

### **Cash-generating Unit (CGU)**

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

### **Certificates**

Financial instruments which, based on their contracts, may be classified as optional derivatives that replicate the performance of an underlying asset. By purchasing a certificate, an investor acquires the right to receive – at a set date – an amount linked to the value of the underlying. In other words, through certificates investors can acquire an indirect position in the underlying asset. In some cases, investors can use the option structure to obtain full or partial protection of the invested capital, which takes the form of full or partial return of the premiums paid, irrespective of the performance of the parameters set in the contracts.

Certificates are securitised instruments and, as such, they can be freely traded as credit securities (traded on the SeDeX - Securitised Derivatives Exchange - managed by Borsa Italiana, and on the EuroTLX market).

### **Sale without recourse**

Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

### **Sale with recourse**

Transfer of a loan or receivable in which the transferor guarantees payment by the debtor. The transferor thus guarantees the transferee both that the transferred loan or receivable exists and that the debtor is solvent.

### **CCF - Credit Conversion Factor**

In determining credit risk, the CCF is the factor used to transform the EAD (Exposure At Default) of an off-balance sheet exposure into that of an on-balance sheet exposure. Where the Bank does not use internal models to estimate those factors (internal CCF), these are indicated as follows by the supervisory rules (regulatory CCF):

- a) 100% if it is a full risk item;
- b) 50% if it is a medium-risk item;
- c) 20% if it is a medium/low-risk item;
- d) 0% if it is a low-risk item.

### **CCP - Central Counterparty Clearing House**

A central counterparty is an institution interposed in securities trades between the two contracting parties, protecting the latter against default risk and guaranteeing the successful execution of the transaction. The central counterparty protects itself against its own risk by taking securities or cash collateral (margins) commensurate with the value and risk of the contracts guaranteed. Central counterparty services can be provided not only in the markets that expressly provide for them but also in respect of over-the-counter trading outside regulated markets.

### **CDO – Collateralised Debt Obligation**

Financial instruments issued within the framework of securitisation transactions, backed by a pool of loans, bonds and other financial assets (including securitisation tranches). In the case of synthetic CDOs the risk is backed by credit derivatives instead of the sale of assets (cash CDOs).

### **CDSs on ABX**

An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging to a specific ABS sector. Each ABX (there are five in total) reproduces a rating class (AAA, AA, A, BBB, and BBB-).

In particular, the ABX.HE index, launched on 19 January 2006 (Annex Date), is made up of reference obligations of the home equity segment of ABS (Residential Mortgage-Backed Security – RMBS). The CDS on an ABX.HE therefore hedges the credit risk of underlying RMBSs or the risk relative to the 20 reference obligations which make up the index.

For ABX, the market does not provide credit curves but directly price valuation. The settlement admitted for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pays the protection buyer the losses incurred as these emerge, without leading to termination of the contract. Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

**CLO - Collateralised Loan Obligation**

These are CDOs backed by a portfolio of corporate loans.

**CMBS - Commercial Mortgage-Backed Securities**

Debt instruments backed by mortgages on commercial real estate.

**CMO - Collateralised Mortgage Obligation**

Securities backed by mortgages in which the total amount of the issue is divided into tranches with different maturities and return. The tranches are repaid according to an order specified in the issue.

**Commercial paper**

Short-term notes issued in order to collect funds as an alternative to other forms of indebtedness.

**Core Business**

Main area of business on which company's strategies and policies are focused.

**Core deposits**

"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the normally lower funding cost compared to market parameters.

**Common Equity Tier 1 Ratio (CET1 Ratio)**

The ratio of Common Equity Tier 1 capital (CET1) to total risk-weighted assets.

**Corporate**

Customer segment consisting of medium- and large-sized companies (mid-corporate, large corporate).

**Cost/income ratio**

Economic indicator consisting of the ratio of operating costs to net operating income.

**Amortised cost**

Differs from "cost" in that it provides for the progressive amortisation of the differential between the book value and nominal value of an asset or liability on the basis of the effective rate of return.

**Transaction costs**

Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. IT is a cost that would not have been incurred if the entity had not acquired issued or disposed of the financial instrument.

**Covenant**

A covenant is a clause, expressly agreed upon during the contractual phase, under which a lender is entitled to renegotiate and revoke a loan upon the occurrence of the events set out in the clause, linking the debtor's financial performance to events that trigger termination/amendment of contractual conditions (maturity, rates, etc.).

**Coverage ratio**

It represents the percentage coverage of the value adjustment with respect to the gross exposure.

**Covered bonds**

Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle (case governed by Art. 7-bis of Law 130 of 30 April 1999).

**CPPI (Constant Proportion Portfolio Insurance)**

A technique consisting of forming a portfolio of two assets, one without risk that offers a certain rate of return (risk-free) and one with risk that offers a generally higher return. The purpose of the re-balancing procedure is to prevent the value of the portfolio from falling below a predetermined level (floor), which rises at the risk-free rate over time and coincides with the capital to be guaranteed at maturity.

**Credit default swap/option**

Contract under which one party transfers to another - in exchange for payment of a premium - the credit risk of a loan or security contingent on occurrence of a default event (in the case of an option the right must be exercised by the purchaser).

**Credit derivatives**

Derivatives contracts the underlying for which is the creditworthiness of a certain issuer/borrower, measured by a rating agency or defined on the basis of objective criteria, in order to transfer credit risk. The main function of credit risk derivatives is to manage the credit risk associated with a certain asset (bond and/or loan) without the asset itself being transferred. They also allow credit risk (the possibility that the borrower defaults and does not make its payments) of a certain asset to be separated from other types of risk, for example interest rate risk (the possibility that market rates may move in a direction unfavourable to the lender).

**Credit enhancement**

Techniques and instruments used by issuers to improve the credit rating of their issues (providing sureties, cash credit lines, etc.).

**Credit-linked notes**

Similar to bonds issued by a protection buyer or a special purpose vehicle whose holders (protection sellers) – in exchange for a yield equal to the yield of a bond with the same maturity plus the premium received for credit risk hedging – take the risk of losing (in whole or in part) the maturing capital and the related flow of interest, upon occurrence of a default event.

**Credit risk adjustment**

A technique that aims to draw attention to the penalty resulting from the counterparty's creditworthiness used in determining the fair value of unlisted derivative financial instruments.

**Credit spread option**

Contract under which the protection buyer reserves the right, against payment of a premium, to collect from the protection seller a sum depending on the positive difference between the market spread and that fixed in the contract, applied to the notional value of the bond.

**Cross selling**

Activity designed to increase customer loyalty through the sale of integrated products and services.

**CRM – Credit Risk Mitigation**

Techniques used by institutions to reduce the credit risk associated with their exposures.

**CRP (Country Risk Premium)**

Country risk premium; it expresses the component of the cost of capital aimed specifically at providing compensation for the risk implicit in a particular country (namely the risk associated with financial, political and monetary instability).

**CSA (Credit Support Annex)**

A document through which counterparties trading in an over-the-counter derivative instrument establish the terms of contribution and transfer of the underlying guarantees to mitigate credit risk in the event of in-the-money position of the instrument. This document, although not mandatory for the transaction, is one of the four components that contribute to the establishment of the Master Agreement according to the standards established by the International Swaps and Derivatives Association (ISDA).

**Reclassification date**

The first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

**Default**

Declared inability to honour one's debts and/or make the relevant interest payments.

**Delta**

Value that expresses the sensitivity of the price of the underlying asset for an option. Delta is positive for call options because the price of the option rises along with the price of the underlying asset. Delta is negative for put options because a rise in the price of the underlying asset yields a decrease in the price of the option.

**Embedded derivatives**

Embedded derivatives are clauses (contractual terms) included in a financial instrument that generate the same effects as an independent derivative.

**Desk**

It usually designates an operating unit dedicated to a particular activity.

**Held for trading (HFT)**

Financial assets or financial liabilities that:

- are acquired or incurred principally for the purpose of selling or repurchasing them in the near term;
- on initial recognition are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- are derivatives other than those entered into as a designated, effective hedging instrument.

**Domestic Currency Swap**

Contract settled in euro, whose economic effect is equal to that of a time purchase or sale of a foreign currency in exchange for domestic currency. On expiry, the difference between the forward and the spot exchange rates is settled in euro.

**Duration**

An indicator of the interest rate risk of a bond or bond portfolio. In its most frequent form, it is calculated as a weighted average of the due dates of interest and principal payments associated with a bond.

**EAD – Exposure At Default**

Relating to on- or off-balance sheet positions, it is defined as the estimated future value of an exposure upon default of a debtor. Only banks meeting the requirements for using the AIRB approach (see entry) are entitled to estimate EAD. The others are required to make reference to regulatory estimates.

**ECAI – External Credit Assessment Institution**

An external credit assessment institution.

**ECL – Expected Credit Loss**

The adoption of IFRS 9 led to a revision of the methods of determining adjustments to loans from the notion of incurred credit loss to expected credit loss. Adjustments are quantified by including forward-looking scenarios and differs as a function of the deterioration of credit quality, with a one-year time horizon for positions classified to Stage 1 and for the lifetime (lifetime ECL) of the instrument for those included in Stages 2 and 3.

**EHQLA – Extremely High Quality Liquid Assets**

Encumbered assets that are notionally eligible to be classified as extremely high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

**Embedded value**

A measure of the underlying value of a life insurance company. It is the sum of the company's adjusted net asset value and the present value of the future income margins from the policies already in force over the period of their residual life.

**Eonia (Euro overnight index average)**

Weighted average of the overnight rates transmitted to the ECB by a sample of banks operating in the euro area. Since 2 October 2019, the Eonia rate has been calculated as the €STR (Euro Short-Term Rate, the overnight rate for euro money markets) plus 8.5 basis points. The Eonia calculated according to this method was published until 3 January 2022. It was then permanently replaced by €STR plus a fixed spread of 8.5 basis points, quantified and made official by the ECB based on historical information.

**ERP (equity risk premium)**

Risk premium requested by investors on the market of reference, i.e. the expected return in excess of risk-free assets. To test goodwill for impairment, ISP uses that calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2021) by New York University - Stern School of Business.

**ETDs – Exchange-Traded Derivatives**

Standard derivative contracts (futures and options with various types of underlying) traded on regulated markets.

**EVA – Economic Value Added**

An indicator that measures the value created (if positive) or destroyed (if negative) by enterprises. In contrast to other parameters that measure business performance, EVA is calculated net of the cost of equity capital, that is to say the investment made by shareholders.

**Factoring**

Sale of trade receivables to factoring companies, for credit management and collection, normally associated with the granting of a loan to the seller.

**Fair value**

The value at which an asset could be traded or a liability settled, in a current transaction between willing parties.

**Fair value hedge**

Hedging against the risk of change in the fair value of a financial statement item.

**Fair Value Option (FVO)**

The Fair Value Option is an option for classifying a financial instrument. When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

**Fairness/Legal opinion**

An opinion provided on request by experts of recognised professionalism and competence, on the adequacy of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

**“G” factor (“g” growth rate)**

It is the factor used for perpetuity projection of cash flows in order to calculate “Terminal value”.

**FIFO: First In First Out**

Criterion used to recognise the expected credit losses (ECL) recorded on a security through profit or loss at the time of sale.

**Prudential filters**

In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

**Harmonised mutual funds**

Mutual funds within the scope of Directive 85/611/EEC of 20 December 1985, as amended, characterised by their open form, the possibility of offering units to the public and certain investment limits. Investment limits include the obligation to invest primarily in quoted financial instruments.

**Forward Rate Agreement – Forwards**

Forward contracts on interest rates, exchange rates or stock indices, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be executed at a specified future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

**Front office**

The divisions of a company designed to deal directly with customers.

**Funding**

The raising of capital, in various forms, to finance the company business or particular financial transactions.

**Futures**

Standardised forward contracts under which the parties agree to exchange securities or commodities at a specified price on a specified future date. Futures are normally traded on organised markets, where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying.

**FVTOCI: Fair Value Through Other Comprehensive Income**

Method of recognition of changes in the fair value of financial assets through other comprehensive income (therefore in shareholders' equity) and not through profit or loss.



**FVTPL: Fair Value Through Profit or Loss**

Method of recognition of changes in the fair value of financial assets through profit or loss

**Gross Book Value (GBV)**

The accounting value of a loan, considered gross of adjustments.

**Global custody**

An integrated package of services including, in addition to the custody of securities, the performance of administrative activities relating to the settlement of securities, collections and payments, acting as depositary bank and cash management, as well as various forms of portfolio performance reporting.

**GMSLA – Global Master Securities Lending Agreement**

These are margining agreements used to mitigate counterparty risk in securities lending transactions.

**GMRA – Global Master Repurchase Agreement**

These are margining agreements used to mitigate counterparty risk in repurchase agreements.

**Goodwill**

The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

**Governance**

The set of instruments, rules and standards regulating the life of the company, particularly as regards the transparency of documents and company records, and the completeness of information made available to the market.

**Grandfathering**

Period of transition for the entry into force of the new composition of own funds under Basel 3 and other less significant measures. Specifically, it concerns the gradual exclusion from own funds of the old instruments admitted to Basel 2 regulatory capital and no longer contemplated by Basel 3.

**Greeks**

Greeks are the quantities that identify the greater or lesser sensitivity of a derivative contract, typically an option, to changes in the value of the underlying asset or other parameters (e.g. intrinsic volatility, interest rates, stock prices, dividends and correlations).

**Hedge accounting**

Rules pertaining to the accounting of hedging transactions.

**Hedge funds**

Mutual fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

**HQLA (High Quality Liquid Asset)**

Encumbered assets that are notionally eligible to be classified as high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

**IAS/IFRS**

The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB), the body responsible for issuing international accounting standards. The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

**ICAAP (Internal Capital Adequacy Assessment Process)**

The “Second Pillar” provisions require that banks implement processes and instruments of Internal Capital Adequacy Assessment Process (ICAAP), to determine the amount of internal capital needed to cover all risks, including risks different from those covered by the total capital requirement (“First Pillar”), when assessing current and potential future exposure, taking into account business strategies and developments in the economic and business environment.

**IFRS-IC (International Financial Reporting Standards Interpretations Committee)**

A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

**IMA – Internal Models Approach**

Approach for calculating the capital requirement for market risk using internal models.

**IMM – Internal Model Method**

Method for calculating Exposure at Default (see entry), within the counterparty risk assessment, through internal models based on the concept of Expected Positive Exposure.

**Impairment**

When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.

Pursuant to IAS 36, the following assets should be tested for impairment annually:

- intangible assets with indefinite useful life;
- goodwill acquired in a business combination;
- any asset, if there is any indication of impairment losses.

The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets.

### **Deferred tax (tax liabilities or assets)**

Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.

Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:

- a) deductible temporary differences;
- b) the carryforward of unused tax losses; and
- c) the carryforward of unused tax credits.

Temporary difference is the difference between the carrying amount of an asset or liability and its tax base. There are two types of temporary difference:

- a) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled;
- b) deductible temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

### **Index-linked**

Policies, including life policies, whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator. Policies may guarantee capital or offer a minimum return.

### **Internal dealing**

Persons performing functions of administration, control or management (relevant persons) at a listed issuer, as well as those with close ties to such persons, must report transactions in listed financial instruments issued by the company or in derivatives of such instruments and must also abide by the restrictions on transactions in such instruments, according to the terms laid down in Art. 19 of Regulation (EU) 596/2014 on market abuse (MAR) and delegated legislation (Regulations (EU) 2016/522 and 2016/523).

The European legislation supplemented the provisions of Art. 114, paragraph 7, of Legislative Decree 58/1998 (Consolidated Law on Finance) with regard to the obligation to report transactions in securities for those who hold at least 10% of the share capital of a listed issuer and persons closely related to them.

### **Intraday**

This refers to an investment/disinvestment transaction performed in the course of a single day involving the negotiation of a security. It is also used with reference to prices quoted during any one day.

### **Investment property**

Real estate owned for the purpose of obtaining income and/or benefiting from an increase in their value.

### **Investment grade**

Term used with reference to high-quality bonds that have received a medium/high rating (see entry) (e.g., not less than BBB- on S&P Global's index).

### **IRC – Incremental Risk Charge**

The maximum potential loss in the trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level.

### **IRS – Interest Rate Swap**

A binding agreement between two parties to exchange two flows calculated over a notional amount with fixed/floating or floating/floating rate.

### **ISDA - International Swaps and Derivatives Association**

An association of participants in the over-the-counter derivatives market. It is based in New York and has created a standard contract for entering into derivatives transactions.

### **Joint venture**

Agreement between two or more firms for the performance of a given economic activity, generally through the incorporation of a joint-stock company.

### **Junior**

In a securitisation transaction, it is the lowest-ranking tranche of the securities issued, being the first to bear losses that may occur in the course of the recovery of the underlying assets.

### **Ke (Cost of Equity)**

Cost of equity, the minimum return demanded for investments of the same risk level.

### **Ke – g**

Difference between the cash flow discounting rate and the long-term growth rate. If cash flows remain equal, value in use increases as that difference decreases.

### **LCR – Liquidity Coverage Ratio**

A prudential requirement intended to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that may be converted into cash to meet its liquidity needs within a period of 30 days under conditions of severe stress. The liquidity coverage ratio is equal to the ratio of liquidity reserves to net outflows of liquidity over a stress period of 30 calendar days.

### **LDA - Loss Distribution Approach**

Method of quantitative assessment of the operational risk profile through actuarial analysis of individual internal and external loss events; by extension, the term Loss Distribution Approach also refers to the calculation model for the historical capital per business unit.



**Lead manager - Bookrunner**

Lead bank of a bond issue syndicate. The lead manager deals with the debtor and is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the debtor. It also determines the terms and conditions of issue and coordinates its execution (usually placing the largest share of the issue on the market) and keeps the books (bookrunner); in addition to reimbursement of expenses and usual fees, the lead manager receives a special commission for its services.

**LGD – Loss Given Default**

It represents the percentage of loans that are estimated to be irrecoverable in the event of default by the debtor.

**LTV – Loan-to-Value Ratio**

The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.

LTV measures the weight of the borrower's own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower's own funds used to buy the asset, the lower the creditor's protection.

**M–Maturity**

The remaining time of an exposure, calculated according to prudential rules. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

**Macro-hedging**

Use of macro-hedging. Hedging procedure involving a single derivative product for various positions.

**Mark to Market**

Process of determining the value of a portfolio of securities or other financial instruments by reference to the prices expressed by the market.

**Market dislocation**

Turbulence in financial markets characterised by a strong reduction in volumes traded with difficulties in finding significant prices on specialised information providers.

**Market making**

Financial activity carried out by brokerage houses that ensure market liquidity and depth, both through their ongoing presence and by means of their role as competitive guides in determining prices.

**Market neutral**

Operating strategies involving securities designed to minimise the relevant portfolios' exposure to market volatility.

**Mark-down**

Difference between the 1-month Euribor and interest rates on household and business current accounts.

**Mark-up**

Difference between the overall interest rate applied to households and businesses on loans with a duration of less than one year and 1-month Euribor.

**Merchant banking**

A range of activities including the underwriting of securities – both equities and bonds – issued by corporate customers for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

**Mezzanine**

In a securitisation transaction it is the tranche ranking between junior and senior tranche.

**Monoline**

Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

**NAV - Net Asset Value**

The market value of one share of the fund's managed assets.

**NBV – Net Book Value**

The accounting value of a loan, considered net of adjustments.

**Non Performing Exposure (NPE) – Non Performing Loan (NPL)**

Terms used to indicate non-performing loans, i.e. loans with irregular performance. On the other hand, "performing" refers to regularly performing credit exposures.

Non-performing loans are classified into three categories:

- (i) *bad loans*: loans the full collection of which is not certain because the borrowers are in a state of insolvency (including where not yet judicially established) or substantially equivalent situations;
- (ii) *unlikely to pay*: exposures other than bad loans for which the bank deems it improbable that the borrower will fulfil all its credit obligations (by way of principal and/or interest) without recourse to actions such as enforcement of guarantees, regardless of the presence of any past-due instalments or amounts.
- (iii) *past-due exposures*: exposures past due by more than 90 days exceeding a pre-determined materiality threshold.

The EBA has also added an additional category, transversal to the foregoing: that of exposures subject to forbearance measures. Such exposures may be forborne non performing loans or forborne performing loans. Forbearance measures consist of concessions

towards a debtor that is experiencing or about to experience difficulties in meeting its financial commitments ('financial difficulties') and include, for example, the renegotiation of the terms of the contract or total/partial refinancing of the debt.

### **NSFR – Net Stable Funding Ratio**

A prudential requirement aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. The requirement is equal to the ratio of the stable funding available to the entity to the stable funding required to the entity and is expressed as a percentage.

### **OIS – Overnight Indexed Swap**

Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principal amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed during the term of the contract, with compound interest.

### **Option**

Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (call option) or to sell (put option) a financial instrument at a set price (strike price) within (American option) or on (European option) a given future date.

### **O-SII (Other Systemically Important Institutions)**

These are institutions whose systematic importance, referring essentially to the systemic risk they may generate in the event of bankruptcy, is defined not at the global level but at a narrower geographical level, such as the individual country level. O-SIIs must maintain a capital buffer as a percentage of their total risk-weighted exposures. In the Italian context, O-SIIs are identified by the Bank of Italy which, pursuant to the provisions of CRD IV (Directive 2013/36/UE, is required to explain the criteria for its decision, which must comply with the EBA guidelines.

G-SIIs, on the other hand, are Global Systemically Important Institutions. The method for identifying and classifying G-SIIs to the various subcategories is defined in European Commission Delegated Regulation EU/2014/1222. Classification consists of five subcategories of G-SIIs in increasing order of systemic importance, associated with increasing percent capital buffers to be maintained once fully in force.

### **OTC – Over The Counter**

It designates transactions carried out directly between the parties outside organised markets.

### **Outsourcing**

The transfer of business processes to external providers.

### **Packages**

Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

### **PD – Probability of Default**

The likelihood that a debtor will default within a period of one year or equal to the expected life of the financial instrument.

### **Plain vanilla (derivatives)**

Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

### **POCI - Purchased or Originated Credit-Impaired Asset**

Purchased or originated assets for which the lifetime expected losses are recognised upon initial recognition and which are automatically classed as Stage 3.

### **Syndicated lending**

Loans arranged and guaranteed by a pool of banks and other financial institutions.

### **Pricing**

Broadly speaking, it generally refers to the methods used to determine the prices of financial instruments and/or costs of products and services offered by the Bank.

### **Prime broker**

The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund's manager with the utmost confidentiality. The Prime Broker also acts as the fund's lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund's risk exposure (see entry) to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund's cash and securities, handling of the netting and settlement process, and recording of all market transactions.

### **Private banking**

Business designed to provide primary customers with asset management, professional advice and other personalised services.

### **Private equity**

Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

### **Asset-backed commercial paper programme or ABCP programme**

A programme of securitisations the securities issued by which predominantly take the form of asset-backed commercial paper with an original maturity of one year or less, as defined by Regulation (EU) 2017/2402.

### **Project finance**

Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk. These

evaluations cover, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be distributed.

### **Rating**

An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

### **Real estate (finance)**

Structured finance transactions in the real estate sector.

### **Retail**

Customer segment mainly including households, professionals, retailers and artisans.

### **Risk-free**

Return on risk-free investments: for the Italy CGU and countries in the International Subsidiary Banks CGU with "normal" growth prospects, the return on 10-year Bunds has been adopted, while for countries with "strong" growth prospects, the return on 30-year Bunds has been used.

### **Risk Management**

Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

### **RMBS - Residential Mortgage-Backed Securities**

Asset-backed securities guaranteed by mortgages on residential real estate.

### **ROE – Return On Equity**

It expresses the return on equity in terms of net income. IT is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

### **RTS – Regulation Technical Standards**

Regulatory technical standards.

### **RWA – Risk Weighted Assets**

On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the prudential rules issued by regulatory authorities on the calculation of capital ratios.

### **Scoring**

System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

### **Senior/Super senior tranche**

In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

### **Sensitivity**

It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

### **Servicer**

In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

### **SGR – Società di gestione del risparmio (Asset management companies)**

Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

### **SICR – Significant Increase in Credit Risk**

Criterion used to verify the transition between stages: if the credit risk of the financial instrument has increased significantly since initial recognition, the value adjustments are equal to the lifetime expected credit losses of the instrument (lifetime ECL). The bank establishes whether there has been a significant increase in credit risk based on qualitative and quantitative information:

- the variation (beyond set thresholds) of the lifetime probability of default (PD) compared to the time of initial recognition of the financial instrument. This is an assessment made on a "relative" basis, which constitutes the main driver;
- the presence of a past due position that – subject to the materiality thresholds identified by the regulations – has been in that status for at least 30 days. If these circumstances apply, the credit risk of the exposure is considered to have "significantly increased" and the exposure is therefore transferred to stage 2 (when the exposure was previously included in stage 1);
- the presence of forbearance measures, which – again on a presumption basis – result in the classification of the exposures under those whose credit risk has "significantly increased" since initial recognition;
- lastly, for banks belonging to the international scope, some of the indicators from the credit monitoring systems specifically used by each bank are also considered for the purposes of the transfer between stages where appropriate. This refers in particular to the watch lists, i.e. the credit monitoring systems that – based on the current credit quality of the borrower – place performing exposures above a certain level of risk within a particular range.

### **SPE/SPV**

A Special Purpose Entity or Special Purpose Vehicle is a company established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

### **Speculative grade**

Term used to identify issuers with a low credit rating (e.g., below BBB- on the S&P Global index).

### **SPPI (Solely Payment of Principal and Interest) Test**

One of the two classification drivers (the other is the "business model") that the classification of the financial assets and the measurement basis depend on. The objective of the SPPI test is to identify the instruments, which can be defined as "basic lending arrangements" in accordance with the standard, whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Assets with contractual characteristics other than SPPI must be mandatorily measured at FVTPL (see entry).

### **Spread**

This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

### **SRT – Significant Risk Transfer**

The originator institution of a traditional securitisation may exclude underlying exposures from its calculation of risk-weighted exposure amounts where significant credit risk associated with the underlying exposures has been transferred to third parties. According to Article 244 of Regulation (EU) 2017/2401 there is a significant transfer of credit risk in any of the following cases: (i) the risk-weighted exposure amounts of the mezzanine securitisation positions held by the originator institution in the securitisation do not exceed 50% of the risk-weighted exposure amounts of all mezzanine securitisation positions existing in the securitisation; and (ii) if there are no mezzanine securitisation positions, the originator institution does not hold more than 20% of the exposure value of the first loss tranche in the securitisation. Article 245 of Regulation (EU) 2017/2401 sets out similar conditions for significant risk transfer through funded or unfunded credit protection securitisations also for synthetic securitisations.

### **Stage 1**

Represents the financial instruments whose credit risk has not significantly increased since the initial recognition date. A 12-month expected loss is recognised for these financial Instruments.

### **Stage 2**

Represents the financial instruments whose credit risk has significantly increased since the initial recognition date. A lifetime expected loss is recognised for these financial Instruments.

### **Stage 3**

Represents financial instruments that are credit impaired or in default. A lifetime expected loss is recognised for these financial Instruments.

### **Stakeholders**

Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

### **Stock options**

Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (strike price).

### **Stress tests**

A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

### **Structured export finance**

Structured finance transactions in the goods and services export financing sector.

### **Financial instruments listed in an active market**

A financial instrument is regarded as listed in an active market if listed prices are promptly and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### **Subprime**

A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or bad loans) or because their debt-to-income or loan-to-value (LTV) ratio is high.

On the other hand, prime mortgage loans are those which both the criteria used to grant the loan (LTV, debt-to-income, etc.) and to assess the borrower's history are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

### **Swaps**

Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate swap, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

### **Effective interest rate**

The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.

### **Tax rate**

The effective tax rate, determined by the ratio of income taxes to income before tax.

### **Terminal value**

An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by  $(1 + g)$  and dividing that amount by  $(K - g)$  (see entry).

**Tier 1**

Tier 1 Capital consists of Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1).

**Tier 1 Capital Ratio**

The ratio of Tier 1 capital (see entry) to total risk-weighted assets (RWAs; see entry).

**Tier 2**

Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to AIRB approaches (see entry).

Specific transitional provisions (grandfathering; see entry) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

**Time value**

Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

**Total capital ratio**

Capital ratio referred to regulatory capital components of Own Funds (Tier 1 plus Tier 2; see entries). It is represented by the ratio of own funds to total risk-weighted assets (RWAs; see entry).

**Total return swap**

A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

**Trading book**

The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

**Trustee (Real estate)**

Real estate vehicles.

**Underwriting fee**

Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

**Value in use**

It is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

**Collective assessment of performing loans**

With reference to a homogeneous group of regularly performing financial assets, collective assessment defines the degree of credit risk potentially associated with them, though it is not yet possible to tie risk to a specific position.

**VaR - Value at Risk**

The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

**Vega**

Coefficient that measures the sensitivity of an option's value in relation to a change (increase or decrease) in volatility.

**Vintage**

Term used to indicate the seniority of NPEs/NPLs (see entry). It also refers to the date of generation of the collateral underlying the securitisation, as an important factor in judging the collateral's risk level.

**Expected life**

This refers to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolving financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the bank's exposure to credit losses to the contractual notice period. The expected life for these credit facilities is their behavioural life. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life, based upon other experienced cases or similar cases of peers. Potential future modifications of contracts are not taken into account when determining the expected life or exposure at default (see entry) until they occur.

**Warrant**

Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

**Waterfall**

Characteristic of a CDO's cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

**What-if**

Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

**Wholesale banking**

Banking activity mainly consisting of high-value transactions concluded with major counterparties.



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## Financial calendar



Approval of the Interim Statement as at 31 March 2022:	6 May 2022
Approval of the half-yearly report as at 30 June 2022:	29 July 2022
Approval of the Interim Statement as at 30 September 2022:	4 November 2022

