INTESA SANPAOLO

Annual Report 2022

Consolidated Financial Statements

Parent Company's Draft Financial Statements

Ordinary Shareholders' Meeting of 28 April 2023

Report and consolidated financial statements of the Intesa Sanpaolo Group 2022

Report and Parent Company’s financial statements 2022

Intesa Sanpaolo S.p.A. Registered Office: Piazza S. Carlo, 156 10121 Torino Italy Secondary Registered Office: Via Monte di Pietà, 8 20121 Milano Italy Share Capital Euro 10.368.870.930,08 Torino Company Register and Fiscal Code No. 00799960158 “Intesa Sanpaolo” VAT Group representative Vat Code No. 11991500015 (IT11991500015) Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund and Parent Company of the banking group “Intesa Sanpaolo” included in the National Register of Banking Groups

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The Intesa Sanpaolo Group

The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO

BANCA 5 LA BANCA A PORTATA DI MANO[1] Gruppo INTESA SANPAOLO

FIDEURAM INTESA SANPAOLO PRIVATE BANKING

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,058	Banca 5[1]	1
	Fideuram	109

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
710	Fideuram	60

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
740	Fideuram	48

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
626	Fideuram	34

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
215	Fideuram	10

Figures as at 31 December 2022

Product Companies[2]

FIDEURAM VITA — INTESA SANPAOLO ASSICURA — INTESA SANPAOLO INSURANCE AGENCY — INTESA SANPAOLO RBM SALUTE — INTESA SANPAOLO VITA

Bancassurance and Pension Funds

PRESTITALIA

Consumer Credit[3]

EURIZON ASSET MANAGEMENT

Asset Management

SIREF FIDUCIARIA

Fiduciary Services

1 Banca 5 renamed Isybank as of 1 January 2023
2 Factoring and Leasing activities are carried out directly by Intesa Sanpaolo S.p.A., the Parent Company
3 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

INTESA SANPAOLO

ALEXBANK | بنك الإسكندرية
BANCA INTESA
BANCA INTESA Beograd
CBP QUILVEST[1]
CIB BANK
EXIMBANK
FIDEURAM BANK LUXEMBOURG[1]
INTESA SANPAOLO BANK Albania
INTESA SANPAOLO BANK LUXEMBOURG
INTESA SANPAOLO BANK Romania
INTESA SANPAOLO BANK Slovenia
INTESA SANPAOLO BANKA Bosna i Hercegovina
INTESA SANPAOLO BANK IRELAND
INTESA SANPAOLO BRASIL SA
PRAVEX BANK
PRIVREDNA BANKA ZAGREB
REYL INTESA SANPAOLO
VÚB BANKA

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	

EUROPE

Direct Branches	Representative Offices
Amsterdam	Brussels*
Frankfurt	Moscow
Istanbul	
London	
Madrid	
Paris	
Warsaw	

Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	35
Belgium	Compagnie de Banque Privée Quilvest[1]	2
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	45
Croatia	Privredna Banka Zagreb	146
Czech Republic	VUB Banka	1
Hungary	CIB Bank	60
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Compagnie de Banque Privée Quilvest[1]	1
	Fideuram Bank Luxembourg[1]	1
	Intesa Sanpaolo Bank Luxembourg	1
Moldova	Eximbank	17
Romania	Intesa Sanpaolo Bank Romania	34
Russian Federation	Banca Intesa	27
Serbia	Banca Intesa Beograd	146
Slovakia	VUB Banka	159
Slovenia	Intesa Sanpaolo Bank	41
Switzerland	Reyl & Cie	3
Ukraine	Pravex Bank	43

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	174

Figures as at 31 December 2022
** European Regulatory & Public Affairs*

Product Companies

PBZ CARD

E-money and Payment Systems

CIB LEASING
INTESA LEASING Beograd
PBZ LEASING
VÚB OPERATING LEASING

Leasing

EURIZON ASSET MANAGEMENT
FIDEURAM ASSET MANAGEMENT IRELAND
INTESA INVEST Beograd
INTESA SANPAOLO LIFE
易才

Wealth Management

1 *Fideuram Bank Luxembourg and Compagnie de Banque Privée Quilvest merged on 1 January 2023, setting up Intesa Sanpaolo Wealth Management*

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

Board of Directors

Chair	Gian Maria GROS-PIETRO
Deputy Chair	Paolo Andrea COLOMBO
Managing Director and Chief Executive Officer	Carlo MESSINA (a)
Directors	Franco CERUTI Roberto FRANCHINI (*) Anna GATTI Liana LOGIURATO Maria MAZZARELLA Fabrizio MOSCA (*) Milena Teresa MOTTA (*) Luciano NEBBIA Bruno Maria PARIGI Bruno PICCA Alberto Maria PISANI (**) Livia POMODORO Maria Alessandra STEFANELLI Paola TAGLIAVINI Daniele ZAMBONI Maria Cristina ZOPPO (*)
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
(**) Chair of the Management Control Committee

Letter from the Chair

Distinguished Shareholders,

The year 2022 opened with the expectation of a substantial global recovery after the damage caused by the pandemic. The sharp increase in previously suppressed demand and the gradual easing of restrictions on the movement of people fuelled the recovery of production, but also a steady rise in prices, particularly for energy. The outbreak of the war in Ukraine dramatically changed the scenario: the collapse in supplies from the countries involved in the conflict was accompanied by transport blockades and subsequent sanction packages, which hit the structural supply flows for many economies. The continuation of the conflict dealt a severe blow to international economic stability, reshaping geopolitical scenarios, amplifying the energy crisis and fuelling inflation beyond expectations. In Europe, the energy crisis and the fear of energy rationing, for both industrial and civil uses, prompted a highly effective reaction, both in the individual countries and at EU level. The results were substantial. Energy supplies were secured, their prices fell, and the most pessimistic economic forecasts did not materialise.

In Italy the developments were positive. Services were boosted by the renewed mobility of people, after the damage inflicted by previous restrictions. Tourism, in particular, benefited from the record number of tourists in Italy, exceeding pre-pandemic levels. Tax incentives supported the construction sector, contributing to improving energy efficiency and the enhancement of the overall building stock. The launch of the National Recovery and Resilience Plan (NRRP) encouraged businesses to invest. Industrial production grew, despite difficulties in the supply of commodities, components and energy. In the first 11 months of 2022, deflated turnover for industry grew by 2.6% compared to the same period in 2021. The level of production was only 0.5% lower than in the first 11 months of 2019. The same comparison shows a decrease of -1% for Spain, -4.9% for France, and -5.7% for Germany. Two structural features of the Italian industry contributed to this result: the greater percentage diversification of sales in terms of products, sectors and market outlets, and the shorter length of supply chains, which suffered less from the logistical disruptions in 2022. As a result, Italy's GDP growth forecast for 2022 has been repeatedly revised upwards, and the latest figure released is +3.9%, versus +3.5% in the EU and the Eurozone.

Many challenges lie ahead also in 2023. Indeed, questions are still open about a truce being reached in Ukraine, how to protect vulnerable population groups from inflation-related reductions in purchasing power, and health security linked to the evolution of the COVID-19 pandemic. At the same time, however, the plans to support the green transition, initiated in the United States (Inflation Reduction Act) and in Europe (Next Generation EU), are expected to translate into a new stimulus for global growth in the second half of the year. This should provide a particularly strong boost to Italian industry, which has sector specialisation in manufacturing related to capital goods, from machinery to plant and equipment to infrastructure.

The year 2023 will be characterised, both in Europe and the US, by interest rate hikes, which central banks intend to use to stop the inflationary stimulus generated by supply shocks and prevent it from starting a wage-price spiral. The monetary squeeze, which in Italy will be accompanied by the reduction of incentives for building renovations, will tend to reduce the appetite for investment. However, on the one hand, the prices of many inputs, starting with energy, have begun to fall and, on the other hand, some of the cost increases suffered by manufacturing businesses have been passed on downstream, limiting the shrinkage in margins. With the liquidity accumulated in the past quarters, businesses will be able to seize the opportunities that have opened up as a result of the reorganisation of the global industrial system, and in particular the need to invest in energy transition and digitalisation. The forecast presented by the European Commissioner for Economy, Paolo Gentiloni, on 13 February 2023 is for EU GDP growth of 0.8%, an increase of 0.5% on the figure announced in November 2022, which confirms the improvement in the economic situation that is already underway. The Commission's GDP growth forecast for Italy in 2023 is also 0.8%.

As Italy's leading Bank, in 2022 we made a robust contribution to GDP growth in all its components. We will perform a role of providing stimulus and support in the even broader and more challenging area of technological transition and the changes envisaged under the NRRP: a goal that is clearly stated and quantified in the 2022-2025 Business Plan.

In these difficult years, institutions, citizens and businesses have shown growing awareness of the need to make the transition to a sustainable and digitalised economy, capable of ensuring the resilience of social, environmental and economic systems.

The financial system is in a position to support and promote the dual transformation – digital and environmental – facilitating a technological shift that serves people, the environment and the common good.

The spread of open banking, digital operations and artificial intelligence solutions is gradually changing the relationships, not only between banks and customers, but also between financial service providers and third-party companies, with clear benefits in terms of efficiency and financial inclusion. At the same time, the lessons learned to date demonstrate the need to ensure effective controls on IT architectures and safeguards to protect data confidentiality, competition and customers.

The Bank is deploying all the necessary resources, including its long years of experience, in the implementation of the 2022-2025 Business Plan. The goal is to create sustainable, long-term value for the benefit of shareholders, our people, our customers, the community and the environment, in line with a balanced and resilient growth model. Based on these objectives, the ISP Group supports customers and communities, with particular attention to those in greatest need.

The economic value generated in 2022 – 20.6 billion euro – was distributed as follows: 79% to stakeholders, of which 38% to the people that work for us, 16% 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.

The Group has joined the Net-Zero alliances on banking, investment, and insurance and has also committed to achieving Net-Zero on its own emissions by 2030. To date, Intesa Sanpaolo has allocated around 400 billion euro to businesses, public entities and households to help them access the funds allocated by the NRRP and implement green transition projects. In addition, the “ESG Lab” has been developed to provide a service to companies that want to rethink their businesses with a view to sustainability. In support of businesses, Intesa Sanpaolo has developed a proprietary ESG Score model that allows customers to identify their ESG profile and helps them develop projects for mitigating climate, physical and transition risks, while also improving transparency towards their stakeholders and regulatory authorities. The Group is also working to integrate ESG factors into its operating and business models, as well as its governance and risk framework. The Business Plan has set the target of equal presence of men and women in the new appointments of senior leaders. In this context, the Bank has received major recognition, as the top bank in Europe, the second worldwide, and the only Italian bank included in the Refinitiv Global Diversity and Inclusion Index, in addition to the distinction of being the first major Italian bank to obtain the Gender Equality Certification.

The transformation initiated by Intesa Sanpaolo towards a sustainable model relies on cutting-edge technology solutions, such as the Intesa Sanpaolo Mobile app, recognised by Forrester as the world’s leading banking app in the fourth quarter of 2022. The launch of the digital bank IsyBank, serving the most technologically advanced customers, and the artificial intelligence lab in Turin, bear witness to Intesa Sanpaolo’s commitment to digitalisation. This commitment is not only aimed at customers, but also at finding solutions for transforming the internal operating model. This includes, for example, the digital platform for the Bank’s analytical cost management and the digital process transformation project. The Group also promotes dialogue between industry leaders, fintechs and academic research centres, in addition to supporting the development of innovative entities all over the world, through Neva SGR.

Our support for the younger generation is expressed by offering them current accounts and subsidised loans, and by sponsoring initiatives to promote training and access to the world of work. These include the “Giovani e Lavoro” Programme, the support provided to young families with school-age children through the “Per Crescere” impact loan, the no-collateral financing for all university students through the “Per Merito” loan, and “Mamma@work” which offers young working mothers the opportunity to obtain subsidised loans, to help them balance their family and working needs.

Intesa Sanpaolo is also a major cultural player, able to partner with the world’s leading museums, and in 2022, we lent around 300 artworks for temporary exhibitions. In the same year, in Turin we opened the new museum of photography, in the 17th century Piazza San Carlo building, and in Naples the new museum housed in the building constructed by Marcello Piacentini in Via Toledo, with artworks ranging from Attic vases, to Caravaggio, to Gemito. Together with the other venues in Milan and Vicenza, our museums were visited by almost 500,000 people last year. For us, investment in culture is an essential part of a set of goals focused on all social and environmental aspects.

The results for 2022 reflect the resilience of Intesa Sanpaolo, which can count on a solid capital base that is well above the prudential requirement, a strong liquidity position, a diversified business model, careful management of operating costs, the quality of its assets, and attention to its people. Intesa Sanpaolo has also demonstrated that it was able to effectively mitigate the risks that characterised 2022.

In consideration of a Group consolidated net income of 4,354 million euro and a Parent Company net income of 4,284 million euro, a proposal is being made to the Ordinary Shareholders’ Meeting to distribute cash dividends on the 2022 net income, for a total of 3,048 million euro, which, taking into account the interim dividend of 1,400 million euro paid last November, results in a proposal to distribute a remaining dividend of 1,648 million euro.

The Board of Directors also decided to execute the purchase of own shares for annulment (buyback) of the remaining amount of 1.7 billion euro authorised by the ECB. The related purchase programme, which started on 13 February, is expected to be concluded by 12 May 2023. This will complete the execution of the resolution passed by the Shareholders’ Meeting of 29 April 2022, and Shareholders will see their share of the total dividends of Intesa Sanpaolo increase without having to make any investment.

Gian Maria Gros-Pietro

Intesa Sanpaolo Group
Report on operations and consolidated financial statements

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 2022 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 262/2005, as updated and supplemented. These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the consolidated financial statements.
In particular, for the 2022 Financial Statements, account was taken of the 7th update of the above-mentioned Circular[1] and of the supplements included in the 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, 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 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 and the military conflict between Russia and Ukraine, 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, please note that, in accordance with the guidance provided by the Authorities, detailed information has been presented, both in the Report on operations and in the introductory chapter "Overview of 2022", and in Parts A, B, C and E of the Notes to the financial statements, on the main impacts of the pandemic on operations, the business, the risk profile, and the choices made concerning the valuation of assets for the purposes of the 2022 Financial Statements, essentially in line with the presentation adopted in the 2021 Financial Statements.
With regard to the ongoing military conflict between Russia and Ukraine, on the other hand, in accordance with the recommendations issued by ESMA and Consob in light of the multiple implications that have emerged as a result of the new scenario, including the related macroeconomic repercussions, these Consolidated Financial Statements contain a detailed disclosure that repeats and updates the disclosures already provided in the interim reports. Specifically, the Report on Operations contains a specific paragraph in the introductory chapter describing the risk control actions adopted and the measures implemented, together with the ISP Group's approach to the main related accounting issues. These are then discussed further in the Notes to the Consolidated Financial Statements, in Part A, which addresses the issues advocated by the Regulators, and in Part E, credit risk, where details are provided of the outstanding exposures and the valuation choices made.

In support of the comments on the results for the year, the Report on operations also presents reclassified income statement and balance sheet schedules.
In the reclassified statements, the figures are normally restated, where necessary and if they are material, for comparison on a like-for-like basis. In particular, the amounts are provided as consistently 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.
With regard to the acquisition of the UBI Banca Group and the related corporate transactions, in order to adequately support the comments on performance with like-for-like comparative data, the "redetermination" of the 2021 income statement figures presented in the financial statements as at 31 December 2022 has been maintained, based on the accounting and operating information, to take account of (i) the effects of the sales of branches to BPER and Banca Popolare di Puglia e Basilicata that took place in the first and second quarters of 2021 and were related to the acquisition, and (ii) the entry of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches sold. The redeterminations, described in detail below in this Report, only concerned the figures for the first and second quarters of 2021. Accordingly, to present the figures for 2021 "redetermined" on the basis of accounting and management information, reclassified income statements 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". With regard to the balance sheet figures, the restatements made in the 2021 Financial Statements have been retained in the 2022 Financial Statements, based on the accounting information, in order to:

- exclude, on a line-by-line basis, the balance sheet figures relating to the UBI and ISP branches sold in the first and second quarters of that year, the values of which had been recognised in the caption Non-current assets held for sale and discontinued operations in the reclassified balance sheet;

[1] The 8th update issued on 17 November 2022, which consists of a full revision of the Circular to take into account the new IFRS 17 "Insurance Contracts", will apply from the financial statements for the periods ending on or after 31 December 2023.

- include, on a line-by-line basis, the balance sheet figures of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas[2], consolidated with effect from the second quarter of 2021. You are reminded that for these companies it was not deemed necessary to "redetermine" the balance sheet figures in order 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 non-material amounts and hence not relevant for comparability.

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/Company documents section of the Intesa Sanpaolo website, at 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/Sustainability reporting section of the same website.

The Report on remuneration policy and compensation paid required by Art. 123 ter 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.

[2] Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita were merged into Intesa Sanpaolo Vita on 31 December 2021. Cargeas Assicurazioni was merged into Intesa Sanpaolo Assicura, a wholly owned subsidiary of Intesa Sanpaolo Vita, on 1 October 2022.

Report on operations

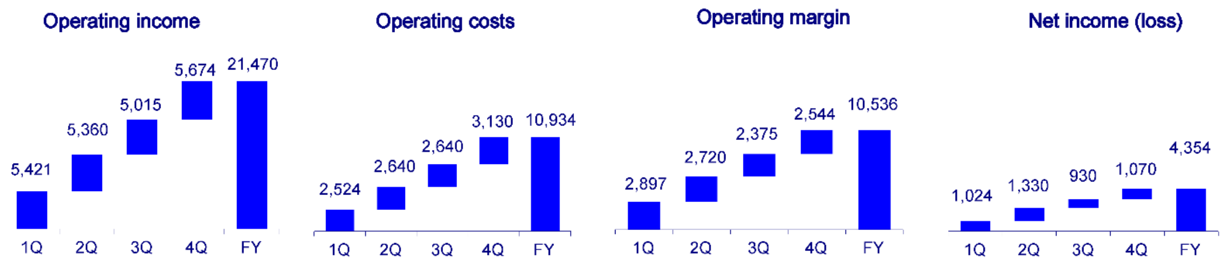
Overview of 2022

Income statement figures and Alternative Performance Measures(°)

Consolidated income statement figures (millions of euro)	2022	2021	Changes amount	Changes %
Net interest income	9,500	7,905	1,595	20.2
Net fee and commission income	8,919	9,527	-608	-6.4
Income from insurance business	1,705	1,629	76	4.7
Profits (Losses) on financial assets and liabilities designated at fair value	1,378	1,635	-257	-15.7
Operating income	21,470	20,793	677	3.3
Operating costs	-10,934	-10,980	-46	-0.4
Operating margin	10,536	9,813	723	7.4
Net adjustments to loans	-3,113	-2,766	347	12.5
Net income (loss)	4,354	4,185	169	4.0

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

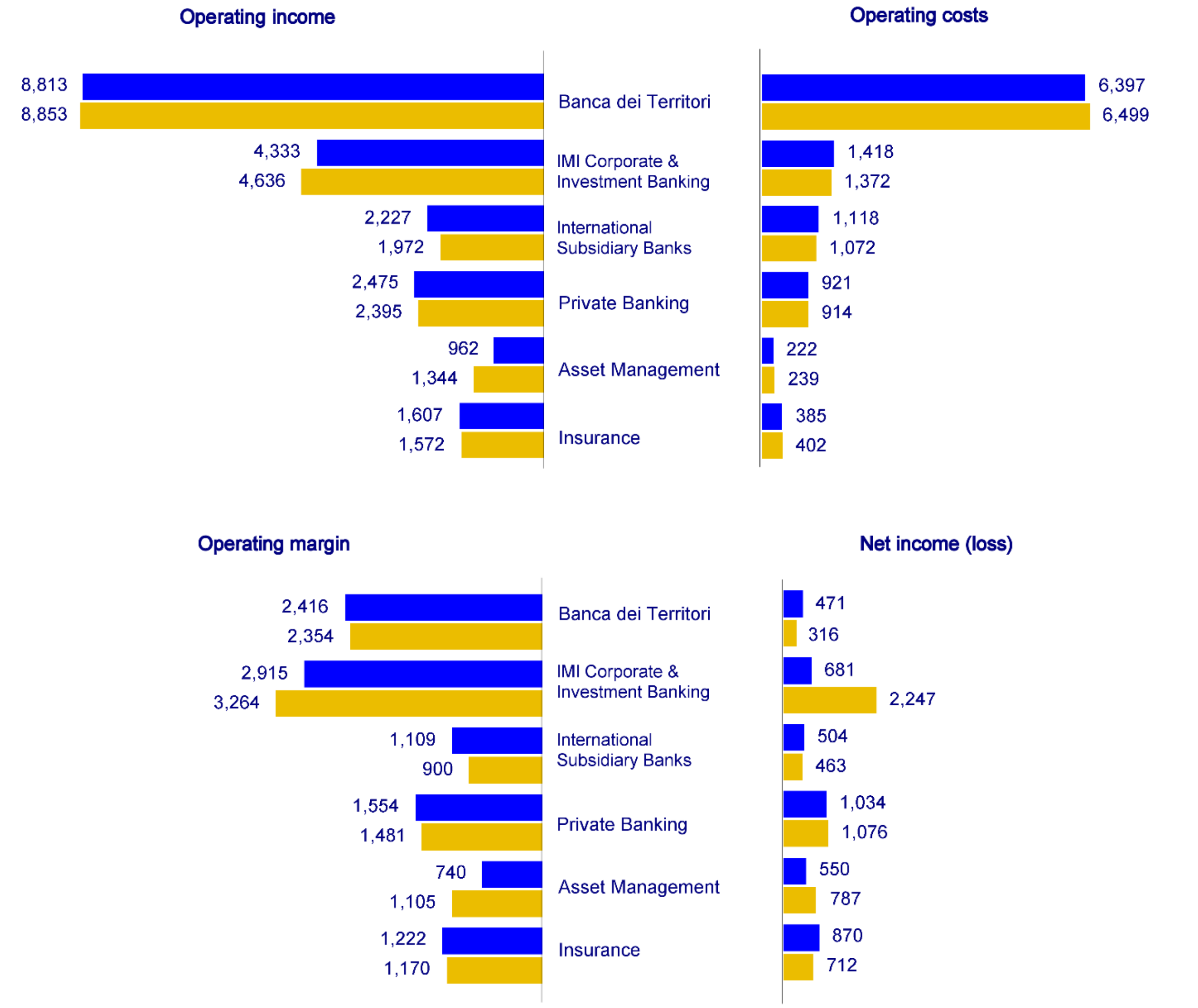
Quarterly development of main consolidated income statement figures
(millions of euro)



2022
2021
Redetermined figures

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations. Concerning the aftermath of the COVID-19 pandemic and the conflict between Russia and Ukraine, 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 and discontinued operations. For more details, see the chapter "Breakdown of consolidated results by business area".

2022
2021
Redetermined figures

Balance sheet figures and Alternative Performance Measures(°)

Consolidated balance sheet figures (millions of euro)

	31.12.2022	31.12.2021	Changes amount	Changes %
Financial assets	147,244	162,021	-14,777	-9.1
Financial assets pertaining to insurance companies measured pursuant to IAS 39	172,805	206,885	-34,080	-16.5
Loans to customers	446,854	465,871	-19,017	-4.1
Total assets	975,683	1,070,816	-95,133	-8.9
Direct deposits from banking business	545,386	557,248	-11,862	-2.1
Direct deposits from insurance business and technical reserves	173,597	204,479	-30,882	-15.1
Indirect deposits:	674,705	725,137	-50,432	-7.0
of which: Assets under management	*430,165*	*477,530*	*-47,365*	*-9.9*
Shareholders' equity	61,655	63,775	-2,120	-3.3
Loans to customers / Direct deposits from banking business (%) (Loan to deposit ratio)	81.9%	83.6%		

Main balance sheet figures by business area (*) (millions of euro)

	Loans to customers 31.12.2022	Loans to customers 31.12.2021	Direct deposits from banking business 31.12.2022	Direct deposits from banking business 31.12.2021
Banca dei Territori	247,522	250,592	291,089	291,697
IMI Corporate & Investment Banking	132,927	152,543	94,785	94,844
International Subsidiary Banks	40,212	38,970	54,364	51,504
Private Banking	15,104	14,450	50,447	55,895
Asset Management	282	783	26	21
Insurance	-	-	-	-

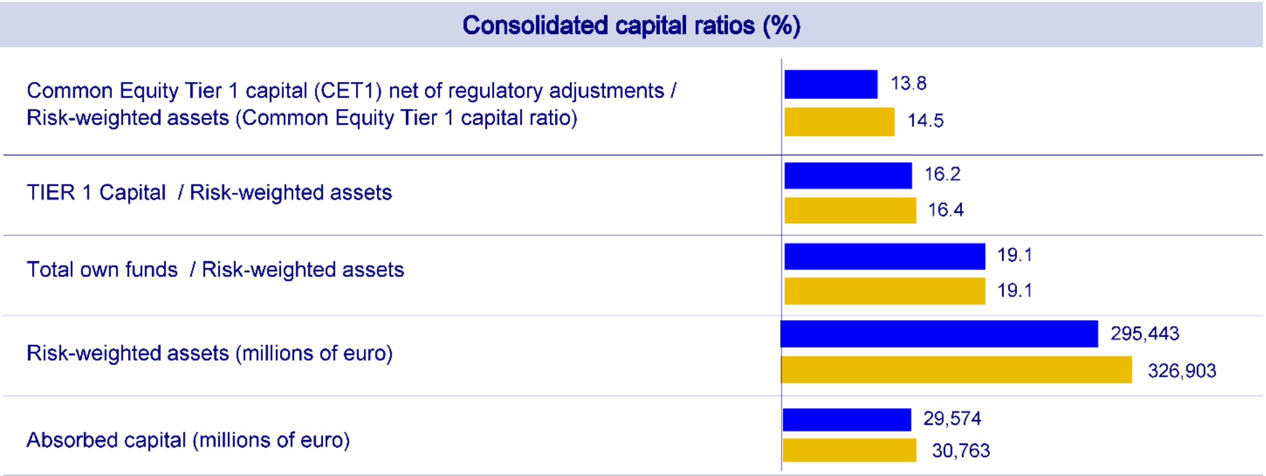
(*) Excluding Corporate Centre

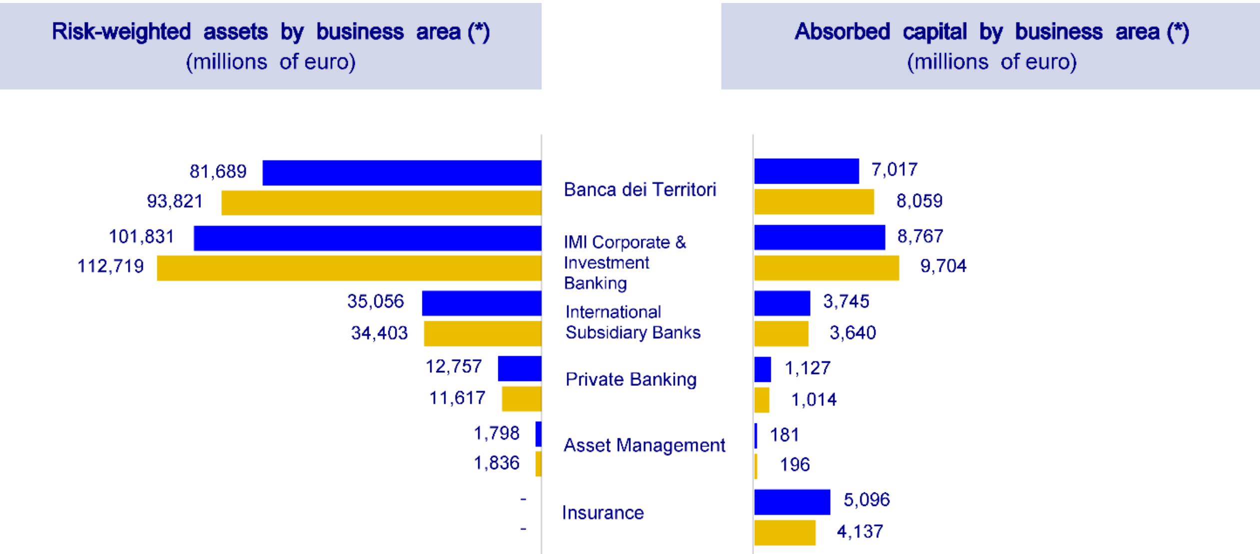
Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

31.12.2022 (blue)
31.12.2021 (yellow)

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

Alternative Performance Measures and other measures(°)





(*) 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.

31.12.2022

31.12.2021

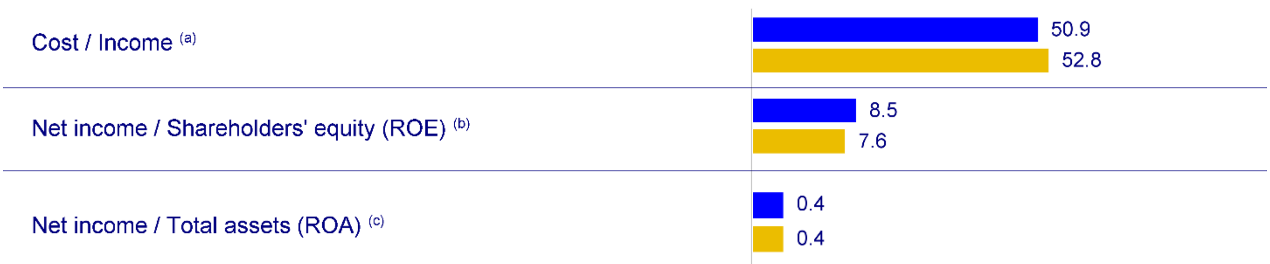
(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations. Concerning the aftermath of the COVID-19 pandemic and the conflict between Russia and Ukraine, in accordance with the ESMA guidelines, no new measures have been added, nor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

Information on the stock	2022	2021
Number of ordinary shares	18,988,803,160	19,430,463,305
Share price at period-end - ordinary share (euro)	2.078	2.274
Average share price for the period - ordinary share (euro)	2.024	2.292
Average market capitalisation (million)	38,433	44,535
Book value per share (euro) (*)	3.265	3.304

Long-term rating	2022	2021
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 includes minoritry interests and does not consider own shares.

Consolidated profitability ratios (%)

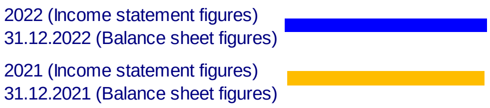


Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(a) For 2021, the measure is calculated on redetermined figures. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

(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 at the end of the period.

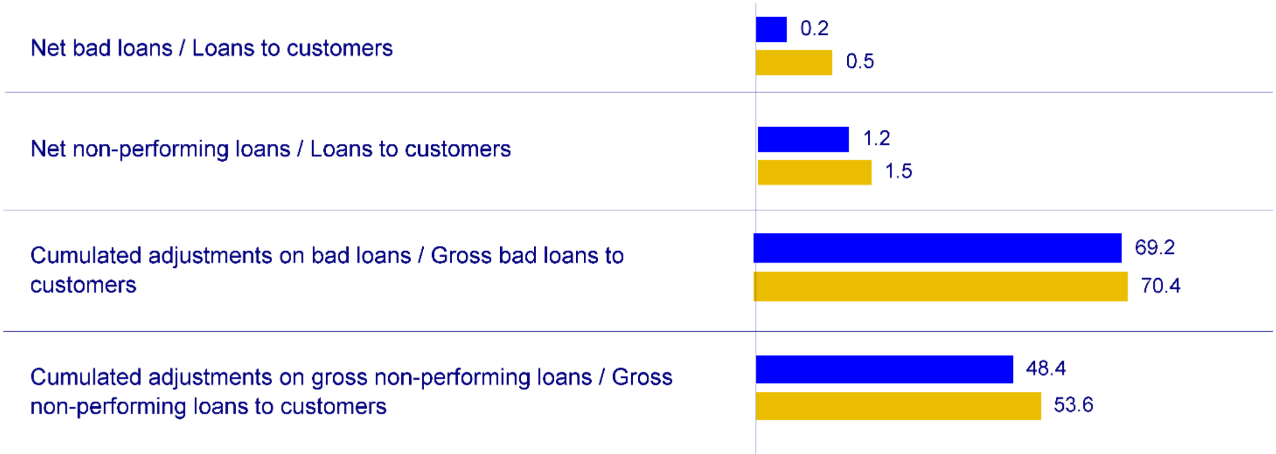


Earnings per share (euro)

(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 (%)



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

2022 (Income statement figures)
31.12.2022 (Balance sheet figures)

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

Operating structure	31.12.2022	31.12.2021	Changes amount
Number of employees (f)	**95,574**	**97,687**	**-2,113**
Italy	73,283	75,289	-2,006
Abroad	22,291	22,398	-107
Number of financial advisors	**5,709**	**5,654**	**55**
Number of branches (g)	**4,565**	**4,719**	**-154**
Italy	3,611	3,740	-129
Abroad	954	979	-25

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.

(g) The figure includes Retail/Exclusive Branches, Non-Profit Sector Branches, Agribusiness Branches, SME Branches and Corporate Branches.

Overview of 2022

Economic trends and the geopolitical scenario

Global GDP growth slowed in 2022 across both advanced and emerging economies. The inflationary crisis intensified, particularly in Europe, and prompted many central banks to rapidly remove the monetary stimuli introduced in previous years. The Fed's monetary policy quickly became restrictive. The Euro area was hit by the effects of a spike in natural gas prices, a repercussion of the Russian invasion of Ukraine and of the resulting deterioration in political and economic relations between the European Union and Russia. The almost total disruption of gas imports from Russia was tackled with a combination of reduced consumption, increased production from renewable and other fossil sources, and increased imports from other suppliers. This strategy averted the need for rationing of supplies, but it did not prevent steep rises in gas prices in the European market. However, the recessionary impact of the shock was almost entirely offset by public support measures for households and businesses and the fall in the household saving rate. Accordingly, Euro area GDP increased by 3.5% in 2022, while inflation rose far above the levels expected before the war (annual average of 8.4%).
In Italy, the preliminary ISTAT estimate puts annual GDP growth in 2022 at 3.9%, about half a point lower than forecast before the war. The reduction in growth was due to the sharp deterioration in the trade balance, which was reflected domestically in a decline in real household income (harmonised inflation rose to 8.7% on an annual basis) and a fall in company profit margins. In Italy, too, the final impact was mitigated by fiscal measures and a reduction in household savings. Nevertheless, GDP growth slowed during the year and was down slightly on a quarterly basis at the end of 2022.
In the countries with ISP subsidiaries, the third quarter GDP increased by 3.2% in Central and South-Eastern Europe (CEE/SEE) and decreased by more than 6% in Eastern Europe (EE), where the fall ranged from -3.7% in Russia to -30.8% in Ukraine. Inflation hit particularly hard. Consumer prices in 2022 rose to an average of 13.6% (from 4.5% in the previous year) in the Central Eastern Europe (CEE) and South Eastern Europe (SEE) and to 14.4% from 6.9% in 2021 in the EE area.
The European Central Bank raised official rates rapidly from July 2022, initiating a tightening phase that will carry on into the early part of 2023. The year 2022 ended with a deposit facility rate (DFR) of 2.00% and a rate on main refinancing operations (Refi) of 2.5%[3]. In addition, the ECB discontinued the net purchases of securities under the Pandemic Emergency Purchase Programme (PEPP) and those of the Asset Purchase Programme (APP). The discontinuation of the net purchases, the rise in interest rates and the worsening growth outlook led to a widening of risk premiums on BTPs, with the spread against the BUND rising from 128 basis points in December 2021 to 190 at the end of 2022.
The banking business is feeling the impact of the energy crisis and inflationary environment through various channels, including the rise in interest rates and its positive effects on bank margins and restrictive effects on the supply of credit, and the increased risks arising from the complex geopolitical and economic situation. In the second half of 2022, interest rates on new loans to non-financial companies rose rapidly, while the fixed rate on home mortgages to households had already started to increase in the first half of the year. Interest rates on deposits were more resistant, particularly on overnight deposits. As a result, the spread between lending and funding rates increased significantly.
The credit market in 2022 was characterised by two phases, starting with an improvement in growth up to the summer, supported by business demand due to financial requirements for day-to-day management, driven by higher prices for energy and other inputs. This phase was followed by a rapid slowdown in the last quarter, due to the progressive tightening of supply conditions in line with the restrictive monetary policy stance and the increase in perceived risks, while on bank balance sheets the side, the good liquidity and funding position was maintained and the capital base remained solid. Loans to Italian households continued to grow at a robust pace, driven by loans for home purchases, which grew at a rate of 5%, the highest of the decade, with the momentum slowing down in the last quarter. With regard to credit quality, there were no signs of deterioration. With the rapid rise in interest rates, the long and strong growth in deposits, which had lasted for more than a decade, came to a halt towards the end of the year. In the difficult inflationary environment, companies and households started to use part of the funds accumulated in bank accounts in previous years.

[3] A new ECB rate increase of 50 basis points was implemented on 2 February 2023.

The impact for the ISP Group of the military conflict between Russia and Ukraine

The ISP subsidiaries in Russia and Ukraine

The Group is present in Russia and Ukraine through two subsidiaries:
– *Joint-Stock Company Banca Intesa* (Banca Intesa Russia), 47% owned by Intesa Sanpaolo and 53% by Intesa Sanpaolo Holding International (Luxembourg). This is a Moscow-based corporate bank, part of the IMI Corporate & Investment Banking Division, which operates with 27 branches and 907 staff. The Group's presence in Russia dates back 48 years (at the time as a Representative Office). The bank participates in the financing of large national and international Russian projects but also offers a full range of banking services for small and medium-sized enterprises, retail customers and companies. The regional branch network extends from Kaliningrad to Vladivostok;
– *Pravex Bank Joint-Stock Company*, 100%-owned by Intesa Sanpaolo. This is a small commercial bank based in Kyiv, part of the International Subsidiary Banks Division, which operates with 43 branches mainly in the Kyiv region and employs 735 people. Intesa Sanpaolo acquired the bank in 2008 and has been operating in the country continuously since that date.

Despite the critical situation, particularly for Pravex, both entities are continuing to operate with the support of the Parent Company structures, albeit with the objective limits dictated by the war and the continued high international tensions, which are also leading to the substantial blockage of gas supplies from the Russian Federation to Western Europe.
Intesa Sanpaolo's continuing control over the two entities has been maintained, on the basis of the following observations:
– in accounting/administrative terms, through the precise and timely acquisition for consolidation purposes of the accounting situation as at 31 December 2022 of the Russian subsidiary (as detailed further below, for Pravex, it was decided to maintain the accounting statement produced for the September consolidation, considering the specific operating difficulties of the subsidiary and also in light of the substantial immateriality of its balance sheet data at Group level);
– in terms of statutory regulations, with specific regard to the Russian subsidiary, the Parent Company was able to exercise its power to determine the composition of the corporate bodies and to appoint the management body members of Banca Intesa Russia at the Shareholders' Meeting of 8 July 2022. The turnover involving the Board and the Audit Committee was the result of appointments proposed by the Parent Company that passed the approval process of the Russian Central Bank, while the Board appointed by the Parent Company before the conflict remains in place for the Ukrainian subsidiary;
– in terms of steering the business, the two entities continue to move ahead with their commercial business following the instructions of the Parent Company. Specifically, in its corporate operations, Banca Intesa Russia complied with the instructions received, immediately after the conflict broke out, to gradually reduce its existing credit exposure. In lending, that bank is not subject to external "interference", and follows the instructions of the Parent Company also in cases where, due to the slight materiality of the disbursements, based on its existing powers, it would be entitled to make autonomous decisions on its action;
– in terms of coordination and control, as the Parent Company's control functions (including the support function of the Manager responsible for preparing the Company's financial reports, namely Administrative and Financial Governance) continue to carry out their roles through the regular receipt and analysis of the planned information flows, interacting with the structures of the subsidiaries through the communication channels available, in line with any limitations that may arise over time, also handled using contingency solutions.

Risk management

Upon the outbreak of the conflict, on 24 February 2022, Intesa Sanpaolo, in accordance with the provisions of the "Crisis Management Model", activated its Emergency Unit to monitor the situation and assess the potential risks and consequent impacts on the Group.
The Emergency Unit, which has representatives from all the Governance Areas and Business Divisions, approved the creation of two Task Forces, with steering and monitoring powers, to address the immediate priorities, improve the effectiveness of the decision-making and escalation process and empower the operational teams:
– The Risk Management and Control Task Force with the objectives of:
    - monitoring, assessing and identifying the actions to mitigate the financial risks arising from the Ukraine-Russia emergency;
    - applying strict procedures for compliance with the sanctions imposed by the competent authorities;
– The Operational Resilience Task Force with the objectives of:
    - ensuring the Group's business continuity;
    - managing the security of employees and their families;
    - safeguarding the operating model and cybersecurity;
    - organising and maintaining continuous cross-function communications.

Intesa Sanpaolo's top management also participates in the two Task Forces, which are chaired respectively by the Chief Risk Officer and the Head of the International Subsidiary Banks Division.
On 7 March 2022, Intesa Sanpaolo also set up the Russia-Ukraine Conflict Crisis Unit, a technical unit with advisory functions, responsible for examining particularly significant/complex operations, due to their exposure and structure, through a cross-function approach, assessing the main credit, legal, operational, compliance and reputational risks and carefully identifying the remedial actions, in accordance with the general principle of maximum prudence and in line with the Group's ESG and impact values.
The Crisis Unit, chaired by the Chief Lending Officer, was made up of the Chief Compliance Officer and the Group General Counsel, as well as the Division Heads for the discussion of operations pertaining to their business unit. The Crisis Unit

operated in this manner until 30 June. However, once the emergency phase had passed, in a situation in which the crisis had become structural in nature, it was decided to reinstate the ordinary approval processes.
The Task Forces meet throughout the year with the aim, among other things, of preparing reports for the top management, which are also provided to the ECB's Joint Supervisory Team (JST) as necessary.
The situation is continuously monitored both at Parent Company level and in all the Group banks directly involved in the conflict or close to it, where direct and continuous contacts are being maintained.
Regular reports have been provided to the board committees and the Board of Directors.
For further details on the impact of the conflict on the risk profile of the Intesa Sanpaolo Group, see the information provided below on the Risk Management and Control Task Force and in the paragraph "The main accounting aspects and the approach adopted by the Intesa Sanpaolo Group".

The Risk Management and Control Task Force
One of the first actions taken at the beginning of the emergency was to block new operations that could lead to increased risk towards counterparties resident in Russia, Belarus and Ukraine. In this context, a revision has also been completed of the ratings of counterparties that the Bank has identified as cross-border on-balance sheet credit exposures to Russia.
With regard to credit risk monitoring in particular, the actions consisted of:
- a detailed assessment of the exposures to the two countries where the crisis is underway, to ensure better monitoring of future changes in the risk profile. In some cases, a deleveraging operation was performed through the sale on the market of several exposures;
- the prompt provision of specific customisations of existing credit products to support energy-intensive small and medium-sized enterprises and of those with revenues largely derived from exports to Russia and Ukraine, together with new financial solutions to cope with rising energy prices;
- the centralisation of the decision-making process, still being adopted, with reference to: i) Russian/Belarusian entities; and ii) entities of any nationality controlled (directly or indirectly) by Russian/Belarusian counterparties.

Immediately after the outbreak of the conflict, a new initiative designed to prevent flows into non-performing status was launched, under the Credit Action Plan, in order to carry out a diagnostic analysis of the counterparties that could be more affected by the current geopolitical crisis. The initiative concerned the performing counterparties of the Banca dei Territori and IMI Corporate & Investment Banking Divisions with significant operations with the Russia and Ukraine markets, i.e. counterparties with foreign movements to/from Russia and Ukraine above a defined threshold with respect to total outflows/receipts to/from abroad over the last 13 months. The aim of the initiative was to assess each counterparty for the need for any extraordinary credit measures to deal with the problems related to the current conflict. The results of the initiative, which ended at the end of March, showed that around 95% of the critical positions can be overcome without extraordinary credit measures and only a residual portion (0.02%) was classified as non-performing loans. In the second quarter, the initiative was repeated and focused on those counterparties that, in the initiative in the first quarter, had displayed some problems with the goal of providing an updated diagnostic analysis of the counterparties. The results of the initiative substantially confirmed the results of the first quarter.
In the third and fourth quarters, there were no new specific initiatives under the Credit Action Plan dedicated to the Russia-Ukraine crisis. However, as part of the actions to prevent the flows into non-performing status of positions showing signs of difficulty, but without any past-due positions, specific diagnostic checks are still underway and planned for the near future on the vulnerable sectors (identified on the basis of sector trends) and energy-intensive sectors particularly affected by the increase in the cost of energy, partly linked to the current geopolitical crisis.

The conflict between Russia and Ukraine has led to the imposition of heavy sanctions on Russia, adopted on a progressive basis by the Western countries. To ensure regulatory compliance, Intesa Sanpaolo immediately launched initiatives, monitored through a specific dashboard at Group level, aimed at overseeing the changes in the lists of sanctioned persons and entities at European and international level, identifying sanctioned persons and entities for the purpose of blocking positions and payments, complying with the specific ban on accepting deposits above the threshold set by the European regulations, and identifying and blocking financial instruments subject to sanctions. As at 31 December 2022, the exposure to Russian counterparties subject to sanctions included in the OFAC SDN and/or EU asset freeze lists amounted to 0.38 billion euro (0.4 billion euro at the end of the half year).
The three main rating agencies Fitch, Moody's and Standard & Poor's have progressively downgraded Russia's credit rating to the point of withdrawing their ratings. This resulted in a consequent adjustment to the internal sovereign and transfer ratings assigned by ISP.
Since the beginning of the conflict, the Group has continued to carefully monitor the evolution of the fallout of the Russian-Ukrainian crisis on the real economy and the main financial variables, also by conducting specific scenario analyses and stress tests to assess the potential impacts in terms of profitability and capital adequacy. These analyses focus both on the direct effects, such as the deterioration of the situation of counterparties in the countries involved, and the indirect effects, including the effects on the Group's other customers deriving from the possible changes in the economic and financial environment, also considering the rising energy costs and the possible reduction in the availability of certain energy sources. Although the situation is constantly evolving, leaving aside extreme scenarios of conflict escalation that could lead to outcomes that are difficult to assess, these analyses have found that the Group would be able to ensure compliance – also through the implementation of specific actions – with the regulatory requirements and the stricter limits set internally.

The Operational Resilience Task Force

From the earliest stages of the conflict, contacts were established and maintained with all staff of Pravex Bank, also supporting the expatriation of employees and their family members where required. The people were taken in by the Group's other banks in countries bordering Ukraine (Romania, Moldova, Slovakia and Hungary) and then transferred, on a voluntary basis, to Italy, where they are housed in Group flats and assisted for all their needs[4]. Specific workstations for Ukrainian colleagues were set up in one of the buildings where the Group operates in Bergamo. As the conflict persists, colleagues continue to be hosted outside their country and especially in Italy.

With regard to business continuity in Ukraine, the systems have been operational at all times. A backup copy of the data was set up already in January at a data centre in Lviv and later, following regulatory changes by the National Bank of Ukraine, a backup copy of the data was also set up outside the country, initially at a cloud data centre in Poland. From September, the backup copy of the data was moved to a cloud data centre in Germany.

The intensification of attacks in several parts of Ukraine from the second half of June gave rise to the need for the daily updating of the methods of assessment for the opening of individual branches, supporting the decision-making process on the basis of specific indicators and always taking staff safety into account. The number of branches open from the beginning of the conflict has varied over time. In the early stages of the conflict, an average of around half of the Pravex Bank branches distributed throughout the country were open. From April onwards, the number of branches open daily gradually increased to an average of about 36 branches until the beginning of October, when the intensification of the attacks again led to the reduction in the number of branches that could be opened safely. From the end of October, the number of open branches returned to an average of around 36 branches on a daily basis, depending on the availability of electricity throughout the country.

A total of six branches have been damaged in the fighting since the beginning of the conflict: two branches in Kharkiv, one in Mariupol, one in Kyiv and one in Kremenchuk. The Kherson branch also suffered damage in December.

At Banca Intesa Russia, the systems remained active at all times and the branches always continued to work without any operational problems, also thanks to the new agreements signed with local providers, to compensate for the interruption of services offered by Western providers after the start of the conflict.

Monitoring was also set up on the operations of Banca Comerciala Eximbank, the Group's Moldovan subsidiary. Specifically, following the worsening geopolitical situation and thanks to the authorisation granted by the Central Bank of Moldova at the beginning of April for the transfer of data out of the country, a physical backup of the data centre in Romania was carried out, followed by a cloud-based data backup in Germany.

With regard to cybersecurity, from the beginning of 2022, as the first signs of increased instability in the Ukrainian situation emerged, the Group increased its threat intelligence activities and strengthened its cybersecurity controls throughout the Intesa Sanpaolo Group, particularly in terms of security checks and authentication methods for accessing the corporate network. Alert levels were also raised through specific analyses of indicators of compromise collected from external info-sharing sources, to detect any cyber threats and determine the appropriate countermeasures to be implemented.

Numerous security controls were already in place and standardised in all the Group companies, such as strict access control policies based on the principle of minimum privilege to carry out the activities requested, the controlled provision of access credentials to company infrastructures and tools and the use of strong authentication (multi-factor authentication) for access to the corporate network. The control and surveillance structures were also strengthened. The connections with the Group's most at-risk banks have been reduced, through selective opening of only vital and critical services and continuous monitoring.

E-mails with attachments and/or links to websites have also been analysed as possible sources for spreading malicious attacks. After the initial blocking of e-mails containing attachments and originating from the Group's most at-risk banks, additional preventive control systems were implemented that allowed those e-mails to be sent to the Parent Company with a low level of risk.

Specific educational initiatives on cyber risks, with a focus on phishing, are regularly implemented to further raise awareness among all the Group's staff. The initiatives involved posting news on the Group intranet, sending information to staff, and adding a warning message upon login to the company computers. A warning message was also added to all e-mails from outside the Group, and a compulsory training course on cybersecurity was provided to staff in the second quarter of 2022.

Lastly, with regard to the issues related to energy supply, in July, in response to the potential electricity and gas supply problems in Italy during the winter, Intesa Sanpaolo set up an internal working group with the aim of further strengthening the business continuity solutions for managing the scenario of unavailability of infrastructure services.

The following activities were carried out: i) checks on the safeguards present in the Group's main offices and the Data Centers that ensure the availability of electricity in the event of a blackout by energy operators (ongoing checks on the adequacy of backup batteries and generators); ii) updating of the procedures for managing power outages, also in the local network and the museum venues; iii) due diligence on the main suppliers that provide critical services essential to Intesa Sanpaolo to verify their continuity safeguards specifically in the case of blackouts; iv) additions to the contracts with suppliers to ensure the advance procurement of fuel and guarantee its delivery within 24 hours; v) distribution of information notes to staff in the event of blackouts; and vi) drafting of specific guidelines for the preventive management of the scenario for all the Group's international legal entities. In addition, meetings were held with the Bank of Italy to analyse solutions for ensuring the availability of electricity and fuel for the operators of the national financial system.

The additional costs incurred for business continuity and losses resulting from physical damage to premises/branches located in the conflict zone form part of the monitoring of the exposure to operational risk, including that relating to the Risk Appetite Framework.

[4] For more details see the information on "The Intesa Sanpaolo Group's initiatives for Ukraine and to mitigate the impacts of the inflation scenario" provided below in this section.

The Intesa Sanpaolo Group's initiatives for Ukraine and to mitigate the impacts of the inflation scenario

In response to the severe humanitarian crisis that affected the entire population of Ukraine, Intesa Sanpaolo immediately took action by making available 10 million euro to provide relief and shelter for the people and families affected, 60% of which was allocated to initiatives in Ukraine and at the borders, and 40% to interventions in Italy.
Collaboration agreements were signed with national and international humanitarian organisations to implement projects for humanitarian protection, accommodation, direct economic support, health and psychological assistance, distribution of basic necessities and integration of Ukrainian refugees in Italy. The agreements involved:

- UNHCR - UN Refugee Agency, for the provision of essential goods including food, emergency shelter, blankets and hygiene products, in addition to direct financial assistance to people, to meet their basic expenses. The initiative supports the Ukrainian authorities in setting up reception centres and also performs activities to protect against exploitation and abuse. The support for UNHCR was further strengthened by the crowdfunding initiative on the digital platform ForFunding.it, a fundraising initiative that citizens and businesses contributed to and where Intesa Sanpaolo doubled the amount donated for every donation made;
- Caritas Italiana, through the "A.P.R.I. Accogliere Promuovere Proteggere Integrare i Profughi Ucraini in Italia" (Welcome, Promote, Protect, Integrate Ukrainian Refugees in Italy) project to support the Caritas diocesan network in welcoming refugees throughout Italy, with services ranging from initial hospitality to integration with the aim of promoting their social and economic inclusion;
- CESVI, to support refugees with a focus on families with children, disabled and elderly people in Ukraine, Romania and Hungary;
- Banco Farmaceutico Onlus, with the "Pharma4Ucraina" project for the free distribution of emergency medicines and to contribute to the costs for their transport and delivery to the Ukrainian population;
- CIR - Consiglio Italiano Rifugiati (Italian Refugee Council), for the legal and structured support for the protection of single children and single-parent families;
- Vicariate of Rome, for relief and shelter initiatives for the Ukrainian community, also thanks to the actions of the Next Gen Together project, aimed at "bringing the suburbs closer to the centre" and focusing on respect and equal rights;
- Confederazione Nazionale delle Misericordie d'Italia for the accommodation of 34 boys and girls aged between 9 months and 18 years in the "Casa della Stella" shelter in the village of Fosciandora in Tuscany. The project involves educational/school activities, extra-curricular activities and medical assistance;
- FEBA (European Federation of Food Banks), to ensure the adequate supply of food to the Ukrainian Food Bank for the period July 2022-March 2023, not only through the management of donations but also through the direct purchase of food;
- AVSI, in partnership with AVSI Polska, to increase the employment and employability levels of 150 refugee women and the socio-educational integration of 50 children in their care (children and foster children);
- Azione Contro la Fame (Action Against Hunger), to provide access to safe water and proper sanitation (WASH) for Ukrainian refugees and host communities in Moldova;
- the NGO Bambini nel Deserto Onlus, in support of Ukrainian health care with the project "Ambulanze Ucraina 2022/23", which involves the purchasing of second-hand emergency vehicles (ambulances, vans, pickups and other vehicles), the complete repair and upgrading of the vehicles and their delivery to the Ukrainian civil authorities on the border with Poland;
- Robert F. Kennedy Human Rights Italy, for raising awareness of human rights among students and programmes for the integration of Ukrainian refugees into the Italian labour market.

A crowdfunding initiative was also set up on the Group's digital platform ForFunding.it in favour of the Fondazione RAVA with the aim of supporting the purchasing of medicines and first aid equipment for children's hospitals in Ukraine. Intesa Sanpaolo also contributed to this initiative with a direct donation, in addition to the funds raised through the crowdfunding platform.

The Group's International Subsidiary Banks Division is particularly involved in several initiatives, both implemented directly and through several of its subsidiaries in Eastern Europe, involving:

- a fundraiser in 5 countries for several local NGOs;
- the provision of banking services on favourable terms (zero withdrawal, transfer and account management fees);
- the suspension of loan and mortgage payments for two months;
- the introduction of the Ukrainian language on the digital platforms of several of the subsidiaries in Eastern Europe.

The Intesa Sanpaolo Charity Fund provided support to two organisations directly present in Ukraine:

- Médecins Sans Frontières, for the distribution of emergency medical supplies to hospitals, the training of health workers in the management of mass influxes of injured people, as well as the provision of basic health and mental health care;
- Fondazione Soleterre, for the provision of shelter and continuity of care for children with cancer, to facilitate their safe and rapid evacuation and to set up the collaboration with hospitals in Italy that have offered to admit the children who need hospital care.

A total of 6,400 hours of paid leave were donated to employees willing to volunteer to host refugees or work outside Italy with NGOs and non-profit organisations for humanitarian and social purposes (1,600 hours already used).
Intesa Sanpaolo joined the Italian Banking Association initiative for a voluntary donation of 10 euro by bank employees, to which an equivalent donation was added by the Bank.
Intesa Sanpaolo is also offering hospitality in Italy to Pravex Bank employees and their families by providing 40 Group-owned flats and residential facilities in Bergamo. These are mainly female bank staff and their children, as well as the families of male employees who are prevented from leaving the country by martial law. The people are mostly from the eastern parts of Ukraine and the capital Kyiv. A total of 208 colleagues (of whom 179 are currently still present) and their family members accepted the invitation to come to Italy. The guests were initially taken in by Caritas and Intesa Sanpaolo provided them with the main services and basic economic needs. Other initiatives have also been identified to support and facilitate the

integration of the families of Pravex Bank staff in Bergamo, including sports activities, support for administrative activities, and ensuring access to schooling by providing devices for remote learning at Ukrainian schools.

In order to provide significant and tangible support in response to the growing social needs generated by the conflict-induced crisis, particularly in terms of energy costs and the general increase in prices, the Intesa Sanpaolo Group has developed a package of aid for businesses and households through:

- a 22 billion euro credit line allocated to SMEs, with a special focus on those engaged in the search for solutions such as industrial reconversion, energy independence and the transition to renewable energy, with funds at subsidised rates for:
  - the coverage of higher energy costs;
  - the suspension of principal repayments on loans for up to 24 months;
  - investments in renewable energy (SACE-guaranteed loans of up to 20 years);
- 8 billion euro credit line in support of households, with 3 initiatives:
  - personal loans - up to 20 years, for ISEE (Equivalent Financial Situation Index) incomes up to 40 thousand euro - at subsidised rates;
  - support in managing difficult situations through flexible mortgage and loan options;
  - purchases and bills payable in instalments at zero interest.

Lastly, the Bank also sought to offer tangible support and a sign of its care and attention to the Group's employees (in Italy and abroad) and their families by providing them a donation of 500 euro on 9 September 2022. The measure concerned 82 thousand people employed as at 30 June 2022, excluding those classified as managers or having equivalent remuneration, for a total outlay of 48 million euro[5].

On 22 November, as part of the negotiations on the changes in the organisation of work practices, a trade union agreement was signed, which provided for an additional sum of 500 euro to be paid to all the Group's non-managerial personnel operating in Italy (over 70 thousand people), amounting to 36 million euro, to be paid in conjunction with the December salary. Both payments benefited from the exemption from tax (and social security contributions) for the sums paid (or reimbursed) in 2022 by the employer to the employees for the self-certified use for the payment for household expenses for electricity, water and gas related to consumption in 2022. The measure was introduced by Article 12 of the "Aiuti-bis" Decree (Law Decree no. 115 of 9 August 2022, converted by Law no. 142 of 21 September 2022) within an amount limit subsequently raised to 3 thousand euro by the "Aiuti-quater" Decree (Law Decree no. 176 of 18 November 2022, converted with amendments by Law no. 6 of 13 January 2023).

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

At the end of 2021, the outlook for 2022 appeared to be generally optimistic due to the reasonable hope of containing the COVID-19 pandemic and the clear benefits that the public interventions were having on the world's major economies. The critical issues arising from shortages of certain components in global production chains and the general rise in prices were not sufficient to lead to risks of a global recession, although the steady rise in inflation prompted the major central banks to gradually reconsider the continuation of "accommodative" monetary policies. Although in 2022 the pandemic was, and also currently, appears to be more controllable and hopefully receding further, it should nevertheless be emphasised that it contributes to maintaining a climate of uncertainty that has not been completely dispelled. The overall optimistic scenario resulting from the evolution of the COVID-19 pandemic was completely overtaken by the sudden emergence of the Russian/Ukrainian conflict, which erupted at the end of February 2022 and was also followed by a general escalation of other pre-existing geopolitical tensions. These events, combined with the further rise in inflation and the widespread tightening of monetary policies, are increasing uncertainty about the future scenarios the Group will have to face. In this regard, it should be noted that, from the perspective of the measurement of credit exposures in accordance with IFRS 9, scenarios – such as the current one – characterised by significantly new elements (and therefore not identifiable in recent periods) are very difficult to capture in the modelling process, making it extremely difficult to produce forecasts for specific portfolio risks in such circumstances. These considerations support the Bank's decision to adopt post-model adjustments, increasing the ECLs on a managerial basis, in order to incorporate a suitable estimate of the uncertainties mentioned above.

In the context described, the main accounting issues resulting from the ongoing conflict and the approach adopted by the Intesa Sanpaolo Group to address them are briefly outlined below, while the details regarding the "Impacts of the COVID 19 pandemic" are provided in the following section.

On 24 February 2022, the gradually escalating tension between Russia and Ukraine erupted into a conflict, the intensity and size of which had not been seen in Europe since the end of the Second World War.

[5] In light of the exemption from taxation (and social security contributions) under the "Aiuti-bis" Decree (Law Decree no. 115 of 9 August 2022, converted by Law no. 142 of 21 September 2022) and the "Aiuti-quater" Decree (Law Decree no. 176 of 18 November 2022, converted with amendments by Law no. 6 of 13 January 2023), the amount of the cost actually incurred by the Bank for the donation provided decreases to 41 million euro, due to the reversal of the related social security contributions.

The extremely serious situation resulting from the conflict was immediately closely monitored and assessed by Intesa Sanpaolo, also in light of the guidance provided by the regulators on the subject[6], given that the Group has:

- a direct presence with two subsidiaries in the warring countries (Pravex Bank Public Joint-Stock Company and Banca Intesa Russia) and is therefore particularly exposed to the consequences of the conflict;
- cross-border exposures stemming from its corporate and investment banking activities.

In its lending activities, the IMI C&IB Division has over time financed counterparties resident in the Russian Federation. More than two-thirds of the loans to Russian customers disbursed before the conflict involved leading industrial groups, which have established commercial relationships with customers belonging to the main international supply chains, a significant amount of which derives from commodity exports. At the outbreak of hostilities, loans to Russian customers represented around 1% of the Intesa Sanpaolo Group's total loans to customers (net of Export Credit Agency - ECA guarantees).

In view of the above, it should be noted that during the year the Group has taken active steps to significantly reduce the credit risks associated with the Russian-Ukrainian conflict. Specifically, during the year, the gross on-balance sheet exposure to the total counterparties resident in Russia and Ukraine (customers, banks and securities) decreased by 2,493 million euro (-47% compared to the end of the previous year), mainly due to the final disposal of two major exposures (for 2.2 billion euro in the third quarter and 0.3 billion euro in the fourth quarter). In detail, there was a reduction of 2,899 million euro (-61% compared to the end of 2021) in gross credit exposures to customers, only partly offset by the increase in Banca Intesa Russia's amounts due from banks in relation to the liquidity that has become available from the progressive repayment of loans to customers.

The significant de-risking manoeuvre and the major adjustments to the residual positions contributed to more than halving the overall net exposure (customers, banks and securities) as at 31 December 2022 to counterparties resident in Russia and Ukraine, which amounted to 2,158 million euro, down by 3,087 million euro compared to 31 December 2021 (-59%).

At the end of the year, the remaining exposures amounted, in terms of gross values, to 372 million euro (205 million euro net) for Banca Intesa Russia (figures as at 31 December 2022, as described below) and 1,257 million euro (963 million euro net) for cross-border exposures to customers resident in Russia (net of ECA guarantees). These were accompanied by exposures to banks totalling 797 million euro (782 million euro net) and in securities totalling 73 million euro (41 million euro net)[7]. Exposures to customers resident in Ukraine amounted to 216 million euro (103 million euro net[8]), of which 112 million euro (book value nil in net terms) related to the subsidiary Pravex Bank (figures as at 30 September 2022, as described below). These were accompanied by exposures to banks and in securities totalling 74 million euro (64 million euro net). The majority of the exposures to Russian[9] and Ukrainian counterparties essentially consist of loans to customers subject to measurement in accordance with IFRS 9 "Financial Instruments".

In this regard, the Intesa Sanpaolo Group has conducted a normative analysis of the international accounting standards to check for any guidance or criteria for the measurement of the expected credit loss (below also ECL) in crisis/war situations like the current one. The analyses of IFRS 9 and the related Annexes show no indications or examples aimed at setting out specific guidelines for the measurement of Expected Credit Losses in contexts of war or defining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. The most pertinent references to the current scenario seem to be those set out in the Application Guidance of the standard. These allow/suggest the use of collective assessment to verify the existence of a Significant Increase in Credit Risk (SICR) with a view to staging the credit exposures[10], as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (COVID-19[11]), using the management overlay in calculating the ECL, to define the most suitable methods to incorporate the aspects linked to the ongoing conflict into provisions.
The Group has therefore decided, since the Interim Statement as at 31 March 2022, to adopt a measurement approach strongly driven by the emergence of geopolitical risk applied on the basis of the country of residence of the counterparties, both for the determination of the SICR and the calculation of the ECL through the application of management overlays. This was considered the most appropriate way to incorporate the provisions for country and geopolitical risk related to the current conflict that would otherwise not be properly captured by the risk measurement systems normally used. As already noted, with specific reference to the cross-border exposures, the Russian companies financed before the outbreak of the conflict all had high ratings and therefore, for most of them, their business outlook does not include any increased risks other than those generated by the geopolitical situation. Consequently, for these companies, the main current risk is transfer risk, i.e. the risk that they will fail to honour their debt repayment commitments, not because of aspects directly related to their business, but because of government-imposed restrictions. This type of risk was captured both through a revision of the ratings of Russian counterparties and the consequent downgrading to classes with higher risk and classification in Stage 2 or Stage 3 and the

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[6] See in particular the documents "ESMA Public Statement: ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets" of 14 March 2022 and "ESMA Public Statement: Implications of Russia's invasion of Ukraine on half-yearly financial reports" of 13 May 2022, the contents of which were further confirmed by the guidance regarding the Russian-Ukrainian crisis contained in the recent "ESMA Public Statement: European common enforcement priorities 2022 annual financial reports" of 28 October 2022, and "CONSOB draws the attention of supervised issuers to the impact of the war in Ukraine in relation to inside information and financial reporting – 22 March 2022" and lastly CONSOB's "Warning Notice no. 3/22 of 19 May 2022".

[7] There were also off-balance risks to customers of 126 million euro (113 million euro net) at Banca Intesa Russia, 232 million euro (186 million euro net) in cross-border exposures to resident customers (net of ECA) and a total of 155 million euro (152 million euro net) relating to positions with Russian resident banks.

[8] The cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by US persons, while, for the household part, they mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

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

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

[11] 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.

introduction of management overlays consisting of the application of an estimated loss rate based on the risk of the country of residence and considering the elements of uncertainty and risk connected with the conflict, in relation to potential additional worsening of the counterparties' creditworthiness.
These choices build on what was already implemented in the Interim Statement as at 31 March 2022 and confirmed in the Half-yearly Report as at 30 June 2022 and the Interim Statement as at 30 September 2022, maintaining substantially the same approach. Indeed, the choices are characterised by rationales strongly guided by the uncertainties and elements of risk, in view of the continuing conflict, and in particular, during the year:

- the consistency of the ratings for the remaining performing exposures to counterparties directly exposed to the Russia/Ukraine geopolitical risk was updated in order to capture the risk profile in the ratings updated as much as possible. In addition, with regard to cross-border exposures, the assessments were strengthened by introducing specific management overlays and additional prudential margins;
- in that context, already starting from 30 June this year, the deterioration of specific positions – classified among unlikely-to-pay exposures (Stage 3) and, as a result, subject to analytical assessment – was recognised;
- the positions of the two subsidiaries resident in Russia and Ukraine were written down significantly, in consideration of the inevitable repercussions on the entities resident in the countries directly involved in the conflict.

Before describing the valuation choices relating to the two subsidiaries in more detail, a few preliminary remarks need to be made about how Pravex Bank and Banca Intesa Russia contributed to the preparation of the consolidated financial statements as at 31 December 2022. In particular, for the 2022 financial statements, while it was possible to consolidate an accounting situation aligned to that of the Parent Company for Banca Intesa Russia (therefore, consolidated with reference to the results as at 31 December 2022), for Pravex, the worsening of the situation in the city of Kyiv from October onwards led to the conclusion that – in order to contain the "operational" risk – it was more appropriate to maintain the accounting situation produced by Pravex as at 30 September 2022 for the December consolidation. Consequently, for the financial statements as at 31 December 2022, the balance sheet and income statement results of Pravex were included through the line-by-line consolidation of a consolidation package, prepared in compliance with the IAS/IFRS, referring to 30 September 2022 and translated at the exchange rate as at 31 December 2022. However, it is worth recalling that the balance sheet balances of the Ukrainian subsidiary are substantially immaterial in the context of those of the Intesa Sanpaolo Group. The above-mentioned consolidation methods are also supported by the results shown by balance sheet data as at 31 December 2022, which do not highlight in terms of overall aggregates significant changes compared to the figures as at 30 September 2022.

With regard to the valuation choices, for Pravex Bank, the absolutely serious situation in all of Ukraine resulted in the definition, for the purpose of measuring the Bank's loan portfolio, of a specific approach, significantly based on prudent rationales, in light of the continuation of the conflict and the consequent repercussions on the Ukrainian economy. For the purposes of the 2022 consolidated financial statements, as was already the case in the Interim Statement as at 30 September, it was deemed appropriate to confirm the decision to fully write down Pravex Bank's on-balance sheet loans to customers, with consequent classification to Stage 3, in continuity with the Interim Statement as at 30 September, thus updating the previous management overlay applied to the portfolio in the Half-yearly Report of around 70% (1% as at 31 December 2021).
As a result of that choice, for the purposes of the Group's consolidated financial statements, the equity of the subsidiary has been reduced to zero.

Also for Banca Intesa Russia, an approach to classifying and measuring performing loans was adopted that strongly considers the geopolitical risk deriving from the ongoing crisis. Therefore, the assessments carried out as at 31 December on the loans of the subsidiary included a centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict and the increased isolation of the Russian economy. As a result of the provisions made and the above-mentioned reduction in exposures, the total coverage of performing loans of the Russian subsidiary amounted to around 41% of their gross value, up on 30% recognised in the Half-yearly Report (1% as at 31 December 2021). Moreover, in light of the further progressive deterioration of relations between the main Western countries (including Italy) and the Russian Federation, additional provisions were made when preparing the financial statements, mainly to confirm the write-down to zero of the equity of the subsidiary, as already applied in the Interim Statement as at 30 September.

The above-mentioned significant adjustments made to the credit exposures of Banca Intesa Russia and Pravex Bank, on a prudential basis, reflect the war situation that generates the need for careful consideration of the above-mentioned country risk, with appropriate measurement of the risk that the capital invested abroad is exposed to, connected to the possibility that political or economic circumstances may result in non-repayment of the loan (irrespective of the specific credit risk of the individual counterparty).

The real estate assets of the two subsidiaries were also subject to valuation: given the extreme uncertainty surrounding the current war scenario and the current absence of a real estate market in Ukraine, it was considered prudent to confirm the write-off of the value of Pravex Bank's investment and branch assets and other properties used in operations. The sole exception was the Kyiv headquarters, for which it was decided, in view of its strategic function for the banking business, the current control that can be exercised over the condition of the building, and its location, to keep its value unchanged. On the other hand, with regard to Banca Intesa Russia's small real estate asset portfolio, essentially consisting of the Moscow headquarters, no items were identified that required a write-down.
With regard to Banca Intesa Russia's securities portfolio (Pravex's residual portfolio was duly repaid at the end of 2022), the valuations were made using the prices recorded on the Russian secondary market, with consequent classification in fair value level 2 due to the low liquidity of the reference market. A similar approach was adopted for the small securities exposures of the Parent Company and entities of the Group's insurance segment.

Overall, these valuation processes and the losses associated with the de-risking of the Russian exposures led to the recognition in the year, before tax, of net charges totalling 1,415 million euro (of which 74 million euro in the fourth quarter of the year), with 1,298 million euro relating to adjustments to loans, 36 million euro to securities and 81 million euro to other balance sheet items, including the above-mentioned provision of 80 million euro made upon consolidation of the subsidiary Banca Intesa Russia mainly to zero out its equity contribution to the Group's consolidated financial statements.

With regard to the verification of the appropriateness of the value of intangible assets, and goodwill in particular, the developments in the geopolitical situation resulting from the outbreak of the Russian-Ukrainian conflict were carefully considered, in line with the guidance provided by the supervisory authorities and industry bodies. More specifically, the impairment testing took into account the updated macroeconomic scenario prepared by Intesa Sanpaolo's Research Department, which was influenced, on the one hand, by the tensions linked to the Russian-Ukrainian conflict and the consequent inflationary pressures and, on the other, by the ECB's adoption of a restrictive monetary policy that also had repercussions on the volatility of financial markets.
The method adopted to carry out the goodwill impairment tests for the 2022 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 2023-2027 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 2022, updated to take into account the change in the macroeconomic situation, whereas the flows for the years 2026 and 2027 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 compared to that already incorporated in the Business Plan. The results of the impairment test as at 31 December 2022 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. The positive results were also confirmed by sensitivity analyses, which also took into account an adverse scenario. In particular, the values in use of each of the CGUs to which goodwill was allocated as at 31 December 2022 were found to be higher than their respective carrying amounts. With regard to the direct consequences of the Russia-Ukraine conflict on the Group's goodwill, you are reminded that the goodwill relating to the Ukrainian subsidiary Pravex Bank, considered an autonomous CGU, had already been reduced to zero in the 2008 Financial Statements and the equity investment in the 2022 Financial Statements has a nil value. In the case of the Russian subsidiary Joint-Stock Company Banca Intesa (Banca Intesa Russia), in addition to not having allocated goodwill and having a recognition value reduced to nil, its weight in the IMI Corporate & Investment Banking CGU is completely marginal.
With regard to the brand name allocated to the Banca dei Territori CGU, it was considered that the CGU no longer had any remaining 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 2021 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, for which the IAS/IFRS require that the impairment test should only be performed when the presence of loss indicators is detected, the analyses performed did not identify any critical issues or impairment indicators that would require a specific recalculation of the recoverable amount of the assets recognised in the financial statements.
With regard to the verification of the recoverable amount of the deferred taxes, the tests found that they were fully recoverable even under an adverse scenario.

Impacts of the COVID-19 pandemic

The early weeks of 2022 were marked in Italy by a new wave of infections caused by the rapid spread of the Omicron variant, which began in late 2021 and led to the extension of the state of emergency until 31 March 2022 (Christmas Decree - Law Decree no. 221 of 24 December 2021). The Group consequently updated its internal rules in response to the progressive reconfiguration of the COVID-19 regulations by the Italian Government. Specifically:

- the obligation of minimum presence 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 mandatory minimum presence of 40% was reinstated in the head office premises only from 7 March, with the initial easing of the rise in infections;
- for the branches, customer access, only in the red and orange zones mandatorily by prior appointment, has remained subject to compliance with social distancing requirements, the use of appropriate personal protective equipment, hygiene measures and limited in the number to the maximum capacity set in advance and indicated at the entrance;
- for the people in situations of vulnerability or with severe disabilities, the deadline for smart working was further extended to 31 March 2022;
- the change in the quarantine regime, reconfigured in relation to the vaccination status of the person concerned, (Law Decree no. 229 of 30 December 2021 and Explanatory Circulars of the Ministry of Health of 30 December 2021 and 4 February 2022), necessitated a revision of the internal operating instructions for the return to the workplace of positive cases and close contacts;
- from 1 February 2022, access to certain services, including banking and financial services, was restricted to people with at least a "basic" Green Pass (Law Decree no. 1 of 7 January 2022), whereas from 15 February 2022, for the over 50s, access to workplaces was limited to holders of the "Super Green Pass" only (provision introduced by Law Decree no. 1 of 7 January 2022).

Law Decree no. 24 of 24 March 2022[12], issued in relation to the end of the state of emergency from 1 April, established the following, in addition to the elimination of the coloured risk zones and precautionary quarantines for close contacts:

[12] Converted into Law no. 52 of 19 May 2022, published in the Official Gazette on 23 May.

- the obligation until 30 April to use the "basic" Green Pass for all workers, regardless of their age, to access workplaces (abolition of the Super Green Pass for the over 50s);
- the elimination from 1 April of the requirement for the "basic" Green Pass for customers to access banking, financial and commercial services;
- the use of respiratory protective equipment in workplaces until 30 April.

As a result, the internal company rules were revised to incorporate the mandatory contents of the legislative provisions and to adopt a more prudent approach, where possible and appropriate, based on the health situation, particularly with regard to situations of vulnerability. Specifically:

a) a number of precautionary measures were temporarily maintained (temperature measurement, hygiene, distancing and capacity) particularly for meetings, events/conferences and in presence training, while the obligation to complete the questionnaire prior to return to work premises after an absence of more than fifteen days was removed, and unrestricted access to branches was maintained for customers in compliance with the measures on hand hygiene, distancing and use of appropriate personal protection equipment, as well as the previously established restrictions on maximum capacity;
b) with regard to situations of vulnerability, for fragile and disabled people and for cases of exemption from vaccination (based on the requirements set out in the Ministerial Decree of 3 February 2022 or in the Ministry of Health Circular of 8 October 2021), the use of remote working was extended until 30 June 2022, subject to the presentation of a suitable certificate, with a subsequent extension to 1 September pending a possible update of the related legal provisions;
c) the obligation to report a positive result from a molecular/antigen test to employers and to comply with home isolation for 7/10 days based on vaccination status was maintained, only allowing re-entry following a negative molecular/antigenic swab test at the end of the isolation period;
d) in compliance with the law, the self-monitoring regime for staff who had had close contacts with people who have tested positive for COVID-19 was introduced, with the obligation to wear an FFP2 mask for 10 days.

From 1 May, with the removal of the legal obligation for workers to show the green pass to access workplaces established by Law Decree 24/2022, the related checks were discontinued with the suspension of body temperature measurement on entrance and the resulting deactivation of the thermal scanners and QR code readers, where present. However, the ban on entering company premises with a fever (over 37.5°) or other COVID-19-related symptoms was maintained.
In relation to the use of safety measures, the ISP Group, on a prudential basis, maintained the requirement – in addition to keeping an inter-personal distance of one metre and complying with proper hygiene practices – to wear protective masks (surgical or FFP2) within company premises, also after 30 April. From 15 June[13], this obligation was changed to a recommendation, particularly at times of gathering, subject to the rules on distancing and hygiene and the obligation to wear FFP2 masks for 10 days in the event of contact with someone who is COVID-19 positive.
In the branches, on the other hand, since 1 May, the use of a mask remained still recommended for customers entering company premises, without any need to make an appointment, but with a maximum number of admissions stated on signs displayed.
The Emergency Unit, which was set up at the beginning of the pandemic, was operational until April 2022 when, at the last meeting, it was decided to suspend regular meetings and only convene it when necessary. However, the continuous monitoring of the evolution of the pandemic is still being maintained.

Also bearing in mind the cyclical recurrence of waves of infection, during the second half of 2022 ISP maintained several essential recommendations aimed at the adoption of prudent and conscious behaviour by employees and customers on company premises (inter-personal distance of 1 metre, hygiene, the recommendation to use personal protective equipment indoors, particularly at times of gathering, and, solely for employees, a ban on entering company premises when their temperature exceeds 37.5° or in the event of symptoms ascribed to COVID-19 infection by their general practitioner, as well as the reporting of positive cases diagnosed through molecular/antigen tests according to the dedicated company procedure), maintaining the already existing minimum presence arrangements (at least 40% of the working days at the assigned work premises) for the head offices until 31 December 2022.
At the same time, the company regulations were brought into line with the changes in the relevant provisions:

- the Ministry of Health Circular of 31 August 2022, which provided for the reduction of compulsory isolation for people testing positive for COVID-19, regardless of their vaccination status, as follows:
  - after 5 days for cases that have always been asymptomatic or have become asymptomatic for at least 2 days, following a negative antigen or molecular test at the end of the isolation period;
  - at the end of the 14th day after the first positive swab test, irrespective of the test being carried out, for people still testing positive, with an obligation to wear an FFP2 mask for 10 days (this last provision also applied to cases of "close contact" with people who have tested positive);
- Law 142 of 21 September 2022 converting the "Aiuti bis" Decree, which introduced the extension of the use of remote working until 31 December 2022 for frail workers. ISP, which had already provisionally extended the application of the measures originally due to expire on 1 September to 30 September, extended the use of remote working until 31 December 2022 for i) frail workers, disabled people and people who are exempt from vaccination (with a certificate issued by the competent medical-legal bodies), ii) vulnerable people, iii) workers with children in conditions of severe vulnerability/disability, and iv) cases of pregnancies involving special clinical situations. A further extension to 31 March 2023 has been provided for all the persons mentioned above, maintaining a prudential approach compared to the provisions included in the budget law for 2023.

Lastly, on 1 January 2023, the Group's internal regulations were updated to take into account the new provisions on the management of cases and COVID-19 contacts introduced by the Ministry of Health Circular of 31 December 2022, which established:

- for cases that have always been asymptomatic or have become asymptomatic for at least 2 days, the end of isolation after 5 days from the first positive test or from the onset of symptoms, regardless of whether an antigenic or molecular

[13] On 28 April, the Ministry of Health issued an Order – effective until the date of entry into force of the law converting Law Decree 24/2022 and in any case no later than 15 June 2022 – that restricted the obligation to use protective equipment in enclosed spaces to specific and limited cases.

test has been performed (mandatory only for immunocompromised individuals);
- for cases that have always been asymptomatic (since the date of the swab test), the possibility of interrupting the isolation even earlier than 5 days in the event of a negative antigenic or molecular test performed at a health facility/pharmacy;
- the compulsory use of FFP2 protective masks after the isolation until ten days after the onset of symptoms or the first positive test (in the case of asymptomatic individuals), with a recommendation to avoid high-risk persons and/or crowded environments (precautions that are no longer required following a negative antigenic or molecular test);
- in the case of people who have had close contacts with people who have tested positive, the obligation to wear FFP2 masks, indoors or in crowds, until the fifth day following the date of the last close contact.

Again in 2022, the use of remote working by the head-office structures continued to be an integral part of a new model of working based on strengthening individual responsibility and achieving a better work-life balance through the "Next Way of Working" project, aimed at promoting the structural use of flexible working arrangements, based on alternating work in the office and from home. This included the following actions:
- *real estate and technological interventions* aimed at constructing new workspaces designed to enhance the time in the office, by creating coworking opportunities to help strengthen the sense of belonging, increase networking, and support the staff in the gradual adoption of hybrid working arrangements through the use of advanced collaboration tools.
  More specifically, in 2022, the Next Way of Working model was extended to the offices in Vicenza, Brescia, Varese, Rome and Assago, where the redesigning of work spaces has been completed and environments dedicated to staff well-being (energy corners) have been created. In Milan, work was completed in several spaces in Via Verdi 8, Viale Stelvio and Via Manzoni. In December, an intervention was also initiated and completed in Verona, limited to a small group of structures and people.
  The preparations are continuing for the creation of the interior spaces of the complex in Via Melchiorre Gioia 22 in Milan, while the planning is still being completed for Bergamo.
  The renovation of the spaces was accompanied by the implementation of technological tools (release of the space booking function in the planning and reservation tool), together with specific communication campaigns.
  The progressive extension of the Next Way of Working model throughout Italy will continue in 2023;
- the *new flexible work initiatives* that have been introduced from 1 January 2023, on a voluntary basis, to increase flexibility in working arrangements, superseding all previous regulations on flexible work related to the health emergency situation:
  - the possibility of signing an individual agreement by 31 January 2023 allowing staff to work from home up to a maximum of 120 days per year (140 days for those working in shifts), with no more monthly limits, when planned and authorised in advance. These limits do not apply for people with certified disabilities or serious illnesses, or frail individuals;
  - the launch of a trial in around 200 branches aimed at ensuring the use of a minimum number of flexible working days;
  - award of a daily meal voucher allowance in electronic form for each day worked from home;
  - the possibility of working between Monday and Friday on 4 days for 9 hours (short week, with variable day off) with equal pay, subject to company organisation and technical and production requirements, as well as alternating short weeks with weeks of 7.5 hours per day on 5 days. The short week will also be tested in twelve large branches;
  - the possibility, for staff not working in shifts, of having flexible working hours, starting the working day between 7 a.m. and 10 a.m., with consequent shifting of the finishing time, in agreement with their supervisor and subject to technical, organisational and production requirements.

In terms of the extraordinary measures to support the Italian economy, businesses and households, at the end of December 2022 Intesa Sanpaolo – the first bank in Italy to grant moratoria, anticipating the specific regulatory provisions – had processed around 956 thousand requests for suspension of payments, for a volume of 117 billion euro[14], mainly relating to Article 56 of the "Cura Italia" Law Decree 18/2020. Applications from business customers accounted for 77% of the total volumes.
With regard to the expiry of the moratoria pursuant to Law Decree 18/2020, the measures were further extended until 31 December 2021 by Law Decree no. 73/2021 ("Sostegni bis") of 25 May 2021, subject to certain restrictions (including the requirement for the customer to make an explicit request by 15 June 2021).
At domestic level, as at 31 December 2022, there were around 80 million euro of outstanding moratoria (4.8 billion euro at the end of 2021), of which 47% attributable to business customers, in addition to around 40 million euro of terminated moratoria that will reach the term for the resumption of payments in subsequent months, almost entirely relating to business customers (6.7 billion euro at December 2021). As a result of the phase-out of the EBA provisions concerning the exemption from forbearance classification (EBA compliant moratoria), in December 2022 the total amount of outstanding moratoria eligible for qualification as such under the EBA Guidelines was 412 thousand euro (1.1 billion euro at the end of 2021).
The expired moratoria that had already met the conditions for the resumption of payments at the end of the year amounted to 35.9 billion euro (34.7 billion euro at the end of 2021). The rate of new defaults on this portfolio at the end of the twelve months of 2022 was around 4.5% (2.7% at the end of 2021). The cumulative default flows observed, when compared to the total exposures with moratoria originally granted, was less than 3%. The level of significant past-due positions was also still low.
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 2022 was 80 million euro (4.9 billion euro as at December 2021), substantially attributable to the domestic perimeter, against expired moratoria of

[14] The total moratoria granted up to 31 December 2022, including the former UBI Banca Group and considering the sale of branches carried out in the first half of 2021. Net of renewals, redemptions and terminations, the amount was 36.1 billion euro.

39.6 billion euro (around 47 billion euro at the end of 2021). Like at domestic level, also at consolidated level the outstanding moratoria qualifying as such under the EBA Guidelines amounted to 412 thousand euro (1.1 billion euro at the end of 2021).

With reference to the specific measures to support the production system, Intesa Sanpaolo, the first Bank in Italy to sign the collaboration protocol with SACE, has provided an overall credit line of 50 billion euro dedicated to loans for businesses. Overall, at the end of 2022, a total of 49 billion euro[15] of loans backed by government guarantee had been granted, also through the SME Fund, since the start of the pandemic (in application of the "Liquidità" Law Decree no. 23 of 8 April 2020), of which 13 billion euro SACE and 36 billion euro SME Fund (43 billion euro, of which 11 billion euro SACE and 32 billion euro SME Fund, in December 2021).
At consolidated level, also considering the operations in the other countries where the Group has a presence, the residual debt of exposures subject to 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 33.2 billion euro at the end of December 2022 (40 billion euro at the end of December 2021).

In relation to the measures established by the "Rilancio" Decree (Law Decree 34/2020) for the relaunch of the construction sector[16], the Group has developed specific solutions not only for those who want to transfer their tax credit directly but also for 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. The process of acquiring tax credits is subject to comprehensive controls that allow the Bank to demonstrate the effective fulfilment of the specific due diligence requirements.
In 2022, a series of legislative/interpretative measures were issued in this regard (Law Decree no. 115 of 9 August 2022 "Aiuti bis", converted with amendments by Law no. 141 of 21 September 2022; Italian Revenue Agency Circular no. 33/E of 6 October 2022; Law Decree no. 176 of 18 November 2022 "Aiuti quater", converted with amendments by Law no. 6 of 13 January 2023) aimed, on the one hand, at introducing simplifications regarding the joint and several liability of the supplier and the assignees and, on the other, at revising the rules governing the assignment and use of tax credits with the aim of revitalising the market by facilitating their circulation. In light of these measures, ISP made a further development to the offering that allows part of the purchased tax credits to be sold to third parties which undertake to purchase them within the limits of their own tax liabilities that may be offset overtime.
From the start of operations to the end of 2022, credits amounting to 19.4 billion euro (13.2 billion euro finalised and 6.2 billion euro signed) had already been formally acquired, while those in the process of being acquired amounted to a further 6.5 billion euro. Net of the offsets made (around 1 billion euro) and deferrals recognised (1.2 billion euro), 11 billion euro in tax credits were recognised as at 31 December 2022, included in caption 130 Other Assets of the balance sheet.
The Group's future operations in this area may be affected by the changes introduced by Law Decree no. 11 of 16 February 2023.

At last April's Shareholders' Meeting, a booklet was published – also available on the Group's website, in the Newsroom section – detailing all the objectives that it was possible to achieve through the donation of 100 million euro to the National Health System made by Intesa Sanpaolo at the outbreak of the COVID-19 pandemic. Of the total amount made available, donations of 88.5 million euro were managed through the Department of Civil Protection, on the basis of a specific collaboration protocol, while the remaining 11.5 million euro of donations were allocated directly by Intesa Sanpaolo to specific beneficiaries: ASST Papa Giovanni XXIII of Bergamo and the Veneto Region. Overall, the sums were primarily allocated to the permanent structural strengthening of the National Health Service and the bodies responsible for dealing with emergencies.

In 2022, as Italy came out from the health emergency, the effects on the performance of the Group's balance sheet aggregates specifically attributable to the pandemic eased off considerably, due to the gradual establishment of a scenario of general uncertainty generated by Russia's invasion of Ukraine.
The development of direct deposits from banking business continues to be driven by the short-term component, in particular current accounts, where customers are choosing to place their liquidity while waiting to invest, but the sharp acceleration in 2020, following the outbreak of the health emergency, has gradually subsided in the following years. As at 31 December 2022, direct deposits from banking business were down 2.1% compared to the beginning of the year.
With regard to indirect customer deposits, the performance of assets under management, which in 2021 had benefited from the renewed climate of confidence generated by the economic recovery after the closures caused by the health emergency, was affected in 2022 by the increased volatility of the markets due to the various factors of concern related to the Russia-Ukraine military conflict and the rise in inflation – which are undermining the continuation of the post pandemic recovery – compounded by the effects of the reversal of European monetary policy. At the end of the year, assets under management of the companies of the Asset Management Division, net of duplications, were down 14.2% compared to 31 December 2021.
On the basis of management data, in the insurance business the uncertain scenario led to a decline in gross premiums in the life segment over the twelve months (-14% compared to December 2021). The net flows were also negative, as they were also affected by an upturn in liquidations due to higher mortality as a result of COVID-19.
In contrast, the non-life business posted growth of 2%, driven by the non-motor segment (+7%).

With regard to the impact of the pandemic on the Group's operating income, within net interest income, starting from the third quarter, the benefits of the TLTRO III transactions with the ECB, correlated to the negative rates applied[17], began to

[15] Including the former UBI Banca Group and considering the sale of branches carried out in the first half of 2021.

[16] This essentially consists of the 110% tax deduction (so-called Superbonus) for the energy and seismic upgrading of buildings, together with the possibility, extended to all the main construction and energy-related tax deductions, for taxpayers to opt for a corresponding discount on the price by the supplier, or for the transfer of a tax credit to third parties (including banks) equivalent to the deduction. The second option also applies for the beneficiaries of tax credits awarded by the measures issued to deal with the COVID-19 emergency.

[17] Note that in the period from 24 June 2020 to 23 June 2022 – the special interest rate period – the interest rate applied to TLTROs was -1%. From 24 June 2022 to 22 November 2022 the interest rate applied and settled on maturity was the average rate on deposits with the Central Bank (Deposit Facility Rate) calculated for the entire duration of the operation, whereas from 23 November 2022 the rate applied is equal to the rate in effect for the

significantly decrease following the repeated hikes to official interest rates by the European Central Bank, effective on 27 July (50 basis points), 14 September (75 basis points), 2 November (75 basis points) and 21 December 2022 (50 basis points). Overall, the consolidated income statement for 2022 recorded interest income from TLTRO III transactions of 615 million euro, compared to 1,187 million euro in 2021. This decrease was only partially offset in the fourth quarter by the interest accrued on the reinvestment of surplus cash in deposit transactions with the ECB, favoured by the return of the related rates (Deposit Facility Rate) to positive territory.
Net fee and commission income decreased by 6.4% to 8,919 million euro. This aggregate was affected by a lower contribution from the management, dealing and consultancy activities segment, due to the market volatility, which particularly impacted the revenue items related to assets under management.
Despite the performance of premiums described above, income from insurance business increased by 4.7% to 1,705 million euro due to the higher contribution from the technical margin, in both the life and non-life business, against a decline in the net investment result, particularly in the life insurance business.
During the year, the costs incurred by the Intesa Sanpaolo Group for interventions related to the pandemic amounted to 19.7 million euro in terms of current expenses, down by over 17 million euro compared with 37 million euro for 2021, while no investments were made compared to around 6 million euro in 2021.
With regard to adjustments to loans, in 2022 the management overlays to cover the vulnerability of the moratoria were essentially reduced to nil, due to the progressive increase in moratoria that have reached the deadline for resuming payments without displaying any significant problem issues. Nevertheless, total adjustments increased to 3,113 million euro, compared to 2,766 million euro for 2021, as they incorporated the valuation effects described above related to the Russia-Ukraine risk.

period. As a result of the latest monetary policy decisions, the Deposit Facility Rate rose from -0.50% to 0%, effective on 27 July 2022, from 0% to 0.75% effective on 14 September 2022, from 0.75% to 1.50% on 2 November and from 1.50% to 2% from 21 December 2022.

Consolidated results of Intesa Sanpaolo

The commentary on the consolidated results for 2022 refers to the reclassified income statement, which – in continuation of the approach adopted in the 2021 Annual Report and the Interim Reports of 2022 – presents figures for the first two quarters of 2021 that have been "redetermined", on the basis of management figures, in order to enable a like-for-like comparison, by: i) excluding the income statement results, on a line-by-line basis, for the UBI Banca branches sold in the first three months of 2021 and the UBI and ISP branches sold in the second quarter of 2021, by convention synthetically allocated to the caption Income (loss) from discontinued operations and ii) including the figures, on a line-by-line basis, for the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas[18], which entered the scope of consolidation from the second quarter of 2021, after stripping out the income statement results linked to the business from the customers of the branches sold to BPER, with the allocation of the net result to the caption Minority interests, and therefore without impact on the net income for the period.

The year 2022 ended with a *consolidated net income* of 4,354 million euro, up from 4,185 million euro for 2021 (+169 million euro; +4%).
The improvement was due to the positive performance of the operating margin, which absorbed the weight of the valuation effects related to both the conflict between Russia and Ukraine and the macroeconomic scenario. On the one hand, risk adjustments were made to Russian and Ukrainian counterparties, almost entirely attributable to on-balance-sheet and off-balance-sheet credit exposures, for a total of 1,415 million euro, of which 74 million euro in the fourth quarter (1,145 million euro net of tax, of which 62 million euro referred to the fourth quarter). On the other hand, to prevent possible deteriorations in credit quality in relation to prospective risk elements inherent in the current scenario, adjustments were made to performing loans, mainly in the fourth quarter, for a total of 1,174 million euro gross, mainly relating to the management overlays prudentially applied where greater potential vulnerabilities were identified, but also due to de-risking measures, including that relating to the real estate leasing portfolio, and the application of a deterioration factor to the prudent macroeconomic scenario adopted for the forward-looking estimate of ECLs. These higher adjustments were only partially mitigated by the recoveries in management overlays to cover the vulnerability of the moratoria.

Operating income rose to 21,470 million euro (+677 million euro; +3.3%), driven by the positive performance of net interest income, which largely offset the negative performance of other revenue items.
Against a backdrop of repeated hikes in key interest rates decided by the ECB from July onwards, *net interest income* increased by 20.2% to 9,500 million euro, representing 44.2% of income. This growth was driven both by the positive performance of customer dealing and of interest on financial assets, and was accompanied by a reduction in negative differentials on hedging derivatives together with an increase in other net interest income. Following the change in European monetary policy, the contribution from relations with banks fell, due to the significant decline from the third quarter onwards in the benefits, in terms of negative rates applied, of the TLTROs with the ECB, only partially offset in the fourth quarter by the interest accrued on the reinvestment of excess liquidity in deposits with the ECB.
Net fee and commission income decreased by 6.4% to 8,919 million euro. The volatility of the financial markets negatively affected the management, dealing and consultancy segment, which recorded a 13.8% decrease in total income, particularly in relation to dealing and placement of securities and portfolio management, against an essentially stable contribution from the distribution of insurance products. In contrast, there were increases in the contributions from commercial banking activities (+5.4%), driven by all the captions with the sole exception of current accounts, and other net fee and commission income (+9.6%), mainly on loans.
Income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, improved by 4.7% to 1,705 million euro, representing the combined effect of an increase in the technical margin and a reduction in the net investment result.
Profits (losses) on financial assets and liabilities designated at fair value decreased by 15.7% to 1,378 million euro, reflecting the decrease in transactions in securities in the second half of the year. The decrease was essentially attributable to the "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), which include the profits on investments carried at equity and other income and expenses from continuing operations, showed a balance of -32 million euro, compared with +97 million euro for the previous year. Within this caption, profits on investments carried at equity fell from 97 million euro to 40 million euro, while otheroperating income/expenses amounted to -72 million euro (nil in 2021).

18 Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita were merged into Intesa Sanpaolo Vita as of 31 December 2021. Cargeas Assicurazioni was merged into Intesa Sanpaolo Assicura, a wholly owned subsidiary of Intesa Sanpaolo Vita, as of 1 October 2022.

Also as a result of the synergies deriving from the integration of the former UBI Banca Group, *operating costs* decreased further to 10,934 million euro (-46 million euro; -0.4%), despite the inflationary environment and the increased amortisation and depreciation related to investments for growth.

More specifically, personnel expenses remained stable at 6,742 million euro, despite the reduction in the average workforce (-2,600 people; -2.6%), having incorporated an increase in the variable component of remuneration linked to the results achieved by the Group, the costs related to the new long-term incentive plans launched at the end of the first half of the year and the disbursement of 36 million euro as per the trade union agreement of 22 November to mitigate the impact of inflation. Administrative expenses fell by 2.7% to 2,912 million euro. The reduction concerned in particular property management, due to the progressive reduction of space resulting from the plans to merge and streamline the sales network, IT services, as a result of the restructuring of the agreements following the integration of UBI Sistemi e Servizi (the services company of the former UBI Group), and legal and professional services. In contrast, amortisation and depreciation increased to 1,280 million euro (+3%), mainly due to higher investments in technology.
As a result of the revenue and cost performance described above, the *operating margin* improved to 10,536 million euro (+723 million euro; +7.4%) and the cost/income ratio decreased by almost two percentage points from 52.8% to 50.9%.

Net adjustments to loans totalled 3,113 million euro, compared to 2,766 million euro in 2021, which also included 1,615 million euro in additional provisions to accelerate the de-risking process (+347 million euro; +12.5%).
As stated in the introduction, this caption includes (i) the valuation effects relating to the Russia-Ukraine risk totalling 1,298 million euro, of which only 9 million euro referred to the fourth quarter; and (ii) the adjustments of 1,174 million euro, of which 965 million euro in the fourth quarter, to prudentially factor in the prospective risk elements inherent in the current scenario. These adjustments – mainly relating to the management overlays prudentially applied where greater potential vulnerabilities were identified, but also tode-risking measures, including that relating to the real estate leasing portfolio, and the application of a deterioration factor to the prudent macroeconomic scenario adopted for the forward-looking estimate of ECLs – were only partially mitigated by the reduction of the management overlays to cover the vulnerability of the moratoria (721 million euro), given the essentially complete absorption of moratoria without significant impacts on the performance of non-performing positions. As a result of the collective assessment approach adopted, the increase in the caption was essentially concentrated in Stage 2 (+1,168 million euro), Stage 1 (+238 million euro), and net provisions for risks and charges for credit risk associated with commitments and financial guarantees given (+306 million euro), against a decrease in adjustments on Stage 3 exposures (-1,341 million euro).
The cost of risk, represented as the ratio of net adjustments to net loans, consequently stood at 70 basis points (30 basis points when excluding adjustments for the Russia-Ukraine exposure and the additional adjustments for overlays and to favour de-risking, net of the release of generic provisions set aside in 2020 for expected COVID-19 impacts), which compares with 59 basis points for 2021 (25 basis points when excluding the additional provisions to accelerate the de-risking process).

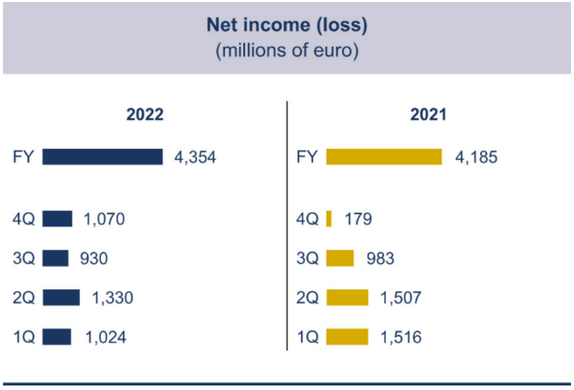
Other net provisions and net impairment losses on other assets for a total of 281 million euro were also recognised, down significantly on 851 million euro recorded in the comparison year. Specifically, 175 million euro was attributable to net impairment losses (151 million euro in 2021), including for the Russia and Ukraine risk assessments on securities and real estate (37 million euro), while the remaining 106 million euro related to provisions for risks and charges, largely for legal disputes and the write-off of the value of the Russian equity investment in the consolidated financial statements (80 million euro). In 2021, the net provisions for risks and charges totalled 700 million euro, which included allocations of around 295 million euro, made in the second and fourth quarter, for risks and charges in the insurance segment (excess of claims over earned premiums and estimated provision for future charges on outstanding policies).
Other income (expenses), which include realised profits (losses) on investments, equity investments and financial assets at amortised cost other than loans, as well as income and expenses not strictly related to operations, amounted to 202 million euro. The amount included 195 million euro of gain on the disposal of Intesa Sanpaolo Formazione in June and a one-off contribution of 41 million euro to Intesa Sanpaolo's employees (excluding those classified as managers or having equivalent remuneration). In 2021 this caption was 332 million euro, 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 Banca acquiring business line to Nexi in October.
There was no *income from discontinued operations*, compared to 58 million euro recognised in 2021 following the reclassification in the caption of the contribution of the branches sold in the first half of that year.
As a result of the accounting entries described above, *gross income* amounted to 7,344 million euro, up from 6,586 million euro in 2021 (+758 million euro; +11.5%).

Taxes on income increased to 2,059 million euro, from 1,605 million euro in 2021 (+454 million euro; +28.3%), resulting in an increase in the tax rate from 24.4% to 28%. Although deferred tax assets of 320 million euro were recognised in the fourth quarter relating to tax losses carried forward of the former UBI Banca, the change reflected the higher taxable income for the year, as well as the fact that the 2021 tax expense had benefited from the tax realignment of intangible assets (around 460 million euro compared to 117 million euro in 2022).
After tax, charges for integration and exit incentives of 140 million euro were recognised, down from the previous 439 million euro (which included 210 million euro related to the voluntary exits under the agreement of 16 November 2021), together with the negative effects of purchase price allocation of 211 million euro (39 million euro in 2021).

As usual, the amount of charges aimed at maintaining the stability of the banking industry was significant and growing: 576 million euro after tax (836 million euro gross) compared to 512 million euro net (746 million euro gross) in 2021. These charges essentially consisted of:

(i) 254 million euro net (369 million euro gross) for the ordinary contributions to the single resolution fund for the Group's Italian and international banks (recognised in the first quarter for the most significant portion relating to the Italian banks), down from 262 million euro net (382 million euro gross) in 2021, which included an additional component (69 million euro net; 103 million euro gross);

(ii) 289 million euro net (424 million euro gross) for the contribution to the deposit guarantee funds, paid in the second half of the year for the most significant portion relating to the Group's Italian Banks. The amount is higher than the 230 million euro net (340 million euro gross) in 2021 due to the increased extraordinary contributions payable by the Group's Italian banks.



After the allocation of the net income of 4 million euro to minority interests (net loss of 194 million euro in 2021), the consolidated income statement for 2022 closed, as already stated, with net income of 4,354 million euro, up 4% on 4,185 million euro posted in 2021.

Compared to the previous quarter, the *income statement for the fourth quarter* showed an increase in operating income to 5,674 million euro (+659 million euro; +13.1%), driven by the significant growth in net interest income (+28.4% to 3,064 million euro). The latter benefited from the positive performance of almost all the components, particularly customer dealing and relations with banks (as a result of the reinvestment of excess liquidity in deposits with the ECB at steadily rising positive interest rates). With regard to the other revenue items: net fee and commission income increased (+3.2% to 2,222 million euro), as a result of the recovery in the management, dealing and consultancy segment; the income from insurance business fell (-7.8% to 402 million euro), due to the reduction in the technical margin; the profits (losses) on financial assets and liabilities designated at fair value were almost reduced to nil, reflecting the offsetting contributions from the various components; and other operating income (expenses) remained unchanged, notwithstanding higher profits on investments carried at equity.

Operating costs increased to 3,130 million euro (+490 million euro; +18.6%). This trend was common to all the categories: personnel expenses (+17.7%), which incorporated both the increased weight of the variable component, and the above-mentioned disbursement of 36 million euro, with a substantially stable average workforce; administrative expenses (+24.5%), due to the combined effect of a degree of seasonality characterising the final months of the year, the inflationary environment, as well as several advertising/promotional initiatives of the Parent Company typical of the autumn period; and amortisation and depreciation (+9.9%), in relation to increased investments, mainly in intangible assets.

As a result of the revenue and cost performance described above, the operating margin rose to 2,544 million euro from 2,375 million euro in the third quarter (+169 million euro; +7.1%), while the cost/income ratio increased from 52.6% to 55.2%.

Net adjustments to loans more than doubled to 1,185 million euro, from 496 million euro in the previous three months, including 9 million euro in Russia-Ukraine risk-related adjustments, after the 196 million euro reported in the third quarter. The change (+689 million euro) – caused, as mentioned above, by prudential valuations aimed at capturing the risks of the prospective scenario, also through specific management overlays, and favouring de-risking – included 237 million euro for non-performing exposures (Stage 3), in particular for unlikely-to-pay loans; 291 million euro for performing loans (Stage 2 and Stage 1); and 139 million euro for net provisions for risks and charges for credit risk associated with commitments and financial guarantees given.

Other net provisions and net impairment losses on other assets increased from 45 million euro to 113 million euro, reflecting a decrease in net provisions for risks and charges and an increase in net adjustments to other assets.

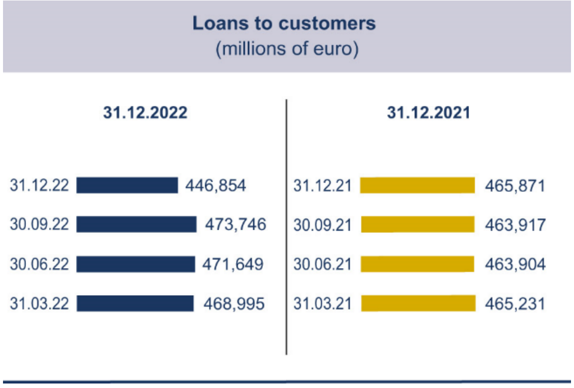
The caption other income (expenses) showed net income of 55 million euro (4 million euro in the previous three months).

As a result of the accounting entries described above, gross income in the fourth quarter decreased from 1,838 million euro to 1,301 million euro.

The change in taxable income and the recognition of deferred tax assets of 320 million euro relating to tax losses carried forward of the former UBI Banca gave rise to taxes on income of 50 million euro (562 million euro in the third quarter).

Net of tax, the following were recognised: charges for integration and exit incentives of 78 million euro, up from 23 million euro in the previous three months, also due to the discounting of the exit allowances; negative effect of purchase price allocation of 59 million euro (51 million euro); charges aimed at maintaining the stability of the banking industry of 32 million euro (266 million euro in the third quarter, which already included the estimated ordinary and extraordinary contribution to the deposit guarantee funds of the Group's Italian banks for 2022).

After the allocation to minority interests of net income of 12 million euro (6 million euro in the third quarter), the consolidated income statement for the fourth quarter of 2022 closed with net income of 1,070 million euro, up 15.1% on 930 million euro for the previous quarter.



With regard to the balance sheet aggregates, loans to customers came to 446.9 billion euro as at 31 December 2022, from 465.9 billion euro at the end of 2021 (-19 billion euro; -4.1%). The decrease, essentially attributable to the fourth quarter (-26.9 billion euro, or -5.7%), was more significant for commercial banking loans and also reflected actions to optimise the Group's RWAs in view of the regulatory changes (EBA Guidelines) applicable as of 1 January 2023.

More specifically, commercial banking loans fell to 419.7 billion euro (-14.4 billion euro, -3.3% over the twelve months; -19.2 billion euro, -4.4% over the three months) as a result of reductions in the corporate segment, the exposures to Russian counterparties and lease receivables, with the latter having been sold through a securitisation completed in the fourth quarter[19]. These actions were accompanied by a decrease in medium/long-term loans to businesses by the Banca dei Territori and, in the short-term component, the reduction in loans of a financial nature, consisting of repurchase agreements: in December their stock amounted to 15.4 billion euro, down 2.3 billion euro (-12.8%) over the twelve months and 6.7 billion euro (-30.3%) over the three months.

The other components of the aggregate continued the downward trend already seen during the year, with loans represented by securities decreasing to 6.2 billion euro (-11% compared to the end of 2021) and net non-performing loans falling to 5.5 billion euro (-22.3%). The proportion of the latter thus came to 2.3% in gross terms and 1.2% in net terms (respectively, 3.2% and 1.5% at the end of 2021)[20]. As a result of the disposals completed during the year, characterised by a coverage level higher than the average for the respective category, the coverage ratio for non-performing loans stood at 48.4% in December 2022, compared to 53.6% at the end of 2021. In contrast, the coverage ratio on performing loans rose to 0.59% (0.54% at the end of 2021).

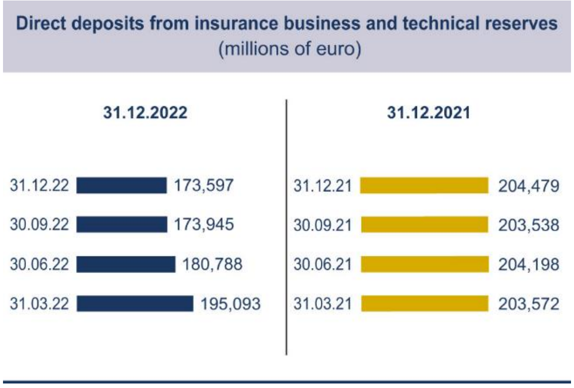
On the funding side, direct deposits from banking business amounted to 545.4 billion euro at the end of 2022, down by around 11.9 billion euro from 557.2 billion euro twelve months earlier (-2.1%). This reduction reflects an ongoing trend also at industry level. The negative trend in bonds, which fell to 52.4 billion euro (-16.2%), due to issuance volumes that were consistently lower than maturing stocks, was accompanied by reductions, mainly concentrated in the fourth quarter, in other technical forms, such as: current accounts and deposits, which decreased to 433 billion euro (-2.5% year-on-year) but still accounted for over 79% of the total direct deposits from banking business; certificates of deposit, which fell to 2.1 billion euro (-28.6% over the twelve months); and financial funding in the form of repurchase agreements and securities lending, which more than halved to 1.3 billion euro.

Only other deposits were up at 44.2 billion euro (+36.5%), due both to margins from customers trading in derivatives, the values of which increased as a result of the rise in interest rates, and to the positive performance of the fair value component, almost entirely made up of investment certificates, which increased to 16.6 billion euro (+36.6%).

Subordinated liabilities remained essentially stable at 12.5 billion euro (-1%), reflecting the combined effect of new issuances of around 2 billion euro and maturities of 1.3 billion euro, with the remaining difference consisting of repurchases and the effects of the end-of-period accounting valuations.

[19] See in this regard the information provided in the paragraph "Highlights" below.

[20] Based on the EBA definition, as at 31 December 2022 the proportion of non-performing loans was 1.9% in gross terms and 1% in net terms (respectively, 2.4% and 1.2% in December 2021).

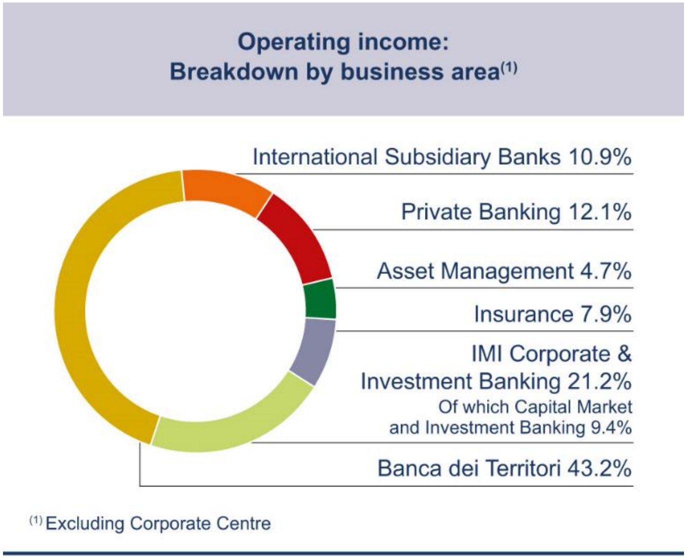


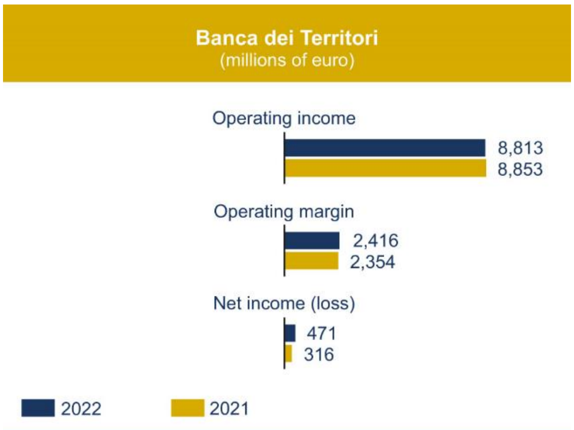
Direct deposits from insurance business – which also include the technical reserves, namely the amounts owed to customers that have taken out traditional policies or policies with significant insurance risk – totalled 173.6 billion euro in December 2022, compared to 204.5 billion euro in December 2021 (-30.9 billion euro; -15.1%). The fall, which mainly occurred in the first nine months of the year in connection with the widespread climate of uncertainty, concerned both the main components.
The financial liabilities designated at fair value, consisting of unit-linked products, decreased to 71.6 billion euro (-15.5%), having been affected by the volatility of the financial markets; technical reserves fell to 100.1 billion euro (15.4%), entirely attributable to the life business, which account for almost all the reserves.
Only other insurance deposits, which include subordinated liabilities, moved in the opposite direction, rising to 1.9 billion euro (+26.3%) with the change mainly concentrated in the fourth quarter.

Indirect customer deposits, which were affected by negative performance on the markets in 2022, closed the year down at 674.7 billion euro, from 725.1 billion euro at the end of 2021 (-7%; -50.4 billion euro), despite the recovery in the fourth quarter (+4.9%; +31.3 billion euro). This performance was common to both the macro components of the aggregate, although to different degrees. Assets under administration fell by 1.2% to 244.5 billion euro, corresponding to 36.2% of the total. Assets under management, on the other hand, fell by 9.9% to 430.2 billion euro, equal to 63.8% of the total. Within assets under management, all the most significant captions were adversely affected by the situation in the markets: funds (-15% to 149.8 billion euro), technical reserves and insurance financial liabilities (-7.8% to 171.9 billion euro), portfolio management schemes (-10.2% to 73.6 billion euro) and pension funds (-4.8% to 12 billion euro). Only relations with institutional customers posted an increase (+12.5%, to 22.9 billion euro).

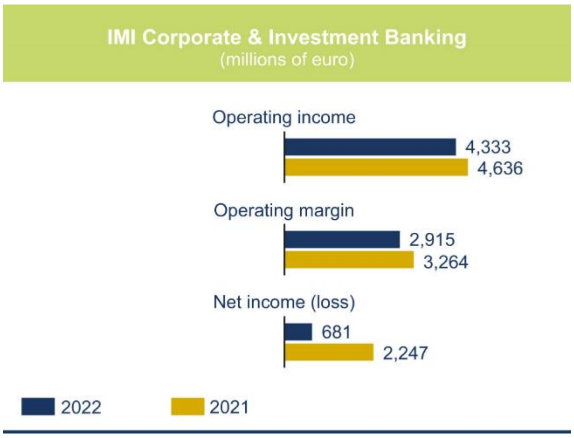
Results of the Business Units

The Intesa Sanpaolo Group organisational structure is based on six business segments: Banca dei Territori, IMI Corporate & Investment Banking, International Subsidiary Banks, Asset Management, Private Banking 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.
As can be seen in the chart, the share of operating income attributable to each business segment (excluding the Corporate Centre) confirmed that commercial banking activities in Italy continue to account for the majority (43.2% of the operating income of the business areas), although significant contributions were also provided by corporate and investment banking (21.2%), commercial banking activity abroad (10.9%), private banking (12.1%), insurance business (7.9%) and asset management (4.7%).
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.

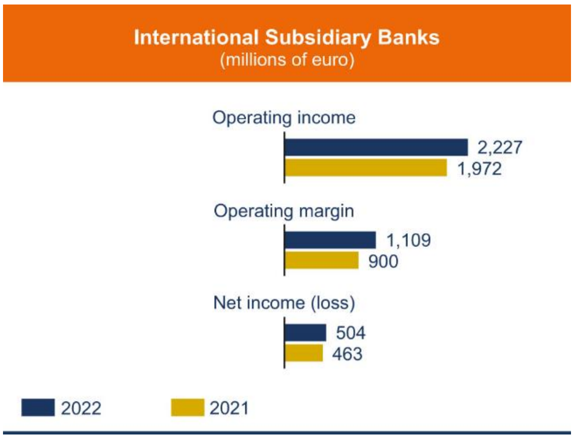




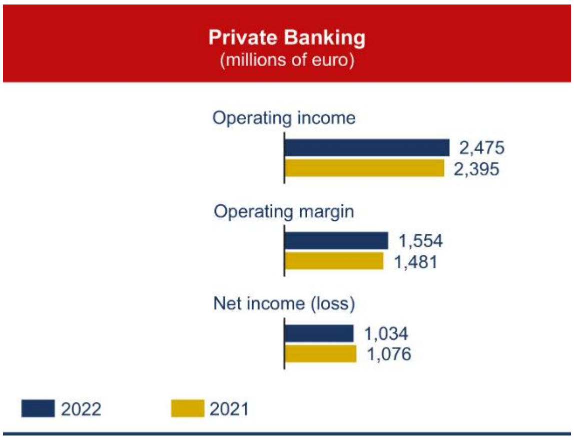
In 2022, the operating income of the Banca dei Territori Division – which oversees the traditional lending and deposit collecting activities in Italy and the related financial services – decreased slightly to 8,813 million euro (-0.5%). The growth in net interest income (+0.6%), essentially due to the improvement in the margin with customers, driven by the performance of market interest rates in the final part of the year, only partially offset the decrease in net fee and commission income (-1.4%), impacted by the unfavourable market environment.
Operating costs, equal to 6,397 million euro, were down by 1.6%, thanks to savings on personnel expenses, due to the reduction in the workforce following the voluntary exits plan agreed, and the containment of administrative expenses, mainly for services rendered by third parties and legal expenses, as well as those for services in the real estate sector. As a result of the changes described above, the operating margin increased to 2,416 million euro (+2.6%). Gross income also rose to 1,121 million euro (+10.7%), having benefited from lower provisions and net impairment losses on other assets.
Net income came to 471 million euro, up 49.1% on 316 million euro for 2021.
The balance sheet figures of the Division at the end of 2022 showed a slight decrease in total intermediated volumes of loans and deposits from the beginning of the year (-0.7%). In detail, loans to customers decreased to 247.5 billion euro (-1.2%), mainly due to the performance of medium/long-term loans to businesses, only partly offset by the increase in loans to private individuals.
Direct deposits from banking business were essentially stable at 291.1 billion euro (-0.2%) in relation to the declining trend in securities issued. In contrast, amounts due to customers increased slightly due to the growth in deposits from households and retail companies, which exceeded the fall in amounts due to businesses.



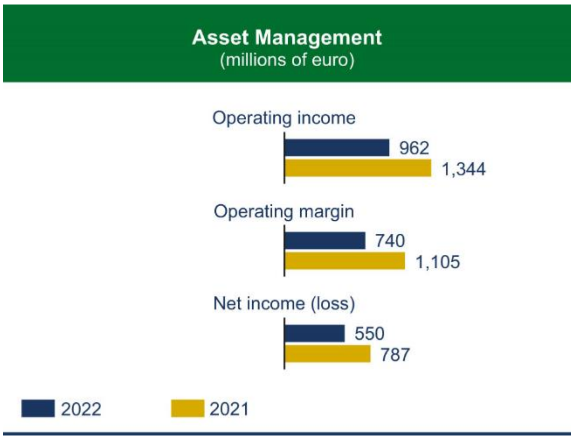
In 2022, the operating income of the IMI Corporate & Investment Banking Division decreased to 4,333 million euro (-6.5%). The change was mainly attributable to the Profits (losses) on financial assets and liabilities designated at fair value, which fell to 1,047 million euro (-20.5%), due to the lower gains on the sale of HTCS debt securities.
Net interest income was also down, to 2,132 million euro (-2.3%), mainly due to the lower contribution from the global markets securities portfolio. In contrast, net fee and commission income increased by 1.9% to 1,156 million euro, due to the performance of the commercial banking and structured finance segments, which offset lower fee and commission income from investment banking, negatively affected by the negative macroeconomic scenario.
Operating costs increased by 3.4% to 1,418 million euro, attributable to administrative and personnel expenses. The above revenue and cost performance led to a reduction of 10.7% in the operating margin, to 2,915 million euro. As a result of the significant net adjustments to loans posted in relation to the events regarding Russia and Ukraine, gross income fell to 1,220 million euro (-62.3%).
Net income came to 681 million euro (-69.7%).
The Division's intermediated volumes were down compared to the beginning of the year (-8%). In detail, loans to customers, amounting to 132.9 billion euro, were down (-12.9%, or -19.6 billion euro), due to the actions aimed at lowering the Group's RWAs, in line with the EBA guidelines applicable as of 1 January 2023. In contrast, direct deposits from banking business remained stable at 94.8 billion euro.



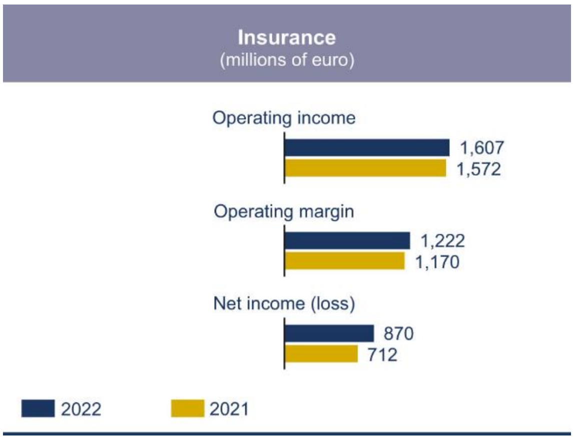
In 2022, the operating income of the International Subsidiary Banks Division – which is responsible for the Group's operations on international markets through commercial banking subsidiaries and associates that mainly carry out retail banking activities – came to 2,227 million euro, up by 12.9% on the previous year (+16.3% at constant exchange rates) due to the performance of all the main components: net interest income (+19.1% to 1,592 million euro), net fee and commission income (+5.1% to 574 million euro), other net operating expenses (+78.9% to -68 million euro), and profits (losses) on financial assets and liabilities designated at fair value (+1.6% to 129 million euro).
Operating costs of 1,118 million euro increased (+4.3%; +6.5% at constant exchange rates) due to the changes in administrative and personnel expenses. As a result of the above revenue and cost trends, the operating margin increased by 23.2%, amounting to 1,109 million euro. Gross income, amounting to 779 million euro (+15.2%), benefited from lower net provisions and net impairment losses on other assets and higher other income, which partly offset the higher net adjustments to loans for events involving Russia and Ukraine.
The Division closed 2022 with net income of 504 million euro (+8.9%).
The Division's intermediated volumes grew at the end of December 2022 (+4.5%, equal to +4.1 billion euro) compared to the beginning of the year owing to both direct deposits from banking business (+5.6%), in the component of amounts due to customers, and loans to customers (+3.2%). Lending performance was mainly attributable to the subsidiaries operating in Slovakia, Serbia and Croatia, while the growth in deposits was attributable to the subsidiaries operating in Croatia and Slovakia, to a lesser extent, those in Slovenia and Serbia.



The Private Banking Division – which serves the top customer segment (Private and High Net Worth Individuals) creating value by offering top products and services – generated gross income of 1,555 million euro, down by 86 million euro (-5.2%) on the previous year, which included – within other income – the gain of 194 million euro on the sale of the custodian bank business line of Fideuram Bank (Luxembourg).
The operating margin increased by 73 million euro (+4.9%), due to the growth in operating income (+80 million euro) – due to the net interest income (+202 million euro) partially offset by the net fee and commission income (-116 million euro) – only partly offset by higher operating costs (+7 million euro).
The Division closed 2022 with net income of 1,034 million euro, down by 3.9% compared to 2021.
As at 31 December 2022, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 272.5 billion euro (-21.4 billion euro since the beginning of the year). This trend was due to the market performance that had a negative effect on assets, only partially offset by positive net inflows. The assets under management component amounted to 150.1 billion euro (-16.7 billion euro).



The Asset Management Division – whose mission is to develop the best asset management solutions targeted at the Group's customers and is present on the open market segment through the subsidiary Eurizon Capital SGR and its investees – posted operating income of 962 million euro in 2022, a decrease (-28.4%) on the previous year due to the performance of net fee and commission income (-369 million euro), mainly affected by the decrease in performance fees collected in the period.
The performance of operating costs (-7.1%) is mainly attributable to the reduction in personnel expenses and administrative expenses, attributable to the effects of the synergies deriving from the integration with Pramerica finalised at the end of June 2021.
As a result of the above revenue and cost trends, the operating margin came to 740 million euro, down by around 33% on the previous year. The Division closed 2022 with net income of 550 million euro (-30.1%).
As at 31 December 2022, assets managed by the Asset Management Division amounted to nearly 304 billion euro, down by 50.2 billion euro (-14.2%) compared to the beginning of the year. This was attributable to the impairment of assets managed relating to the negative performance of the markets.



In 2022, the Insurance Division – made up of Intesa Sanpaolo Vita, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo Assicura (which absorbed Cargeas Assicurazioni from 1 October 2022) and Intesa Sanpaolo RBM Salute (in addition to Intesa Sanpaolo Insurance Agency), with the mission of synergically developing the insurance product offer targeting Group customers – posted income from insurance business of 1,616 million euro, up (+1.9%) on the previous year. This trend is attributable to the increase in the technical margin, which more than offset the reduction in the net investment result.
Gross income, amounting to 1,320 million euro, showed strong growth (+58.1%), due to the increase in operating income, the reduction in operating costs, notably administrative expenses, and the performance of other net provisions that registered releases of 90 million euro in 2022 (significant provisions were made in 2021, which included 295 million euro representing the claims in excess of premiums accrued and the estimated future charges also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown). Net income came to 870 million euro (+22.2%).

The Corporate Centre posted an operating margin of 580 million euro compared to -461 million euro in the previous year, essentially attributable to the increase in operating income, and in particular in net interest income, mainly related to the absence of the cost of excess liquidity due to the rise in interest rates in the second half of 2022. Operating costs recorded a decrease, attributable to synergies on administrative expenses. Gross income amounted to 609 million euro compared to a loss of 1,924 million euro in 2021, which included significant net adjustments to loans (net recoveries in 2022), lower other income and higher net provisions. In 2022, net income came to 244 million euro compared to -1,416 million euro in the previous year.

Highlights

Details are provided below of the significant events during 2022 and some of the key subsequent events.

In early 2022, the final steps were implemented for the completion of the integration of UBI Banca:

– as already detailed in the 2021 Annual Report, in mid-February 2022 the project was completed for the integration of IW Bank, which involved the partial demerger of the entire banking business line of the company and its transfer to the parent company Fideuram - Intesa Sanpaolo Private Banking (first demerger) and, concurrently, from the latter to Intesa Sanpaolo (second demerger, involving a set of assets consisting of performing loans of the above-mentioned banking business line and the related funding and personnel), 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.
  As a result of the demerger, IW Private Investments SIM is now dedicated to the investment services offering (advisory and placement services) for which specific authorisation was obtained from Consob, by order of 1 December 2021. The signing of the deeds took place on 11 January 2022 with legal effect from 14 February 2022 and completion of the IT migration over the weekend of 12-13 February;
– with regard to UBI Leasing on the other hand, after having received the ECB authorisation for the merger of the company into the Parent Company on 13 December 2021 and filed the merger plan with the Turin Company Register on 26 January 2022, as envisaged by Article 2501-ter of the Italian Civil Code, the transaction was approved by the Board of Directors of Intesa Sanpaolo on 1 March 2022 and by the Extraordinary Shareholders' Meeting of UBI Leasing on 2 March. The deed of merger was signed on 19 April 2022 with legal effect from 16 May and accounting and tax effects from 1 January 2022. Given that the merger involved a wholly owned subsidiary, the merger of UBI Leasing took place in accordance with Article 2505 of the Italian Civil Code;
– on 21 January 2022, the transfer was completed from Intesa Sanpaolo to Fideuram Bank (Luxembourg) of the total shareholding in UBI Trustee, a company of the former UBI Banca Group based in Luxembourg and specialised in trust services for HNWI (High Net Worth Individuals) and UHNWI (Upper High Net Worth Individuals) customers.

In addition, as announced in the previous annual report, in order to better focus and enhance the core businesses and expertise acquired following the merger of UBI Banca – where there was already a business line set up to manage collateral lending activities (the former "Monte dei Pegni") – a new company has been set up, called Acantus S.p.A., authorised by order of the Bank of Italy dated 18 January 2022 to grant loans to the public in the form of collateral loans, pursuant to Articles 106 and following of Legislative Decree no. 395/1993 (Consolidated Law on Banking).
After the signing on 20 May of the agreement with the Trade Unions, on 14 July 2022, the contribution from Intesa Sanpaolo to Acantus of the going concern consisting of the aggregate of assets, human resources and legal relationships organised to carry out the collateral lending business was formalised, with legal effect from 25 July. As a result of said contribution, which was financed through a dedicated capital increase, the Transferee fully and generally took over all the Transferor's assets constituting the going concern, as well as all contracts (with particular reference to collateralised lending contracts). Acantus intends to operate in line with the principles of protection of people in vulnerable conditions adopted by Intesa Sanpaolo, offering a possibility of accessing credit when conventional banking channels do not allow it and as a safety net to curb recourse to unconventional lending solutions. The nine branches transferred to Acantus are located in Lombardy and Lazio: they are either dedicated structures or offices within premises where an Intesa Sanpaolo branch is already present, but with independent entrances to ensure the full separation of banking operations from those related to collateral lending. As a result of the contribution, the immateriality limits that previously allowed the company to be consolidated at equity[21] have been exceeded, and therefore from the third quarter the company has come under the scope of line-by-line consolidation.
Lastly, the deed of merger by incorporation of Cargeas Assicurazioni S.p.A. – an insurance company operating in the non-life business with which the former UBI Group had a commercial partnership – into Intesa Sanpaolo Assicura S.p.A. (both wholly owned subsidiaries of Intesa Sanpaolo Vita S.p.A.) was signed on 28 September 2022. The merger took legal effect from 1 October, with accounting and tax effects from 1 January 2022. The transaction, authorised by IVASS with order of 22 June (published on 29 July 2022), was approved by the two Boards of Directors on 22 June. As a result, as of 1 October all the insurance contracts taken out by Cargeas Assicurazioni are managed by Intesa Sanpaolo Assicura, with their characteristics remaining unchanged.

The 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, at the same time as the merger into the parent company VUB, while VUBL's operating lease portfolio was transferred to a newly created joint stock company, called VUB Operating Leasing A.S., which became operational on 1 January 2022.

On 11 January 2022, the partnership announced in August 2021 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 allows 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.

Within the partnership established in 2021 between Fideuram - Intesa Sanpaolo Private Banking and the Swiss group Reyl (details of which are provided in the 2021 Annual Report), in January 2022, after having received clearance from the Swiss supervisory authority FINMA, the merger of Intesa Sanpaolo Private Bank (Suisse) Morval into Reyl & Cie S.A. took place,

[21] As at 31 December 2021, the company was called New CO 123 S.p.A.

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.

As already mentioned in the 2021 Annual Report, 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 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: a total of 23 transactions were completed in the first two months of the year, resulting in the sale of additional holdings, representing 9.9% of the capital, for a price corresponding to the book value (aligned to the nominal value of 25 thousand euro per unit).
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.

On 4 February 2022, the 2022-2025 Business Plan was approved and presented to the financial community. The related documentation (press release and presentation) is available on the Group's website, in the Investor Relations section. The specific paragraph below provides a description of the implementation activities carried out during 2022.

On 15 February 2022, Intesa Sanpaolo and Nextalia SGR, on behalf of the Nextalia Private Equity Fund, entered into a binding agreement to create a new company, which will be a leader in education and digital learning, leveraging on Intesa Sanpaolo's innovative learning infrastructure. The company, named Digit'Ed, intends to target both the business segment, i.e. large companies, small and medium-sized enterprises, public sector and professional associations, and the consumer segment, also in collaboration with prestigious Italian and international institutions, responding to the growing needs of the training market, linked to digital transformation, the development of know-how and re-skilling.
The binding agreement provided for the transfer by Intesa Sanpaolo of Intesa Sanpaolo Formazione, the Group company focused on training initiatives aimed at the growth of enterprises and local economies, in favour of which – ahead of the aforementioned transfer – it was also envisaged that the Parent Company would transfer a specific business line dedicated to the design and provision of training services and products for Group employees based in Italy.
The agreement is part of an overall operation in which the newco Digit'Ed (controlled by Nextalia Holdco, a company wholly owned by the Nextalia Private Equity Fund) will be an aggregator of the best entities operating in the sector.
Following the signing, on 17 June, of the agreement with the trade unions to govern the transfer of Intesa Sanpaolo Formazione's personnel and the related Intesa Sanpaolo business line, on 22 June 2022, the Intesa Sanpaolo business line dedicated to the design and provision of training services for Group employees was transferred to Intesa Sanpaolo Formazione.
On 29 June 2022 – following the outcome of the Bank of Italy's authorisation process for the outsourcing, the above-mentioned trade union procedure and the completion of the IT activities for the transfer and the sale – the first phase of the transaction was completed, with the sale of Intesa Sanpaolo Formazione to Altaformazione, previously acquired by Digit'Ed. The equity investment in Intesa Sanpaolo Formazione was then derecognised, with the recording of a gain in the consolidated income statement of around 195 million euro gross of tax. Also on 29 June, Intesa Sanpaolo, in keeping with the aims of the 2022-2025 Business Plan, reinvested part of the consideration received for the sale of Intesa Sanpaolo Formazione into the capital of Digit'Ed, acquiring a 20% holding. The equity interest in Digit'Ed has been classified as an investment in an associate subject to significant influence in accordance with IAS 28.
Alongside the corporate transactions described above, agreements were signed to initiate a multi-year commercial partnership, starting from the closing date, under which Intesa Sanpaolo Formazione will provide, among other things, training content and services to Intesa Sanpaolo and the Group companies.

On 26 April 2022, the transaction was completed for the transfer to Mooney S.p.A. of the Banca 5 business line dedicated to the production of products/services distributed by the Mooney Group, as part of the strategic partnership agreements in place since 2019 (see in this regard the details provided in the Report on operations of the 2021 Consolidated Financial Statements). The shares of the transferee company Mooney were transferred to Mooney Group S.p.A. on 3 May 2022, with settlement through the issuance of a "Pay in kind (PIK)" credit note to Banca 5. A gain, gross of the related tax effect, of around 12 million euro was recognised against the derecognition of the business line transferred and the fair value recognition of the credit note.

Following the agreement signed in December 2021, and already mentioned in the 2021 Annual Report, on 14 July 2022 Intesa Sanpaolo, through Banca 5 S.p.A., and Enel, through its wholly owned subsidiary Enel X S.r.l., finalised the acquisition from Schumann Investments S.A., a company controlled by the international private equity fund CVC Capital Partners Fund VI, of 70% of the share capital of Mooney Group S.p.A., the holding company of a fintech group operating in proximity banking and payments services, established in 2019 in partnership with the CVC fund through the Sisal Group.
More specifically, after having obtained the required authorisations – including from the Presidency of the Council of Ministers, in accordance with the golden power legislation, the Antitrust authorities and the Bank of Italy – Enel X acquired 50% of Mooney Group's share capital, whereas Banca 5, which previously owned a 30% stake, increased its investment to 50%, placing Mooney under the joint control of both parties.
As part of the overall project, on 25 July 2022 Mooney Group acquired a business line consisting of all of Enel X's financial services operations in Italy, marketed under the Enel X Pay brand. The sale of the business line was accompanied by a partial transfer of credit notes between the two shareholders of Mooney Group, which brought the exposure of the two Groups to an equal level.
Through the equal partnership of the two Groups and the integration of Mooney Group with the above-mentioned set of Enel Group companies operating in the payments and financial services market, a joint European-based fintech has been created that will help strengthen Mooney Group's growth strategy, with the possible identification of new initiatives and the consolidation of its position in the payments market.

The transaction involved a total investment for the ISP Group, for the acquisition of the capital and rebalancing of the credit notes, of around 100 million euro.

On 29 April 2022, the Shareholders' Meeting of Intesa Sanpaolo was held, validly constituted, on single call, to pass resolutions as those in attendance through the appointed representative – in accordance with Article 106, paragraph 4, of Law Decree 18 dated 17 March 2020, converted by Law 27 dated 24 April 2020, as subsequently amended – counted 2,901 holders of voting rights attached to 10,884,970,586 ordinary shares without nominal value equal to 56.02013% of the share capital. The Shareholders' Meeting voted in favour of all the items on the agenda.
In the ordinary session, the resolutions concerned the 2021 Financial Statements, the distribution of dividend and part of the Share Premium Reserve; the appointment of the members of the Board of Directors and of the Management Control Committee for the financial years 2022-2023-2024; the remuneration policies and incentive plans; and own share purchases for annulment (buyback), to serve the incentive plans and for trading purposes.
In the extraordinary session, the resolutions concerned the annulment of own shares without reducing the share capital and the consequent amendment of Article 5 (Share Capital) of the Articles of Association, as well as the mandate to the Board of Directors to approve the share capital increases without payment and with payment to service the approved incentive plans.
The contents of the individual resolutions and the related majority of votes by which they were passed are set out in detail in the press release published on the Group's website www.group.intesasanpaolo.com[22].
The new Board of Directors of Intesa Sanpaolo, in its first meeting held on 29 April, unanimously appointed Carlo Messina as Managing Director and CEO, conferring on him the powers necessary and appropriate to ensure consistent management of the Company.
On 6 May 2022, the Board by unanimous resolution – except for the abstention of the members involved – established the Nomination Committee, the Remuneration Committee, the Risks and Sustainability Committee and the Committee for Transactions with Related Parties, whose powers and responsibilities are in accordance with the provisions of the Articles of Association and the supervisory regulations in force. All the Committees are chaired by independent Directors. The names of the members and related information are available in the section Governance, Committees of the Board of Directors, of the Group's website.

With specific regard to the delegated powers approved by the Shareholders' Meeting of 29 April 2022 for share capital increases to serve the incentive plans authorised in the ordinary session, it should be noted that, in order to enhance the role of the Group's people as key enablers in the achievement of the 2022-2025 Business Plan's objectives, through a tool facilitating a broad-based shareholding in the capital of the Bank, on 15 February the Parent Company's Board of Directors resolved to submit to the Shareholders' Meeting the following two long-term incentive plans, based on financial instruments of Intesa Sanpaolo S.p.A. and reserved for all Group employees:

– the *2022-2025 Performance Share Plan*, reserved for Group's Management, 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;
– the *2022-2025 Leveraged Employee Co-Investment Plan LECOIP 3.0*, reserved for employees of the Group in Italy, belonging to the Professional cluster, which provides for: i) the assignment of newly issued ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment (Free Shares) for an amount equivalent to the Variable Result Bonus advance for 2022 (employees may opt to receive the advance in cash and, therefore, not to participate in LECOIP 3.0); ii) the assignment, also free of charge, of additional newly issued Intesa Sanpaolo ordinary shares deriving from the same capital increase without payment (Matching Shares) based on the role held and seniority; iii) the subscription, in set proportions with respect to the free shares received, of newly issued Intesa Sanpaolo ordinary shares deriving from a share capital increase with payment reserved for employees, at a discounted issue price (Discounted Shares) against market value.

On 13 June 2022, the period ended for exercising the right to withdraw from the subscription to the offer, expired on 30 May 2022, of the Certificates issued by J.P. Morgan and reserved for Professionals employed by the Group in Italy under the 2022-2025 LECOIP 3.0 Plan. A total of 45,629 employees, corresponding to 66.43% of those eligible, have participated in LECOIP 3.0 for a countervalue of the assigned shares (Free Shares and Matching Shares) of 139,931,221 euro.

On 21 June 2022, Intesa Sanpaolo's Board of Directors exercised the powers granted to it by the Shareholders' Meeting to carry out the capital increases, for the benfit of the Group's employees, functional to implementing the 2022-2025 LECOIP 3.0 Plan[23].

On 30 June 2022, on the basis of the arithmetic average price of the Intesa Sanpaolo ordinary shares recorded on each working day in the preceding 30 calendar days – equal to 1.9080 euro – a total of 33,745,462 Free Shares, 39,591,828 Matching Shares, and 386,972,658 Discounted Shares subscribed were assigned to the Group's employees. Consequently, 73,337,290 Certificates issued by J.P. Morgan, i.e. financial instruments corresponding to the abovementioned sum of Free Shares plus Matching Shares, were assigned to Group employees.
The following was also carried out on the same day:

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[22] The Articles of Association with the amendments approved by the Extraordinary Shareholders' Meeting were registered in the Turin Company Register on 7 June 2022, in relation to the mandates to the Board of Directors to approve the increases of share capital functional to implementing the Long-Term Incentive Plans, and on 1 July 2022, with regard to the annulment of own shares, once the European Central Bank had issued the authorisations necessary to initiate the procedure for registration in the company register and proceed with the purchase of own shares associated with the annulment.

[23] More specifically:
- a share capital increase without payment for a maximum amount of 350,000,000 euro, through the issuance of a maximum number of 160,000,000 Intesa Sanpaolo ordinary shares;
- a share capital increase with payment, with the exclusion of the option right pursuant to Article 2441, paragraph 8, of the Italian Civil Code, for a maximum amount, net of a discount at issuance, of 850,000,000 euro, through the issue of a maximum number of 387,000,000 Intesa Sanpaolo ordinary shares, applying a maximum discount of 19.5% to the stock market price calculated as the average of the prices recorded in the 30 days prior to the issue date.

– the execution of:
  - a share capital increase without payment – pursuant to Article 2349, paragraph 1, of the Italian Civil Code – for 83,200,000 euro, through the issuance of 160,000,000 Intesa Sanpaolo ordinary shares, using the Extraordinary Reserve;
  - a share capital increase with payment, with the exclusion, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of the option right in favour of the Intesa Sanpaolo Group's employees, for an amount of 201,225,782.16 euro, through the issuance of 386,972,658 Intesa Sanpaolo ordinary shares at a price of 1.5671 euro (applying a discount of 17.867% to the abovementioned arithmetic average of the price recorded in the preceding 30 calendar days), of which 0.52 euro to be allocated to share capital and 1.0471 euro to share premium;

– for the Performance Share Plan, the assignment of rights to the managers that, at the end of the Plan, will accrue in Intesa Sanpaolo shares, provided that the conditions laid down in the Plan's regulations are met and in compliance with the number and value limits established by the Shareholders' Meeting of 29 April 2022.

A total of 546,972,658 Intesa Sanpaolo ordinary shares were therefore issued without nominal value, having regular entitlement as coupon 47. Intesa Sanpaolo's share capital consequently increased from 10,084,445,147.92 euro (represented by 19,430,463,305 ordinary shares) to 10,368,870,930.08 euro, divided into 19,977,435,963 ordinary shares without nominal value[24].
The share capital increase with payment led to an increase in the Intesa Sanpaolo Group's consolidated shareholders' equity of 606.4 million euro, of which 201.2 million euro in share capital and 405.2 million euro in share premium reserve.

With regard to the purchase of own shares for annulment (buyback) – approved by the Shareholders' Meeting of 29 April 2022 and authorised by the ECB through the notification received on 24 June 2022 – the Board of Directors resolved, on 24 June 2022, to execute the programme for an initial amount of 1,700 million euro and to defer to a subsequent date the decisions regarding the remaining authorised amount (the authorisation concerned a maximum total outlay of 3,400 million euro for a number of Intesa Sanpaolo ordinary shares not exceeding 2,615,384,615).
The execution of the programme, entrusted to a third-party intermediary engaged, with full independence and without any involvement of the Intesa Sanpaolo Group, to carry out the transactions on the regulated market Euronext Milan managed by Borsa Italiana, took place in the period from 4 July to 11 October 2022.
Specifically, from 4 to 29 July 2022, Intesa Sanpaolo purchased 322,814,884 shares, at an average price of 1.6865 euro per share, for a total countervalue of 544,435,613.66 euro. The purchased shares, without nominal value, were annulled on 3 August 2022 with no reduction in the share capital. As a result, the share capital remained unchanged at 10,368,870,930.08 euro, while the number of shares decreased from 19,977,435,963 to 19,654,621,079.
From 1 August to 2 September, the purchases involved 387,343,682 Intesa Sanpaolo ordinary shares without nominal value, at an average price of 1.7594 euro, for a total countervalue of 681,490,110.75 euro. The related annulment took place on 7 September 2022. Also in this case, the share capital remained unchanged at 10,368,870,930.08 euro, while the shares into which it is divided decreased from 19,654,621,079 to 19,267,277,397.
Lastly, during the period from 5 September to 11 October 2022, a total of 278,474,237 ordinary shares without nominal value were purchased at an average price of 1.7024 euro, for a total value of 474,074,275.03 euro. These shares were annulled on 14 October 2022[25]. While the share capital remained unchanged at 10,368,870,930.08 euro, the number of shares went from 19,267,277,397 to 18,988,803,160.
Overall, from the launch of the programme on 4 July to its closure on 11 October 2022, Intesa Sanpaolo purchased 988,632,803 shares, equal to around 4.95% of its pre-annulment share capital, at an average purchase price of 1.7195 euro per share, for a total countervalue of 1,699,999,999.44 euro.
On 13 February 2023, the execution was initiated of the programme of purchase of own shares for annulment (buyback) for the remaining maximum outlay of 1,700 million euro and for a number of shares not exceeding 1,626,751,812, as approved by the Board of Directors of Intesa Sanpaolo on 3 February 2023. The programme will be concluded by 12 May 2023, in compliance with the terms approved at the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022, which establish that the purchase of own shares and their annulment should take place by the ex-right date of the dividend related to the financial statements for the year ending 31 December 2022, namely by 22 May 2023.

From 12 to 14 September 2022, on the other hand, a share buyback programme was implemented to service plans for the assignment of Intesa Sanpaolo ordinary shares free of charge to employees and Financial Advisors of the Group[26]. The purchases relate to: (i) the Intesa Sanpaolo Group share-based incentive plan for 2021 reserved for Risk Takers who accrue a bonus in excess of the so-called "materiality threshold"[27], as well as for those who are paid a "particularly high" amount[28], and for those who, among Middle Management or Professionals that are not Risk Takers, accrue "relevant bonuses"[29]; (ii) the Privredna Banka Zagreb (PBZ) Group share-based incentive plan for 2021 and the outstanding portions in financial instruments deriving from previous plans; (iii) the long-term incentive plans reserved for the Financial Advisors of the Networks of the Fideuram - Intesa Sanpaolo Private Banking Group. The programme was implemented also in order to grant, when certain conditions occur, severance payments upon early termination of employment.
In the three days during which the programme was executed, a total of 46,216,652 Intesa Sanpaolo ordinary shares were purchased, through the IMI Corporate & Investment Banking Division. These represent around 0.24% of the share capital of the Parent Company at the date. The average price was 1.8932 euro per share, for a total countervalue of 87,496,321.48

[24] At the same time, the related formalities were completed at the Turin Company Register, with the filing of the share capital increase certificate (1 July) and the registration of the Articles of Association with the new share capital composition (5 July 2022).

[25] The Articles of Association with the new composition of the share capital following the annulment were filed with the Turin Company Register on 19 October 2022.

[26] During the period of execution of the programme, the purchases of own shares for annulment (buybacks) were suspended.

[27] Equal to 50 thousand euro or one third of the total remuneration (unless otherwise provided for by specific local regulations).

[28] Pursuant to the Group Remuneration and Incentive Policies, for the three-year period 2019-2021 a variable remuneration exceeding 400 thousand euro constitutes a "particularly high" amount.

[29] Exceeding 80 thousand euro (unless otherwise provided for by specific local regulations) and 100% of the fixed remuneration.

euro. The Parent Company purchased 12,967,930 shares at an average price of 1.8938 euro per share, for a countervalue of 24,558,315.42 euro.
The 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 determined in the resolutions passed by the competent corporate bodies. Specifically, in the case of the Parent Company Intesa Sanpaolo, the transactions were executed in accordance with the terms approved by the Shareholders' Meeting of 29 April 2022.
Pursuant to Article 132 of the Consolidated Law on Finance and Article 144-bis of the Issuers' Regulation and subsequent amendments, purchases were executed on the regulated market Euronext Milan managed by Borsa Italiana in accordance with trading methods laid down in the market rules for these transactions.
Moreover, purchases were arranged in compliance with the conditions and the restrictions under Article 5 of Regulation (EU) no. 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 daily did not exceed 25% of the daily average volume of the Intesa Sanpaolo ordinary shares traded in August 2022, which was equal to 108.1 million shares, and 15% of the volume traded on the Euronext Milan market on each of the days when purchases were executed – in accordance with the constraint added in the programme to the above-mentioned regulatory conditions and restrictions.

In line and in keeping with the transactions carried out in 2020 and 2021 regarding the acquiring businesses of Intesa Sanpaolo and UBI Banca, in 2022 the Group undertook a project initiative aimed at expanding the strategic partnership with the Nexi Group at international level, through the transfer to Nexi Payments of the merchant acquiring business line of the Croatian subsidiary PBZ Card. Similarly to the two previous transactions, the agreement provides for: i) the sale of the PBZ Card acquiring business line (including all agreements with the Croatian merchants) to the Nexi Group; and ii) the establishment of a commercial partnership between PBZ Group and the buyer on an exclusive basis in line with the terms of the transactions concluded in Italy, starting in 2022 and lasting for 25 years. The transaction is due to be completed by the first half of 2023.

As a result of the changes in the market conditions and in the strategic orientation within the ISP Group, it was decided to reorganise the activities carried out by several companies.
On 28 June, the documents (merger plans and explanatory reports) relating to the following corporate transactions were published on the authorised storage mechanism and on the Group's website:

– *merger by incorporation of Intesa Sanpaolo Agents4You S.p.A. into Intesa Sanpaolo S.p.A.*
  This is a company of the former Banca Popolare di Vicenza Group dedicated to financial agency activities pursuant to Article 128-quater of the Consolidated Law on Banking, without its own personnel. In view of the termination of the agency agreement that the company had in place with the Parent Company and the consequent termination of the company's mission, as part of the integration of the former UBI Banca Group, a reorganisation of the marketing activities was undertaken with the gradual convergence of the Agents4You network of agents into Prestitalia. The transaction, which received ECB authorisation on 27 July 2022, was approved by the Board of Directors of Intesa Sanpaolo on 13 September and by the Extraordinary Shareholders' Meeting of Intesa Sanpaolo Agents4You on 14 September. The deed of merger was signed on 18 October 2022 with legal effect from 1 November and accounting and tax effects from 1 January 2022. As a merger involving a wholly owned company, it was carried out in the simplified manner provided for in Article 2505 of the Italian Civil Code;
– *merger by incorporation of Intesa Sanpaolo Smart Care S.r.l. into Intesa Sanpaolo S.p.A.*
  This is a company specialising in the provision of ancillary services for several insurance products offered by Group companies. It has no employees but operates with staff seconded from Intesa Sanpaolo. Prior to the merger, which received the ECB authorisation on 15 August 2022, the following were carried out: (i) the assumption by ISP of the interest held by Intesa Sanpaolo Vita S.p.A. (48.99%, against the 51.01% held directly by ISP), by notarial deed dated 30 September 2022 recorded in the Torino Company Register on 5 October, as well as (ii) the sale by the merged company of capital assets and technological devices to Intesa Sanpaolo Assicura S.p.A. (a company of the Insurance Division), which will carry out the new operations, with the transaction taking effect from 31 October 2022.
  On 1 September, the merger plan was filed with the Torino Company Register. The transaction was approved by the Board of Directors of Intesa Sanpaolo and the Shareholders' Meeting of Intesa Sanpaolo Smart Care on 17 October 2022. The deed of merger was signed on 9 November 2022, with legal effect from 21 November and accounting and tax effects from 1 January 2022. Given that this transaction also involved a wholly owned company, the merger took place in the simplified manner provided for in Article 2505 of the Italian Civil Code.

  Also with a view to the structural streamlining of the Group:
– on 29 June 2022, the respective Boards of Directors approved the plan for the merger by incorporation of Sanpaolo Invest SIM S.p.A., a company specialising in financial advisory services and the distribution of financial services and products through a network of advisors operating out-of-branch, into the parent company Fideuram - Intesa Sanpaolo Private Banking S.p.A., a transaction that, in addition to cost savings, is expected to generate significant synergies between the sales networks of the two entities. The European Central Bank notified its authorisation of the transaction on 9 September 2022. The one shareholder's extraordinary meetings of the two companies approved the merger on 3 October. The deed of merger was signed on 2 November, with effect from 5 December 2022 and, as a merger involving a wholly owned company, it was carried out in the simplified manner provided for in Article 2505 of the Italian Civil Code;
– on 20 December 2022, the Board of Directors of Intesa Sanpaolo approved the merger by incorporation of the wholly owned subsidiary Intesa Sanpaolo Provis S.p.A., on the basis of the merger plan filed with the Torino Company Register, pursuant to Article 2501-ter of the Italian Civil Code, on 18 November. The extraordinary shareholders' meeting of the merged company also adopted a similar resolution on 20 December. The latter is a registered financial intermediary pursuant to Article 106 of Legislative Decree 385 of 1 September 1993 (Consolidated Banking Law), which acts as the Group's specialist centre for the management of legal lease credit recovery procedures and the value enhancement and sale of real estate and movable assets underlying terminated leases. The transaction was cleared by the Bank of Italy on

26 October and obtained authorisation from the European Central Bank on 7 November 2022. The deed of merger is due to be signed by mid-April 2023, with effect by that month. As a merger involving a wholly owned company, it will be carried out in the simplified manner provided for in Article 2505 of the Italian Civil Code.

On 30 June 2022, Fideuram - Intesa Sanpaolo Private Banking, through its Luxembourg subsidiary Fideuram Bank (Luxembourg) S.A., completed the acquisition of 100% of Compagnie de Banque Privée Quilvest S.A. (CBPQ) – a Luxembourg-based private bank, wholly owned by the holding company Quilvest Wealth Management, with branches in Belgium, which serves a solid base of European and non-European High Net Worth Individuals – for a price of 184 million euro.
This transaction, which follows on from the agreement signed on 17 September 2021, has led to the creation of an additional European hub of the Private Banking Division, alongside Reyl & Cie in Switzerland, for European and international customers, which will enable the development of private banking activities in areas with promising growth prospects, such as Luxembourg and Belgium.
Following the approval by the European Central Bank of 30 November 2022, on 1 January 2023 the Extraordinary Shareholders' Meetings of the two companies approved the merger by incorporation of Fideuram Bank (Luxembourg) into CBPQ, which took the name Intesa Sanpaolo Wealth Management, with statutory and accounting effects on the same date. The new company has 200 employees and serves around 3,700 European and non-European HNWI customers, with over 10 billion euro of assets under management. It will also rely on an Italian and international management team, with solid expertise in offering wealth management services to international investors.

In addition, during the second quarter of 2022, the Group made use of the provisions set out in Article 15 of Law Decree no. 185/2008 and realigned the tax values of certain intangible assets recognised as a result of extraordinary transactions and corporate reorganisations, as well as the acquisition of controlling interests, carried out during 2021. These realignments generated a benefit to the consolidated income statement in the second quarter totalling 117 million euro, of which: 43 million euro attributable to Intesa Sanpaolo (in relation to the merger of UBI Banca); 13 million euro to Intesa Sanpaolo Private Banking (in relation to the demerger from UBI Banca of the "Top Private" business line); 14 million euro to Eurizon Capital (following the merger of Pramerica SGR); 20 million euro to Fideuram - Intesa Sanpaolo Private Banking (in relation to the acquisition of the controlling interest in Reyl & Cie); and 27 million euro to Intesa Sanpaolo Vita (as a result of the acquisition of 100% of Cargeas).
The higher values of intangible assets recognised in the annual financial statements as a result of an extraordinary transaction (business contribution, merger or demerger) may be subject to tax realignment pursuant to Article 15, paragraph 10 of Law Decree no. 185/2008, subject to the payment of a 16% substitute tax, made as a single payment by the deadline for the payment of the final income taxes for the year in which the transaction was carried out (2021), therefore by 30 June 2022. The substitute tax, like the direct taxes it replaces, is not deductible for the purposes of IRES (corporate income tax), IRAP (regional tax on business activities) and any additional taxes. The effects of the realignment start from the tax period in which the substitute tax is paid (i.e., from 2022). The deduction of the amortisation of the intangible assets subject to realignment is made starting from the tax period following the period in which the substitute tax is paid (i.e., in the present case, from 2023).
Unlike the tax realignment pursuant to Article 110, paragraphs 8 and 8-bis*,* of Law Decree no. 104/2020, the realignment rules applied do not require the establishment of any tax suspension constraint over the pre-existing reserves and, therefore, do not require any shareholders' meeting resolution.

In the insurance segment, on 19 July 2022, the agreement was announced through which Intesa Sanpaolo Vita and Reale Group entered into a partnership that envisages the transfer of a business line of Blue Assistance – Reale Group's service company specialising in healthcare assistance – to the new company InSalute Servizi. The latter, which will be 65% owned by Intesa Sanpaolo Vita and 35% by Blue Assistance, will operate within Intesa Sanpaolo's Insurance Division and will be dedicated to the management of claims and the development of a network of affiliated healthcare facilities (TPAs - Third Party Administrators) in support of Intesa Sanpaolo RBM Salute's insurance offer. The closing of the transaction is expected to take place during 2023, subject to obtaining the necessary authorisations[30].
InSalute Servizi will be engaged in the management of health and welfare services for Intesa Sanpaolo's captive customers, supplementary health funds, welfare funds, mutuals, companies and other entities operating in the supplementary health and welfare sectors, confirming the strategy of Intesa Sanpaolo's Insurance Division and its development plan for health insurance, launched in 2020 with the acquisition of RBM Salute. In parallel with this new joint venture, the service company of the Reale Group will continue its activities with the Intesa Group insurance companies and the non-captive business, without any change in commitment to the planned strategies.

On 3 August 2022, Intesa Sanpaolo carried out the sale of its 25% equity investment in Innolva S.p.A. (a 75% subsidiary of Tinexta) to a leading global company specialising in credit and business information systems. The equity investment had been acquired in return for the transfer, into Innolva, of the equity investment in Intesa Sanpaolo Forvalue S.p.A. (renamed Forvalue), as part of the strategic partnership launched in 2021 with the Tinexta Group, a leading company in Digital Trust, Cyber Security and Innovation & Marketing services, listed on the Euronext Star Milan segment organised and managed by Borsa Italiana (see in this regard the details provided in the Report on operations of the 2021 Consolidated financial statements).
In order to ensure that Intesa Sanpaolo maintained control over the operations of Forvalue, which remained in the Tinexta Group as a result of its transfer to the subsidiary Warrant Hub, specialised in advising businesses on subsidised finance transactions and support for innovation and development projects, Intesa Sanpaolo agreed with Tinexta to reinvest the amount received from the sale of the equity investment in Innolva to acquire a minority interest in Warrant Hub, Forvalue's

[30] The company, which was established in 2022 with the original name of Newco TPA S.p.A., in the third quarter, ahead of the finalisation of the partnership agreement, changed its name to InSalute Servizi. It is included in the scope of line-by-line consolidation as it is wholly owned by Intesa Sanpaolo Vita.

new parent company. At the end of the transaction, completed on 10 November 2022, Intesa Sanpaolo held a 12% investment in the share capital of Warrant Hub, classified under interests subject to significant influence pursuant to IAS 28.

After the banking licence was obtained, the third quarter saw the completion of the formal steps and activities for the operational launch, in early October, of Alpian S.A., Switzerland's first digital private bank, based in Geneva, developed to provide private banking and financial advisory services for mass affluent customers exclusively through a mobile service. This is a hybrid model that combines a secure, state-of-the-art banking experience with the support of Alpian's financial advisors, giving mass affluent customers access to a service normally reserved for customers of a traditional private bank.
The start-up, which is 14.9% owned by Fideuram - Intesa Sanpaolo Private Banking S.p.A. and 12.8% by Reyl & Cie S.A., which is in turn 69% owned by Fideuram ISPB, has entered into a strategic partnership with the latter to accelerate the development of the digital wealth management offering for its customers.

On 28 September 2022 – following the authorisation received from the ECB on 16 September – the plans were filed with the Torino Company Register and the Treviso-Belluno Company Register for the partial demerger of Intesa Sanpaolo in favour of the wholly owned vehicle companies Tatooine LeaseCo S.r.l. and Dagobah LeaseCo S.r.l., approved by the Board of Directors of Intesa Sanpaolo on 21 June 2022 and by the boards of directors of the two companies on 23 June 2022.
The demergers form part of two securitisations involving receivables arising from finance lease agreements mainly classified as bad loans, together with the immovable and movable property and legal asset and liability relationships subject to/associated with those finance lease agreements.
These are simplified partial demergers – pursuant to Article 2505, paragraph 2, and Article 2506-ter, last paragraph, of the Italian Civil Code – involving a set of specific financial assets and liabilities related to the securitisations, immovable and movable property subject to the lease agreements giving rise to the receivables of the demerged company, and all the connected legal relationships, not included in the securitisation. The two transactions were approved on 17 October 2022 by the Board of Directors of Intesa Sanpaolo, and on 18 October 2022 by the Shareholders' Meetings of the two beneficiary companies.
The demerger deeds were signed: i) for the demerger to Dagobah LeaseCo, on 22 November, effective from 28 November, also for accounting and tax purposes; and ii) for the demerger to Tatooine LeaseCo, on 2 December, effective from 12 December 2022, also for accounting and tax purposes.

On 24 October 2022, the Slovak subsidiary Vseobecna Uverova Banka A.S. (VUB) completed the purchase of 5.26% of VUB Generali Dochodkova Spravcovska Spolocnost A.S. (VUB Generali), a joint venture established in 2004 with the Generali Group to develop the offer of voluntary contribution pension funds in Slovakia. Given that, over the years, VUB Generali had pursued its development mainly through the distribution activities of VUB and the associated business generated by the network of agents already partnered with VUB for the dealing in other banking products, it was decided to discontinue the joint venture by acquiring a further stake in the company from Generali in order take control of the company. In addition to the purchase of a 5.26% interest in the share capital, the transaction was structured with a cross put and call option mechanism that, if exercised, will allow VUB to increase its interest up to 100% of the share capital of VUB Generali.

Through an accelerated bookbuilding reserved for qualified Italian and foreign institutional investors[31], on 14 and 15 November 2022 Intesa Sanpaolo completed the sale of all the approximately 67 million shares, listed on Euronext Milan, constituting the 5.1% stake held in Nexi and classified under financial assets measured at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9. In the transaction, ISP was supported by the IMI CIB Division, as bookrunner, assisted by two other leading international investment banks (JP Morgan and Bank of America) in order to ensure the participation of US institutional investors in the procedure. The sale took place at the price of 8.7 euro per share, for a total value of 584 million euro. In line with the provisions of IFRS 9 on FVOCI investments, the transaction did not have an impact on Intesa Sanpaolo's income statement. The sale did not affect the long-term strategic partnership with Nexi, which is also being extended outside Italy (see above).

As part of Intesa Sanpaolo's capital optimisation, in November the sale was carried out, via a securitisation, of a performing portfolio consisting mainly of real estate lease receivables, for a total of around 3.7 billion euro in terms of GBV. The main objective of the sale was the accounting and prudential derecognition of the portfolio sold, with the aim of optimising the Group's Risk Weighted Assets. The portfolio sold to the special purpose vehicle consisted of the lease instalments due and the redemption value, while Intesa Sanpaolo retained the lease agreements, the credit components relating to VAT and ancillary/insurance expenses, as well as the underlying assets, mainly consisting of real estate. Intesa Sanpaolo also retained the role of servicer for the securitisations.

On 9 December 2022, Intesa Sanpaolo noted the announcement made by the EBA (European Banking Authority) regarding the information from the 2022 EU-wide Transparency Exercise.
In order to ensure a sufficient and appropriate level of information to market participants, 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 as required to further clarify individual data.

On 15 December 2022, Intesa Sanpaolo disclosed the notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 January 2023, following the results of the Supervisory

[31] Accelerated bookbuilding is a procedure through which very large shareholdings of companies are sold to institutional investors. The shares are sold over a very short period of time to institutional investors and not directly to the market (which may not be able to absorb too high a quantity shares in a short time). ABB procedures usually envisage, for the investors purchasing the shares, a discount on the last closing price recorded on the listing market.

Review and Evaluation Process (SREP). The overall capital requirement to be met in terms of Common Equity Tier 1 ratio is currently 8.91%.
This is the result of:

– the SREP requirement in terms of Total Capital ratio of 9.72% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.72%, of which 0.97% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020;
– additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
  - a Capital Conservation Buffer of 2.5%,
  - an O-SII (Other Systemically Important Institutions) Buffer of 0.75%,
  - a Countercyclical Capital Buffer of 0.19%[32].

Lastly, to complete the disclosure for 2022, the continuation is confirmed of the voluntary exits plan in accordance with the trade union agreements of 29 September 2020 and 16 November 2021.
Total voluntary exits were 2,019 over the twelve months – 80 in the fourth quarter, 928 in the third quarter, 111 in the second quarter and 900 in the first quarter – for a total of 4,858 exits from the beginning of 2021 against the 9,200 exits envisaged by the first quarter of 2025 under the two above-mentioned trade union agreements.
With regard to the hiring under those agreements, since the beginning of 2021, there have been about 1,300 new hires, with 4,600 envisaged by the end of 2025.

In addition, on 1 January 2023, the amendments to the Articles of Association of Banca 5 S.p.A. took effect, with the company's new name of Isybank S.p.A. This is the first formal step in the project underway to create a new digital bank within the Group, as envisaged in the 2022-2025 Business Plan.
The amendments, approved by the ECB on 10 October 2022, were approved by the Extraordinary Shareholders' Meeting of Banca 5 of 28 October 2022.

Lastly, as part of the agreements between Risanamento, a company controlled by Intesa Sanpaolo with a 48.88% stake, and LendLease, a leading international operator, for the development of the real estate initiative called Milano Santa Giulia, on 2 February 2023 the Board of Directors of Intesa Sanpaolo approved a complex transaction, whose structure and procedures are currently being agreed between the parties, aimed at enabling the following, as part of a plan to ensure the economic and financial equilibrium of the Risanamento Group pursuant to Article 56 of the Insolvency Code ("IC"): (i) the obtainment by the Risanamento Group of the financial resources necessary to fulfil its commitments made to the public authorities and third parties in relation to the completion of both the reclamation of the area and the execution of the Olympic infrastructure works under the Variant Agreement; and (ii) the transfer of the Milano Santa Giulia area at values in line with its book value to a mutual fund, whose units will be held by the lending banks or their assignees, with the concurrent novation to the aforementioned fund of the financial debt due to the lending banks (or their assignees) from the Risanamento Group and the payment to Risanamento, under particular terms and conditions, of the additional amount with respect to the values referred to above.

[32] Calculated taking into account the exposure as at 31 December 2022 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 2024, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2022 and for the first quarter of 2023).

The 2022-2025 Business Plan

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, in particular during the recent COVID-19 crisis and the recent conflict in Ukraine.
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 indisputable capital strength, a flexible business model, a well-established international network, continuous investment in technology, and a leading ESG position.
The year 2022 saw the full launch of the main industrial initiatives of the 2022-2025 Business Plan, which projects the Bank over the next ten years, confirming the target of net income of 6.5 billion euro in 2025 and a 70% dividend payout in each year of the Business Plan.
The expectation of rising interest rates, the Bank's high strategic flexibility in managing costs, the massive deleveraging already achieved – through which the lowest-ever NPL stock and ratios have been achieved – are driving forces for further growth, even in the currently highly complex environment.
The Group's ambition is to be a Wealth Management, Protection & Advisory leader in Europe, distinguished by zero NPLs, a strong digital push and a focus on commissions, while continuing to excel in ESG and offering the best professional experience for its People.
These objectives will be achieved through a strategy centred on four fundamental pillars of the Plan and implemented thanks to the quality of the Bank's People:
– massive upfront de-risking, slashing cost of risk;
– structural cost reduction enabled by technology;
– growth in commissions, driven by Wealth Management, Protection & Advisory;
– significant ESG commitment, with world-class positioning in social impact and strong focus on climate.

Massive upfront de-risking, slashing Cost of risk

In 2022, Intesa Sanpaolo improved the quality of its assets both through credit risk transfers and capital efficiency measures. Compared to the end of 2021, the Group reduced the stock of gross non-performing loans by 4.6 billion euro, bringing the gross and net NPL ratios, calculated according to the EBA methodology, to 1.9% and 1% respectively.
Since the beginning of the year, the Active Credit Portfolio Steering (ACPS) unit has further expanded its credit risk coverage schemes, carrying out a new synthetic securitisation on a portfolio of around 7.5 billion euro of corporate loans in the fourth quarter of 2022. This was one of the largest overall transactions carried out in Europe during 2022, as well as the first synthetic securitisation on a portfolio of around 2.3 billion of corporate loans and project financing in the infrastructure sector with the best ESG score.
In the fourth quarter, the first sale was also completed of a portfolio of 3.7 billion euro in performing loans deriving from leases. In 2022, the unit carried out credit risk transfer transactions for a total amount of over 20 billion euro on various asset classes. The ACPS unit also further strengthened the capital efficiency initiatives and improved credit strategies, shifting around 20 billion euro of new lending to lower risk/higher return sectors, and broadened the scope of alternative financial solutions for "high-risk" customers.
The development of the credit strategies continued, with the full integration of the ESG Sectoral Strategy (ESG Heatmap) and the start of activities to extend the framework to the Group's international subsidiary banks, starting with Banca Intesa Beograd and VUB Banka. The ESG-Climate Credit Framework project has set itself the objective of integrating ESG-Climate metrics into the underwriting process. The launch of the New Sector Framework project on the other hand aims to evolve the main credit processes (regarding credit granting and proactive credit management) by adding sector information.
The implementation continued of the plan for the IT developments for the New Credit Granting Programme (ONE), with the aim of extending the use of the new digital process, to expand its scope and the products managed.
Within the proactive management of other risks, anti-fraud cybersecurity protection was extended to new products and services for retail customers, also using Artificial Intelligence (AI) solutions. Open source intelligence solutions have been adopted to enhance the intelligence capacity on IT threats. The Anti Financial Crime Digital HUB (AFC Digital Hub) was launched, aimed at combating money laundering and terrorism, at national and international level, through the use of increasingly advanced technologies.

With regard to the de-risking initiatives, during 2022 the sales of the non-performing loan portfolios identified at the end of 2021 and beginning of 2022 as part of the Group's de-risking initiatives were substantially completed. All NPL portfolios that as at 31 December 2021 were classified under assets held for sale pursuant to IFRS 5 were sold.
With regard to the portfolios held for sale that in the 2021 Financial Statements were not reclassified pursuant to IFRS 5, but were recognised in accordance with the provisions of IFRS 9, i.e. factoring in a probabilistic scenario of sale at market prices, the following is noted:
– at the end of April, the sale of bad loans for a GBV of 3.9 billion euro (NBV of 0.9 billion euro) was completed through a securitisation with a request for the "GACS" government guarantee issued by the Ministry of the Economy and Finance in June;
– for the remaining portfolio, mainly consisting of small-ticket UTP loans, the sale perimeter was specifically identified with a gross value of around 800 million euro. The structure of the transaction, which envisages the sale to two Alternative Investment Funds (AIFs), through a solution that guarantees credit management policies aimed at returning the borrowers to performing status, was approved by the Board of Directors on 25 November 2022 and its closing is indicatively expected, also through several waves of contributions to the funds, during the first half of 2023. As a result, the specifically identified portfolio, valued at 0.75 billion euro gross and 0.37 billion euro net at the end of the year (of which 10 million euro has since been transferred to performing status), was reclassified to assets held for sale pursuant to IFRS 5.

In addition to the above, a further de-risking initiative was implemented in 2022.

On 15 March 2022, the Board of Directors of Intesa Sanpaolo approved the transfer to the Back2Bonis fund[33] of a credit exposure of Intesa Sanpaolo, classified as unlikely-to-pay (NBV 216 million euro), in exchange for the subscription of new units of the fund, in which Intesa Sanpaolo was the second largest investor with a share of around 29% of the units, classified under interests in associates pursuant to IAS 28. The closing of the transaction took place on 11 April 2022 and, at the time of closing, Intesa Sanpaolo derecognised the exposure and simultaneously recognised the units received from the fund at fair value, as the initial recognition value, therefore maintaining the classification as under significant influence. Given that the transfer value agreed with the asset management company (supported by the specific fairness analysis) was in line with the NBV of the exposure transferred, the transaction did not have any profit and loss impacts.

Structural Cost reduction, enabled by technology

The new Digital Bank (Isybank) has been incorporated and is now fully up and running. The “Domain Isy Tech” unit with around 340 dedicated specialists is operational and the agreement with Thought Machine has been signed. The management team has been strengthened with the hiring of the new head of Isybank and the new heads of the Sales & Marketing Digital Retail Department and Domain Isy Tech.
Ahead of the launch of the Digital Bank, the target offering and functionalities of Isybank have been defined, as well as the roadmap for the migration of ISP customers. The technological master plan has also been drawn up and its implementation has begun.
The implementation is continuing of the Next Way of Working project, which is aimed at achieving a better work-life balance and involves adapting work spaces to the needs of the increased use of remote working. In addition, the four-day working week has been introduced on a voluntary basis with equal pay[34].
Work also continued on the streamlining of the retail network, with the closure of over 550 branches from the fourth quarter of 2021. At the same time, the real estate scale back continued in Italy, with the release of around 354,000 square metres of owned or leased property since the fourth quarter of 2021. At total of 43 owned real estate assets were also sold for a total value of around 33 million euro.
The insourcing of core IT skills began with the hiring of around 500 staff. The artificial intelligence laboratory in Turin (AI Lab) is already operational (Centai Institute established). The digital platform for analytical cost management was launched and is fully operational. A total of 27 efficiency initiatives have already been identified, through the integrated use of advanced analytics and benchmarking analysis. Tools have also been selected to support negotiations and the search for potential suppliers.
Around 2,000 voluntary exits were completed from the beginning of 2022 (around 4,858 exits since 2021), which will further contribute to the cost containment.
The project work is continuing for the adoption of the target platform of the new core banking system in all the countries of the International Subsidiary Banks Division.
In the area of digital process transformation, the processes have been identified and E2E transformation activities have been initiated, using both Smart Process Automation and traditional re-engineering methods (in particular for the procurement processes, customer onboarding, hereditary succession process management, bank account closing process and control management processes).
The excellence of the technological solutions developed by the Group was again highlighted by the recognition of the Intesa Sanpaolo Mobile App as the best banking services app in the world, ranking first among all the banking apps assessed by the US research company Forrester.

Growth in Commissions, driven by Wealth Management, Protection & Advisory

The new dedicated service model for Exclusive customers has been fully implemented. The advanced advisory paid service “Valore Insieme”, for affluent and exclusive customers, was enhanced with new insurance and asset management products, and, partly as a result of this, around 43 thousand new contracts were signed and 14.5 billion euro of financial asset inflows were achieved in 2022.
Support to relationship managers was improved with the introduction of new Robo4Advisor functions for generating investment advice on selected products (funds, certificates and insurance products). The BlackRock Aladdin Wealth and Aladdin Risk platforms have also been adopted for the investment services.
New features have been developed for the UHNWI (Ultra High Net Worth Individuals) customer advisory tools, while the service model for family offices has been strengthened and a project is underway for the integration of ESG principles into the new single advanced advisory service model. A project has been launched for the development of the credit offering for the distribution networks of Fideuram ISPB and Intesa Sanpaolo Private Banking. The offering of alternative funds from leading international operators is being expanded through partnerships with specialist platforms.
The online investment and trading platform (formerly IW Bank) of Fideuram ISPB has been successfully integrated and is fully operational, with new functions designed to facilitate customers in carrying out operations independently. The strengthening of the Private Banking division at international level continued with the acquisition of Compagnie de Banque Privée Quilvest S.A. (CBPQ) and the integration of Reyl (completion of the IT migration and streamlining of the presence in Latin America). In addition, Alpian – Switzerland’s first digital private bank – has been operational since the beginning of October, with a mobile-only platform that includes multi-currency services, asset management and support from experienced financial advisors.
The merger of the two Private Banks in Luxembourg was completed on 1 January 2023, creating “Intesa Sanpaolo Wealth Management”, a second hub (in addition to the Swiss one) with over 200 people and 11 billion euro in assets that will contribute to the growth of international commission income.
A number of new asset management and insurance products dedicated to the Group’s distribution networks were launched, including a specific offering for customers with excess liquidity. The strengthening of the ESG asset management and insurance product offering also continued, with the proportion of Eurizon’s total assets under management growing to 54%.

[33] Credit fund established in 2019 by the Prelios Group and AMCO with the aim of creating a multi-originator platform to manage positions classified as unlikely-to-pay with underlying real estate.
[34] For more details, see the information provided in the previous disclosure on “Impacts of the COVID-19 pandemic”.

The Caring Programme was launched, which involves a suite of insurance, asset management and personal support services designed for the needs of senior customers. The non-life offering was also enhanced with dedicated health protection solutions and products for corporate customers. The further development of the protection and health business has also been guaranteed by the operations of “InSalute Servizi”, a new third-party administrator in collaboration with Reale Group.
There were numerous initiatives dedicated to companies and financial institutions:
– the digital platform “IncentNow” was launched and webinars and workshops were initiated to provide information to customer companies on the opportunities offered by public tenders related to the National Recovery and Resilience Plan;
– advisory initiatives were developed with a focus on Infrastructure, TMT (Technology, Media & Telecommunications) and Energy corporate customers, linked to selected themes and post-pandemic recovery plans;
– continued strengthening of origination activities, both in Italy and abroad, also by reinforcing the Originate-to-Share model;
– there was strong growth in ESG advisory services to companies to steer the energy transition through a scalable approach, with a focus on the energy, infrastructure and Automotive & Industrials sectors;
– the enhancement of the digital platforms serving Corporate customers is underway, with a focus on Cash and Trade services and the Global Markets offering also through the launch of Cardea, an innovative digital platform for financial institutions.

The growth continued in digital payments, which amounted to 137 million at the end of the year (around 51 million in December 2021). The agreement signed with ENEL for the joint acquisition of the Fintech Mooney Group S.p.A. will enable the Intesa Sanpaolo Group to acquire new customers and expand its digital service model internationally. Intesa Sanpaolo was also the first bank in Europe that activated Huawei Pay for PagoBancomat cards, through the Huawei Wallet App, thus expanding the offering of payment services for our retail customers and supporting the plan to develop the national network.
The Bank launched an ESG value proposition initiative for the corporate and SME segments of the Group Banks in Slovakia, Hungary, Croatia, Serbia and Egypt, setting the priority sectors of the commercial strategy, and synergies are being developed between the IMI Corporate & Investment Banking Division and the Group Banks in Slovakia, the Czech Republic, Croatia and Hungary. The Local Distribution Agreement concluded in Slovakia, Serbia, Slovenia and Croatia.
The strengthening continued of the service model for customers shared with Banca dei Territori and the master cooperation agreement on Bancassurance was signed with a leading insurance group for the distribution of products at five local banks (Slovakia, Croatia, Hungary, Serbia and Slovenia). The expansion of digital services in several countries where the Group has a presence is also continuing in the Corporate & SME, Retail and Wealth Management segments.

Significant ESG commitment, with a world-class position in Social Impact and strong focus on climate

Intesa Sanpaolo has confirmed its status as the engine of Italy’s real and social economies through the provision of medium/long-term lending to households and businesses.
The Bank is pursuing and strengthening its social commitment through numerous initiatives, including interventions in favour of the needy, social lending and the commitment to develop one of the largest social housing programmes in Italy.
The Bank also maintained its strong commitment to developing culture and supporting the promotion of innovation.
In addition, considerable attention was given to the green economy, circular economy and green transition, also in relation to the 2021-2026 National Recovery and Resilience Plan.
Net-zero targets were implemented in all the business units.
ESG governance has been strengthened: since April 2022, the Risks Committee has been transformed into the Risks and Sustainability Committee and has acquired more responsibility for ESG issues.
For more information, see the paragraph below on Sustainability and Group strategy on Environmental, Social and Governance issues.

Innovation, digital transformation and cybersecurity

Recognising the strategic role of digitalisation and multi-channelling, Intesa Sanpaolo has committed over the coming years to extending the technological infrastructure to the entire Group, creating the new Isybank Digital Bank and strengthening the digital payments business. The Group devotes maximum attention to the protection of customer information and the Plan’s objectives include extending anti-fraud cybersecurity protection to new products and services for retail customers, also through the use of Artificial Intelligence (AI).
The Group recognises the strategic value of innovation for the growth of the new economy and is committed to promoting around 800 innovation projects over the period of the new Business Plan, of which 201 were launched in 2022 by Intesa Sanpaolo Innovation Center. Particular attention is given to the growth of high-potential start-ups through non-financial services (e.g. acceleration programmes) and the connection to venture capital funds, also thanks to NEVA SGR.
The main initiatives implemented in 2022 for the growth of start-ups and the development of innovation ecosystems included the following: in Turin, the third class of the “Torino Cities of the Future Accelerator” Programme managed by Techstars has been completed and the fourth class is underway, with 35 start-ups accelerated since its launch in 2019 (with 11 Italian teams), 51 million euro in capital raised and over 310 new staff hired after acceleration; in Florence, the second class of the three-year “Italian Lifestyle Accelerator Program”, managed by Nana Bianca, was launched, with 6 Italian start-ups accelerated (over 210 candidates, 85% Italian) and around 2 million in capital raised; in Naples, the implementation continued of the “Terra Next” Bioeconomy Accelerator Programme, promoted with Cassa Depositi e Prestiti with the support of Cariplo Factory and several local scientific partners, and with the patronage of the Ministry of Environment and Energy Security, with the acceleration of 8 start-ups (around 130 applications received, 83% of which Italian); and lastly, in Venice, the new three-year “Argo” programme (in the Hospitality and Tourism sector) sponsored by Banca dei Territori and Intesa Sanpaolo Innovation Center, developed by Cassa Depositi e Prestiti, Lventure and with the collaboration of the Ministry of Tourism, was launched at the end of December 2022, and will involve 10 start-ups each year.
Also in the area of development of innovation ecosystems, the first edition was completed of the UP2Stars initiative, developed by Banca dei Territori with the support of the Intesa Sanpaolo Innovation Center. The initiative was aimed at 40 start-ups (around 490 applications) for the development of 4 vertical pillars (Digital/Industry 4.0; Bioeconomy, with a focus on Agritech and Foodtech; Medtech/Healthcare; and Aerospace). In October, two start-up acceleration programmes were also

completed for customers, in which support was provided in the form of coaching and mentoring (over 15 start-ups accelerated in 2022).
In Action ESG Climate is the initiative developed by the Insurance Division, with the support of Intesa Sanpaolo Innovation Center, created to promote the development of new solutions for combating climate change and supporting the green transition through technological innovation and the development of new business models. The programme concluded with the recognition of the three best projects presented, which were awarded a total contribution of 500,000 euro.
In the area of applied research, 14 multidisciplinary projects are being developed, of which 8 in the area of neuroscience and 6 in AI and robotics. The three-year collaboration was also renewed between the IMT High School of Lucca and Neuro Scienze Lab, for research projects based on neuroscientific models for management and business.
To promote the acceleration of business transformation, over 25 companies were involved in open innovation programmes and support was completed for the "Bando Evoluzioni" of Fondazione Compagnia di San Paolo and Fondazione Cariplo for the digitalisation of the Non-Profit Sector. In 2022, four programmes were launched for the companies involved, focused on the transition to a circular economy, and a "Climate Innovation Tech Tour" was held in Tel Aviv in support of customers and start-ups.
In keeping with its focus on the spreading of an innovation culture, the Bank launched a collection of podcasts on innovation ("A Prova di Futuro"), made available for free on Intesa Sanpaolo's website. These were also accompanied by 32 positioning and match-making events[35], with around 2,200 participants, and the publication of 15 reports on technology innovation and sector trends (including a report on the decarbonisation related to the European Central Bank Climate Program).
Lastly, Neva SGR plans to invest around 100 million euro in start-ups over the course of the 2022-2025 Business Plan. In particular, in 2022, the fundraising of the Neva First Fund (launched in 2020) and the Neva First Italia Fund (launched in 2021) was successfully concluded with total funds raised of 250 million euro. Over 54 million euro of investments were made in support of start-ups in 2022. Lastly, the Innovation Ecosystem Development Fund was launched in 2022. It raised 15 million euro and made its first investment in Tech4Planet, in collaboration with CDP and the Milan Polytechnic, together with the Polytechnics of Bari and Turin, which has the aim of supporting the birth of new start-ups conceived within the laboratories and research centres.

The Group's people as its most important asset

The Group continued its commitment to strengthening its human capital through a series of dedicated initiatives, underscoring the fact that people are the most important resource for achieving its Plan objectives and the enabler for its future success. This is why Intesa Sanpaolo has set itself the objectives of continuous empowerment, growth and satisfaction of its employees and will continue to invest in its talents, fostering diversity and inclusion, and creating a unique ecosystem of skills in line with the Bank's evolution.
The hiring continued of professionals, together with the reskilling and training of in-house staff, to ensure that sufficient skills are maintained and developed to meet the challenges the Group will face in the coming years. To support the Group's growth and generational change, 4,600 permanent hires will be made over the period of the Plan (around 1,300 professionals already hired in 2021 and in 2022). The reskilling/upskilling of around 8,000 people to be deployed towards priority and strategic initiatives is also envisaged (around 2,000 already involved in 2022). Numerous well-being and safety initiatives are also provided for, together with new long-term incentive plans to engage the Group's people in achieving the Plan objectives.
The Group has developed an innovative strategy dedicated to its talents and aimed at around 1,000 talents and key people. The International Talent Program continues, with the selection of new talents that will start the programme by the first quarter of 2023, while over 140 people have already completed training and 180 others are being trained, in addition to around 430 key middle management staff who have been engaged in targeted development and training initiatives.
To respond to the needs for flexibility and work-life balance of the Group's employees, a new organisational framework has been set up that provides greater flexibility in terms of daily work schedule, smart working and the introduction of a four-day working week on a voluntary basis with no change in remuneration[36].
Intesa Sanpaolo and Nextalia SGR set up the newco Digit'Ed, a new leading company in Italy in training, which aims to become an international leader in training and digital learning. In an environment that requires the continuous evolution of skills and flexibility, training continues to be an important vehicle for people's growth, supported by an innovative learning infrastructure that includes the use of the latest technologies. The objective is to reach 50 million hours delivered over the course of the Plan. Around 12.6 million hours of training were provided in 2022, of which over 640,000 hours on ESG issues.
Particular attention is paid to people's well-being, for which live webinars, podcasts, video content and other thematic initiatives are continuously organised. In addition, the new long-term incentive plan to support the Business Plan targets and foster individual entrepreneurship was implemented.
To promote female talent within fair and inclusive working environments, the initiatives continued for the development of female professionals and managers, including programmes of job rotation, shadowing, training and empowerment.
The 2022 Diversity & Inclusion goals were set and shared for every organisational unit, including the implementation of the new commitment related to gender equality to access to senior leadership roles and the monitoring was initiated of the 2022 targets for each Division and Governance Area. The partnership with ISPROUD, the Group's first community of employees, which now includes LGBTQ+ and allied people, was launched as part of the process of reflection and dialogue on these issues.
The attention given by Intesa Sanpaolo to its people was recognised through the achievement of two important awards, Top Employer 2023, for the second year running, given to our bank by the Top Employers Institute, and first place in LinkedIn's Top Companies 2022 ranking.
In addition, the Group was recognised in the Refinitiv Global Diversity and Inclusion Index as the top bank in Europe, the second at global level, and the only Italian bank ranked among the 100 most inclusive and diversity-conscious workplaces.

[35] Positioning event: an event where a key player discusses innovation issues. Match-making event: an event that facilitates the matching of supply and demand in innovation.
[36] See in this regard the information on the impacts of the COVID-19 pandemic.

Intesa Sanpaolo is also the first major Italian banking group to obtain the "*Prassi di Riferimento (PDR) 125:2022*" certification for gender equality, envisaged by the National Recovery and Resilience Plan (NRRP), thanks to its commitment to diversity and inclusion.
In 2022, Intesa Sanpaolo made two one-off contributions to the Group's staff to mitigate the impact of inflation and deal with the current price rises, for a total amount of 77 million euro[37].

Sustainability and Group strategy on Environmental, Social and Governance issues

Intesa Sanpaolo is aware that, as a global financial player and one of the leading banking groups in Europe, it has a significant impact in terms of environmental and social sustainability, in the short and long term, through both its direct and indirect activities.
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 the Corporate Bodies, supported by the internal governance structures, with the coordination of the ESG Control Room. In this regard, at the time of the renewal of the Bodies, the name of the Risks Committee was changed to the Risks and Sustainability Committee, with the strengthening of its powers in relation to sustainability;
– *its own regulatory framework*, which includes the "Guidelines for the governance of environmental, social and governance (ESG) risks of the Group" and voluntary policies on conduct (Code of Ethics, "Principles on Human Rights"). In 2022, the Rules for the classification of sustainable credit products and transactions were also issued, aimed at improving internal and external transparency in relation to sustainable products and transactions;
– *integrating ESG risks into the overall Risk Management framework and in relation to the traditional risk categories (credit risk, market risk, liquidity risk, operational risks and reputational risks).*

In 2022, the Intesa Sanpaolo Group laid the foundations for and initiated the activities to pursue the objectives stated in the 2022-2025 Business Plan, in which ESG issues represent one of the four pillars for solid and sustainable value creation and for further strengthening Intesa Sanpaolo's leadership in sustainability.
The plan confirms the commitment in the social and cultural domains, already present in the previous business plan (2018 - 2021), based on responding to social needs through, for example, new initiatives for seniors and young people (including one of the most extensive social housing programmes in Italy and the creation of seniors community hubs), support for financial inclusion, through cumulative social lending flows of 25 billion euro, and the continued promotion of culture, for example by doubling the exhibition spaces of the Gallerie d'Italia by 2025.
Within the Business Plan, the Group has stepped up its commitment to the green transition, supporting individuals and businesses through dedicated products and encouraging the transition from a linear to a circular economy, in addition to reducing its own and financed emissions over the entire value chain.
The Group can play a key role in steering capital towards a sustainable economy. With regard to climate change, in addition to directly managing its environmental footprint, the Bank can exert strong influence on activities and behaviour that it cannot control directly, in particular those of its customers and suppliers, supporting them in the transition to a low-carbon economy.
With regard to the preservation of natural capital, the 2022-2025 Business Plan envisages the development of a specific biodiversity policy and a major reforestation project, with the target of over 100 million trees planted directly or through loans to customers. Intesa Sanpaolo has also designed the Group's new offering in the voluntary CO_2 market, aimed at supporting customers in reducing gross CO_2 emissions, managing residual emissions, and protecting and safeguarding forest areas.
In 2022, a particularly important aspect in relation climate change was the setting of the main targets associated with the commitments made in the Net-Zero alliances. Specifically, following the Group's subscription to the Net-Zero Banking Alliance (NZBA), Net-Zero Asset Managers Initiative (NZAMI), Net-Zero Asset Owner Alliance (NZAOA) and Net-Zero Insurance Alliance (NZIA) in February 2022, the targets for 2030 for the main emission-intensive sectors (Oil & Gas, Power Generation, Automotive and Coal Mining) were published in the 2022-2025 Business Plan. In October 2022, Eurizon Capital SGR, Fideuram Asset Management SGR, Fideuram Asset Management Ireland and the Intesa Sanpaolo Vita Insurance Group also published their first interim targets.
In 2022, Intesa Sanpaolo maintained a strong focus on sustainability as demonstrated by its top positioning in the main indices and rankings: it is the only Italian bank included in the Dow Jones Sustainability Indices World and Europe, the CDP Climate A List 2022 and the Corporate Knights 2023 "Global 100 Most Sustainable Corporations in the World" index; it is also ranked first among its peers by Sustainalytics and Bloomberg (ESG Disclosure Score); in 2022, and again in January 2023, Intesa Sanpaolo maintained its position in the Bloomberg Gender Equality Index; and in September 2022 it was ranked as the second bank worldwide in the Refinitiv Diversity & Inclusion Index. Intesa Sanpaolo also received a number of sustainability-related awards: in the 2022 ranking of Institutional Investors it maintained its first place in Europe for ESG aspects, and in February 2023 it was included in the S&P Global Sustainability Yearbook 2023 - Top 10% ESG Score 2022.
The Group's commitment to sustainability is also manifested through its participation in all the main international initiatives of the United Nations, including the Global Compact, concerning 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 supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and has published a TCFD Report, which includes specific climate disclosures in accordance with these Recommendations. In addition, the Bank has adopted the Stakeholder Capitalism Metrics developed by the World Economic Forum, a set of ESG indicators and disclosures that evidence the commitment to long-term value creation and the contribution to the UN Sustainable Development Goals.
During the year, several strategic and significant projects were carried out for the Group on sustainability issues, coordinated by the ESG Control Room.

[37] See in this regard the information provided in the previous disclosure on "The Intesa Sanpaolo Group's initiatives for Ukraine and to mitigate the impacts of the inflation scenario".

In 2019, with the aim of consolidating Intesa Sanpaolo's leadership in sustainability, the Group launched a Programme called ISP4ESG, a wide-ranging high-impact initiative, led by the Strategic Support Department and the CFO Governance Area, with the objective of integrating ESG into the Bank's business model and strategy, generating a concrete impact within the company and on society and leading to the establishment of the ESG Control Room in 2020. Various initiatives were coordinated under the programme, including the drafting of the Action Plan in 2021 in response to the 13 expectations identified by the ECB in the "Guide on climate-related and environmental risks", followed in 2022 by the Group's activities relating to the ECB's Thematic Review. It also contributed significantly to the development of the 2022-2025 Business Plan, which includes ESG/Climate as one of its four pillars. The main activities carried out in 2022 included the setting and publication of the targets aligned to Net-Zero for 2030, also included in the 2022-2025 Business Plan (NZ Target Setting project); the supervision of the activities aimed at setting the targets of the Group companies that joined the other Net-Zero alliances (e.g. NZAMI, NZAOA, NZIA); the implementation of the ESG-Climate Credit Framework project for the introduction of ESG factors in the assessment of the Group's loan portfolio; and the launch of the EU Taxonomy Green Enhancement project to introduce rules and processes for classification of credit transactions in line with the regulatory requirements of the EU Taxonomy and to actively steer the loan portfolio, with the aim of improving the expected green asset ratio.
The continuous evolution of the European regulations on ESG and sustainability reporting[38], together with the requirements arising from the subscription to the various voluntary reporting standards (TCFD, SASB, PRB and WEF), prompted Intesa Sanpaolo to launch a multi-year project in 2021 focused on the Group ESG Reporting, aimed at creating an integrated and transversal approach able to respond to the new regulatory requirements and emerging best practices.
In 2022, the project focused on the analysis of the impacts for the purposes of the Principles for Responsible Banking (PRB), the preparation of the Quantitative Templates and Qualitative Tables envisaged by Pillar 3 for ESG, the monitoring of the Group's ESG performance, through the launch of the ESG KPI monitoring process, and the 2023 Budget process for the relevant ESG KPIs.

Support for ESG/climate transition

The new 2022-2025 Business Plan contains a strong focus on climate, which includes the Group's commitment to facilitate the transition to a low-emission economy through concrete actions to mitigate its direct and indirect emissions, and by supporting green initiatives and projects for its customers. Specifically, the Group has made a programme of disbursements of 76 billion euro (2021-2026) available for the European Green Deal and the National Recovery and Resilience Plan, dedicated to the green and circular economy and ecological transition, of which around 32 billion euro has already been disbursed in 2021 and 2022. It has also provided new green credit to individuals totalling 12 billion euro, of which around 2.6 billion euro was disbursed in 2022 for green mortgages to retail customers.
The commitment to the circular economy has been confirmed in the new Plan with the promotion of the diffusion of this model, the renewal of the partnership with the Ellen MacArthur Foundation and Cariplo Factory, in addition to the announcement of 8 billion euro in credit lines for the circular economy. In 2022, 420 projects for an amount of 9.1 billion euro were assessed and validated, 4.7 billion euro in 230 transactions were granted (of which over 2.6 billion euro related to green finance), and 3.1 billion euro disbursed (of which 2.2 billion euro related to green finance). To support customers in the ESG/climate transition, the Bank provides its corporate customers with Skills4ESG, an online training platform dedicated to sustainability issues, and the New ESG Labs (the first 8 have already been activated in Venice, Padua, Brescia, Bergamo, Cuneo, Bari-Taranto, Rome, and Naples-Palermo), in collaboration with specialist partners such as Circularity, Nativa, CE Lab and others. An accelerated ESG advisory service to companies is also envisaged, aimed at guiding them towards the energy transition through a flexible and scalable approach. At the international subsidiary banks, a value proposition has been launched for the corporate and SME segments of the Group banks in Slovakia, Hungary, Croatia, Serbia and Egypt. To support SMEs seeking to improve their sustainability profile, Intesa Sanpaolo offers the S-Loans, made up of 5 product lines: S-Loan ESG, S-Loan Diversity, S-Loan Climate Change, S-Loan Agribusiness and S-Loan Tourism. A total of 2.2 billion euro was granted in 2022 (3.5 billion euro since the launch in 2020). The offer was expanded in October 2021 with the Digital Loan (D-Loan) aimed at improving the digitalisation of companies (22 million euro disbursed since launch) and the Suite Loan, launched in December 2021, aimed at upgrading hotel facilities and accommodation services (10 million euro disbursed since launch). For the S-Loans and the Skills4ESG training platform dedicated to corporate customers, the Bank won the Milano Finanza Banking Awards in March 2022.

Sustainable investment products and sustainable insurance

Intesa Sanpaolo, mindful of the significant regulatory developments and strategic priorities of the EU in the area of sustainable finance, has committed in its 2022-2025 Business Plan to further strengthening its offering of sustainable investment products, for both asset management and insurance, which combine financial criteria with environmental, social and governance (ESG) aspects and contribute to the achievement of climate objectives. Specifically, it has set itself the objective of increasing the assets under management in funds classified according to Articles 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR) to around 156 billion euro and reaching 60% of total assets under management in sustainable investment products[39]. Eurizon offers a diversified range across all the asset classes of funds classified according to Articles 8 and 9 of the SFDR, with penetration having increased to 54% of total assets under management. It has also launched two "Eurizon Step 50 Objective Net Zero" funds that invest in companies with targets of net zero greenhouse gas emissions by 2050.

[38] Including, in particular, the Corporate Sustainability Reporting Directive (CSRD) and the related European Sustainability Reporting Standards of the European Financial Reporting Advisory Group (EFRAG), EBA Guidelines on ESG Reporting, EU Taxonomy (and related disclosure requirements), Sustainable Finance Disclosure Regulation (SFDR), and ECB Guidance on Environmental and Climate Risk Management.
[39] Eurizon perimeter – Funds pursuant to Articles 8 and 9 SFDR 2088.

With a view to enhancing its ESG offering, Fideuram has committed to developing dedicated advisory services and launched a comprehensive ESG certification training programme for its bankers, with over 51,000 hours of training provided to around 3,060 participants, and for employee private bankers and agents, with around 13,900 hours provided to over 1,040 participants.
Engagement with issuers and customers is part of the efforts made by the Group Companies to contribute to the change towards sustainability. In the area of stewardship, in 2022 Eurizon Capital SGR took part in 254 shareholders' meetings (73% of which were of issuers listed outside Italy) and 538 engagement initiatives (50% of which were on ESG issues). The Private Banking Division also held 47 customer events (28 in person and 19 digital) during the year, with a total of 11,150 participants (5,000 in-person and 6,150 digital).
In line with the Group's objectives and the increasingly strategic importance of integrating ESG factors also for the insurance sector, the Insurance Division has committed to developing a dedicated ESG offering for the non-life business and expanding the ESG/climate offering within the Group's life insurance range. Specifically, it plans to strengthen the unit-linked/multi-line offering that includes ESG investment options and implement a process of reduction in carbon intensity towards net-zero for direct investments.

Support to address social needs

Intesa Sanpaolo is committed to generating a social impact over the coming years, continuing the commitment and attention that it has always dedicated to the needs of the people and communities in which it operates. In its 2022-2025 Business Plan, the Group announced investments and donations of 500 million euro in favour of young and vulnerable people. In addition, the focus remained high on the humanitarian emergency resulting from the Russia-Ukraine conflict, resulting in multiple initiatives in favour of the population of Ukraine and the staff of the subsidiary Pravex Bank.
Intesa Sanpaolo, which has always been keen to invest in young people, also to promote employment and the right to education, supports "Giovani e Lavoro", the programme created through the partnership between Intesa Sanpaolo and Generation Italy, with the objective of providing free training courses, over the period of the 2022-2025 Business Plan, to over 3,000 young people aged between 18 and 29 who are unemployed, in order to help them gain the skills that companies are seeking. In 2022, the programme received applications from over 7,500 young candidates, with over 1,650 students interviewed and over 770 students trained/being trained through 30 courses and 6 training programmes. Around 3,000 students have been trained since 2019 and roughly 2,300 companies have been involved since the start of the Programme. The second edition of the Generation4Universities programme, aimed at helping talented final year university students in making their first step into the world of work, which involved around 100 students from 36 universities and 31 leading Italian companies as potential employers, ended in July.
In the area of inclusive education programmes, during the year the partnerships were strengthened with leading Italian universities and schools (over 1,000 schools and around 4,200 students in 2022), to support merit and social mobility, and the School4Life project was launched to combat early school leaving, with companies and schools working closely with students, teachers and families. Another important initiative is "Tesi in Azienda", which is aimed at guiding students in choosing the most relevant subjects in the world of work and which involved around 150 students in 2022.
The Digital Re-start programme implemented by the Private Banking Division is also aimed at training and reintegrating unemployed people aged between 40 and 50 into the labour market, by funding 75 scholarships for the masters course in data analysis. There were a total of 50 participants in the first two editions that ended in 2022, with 29 having found new jobs, and the third edition is now underway.
Intesa Sanpaolo has always been attentive to the issues of inclusion and the fight against poverty, and one of the main objectives of the new Plan is the expansion of the food and shelter programme for people in need, which will enable the implementation of over 50 million interventions, providing concrete help in Italy and abroad. During the year, over 21.3 million interventions were carried out (also in support of the humanitarian emergency in Ukraine), including 15.9 million meals, over 2.2 million dormitories/beds, around 3 million medicine prescriptions, and around 264 thousand items of clothing.
The Plan's initiatives, dedicated to the needs of the people and communities in which the Group operates, include one of the most extensive social housing projects in Italy, aimed at young people and the elderly, which will create social housing and accommodation (around 6,000-8,000 units over the Plan period) for students or young workers and for seniors on low incomes. The design of the initiative was completed in 2022 and the implementation phase of the project for the achievement of the objectives will begin shortly.

Financial inclusion and support to production

In 2022, Intesa Sanpaolo's support to the Italian economy was again incisive, with the Bank providing over 81 billion euro of new medium/long-term lending to the real economy, of which over 58 billion euro in Italy. In addition, Intesa Sanpaolo made available 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 over the period 2021-2026.
The Group's 2022-2025 Business Plan envisages major initiatives in the area of social inclusion, which is a key factor in achieving a fair and inclusive transition. Specifically, it has committed to providing new social lending of around 25 billion euro in support of non-profit activities and vulnerable people who have difficulty accessing forms of credit or have been affected by natural disasters, as well as urban regeneration. Over 9.3 billion euro was disbursed in 2022 for social lending and urban regeneration.
These included in particular the loans provided in support of non-profit organisations totalling 339 million euro and 53 million euro funds made available within the Fund for Impact, which provides direct support to households and individuals to ensure broader and more sustainable access to credit, with dedicated programmes such as: "per Merito", the first unsecured credit line dedicated to all university students, "Mamma@work", a subsidised loan aimed at working mothers to help balance motherhood and work in the early years of their children's lives, "per Crescere", for the training and education of school-age

children aimed at vulnerable families, "per avere Cura", to support families caring for non-self-sufficient people, and other solutions (e.g. "Obiettivo Pensione", "per Esempio" and "XME StudioStation").
Lastly, in the new Business Plan loans were announced for urban regeneration, including interventions in sustainable infrastructure and services, hospitals, broadband networks and smart mobility. In 2022, Intesa Sanpaolo made commitments for over 616 million euro of new loans to support investments in student housing, services and sustainable infrastructure, in addition to the most important urban regeneration initiatives underway in Italy. Academic initiatives have also been promoted for the development of ESG valuation methods for the impact of urban regeneration interventions.

Commitment to Net-Zero and management of climate change risk

As a sign of its commitment to combating climate change, Intesa Sanpaolo has chosen to pursue the "Net Zero" by 2050 target – for its own emissions, for its lending and investment portfolios and for its asset management and insurance business – by joining all the Net-Zero alliances promoted by the UNEP Finance Initiative: NZBA, NZAMI, NZAOA and NZIA.
In the 2022-2025 Business Plan, the Group has set the reduction targets for 2030 emissions aligned to Net-Zero for the oil & gas, power generation, automotive and coal mining sectors, which, at the time of publication in February 2022, represented over 60% of the financed emissions of the portfolio of non-financial companies in the sectors identified by the NZBA. In relation to the targets described above, the Group has drawn up its first transition plan, in compliance with the requirements of the NZBA and following the guidance from the Glasgow Financial Alliance for Net-Zero (GFANZ).
Intesa Sanpaolo is also committed to bringing its own emissions to Net-Zero in 2030, also by purchasing 100% energy from renewable sources in the Group (this target was already achieved in Italy in 2021).
In 2022, Intesa Sanpaolo also worked to obtain the validation of the emission reduction targets from the "Science Based Target initiative" (SBTi), a partnership between CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI), and the WWF. The SBTi certifies targets as "science based" if they are in line with the latest scientific evidence for achieving the goals of the Paris Agreement.
In October 2022, the wealth management companies Eurizon Capital SGR, Fideuram Asset Management SGR, Fideuram Asset Management Ireland and the Intesa Sanpaolo Vita Insurance Group also published their first interim targets, aimed at achieving net greenhouse gas neutrality of the assets under management by 2050. The targets will be monitored and extended in line with the requirements of the various Net-Zero initiatives.
The Bank has also joined various task forces of the Net-Zero Alliances and the Glasgow Financial Alliance for Net-Zero (GFANZ), contributing to important publications and case studies (Intesa Sanpaolo's targets were included in the first "NZBA 2022 Progress Report" as case studies on target setting and transition finance). In June 2022, Intesa Sanpaolo became an investor signatory of CDP and in October Eurizon signed up to the CDP Science-Based Targets campaign, further promoting transparency on climate and environmental issues. In November 2022, Intesa Sanpaolo attended COP27, the UN Climate Change Conference, in Sharm El Sheik, as the only Italian bank.
Intesa Sanpaolo's climate strategy is based on a clear awareness of the risks and opportunities associated with climate change. The range of risks and opportunities related to climate change are identified and analysed by Intesa Sanpaolo's CFO Area and CRO Area, with the support and involvement of the various Governance Areas and Divisions, where relevant, in order to integrate them into the normal risk assessment and monitoring processes (which lead to the management of climate risk, in the form of mitigation and adaptation) and credit strategies.
The management of the enterprise risk is implemented through the overarching Risk Appetite Framework (RAF).
For a more detailed description of the climate change risks and their integration into the Group's RAF, see Part E of the Notes to the consolidated financial statements.

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 reached almost 20.6 billion euro in 2022, 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 over 37% of the economic value generated, for a total of 7.7 billion euro. In addition to staff pay, the total also includes payments to the network of financial advisors, together with 77 million euro in bonuses paid to the Group's non-executive staff to mitigate the impact of inflation;
- suppliers received around 14% of the economic value generated, for a total of 2.8 billion euro in payment for goods and services;
- The Government, Organisations and Institutions recorded a total flow of funds of over 2.2 billion euro, around 11% of the economic value generated, of which over 1.1 billion euro referring to indirect taxes and duties, and over 800 million euro to levies and other charges concerning the banking industry, consisting of contributions to resolution and guarantee funds. There were also numerous social and cultural initiatives and other actions taken also to support the charity funds and issue disbursements by way of social and cultural contributions;
- over 16% 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 3.4 billion euro. Specifically, the proposed remaining dividend is 1,648 million euro (after the 1,400 million euro interim dividend paid in November 2022, for a total of 3,048 million euro from the 2022 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, of around 4.4 billion euro, was withheld by the corporate system and mainly comprises amortisation and depreciation, deferred tax assets and liabilities, allocations to reserves, and provisions for risks and charges.

Economic value	millions of euro	
Economic value generated	**20,575**	**100.0%**
Economic value distributed	**-16,168**	**78.6%**
Employees and other staff	-7,718	37.5%
Suppliers	-2,823	13.7%
Government, Organisations and Institutions, Community	-2,244	10.9%
Shareholders, Holders of equity instruments and Third Parties	-3,383	16.5%
Economic value retained	**4,407**	**21.4%**

ECONOMIC VALUE IN 2022

* * *

With regard to the aspects relating to the Group's people and innovation, digital transformation and cybersecurity, see paragraph The 2022-2025 Business Plan above.
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.
In addition, as already illustrated above, Intesa Sanpaolo supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) by publishing the TCFD Report, which includes specific climate disclosures in accordance with those recommendations.
Lastly, from 31 December 2022, the Pillar 3 document contains the ESG disclosure required by Article 449a CRR.

Progetto Cultura

Progetto Cultura is the multi-year programme of initiatives through which Intesa Sanpaolo actively expresses its commitment to promoting art and culture, 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 major public and private, national and international institutions and museums. The cultural sector has been acknowledged as playing a key role in fostering more innovative, sustainable, and inclusive societies. In this regard, Progetto Cultura – an integral part of the Business Plan and one of the Group's identifying features – is a key factor in consolidating Intesa Sanpaolo's leadership in ESG and strengthening its position as an impact bank.

Gallerie d'Italia

Gallerie d'Italia is Intesa Sanpaolo's museum network with four venues: Milan, Naples, Turin and Vicenza.

New museum venues in Naples and Turin
In May 2022, the Gallerie expanded with the creation of the new venue in Naples and the opening of the fourth museum in Turin. The two major architectural projects, under the direction of Michele De Lucchi, transformed two of the Bank's historic buildings into museums, the former Banco di Napoli building in Via Toledo and Palazzo Turinetti in Piazza San Carlo.
The Gallerie d'Italia in Naples has trebled the spaces available compared to the previous venue, putting it on a par with the major national and international museums. The exhibition offering ranges from archaeology to contemporary art and is divided into three thematic itineraries on the first and second floors, with a total of over 690 artworks from the Intesa Sanpaolo collections. The exhibition "From Caravaggio to Gemito" (curated by Fernando Mazzocca) presents paintings and sculptures from Naples and southern Italy from the beginning of the 17th to the early 20th century, including Caravaggio's masterpiece the *Martyrdom of St. Ursula*. Also on display, for the first time in its entirety, is the collection of Attic and Magna Graecia pottery consisting of around 500 artworks, and a collection of vases is presented in a dossier exhibition linking them to artefacts from the National Archaeological Museum in Naples (curated by Fabrizio Paolucci). The third itinerary is dedicated to the collection of modern and contemporary art, exhibited in rotation: the first display (curated by Luca Massimo Barbero) features a selection of artworks including Fontana, Burri, Richter and Sol LeWitt. The spacious entrance foyer leads to the large central hall used for temporary exhibitions and cultural initiatives, while the first floor houses teaching rooms and a library.

The identity of the Gallerie d'Italia in Turin is linked to photography, the digital world and the culture of the image, to which three vast underground floors are dedicated, accessible via a staircase that has already become a new "icon" of the city. Photography plays the leading role as a tool for investigating current events (through exhibitions commissioned by the Bank, with a particular focus on ESG issues), as a historical document (with the promotion of the Intesa Sanpaolo Publifoto Archive and the exhibition "Great Italian Photography"), and as a source of reflection (through discussions and studies). The Publifoto Archive – consisting of 7 million images from the 1930s to the 1990s – is available to scholars and researchers and is housed in a room with a glass wall that allows visitors to observe the archivists at work. An interactive wall (Archivio Vivo) has also been installed, which currently provides access to 15,000 digitised photos. The underground spaces also house a large immersive hall (40 x 14 m, 17 4k projectors) and teaching rooms. On the upper floor, in the rooms richly decorated in the late Baroque style, a set of 41 artworks from the Group's art collections from the 14th to the 18th century is on display (curated by Fernando Mazzocca, Alessandro Morandotti and Gelsomina Spione), including the nine 17th-century paintings from the ancient Oratory of the Compagnia di San Paolo.
The opening of the two new venues was accompanied by the creation of new museum brand identity, with the launch of the new logo, designed by architect De Lucchi under the supervision of President Emeritus Giovanni Bazoli, as an "Iconic and universal sign, capable of representing not only a comprehensive museum system, but also an identity, a sense of belonging and a philosophy".

Visitors
In 2022, the Gallerie d'Italia welcomed almost 480,000 visitors. Admission is free up to the age of 18.

Exhibition projects: permanent collections, temporary exhibitions, and exhibitions in other venues
The Gallerie d'Italia host a selection of over 35,000 artworks from Intesa Sanpaolo's art collections in prestigious historic buildings. In 2022, the exhibition itineraries were set up in the new museums in Turin and Naples. The Vicenza permanent collections were involved in two promotion projects: the addition of the "Seeing the Invisible" section dedicated to Russian icons, with a focus on the theme of Orthodox festivals, including 18 panels from the 17th and 18th centuries; and the new display of *The Fall of the Rebel Angels*, a precious 18th-century marble sculpture recently attributed to Francesco Bertos. In Milan, a plan is being drawn up for the exhibition and promotion of the Agrati collection, one of the most prestigious private collections of contemporary art in Italy and the world, now part of the Group's art assets.
The Gallerie d'Italia propose temporary exhibitions based on original scientific projects, produced with the support of leading curators, in partnership with national and international museums, and featuring loans from all over the world (as well as artworks from the Group's own collections).
The first half of the year saw the continuation of 7 exhibitions inaugurated at the end of 2021: *Grand Tour* (in Milan); *Venezia che impresa! (Venice, what a feat!)*, the first exhibition of *Argilla (Clay)* and *Valery Koshlyakov* (in Vicenza); two exhibitions dedicated to the Publifoto Archive, *Prima della prima* (in Milan) and *Come saremo (How we will be)* (in Vicenza); and *Cima da Conegliano* (at the Skyscraper in Turin).
Starting from May, 14 exhibitions were opened:
In Milan: *I Marmi Torlonia. Collezionare capolavori (The Torlonia Marbles. Collecting Masterpieces)*, curated by Salvatore Settis, Carlo Gasparri, in collaboration with the Ministry of Culture-Special Superintendency of Rome and the Torlonia Foundation; *Dai Medici ai Rothschild*. *Mecenati, collezionisti e filantropi (From the Medici to the Rothschilds. Patrons, collectors, philanthropists)*, curated by Fernando Mazzocca and Sebastian Schütze, in partnership with Alte Nationalgalerie in Berlin and Musei del Bargello in Florence; *Collezione Henraux 1960-1970 (Henraux Collection 1960-1970)*, curated by Edoardo Bonaspetti, in partnership with Fondazione Henraux; and *Matthias Schaller*. *Das Meisterstück*; *Gabriella Benedini*. *Athanor*, curated by Paolo Bolpagni.
In Naples: *La fragilità e la forza (Fragility and strength)*, the final exhibition of the 19th edition of *Restituzioni* curated by Carlo Bertelli, Giorgio Bonsanti and Carla Di Francesco, under the High Patronage of the President of the Italian Republic; and *Artemisia Gentileschi a Napoli (Artemisia Gentileschi in Naples)*, curated by Antonio Ernesto Denunzio and Giuseppe Porzio, with special advisor Gabriele Finaldi, in partnership with the National Gallery, London.
In Turin: *Paolo Pellegrin. La fragile meraviglia. Un viaggio nella natura che cambia (Paolo Pellegrin. Fragile wonder. A Journey into a changing nature),* curated by Walter Guadagnini with the contribution of Mario Calabresi; *Dalla guerra alla luna 1945-1969. Sguardi dall'Archivio Publifoto Intesa Sanpaolo (From the war to the moon 1945-1969. Views from the Intesa Sanpaolo Publifoto Archive)*, curated by Giovanna Calvenzi and Aldo Grasso; *Lisetta Carmi*. *Suonare forte (Lisetta Carmi. Playing loud)*, curated by Giovanni Battista Martini (first exhibition of the "Great Italian Photography" series curated by Roberto Koch); and *Gregory Crewdson. Eveningside*, curated by Jean-Charles Vergne.
In Vicenza: *Christoph Niemann*. *Illustrissimo*, in collaboration with Festival Illustri; *Pigafetta e la prima navigazione attorno al mondo (Antonio Pigafetta and the first voyage around the world)*, curated by Valeria Cafà and Andrea Canova, in collaboration with the City of Vicenza, Associazione Pigafetta 500, the National Committee for the celebrations of Antonio Pigafetta, and Università Cattolica del Sacro Cuore; and *Argilla*. *Storie di viaggi (Clay. Stories about Journeys)*, second installation of the educational exhibition project mainly focused on inclusion, curated by Monica Salvadori, Monica Baggio and Luca Zamparo, in collaboration with the University of Padua - Department of Cultural Heritage under the MemO Project.
The production of exhibitions at venues other than the Gallerie d'Italia within partnership projects also included: during Miart, Milan: *Tra pennelli e immagini virtuali (From brushes to virtual images)* dedicated to five young emerging Italian artists, curated by Luca Beatrice, at Fiera Milano City, in collaboration with Intesa Sanpaolo Private Banking; during Artissima, Turin: exhibition of a set of Gregory Crewdson's photographs at the Oval Lingotto, in conjunction with the *Eveningside* exhibition at the Gallerie d'Italia in Turin (at the same time, presentation in the museum of the *Collective Individuals* video artworks exhibition curated by Leonardo Bigazzi); during Roma Arte in Nuvola: presentation of an installation by Francesca Leone in the new "La Nuvola" Convention Centre, in continuity with an exhibition on the artist hosted at the Gallerie d'Italia in Milan in 2021; during the International Festival of Photography Cortona On The Move, the exhibition *Transformations* in the Fortezza del Girifalco, with photographs by Walter Niedermayr dedicated to the architectural transformation of Palazzo Turinetti in Turin; and the co-production with Fondazione Cassa di Risparmio di Cuneo of the exhibition *Tiziano, Tintoretto, Veronese*. *I colori della fede*, curated by Giovanni Carlo Francesco Villa and father Gianmatteo Caputo, in the Complesso Monumentale di San Francesco in Cuneo in celebration of the thirty years of the Cuneo Foundation.

Educational and inclusive activities and cultural initiatives

A key part of the Gallerie d'Italia's programming is the relationship with schools and the theme of inclusion, with the proposal of activities – visit itineraries and workshops – aimed at students and people in situations of vulnerability, carried out with the support of Civita Mostre e Musei. In 2022, a total of 1,550 educational workshops were held involving around 33,000 children and young people from local schools of all levels, in addition to 260 programmes specifically created for vulnerable groups with the participation of 3,680 people living with disability and social hardship. All the educational activities are free.
In addition, 815 itineraries and activities for adults and families and 295 cultural events (meetings, workshops, book presentations, concerts, readings, press conferences), attended by a total of around 30,000 people, were organised during the year.
Over 120 young art historians work permanently at the Gallerie d'Italia, under the partnership with Civita Mostre e Musei.

Gallerie d'Italia kitchens

With a view to supporting Italian creativity, talent and excellence also in the area of gastronomy, the Gallerie d'Italia have opened their spaces to professional experienced chefs. In 2022, "Luminist", a bistro café of the chef Giuseppe Iannotti (2 Michelin stars), was opened in Naples; in Turin, the bistro café of the Costardi Bros, the Piedmontese brothers who are masters of risotto, was opened in within the historic "Caffè San Carlo"; and in Milan, the spaces of Vòce Aimo e Nadia (2 Michelin stars) were expanded with the addition of an exclusive room, "La Finestra sul Giardino di Alessandro".

Galleria di Palazzo degli Alberti in Prato and Casa Museo dell'Antiquariato Ivan Bruschi in Arezzo

The management of the two museum venues in Tuscany forms part of Progetto Cultura.
The Galleria di Palazzo degli Alberti in Prato was inaugurated in March 2022. Intesa Sanpaolo, the owner of the historic Palazzo degli Alberti, promoted and executed the reopening of the Gallery, responding to the request from the Superintendency of Florence, Pistoia and Prato of ensuring that the precious collection housed in the building (now owned by Banca Popolare di Vicenza in compulsory administrative liquidation and declared by the Ministry of Culture to be indivisible and bound to the building) be made available to the public. The museum, entrusted to Civita Mostre e Musei, is open to the public exclusively on weekends. Educational activities have been developed that will be offered to local schools in 2023.
The Casa Museo Ivan Bruschi in Arezzo, managed by Fondazione Bruschi, is now part of the Group's cultural and architectural assets as a result of the merger of UBI Banca. Opened in 2002, the museum is based in the medieval Palazzo del Capitano and promotes art and antiques. Around 8,000 artworks belonging to Ivan Bruschi are exhibited there. The museum also houses a set of Intesa Sanpaolo artworks on loan. In 2022, the Foundation celebrated 20 years since the opening of the museum with 7 temporary exhibitions, as well as lectures, concerts, theatre performances, book presentations and educational activities.

Restituzioni

Since 1989, Intesa Sanpaolo has been committed to safeguarding and promoting Italy's artistic and architectural heritage with *Restituzioni*, considered to be the largest restoration programme in the world, curated by the Bank together with the Ministry of Culture. In 2022, the 19th edition was completed, which enabled the restoration of over 200 artworks from over 80 museums, churches and archaeological sites throughout Italy, with the collaboration of 54 conservation bodies, 80 restoration laboratories and hundreds of art historians. As already mentioned, the final exhibition, *La fragilità e la forza*, was hosted in the new Gallerie d'Italia in Naples. The side events included a series of seminars on restoration in synergy with the Academy of Fine Arts of Naples. The 20th edition of *Restituzioni* was also launched, with the call open to 110 conservation bodies (hundreds of restoration project proposals have already been received to date). In the area of monumental *Restituzioni*, two major Renaissance artworks were recovered: the restoration was completed and officially presented of the monumental painting *Cena di san Gregorio Magno* by Paolo Veronese, kept in the Sanctuary of Monte Berico in Vicenza (accompanied by a programme of guided tours of the site and conferences entitled *Aspettando Veronese*); and restoration work was carried out on the marble monument *Madonna del Parto* by Jacopo Sansovino kept in the Basilica of Sant'Agostino in Campo Marzio in Rome.

Art Assets

The Group's art collections contain around 35,000 artworks. Due to its size, completeness and quality, 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 it with the public.

Restoration

In 2022, a total of 197 of the Bank's art assets were restored (the artworks included in the itineraries of the new Gallerie d'Italia in Turin and Naples, 25 marble sculptures from the "Henraux collection" and 10 paintings from the Bigongiari collection formerly belonging to the Cassa di Risparmio di Pistoia e Pescia, in addition to part of the artworks loaned for temporary exhibitions). From a sustainability perspective, the restorations are carried out using innovative and environmentally friendly products.

Promotion

The promotion of the Group's art assets takes place primarily within the museum itineraries at the Gallerie d'Italia, whose exhibition projects in 2022 have been described above.

Artwork Loans
The Bank's artworks are regularly requested on loan for temporary exhibitions by museums and national and international institutions. During the year, 277 artworks participated in 61 exhibitions in Italian venues (including Palazzo Reale, Milan; Galleria Nazionale d'Arte Moderna-Ca' Pesaro, Venice; Mart, Trento and Rovereto; and Centro per l'arte contemporanea Luigi Pecci, Prato) and in international venues (such as Petit Palais, Paris; Rijks Museum, Amsterdam; and Hauser & Wirth Gallery, New York).

Loans for use
One of the ways for ensuring that artworks are available to the public is through loans for use, and five new loans were agreed in 2022 (with BPER Banca; Fondazione Bruschi, Arezzo; the Museo Diocesano Carlo M. Martini-Fondazione Sant'Ambrogio per la cultura cristiana, Milan; the Municipality of Castellamonte, Turin; and the Fondazione della Comunità Bergamasca) for a total of around 60 artworks.

Exhibition displays in the Bank's premises
Two projects were carried out in collaboration with the Real Estate and Logistics Department:
– offices of Fideuram - Intesa Sanpaolo Private Banking: 18 branches and two buildings in Florence of particular historical-architectural interest were fitted out, based on specific studies designed to jointly promote the buildings and the artworks, selected according to their chronological, geographical and historical-artistic relevance;
– Intesa Sanpaolo House, the Group's offices in Luxembourg: artworks by leading 20th century Italian artists and emerging artists, selected from the Bank's modern and contemporary art collections, were displayed at an event presenting Progetto Cultura and the corporate collection organised in collaboration with Intesa Sanpaolo Bank Luxemburg, the IMI Corporate & Investment Banking Division, the Italian Embassy in Luxembourg and the Cavour Foundation.

Promotional initiatives throughout Italy
Initiatives were organised in various cities across the country to promote parts of the Group's collections of particular relevance to the history and identity of their communities, organised in collaboration with local institutions, including:
– exhibition projects in the Pistoia venues of Fondazione Pistoia Musei-Fondazione Cassa di Risparmio di Pistoia, with artworks formerly belonging to Cassa di Risparmio di Pistoia e Pescia (now belonging to Intesa Sanpaolo, on loan to Fondazione Caript), consisting of the new layout of the "Collezioni del Novecento" in Palazzo De' Rossi and the exhibition *In fabula*. *Capolavori restaurati dalla collezione Bigongiari* in the Antico Palazzo dei Vescovi;
– the exhibition *Collezione Henraux 1960-1970* in Querceta di Seravezza (Lucca) at the Henraux Foundation, which brings together sculptures from the historic Henraux collection, including a set of 19 marble sculptures from the Intesa Sanpaolo collections;
– the new display at the Royal Palace in Naples of the 18th century nativity scene formerly belonging to the Banco di Napoli (now belonging to Intesa Sanpaolo, on loan to the local Superintendency);
– the exhibition *Habitat*. *Le forme e i modi della Natura* dedicated exclusively to a selection of 40 artworks from the Intesa Sanpaolo Group's modern and contemporary art collections, displayed at Palazzo Bisaccioni in Jesi, the historical headquarters of Cassa di Risparmio di Jesi (now part of the Group) and current headquarters of Fondazione Cassa di Risparmio di Jesi.

Diogene Project.
The Diogene Project is the assessment programme launched in 2019 that involves the verification of the location, state of preservation and clustering of the artworks making up the Bank's art assets – divided into two classes, the "valuable art assets" (around 9,000 assets) and the "other assets of historical and decorative interest" (around 24,000 assets) – located in the Bank's various premises inside and outside Italy. The following were completed in 2022: the assessment of the former UBI Banca art assets (around 5,000 assets, of which over 600 valuable art assets); the analysis of Intesa Sanpaolo's asset register relating to the "other assets of historical and decorative interest" class; and the assessment of Intesa Sanpaolo's "other assets of historical and decorative interest" present in the Milan, Turin and Sarmeola storage facilities. Assessments are currently being carried out on the decorative elements and art assets housed in 83 Intesa Sanpaolo buildings and 20 former UBI buildings.

Fair Value and Art Advisory
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, conducted together with the Administration and Tax Department. The related scenario analyses were carried out during the year. Investigations (provenance, attribution, etc.) were conducted on both the "valuable" artworks and "other assets of historical and decorative interest", focusing on impairment (also in support of the Diogene Project). Work continued on the management of new acquisitions resulting from market purchases or donations (in particular the artworks that entered the collection following the photographic exhibitions at the Gallerie d'Italia - Torino), accompanied by the constant analysis of new acquisition proposals. The Bank's collections were promoted through project initiatives at prestigious market events such as the contemporary Miart, Artissima and Arte in Nuvola art fairs, in collaboration with and in support of the Group's Art Advisory activities.

"Energy Lines" conference.
The 6th edition of the "Energy Lines" conference programme dedicated to the topic of restoration of contemporary artworks took place in 2022, in collaboration with Fondazione Centro Conservazione e Restauro La Venaria Reale and IGIIC-Italian Group International Institute for Conservation. The new edition, held online on the Artissima platform in Turin, was an opportunity to reflect on the restoration and archiving of photographic materials.

Historical archive

Intesa Sanpaolo's Historical Archive, one of the most important bank archives in Europe, holds 20 kilometres of documents from 1380 to the early 2000s, and, among the photographic collections, it manages the Publifoto Archive. It is responsible for the preservation, cataloguing, promotion and public use of the extensive archive collections inherited from the banks that have merged into the Group.

New acquisitions, protection, conservation and restoration

In 2022, the work on the former UBI Banca archives led to the acquisition of additional documentation (2,587 boxes and 250 historical registers) and the work on the other Group archives resumed, with the acquisition of 106 boxes and 460 registers/documents. The acquisitions also involved photographs (6,113), museum items (771) and books (the database increased by 2,959 bibliographic records in the year).

Around 22,000 new documents were uploaded through the innovative PAD-Digital Archives Project, which guarantees the long-term preservation of digital documents from the Bank's various structures, and work continued on the restoration of past documents of historical interest (from the Training, Internal Communications, and Research structures)

The restoration involved around 1,870 items made up of photographs, documents, objects and volumes.

Inventorying and cataloguing

The inventorying of the former UBI Group archives concerned 1,798 boxes, 749 folders, 1,016 registers/documents, and 2,362 record cards, along with 1,014 boxes, 7 metres of registers, 338 items, and 490 record cards for the Group's other archives.

The following inventory projects continued: *Carte dei Vertici* (3,600 record cards); *Carte Personale Comit e Cariplo* (785 record cards and 195 folders); *Fondo dell'ufficio Cause e Procedimenti del Servizio Legale e Tributario della Comit* (313 files); *Patrimonio IMI* (473 folders); and *Carte dell'arte*, dedicated to the search for documents relating to the Group's art assets (inventorying of 131 folders and indexing of 32 record cards for 51 reports processed).

The Historical Map, the digital environment that reconstructs the history of the Group's banks, was updated (278 banks covered in 2022).

Online consultation, study rooms and research activities for the Departments

The approximate figures for the consultation sites were around 51,000 visits for the inventory publication site, 12,000 for the Historical Map and 6,700 for the World Map.

The study rooms of the Archives in Milan and Rome were open, with 305 in-person consultation days, 69 remote users, 203 study requests and 40 theses in progress in the year 2022.

The projects that use the innovative LOD-Linked Open Data for data publication continued, namely *Fondo EGELI*, the data on the confiscation of Jewish property during the Nazi-Fascist persecution (5,271 record cards), and *Archivi che imprese!*, the data sources on loans to industry in the 20th century (11,733 record cards). An informational video on the LODs was produced and presented for the first time at the European Association for Banking History's international workshop entitled *Digital rebirth of historical datasets*.

Other important work included the search for documents in support of other Departments and International Subsidiary Banks, as well as the scale back activities with the Real Estate Department – emptying and disposal – for the offices and archives in the former UBI premises (Bergamo, Brescia, Jesi), the Group's premises or external storage facilities.

Promotion

The materials of the Historical Archive were promoted during the exhibitions *Dai Medici ai Rothschild* (at the Gallerie d'Italia in Milan, in the section dedicated to Raffaele Mattioli), *Quando lo spazio è arte* (at the Gallerie d'Italia in Milan, as part of MuseoCity), *Storie restituite* (in the Municipality of Bollate, dedicated to the Fondo Egeli); in the podcasts *L'ebreo onorario* as part of the Holocaust Memorial Day; and at the Festivaletteratura in Mantua, the Festival della Cultura Americana in Rome, and the Archivi Aperti event in Milan.

Two transfers were completed: the precious library of the Monte di Pietà in Milan was transferred to the Fondazione Banca del Monte di Lombardia and the archives of the Cassa di Risparmio di Tortona were transferred to the Fondazione Cassa di Risparmio di Tortona.

The collaborations continued with archives, cultural institutions and universities on projects promoting and enhancing the data sources, including Fondazione Einaudi in Rome and Fondazione 1563 per l'Arte e la Cultura in Turin. The research project with La Sapienza University of Rome in collaboration with the University of Buenos Aires entitled *Italy/Argentina, Argentina/Italy*, which also led to the staging of an exhibition at the Galata Museo del Mare in Genoa, was concluded.

Publifoto Archive

The Publifoto Archive has found a permanent home in the new Gallerie d'Italia in Turin, with over 100 pallets of material transferred from Milan to Turin, including 3,200 boxes of valuable vintage prints.

The materials of the Publifoto Archive also underwent restoration (990 photos), digitalisation (13,690) and publication in LOD format (10,000 record cards).

On the promotion front, the Publifoto images featured in exhibitions at the Gallerie d'Italia (in particular *Dalla guerra alla luna* in Turin) and were included in exhibitions at other venues (such as the Museo Nazionale Romano-Terme di Diocleziano in Rome and Palazzo Ducale in Martina Franca). Other important highlights included the Archivi Aperti event in Milan, the Archivissima festival and La Notte degli Archivi in Turin, in addition to the *Update*. *Formarsi con gli archivi* series of meetings organised by Archivissima and hosted at the Gallerie d'Italia in Turin, which showcases the Publifoto Archive alongside other archives.

Art & People Project

The Bank's historical-artistic assets are a valuable resource to be used for the benefit of the community as a whole, as well as specifically for the Bank's employees. This is the philosophy behind the Art & People project, in which the Art, Culture and Historical Heritage Department collaborates with the Bank's other structures in planning initiatives for Intesa Sanpaolo's employees (in 2022: "Insuperabili con Arte" in collaboration with Disability Management and the cross-functional working group "inSUPERabili"; "Art Experience" in collaboration with Talent Management; and "Arte e inclusione" in collaboration with Diversity & Inclusion and the ISProud Community).

Digital promotion

The new website gallerieditalia.com was unveiled, updated in terms of graphics and content, with the live release of the platform in synergy with the current standards of Intesa Sanpaolo's own websites.
Initiatives have been produced on the web and social channels of Gallerie d'Italia and the Group to promote exhibitions, the Bank's art assets and archive collections, the cultural partnerships and other Progetto Cultura events, which help in reaching a wider public and fostering inclusion, and provide additional insights. There was a good response in terms of views and interactions[40].
Alongside the activities on the Gallerie d'Italia and the proprietary platforms, the work involved the dissemination of content on the company intranet to increase staff engagement (115 news items, 19 articles on Mosaico and Mosaico International, and 31 clips).
For the projects of the new museum sites, the Gallerie d'Italia App has been developed – currently for the Turin site – containing a digital guide that provides an "enhanced" visitor experience offering information, exclusive content and information accessible to different target audiences (4,500 downloads).

National and international partnerships

Progetto Cultura maintains a network of partnerships with major Italian organisations, to support their activities, as well as the joint production of initiatives, within relationships increasingly based on synergy and sharing. Below are some of the main collaborations carried out during the year, based on dialogue and shared work with bank foundations, local authorities, superintendencies, universities, museums and cultural institutions in Italy.

– An agreement has been signed through which Intesa Sanpaolo will be the main partner of the "Bergamo Brescia Italian Capital of Culture 2023" event alongside the Bergamo Brescia Committee (composed of the Fondazione Cariplo, the Foundations of the Comunità Bresciana and the Comunità Bergamasca, and the Municipalities of Bergamo and Brescia). On 2 March 2022, the Gallerie d'Italia in Milan hosted the presentation of the planning dossier "La città illuminata" attended by the Minister Dario Franceschini, organised with the support of the Bank and curated by the ASK Research Centre of the Bocconi University.
– The Bank is the main partner of the most important modern and contemporary art fairs in Italy, including Miart in Milan (26th edition in 2022), Artissima in Turin (29th edition), Roma Arte in Nuvola in Rome (2nd edition), and the International Festival of Photography Cortona On The Move, which it participates in by contributing its own original content (see *Gallerie d'Italia - Exhibition Projects*).
– Numerous collaborations are in place with prestigious Italian museums to support exhibitions and activities: Castello di Rivoli Museo d'Arte Contemporanea in Rivoli; Palazzo Strozzi in Florence (in particular, the Bank was the main partner of the major exhibition *Donatello. Il Rinascimento*); the National Archaeological Museum and the Museo e Real Bosco di Capodimonte in Naples, Pinacoteca di Brera and Museo Poldi Pezzoli in Milan; and Fondazione Torlonia in Rome. The exhibitions include those of Fondazione Cassa di Risparmio di Forlì in the Musei di San Domenico in Forlì (*Maddalena* in 2022); of Fondazione Cassa di Risparmio di Padova e Rovigo in the Palazzo del Monte di Pietà in Padua and Palazzo Roverella in Rovigo (*Kandinskij; L'occhio in gioco; Robert Capa*); of the Municipality of Vicenza as part of the "Grandi Mostre in Basilica Palladiana" exhibition (*I creatori dell'Egitto eterno*, in collaboration with the Egyptian Museum in Turin); of the City of Milan in the city hall of Palazzo Marino every Christmas (*La carità e la bellezza*); as well as the *Raffaello* exhibition at the Musei Reali in Turin and the *Michelangelo* exhibition at the Gallerie dell'Accademia in Florence (in collaboration with Intesa Sanpaolo Innovation Center). In addition, under a multi-year plan in cooperation with Compagnia di San Paolo, support was provided to the Fondazione Museo delle Antichità Egizie, Fondazione 1563 per l'Arte e la Cultura, Polo del '900 and Filarmonica Teatro Regio in Turin, as well as to the international study conference "Il genio universale di Canova" (in Possagno, Bassano del Grappa and Vicenza).
– As part of the promotion of books and reading, support was provided to the Turin International Book Fair (34th edition) and related initiatives ("Un libro tante scuole" and "Portici di carta"), as well as Circolo dei lettori in Milan and La Grande Invasione-Festival della lettura in Ivrea (10th edition).

[40] The most significant initiatives (data provided by the Communication and Corporate Image Department) included: social and digital content (organic on the Bank's channels, adv campaign): *Promotion of the new Gallerie d'Italia-Torino and inaugural exhibitions Pellegrin, Dalla guerra alla luna*): 35.2 million impressions, 1.2 million interactions; *Promotion of the new Gallerie d'Italia-Napoli*: 26.6 million impressions, 734 thousand interactions and *Restituzioni Inaugural Exhibition*: 324 thousand impressions; *Pigafetta Exhibition*: 4.7 million impressions, 2.7 thousand interactions; *Crewdson Exhibition*: 25.3 million impressions, 17.4 thousand interactions; *Torlonia Exhibition*: 18 million impressions, 2.5 million interactions; *Artemisia Exhibition*: 23.5 million impressions, 26.2 thousand interactions; *#INSIDE* (*seminars on the themes of the exhibitions of Gallerie d'Italia-Torino/Naples*): first half: social content and web adv: 7.8 million impressions; second half, focus on live appointments in Turin: social adv content: 7.9 million impressions; *Executive Course in Management of Artistic and Cultural Heritage and Corporate Collections*: 2nd edition: 16.7 million impressions; 3rd edition launch: 12.7 million impressions; *Partnership with Artissima and Miart*: 69.3 thousand impressions and Amplify promotion 156.4 thousand views; *various accessibility and inclusion initiatives at the Gallerie d'Italia*: organic content on the Bank's channels: 120.4 thousand impressions, Amplify promotion 300 thousand views.

- In the area of photography, in addition to the Cortona Festival, the initiatives included support for CAMERA-Centro Italiano per la Fotografia (of which the Bank is a founding partner), the ATP 50 Game Changing photography exhibition organised by the City of Turin during the Nitto ATP Finals, the first edition of the prize for young photographers organised by the Paul Thorel Foundation of Naples, and the signing of a memorandum of understanding for the staging of an international photography festival in Turin starting from 2023.
- For the promotion of the archive collections, support for the Archivissima Festival and La Notte degli Archivi in Turin (5th edition) and Museimpresa-Associazione Italiana Archivi e Musei d'Impresa.
- Intesa Sanpaolo supports projects for the restoration and redevelopment of public spaces and monuments through donations in the form of art bonuses, including, for 2022: restoration and expansion of the Pollini Conservatory in Padua (with Fondazione Cassa di Risparmio di Padova e Rovigo and the Municipality of Padua); refurbishment of the Teatro Ringhiera in Milan (with Fondazione Cariplo and the Municipality of Milan); support for the international competition for the restyling of the Artemio Franchi Stadium in Florence (with Fondazione Cassa di Risparmio di Firenze and the Municipality of Florence); restoration of the historic garden of the Bonoris Castle in Montichiari; maintenance of the Municipal Castle in Barolo (through participation in the charity auction "Barolo en primeur" promoted by the Fondazione Cassa di Risparmio di Cuneo).
- The Group also participated in social projects, including the restyling of the social areas of the Neonatal Intensive Care Unit of the University Neonatology Complex of the Sant'Anna Hospital in Turin (the "Spazi Neonati" project of the Città della Salute e della Scienza di Torino), and in various initiatives in favour of non-profit associations (AGDP-Associazione Genitori e Persone con sindrome di Down, Milan; Fondazione Theodora, Milan, in support of children in hospital; and Fondazione Piemontese per la Ricerca sul Cancro).

Also worth noting are the international collaborations (in synergy with International Affairs), with a view to cultural diplomacy and in line with the Group's international orientation. These include the partnership with the National Gallery in London for the implementation of the cultural project and exhibition dedicated to Artemisia Gentileschi; the exhibition of a 17th century Flemish painting in the Intesa Sanpaolo collection in the residence of the Italian Ambassador in Belgium, to mark the "Italy-Belgium reinforced political dialogue"; and the promotion, with an event at the Italian Embassy in Paris, of the painting by Giovanni Boldini in the Intesa Sanpaolo collection on loan for the exhibition at the Petit Palais.

Training and projects for young people

Progetto Cultura devotes initiatives to young people that take the form of expressive and educational opportunities related to professions in the world of art and culture.
Within the "Gallerie d'Italia Academy", the second edition was held of the Executive Course in the "*Management of artistic-cultural assets and corporate collections*" (with Fondazione Compagnia di San Paolo and Fondazione Cariplo, Intesa Sanpaolo Formazione, Fondazione 1563 per l'Arte e la Cultura, Ministero della Cultura-Fondazione Scuola dei beni e delle attività culturali): over 440 applications, 30 participating students, 8 scholarships provided by the Foundations, 60 lecturers, and 162 hours of lessons (in person, in the Gallerie d'Italia venues, and via webinar). The third edition of the course, which will take place in 2023, was also launched (over 150 applications have already been received).
Among the initiatives of "Officina delle Idee", the following continued: the "Euploos Project" in collaboration with Gallerie degli Uffizi in Florence, which involves a multidisciplinary work group made up of young art historians, photographers and computer scientists, for the creation of a digital catalogue of the 70,000 drawings preserved by the Gabinetto dei Disegni e delle Stampe degli Uffizi (1,754 scientific record cards and 3,250 photographs published in 2022); the educational projects involving the provision of the Bank's artworks to the Laboratorio per il Restauro dei Disegni e delle Stampe at the Fondazione Centro Conservazione e Restauro "La Venaria Reale", as part of the Degree Course in Conservation and Restoration of Cultural Assets at the University of Turin (50 works from the 20th century on paper, a collection of negatives from the Publifoto Archive and 23 historical machines from the Historical Archive collections were restored in 2022). New initiatives were launched: two research projects dedicated to the enhancement of the primary sources of the Historical Archive entrusted to two young researchers from the University of Milan and the University of Genoa; and a three-year project involving students from the Photography Course at the IED-Istituto Europeo di Design in Turin, invited to document the impact of the new Gallerie d'Italia on the local area (the first stage, entitled *Sono qui*. *Bureau Metamorfosi*, concluded in 2022 with the exhibition in the Portici of Piazza San Carlo of a selection of 26 photos taken by 21 students).

Publishing and musical initiatives

The publications for the initiatives of Progetto Cultura are made by Edizioni Gallerie d'Italia - Skira. In 2022, a total of 16 volumes were published, including exhibition catalogues, the multimedia series Vox Imago (now in its 19th edition with Verdi's Macbeth), photography books (*Fotografia*. *Due secoli di storia e immagini* curated by Walter Guadagnini and *A Time of Distance* in collaboration with Cortona On The Move), research projects and studies on collections (including the second edition of *Collezionisti e valore dell'arte in Italia* in collaboration with Intesa Sanpaolo Private Banking and the Research Department) and the "silent book" *La luna al museo* consisting solely of illustrations in a perspective of accessibility (produced in collaboration with the Ministero della Cultura-Fondazione Scuola dei beni e delle attività culturali).
Of note was also the release of the prestigious two-volume work *I presidenti e la presidenza del Consiglio dei ministri nell'Italia repubblicana* edited by Sabino Cassese, Alberto Melloni and Alessandro Pajno, in collaboration with Fscire-Fondazione per Le Scienze Religiose Giovanni XXIII published by Laterza with the support of the Bank.
The collaborations continued with major musical institutions for the organisation of concert seasons (Società del Quartetto, Milan; Palazzo Marino in Musica, Milan; Festival Milano Musica; Stresa Festival; and Festival L'arca di Noa in Arona). In the area of music education, training projects for young performers were promoted, with a focus on young people from disadvantaged groups, as well as specific initiatives for young listeners (*Esperienza Orchestra* with the Philharmonic

Orchestra of Teatro Regio in Turin, and programmes with Associazione Alessandro Scarlatti in Naples and the Società del Quartetto in Milan).

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.
In the introduction to this chapter, as usual, a summary description is provided of the macroeconomic situation (discussed in more detail in the specific chapter of the Report) with the main risks associated with the international geopolitical scenario to be read in conjunction with the forward-looking guidance contained in the chapter on the business outlook.
In accordance with the instructions contained in the ESMA public statement of 13 May 2022 and in the most recent public statement "European common enforcement priorities for 2022 annual financial reports" of 28 October 2022:

- a description is provided in this chapter of the aspects of risk for the ISP Group related to the military conflict between Russia and Ukraine, as well as the COVID-19 pandemic. Further information in this regard, referring in particular to the valuation impacts of the exposures to the two warring countries, is included in Part E – Information on risks and relative hedging policies of the Notes to the consolidated financial statements. Parts A, B, C and E of the Notes to the consolidated financial statements also contain the information required by the Bank of Italy Communication of 21 December 2021 concerning the additions to Circular 262 in relation to the impacts of COVID-19 and the measures in support of the economy;
- in light of the change in the scenario in terms of interest rates and inflation following the outbreak of the Russian-Ukrainian conflict, Part B of the Notes to the consolidated financial statements, in the paragraph on impairment tests, provides details of the management assessments regarding the scenario and earnings forecasts used at the end of 2022 in the fairness assessment of the values of the intangible assets and goodwill;
- 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 is contained as always in Part E of the Notes to the consolidated financial statements which also provides further information regarding climate risk. The main issues related to climate risk referred to in the recent ESMA public statement are reported in aggregate form in Part E of the Notes to the consolidated financial statements, while the more strictly strategic aspects are discussed in the paragraph above on "Sustainability and Group strategy on Environmental, Social and Governance issues" in this chapter of the Report on operations.

Lastly, with reference to the capital position, the related information is contained, in addition to the Report on operations, in the specific paragraph dedicated to own funds and solvency ratios, in Part F of Notes to the consolidated financial statements. As usual, further details are provided in the update of the Basel 3 Pillar 3 Disclosure.

With regard to the going concern assumption, the Directors of Intesa Sanpaolo re-affirm that they have a reasonable certainty that the Company and the Group will continue in operational existence in the foreseeable future and consequently the 2022 Financial Statements have been prepared on a going concern basis. The Directors have not detected any uncertainties in the consolidated balance sheet and financial structure of the Group or in the performance of operations that question the going concern assumption.

The macroeconomic context and the banking system

The macroeconomic context and the banking system

The macroeconomic context

The economy and the financial and currency markets

We estimate that world GDP growth in 2022 was at 2.7%, after the 6.0% rebound in 2021. Growth in world trade also slowed down sharply. The deceleration of growth was widespread across all geographies, affecting both advanced and emerging economies. In China, the volatility of the economy was heightened by the policies adopted to manage the pandemic crisis. The inflationary crisis further intensified, particularly in Europe, and prompted many central banks to rapidly remove the monetary stimuli introduced in previous years. In particular, the FED's monetary policy quickly became restrictive during 2022, thus beginning to dampen the most interest-rate-sensitive components of domestic demand, such as residential construction. The FED funds rate range was raised during the year from 0-0.25% to 4.25-4.50%, and the central bank started reducing its portfolio of government and corporate securities, after having stopped increasing it from March.
In 2022, the Euro area was hit by the effects of a spike in natural gas prices, a repercussion of the Russian invasion of Ukraine and of the resulting deterioration in political and economic relations between the European Union and Russia. The almost total disruption of gas imports from Russia was tackled with a combination of reduced consumption, increased production from renewable and other fossil sources, and increased imports from other suppliers. This strategy averted the need for rationing of supplies, but it did not prevent steep rises in gas prices in the European market. The drastic deterioration in terms of trade as a result of the crisis was reflected in a fall of around 4 percentage points in the aggregate trade balance. However, the recessionary impact of the shock was almost entirely offset by public support measures for households and businesses and the fall in the average household saving rate back towards pre-pandemic levels. As a result, GDP grew by 3.5% in 2022, well above the potential growth estimates. In 2022, inflation rose to levels well above those expected a year ago before the war, with the average annual change at 8.4%. Much of the greater increase was attributable to the direct and indirect effects of higher natural gas prices, but statistical analyses now also point to demand factors making a significant contribution to the underlying inflation dynamics.
In Italy, the preliminary ISTAT estimate puts GDP growth in 2022 at 3.9% y/y, about half a point lower than forecast before the war. The reduction in growth was due to the sharp deterioration in the trade balance (equal at around 4 percentage points of GDP in 2022, also for Italy), which was reflected internally in a decline in real household income (harmonised inflation rose to 8.7% on an annual basis) and a fall in company profit margins. The final impact was mitigated by fiscal measures (cut in excise duty, corporate tax credits, household subsidies, suspension of several system-wide cost components, etc.) and the marked reduction in the average household saving rate. The unemployment rate fell to 8.2%. Nonetheless, GDP growth gradually slowed down over the course of 2022, and was moderately negative on a quarterly basis at the end of 2022, reflecting the weakening industrial production and construction activity. In 2022, the performance of real estate prices was very positive in nominal terms, although weakening from the third quarter, when the ISTAT index recorded a 3.0% y/y increase, down from the peak of 5.2% in the second quarter. Italy achieved all the intermediate targets set in the NRRP, obtaining the release of all the payment tranches under the plan. However, actual expenditure was lower than initially estimated.
The European Central Bank raised official rates rapidly from July 2022, initiating a tightening phase that will carry on into the early part of 2023. Last year ended with a deposit facility rate (DFR) of 2.00% and a rate on main refinancing operations (refi) of 2.5%. At its meeting at the end of 2022, the ECB announced that the increases would continue at a robust pace in early 2023, and a new rate increase of 50 basis points was promptly implemented on 2 February. With regard to unconventional measures, the ECB discontinued the net purchases linked to the Pandemic Emergency Purchase Programme (PEPP) at the end of March 2022, and those of the Asset Purchase Programme (APP) at the end of June. In October, it also announced changes to the terms of the TLTRO III operations aimed at encouraging early repayment by the borrowing banks. To reduce the risk of severe local market turbulence during the monetary tightening phase, the ECB decided to apply flexibility in reinvesting the maturities of the PEPP portfolio and announced the new Transmission Protection Instrument (TPI). The TPI can be activated to support jurisdictions that meet minimum conditions of compliance with EU regulations on public accounts and macroeconomic imbalances, as well as their commitments under the NRRP.
The rise in market interest rates in the Eurozone partly anticipated the monetary policy tightening. Subsequently, the speed of ECB rate hikes caused rate curves to flatten considerably. Indeed, the increase in rates since December 2021 was around 3.4 percentage points on the two-year IRS maturity but only 2.6 points on the 10-year IRS maturity. The discontinuation of net bond purchases, rising interest rates and worsening growth prospects led to a sharp widening of risk premiums on BTPs, with the spread increasing from 128 basis points in December 2021 to 190 basis points one year later. The government crisis and the elections led to strains in the government debt market from July and further disengagement of foreign investors from July. These strains receded in the last two months in the face of evidence that the new government was adopting prudent fiscal policies that were generally consistent with the EU recommendations.
Foreign exchange markets were affected by the increased volatility of real growth and rate spreads. The euro/dollar exchange rate fell from 1.13 to 0.98 and then recovered in the last two months to 1.06. The Pound sterling and the Japanese yen were also subject to high volatility.
International equity markets were bearish overall in 2022, driven mostly by exogenous shocks, including the war between Russia and Ukraine, the energy crisis, rising inflationary pressures, restrictive policies adopted by central banks, and the resumption of COVID infections in China.

The first half of the year saw a general increase in risk aversion: the outbreak of the war between Russia and Ukraine at the end of February introduced a strong element of uncertainty for the economic outlook and for listed companies, particularly in the Eurozone. After hitting the lows of the year at the end of September, the stock indices then partially recovered in the final quarter of 2022.
The more constructive approach adopted by investors was driven, first, by overall positive and above-expected quarterly results, with listed companies able to defend their profitability margins despite a challenging business environment, and second, by expectations that inflation may peak in the early part of 2023.
The Euro Stoxx index ended the year down by -13.2%, the CAC 40 slightly outperformed, closing at -8.1%, while the DAX fell by -11.5%, and the IBEX 35 outperformed, closing the year at -4.5%. Outside the Eurozone, the Swiss SMI market index closed the period at -15.7%, while the FTSE 100 index in the UK ended the year up slightly (+1.7%).
The US equity market fell sharply: the S&P 500 index ended the period at -20.6%, while the Nasdaq Composite technology stocks index underperformed (-34.7%). The main stock markets in Asia also recorded declines: the NIKKEI 225 index closed 2022 at -9.4%, while the Chinese SSE Composite market index ended the period at -15.5%.
Overall, the Italian equity market performed in line with Eurozone benchmarks, with the FTSE MIB index ending the year at -12.2%, in line with the FTSE Italia All Share index (-13.0%). Mid-cap stocks underperformed, ending the period down -27.7%.

Despite a partial recovery in the final part of the year, European corporate bond markets ended 2022 down, with risk premiums (measured as asset swap spread-ASW) up sharply.
The monetary policies of the central banks have been among the main drivers of market performance since January, when expectations of less monetary stimulus from the ECB weighed on spreads. Investor sentiment then gradually worsened due to Russia's invasion of Ukraine, concerns about the outlook for the business cycle, and above all the sudden price increases that prompted the European Central Bank and Federal Reserve to adopt a more aggressive stance on interest rates. In this context, spreads reached their highs at the end of June, followed by an essentially sideways phase, before partially recovering in November (iBoxx IG Euro Corporates index).
Investment grade corporate bonds saw their spreads increase to 98 basis points from 63 at the beginning of the year, after peaking at 136 at the end of June 2022. High-yield bonds also performed negatively, with spreads rising to 427 basis points compared to the 301 at the beginning of the year. In both cases, the data show stronger resilience of non-financial securities (IHS Markit iBoxx indices).
The primary market was affected by the rise in interest rates, with a contraction in new issuances. In this context, according to Bloomberg data, sustainable finance-related (ESG) issuances fell by 27% from 2021 (to around 250 billion euro) after the continuous growth recorded in recent years. The breakdown by type of bond shows that the fall was mainly due to the decrease in social bonds (-67% compared to 2021) and sustainability-linked bonds (-47), while issuances of green bonds were substantially in line with the previous year (around 180 billion euro). The rise in interest rates also had an effect in terms of the placement price of ESG securities, with the gradual erosion of the "greenium" from issuances of "sustainable" securities compared to securities with the same characteristics, but not linked to ESG.

The emerging economies and markets

After the strong rebounds in 2021, the Emerging Countries experienced slowdowns in their growth rate, mainly in the first quarter of 2022, whereas strong negative signals emerged from the second quarter due to the impacts of the Russian invasion of Ukraine. The largest increases in GDP were recorded among the Emerging and Developing Economies (3.7% in 2022 according to IMF estimates), with Russia, however, posting an estimated GDP decline of 3.4% in 2022 due to the effects of the war. The IMF's growth estimate for the Middle East and Central Asia is higher (5.0% in 2022), but more modest for sub-Saharan Africa (+3.6%).
In the regions with ISP subsidiaries – based on the available data updated to the third quarter of 2022 – there was an increase in GDP of around 3.2% in Central and South-Eastern Europe (CEE/SEE) and a decrease of over 6% in Eastern Europe (EE), with performance at individual country level in the third quarter ranging from +1.4% in Slovakia to +5.2% in Croatia in the first area, and from -3.7% in Russia to -30.8% in Ukraine in the second area. Growth in the third quarter was more subdued in all the European areas compared to the second quarter.
In 2022, the effects of the conflict in Ukraine and the strong demand associated with the recovery pushed energy commodity prices to record levels with consequent effects on inflation, particularly in Eastern European (EE) countries, where the latest available data show increases of over 13%. In the regions with ISP subsidiaries, consumer prices in 2022 rose to an average of 13.6% (from 4.5% in the previous year) in the Central Eastern Europe (CEE) and South Eastern Europe (SEE) area (ranging from 6.7% in Albania to 15.7% in the Czech Republic) and to 14.5% from 6.9% in 2021 in the EE area. In Egypt, prices began rising again to +13.1% from +5.2% in 2021. 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, a phase of rises in key interest rates has been initiated, especially for Eastern Europe, in light of the high inflationary environment, while the abundant liquidity previously injected into the system to deal with the decline in consumption and investment is starting to be phased out.
In this context, monetary policies were tilted towards tightening. In Hungary, the policy rate was raised to 13% from 2.4% at the beginning of 2022 and in Poland, the National Bank kept the key interest rate unchanged at 6.75% for the fourth time in a row at its January 2023 meeting. At its last meeting in 2022, the Czech National Bank kept the key interest rate at 7.0%, the same as the rate decided by Romania in January 2023. In Serbia and Albania, the key interest rates are 5.25% and 2.75% respectively. In Russia, the central bank (CBR), after raising the policy rate to 20% on 28 February 2022, started to reduce it by 300 basis points (to 17%) in April and by another 600 basis points (to 11%) in two steps in May. In early June, the CBR lowered the key interest rate again to 9.5%, then to 8.0% in July and finally to 7.5% in September. In Moldova, the central bank raised the key interest rate six times in 2022, by 1,500 basis points, to 21.5%, before lowering it to 20.0% in December.

Lastly, in Egypt, the Central Bank, after keeping the policy rate unchanged in 2021, increased it in March 2022 by 100 basis points (to 10.25%), in May by 200 basis points (to 12.25%), by another 200 basis points in October to 14.25%, and finally by 300 basis points in December to 17.25%.

2022 was a year of investor caution. The main drivers of the financial markets were the outbreak of the military conflict between Russia and Ukraine in February, the continuation of the critical issues that emerged during the Covid-19 pandemic, which are still affecting supply chains, the progressive rise in prices at global level (in particular on the energy component, also for geopolitical reasons), the change of course in terms of monetary policies of the main central banks, which are primarily focused on bringing inflation back to target levels by means of less favourable financial market conditions, and the risk of a period of stagnation in the world economy. International sentiment is still being particularly influenced by the uncertainties surrounding China's growth trajectory because – despite the recent relaxation of strict infection containment measures – the prolonged zero Covid strategy adopted by Beijing has put the world's second largest economy under severe strain. With regard to the equity markets, last year saw widespread downward price corrections (MSCI World index -19.46%, MSCI Emerging Markets -22.37%). For the basket of Emerging Markets, losses were reported on the MSCI Eastern Europe (-82.86%) and Asia ex-Japan (-21.54%) indices, while the Latin America index remained stable overall (-0.07%), following erratic movements over the months. The equity index for Eastern Europe was particularly affected by the heightened geopolitical tensions and military escalation between Moscow and Kyiv. Asian equities were weighed down in particular by the negative performance in China (-23.60%). For South America, there was a modest positive change in Brazil (+1.66%), supported, on the one hand, by the improvement in the health situation and the rise in commodity prices, and adversely affected, on the other hand, by months of political uncertainty due to the presidential elections at the end of October and while awaiting the formation of the new government by President Lula.

In the countries with ISP subsidiaries in the CEE/SEE area, share prices were mostly negative, except for Bosnia-Herzegovina (+7.62%) and Serbia (+2.40%). The falls were particularly notable in Hungary (-33.72%), Poland (-29.28%), Slovenia (-25.79%) and the Czech Republic (-18.56%). Outside the CEE/SEE region, Russia and Egypt also recorded falls of 39.18% and 25.33% respectively. With regard to Moscow in particular, it is highly likely that the negative performance would have been more substantial without the capital controls and if the Russian Central Bank had maintained stock market operations.

With regard to the foreign exchange markets, the Nominal Emerging Market Economies Dollar Index, which expresses the performance of the US currency against a basket of emerging currencies, appreciated in response to increase in the cost of money by the Federal Reserve during 2022, despite the decrease in the last two months of the year on the assumption of a slowdown in interventions to avoid excessively penalising the economy. The dollar posted significant gains against the Turkish lira (+40.34%), which was negatively affected by the risks of an accommodative monetary policy despite high inflation. In relation to the Asian currencies, the dollar strengthened against the Chinese renminbi (+8.58%) and the Indian rupee (+11.08%). With respect to the Latin American currencies, it strengthened against the Argentinean peso (+72.13%) and the Colombian peso (+19.23%), whilst weakening moderately against the Brazilian real (-5.10%), the Mexican peso (-4.94%) and the Peruvian sol (-4.57%).

In the countries with ISP subsidiaries, in the EE area the US dollar returned to almost the same level as a year ago against the Russian rouble (-2.76%), despite the large depreciation of the Russian currency in February. Indeed, the lost ground was recovered in the two following months, with movements remaining sideways in the second half of the year. Among the CEE and SEE countries outside the Eurozone, the Euro appreciated against the Ukrainian hryvnia (+28.01%), the Hungarian forint (+8.14%) and the Polish zloty (+2.33%). In contrast, it depreciated against the Albanian lek (-5.47%) and the Czech koruna (-2.87%). The Euro remained broadly stable against the Serbian dinar, the Bulgarian and Romanian leu, as well as the Croatian kuna ahead of the accession to the Eurozone from 1 January 2023.

The international expectation of widespread interest rate hikes to counter inflationary pressures led to a gradual rise in medium- and long-term yields last year. There were modest changes in the rates offered by China in light of a central bank ready to adopt accommodative interventions to foster growth conditions for the economy. Yields in Turkey, on the other hand, fell substantially.

The Italian banking system

Interest rates and spreads

In 2022 increases in key monetary policy rates began to be passed through to bank interest rates. In the second half of the year, interest rates on new loans to non-financial companies rose rapidly, more than double for loans up to 1 million euro compared to the beginning of the year, while the rate on larger loans quadrupled. Interest rates on loans to households for home purchases also increased significantly, particularly the fixed rate, which returned to being higher than the variable rate by 0.9 points in the second half of 2022, after two years of substantial alignment between the two rates. As a result of the increases in new transactions, the average interest rate on bank loan stock also rose faster in the latter part of 2022, to 3.2% (+1.1 percentage points compared to the end of 2021).
Interest rates on deposits were more resistant, particularly the average rate on overnight deposits, which only increased slightly towards the end of the year. The stickiness of the interest rate for the on-demand component influenced the trend of the average deposit rate, which only rose slightly. In contrast, interest rates on new time deposits were more reactive, with significant increases from July. The overall cost of funding from customers also began to rise very gradually, reflecting moderate upward movements in the average rate on bonds. As a result, the spread between lending and funding rates increased significantly, rising to levels not seen since 2009.
After eleven years in negative territory, the mark-down on on-demand deposits turned positive from September 2022. In contrast, with the sharp rise in Euribor rates, the mark-up on short-term lending rates fell significantly towards the end of 2022.

Loans

The credit market in 2022 was characterised by two phases, initially with an improvement in growth up to the summer, followed by a slowdown in the final months. This reflected the progressive tightening of supply conditions in line with the restrictive monetary policy stance and the increase in perceived risks, while on the bank balance sheets side, the good liquidity and funding position was maintained and the capital base remained solid.
Credit demand from businesses revived in the middle months of the year due to financial needs related to day-to-day management, in the face of rising operating costs as a result of higher prices for energy and other inputs. The particular nature of the demand triggered a rebound in short-term loans, which returned to growth in February after around ten years of decline. As credit conditions tightened and interest rates rose, short-term lending to non-financial companies slowed down rapidly. In contrast, medium- and long-term loans remained weak throughout 2022, with rates of change hovering around zero and in negative territory at year-end, reflecting the strong increase during the pandemic due to the support of government-guaranteed loans.
Loans to households continued to grow at a robust pace in 2022. Once again, this performance was driven by loans for home purchases, which grew at a rate of 5%, the highest in the last decade, with the momentum slowing down in the last quarter. Disbursements for new mortgages decreased slightly compared to the considerable volumes recorded in 2021, but the cumulative flows for the year were high in historical terms. The rapid and significant increase in the fixed rate on loans led to a reversal of the rate preferences on mortgages, 66% of which were taken out at variable rates in the last quarter, up from 17% in the first quarter of 2022 and the previous two years. Consumer credit recovered, although at a rather moderate pace compared to the strong growth recorded before the pandemic.
With regard to credit quality, there were no particular signs of deterioration. The stock of non-performing loans net of adjustments amounted to 1.2% of total loans in September for the significant banks, stable compared to mid-year, but down further compared to 1.4% at the end of 2021. In the third quarter of 2022, the default rate in terms of annualised flow of non-performing loans in relation to total performing loans remained at a record low of 1.1%. De-risking by banks continued, consolidating the decisive actions already implemented.

Funding from customers

With the shift in monetary policy and the rapid rise in interest rates, the long and strong growth of bank deposits, which had lasted more than a decade, came to a halt in the autumn of 2022. After the peaks reached in 2021 and the subsequent gradual slowdown, the growth rate for total deposits fell to zero, following the deceleration in the overnight deposits component, which recorded a slightly negative annual change towards the end of 2022. This trend reflects that of the overnight deposits of non-financial companies, which declined in the autumn months. From the beginning of the year to December, the net flow of total deposits of non-financial companies was EUR 6 billion negative, compared to an inflow of 42 billion euro in 2021, indicating that companies have started to use some of the funds accumulated in bank accounts in previous years. Household deposits also slowed down during the year, but remained slightly up in the last quarter. Within the deposit aggregate, as expected, an increasingly evident trend has emerged, of savings shifting from demand to time deposits. As regards time deposits, there was a return to growth towards the end of the year, after a long period of weakness. The recovery was driven by the rise in interest rates paid on these instruments. Bank bonds also showed improvement over the course of the year, although they were still in decline on average, closing in December with a zero change.

Indirect deposits and asset management

The rise in market yields prompted renewed interest in direct investment in government securities and corporate bonds. For assets under administration, there was a turnaround, with a return to growth in debt securities held by households in custody at Banks.
In 2022, assets under management were negatively affected by the sharp rise in interest rates and the adverse performance of the stock market indices. Mutual funds recorded moderate net inflows mainly in the first four months of the year, primarily due to inflows into the equity segment. Portfolio management schemes were characterised by weak net inflows, supported by the retail segment. For life insurance, the trend was downward, as a result of the decrease in new business for both traditional policies and high financial content policies.

Economic results 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 comparison on a like-for-like basis. In particular, the amounts are provided as consistently 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 2021, as a result of the acquisition of the UBI Banca Group, the restated figures were also accompanied by the "redetermined" figures in order to align/supplement them through management figures.

In line with the 2021 Financial Statements, the *restatement on a like-for-like basis of the comparative figures* firstly involved the figures for the first quarter of 2021 due to the incorporation of the line-by-line income statement results of Reyl & Cie S.A., RB Participations S.A. and Asteria Investment Managers S.A. (Reyl Group), which entered the line-by-line scope of consolidation in the second quarter of 2021 following the acquisition by Fideuram - Intesa Sanpaolo Private Banking of control of RB Participations S.A. and Reyl & Cie S.A., which in turn controls Asteria Investment Managers S.A.
Moreover, also in line with the 2021 Financial Statements:

− to ensure an appropriate commentary on the performances of the items affected, in the first three quarters of 2021, administrative and personnel expenses were restated for an immaterial amount to reflect the inhousing in 2021 of activities previously outsourced by the UBI Banca Group, resulting in the re-hiring of personnel who had been transferred or seconded to external services;
− for all four quarters of 2021 and the first quarter of 2022, the costs of several incentive systems for employees of the Group's distribution networks were reclassified, and consequently restated, from personnel expenses to fee and commission expense (the systems in question are funded by fee and commission income generated by the networks in question on the basis of deterministic quantification criteria correlated to the revenues at issue). With effect from the second quarter of 2022, these costs have been reclassified from personnel expenses to fee and commission expense by analogy to the accounting treatment of incentive systems for non-employee financial advisors.

Starting on 30 September 2022, the figures for the four quarters of 2021 and the first two quarters of 2022 were restated, to take into account:

− the entry into the scope of consolidation of Compagnie de Banque Privée Quilvest (Fideuram Group) at the end of June 2022, resulting in the start of the consolidation of the income statement figures from July 2022, and
− the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022, with the attribution by convention of net income to the caption Minority interests, and thus without an impact on net income for the previous periods.

With regard to the acquisition of the UBI Banca Group and the related corporate transactions, with effect from the Interim Statement as at 31 March 2021, in order to provide a uniform comparison of the income statement figures, including with regard to the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata undertaken in the first quarter of 2021 and those planned (and subsequently sold) in the second quarter of that year, use was also made of management figures, in relation to the nature of the necessary restatements. Accordingly, to present the *figures "redetermined" on the basis of accounting and management records*, schedules were produced in addition to those defined on the basis of stated figures at the end of the various periods, restated where necessary, and the related detail tables have been expanded upon or duplicated with separate indication of the "Redetermined figures".
The second quarter of 2021 saw the finalisation of the acquisition by Intesa Sanpaolo Vita of 100% of the share capital of Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas[41], with which UBI had started multi-year partnerships and which were previously consolidated using the equity method as a function of the equity interests held. The income components of these insurance companies were also affected by the sale of the UBI branches to BPER, which resulted in the loss of the margins on the policies sold to customers of those branches. Accordingly, in order to provide a representation, on a like-for-like basis, of the comparative figures for income statement results, line by line, relating to the insurance companies acquired in the second quarter of 2021, it was necessary to use, including for the case in question, management figures to quantify the effects of the aforementioned business associated with customers of the branches sold to BPER.

[41] Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita were merged into Intesa Sanpaolo Vita on 31 December 2021. Cargeas Assicurazioni was merged into Intesa Sanpaolo Assicura, a wholly owned subsidiary of Intesa Sanpaolo Vita, on 1 October 2022.

Due to the foregoing, and in order to adequately support the comments on performance with comparative data on a like-for-like basis, in the Financial Statements as at 31 December 2022 the "redetermination" of the 2021 values used in the relevant Financial Statements is maintained. In detail, it concerned:

- for the first quarter of 2021:
  - 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, by convention synthetically allocated to the caption Income (Loss) from discontinued operations of the "redetermined" schedule;
  - the line-by-line inclusion of the figures of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, 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 (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 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;
- for the second quarter of 2021:
  - the line-by-line exclusion of the income results relating to the UBI and ISP branches sold in the second quarter of 2021, by convention synthetically allocated to the caption Income (Loss) from discontinued operations of the "redetermined" schedule;
  - the line-by-line inclusion of the insurance company Cargeas' figures 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 or all four quarters of 2022.

Certain aggregations and reclassifications are then made with respect to the model provided in Circular 262 of the Bank of Italy. Breakdowns of restatements, aggregations and reclassifications – in addition to the aforementioned "redeterminations" – are provided in separate tables included in the attachments to the financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

The reclassifications and aggregations of captions of the reclassified consolidated income statement refer to:

- 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 paid, net of the premiums issued to cover them, which correspond to the drawdown of the provisions made in 2021 in relation to the financial imbalances which were also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown, have been included in the caption Other net provisions and net impairment losses on other assets;
- differentials on derivatives, classified to the trading book and contracted to hedge transactions in foreign currencies, which 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 other 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, except for the amounts relating to adjustments on certain portions of loans mandatorily measured at fair value, which relate to measurements of credit positions and are therefore reported in the caption Net adjustments to loans in order to provide a single presentation of the adjustments relating to the same position;
- 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 trading and 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, synthetically 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 costs of several incentive systems for employees of the Group's distribution networks, where funded by fee and commission income generated by the networks in question on the basis of deterministic quantification criteria correlated

to the revenues concerned, which are reclassified from Personnel expenses to fee and commission expense by analogy to the accounting treatment of incentive systems for non-employee financial advisors;

- the costs of a one-off contribution to Intesa Sanpaolo people, excluding those classified as managers or having equivalent remuneration, not linked to performance but granted to mitigate the impact of inflation, which were reclassified from Personnel expenses to Other income (expenses);
- 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, with regard to the CIB Group, the expenses associated with the "bank tax" paid quarterly to the Hungarian treasury, along with the new extraordinary windfall tax, levied by Hungary on bank profits which - given their nature - 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 losses/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 caption also includes amounts relating to credit risk adjustments to several portions of loans mandatorily designated at fair value, which, as they relate to the measurement of credit positions, are reclassified to the caption Net adjustments to loans to permit unitary representation of adjustments relating to the same position;
- the reversal in the time value of Employee termination indemnities and Allowances for risks and charges, which has 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/recoveries 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, also 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, which 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 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, 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, which are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities as well as property, equipment and intangible assets which are 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 in the introduction, in order to ensure a uniform comparison, the analysis of income performance below is based on figures redetermined to also 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 and Cargeas, net of the effects attributable to the branches object of disposal.

Reclassified income statement

(millions of euro)

	2022	2021	Changes	
			amount	%
Net interest income	9,500	7,971	1,529	19.2
Net fee and commission income	8,919	9,621	-702	-7.3
Income from insurance business	1,705	1,586	119	7.5
Profits (Losses) on financial assets and liabilities designated at fair value	1,378	1,636	-258	-15.8
Other operating income (expenses)	-32	111	-143	
Operating income	**21,470**	**20,925**	**545**	**2.6**
Personnel expenses	-6,742	-6,794	-52	-0.8
Administrative expenses	-2,912	-2,987	-75	-2.5
Adjustments to property, equipment and intangible assets	-1,280	-1,241	39	3.1
Operating costs	**-10,934**	**-11,022**	**-88**	**-0.8**
Operating margin	**10,536**	**9,903**	**633**	**6.4**
Net adjustments to loans	-3,113	-2,772	341	12.3
Other net provisions and net impairment losses on other assets	-281	-848	-567	-66.9
Other income (expenses)	202	332	-130	-39.2
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**7,344**	**6,615**	**729**	**11.0**
Taxes on income	-2,059	-1,604	455	28.4
Charges (net of tax) for integration and exit incentives	-140	-439	-299	-68.1
Effect of purchase price allocation (net of tax)	-211	-39	172	
Levies and other charges concerning the banking industry (net of tax)	-576	-525	51	9.7
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-4	177	-181	
Net income (loss)	**4,354**	**4,185**	**169**	**4.0**

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

Reclassified income statement – Redetermined figures

(millions of euro)

	2022	2021 Redetermined figures	Changes amount	Changes %
Net interest income	9,500	7,905	1,595	20.2
Net fee and commission income	8,919	9,527	-608	-6.4
Income from insurance business	1,705	1,629	76	4.7
Profits (Losses) on financial assets and liabilities designated at fair value	1,378	1,635	-257	-15.7
Other operating income (expenses)	-32	97	-129	
Operating income	**21,470**	**20,793**	**677**	**3.3**
Personnel expenses	-6,742	-6,743	-1	-
Administrative expenses	-2,912	-2,994	-82	-2.7
Adjustments to property, equipment and intangible assets	-1,280	-1,243	37	3.0
Operating costs	**-10,934**	**-10,980**	**-46**	**-0.4**
Operating margin	**10,536**	**9,813**	**723**	**7.4**
Net adjustments to loans	-3,113	-2,766	347	12.5
Other net provisions and net impairment losses on other assets	-281	-851	-570	-67.0
Other income (expenses)	202	332	-130	-39.2
Income (Loss) from discontinued operations	-	58	-58	
Gross income (loss)	**7,344**	**6,586**	**758**	**11.5**
Taxes on income	-2,059	-1,605	454	28.3
Charges (net of tax) for integration and exit incentives	-140	-439	-299	-68.1
Effect of purchase price allocation (net of tax)	-211	-39	172	
Levies and other charges concerning the banking industry (net of tax)	-576	-512	64	12.5
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-4	194	-198	
Net income (loss)	**4,354**	**4,185**	**169**	**4.0**

Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

Quarterly development of the reclassified income statement

(millions of euro)

	2022				2021			
	Fourth quarter	**Third quarter**	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Net interest income	3,064	2,387	2,092	1,957	1,955	2,000	2,002	2,014
Net fee and commission income	2,222	2,153	2,255	2,289	2,518	2,323	2,381	2,399
Income from insurance business	402	436	465	402	410	365	438	373
Profits (Losses) on financial assets and liabilities designated at fair value	-2	51	560	769	111	380	346	799
Other operating income (expenses)	-12	-12	-12	4	18	26	18	49
Operating income	**5,674**	**5,015**	**5,360**	**5,421**	**5,012**	**5,094**	**5,185**	**5,634**
Personnel expenses	-1,921	-1,632	-1,613	-1,576	-1,826	-1,636	-1,654	-1,678
Administrative expenses	-865	-695	-718	-634	-869	-716	-730	-672
Adjustments to property, equipment and intangible assets	-344	-313	-309	-314	-337	-301	-298	-305
Operating costs	**-3,130**	**-2,640**	**-2,640**	**-2,524**	**-3,032**	**-2,653**	**-2,682**	**-2,655**
Operating margin	**2,544**	**2,375**	**2,720**	**2,897**	**1,980**	**2,441**	**2,503**	**2,979**
Net adjustments to loans	-1,185	-496	-730	-702	-1,222	-543	-599	-408
Other net provisions and net impairment losses on other assets	-113	-45	-63	-60	-415	-82	-218	-133
Other income (expenses)	55	4	147	-4	78	63	-7	198
Income (Loss) from discontinued operations	-	-	-	-	-	-	-	-
Gross income (loss)	**1,301**	**1,838**	**2,074**	**2,131**	**421**	**1,879**	**1,679**	**2,636**
Taxes on income	-50	-562	-670	-777	-78	-614	-78	-834
Charges (net of tax) for integration and exit incentives	-78	-23	-23	-16	-291	-41	-55	-52
Effect of purchase price allocation (net of tax)	-59	-51	-47	-54	46	-51	-18	-16
Levies and other charges concerning the banking industry (net of tax)	-32	-266	-12	-266	-23	-210	-83	-209
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Minority interests	-12	-6	8	6	104	20	62	-9
Net income (loss)	**1,070**	**930**	**1,330**	**1,024**	**179**	**983**	**1,507**	**1,516**

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

Quarterly development of the reclassified income statement – Redetermined figures

(millions of euro)

	2022				2021			
	Fourth quarter	**Third quarter**	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter Redetermined figures**	**First quarter Redetermined figures**
Net interest income	3,064	2,387	2,092	1,957	1,955	2,000	1,997	1,953
Net fee and commission income	2,222	2,153	2,255	2,289	2,518	2,323	2,369	2,317
Income from insurance business	402	436	465	402	410	365	456	398
Profits (Losses) on financial assets and liabilities designated at fair value	-2	51	560	769	111	380	346	798
Other operating income (expenses)	-12	-12	-12	4	18	26	21	32
Operating income	**5,674**	**5,015**	**5,360**	**5,421**	**5,012**	**5,094**	**5,189**	**5,498**
Personnel expenses	-1,921	-1,632	-1,613	-1,576	-1,826	-1,636	-1,652	-1,629
Administrative expenses	-865	-695	-718	-634	-869	-716	-734	-675
Adjustments to property, equipment and intangible assets	-344	-313	-309	-314	-337	-301	-299	-306
Operating costs	**-3,130**	**-2,640**	**-2,640**	**-2,524**	**-3,032**	**-2,653**	**-2,685**	**-2,610**
Operating margin	**2,544**	**2,375**	**2,720**	**2,897**	**1,980**	**2,441**	**2,504**	**2,888**
Net adjustments to loans	-1,185	-496	-730	-702	-1,222	-543	-599	-402
Other net provisions and net impairment losses on other assets	-113	-45	-63	-60	-415	-82	-220	-134
Other income (expenses)	55	4	147	-4	78	63	-7	198
Income (Loss) from discontinued operations	-	-	-	-	-	-	10	48
Gross income (loss)	**1,301**	**1,838**	**2,074**	**2,131**	**421**	**1,879**	**1,688**	**2,598**
Taxes on income	-50	-562	-670	-777	-78	-614	-81	-832
Charges (net of tax) for integration and exit incentives	-78	-23	-23	-16	-291	-41	-55	-52
Effect of purchase price allocation (net of tax)	-59	-51	-47	-54	46	-51	-18	-16
Levies and other charges concerning the banking industry (net of tax)	-32	-266	-12	-266	-23	-210	-83	-196
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Minority interests	-12	-6	8	6	104	20	56	14
Net income (loss)	**1,070**	**930**	**1,330**	**1,024**	**179**	**983**	**1,507**	**1,516**

Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

Operating income

In 2022, the Intesa Sanpaolo Group achieved a solid operating performance against the backdrop of a complex, challenging scenario. Operating income amounted to 21,470 million euro, up by 3.3% from 20,793 million euro in 2021. This result was driven by the increase in net interest income, which benefited from the ECB's increase in interest rates in the second half of the year, and, to a lesser extent, income deriving from insurance business, which more than offset the decline in net fee and commission income and profits (losses) on financial assets and liabilities designated at fair value, as well as the negative impact of other net operating costs.

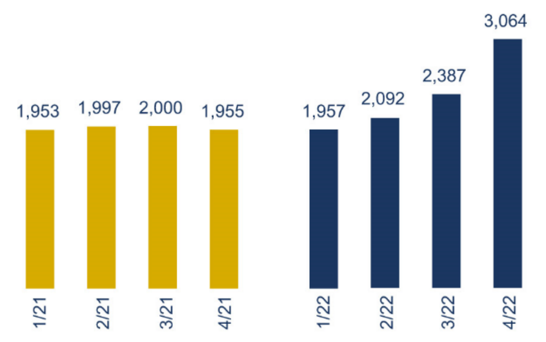
Net interest income

(millions of euro)

	2022	2021	Adjustments	2021 Redetermined figures	Changes (Redetermined figures)	
					amount	%
Relations with customers	8,954	7,854	-72	7,782	1,172	15.1
Securities issued	-1,817	-1,685	-	-1,685	132	7.8
Customer dealing	**7,137**	**6,169**	**-72**	**6,097**	**1,040**	**17.1**
Instruments measured at amortised cost which do not constitute loans	686	533	-	533	153	28.7
Other financial assets and liabilities designated at fair value through profit or loss	-22	-53	-	-53	-31	-58.5
Other financial assets designated at fair value through other comprehensive income	860	640	-	640	220	34.4
Financial assets and liabilities	**1,524**	**1,120**	**-**	**1,120**	**404**	**36.1**
Relations with banks	**668**	**720**	**-**	**720**	**-52**	**-7.2**
Differentials on hedging derivatives	**-435**	**-601**	**-**	**-601**	**-166**	**-27.6**
Other net interest income	**606**	**563**	**6**	**569**	**37**	**6.5**
Net interest income	**9,500**	**7,971**	**-66**	**7,905**	**1,595**	**20.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

Quarterly development
Net interest income
(millions of euro)



1/21 and 2/21: Redetermined figures

Net interest income was 9,500 million euro, up (+20.2%) on 2021. In particular, there was a greater contribution by customer dealing (+17.1%, equal to +1,040 million euro), due to the increase in interest income on business with customers, and by financial assets (+36.1%, equal to +404 million euro), thanks to positive trends in other financial assets measured at fair value through other comprehensive income and securities measured at amortised cost, and the reduction in financial liabilities measured at fair value through profit or loss. Among other components, negative differentials on hedging derivatives improved by 27.6%, while net interest income on relations with banks declined (-7.2%). As regards the latter, starting from the third quarter, the benefits of the TLTRO III transactions with the ECB, correlated to the negative rates applied[42], began to significantly decrease following the repeated hikes to official interest rates by the European Central Bank, effective on 27 July (50 basis points), 14 September (75 basis points), 2 November (75 basis points) and 21 December 2022 (50 basis points). Overall, in 2022 interest income from TLTRO III transactions amounted to 615 million euro, compared to 1,187 million euro in 2021. This decrease was only partially offset in the fourth quarter by the interest accrued on the reinvestment of surplus cash in deposit transactions with the ECB, favoured by the return of the related rates (Deposit Facility Rate) to positive territory.

At the end of December 2022 outstanding TLTRO III refinancing amounted to a nominal 96.06 billion euro, compared to 131.84 billion euro in December 2021, due to the early repayments made in 2022[43].

[42] Note that in the period from 24 June 2020 to 23 June 2022 – the special interest rate period – the interest rate applied to TLTROs was -1%. From 24 June 2022 to 22 November 2022 the interest rate applied and settled on maturity was the average rate on deposits with the Central Bank (Deposit Facility Rate) calculated for the entire duration of the operation, whereas from 23 November 2022 the rate applied is equal to the rate in effect for the period. As a result of the latest monetary policy decisions, the Deposit Facility Rate rose from -0.50% to 0%, effective on 27 July 2022, from 0% to 0.75% effective on 14 September 2022, from 0.75% to 1.50% on 2 November and from 1.50% to 2% from 21 December 2022.

[43] Early repayment of a nominal 17 billion euro obtained by Intesa Sanpaolo in the December 2019 auction with maturity of December 2022, made at the end of the first half of the year; partial repayment of a nominal 14 billion euro obtained by ISP in the March 2020 auction with maturity of March 2023, made for 10 billion euro in November and for 4 billion euro in December; and repayment of 4.78 billion euro of total funds obtained by the Group's international subsidiary banks in the fourth quarter of the year.

(millions of euro)

	2022				Changes %		
	Fourth quarter (a)	Third quarter (b)	Second quarter (c)	First quarter (d)	(a/b)	(b/c)	(c/d)
Relations with customers	2,725	2,332	2,000	1,897	16.9	16.6	5.4
Securities issued	-494	-466	-436	-421	6.0	6.9	3.6
Customer dealing	**2,231**	**1,866**	**1,564**	**1,476**	**19.6**	**19.3**	**6.0**
Instruments measured at amortised cost which do not constitute loans	215	174	150	147	23.6	16.0	2.0
Other financial assets and liabilities designated at fair value through profit or loss	58	8	-35	-53			-34.0
Other financial assets designated at fair value through other comprehensive income	237	233	209	181	1.7	11.5	15.5
Financial assets and liabilities	**510**	**415**	**324**	**275**	**22.9**	**28.1**	**17.8**
Relations with banks	**253**	**36**	**172**	**207**		**-79.1**	**-16.9**
Differentials on hedging derivatives	**-114**	**-81**	**-115**	**-125**	**40.7**	**-29.6**	**-8.0**
Other net interest income	**184**	**151**	**147**	**124**	**21.9**	**2.7**	**18.5**
Net interest income	**3,064**	**2,387**	**2,092**	**1,957**	**28.4**	**14.1**	**6.9**

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

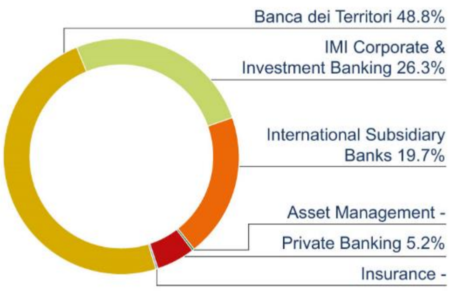
The flow of net interest income recorded in the fourth quarter of 2022 accelerated significantly compared to the previous quarters, mainly due to the greater contribution of interest income on business with customers and the increase in relations with banks, which benefited from the ECB's increase in interest rates.

(millions of euro)

	2022	2021	Changes	
		Redetermined figures	amount	%
Banca dei Territori	3,957	3,932	25	0.6
IMI Corporate & Investment Banking	2,132	2,182	-50	-2.3
International Subsidiary Banks	1,592	1,337	255	19.1
Private Banking	419	217	202	93.1
Asset Management	-	-1	-1	
Insurance	-	-	-	-
Total business areas	**8,100**	**7,667**	**433**	**5.6**
Corporate Centre	1,400	238	1,162	
Intesa Sanpaolo Group	**9,500**	**7,905**	**1,595**	**20.2**

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 reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

Business areas
Net interest income



The Banca dei Territori Division, which accounts for 48.8% of operating business area results, recorded net interest income of 3,957 million euro, up on 2021 (+0.6%, or +25 million euro), due to the improvement in the margin with customers, supported by the performance of market rates. The International Subsidiary Banks also made an increasing contribution to net interest income (+19.1%, or +255 million euro), due primarily to the favourable performance of subsidiaries operating in Hungary and Slovakia, along with the Private Banking Division (+93.1%, or +202 million euro), whose assets benefited from higher rates. On the other hand, IMI Corporate & Investment Banking recorded a decrease (-2.3%, or -50 million euro), mainly due to the lower contribution of the securities portfolio in the Global Market context.
The increase in the net interest income of the Corporate Centre was largely due to the absence of the cost of excess liquidity due to the rise in rates in the second half of 2022.

Net fee and commission income

(millions of euro)

	2022			2021			Changes	
	Income	Expense	Net	Income	Expense	Net	amount	%
Guarantees given / received	472	-226	246	401	-197	204	42	20.6
Collection and payment services	767	-144	623	717	-160	557	66	11.8
Current accounts	1,386	-	1,386	1,443	-	1,443	-57	-4.0
Credit and debit cards	871	-457	414	787	-417	370	44	11.9
Commercial banking activities	**3,496**	**-827**	**2,669**	**3,348**	**-774**	**2,574**	**95**	**3.7**
Dealing and placement of securities	1,000	-318	682	1,308	-267	1,041	-359	-34.5
Currency dealing	16	-7	9	21	-4	17	-8	-47.1
Portfolio management	3,655	-945	2,710	4,111	-967	3,144	-434	-13.8
Distribution of insurance products	1,587	-	1,587	1,622	-	1,622	-35	-2.2
Other	435	-193	242	462	-173	289	-47	-16.3
Management, dealing and consultancy activities	**6,693**	**-1,463**	**5,230**	**7,524**	**-1,411**	**6,113**	**-883**	**-14.4**
Other net fee and commission income	**1,265**	**-245**	**1,020**	**1,221**	**-287**	**934**	**86**	**9.2**
Net fee and commission income	**11,454**	**-2,535**	**8,919**	**12,093**	**-2,472**	**9,621**	**-702**	**-7.3**

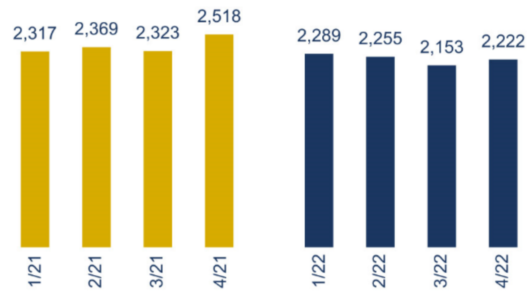
Figures restated, where necessary and material, considering the changes in the scope of consolidation.

(millions of euro)

	2022 Net fee and commission income	2021 Net fee and commission income	Adjustments	2021 Redetermined figures	Changes (Redetermined figures) amount	%
Guarantees given / received	246	204	-2	202	44	21.8
Collection and payment services	623	557	-5	552	71	12.9
Current accounts	1,386	1,443	-29	1,414	-28	-2.0
Credit and debit cards	414	370	-6	364	50	13.7
Commercial banking activities	**2,669**	**2,574**	**-42**	**2,532**	**137**	**5.4**
Dealing and placement of securities	682	1,041	-26	1,015	-333	-32.8
Currency dealing	9	17	-4	13	-4	-30.8
Portfolio management	2,710	3,144	-2	3,142	-432	-13.7
Distribution of insurance products	1,587	1,622	-15	1,607	-20	-1.2
Other	242	289	-2	287	-45	-15.7
Management, dealing and consultancy activities	**5,230**	**6,113**	**-49**	**6,064**	**-834**	**-13.8**
Other net fee and commission income	**1,020**	**934**	**-3**	**931**	**89**	**9.6**
Net fee and commission income	**8,919**	**9,621**	**-94**	**9,527**	**-608**	**-6.4**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

Quarterly development
Net fee and commission income
(millions of euro)



1/21 and 2/21: Redetermined figures

The net fee and commission income earned in 2022 amounted to 8,919 million euro, down (-6.4%) from the 9,527 million euro recorded in 2021.

This result was due to the reduction in fees and commissions on management, dealing and consultancy activities (-13.8%, or -834 million euro), which was negatively affected by the downtrend in financial markets. In detail, there was a decrease in the contribution relating to portfolio management schemes (-13.7%, or -432 million euro) – where performance fees amounted to 44 million euro compared to 367 million euro in 2021 – securities dealing and placement (-32.8%, or -333 million euro) and, to a lesser extent, other management and dealing commissions (-15.7%, or -45 million euro).

Commercial banking activities recorded an increase (+5.4%, or +137 million euro), due above all to increases on collection and payment services (+71 million euro), debit and credit card service (+50 million euro) and guarantees given/received (+44 million euro). A positive contribution was also made by other net fee and commission income (+9.6%, or +89 million euro), the increase in which was due to the rise in the positive components, markedly those relating to loans granted, and the decline in the negative components, relating above all to other banking services.

(millions of euro)

	2022				Changes %		
	Fourth quarter (a)	**Third quarter (b)**	**Second quarter (c)**	**First quarter (d)**	(a/b)	(b/c)	(c/d)
Guarantees given / received	59	86	54	47	-31.4	59.3	14.9
Collection and payment services	164	156	164	139	5.1	-4.9	18.0
Current accounts	344	348	348	346	-1.1	-	0.6
Credit and debit cards	109	114	108	83	-4.4	5.6	30.1
Commercial banking activities	**676**	**704**	**674**	**615**	**-4.0**	**4.5**	**9.6**
Dealing and placement of securities	167	134	153	228	24.6	-12.4	-32.9
Currency dealing	-	4	3	2		33.3	50.0
Portfolio management	670	660	676	704	1.5	-2.4	-4.0
Distribution of insurance products	406	357	421	403	13.7	-15.2	4.5
Other	52	59	56	75	-11.9	5.4	-25.3
Management, dealing and consultancy activities	**1,295**	**1,214**	**1,309**	**1,412**	**6.7**	**-7.3**	**-7.3**
Other net fee and commission income	**251**	**235**	**272**	**262**	**6.8**	**-13.6**	**3.8**
Net fee and commission income	**2,222**	**2,153**	**2,255**	**2,289**	**3.2**	**-4.5**	**-1.5**

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

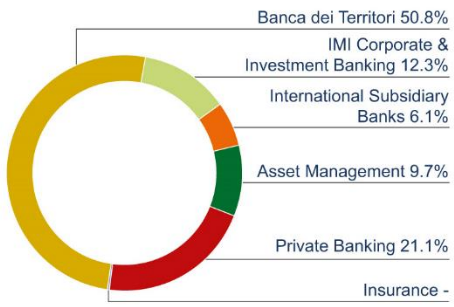
The caption was higher in the fourth quarter of 2022 than in the third, but lower than in the first and second. The increase in the fourth quarter is mainly due to the increase in management, dealing and consultancy activities, only partly offset by the decline in commercial banking activity.

(millions of euro)

	2022	**2021**	**Changes**	
		Redetermined figures	**amount**	**%**
Banca dei Territori	4,744	4,809	-65	-1.4
IMI Corporate & Investment Banking	1,156	1,135	21	1.9
International Subsidiary Banks	574	546	28	5.1
Private Banking	1,980	2,096	-116	-5.5
Asset Management	913	1,282	-369	-28.8
Insurance	3	2	1	50.0
Total business areas	**9,370**	**9,870**	**-500**	**-5.1**
Corporate Centre	-451	-343	108	31.5
Intesa Sanpaolo Group	**8,919**	**9,527**	**-608**	**-6.4**

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 reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

Business areas
Net fee and commission income



With regard to business areas, the Banca dei Territori Division, which accounts for approximately half the fee and commission income of the business units, recorded a decrease (-1.4%, or -65 million euro), specifically fee and commission income deriving from asset management and bancassurance, conditioned by the unfavourable market context. A decline in fee and commission income was also reported by Asset Management (-28.8%, or -369 million euro) and Private Banking (-5.5%, or -116 million euro), negatively affected by the unfavourable tone of the financial markets, which affected assets under management and performance. Conversely, moderate increases were reported by IMI Corporate & Investment Banking (+1.9%, or +21 million euro), due to the performance recorded in the commercial banking and structured finance segments, as well as by the International Subsidiary Banks (+5.1%, or +28 million euro), essentially attributable to the subsidiaries operating in Slovakia, Croatia and Serbia.
The increase in the fee and commission expense of the Corporate Centre is mainly due to the larger consolidation entries attributable to the placement of ISP bonds by the Private Banking Division.

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.

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (a)	Total
Guarantees given	97	326	45	2	-	-	2	472
Collection and payment services	438	125	197	6	-	-	1	767
Current accounts	1,198	33	145	10	-	-	-	1,386
Credit and debit cards	587	4	263	17	-	-	-	871
Commercial banking activities	**2,320**	**488**	**650**	**35**	**-**	**-**	**3**	**3,496**
Dealing and placement of securities	1,233	220	18	275	337	-	**-1,083**	1,000
Currency dealing	5	2	4	3	-	-	2	16
Portfolio management	100	2	27	1,883	1,914	-	-271	3,655
Distribution of insurance products	877	-	32	678	-	3	-3	1,587
Other	218	31	11	188	-	-	**-13**	435
Management, dealing and consultancy activities	**2,433**	**255**	**92**	**3,027**	**2,251**	**3**	**-1,368**	**6,693**
Other net fee and commission income	**328**	**597**	**92**	**25**	**181**	**-**	**42**	**1,265**
Fee and commission income	**5,081**	**1,340**	**834**	**3,087**	**2,432**	**3**	**-1,323**	**11,454**
Fee and commission expense	**-337**	**-184**	**-260**	**-1,107**	**-1,519**	**-**	**872**	**-2,535**
Net fee and commission income 2022	**4,744**	**1,156**	**574**	**1,980**	**913**	**3**	**-451**	**8,919**
Net fee and commission income 2021 (redetermined figures)	**4,809**	**1,135**	**546**	**2,096**	**1,282**	**2**	**-343**	**9,527**
Changes amount	**-65**	**21**	**28**	**-116**	**-369**	**1**	**108**	**-608**
Changes %	**-1.4**	**1.9**	**5.1**	**-5.5**	**-28.8**	**50.0**	**31.5**	**-6.4**

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

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

Income from insurance business

(millions of euro)

Captions (a)	2022 Life	2022 Non-life	2022 Total	2021 Life	2021 Non-life	2021 Total	Changes amount	Changes %
Technical margin	**190**	**424**	**614**	**87**	**311**	**398**	**216**	**54.3**
Net insurance premiums (b)	9,071	1,095	10,166	9,442	1,252	10,694	-528	-4.9
Net charges for insurance claims and surrenders (c)	-9,622	-420	-10,042	-9,576	-707	-10,283	-241	-2.3
Net charges for changes in technical reserves (d)	819	-	819	-1,493	-1	-1,494	2,313	
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	19	-	19	1,756	-	1,756	-1,737	-98.9
Net fees on investment contracts (f)	386	-2	384	422	-	422	-38	-9.0
Commission expenses on insurance contracts (g)	-573	-214	-787	-555	-184	-739	48	6.5
Other technical income and expense (h)	90	-35	55	91	-49	42	13	31.0
Net investment result	**995**	**14**	**1,009**	**1,128**	**18**	**1,146**	**-137**	**-12.0**
Operating income from investments	-10,242	14	-10,228	9,006	18	9,024	-19,252	
Net interest income	*2,356*	*7*	*2,363*	*1,876*	*1*	*1,877*	*486*	*25.9*
Dividends	*497*	*6*	*503*	*376*	*7*	*383*	*120*	*31.3*
Gains/losses on disposal	*-2,635*	*1*	*-2,634*	*2,544*	*11*	*2,555*	*-5,189*	
Valuation gains/losses	*-10,374*	*-*	*-10,374*	*4,309*	*-*	*4,309*	*-14,683*	
Portfolio management fees paid (i)	*-86*	*-*	*-86*	*-99*	*-1*	*-100*	*-14*	*-14.0*
Gains (losses) on investments pertaining to insured parties	11,237	-	11,237	-7,878	-	-7,878	19,115	
Insurance products (j)	*-104*	*-*	*-104*	*-1,753*	*-*	*-1,753*	*-1,649*	*-94.1*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*169*	*-*	*169*	*-48*	*-*	*-48*	*217*	
Investment products (l)	*11,172*	*-*	*11,172*	*-6,077*	*-*	*-6,077*	*17,249*	
Income from insurance business gross of consolidation effects	**1,185**	**438**	**1,623**	**1,215**	**329**	**1,544**	**79**	**5.1**
Consolidation effects	82	-	82	42	-	42	40	95.2
Income from insurance business	**1,267**	**438**	**1,705**	**1,257**	**329**	**1,586**	**119**	**7.5**

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

(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.

(millions of euro)

Captions (a)	2022			2021 Redetermined figures			Changes	
	Life	Non-life	Total	Life	Non-life	Total	amount	%
Technical margin	**190**	**424**	**614**	**51**	**354**	**405**	**209**	**51.6**
Net insurance premiums (b)	9,071	1,095	10,166	9,848	1,343	11,191	-1,025	-9.2
Net charges for insurance claims and surrenders (c)	-9,622	-420	-10,042	-10,319	-734	-11,053	-1,011	-9.1
Net charges for changes in technical reserves (d)	819	-	819	-1,266	3	-1,263	2,082	
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	19	-	19	1,860	-	1,860	-1,841	-99.0
Net fees on investment contracts (f)	386	-2	384	435	-	435	-51	-11.7
Commission expenses on insurance contracts (g)	-573	-214	-787	-598	-204	-802	-15	-1.9
Other technical income and expense (h)	90	-35	55	91	-54	37	18	48.6
Net investment result	**995**	**14**	**1,009**	**1,157**	**25**	**1,182**	**-173**	**-14.6**
Operating income from investments	-10,242	14	-10,228	8,896	25	8,921	-19,149	
Net interest income	*2,356*	*7*	*2,363*	*1,978*	*4*	*1,982*	*381*	*19.2*
Dividends	*497*	*6*	*503*	*388*	*7*	*395*	*108*	*27.3*
Gains/losses on disposal	*-2,635*	*1*	*-2,634*	*2,449*	*11*	*2,460*	*-5,094*	
Valuation gains/losses	*-10,374*	-	*-10,374*	*4,180*	*5*	*4,185*	*-14,559*	
Portfolio management fees paid (i)	*-86*	-	*-86*	*-99*	*-2*	*-101*	*-15*	*-14.9*
Gains (losses) on investments pertaining to insured parties	11,237	-	11,237	-7,739	-	-7,739	18,976	
Insurance products (j)	*-104*	-	*-104*	*-1,857*	-	*-1,857*	*-1,753*	*-94.4*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*169*	-	*169*	*-48*	-	*-48*	*217*	
Investment products (l)	*11,172*	-	*11,172*	*-5,834*	-	*-5,834*	*17,006*	
Income from insurance business gross of consolidation effects	**1,185**	**438**	**1,623**	**1,208**	**379**	**1,587**	**36**	**2.3**
Consolidation effects	82	-	82	42	-	42	40	95.2
Income from insurance business	**1,267**	**438**	**1,705**	**1,250**	**379**	**1,629**	**76**	**4.7**

Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

(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.

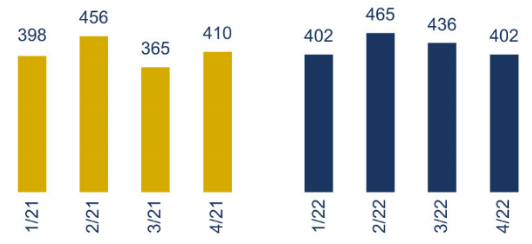
(j) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(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.

Income from insurance business includes the cost and revenue captions of the insurance business of the Group's life and non-life companies. In 2022, it was 1,705 million euro, up 4.7% on 2021 (1,629 million euro). The change is due to the increase in the technical margin (+51.6%, or +209 million euro) in both the life business, which benefited from the increase in technical reserves, and the non-life business, due to the decrease in the number of claims. Conversely, there was a decline in the net investment result (-14.6%, or -173 million euro), consisting of the operating income from investments, net of retrocession to policyholders.

Quarterly development
Income from insurance business
(millions of euro)



1/21 and 2/21: Redetermined figures

(millions of euro)

Captions (a)	2022 Fourth quarter (a)	Third quarter (b)	Second quarter (c)	First quarter (d)	Changes % (a/b)	(b/c)	(c/d)
Technical margin	**136**	**181**	**155**	**142**	**-24.9**	**16.8**	**9.2**
Net insurance premiums (b)	3,582	1,823	2,220	2,541	96.5	-17.9	-12.6
Net charges for insurance claims and surrenders (c)	-2,561	-2,246	-2,576	-2,659	14.0	-12.8	-3.1
Net charges for changes in technical reserves (d)	-1,101	466	917	537		-49.2	70.8
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	328	181	-328	-162	81.2		
Net fees on investment contracts (f)	80	116	77	111	-31.0	50.6	-30.6
Commission expenses on insurance contracts (g)	-205	-188	-179	-215	9.0	5.0	-16.7
Other technical income and expense (h)	13	29	24	-11	-55.2	20.8	
Net investment result	**238**	**235**	**290**	**246**	**1.3**	**-19.0**	**17.9**
Operating income from investments	1,058	-1,378	-6,126	-3,782		-77.5	62.0
Net interest income	*674*	*563*	*635*	*491*	*19.7*	*-11.3*	*29.3*
Dividends	*155*	*102*	*172*	*74*	*52.0*	*-40.7*	
Gains/losses on disposal	*-1,134*	*-605*	*-753*	*-142*	*87.4*	*-19.7*	
Valuation gains/losses	*1,387*	*-1,421*	*-6,157*	*-4,183*		*-76.9*	*47.2*
Portfolio management fees paid (i)	*-24*	*-17*	*-23*	*-22*	*41.2*	*-26.1*	*4.5*
Gains (losses) on investments pertaining to insured parties	-820	1,613	6,416	4,028		-74.9	59.3
Insurance products (j)	*-458*	*-164*	*369*	*149*			
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*121*	*-1*	*8*	*41*			*-80.5*
Investment products (l)	*-483*	*1,778*	*6,039*	*3,838*		*-70.6*	*57.3*
Income from insurance business gross of consolidation effects	**374**	**416**	**445**	**388**	**-10.1**	**-6.5**	**14.7**
Consolidation effects	28	20	20	14	40	-	42.9
Income from insurance business	**402**	**436**	**465**	**402**	**-7.8**	**-6.2**	**15.7**

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

For notes, see the previous table

Income from insurance business, including both the life and non-life businesses, was lower in the fourth quarter of 2022 than in the third and second quarters, and in line with the first quarter.

(millions of euro)

Business	2022				2021		
	Periodic premiums	Single premiums	Total	*of which new business*	Total	Adjustments	Total Redetermined figures
Life insurance business	**358**	**8,716**	**9,074**	***8,718***	**9,446**	**410**	**9,856**
Premiums issued on traditional products	163	6,100	6,263	*6,101*	5,093	371	5,464
Premiums issued on unit-linked products	191	1,887	2,078	*1,888*	3,550	33	3,583
Premiums issued on capitalisation products	4	4	8	*4*	18	2	20
Premiums issued on pension funds	-	725	725	*725*	785	4	789
Non-life insurance business	**1,255**	**181**	**1,436**	***279***	**1,342**	**63**	**1,405**
Premiums issued	1,255	181	1,436	*279*	1,342	63	1,405
Premiums ceded to reinsurers	**-140**	**-25**	**-165**	***-37***	**-78**	**-8**	**-86**
Net premiums issued from insurance products	**1,473**	**8,872**	**10,345**	***8,960***	**10,710**	**465**	**11,175**
Business on index-linked contracts	-	-	-	-	-	-	-
Business on unit-linked contracts	74	7,074	7,148	*7,083*	8,862	111	8,973
Total business from investment contracts	**74**	**7,074**	**7,148**	***7,083***	**8,862**	**111**	**8,973**
Total business	**1,547**	**15,946**	**17,493**	***16,043***	**19,572**	**576**	**20,148**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

In 2022 business in the insurance segment amounted to 17.5 billion euro, down on the business recorded in 2021 (20.1 billion euro). The decline is mainly due to unit-linked policies, both Class III policies of a primarily financial nature (-1.8 billion euro) and those of a primarily insurance nature (-1.5 billion euro). On the other hand, there was a slight increase in the non-life and health businesses (+2.2%) compared to 2021. New business totalled 16 billion euro, accounting for over 90% of the total premium inflows of the Group's insurance companies, coming mainly from new single-premium contracts.

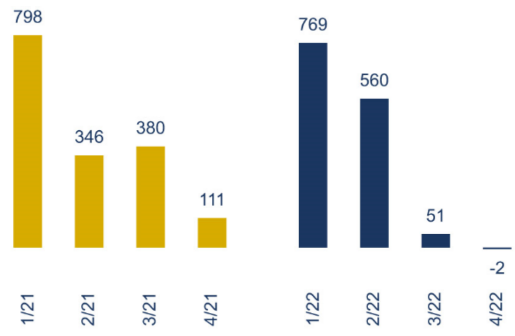
Profits (Losses) on financial assets and liabilities designated at fair value

(millions of euro)

	2022	2021	Adjustments	2021 Redetermined figures	Changes (Redetermined figures)	
					amount	%
Profits (losses) on trading and on financial instruments under fair value option	605	560	-	560	45	8.0
Profits (losses) on hedges under hedge accounting	33	36	-	36	-3	-8.3
Profits (losses) on assets mandatorily measured at fair value through profit or loss	125	168	-1	167	-42	-25.1
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	589	945	-	945	-356	-37.7
Profits (losses) on the buyback of financial liabilities	26	-73	-	-73	99	
Profits (Losses) on financial assets and liabilities designated at fair value	**1,378**	**1,636**	**-1**	**1,635**	**-257**	**-15.7**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

Quarterly development
Profits (Losses) on financial assets and liabilities designated at fair value
(millions of euro)



1/21 and 2/21: Redetermined figures

In 2022 profits on financial assets and liabilities designated at fair value, amounting to 1,378 million euro, decreased on 2021.
The decrease, amounting to -15.7%, was mainly due to the profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost (-37.7%, or -356 million euro), as a result of lower gains on the sale of HTCS debt securities, primarily Italian government bonds. Positive contributions were made by profits (losses) on the repurchase of financial liabilities (+26 million euro, compared to -73 million euro in 2021), due to the repurchases of own debt securities on the secondary market, and profits (losses) on trading and financial instruments under fair value option (+8%, or +45 million euro), due to the greater profits associated with the trading portfolio and certificates business, which benefited from the positive impact of the debt value adjustment (DVA).
There were declines in profits (losses) on assets mandatorily measured at fair value through profit or loss (-25.1%, or -42 million euro) and, to a lesser extent, profits (losses) on hedges under hedge accounting (-3 million euro).

(millions of euro)

	2022				Changes %		
	Fourth quarter (a)	**Third quarter (b)**	**Second quarter (c)**	**First quarter (d)**	(a/b)	(b/c)	(c/d)
Profits (losses) on trading and on financial instruments under fair value option	3	70	226	306	-95.7	-69.0	-26.1
Profits (losses) on hedges under hedge accounting	-12	-1	44	2			
Profits (losses) on assets mandatorily measured at fair value through profit or loss	-15	25	49	66		-49.0	-25.8
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	11	-68	243	403			-39.7
Profits (losses) on the buyback of financial liabilities	11	25	-2	-8	-56.0		-75.0
Profits (Losses) on financial assets and liabilities designated at fair value	**-2**	**51**	**560**	**769**		**-90.9**	**-27.2**

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

The result for the fourth quarter of 2022 was a loss of 2 million euro, compared to gradually declining profits in the previous quarters. This performance was due above all to the lower profits on disposals of debt securities and the certificates business, inclusive of the negative impact of the DVA during the quarter, despite the positive contribution from the sale of HTCS securities.

Other operating income (expenses)

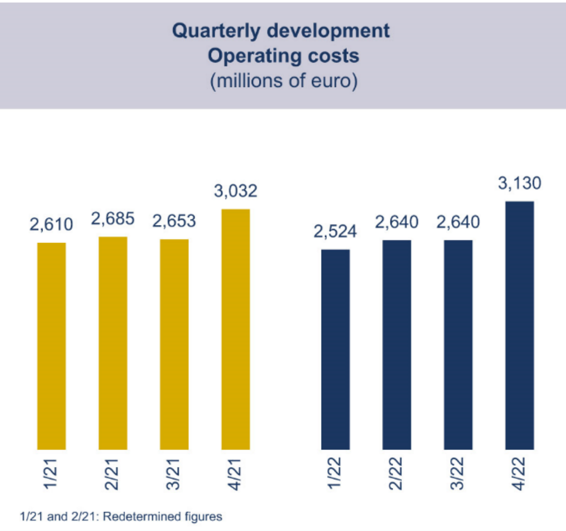
In 2022, other operating expenses came to 32 million euro, compared to 97 million euro of operating income in 2021, recording a decrease of 129 million euro. This caption includes both operating income and expenses – including those of subsidiaries not subject to management and coordination operating in sectors completely distinct from banking and finance – and profits on investments carried at equity. The decrease was due to both the recognition in 2022 of other operating expenses of 72 million euro (compared to a nil value in 2021) and the decrease in dividends and profits on investments carried at equity, which amounted to 40 million euro (97 million euro in 2021).

Operating costs

(millions of euro)

	2022	2021	Adjustments	2021 Redetermined figures	Changes (Redetermined figures)	
					amount	%
Wages and salaries	4,757	4,696	-40	4,656	101	2.2
Social security charges	1,187	1,203	-11	1,192	-5	-0.4
Other	798	895	-	895	-97	-10.8
Personnel expenses	**6,742**	**6,794**	**-51**	**6,743**	**-1**	**-**
Information technology expenses	838	864	6	870	-32	-3.7
Management of real estate assets expenses	317	351	-1	350	-33	-9.4
General structure costs	399	395	-1	394	5	1.3
Professional and legal expenses	299	322	7	329	-30	-9.1
Advertising and promotional expenses	152	142	-	142	10	7.0
Indirect personnel costs	157	134	-	134	23	17.2
Other costs	577	619	-3	616	-39	-6.3
Indirect taxes and duties	202	196	-1	195	7	3.6
Recovery of expenses and charges	-29	-36	-	-36	-7	-19.4
Administrative expenses	**2,912**	**2,987**	**7**	**2,994**	**-82**	**-2.7**
Property and equipment	566	581	-	581	-15	-2.6
Intangible assets	714	660	2	662	52	7.9
Adjustments	**1,280**	**1,241**	**2**	**1,243**	**37**	**3.0**
Operating costs	**10,934**	**11,022**	**-42**	**10,980**	**-46**	**-0.4**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.



In 2022, operating costs amounted to 10,934 million euro, down slightly, by 0.4%, on 2021.
Personnel expenses of 6,742 million euro were essentially stable due to the offsetting of the savings on negotiated exits and the higher costs of the variable component of remuneration relating to the achievement of more than positive results (overperformance) by the Group and the one-off contribution to Intesa Sanpaolo personnel (executives excluded) of approximately 36 million euro as per the labour union agreement in the fourth quarter to mitigate the impact of inflation.
Administrative expenses amounted to 2,912 million euro, down by 2.7%. There were widespread savings, in particular in terms of property management expenses, due to the decrease in space as a result of the merging and streamlining plans, IT service expenses, legal and professional fees and other expenses.
Adjustments to property, equipment and intangible assets, which in accordance with IFRS 16 also include the share relating to rights of use acquired under operating leases, increased (+3%) on 2021, due to the intangible assets, specifically software.
The cost/income ratio for 2022 came to 50.9%, an improvement of nearly two percentage points compared to 2021 (52.8%).

(millions of euro)

	2022				Changes %		
	Fourth quarter (a)	Third quarter (b)	Second quarter (c)	First quarter (d)	(a/b)	(b/c)	(c/d)
Wages and salaries	1,367	1,131	1,163	1,096	20.9	-2.8	6.1
Social security charges	327	287	288	285	13.9	-0.3	1.1
Other	227	214	162	195	6.1	32.1	-16.9
Personnel expenses	**1,921**	**1,632**	**1,613**	**1,576**	**17.7**	**1.2**	**2.3**
Information technology expenses	227	207	213	191	9.7	-2.8	11.5
Management of real estate assets expenses	97	74	74	72	31.1	-	2.8
General structure costs	100	98	105	96	2.0	-6.7	9.4
Professional and legal expenses	91	69	73	66	31.9	-5.5	10.6
Advertising and promotional expenses	70	30	34	18		-11.8	88.9
Indirect personnel costs	49	37	39	32	32.4	-5.1	21.9
Other costs	181	138	136	122	31.2	1.5	11.5
Indirect taxes and duties	58	48	50	46	20.8	-4.0	8.7
Recovery of expenses and charges	-8	-6	-6	-9	33.3	-	-33.3
Administrative expenses	**865**	**695**	**718**	**634**	**24.5**	**-3.2**	**13.2**
Property and equipment	145	138	139	144	5.1	-0.7	-3.5
Intangible assets	199	175	170	170	13.7	2.9	-
Adjustments	**344**	**313**	**309**	**314**	**9.9**	**1.3**	**-1.6**
Operating costs	**3,130**	**2,640**	**2,640**	**2,524**	**18.6**	**-**	**4.6**

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

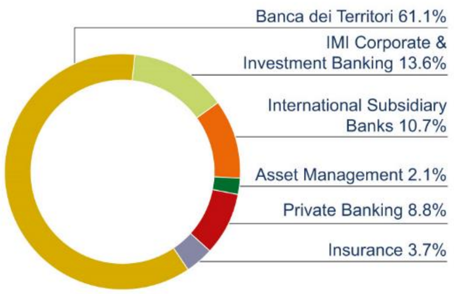
The quarterly analysis shows an increase in operating costs in the fourth quarter due to the customary seasonal effects, above all at the level of administrative expenses.

(millions of euro)

	2022	2021 Redetermined figures	Changes amount	%
Banca dei Territori	6,397	6,499	-102	-1.6
IMI Corporate & Investment Banking	1,418	1,372	46	3.4
International Subsidiary Banks	1,118	1,072	46	4.3
Private Banking	921	914	7	0.8
Asset Management	222	239	-17	-7.1
Insurance	385	402	-17	-4.2
Total business areas	**10,461**	**10,498**	**-37**	**-0.4**
Corporate Centre	473	482	-9	-1.9
Intesa Sanpaolo Group	**10,934**	**10,980**	**-46**	**-0.4**

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 reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

Business areas
Operating costs



At the level of operating costs, the Banca dei Territori Division, which accounts for 61% of all costs for the business areas, reported considerable savings compared to 2021 (-1.6%, or -102 million euro) thanks to lower personnel expenses, in relation to negotiated exits, and administrative expenses, mainly for services rendered by third parties and legal expenses, as well as services relating to real estate. There were also declines in Asset Management (-7.1%, or -17 million euro), attributable to the containment of administrative expenses and personnel expenses, and in Insurance (-4.2%, or -17 million euro), due solely to administrative expenses. By contrast, there were cost increases in IMI Corporate & Investment Banking (+3.4%, or +46 million euro) and International Subsidiary Banks (+4.3%, or +46 million euro) in relation to greater administrative and personnel expenses. Private Banking recorded a slight increase in operating costs (+0.8%, or +7 million euro).
Finally, the Corporate Centre reported a decline in costs of 1.9%, or -9 million euro, due to synergies on administrative expenses.

Operating margin

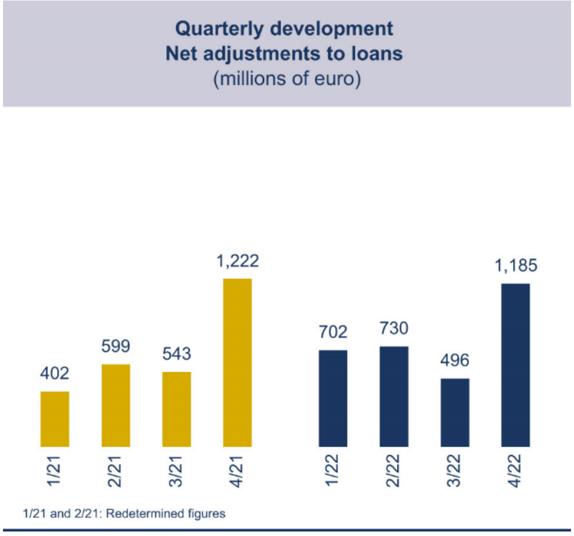
The operating margin in 2022 amounted to 10,536 million euro, up 7.4% on the figure recorded in 2021, thanks to the increase in revenues and the reduction in operating costs.

Net adjustments to loans

(millions of euro)

	2022	2021	Adjustments	2021 Redetermined figures	Changes (Redetermined figures) amount	%
Bad loans	-534	-1,783	6	-1,777	-1,243	-69.9
Unlikely to pay	-1,091	-1,209	-	-1,209	-118	-9.8
Past due loans	-230	-210	-	-210	20	9.5
Stage 3 loans	**-1,855**	**-3,202**	**6**	**-3,196**	**-1,341**	**-42.0**
of which debt securities	-	-	-	-	-	-
Stage 2 loans	-999	169	-	**169**	**-1,168**	
of which debt securities	*-7*	*-5*	-	*-5*	*2*	*40.0*
Stage 1 loans	-45	193	-	**193**	**-238**	
of which debt securities	*-3*	*24*	-	*24*	*-27*	
Net losses/recoveries on impairment of loans	**-2,899**	**-2,840**	**6**	**-2,834**	**65**	**2.3**
Profits/losses from changes in contracts without derecognition	**-5**	**-29**	**-**	**-29**	**-24**	**-82.8**
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**-209**	**97**	**-**	**97**	**-306**	
Net adjustments to loans	**-3,113**	**-2,772**	**6**	**-2,766**	**347**	**12.5**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.



Net adjustments to loans amounted to 3,113 million euro, up by 12.5% from the 2,766 million euro recorded in 2021. This growth reflects (i) the valuation effects relating to the Russia-Ukraine risk totalling 1,298 million euro; and (ii) the adjustments of 1,174 million euro, of which 965 million euro in the fourth quarter, to prudentially factor in the prospective risk elements inherent in the current scenario. These adjustments – mainly relating to the management overlays prudentially applied where greater potential vulnerabilities were identified, but also to de-risking measures, including that relating to the real estate leasing portfolio, and the application of a deterioration factor to the prudent macroeconomic scenario adopted for the forward-looking estimate of ECLs – were only partially mitigated by the reduction of the management overlays to cover the vulnerability of the moratoria (721 million euro), given the essentially complete absorption of moratoria without significant impacts on the performance of non-performing positions.

The performance of the caption reflects greater adjustments to loans in Stage 2 of 1,168 million euro and in Stage 1 for 238 million euro and greater provisions for commitments and guarantees given by 306 million euro (209 million euro in net provisions in the current year, compared to writebacks of 97 million euro recorded in 2021). Conversely, non-performing loans in Stage 3 declined (-1,341 million euro), as a result of a reduction in adjustments to bad loans (-1,243 million euro) and unlikely-to-pay loans (-118 million euro), only slightly mitigated by increases on past-due loans (+20 million euro).

In December 2022, the ratio of gross non-performing loans to total loans was 2.3%, substantially in line with the September and June figures and improving on both the March 2022 figure and the December 2021 figure, due in part to the sale of approximately 4 billion euro in non-performing loans in the second quarter.

The cost of credit, expressed as the ratio of net adjustments to net loans, amounted to 70 basis points in 2022 (30 basis points when excluding the adjustments for the Russia-Ukraine exposure, the additional adjustments to capture the elements of risk inherent in the current scenario and those relating to the overlays and to favour derisking, net of the release of generic provisions set aside in 2020 for the expected impacts of COVID-19), compared to 59 basis points for 2021 (25 basis points when excluding the additional provisions to accelerate the reduction in non-performing loans).

The coverage of non-performing loans in December 2022 amounted to 48.4%. In detail, bad loans required net adjustments of 534 million euro – compared to 1,777 million euro in 2021 – with a coverage ratio of 69.2%. The modest value of adjustments to bad loans is due to both the limited inflows and deleveraging of non-performing exposures. Net adjustments to unlikely-to-pay loans, totalling 1,091 million euro, were down (-9.8%) from 1,209 million euro recorded in 2021; the coverage ratio for these positions amounted to 38.5%. Net adjustments to past-due loans amounted to 230 million euro (210 million euro in 2021), with a coverage ratio of 25.2%. The coverage ratio for forborne positions within the non-performing loans category was 40.7%. Finally, the coverage of performing loans was 0.6% and incorporates the physiological risk inherent in the loan portfolio, including the provisions during 2022 for the Russia-Ukraine conflict (on this subject, see the opening chapter of this Report).

(millions of euro)

	2022				Changes %		
	Fourth quarter (a)	**Third quarter (b)**	**Second quarter (c)**	**First quarter (d)**	(a/b)	(b/c)	(c/d)
Bad loans	-230	-199	-95	-10	15.6		
Unlikely to pay	-327	-140	-422	-202		-66.8	
Past due loans	-62	-43	-91	-34	44.2	-52.7	
Stage 3 loans	**-619**	**-382**	**-608**	**-246**	**62.0**	**-37.2**	
of which debt securities	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Stage 2 loans	**-388**	**-209**	**-137**	**-265**	**85.6**	**52.6**	**-48.3**
of which debt securities	*11*	*-9*	*-4*	*-5*			*-20.0*
Stage 1 loans	**-28**	**84**	**13**	**-114**			
of which debt securities	*-5*	*-*	*2*	*-*	*-*		*-*
Net losses/recoveries on impairment of loans	**-1,035**	**-507**	**-732**	**-625**		**-30.7**	**17.1**
Profits/losses from changes in contracts without derecognition	**-13**	**9**	**2**	**-3**			
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**-137**	**2**	**-**	**-74**		**-**	
Net adjustments to loans	**-1,185**	**-496**	**-730**	**-702**		**-32.1**	**4.0**

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

At the quarterly level, the fourth quarter of 2022 recorded higher net adjustments to loans than the other quarters of the year, mainly due to the effect of the higher adjustments to loans in Stage 3 and Stage 2.

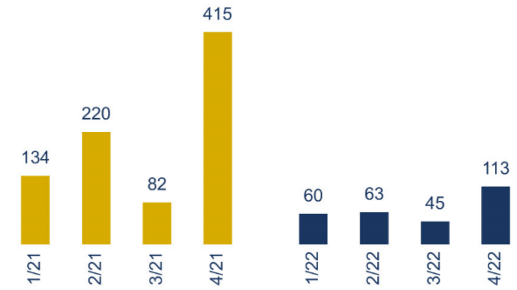
Other net provisions and net impairment losses on other assets

(millions of euro)

	2022	**2021**	**Adjustments**	**2021 Redetermined figures**	**Changes (Redetermined figures)**	
					amount	**%**
Other net provisions	-106	-698	-2	-700	-594	-84.9
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-22	-28	-	-28	-6	-21.4
Net impairment losses on other assets	-142	-118	-	-118	24	20.3
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-11	-4	-1	-5	6	
Other net provisions and net impairment losses on other assets	**-281**	**-848**	**-3**	**-851**	**-570**	**-67.0**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

Quarterly development
Other net provisions and net impairment losses on other assets
(millions of euro)



1/21 and 2/21: Redetermined figures

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 2022, other net provisions and net impairment losses on other assets amounted to 281 million euro, down sharply from 851 million euro in 2021, which included the provision of 295 million euro in the insurance context, representing the amount by which claims exceeded the premiums accrued and the estimated prospective costs, as well as provisions for legal expenses of 180 million euro.
The main components of the 2022 figure were other net provisions (106 million euro), largely relating to legal disputes and the write-off of the value of the Russian equity investment in the consolidated financial statements (80 million euro), and the net adjustments to other assets (142 million euro), largely attributable to the Parent Company.

(millions of euro)

	2022				Changes %		
	Fourth quarter (a)	**Third quarter (b)**	**Second quarter (c)**	**First quarter (d)**	(a/b)	(b/c)	(c/d)
Other net provisions	-30	-40	-27	-9	-25.0	48.1	
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	41	2	-31	-34			-8.8
Net impairment losses on other assets	-125	-4	-4	-9		-	-55.6
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	1	-3	-1	-8			-87.5
Other net provisions and net impairment losses on other assets	**-113**	**-45**	**-63**	**-60**		**-28.6**	**5.0**

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

The value for the fourth quarter of 2022 was up on the previous quarters, especially due to higher net adjustments to other assets, mainly recognised by the Parent Company.

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.

In 2022, other income amounted to 202 million euro, including a capital gain of 195 million euro from the disposal of Intesa Sanpaolo Formazione and a one-off contribution of 41 million euro to Intesa Sanpaolo people, excluding those classified as managers or having equivalent remuneration, to mitigate the impact of inflation, as well as the charges for relief and shelter initiatives for the Ukrainian population. The figure was lower than the 332 million euro recorded in 2021, which included the capital gain recorded with the sale of the custodian bank business unit of Fideuram Bank Luxembourg (194 million euro) and the income on the transfer of the former UBI acquiring business to Nexi (97 million euro).

Income (Loss) from discontinued operations

In the reporting period there were no income or losses from discontinued operations, whereas income from discontinued operations in 2021 amounted to 58 million euro, due to the contribution of the branches object of disposal.

Gross income (loss)

In 2022 income before tax from continuing operations came to 7,344 million euro, up by 11.5% compared to 2021.

Taxes on income

Current and deferred taxes came to 2,059 million euro (including a benefit of 320 million euro due to the recognition of deferred tax assets relating to tax losses carried forward of the former UBI Banca), for an effective tax rate of 28%, higher than in 2021 (24.4%), which had benefited from the tax realignment of intangible assets.

Charges (net of tax) for integration and exit incentives

The caption declined to 140 million euro from 439 million euro in 2021, which included 210 million euro of exit incentives pursuant to the agreement signed on 16 November 2021, also as a result in 2022 of the release of the discounting effect of allowances relating to charges for integration and exit incentives for personnel, against the rise in the reference interest rate curve.

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 2022, this caption recorded costs of 211 million euro, compared to the 39 million euro recorded in the previous year.

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 2022, these charges came to 576 million euro, compared to the 512 million euro recorded in 2021.

The charges recognised during the reporting period may be broken down as follows: 254 million euro attributable to resolution funds, 289 million euro to deposit guarantee funds, 19 million euro to levies recognised by international subsidiary banks, 10 million euro to the Atlante Fund and 4 million euro to the Voluntary Scheme of the Deposit Protection Fund.

Minority interests

In 2022, the caption included, with a negative sign, 4 million euro of net profits attributable to minority interests relating to companies within the scope of line-by-line consolidation, compared to a positive value of 194 million euro relating to net losses of companies in the insurance segment in 2021.

Net income (loss)

Despite the sudden changes of scenario, the Intesa Sanpaolo Group closed 2022 with a net income of 4,354 million euro, which confirms its diversified and resilient business model. Excluding value adjustments for the events relating to Russia and Ukraine, net income would have amounted to 5.5 billion euro, with an increase of approximately 31% instead of 4%, thanks to a sound revenue performance, driven by the interest component, and focused management of operating costs.

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.

Compared to the end of 2021, a restatement – already carried out during the year for all four quarters of 2021 and the first quarter of 2022 – has been applied following the inclusion in the scope of consolidation of the Luxembourg private bank Compagnie de Banque Privée Quilvest (Fideuram Group) at the end of June 2022[44].
Instead, with reference to the specific business line dedicated to the design and provision of training services and products for Group employees, contributed by Intesa Sanpaolo to Intesa Sanpaolo Formazione in preparation for the transaction to dispose of the latter (both transactions were finalised at the end of June 2022), no restatements were made of the balance sheet figures of the business line sold, since said items were of negligible amounts and hence not relevant for comparability.
In line with the 2021 Financial Statements, the quarterly balance sheet figures for 2021 were also restated to:

- include the line-by-line balance sheet figures of Reyl & Cie S.A., RB Participations S.A. and Asteria Investment Managers S.A. (Reyl Group), which entered the scope of consolidation in the second quarter of 2021 following the acquisition by Fideuram - Intesa Sanpaolo Private Banking of control of RB Participations S.A. and Reyl & Cie S.A., which in turn controls Asteria Investment Managers S.A.;
- include, on a line-by-line basis, the balance sheet figures of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas[45], consolidated with effect from the second quarter of 2021.

In order to obtain easily comparable quarterly figures specifically with regard to the acquisition of the UBI Banca Group and the related corporate transactions, in 2021 balance sheet figures concerning the UBI and ISP branches sold during the first and second quarter of 2021 had already been excluded line by line. In the reclassified balance sheet, those figures were by convention allocated to the caption Non-current assets held for sale and discontinued operations. The restatement was carried out based on the accounting records.
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.
As a result of the above, since the restatements of the balance sheet data were - as normally happens - based on accounting records, no reclassified “redetermined” balance sheet schedules were prepared.

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 financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.
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, equipment and intangible assets, broken down into the sub-captions Assets owned and Rights of use acquired under leases;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios under Other assets/ Other 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);

[44] Since it was included in the scope of consolidation at the end of June 2022, without contributing to the Group’s income statement figures, in the Half-yearly Report, the consolidation – and hence the restatement – affected balance sheet figures only. Accordingly, as at 31 December 2022 income statement figures had been restated for all of 2021 and the first two quarters of 2022, whereas balance sheet figures had been restated for all of 2021 and the first quarter of 2022.

[45] Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita were merged into Intesa Sanpaolo Vita as of 31 December 2021. Cargeas Assicurazioni was merged into Intesa Sanpaolo Assicura, a wholly owned subsidiary of Intesa Sanpaolo Vita, as of 1 October 2022.

- 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.

In addition, as already occurred in December 2021, the following should be noted:

- in view of the payment of the 2021 interim dividend by the Parent Company, a specific caption was added to the reclassified balance sheet, within the captions of shareholders' equity, for consistency with the corresponding accounting schedule;
- following the update to Bank of Italy Circular 262, which provides that the caption "Cash and cash equivalents" of the accounting schedule 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.

Reclassified balance sheet

(millions of euro)

Assets	31.12.2022	31.12.2021	Changes	
			amount	%
Cash and cash equivalents	112,924	15,693	97,231	
Due from banks	31,273	162,139	-130,866	-80.7
Loans to customers	446,854	465,871	-19,017	-4.1
Loans to customers measured at amortised cost	*444,244*	*464,075*	*-19,831*	*-4.3*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*2,610*	*1,796*	*814*	*45.3*
Financial assets measured at amortised cost which do not constitute loans	52,690	43,325	9,365	21.6
Financial assets at fair value through profit or loss	46,546	51,638	-5,092	-9.9
Financial assets at fair value through other comprehensive income	48,008	67,058	-19,050	-28.4
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	172,725	206,800	-34,075	-16.5
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	85	-5	-5.9
Investments in associates and companies subject to joint control	2,013	1,652	361	21.9
Property, equipment and intangible assets	20,335	20,141	194	1.0
Assets owned	*18,841*	*18,616*	*225*	*1.2*
Rights of use acquired under leases	*1,494*	*1,525*	*-31*	*-2.0*
Tax assets	18,273	18,808	-535	-2.8
Non-current assets held for sale and discontinued operations	638	1,422	-784	-55.1
Other assets	23,324	16,184	7,140	44.1
Total Assets	**975,683**	**1,070,816**	**-95,133**	**-8.9**

Liabilities	31.12.2022	31.12.2021	Changes	
			amount	%
Due to banks at amortised cost	137,476	165,262	-27,786	-16.8
Due to customers at amortised cost and securities issued	528,795	545,101	-16,306	-3.0
Financial liabilities held for trading	46,512	56,308	-9,796	-17.4
Financial liabilities designated at fair value	8,795	3,674	5,121	
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,544	2,139	405	18.9
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	71,744	84,770	-13,026	-15.4
Tax liabilities	2,306	2,292	14	0.6
Liabilities associated with non-current assets held for sale and discontinued operations	15	30	-15	-50.0
Other liabilities	9,696	21,974	-12,278	-55.9
of which lease payables	*1,321*	*1,398*	*-77*	*-5.5*
Technical reserves	100,117	118,296	-18,179	-15.4
Allowances for risks and charges	5,862	6,816	-954	-14.0
of which allowances for commitments and financial guarantees given	*711*	*508*	*203*	*40.0*
Share capital	10,369	10,084	285	2.8
Reserves	43,756	44,856	-1,100	-2.5
Valuation reserves	-1,939	-709	1,230	
Valuation reserves pertaining to insurance companies	-696	476	-1,172	
Interim dividend	-1,400	-1,399	1	0.1
Equity instruments	7,211	6,282	929	14.8
Minority interests	166	379	-213	-56.2
Net income (loss)	4,354	4,185	169	4.0
Total liabilities and shareholders' equity	**975,683**	**1,070,816**	**-95,133**	**-8.9**

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	2022				2021			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Cash and cash equivalents	112,924	118,368	18,370	18,666	15,693	16,250	15,623	14,652
Due from banks	31,273	39,734	138,555	158,521	162,139	164,909	148,223	128,207
Loans to customers	446,854	473,746	471,649	468,995	465,871	463,917	463,904	465,231
Loans to customers measured at amortised cost	*444,244*	*470,866*	*469,338*	*466,416*	*464,075*	*461,525*	*461,955*	*463,699*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*2,610*	*2,880*	*2,311*	*2,579*	*1,796*	*2,392*	*1,949*	*1,532*
Financial assets measured at amortised cost which do not constitute loans	52,690	49,056	49,850	56,111	43,325	41,286	42,615	44,857
Financial assets at fair value through profit or loss	46,546	51,671	51,943	52,875	51,638	59,926	59,827	55,458
Financial assets at fair value through other comprehensive income	48,008	52,209	59,213	65,016	67,058	63,806	66,660	61,039
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	172,725	173,252	180,637	196,949	206,800	205,631	206,138	206,388
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	80	80	81	85	82	80	79
Investments in associates and companies subject to joint control	2,013	1,990	1,902	1,633	1,652	1,738	1,707	1,708
Property, equipment and intangible assets	20,335	19,947	19,965	19,891	20,141	19,415	19,459	18,916
Assets owned	*18,841*	*18,401*	*18,389*	*18,345*	*18,616*	*17,803*	*17,819*	*17,161*
Rights of use acquired under leases	*1,494*	*1,546*	*1,576*	*1,546*	*1,525*	*1,612*	*1,640*	*1,755*
Tax assets	18,273	19,391	18,745	18,610	18,808	18,805	19,014	19,582
Non-current assets held for sale and discontinued operations	638	1,123	1,303	1,556	1,422	3,181	1,566	3,173
Other assets	23,324	22,438	20,103	16,461	16,184	14,482	14,675	14,514
Total Assets	**975,683**	**1,023,005**	**1,032,315**	**1,075,365**	**1,070,816**	**1,073,428**	**1,059,491**	**1,033,804**

Liabilities	2022				2021			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks at amortised cost	137,476	158,971	152,413	180,234	165,262	179,552	164,875	151,787
Due to customers at amortised cost and securities issued	528,795	536,726	536,958	539,278	545,101	525,546	520,960	513,930
Financial liabilities held for trading	46,512	53,856	55,227	58,729	56,308	57,535	57,336	53,547
Financial liabilities designated at fair value	8,795	6,501	4,753	3,848	3,674	3,266	3,361	3,116
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,544	2,244	2,297	2,280	2,139	2,563	2,518	2,414
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	71,744	72,812	74,454	80,086	84,770	83,093	83,010	82,040
Tax liabilities	2,306	3,581	2,806	2,296	2,292	2,627	2,497	3,310
Liabilities associated with non-current assets held for sale and discontinued operations	15	89	92	37	30	1,404	78	3,585
Other liabilities	9,696	20,020	28,532	23,553	21,974	24,984	31,700	26,301
of which lease payables	*1,321*	*1,368*	*1,417*	*1,389*	*1,398*	*1,523*	*1,574*	*1,713*
Technical reserves	100,117	99,751	104,809	113,471	118,296	118,616	119,475	119,943
Allowances for risks and charges	5,862	5,525	5,709	6,481	6,816	6,873	7,042	7,437
of which allowances for commitments and financial guarantees given	*711*	*563*	*561*	*562*	*508*	*534*	*548*	*576*
Share capital	10,369	10,369	10,369	10,084	10,084	10,084	10,084	10,084
Reserves	43,756	44,509	46,216	48,995	44,856	46,508	46,671	47,529
Valuation reserves	-1,939	-1,898	-1,603	-1,320	-709	-569	-476	-738
Valuation reserves pertaining to insurance companies	-696	-762	-523	120	476	677	661	777
Interim dividend	-1,400	-	-	-1,399	-1,399	-	-	-
Equity instruments	7,211	7,203	7,204	7,220	6,282	6,279	6,269	6,202
Minority interests	166	224	248	348	379	384	407	1,024
Net income (loss)	4,354	3,284	2,354	1,024	4,185	4,006	3,023	1,516
Total Liabilities and Shareholders' Equity	**975,683**	**1,023,005**	**1,032,315**	**1,075,365**	**1,070,816**	**1,073,428**	**1,059,491**	**1,033,804**

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

BANKING BUSINESS

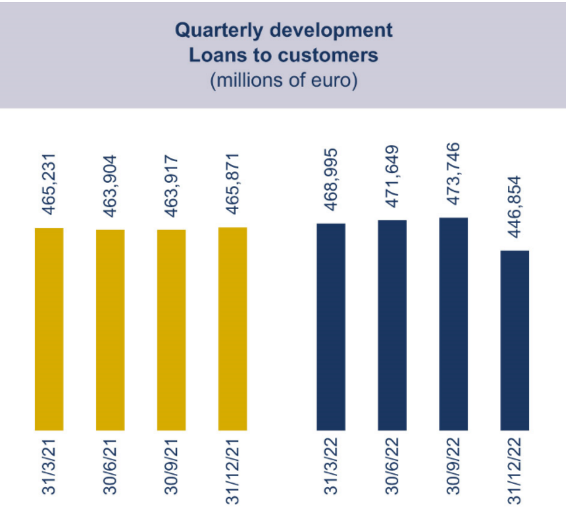
Loans to customers

Loans to customers: breakdown

(millions of euro)

	31.12.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	22,970	5.1	21,768	4.7	1,202	5.5
Mortgages	242,299	54.3	250,941	53.9	-8,642	-3.4
Advances and other loans	154,477	34.6	161,449	34.6	-6,972	-4.3
Commercial banking loans	**419,746**	**94.0**	**434,158**	**93.2**	**-14,412**	**-3.3**
Repurchase agreements	**15,366**	**3.4**	**17,621**	**3.8**	**-2,255**	**-12.8**
Loans represented by securities	**6,246**	**1.4**	**7,015**	**1.5**	**-769**	**-11.0**
Non-performing loans	**5,496**	**1.2**	**7,077**	**1.5**	**-1,581**	**-22.3**
Loans to customers	**446,854**	**100.0**	**465,871**	**100.0**	**-19,017**	**-4.1**

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



As at 31 December the Group's loans to customers came to approximately 447 billion euro, down (-4.1%) compared to the beginning of the year, due to the actions aimed at lowering the Group's RWAs, in line with the EBA guidelines applicable as of 1 January 2023. These actions resulted in the containment of the credit on negative EVA corporate positions or those no longer justified in relation to the capital absorbed, and in the sale of performing loans of the lease segment, in pursuit of the creation and distribution of shareholder value.
In detail, the decline in loans to customers during the year was driven by commercial banking loans (-3.3%, or -14.4 billion euro), and in particular by the reduction in mortgage loans (-3.4%, or -8.6 billion euro) and advances and other loans (-4.3%, or -7 billion euro), only partly offset by the performance of current accounts (+5.5%, or +1.2 billion euro). In addition, there was a significant decline in repurchase agreements (-12.8%, or -2.3 billion euro) and non-performing loans (-22.3%, or -1.6 billion euro). The latter amounted to 5.5 billion euro, a figure that decreased compared to the beginning of the year due to the de-risking initiatives undertaken during the year[46]. Finally, loans represented by securities declined by 11% (-0.8 billion euro).

In the domestic medium/long-term loan market, disbursements to households in 2022 (including the small business accounts having similar needs to family businesses) amounted to 22 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 16.1 billion euro. Loans granted by the new Agribusiness department amounted to 2.1 billion euro. The medium/long-term disbursements to customers of the IMI Corporate & Investment Banking Division amounted to 17.4 billion euro, excluding the international portion. Overall disbursements within Italy, inclusive of the loans to the non-profit sector, disbursements through third-party networks and through the former UBI Leasing and Prestitalia reached 58.4 billion euro. If the Group's foreign operations are included, medium/long-term disbursements totalled 81.4 billion euro.
As at 31 December 2022, the Intesa Sanpaolo Group's share of the Italian domestic market was 19% for total loans to customers.

[46] For more details, see the information provided in the opening chapter of this Report.

(millions of euro)

	31.12.2022	31.12.2021	Changes	
			amount	%
Banca dei Territori	247,522	250,592	-3,070	-1.2
IMI Corporate & Investment Banking	132,927	152,543	-19,616	-12.9
International Subsidiary Banks	40,212	38,970	1,242	3.2
Private Banking	15,104	14,450	654	4.5
Asset Management	282	783	-501	-64.0
Insurance	-	-	-	-
Total business areas	**436,047**	**457,338**	**-21,291**	**-4.7**
Corporate Centre	10,807	8,533	2,274	26.6
Intesa Sanpaolo Group	**446,854**	**465,871**	**-19,017**	**-4.1**

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

Business areas
Loans to customers

In the analysis by business area, the Banca dei Territori Division, which accounts for approximately 57% of the aggregate of the Group's business areas, recorded a decrease year-to-date (-1.2%, or -3.1 billion euro), mainly attributable to the performance of medium/long-term loans to SMEs. In line with the goals of containing RWAs, the IMI Corporate & Investment Banking Division recorded a decrease (-12.9%, or -19.6 billion euro), mainly attributable to decreased operations with global corporate customers and in the global markets segment, as well as the reduction in loans for structured finance transactions and to international customers. The loans of the International Subsidiary Banks Division grew (+3.2%, or +1.2 billion euro), due specifically to the greater contribution of the subsidiaries operating in Slovakia, Serbia and Croatia. Turning to the other divisions, whose loans are of relatively modest amounts in light of their specific businesses, the loans of the Private Banking Division increased (+4.5%), whereas those of the Asset Management Division declined sharply (-64%).

Loans on central assets of the Corporate Centre increased sharply (+26.6%) in relation to repurchase agreements with central counterparties.

Loans to customers: credit quality

(millions of euro)

	31.12.2022		31.12.2021		Change
	Net exposure	**% breakdown**	**Net exposure**	**% breakdown**	**Net exposure**
Bad loans	1,131	0.2	2,130	0.5	-999
Unlikely to pay	3,952	0.9	4,325	0.9	-373
Past due loans	413	0.1	622	0.1	-209
Non-Performing Loans	**5,496**	**1.2**	**7,077**	**1.5**	**-1,581**
Non-performing loans in Stage 3 (subject to impairment)	*5,463*	*1.2*	*7,038*	*1.5*	*-1,575*
Non-performing loans designated at fair value through profit or loss	*33*	*-*	*39*	*-*	*-6*
Performing loans	**435,026**	**97.4**	**451,760**	**97.0**	**-16,734**
Stage 2	*43,865*	*9.8*	*54,389*	*11.7*	*-10,524*
Stage 1	*390,278*	*87.4*	*396,372*	*85.1*	*-6,094*
Performing loans designated at fair value through profit or loss	*883*	*0.2*	*999*	*0.2*	*-116*
Performing loans represented by securities	**6,246**	**1.4**	**7,015**	**1.5**	**-769**
Stage 2	*815*	*0.2*	*865*	*0.2*	*-50*
Stage 1	*5,431*	*1.2*	*6,150*	*1.3*	*-719*
Loans held for trading	**86**	**-**	**19**	**-**	**67**
Total loans to customers	**446,854**	**100.0**	**465,871**	**100.0**	**-19,017**
of which forborne performing	***6,920***		***8,103***		***-1,183***
of which forborne non-performing	***2,063***		***2,644***		***-581***
Loans to customers classified as non-current assets held for sale (*)	**368**		**1,206**		**-838**

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

(*) As at 31 December 2022, this item includes 358 million euro of non-performing loans and 10 million euro of performing loans to be sold. As at 31 December 2021, the amount was entirely referred to non-performing loans to be sold, also inclusive of single name exposures.

Benefiting from the de-risking initiatives undertaken, as at 31 December 2022, the Group's net non-performing loans amounted to 5.5 billion euro, an all-time low. The reduction from the beginning of the year (-22.3%) confirms the virtuous trend already recorded in previous years. The non-performing assets percentage of total net loans to customers amounted to 1.2% (1% according to the EBA definition), a low proportion and further improving compared to December 2021 (1.5%, 1.2% according to the EBA definition), with a coverage ratio for non-performing loans of 48.4%.
In further detail, at the end of December 2022, bad loans came to 1.1 billion euro (-46.9% year to date), net of adjustments, and represented 0.2% of total net loans. As at that same date, the coverage ratio came to 69.2%. Loans included in the unlikely-to-pay category amounted to 4 billion euro, down by 8.6%, accounting for 0.9% of total net loans to customers, with a coverage ratio of 38.5%. Past due loans amounted to 413 million euro (-33.6% on December 2021), with a coverage ratio of 25.2%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 2.1 billion euro, with a coverage ratio of 40.7%, while forborne exposures in the performing loans category amounted to 6.9 billion euro.
The coverage ratio of performing loans amounted to 0.59% (0.54% in December 2021), also in relation to the provision of 1.3 billion euro allocated in 2022 for the Russia-Ukraine conflict (on this subject, see the opening chapter of this Report).

(millions of euro)

Captions	31.12.2022			31.12.2021			Change
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	3,667	-2,536	1,131	7,194	-5,064	2,130	-999
Unlikely to pay	6,423	-2,471	3,952	7,281	-2,956	4,325	-373
Past due loans	552	-139	413	774	-152	622	-209
Non-Performing Loans	**10,642**	**-5,146**	**5,496**	**15,249**	**-8,172**	**7,077**	**-1,581**
Non-performing loans in Stage 3 (subject to impairment)	*10,597*	*-5,134*	*5,463*	*15,202*	*-8,164*	*7,038*	*-1,575*
Non-performing loans designated at fair value through profit or loss	*45*	*-12*	*33*	*47*	*-8*	*39*	*-6*
Performing loans	**437,616**	**-2,590**	**435,026**	**454,213**	**-2,453**	**451,760**	**-16,734**
Stage 2	*45,801*	*-1,936*	*43,865*	*56,129*	*-1,740*	*54,389*	*-10,524*
Stage 1	*390,932*	*-654*	*390,278*	*397,085*	*-713*	*396,372*	*-6,094*
Performing loans designated at fair value through profit or loss	*883*	*-*	*883*	*999*	*-*	*999*	*-116*
Performing loans represented by securities	**6,274**	**-28**	**6,246**	**7,039**	**-24**	**7,015**	**-769**
Stage 2	*838*	*-23*	*815*	*882*	*-17*	*865*	*-50*
Stage 1	*5,436*	*-5*	*5,431*	*6,157*	*-7*	*6,150*	*-719*
Loans held for trading	**86**	**-**	**86**	**19**	**-**	**19**	**67**
Total loans to customers	**454,618**	**-7,764**	**446,854**	**476,520**	**-10,649**	**465,871**	**-19,017**
of which forborne performing	***7,473***	***-553***	***6,920***	***8,616***	***-513***	***8,103***	***-1,183***
of which forborne non-performing	***3,480***	***-1,417***	***2,063***	***4,568***	***-1,924***	***2,644***	***-581***
Loans to customers classified as non-current assets held for sale (*)	**754**	**-386**	**368**	**4,504**	**-3,298**	**1,206**	**-838**

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

(*) As at 31 December 2022, this item refers to non-performing loans and in residual measure (10 million euro) to performing loans to be sold. As at 31 December 2021, the amount was entirely referred to non-performing loans to be sold, also inclusive of single name exposures.

As at 31 December 2022 the Group's gross non-performing loans amounted to 10.6 billion euro, a decrease of 4.6 billion euro (-30.2%) over the twelve months. Therefore, they declined to 2.3% of the total from 3.2% at the end of 2021 (1.9% and 2.4%, respectively, if expressed in accordance with the EBA definitions).

The change mainly reflects the disposal of the portfolios held for sale that in the 2021 Financial Statements were not reclassified pursuant to IFRS 5, but were recognised in accordance with the provisions of IFRS 9, i.e. factoring in a probabilistic scenario of sale at market prices (for a description, see the opening chapter of this Report).

The process of reducing non-performing loans continues to benefit from inflows from performing loans, which remained at low levels.

Gross inflows in 2022 totalled 3.8 billion euro, of which 1.1 billion euro in the fourth quarter. Gross inflows relating to exposures to Russia and Ukraine totalled 0.5 billion euro, of which 0.2 billion euro in the third quarter and 0.3 billion euro in the second. In 2021 gross inflows amounted to 3.5 billion euro.

In net terms, that is, net of outflows to performing loans, inflows amounted to 2.8 billion euro – including the aforementioned 0.5 billion euro related to exposures to Russia and Ukraine[47] – with 0.8 billion euro attributable to the fourth quarter. In 2021 net inflows from performing loans totalled 2.5 billion euro.

The table shows that the decrease in gross non-performing loans was comprised of 3.5 billion euro in bad loans (-49%), 0.9 billion euro in unlikely-to-pay exposures (-11.8%) and 0.2 billion euro in past due positions (-28.7%).

At the end of 2022, loans classified under assets held for sale, mostly consisting of non-performing loans, amounted to 754 million euro gross and 368 million euro net. All NPL portfolios that as at 31 December 2021 were classified under assets held for sale pursuant to IFRS 5 (4.5 billion euro gross, 1.2 billion euro net) were sold.

[47] 0.2 billion euro net of value adjustments.

Other banking business financial assets and liabilities: breakdown

(millions of euro)

Type of financial instruments	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 (*)
Debt securities issued by Governments					
31.12.2022	7,511	33,959	29,523	**70,993**	X
31.12.2021	20,361	49,575	24,845	**94,781**	X
Changes amount	-12,850	-15,616	4,678	**-23,788**	X
Changes %	-63.1	-31.5	18.8	**-25.1**	X
Other debt securities					
31.12.2022	3,075	12,701	23,167	**38,943**	X
31.12.2021	3,020	14,210	18,480	**35,710**	X
Changes amount	55	-1,509	4,687	**3,233**	X
Changes %	1.8	-10.6	25.4	**9.1**	X
Equities					
31.12.2022	1,352	1,348	X	**2,700**	X
31.12.2021	1,192	3,273	X	**4,465**	X
Changes amount	160	-1,925	X	**-1,765**	X
Changes %	13.4	-58.8	X	**-39.5**	X
Quotas of UCI					
31.12.2022	3,739	X	X	**3,739**	X
31.12.2021	3,943	X	X	**3,943**	X
Changes amount	-204	X	X	**-204**	X
Changes %	-5.2	X	X	**-5.2**	X
Due to banks and to customers					
31.12.2022	X	X	X	**X**	-7,241
31.12.2021	X	X	X	**X**	-22,262
Changes amount	X	X	X	**X**	-15,021
Changes %	X	X	X	**X**	-67.5
Financial derivatives					
31.12.2022	29,933	X	X	**29,933**	-30,540
31.12.2021	20,897	X	X	**20,897**	-23,241
Changes amount	9,036	X	X	**9,036**	7,299
Changes %	43.2	X	X	**43.2**	31.4
Credit derivatives					
31.12.2022	936	X	X	**936**	-935
31.12.2021	2,225	X	X	**2,225**	-2,332
Changes amount	-1,289	X	X	**-1,289**	-1,397
Changes %	-57.9	X	X	**-57.9**	-59.9
TOTAL 31.12.2022	**46,546**	**48,008**	**52,690**	**147,244**	**-38,716**
TOTAL 31.12.2021	**51,638**	**67,058**	**43,325**	**162,021**	**-47,835**
Changes amount	**-5,092**	**-19,050**	**9,365**	**-14,777**	**-9,119**
Changes %	**-9.9**	**-28.4**	**21.6**	**-9.1**	**-19.1**

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 147.2 billion euro, down by 14.8 billion euro compared to the beginning of the year (-9.1%). Financial liabilities held for trading of 38.7 billion euro also moved in the same direction, declining by 19.1%.

The performance of total financial assets is mainly attributable to the reduction in government debt securities (-23.8 billion euro), classified under assets measured at fair value through profit or loss and comprehensive income, also associated with the reduction in short selling of securities of around 15 billion euro, partially offset by the increase in financial derivatives (+9 billion euro) and other debt securities (+3.2 billion euro). The improvement in financial liabilities held for trading was mainly attributable to amounts due to banks and customers (-15 billion euro), only partly offset by financial derivatives (+7.3 billion euro).
Financial assets measured at fair value through profit or loss amounted to approximately 46.5 billion euro, down by 5.1 billion euro (-9.9%), essentially due to debt securities issued by governments (-12.9 billion euro), partly offset by financial derivatives (+9 billion euro).

Instruments measured at amortised cost which do not constitute loans amounted to 52.7 billion euro, marking a net increase (+21.6%), fully due to debt securities as a result, on one hand, of the creation of a government bond portfolio with limited credit risk by the Treasury Department of the Parent Company and, on the other, of several disposals as part of a portfolio recomposition towards more liquidable securities issued by counterparties with higher credit standing. HTC debt securities have primarily been classified to Stage 1 (94%).
Conversely, financial assets measured at fair value through other comprehensive income amounted to 48 billion euro, down by 28.4% compared to the beginning of the year, owing to both debt securities issued by governments and, to a lesser extent, equity instruments and other debt securities. HTCS debt securities have been classified almost exclusively to Stage 1 (99.6%).

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
Stage 1			
31.12.2022	46,475	49,502	**95,977**
31.12.2021	63,584	39,467	**103,051**
Changes amount	-17,109	10,035	**-7,074**
Changes %	-26.9	25.4	**-6.9**
Stage 2			
31.12.2022	185	3,180	**3,365**
31.12.2021	201	3,844	**4,045**
Changes amount	-16	-664	**-680**
Changes %	-8.0	-17.3	**-16.8**
Stage 3			
31.12.2022	-	8	**8**
31.12.2021	-	14	**14**
Changes amount	-	-6	**-6**
Changes %	-	-42.9	**-42.9**
TOTAL 31.12.2022	**46,660**	**52,690**	**99,350**
TOTAL 31.12.2021	**63,785**	**43,325**	**107,110**
Changes amount	**-17,125**	**9,365**	**-7,760**
Changes %	**-26.8**	**21.6**	**-7.2**

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

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Customer financial assets

(millions of euro)

	31.12.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	545,386	44.6	557,248	43.4	-11,862	-2.1
Direct deposits from insurance business and technical reserves	173,597	14.2	204,479	15.9	-30,882	-15.1
Indirect customer deposits	674,705	55.2	725,137	56.5	-50,432	-7.0
Netting (a)	-171,682	-14.0	-202,963	-15.8	-31,281	-15.4
Customer financial assets	**1,222,006**	**100.0**	**1,283,901**	**100.0**	**-61,895**	**-4.8**

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 2022, customer financial assets, after netting, amounted to 1,222 billion euro, down year to date (-4.8%, or -61.9 billion euro), due to indirect customer deposits (-7%, or -50.4 billion euro), and direct deposits from insurance and banking business (-5.6%, or -42.8 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.

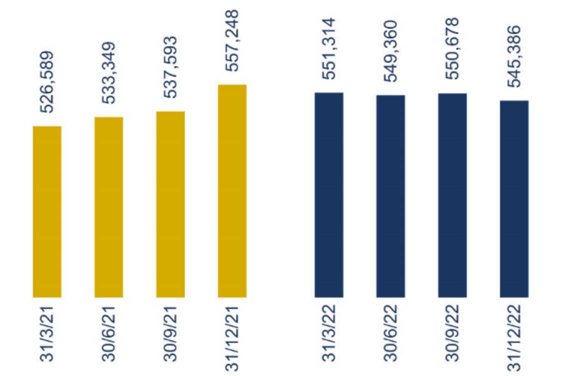
(millions of euro)

	31.12.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	432,976	79.4	444,203	79.7	-11,227	-2.5
Repurchase agreements and securities lending	1,284	0.2	2,691	0.5	-1,407	-52.3
Bonds	52,364	9.6	62,452	11.2	-10,088	-16.2
Certificates of deposit	2,094	0.4	2,931	0.5	-837	-28.6
Subordinated liabilities	12,474	2.3	12,599	2.3	-125	-1.0
Other deposits	44,194	8.1	32,372	5.8	11,822	36.5
of which designated at fair value (*)	*16,591*	*3.0*	*12,147*	*2.2*	*4,444*	*36.6*
Direct deposits from banking business	**545,386**	**100.0**	**557,248**	**100.0**	**-11,862**	**-2.1**

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 2022, this caption consisted of 7,796 million euro of certificates classified under “Financial liabilities held for trading” and 8,795 million euro of certificates (8,791 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”;
- 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”.

Quarterly development
Direct deposits from banking business
(millions of euro)



The Group's direct deposits from banking business exceeded 545 billion euro, down year to date (-2.1%, or -11.9 billion euro).
The trend is attributable to the decline in current accounts and deposits (-11.2 billion euro), also influenced by the performance of savings certificates, and in bond funding (-10.1 billion euro). Other funding increased (+11.8 billion euro), reflecting the higher number of certificates issued and the higher margins paid on derivative contracts with central counterparties and counterparties under customer netting agreements, due to the increase in the positive fair value of the derivatives, the values of which increased due to the significant rise in interest rates during the year.

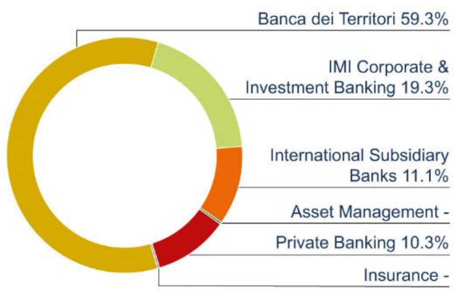
As at 31 December 2022, the Intesa Sanpaolo Group's direct deposits (deposits and bonds) represented a share of the domestic market of 21.9%.

(millions of euro)

	31.12.2022	31.12.2021	Changes	
			amount	%
Banca dei Territori	291,089	291,697	-608	-0.2
IMI Corporate & Investment Banking	94,785	94,844	-59	-0.1
International Subsidiary Banks	54,364	51,504	2,860	5.6
Private Banking	50,447	55,895	-5,448	-9.7
Asset Management	26	21	5	23.8
Insurance	-	-	-	-
Total business areas	**490,711**	**493,961**	**-3,250**	**-0.7**
Corporate Centre	54,675	63,287	-8,612	-13.6
Intesa Sanpaolo Group	**545,386**	**557,248**	**-11,862**	**-2.1**

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

Business areas
Direct deposits from banking business



In the analysis of funding by sector, the Banca dei Territori Division, which accounts for over 59% of the aggregate attributable to the Group's operating units, came in slightly below the levels of the beginning of the year (-0.2%, or -0.6 billion euro), in view of the declining trend in securities issued. The IMI Corporate & Investment Banking Division was substantially stable (-0.1%, or -0.1 billion euro), as a result of the decrease in amounts due to global corporate, financial institutions and international customers, offset by the increase in the funding through certificates and, to a lesser extent, in securities issued. International Subsidiary Banks recorded growth (+5.6%, or +2.9 billion euro), primarily attributable to the subsidiaries operating in Croatia and Slovakia, and, to a lesser extent, those in Slovenia and Serbia. On the other hand, Private Banking funding declined (-9.7%, or -5.4 billion euro), especially in the fourth quarter in relation to time deposits.
The decrease in Corporate Centre funding (-13.6%) is attributable to the maturities of wholesale securities.

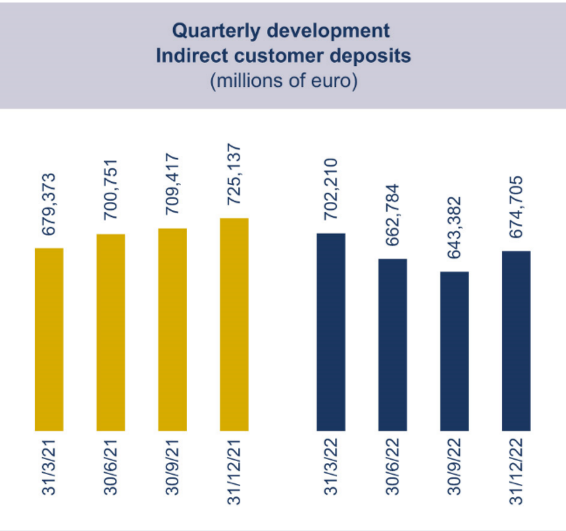
Indirect customer deposits

(millions of euro)

	31.12.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds [(a)]	149,790	22.2	176,313	24.3	-26,523	-15.0
Open-ended pension funds and individual pension plans	11,986	1.8	12,585	1.8	-599	-4.8
Portfolio management	73,591	10.9	81,911	11.3	-8,320	-10.2
Technical reserves and financial liabilities of the insurance business	171,872	25.5	186,343	25.7	-14,471	-7.8
Relations with institutional customers	22,926	3.4	20,378	2.8	2,548	12.5
Assets under management	**430,165**	**63.8**	**477,530**	**65.9**	**-47,365**	**-9.9**
Assets under administration and in custody	**244,540**	**36.2**	**247,607**	**34.1**	**-3,067**	**-1.2**
Indirect customer deposits	**674,705**	**100.0**	**725,137**	**100.0**	**-50,432**	**-7.0**

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 2022, indirect customer deposits amounted to around 675 billion euro, down by 7% year to date. This trend, conditioned by the negative financial market performance, affected above all assets under management and, to a lesser extent, assets under administration.

Assets under management, which at over 430 billion euro accounted for around two-thirds of the total aggregate, were down (-9.9%, or -47.4 billion euro). Over half of the decrease was attributable to mutual funds (-26.5 billion euro), and the remainder to technical reserves and financial liabilities of the insurance business (-14.5 billion euro), portfolio management schemes (-8.3 billion euro), open pension funds and individual pension policies (-0.6 billion euro). Relations with institutional customers grew (+2.5 billion euro). The new life business of the insurance companies of the Intesa Sanpaolo Group, including pension products, amounted to 15.8 billion euro. Assets under administration decreased (-1.2%, or -3.1 billion euro), largely attributable to securities and third-party products in custody.

Amounts due from and to banks - net interbank position

Due to the increase in interest rates, starting in September, excess liquidity is no longer deposited on the account of the Reserve Requirement aggregate under "Due from banks", but in on-demand deposits (overnight deposits) that are reported in the caption "Cash and cash equivalents". As at 31 December 2022, that amount came to approximately 89 billion euro.

The net interbank position as at 31 December 2022, considering the above, came to a negative balance of around 17 billion euro, higher than that of around 3 billion euro recorded at the beginning of the year. The change reflects a significant reduction in due from banks (-25.8%), against a lesser decline in due to banks of 16.8%. This latter was driven by early repayments, correlated with TLTRO operations undertaken during the year[48].

[48] At the end of December 2022, the TLTRO III refinancing was outstanding for a nominal amount of 96.06 billion euro, compared to 131.84 billion euro twelve months earlier, due to: the early repayment of a nominal 17 billion euro obtained by Intesa Sanpaolo in the December 2019 auction with maturity of December 2022, made at the end of the first half of the year; the partial repayment of a nominal 14 billion euro obtained by ISP in the March 2020 auction with maturity of March 2023, made for 10 billion euro in November and for 4 billion euro in December; the repayment of a nominal 4.78 billion euro of total funds obtained by the Group's international subsidiary banks in the fourth quarter.
In January 2023 the Group made a further early repayment of a nominal 20 billion euro.

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				
Debt securities issued by Governments							
31.12.2022	101	3,375	55,587	-	**59,063**	X	
31.12.2021	123	3,772	71,782	-	**75,677**	X	
Changes amount	-22	-397	-16,195	-	**-16,614**	X	
Changes %	-17.9	-10.5	-22.6	-	**-22.0**	X	
Other debt securities							
31.12.2022	557	996	15,497	-	**17,050**	X	
31.12.2021	668	1,021	16,758	-	**18,447**	X	
Changes amount	-111	-25	-1,261		**-1,397**	X	
Changes %	-16.6	-2.4	-7.5		**-7.6**	X	
Equities							
31.12.2022	-	3,016	1,995	-	**5,011**	X	
31.12.2021	-	3,510	2,262	-	**5,772**	X	
Changes amount	-	-494	-267	-	**-761**	X	
Changes %	-	-14.1	-11.8	-	**-13.2**	X	
Quotas of UCI							
31.12.2022	143	78,025	12,514	-	**90,682**	X	
31.12.2021	171	92,017	13,621	-	**105,809**	X	
Changes amount	-28	-13,992	-1,107	-	**-15,127**	X	
Changes %	-16.4	-15.2	-8.1	-	**-14.3**	X	
Due from banks and loans to customers							
31.12.2022	-	805	-	80	**885**	X	
31.12.2021	-	739	-	85	**824**	X	
Changes amount	-	66	-	-5	**61**	X	
Changes %	-	8.9	-	-5.9	**7.4**	X	
Due to banks							
31.12.2022	X	X	X	X	X	-629	(**)
31.12.2021	X	X	X	X	X	-623	(**)
Changes amount	X	X	X	X	X	6	
Changes %	X	X	X	X	X	1.0	
Financial derivatives							
31.12.2022	114	-	-	-	**114**	-179	(***)
31.12.2021	356	-	-	-	**356**	-103	(***)
Changes amount	-242	-	-	-	**-242**	76	
Changes %	-68.0	-	-	-	**-68.0**	73.8	
Credit derivatives							
31.12.2022	-	-	-	-	**-**	-	(***)
31.12.2021	-	-	-	-	**-**	-	(***)
Changes amount	-	-	-	-	**-**	-	
Changes %	-	-	-	-	**-**	-	
TOTAL 31.12.2022	**915**	**86,217**	**85,593**	**80**	**172,805**	**-808**	
TOTAL 31.12.2021	**1,318**	**101,059**	**104,423**	**85**	**206,885**	**-726**	
Changes amount	**-403**	**-14,842**	**-18,830**	**-5**	**-34,080**	**82**	
Changes %	**-30.6**	**-14.7**	**-18.0**	**-5.9**	**-16.5**	**11.3**	

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 172.8 billion euro and 808 million euro, respectively. Financial assets decreased year-to-date (-16.5%, or -34.1 billion euro) as a result of the downtrend in financial assets available for sale (-18%, or -18.8 billion euro), markedly government debt securities, and in financial assets designated at fair value (-14.7%, or -14.8 billion euro), particularly quotas of UCI. Financial assets held for trading and hedging derivatives also declined, although the contribution was modest in extent (-30.6%).

Direct deposits from insurance business and technical reserves

(millions of euro)

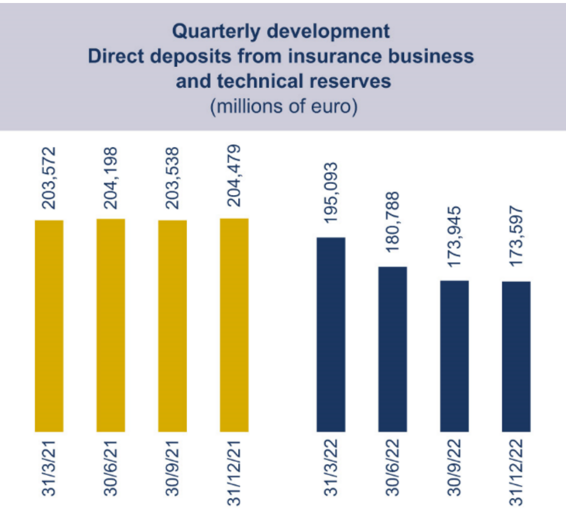
	31.12.2022		31.12.2021		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value IAS 39 (*)	**71,565**	**41.2**	**84,667**	**41.4**	**-13,102**	**-15.5**
Index-linked products	*-*	*-*	*-*	*-*	*-*	*-*
Unit-linked products	*71,565*	*41.2*	*84,667*	*41.4*	*-13,102*	*-15.5*
Technical reserves	**100,117**	**57.7**	**118,296**	**57.9**	**-18,179**	**-15.4**
Life business	98,463	56.7	116,540	57.0	-18,077	-15.5
Mathematical reserves	*97,821*	*56.4*	*99,110*	*48.5*	*-1,289*	*-1.3*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*8,589*	*4.9*	*9,217*	*4.5*	*-628*	*-6.8*
Other reserves	*-7,947*	*-4.6*	*8,213*	*4.0*	*-16,160*	
Non-life business	1,654	1.0	1,756	0.9	-102	-5.8
Other insurance deposits (***)	**1,915**	**1.1**	**1,516**	**0.7**	**399**	**26.3**
Direct deposits from insurance business and technical reserves	**173,597**	**100.0**	**204,479**	**100.0**	**-30,882**	**-15.1**

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 pursuant 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 amounted to 173.6 billion euro as at 31 December 2022, down (-15.1%, or -30.9 billion euro) compared to December 2021. The trend is attributable to both the decline in financial liabilities designated at fair value, consisting of unit-linked products (-15.5%, or -13.1 billion euro), and the decrease in technical reserves (-15.4%, or -18.2 billion euro), which represent amounts due to customers who have taken out traditional policies or policies with significant insurance risk, attributable to the life business, which make up almost all reserves. During the year, the market context had a significant negative effect on the fair values of financial instruments and thus of insurance AFS reserves, while also affecting the share attributable to insured parties included in the sub-caption other reserves. There was an increase in other insurance funding (+26.3%, or +0.4 billion euro), which includes subordinated liabilities.

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 2022, assets held for sale amounted to 638 million euro and the associated liabilities to 15 million euro. Assets held for sale at 31 December 2022 mainly include the non-performing loan portfolios of Intesa Sanpaolo, which will be sold as part of the Group's de-risking strategies. Overall, non-performing loans allocated to assets held for sale amounted to 368 million euro net of adjustments. This caption also includes the following reclassifications: the equity investment in Zhong Ou Asset Management Co. Ltd., for which the sale is expected to be finalised in the coming months, once the authorisation process has been completed, and the assets and liabilities relating to PBZ Card's merchant acquiring business line, which will be transferred to the Nexi Group in the first half of 2023.

SHAREHOLDERS' EQUITY

As at 31 December 2022, the Group's shareholders' equity, including the net income for the period, came to 61,655 million euro compared to the 63,775 million euro at the beginning of the year. The change was due to the decline in valuation reserves, partly mitigated by the increase in equity instruments. The aggregate includes 4,354 million euro in net income accrued in the year and reflects the payment of the remaining dividends on 2021 net income in May 2022 (1.5 billion euro), the interim dividend on 2022 net income paid in November 2022 (1.4 billion euro), and the purchases of own shares for annulment (buyback), to the extent finalised as at 31 December 2022 (1.7 billion euro).

Valuation reserves

(millions of euro)

	Reserve 31.12.2021	Change of the period	Reserve 31.12.2022
Financial assets designated at fair value through other comprehensive income (debt instruments)	-332	-1,442	-1,774
Financial assets designated at fair value through other comprehensive income (equities)	-147	-111	-258
Property and equipment	1,598	151	1,749
Foreign investment hedges	-	-10	-10
Cash flow hedges	-607	141	-466
Foreign exchange differences	-1,088	-159	-1,247
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-77	32	-45
Actuarial profits (losses) on defined benefit pension plans	-417	179	-238
Portion of the valuation reserves connected with investments carried at equity	53	-14	39
Legally-required revaluations	308	3	311
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	**-709**	**-1,230**	**-1,939**
Valuation reserves pertaining to insurance companies	**476**	**-1,172**	**-696**

Bank valuation reserves were negative (-1,939 million euro) and worsening on 31 December 2021 (-709 million euro), primarily due to reserves on debt securities (-1,442 million euro). Valuation reserves for property and equipment increased by 151 million euro, mainly due to the reclassification to other reserves of taxation linked to the tax realignment of properties carried out in 2019, which became final once the three-year observation period was over. The valuation reserves of the insurance companies amounted to a negative 696 million euro, compared with a positive 476 million euro at the end of 2021.

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	of which Net income (loss) as at 31.12.2022
Parent Company's balances as at 31 December 2022	**54,054**	**4,284**
Effect of consolidation of subsidiaries subject to control	1,141	4,307
Effect of valuation at equity of companies subject to joint control and other significant equity investments	-207	40
Elimination of adjustments to equity investments and recognition of impairment of goodwill	6,755	297
Dividends collected during the period	-	-4,568
Other	-88	-6
Consolidated balances as at 31 December 2022	**61,655**	**4,354**

OWN FUNDS AND CAPITAL RATIOS

(millions of euro)

Own funds and capital ratios	**31.12.2022**		**31.12.2021**
	IFRS 9 "Fully loaded"	IFRS 9 "Transitional"	IFRS 9 "Transitional"
Own funds			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	40,019	40,772	47,247
Additional Tier 1 capital (AT1) net of regulatory adjustments	7,207	7,207	6,264
TIER 1 CAPITAL	**47,226**	**47,979**	**53,511**
Tier 2 capital net of regulatory adjustments	9,127	8,381	8,941
TOTAL OWN FUNDS	**56,353**	**56,360**	**62,452**
Risk-weighted assets			
Credit and counterparty risks	259,924	259,528	288,691
Market and settlement risk	10,338	10,338	12,792
Operational risks	25,486	25,486	25,305
Other specific risks (a)	91	91	115
RISK-WEIGHTED ASSETS	**295,839**	**295,443**	**326,903**
% Capital ratios			
Common Equity Tier 1 capital ratio	13.5%	13.8%	14.5%
Tier 1 capital ratio	16.0%	16.2%	16.4%
Total capital ratio	19.0%	19.1%	19.1%

(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 2022 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 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 31 December 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 comply with, 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 2022, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, Own Funds amounted to 56,360 million euro; as at that same date, considering the full inclusion of the impact of IFRS 9, Own Funds stood at 56,353 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 75% 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.

As at 31 December 2022, own funds take account of the deduction following the authorisation from the ECB to purchase own shares for annulment (buyback), as approved by the Shareholders' Meeting on 29 April 2022, for a total of 3.4 billion euro, whose progress was previously illustrated in this document.

For the purposes of calculating own funds as at 31 December 2022 the net income for 2022 was considered, less the related dividend - calculated considering a payout ratio of 70%, equal to that envisaged in the 2022-2025 Business Plan - and other foreseeable charges[49].

Risk-weighted assets

As at 31 December 2022, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets came to 295,443 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 295,839 million euro.

Common Equity Tier 1 Capital and risk-weighted assets as at 31 December 2022 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.

With regard to the performance of risk-weighted assets, mention should be made of the aforementioned actions to optimise the Group's RWAs in view of the regulatory changes (EBA Guidelines) applicable as of 1 January 2023. These actions resulted in the containment of the credit on negative EVA corporate positions or those no longer justified in relation to the capital absorbed.

Solvency ratios

On the basis of the foregoing, solvency ratios as at 31 December 2022, calculated taking account of the transitional treatment of the impact of IFRS 9 (IFRS 9 Transitional), amounted to a Common Equity ratio of 13.8%, a Tier 1 ratio of 16.2% 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 2022 were as follows: a Common Equity ratio of 13.5%, a Tier 1 ratio of 16.0% and a Total capital ratio of 19.0%.

Finally, on 15 December 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 January 2023, 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 currently 8.91% (8.95% to be met in 2022), inclusive of the Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer[50] requirements.

[49] Coupons accrued on the Additional Tier 1 issues (312 million) and proposed allocation to the Allowance for charitable, social and cultural contributions (18 million).

[50] The Countercyclical Capital Buffer is calculated taking into account the exposure as at 31 December 2022 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 2024, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2022 and for the first quarter of 2023).

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	31.12.2022	31.12.2021
Group Shareholders' equity	61,655	63,775
Minority interests	166	291
Shareholders' equity as per the Balance Sheet	**61,821**	**64,066**
Interim dividend (a)	1,400	1,399
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,207	-6,263
- Minority interests eligible for inclusion in AT1	-	-1
- Minority interests eligible for inclusion in T2	-	-1
- Ineligible minority interests on full phase-in	-166	-286
- Ineligible net income for the period (b)	-3,165	-3,031
- Own shares included under regulatory adjustments (c)	169	266
- Buyback of own shares (d)	-	-
- Other ineligible components on full phase-in	-100	-194
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**52,752**	**55,955**
Regulatory adjustments (including transitional adjustments) (d)	**-11,980**	**-8,708**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**40,772**	**47,247**

(a) As at 31 December 2022 and 31 December 2021 the Shareholders' Equity as per the Balance Sheet does not include the interim dividend, of 1,400 million euro and 1,399 million euro respectively (net of the amount not distributed in respect of own shares held at the record date).

(b) Common Equity Tier 1 capital as at 31 December 2022 includes the net income as at that date, less the related dividend, calculated considering a payout of 70%, equal to that envisaged in the 2022-2025 Business Plan and other foreseeable charges (accrued coupon on Additional Tier 1 instruments net of the tax effects and charity allowance).

(c) The amount includes, in addition to the book value of own shares, also the part of unused plafond for which the Group received authorisation for repurchase (other than buyback).

(d) Adjustments for the transitional period as at 31 December 2022 take account of - among other cases - i) the prudential filter, which allows re-inclusion in Common Equity of a portion of the impact of IFRS 9 (25% in 2022) set to decrease progressively until 2022; ii) the book value of own shares and the amount of own shares for which the Group received authorisation for repurchase (buyback) for 1.7 billion.

Performance of risk-weighted assets

(millions of euro)

Risk-weighted assets as at 31.12.2021	**326,903**
Credit and counterparty risk	-29,163
Market and settlement risk	-2,454
Operational risks	181
Other specific risks	-24
Risk-weighted assets as at 31.12.2022	**295,443**

In 2022 credit risk-weighted assets decreased by 29.2 billion euro, mainly due to de-risking and strategies to optimise profitability with respect to the risk profile (capital absorption). The decline in market risk-weighted assets (-2.5 billion euro) reflects a decrease in the risk of the trading book, which more than offset the introduction in the first quarter of the new EBA guidelines for foreign exchange risk. Operational risks showed a slight increase in risk-weighted assets of approximately 0.2 billion euro, attributable to the regular updating of the time series of the AMA approach. Other specific risk-weighted assets were essentially stable.

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

Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (*)

(*) Includes the Group's Treasury and the NPE Head Office Department

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.

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 – as well as the allocation to the divisions, in the single Divisions of ISP, UBI Banca and the other entities of the former UBI Group, starting in the Half-yearly Report as at 30 June 2021 – regarded:

- based on the "redetermined" figures approach described for the consolidated data, the 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, by convention synthetically allocated to the caption Income (loss) from discontinued operations of the Corporate Centre;
- the inclusion in the Insurance Division of the income statement (based on the "redetermined" figures approach described for the consolidated data) and balance sheet results of Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas[51] (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;
- the 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, as well as the income statement and balance sheet results of the Luxembourg private bank Compagnie de Banque Privée Quilvest, which entered the scope of consolidation at the end of June 2022;
- the allocation of the income statement and balance sheet results of UBI Leasing to the divisions, following the merger by incorporation into the Parent Company in the second quarter of 2022;
- the reclassification from the caption Personnel expenses to the caption Net fee and commission income, of the charges relating to several incentive systems for employees of the Banca dei Territori Division and the Private Banking Division, where funded through fee and commission income generated based on deterministic quantification criteria correlated with that income, in line with the accounting treatment envisaged for the incentive systems for non-employee financial advisors;
- the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022.

[51] Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita were merged into Intesa Sanpaolo Vita on 31 December 2021. Cargeas Assicurazioni was merged into Intesa Sanpaolo Assicura, a wholly owned subsidiary of Intesa Sanpaolo Vita, on 1 October 2022.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in 2022 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 contains a description of the products and services offered, the type of customers served and the initiatives carried out in the year; it also illustrates 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.

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
2022	8,813	4,333	2,227	2,475	962	1,607	1,053	21,470
2021 (Redetermined figures)	8,853	4,636	1,972	2,395	1,344	1,572	21	20,793
% change	-0.5	-6.5	12.9	3.3	-28.4	2.2		3.3
Operating costs								
2022	-6,397	-1,418	-1,118	-921	-222	-385	-473	-10,934
2021 (Redetermined figures)	-6,499	-1,372	-1,072	-914	-239	-402	-482	-10,980
% change	-1.6	3.4	4.3	0.8	-7.1	-4.2	-1.9	-0.4
Operating margin								
2022	2,416	2,915	1,109	1,554	740	1,222	580	10,536
2021 (Redetermined figures)	2,354	3,264	900	1,481	1,105	1,170	-461	9,813
% change	2.6	-10.7	23.2	4.9	-33.0	4.4		7.4
Net income (loss)								
2022	471	681	504	1,034	550	870	244	4,354
2021	316	2,247	463	1,076	787	712	-1,416	4,185
% change	49.1	-69.7	8.9	-3.9	-30.1	22.2		4.0

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
31.12.2022	247,522	132,927	40,212	15,104	282	-	10,807	446,854
31.12.2021	250,592	152,543	38,970	14,450	783	-	8,533	465,871
% change	-1.2	-12.9	3.2	4.5	-64.0	-	26.6	-4.1
Direct deposits from banking business								
31.12.2022	291,089	94,785	54,364	50,447	26	-	54,675	545,386
31.12.2021	291,697	94,844	51,504	55,895	21	-	63,287	557,248
% change	-0.2	-0.1	5.6	-9.7	23.8	-	-13.6	-2.1
Risk-weighted assets								
31.12.2022	81,689	101,831	35,056	12,757	1,798	-	62,312	295,443
31.12.2021	93,821	112,719	34,403	11,617	1,836	-	72,507	326,903
% change	-12.9	-9.7	1.9	9.8	-2.1	-	-14.1	-9.6
Absorbed capital								
31.12.2022	7,017	8,767	3,745	1,127	181	5,096	3,641	29,574
31.12.2021	8,059	9,704	3,640	1,014	196	4,137	4,013	30,763
% change	-12.9	-9.7	2.9	11.1	-7.7	23.2	-9.3	-3.9

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 reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	2022	2021	Changes	
			amount	%
Net interest income	3,957	3,932	25	0.6
Net fee and commission income	4,744	4,809	-65	-1.4
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	120	105	15	14.3
Other operating income (expenses)	-8	7	-15	
Operating income	**8,813**	**8,853**	**-40**	**-0.5**
Personnel expenses	-3,430	-3,506	-76	-2.2
Other administrative expenses	-2,964	-2,988	-24	-0.8
Adjustments to property, equipment and intangible assets	-3	-5	-2	-40.0
Operating costs	**-6,397**	**-6,499**	**-102**	**-1.6**
Operating margin	**2,416**	**2,354**	**62**	**2.6**
Net adjustments to loans	-1,238	-1,234	4	0.3
Other net provisions and net impairment losses on other assets	-68	-118	-50	-42.4
Other income (expenses)	11	11	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,121**	**1,013**	**108**	**10.7**
Taxes on income	-375	-320	55	17.2
Charges (net of tax) for integration and exit incentives	-42	-180	-138	-76.7
Effect of purchase price allocation (net of tax)	-32	-38	-6	-15.8
Levies and other charges concerning the banking industry (net of tax)	-214	-190	24	12.6
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	13	31	-18	-58.1
Net income (loss)	**471**	**316**	**155**	**49.1**

(millions of euro)

	31.12.2022	31.12.2021	Changes	
			amount	%
Loans to customers	247,522	250,592	-3,070	-1.2
Direct deposits from banking business	291,089	291,697	-608	-0.2
Risk-weighted assets	81,689	93,821	-12,132	-12.9
Absorbed capital	7,017	8,059	-1,042	-12.9

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

Banca dei Territori's operating income was 8,813 million euro in 2022, amounting to 41% of the Group's consolidated operating income, showing a slight decrease (-0.5%) on the previous year.
In detail, net interest income grew by 0.6%, essentially due to the improvement in the margin with customers, driven by the performance of market interest rates towards the end of the year. Net fee and commission income was down 1.4%, specifically that deriving from assets under management and bancassurance, impacted by the unfavourable market context. This was partly offset by the increase in fees on placements of certificates and commercial banking fees in the collection and payment services component, including electronic services, and loans and guarantees. Among the other revenue items, which however provide a marginal contribution to the Division's income, profits (losses) on financial assets and liabilities designated at fair value increased (+15 million euro), while other operating income (expenses) decreased (-15 million euro). Operating costs, equal to 6,397 million euro, were down by 1.6%, thanks to savings on personnel expenses, mainly attributable to the reduction in the workforce following negotiated exits and the containment of administrative expenses, mainly for services rendered by third parties and legal expenses, as well as those relating to service costs in the real estate sector. As a result of the foregoing, the operating margin amounted to 2,416 million euro, up 2.6% on 2021. Gross income rose to 1,121 million euro, compared to 1,013 million euro in the previous year (+10.7%), benefiting from lower provisions and net impairment losses on other assets. Lastly, after allocation to the Division of taxes of 375 million euro, charges for

integration of 42 million euro, the effects of purchase price allocation for 32 million euro, levies and other charges concerning the banking industry of 214 million euro and the loss attributable to minority interests of 13 million euro, net income came to 471 million euro, a figure 49.1% higher than the 316 million euro in 2021.
In quarterly terms, the operating margin decreased 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 growth in revenues. Gross income and net income were impacted by adjustments.

The balance sheet figures at the end of December 2022 showed a slight decrease in total intermediated volumes of loans and deposits from the beginning of the year (-0.7%). In detail, loans to customers, amounting to 247,522 million euro, decreased (-1.2%, equal to -3.1 billion euro), mainly due to the performance of medium/long-term loans to businesses, only partly offset by the increase in loans to private individuals. Direct deposits from banking business, equal to 291,089 million euro, amounted to levels slightly down from the beginning of the year (-0.2%, equal to -0.6 billion euro) in relation to the declining trend in securities issued. In contrast, amounts due to customers increased slightly due to the growth in deposits from households and retail companies, which exceeded the fall in amounts due to businesses.

Business	Traditional lending and deposit collection operations in Italy and associated financial services.
Mission	To serve Retail, Exclusive, and Small and Medium Enterprise customers, including Agribusiness and non-profits, creating value through: – widespread local coverage; – focus on the characteristics of local markets, and the needs of customer segments serviced; – development of service levels to customers using different channels in order to improve the efficiency of the commercial offering; – 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; – 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.
Organisational structure	
Wealth Management & Protection Sales & Marketing; Digital Retail Sales & Marketing and SME Sales & Marketing Departments	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.
Impact Department	Aimed at developing the initiatives of Impact Bank and serving non-profit organisations.
Product companies	Banca 5: dedicated to proximity services through Mooney points of sale located throughout the country. Prestitalia: a financial intermediary operating in the Italian market of consumer credit, specialising in the salary-backed loans segment.
Distribution structure	Over 3,300 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. The territorial structure is divided into 14 Governance Centres: Agribusiness, Impact and 12 Regional Governance Centres. In the latter, (to favour the commercial focus and guarantee a better control of the service level) there are three Commercial Managers, specialised for "commercial territory" (Retail, Exclusive and SME), which report directly to the Regional Director and that coordinate around 300 commercial areas. In 2022, the Isybank Department was established, as part of the strategic initiatives to develop the new Digital Bank, set out in the Business Plan, and the Digital Branch Department, to oversee commercial relations with customers via the telephone channel and other related channels (chat, video calls) and the remote offering.

Individuals and Retail Companies Sales & Marketing, SME Sales & Marketing

Investment and Pension Funds

The advanced advisory paid service "Valore Insieme", launched in 2017, proposes a global advisory model over all of the customer's assets, including real estate, also assisting customers in planning the transfer of wealth to their loved ones. In 2022, several improvements were made to the advisory platform and the range of the offering dedicated to the customers subscribing to the "Valore Insieme" service was expanded, with the addition of new internal funds and funds from the best third-party investment houses, in addition to the innovative "Crescita Guidata" internal fund within the "Patrimonio PRO$_{\text{Insurance}}$" policy aimed at containing volatility, which replaced "Valore PRO$_{\text{Insurance}}$" from July, and with the new "Eurizon GP Multimanager Exclusive" multimanager portfolio management, available solely for the holders of the Exclusive Package.
With the goal of assisting customers in transforming from savers to investors, products were conceived to meet the needs of customers interested in reducing their excess liquidity on current accounts, also by gradually entering the markets, with a view to increased diversification of customers' portfolios. In this context, the Target Service on the "Eurizon Next" funds was created, which allows for the automatic transfer of units initially invested in a conservative entry fund to one or more funds in the range with greater diversification. The new "Eurizon Next Strategia Azionaria Dinamica" fund was also introduced for the "Eurizon Next" mutual fund range. The range of ESG assets under management was expanded with the "Eurizon Step 50 Futuro Sostenibile ESG", "Epsilon STEP 30 Megatrend", "Eurizon STEP 50 Obiettivo Net Zero" and "Eurizon Equity Circular Economy" funds. To strengthen the digital savings strategy, a new range of "Eurizon Investo Smart ESG" mutual funds was made available for subscription via App and Internet Banking. Within the products with tax benefits, the "Eurizon Step 70 PIR Italia" Individual Savings Plan was launched. In addition, products with total or partial protection of capital at maturity or over time have been developed, and the range of bond mutual funds with preset amount distribution has been expanded: "Epsilon Difesa 100 Azioni Reddito 4 anni", "Epsilon Difesa 100 Azioni", "Epsilon Difesa 100 Riserva", "Epsilon Difesa 100 Credito", "Eurizon Opportunità Obbligazionaria Plus" and "Epsilon Imprese Difesa 100 ESG", with the latter aimed at businesses. In the second half of the year, the placement of the portfolio management schemes "GP Strategia Valore", "GP Strategia Valore Più" and "GP Strategia Valore Azioni Più" was resumed with a new entry threshold of 1 million euro, consisting of benchmark portfolio management schemes characterised by active management, a multimanager component, and control of volatility. New internal funds of the "Prospettiva Sostenibile" unit-linked policy have been created within the insurance-based investment products: the "Sviluppo nel Tempo 40" fund with gradual entry into the markets, "Base Protetta 100", whose objective is to increase the value of the units and protect 100% of the invested capital, and "Sviluppo nel Tempo 50", which provides gradual entry into the equity component to reach up to 50% through automatic monthly switches. The multi-line policy "Patrimonio Stabilità$_{\text{Insurance}}$" was also created, which allows customers to choose the combination most in line with their financial profiles, due to a Class I guarantee component and a selection of 9 Class III internal funds. "Patrimonio Domani$_{\text{Insurance}}$", the new Class I whole life insurance investment product of Intesa Sanpaolo Vita, has also been available since 24 October. The policy is part of the "Soluzione Domani" programme, dedicated to customers aged over 65 and aimed at offering our senior customers and their caregivers products and services designed to improve the quality of their current and future life. The placement of certificates also continued, with a range differentiated in terms of type of structure, protection, time horizon and currency. Particularly noteworthy is the popularity of the protected maturity solutions, which, also due to the market conditions, exceeded more than 80% of the total amount placed. With the aim of improving the efficiency and quality of the financial advice, new Robo4Advisor functionalities were introduced for the entire Banca dei Territori network in 2022, enabling the generation of tailored investment advice for individual customers.

Mortgages

2022 was characterised by a steady rise in market interest rates, which led to an increase in the conditions offered to customers on fixed-rate Domus mortgage loans. With regard to floating rates, the Euribor quotations increased significantly in the second half of the year as a result of the ECB's interventions on key interest rates. In this interest rate scenario, Intesa Sanpaolo has provided numerous solutions based on customer needs, also offering the possibility of choosing a floating-rate mortgage with a contractually established cap to protect against any future increases in the Euribor. The offering of loans in the "Green" range continued, with dedicated interest rate conditions for those purchasing properties with high energy efficiency (class ≥ B) or renovating properties in order to increase their energy efficiency. Intesa Sanpaolo also increased the focus of its offering on young people, offering mortgages with coverage from the Primary Residence Guarantee Fund for the whole of 2022 and, from December, in parallel with the change in regulations in favour of people under the age of 36, it relaunched a fixed-rate offering dedicated to high LTV mortgages.

Personal loans

The package of measures the Bank has put in place for households to deal with the problem of "high bills" includes, starting from October, the "OGGI INSIEME" loan at special fixed-rate conditions, with no additional costs and repayable over up to 20 years, for customers aged between 18 and 75 and households resident in Italy, with an ISEE (Equivalent Financial Situation Index) of up to 40,000 euro and a net average monthly income of at least 500 euro, who need subsidised loans to meet current expenses (rent, medical expenses, mobility, bills). This was accompanied, in addition to the commitment to suspend or reschedule instalments, by a promotional initiative on the "XME SpensieRata" product, which allows customers holding the credit line and new subscribers to pay expenses already accrued in instalments or to be granted new zero-rate cash loans with 3- or 6-month repayment plans.

Protection and Welfare

"XME Protezione" is a flexible multi-guarantee solution that allows customers to purchase insurance coverage (modules) in the areas they need, relating to the home and family. In May, the health offering "XME Protezione" was enriched with a new module dedicated to dental health, which provides the insured, in the event of illness or injury, with the direct payment of benefits or the payment of an indemnity for dental, implant, prosthetic or orthodontic treatment. From July, two new "XME Protezione" modules were added to the "Soluzione Domani" programme, which was created with the aim of accompanying senior and caregiver customers during the life cycle through transversal advice on protection, investment and loans. The first is the “Support and Assistance” module which, in the event of an emergency, gives customers the peace of mind of being able to rely on swift and expert intervention by a professional who prepares and activates the individual plan for the benefits they need and continuously monitors its progress. The second is the “Caregiver” module, for policyholders who actively care for their family members aged over 65, which covers risks arising from unforeseen events preventing them from providing care and assistance to their care recipients. With regard to the development of insurance coverage for the business world, the “Tutela Business - Uffici e Studi” policy has been set up for professional firms and practices, aimed at protecting assets and ensuring business continuity, as well as the “RC Ambientale” policy, which not only protects businesses from the risk of environmental damage, but also promotes a focus on environmental protection, fosters a culture of prevention, and provides instruments for managing and resolving crisis situations.

Young people

Intesa Sanpaolo continues to bring young people closer to the banking world through personalised, free solutions, such as “XME Conto UP!”, a current account for children under the age of 18, and “XME Conto under 35”. As regards mortgages, in order to strengthen its positioning in relation to young people, the bank further decreased the costs of its “Mutuo Giovani”, 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 offering of mortgages guaranteed by the Primary Residence Guarantee Fund, the Bank eliminated the preliminary and instalment collection fees. The “Giovani e Lavoro” project continued. 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, favouring the effective matching of labour demand and supply. With the “Generation4Universities” project, the focus moves to young university students, providing a training course at partner companies, which, when completed, offer internship opportunities to the participants. Intesa Sanpaolo is a partner of the Carta Giovani Nazionale (Italian Youth Card), the initiative promoted by the Presidency of the Council of Ministers - Youth Policy and Universal Civil Service Department, which is targeted to Italian and European young people resident in Italy, aged 18 to 35, reserving special conditions on its products and services.

Transactional products and digital payments

To support the increased use of cards and digital payments, the promotional initiatives dedicated to transactional products continued, such as the option for “Valore Insieme” customers who signed up for the “Exclusive Package” to receive the no-fee “Exclusive Credit Card”. In addition to being a payment instrument, the “Exclusive Credit Card” can be used to access a wide range of exclusive services and benefits, travel and pet insurance coverage free of charge, and preferential treatment at Hub branches and online. Intesa Sanpaolo is the first bank in Europe that activated Huawei Pay for PagoBancomat cards, through the Huawei Wallet App (or with the latest version of the Intesa Sanpaolo Mobile App also directly from the Bank’s App), in July, thus expanding the offering for retail customers and supporting the plan to develop the national network.
Also for business customers, promotions on POS continued. Since 30 June 2022, these became mandatory for all merchants and independent professionals, in addition to enabling the Instant Issuing service also for commercial cards, which allows the digital card to be used immediately after its purchase, thus without having to wait for the physical card. Since 5 December, XPay Web, Nexi’s new e-commerce solution, has also been available, which allows corporate and freelance customers to accept payments for products and services sold from their virtual shop, their website or app. By integrating a range of services into a single platform, XPay Web simplifies collections for merchants as it allows them to manage and accept all the main payment methods: cards, bank transfers and Bancomat Pay. Easy integration with e-commerce platforms and the possibility of activating additional services already included make the product customisable for every business need.

Multichannel Project

In 2022, the development of multi-channel and digital banking continued, with 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, the “ViaggiaConMe” policy and non-banking products, such as smartphones, tablets and PCs, can be purchased via Internet Banking and/or the App. On 28 February the option was activated for users to open an administered deposit or update their MIFID Questionnaire fully autonomously, using the Intesa Sanpaolo Mobile App or Internet Banking. The US research company Forrester Research judged the Intesa Sanpaolo Mobile App as the “Global Mobile Banking Apps Leader”, the absolute leader among all banking apps assessed in the world, with the best functionalities and customer experience.
In 2022, the Business Customer Digital Transformation Programme further reinforced the way the Bank interacts with businesses to deliver products and services through a digital and omnichannel experience. In 2022, a number of important steps were taken in the path towards the transition to fully digital and dematerialised processes, including the full extension of the Commercial Cards Customer Journey and Short-term Loans and Unsecured Commitments Allocation Customer Journey digital processes to all customers with digital identities, enabling the launch of the pilot phase for the discontinuation of the paper-based process for both the customer journeys. These projects will be further expanded in 2023. In addition, the development of digitalisation of business customers continued with the new version of the Inbiz App, which allows for the mobile signature of digital contracts and the execution of new types of payment. Specifically, postal payment slips - both blank and pre-filled, and CBILL/PagoPA slips for payments to the public administration can be launched. For the latter, the details can be filled out simply by scanning the QR-code printed on the bill. A new digital platform, “Incent Now”, fruit of the partnership with Deloitte, is available free of charge for corporate and public entity customers, as well as for the sales network, to use the funds of Italy’s National Recovery and Resilience Plan (NRRP). In addition, the “Digitalizziamo” Project was launched in October, which supports Italian enterprises capable of digitally transforming their businesses. The most deserving enterprises will be selected to participate in the celebratory events and will be able to benefit from digital services and advice provided by the partners.
In April the Digital Branch Department was created, to oversee commercial relations with customers via the telephone

channel and other related channels (chat, video calls) and the remote offering.

Agreements

In 2022, new cooperation agreements were signed with leading industry associations with the shared goal of supporting businesses in tackling the high energy costs: these include the agreements with Confapi, Anita Confindustria, Finco and Ucimu. The commitment to the agrifood sector was renewed through a new agreement with Coldiretti, aimed at assisting businesses in relation to the measures envisaged by the NRRP and supporting the plans for investment and the relaunch of the entire sector through dedicated loans. Similar attention was devoted to the tourism sector, through an agreement with the key associations, namely Confindustria Alberghi, Federalberghi, Federterme and Faita Federcamping, aimed at facilitating access to public incentives in support of investment programmes for the renovation and improvement of facilities, also with a view to sustainability. The commitment to micro and small businesses in the trade, tourism, and craft sectors was also relaunched, through agreements with Confcommercio, Confesercenti, Federalberghi, and Confartigianato, with specific solutions aimed, for example, at promoting an increase in the use of electronic money for their members, thanks to the refund of fees charged on transactions made for amounts of up to 15 euro (POS micropayments) until December 2023. The Bank's commitment to businesses, in line with the NRRP initiatives, also continued with the signing of agreements with the Special Economic Zones, aimed at favouring new production sites, also through reshoring, with a strong focus on the new paradigms of sustainability and the circular economy.
In April, the agreement was renewed between Intesa Sanpaolo and the company SACE SRV of the SACE Group for the offering of the international credit recovery service to corporate customers, and in September 2022, the agreement was renewed between the Italian Trade Agency (ICE) and Intesa Sanpaolo for the international promotion and expansion of Italian businesses. The Agreement is based on mutual collaboration and aims to continue to support the needs of the Group's corporate customers in their international business projects with advisory, training and information services. In the second half of 2022, two new funding agreements were signed with the EIB for a total of 600 million euro for investment projects for SMEs and Midcaps, with a focus on environmental sustainability and climate action investment projects, which will continue in 2023.
At the end of June, the Bank also completed the sale of Intesa Sanpaolo Formazione, which changed its name at the same time to Digit'Ed. Under this new guise, Digit'Ed represents a new leader in training and digital learning, with which the Bank has entered into an important partnership aimed at supporting customers by guiding them in the development of their businesses, in challenging and continuously evolving economic and financial scenarios.

Loans

In line with the NRRP, Intesa Sanpaolo has established a credit line, in support of the Italian economy over the entire duration of the plan, for a total of 400 billion euro of medium/long-term loans, of which 270 billion euro will go to businesses. Through "Motore Italia", the programme supporting the relaunch of the entire Italian production system, based on the key priorities of the NRRP, the Bank supports measures mainly in areas related to the Recovery Plan such as the green and circular economy and green transition, infrastructure and transport, and urban regeneration projects. In line with the goal of supporting the relaunch of the entire Italian production system, "Motore Italia" includes the "Motore Italia Digitale" offering, dedicated to the digital transition of businesses, as well as the "Motore Italia Transizione Energetica" programme launched in 2022 to support sustainable investments ranging from renewable energy to energy efficiency to the circular economy. Various instruments have been made available: loans to reduce energy dependency, instruments to mitigate rising commodity prices, and specialist advisory services to facilitate access to tenders and the implementation of complex projects. In keeping with the launch of the dedicated offering, Intesa Sanpaolo, together with SACE, has made a credit line of 10 billion euro available to facilitate investments in renewable energy by all enterprises, in particular SMEs, in the agribusiness and non-profit sector. In addition, in September 2022, Intesa Sanpaolo, to support SMEs in all the production sectors in dealing with higher costs related to energy prices and to encourage investment in renewable energy, allocated an additional credit line of 2 billion euro, as an extraordinary measure to support production cycles affected by the energy, economic and geopolitical crisis. Also in this area, with the aim of supporting liquidity needs for payments and guaranteeing the continuity of production of SMEs, specific credit lines have been established for businesses, with favourable terms and backed by guarantees from the Guarantee Fund for SMEs and SACE. The financing is intended to cover incremental costs and enables the payment of energy bills with a deferral of payments of up to 36 months and with a 1-year grace period. In addition, in 2022, a dedicated offering was launched for Special Economic Zones and Simplified Logistics Zones. This consists of a set of financial and non-financial solutions to support the promotion of local businesses in these areas, established at government level with the aim of relaunching business investment and local development. With regard to the Superbonus, in 2022 the Bank provided continuity and support to businesses and households, within the limits of its tax capacity, even when the market demand slowed down. In October 2022, Intesa Sanpaolo signed the first credit reassignment agreement aimed at increasing its tax capacity and providing further support to the construction sector in particular. Intesa Sanpaolo's commitment to promoting gender equality includes a series of initiatives aimed at enhancing support for women entrepreneurs, including the "S-Loan Diversity" products, consisting of dedicated financial solutions to support businesses in promoting women in the socio-economic context. In the second half of the year, Intesa Sanpaolo participated in the sector contracts of the Fifth Tender of the Ministry of Agriculture under the NRRP, making 1 billion euro available. The measure is intended to support sector contracts, aimed at implementing investment programmes, based on agricultural production, that cover the various segments of the agrifood and agri-energy sector on a multi-regional basis, through an agreement signed by several beneficiaries.

Sviluppo Filiere

The "Sviluppo Filiere" programme is designed to support businesses of all sectors and sizes by facilitating access to credit and focusing on the relationship between the lead companies and their network of direct and indirect suppliers and/or their reseller network, enabling a better understanding of the financial needs of the individual sectors. In this context, the Bank decided to develop offerings dedicated to the sectors that felt the greatest impact of the NRRP, containing products and services to support the specific characteristics of the various businesses, also with regard to ESG and digitalisation.

Agribusiness Department

The Agribusiness Department, Intesa Sanpaolo Group's centre of excellence for agriculture and agrifood sectors, aims to promote the link with local areas and tap the potential of one of Italy's most important production sectors: in agrifood, Italy is in third place in terms of added value among large European countries. The Department avails of 223 branches located throughout Italy, containing specialists, concentrated in the most agricultural areas of the country, at the service of over 76,000 customers. The Agribusiness Department positions itself as the main qualified interlocutor to assist operators in all phases of development, and to support investments to promote new business projects, with specific attention to the criteria of sustainability and the circular economy. The Department's activities contributed to the signing of several important agreements: in March, Intesa Sanpaolo and the Federazione Nazionale Agroalimentare (Agrocepi) signed a memorandum of understanding to offer all of the members support solutions for the recovery and growth of the agrifood sector; in June, the agreement with Coldiretti was renewed and a substantial credit line of 3 billion euro was made available to its member companies to support them in the process of transformation towards the Italian agriculture of the future, in line with the public initiatives and, in particular, the first NRRP tenders dedicated to the agricultural sector; and a new agreement was signed with the Consorzio Tutela del Grana Padano DOP and the Consorzio del Formaggio Parmigiano Reggiano to strengthen access to credit for companies in the dairy supply chain. Due to the success of the revolving pledge, several changes were introduced, ranging from expanding the loans that may be backed by this guarantee to expanding the family of agrifood products that can be pledged.

Impact Department

The Impact Department is dedicated to managing non-profit customers and coordinating the activation and management of social impact funds created to foster the financial inclusion of individuals, households and non-profit organisations. In particular, the Fund for Impact, with a value of 300 million euro, disburses loans of up to 1.5 billion euro to those with a good plan for life and for work who have difficulty in accessing ordinary credit. This is accompanied by the Solidarity and Development Fund, with a value of over 50 million euro, which enables loans to non-profit organisations with important projects, which would otherwise be excluded from the credit. To acquire new customers, various initiatives were activated, with joint "Conto-POS" Welcome Packs offered various solutions, alternative to each other, based on the customers' operating requirements. During the year, initiatives and events were also organised for customers in order to present the Bank's offering in support of the energy transition in the non-profit sector, with a specific focus on the Renewable Energy Communities, and to provide information on the opportunities offered by the NRRP tenders for support to the social economy. The Bank also provided financial support to non-profit organisations affected by the high energy costs and involved in the NRRP initiatives. The introduction of the RIM (Impact Detector), a qualitative-quantitative questionnaire addressed to non-profit customers, enabled the measurement of the social impact and positive outcomes generated by a portion (about 154 million euro) of the loans approved for the non-profit sector between January and September 2022 for the implementation of 453 impact initiatives. In the area of donations, in 2022 the For Funding platform again confirmed its leadership in Italian crowdfunding in support of non-profit sector projects, encouraging donations throughout the country for a total of 12.5 million euro.

Product companies

In 2019, **Banca 5** and SisalPay set up a newco, named Mooney, with the objective of offering banking products and payment and transactional services at merchants located throughout the entire country. The 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 CVC Capital Partners. In 2022, the activities continued to prepare for the finalisation of the operation, which occurred in mid-July. Specifically, after obtaining the required authorisations, Enel X acquired 50% of the capital of Mooney, while Banca 5, which already held 30%, increased its investment to 50%. 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 2022, Mooney had around 46,500 points of sale throughout Italy, of which around 40,000 licensed to offer banking services, including withdrawals and credit transfers (reserved to customers of Intesa Sanpaolo).
During the year, a series of activities were also undertaken in preparation for the renaming of the company to Isybank, which took place at the beginning of 2023.

Prestitalia is 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 2.1 billion euro. As at 31 December, it disbursed loans totalling 770 million euro through over 35,000 applications finalised. 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.
In 2022, the process of streamlining the Network of Agents began, with the voluntary integration within Prestitalia of workers from Agents4You (74 operational to date). The objective of synergy, as well as developing business linked to the salary-backed loans product, is to expand the commercial offering, expanding the catalogue to include certain products such as protection and payment services, and to favour the acquisition of new customers: from the end of November, the agents supporting the Intesa Sanpaolo branches have been able to offer customers current accounts, payment cards and POS terminals.

IMI Corporate & Investment Banking

(millions of euro)

Income statement	2022	2021	Changes amount	Changes %
Net interest income	2,132	2,182	-50	-2.3
Net fee and commission income	1,156	1,135	21	1.9
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	1,047	1,317	-270	-20.5
Other operating income (expenses)	-2	2	-4	
Operating income	**4,333**	**4,636**	**-303**	**-6.5**
Personnel expenses	-528	-506	22	4.3
Other administrative expenses	-870	-845	25	3.0
Adjustments to property, equipment and intangible assets	-20	-21	-1	-4.8
Operating costs	**-1,418**	**-1,372**	**46**	**3.4**
Operating margin	**2,915**	**3,264**	**-349**	**-10.7**
Net adjustments to loans	-1,564	20	-1,584	
Other net provisions and net impairment losses on other assets	-131	-45	86	
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,220**	**3,239**	**-2,019**	**-62.3**
Taxes on income	-519	-991	-472	-47.6
Charges (net of tax) for integration and exit incentives	-21	-24	-3	-12.5
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	1	3	-2	-66.7
Net income (loss)	**681**	**2,247**	**-1,566**	**-69.7**

(millions of euro)

	31.12.2022	31.12.2021	Changes amount	Changes %
Loans to customers	132,927	152,543	-19,616	-12.9
Direct deposits from banking business (a)	94,785	94,844	-59	-0.1
Risk-weighted assets	101,831	112,719	-10,888	-9.7
Absorbed capital	8,767	9,704	-937	-9.7

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 2022, the **IMI Corporate & Investment Banking Division** recorded operating income of 4,333 million euro (representing 20% of the Group's consolidated total), down 6.5% compared to 2021.
In detail, net interest income, equal to 2,132 million euro, decreased by 2.3%, mainly due to the decreased contribution of the global markets securities portfolio. Net fee and commission income, amounting to 1,156 million euro, increased by 1.9%, due to the performance of the commercial banking and structured finance segments, which offset lower fee and commission income from investment banking, negatively affected by the negative macroeconomic scenario.
Profits (losses) on financial assets and liabilities designated at fair value, equal to 1,047 million euro, decreased (-270 million euro; -20.5%), mainly due to the lower gains on the sale of HTCS debt securities.
Operating costs amounted to 1,418 million euro, an increase of 3.4%, attributable to administrative and personnel expenses.
As a result of the above revenue and cost trends, the operating margin came to 2,915 million euro, down 10.7% on the previous year. Gross income, equal to 1,220 million euro, recorded a sharp decrease (-62.3%) due to the significant net adjustments to loans posted in relation to the events regarding Russia and Ukraine. Finally, net income came to 681 million euro (-69.7%).

The IMI Corporate & Investment Banking Division showed a decrease in the operating margin in the fourth quarter of 2022 compared to the third, due to the seasonal nature of operating costs typical of year-end and the negative contribution from the financial assets and liabilities designated at fair value, which were affected by lower earnings from debt securities and the negative impact from the debt value adjustment (DVA). In contrast, gross income and net income increased, due to the reduction in net adjustments to loans and provisions and adjustments to other assets recognised in the fourth quarter.

The Division’s intermediated volumes were down compared to the beginning of the year (-8%). In detail, loans to customers, amounting to 132,927 million euro, were down (-12.9%, or -19.6 billion euro), due to the actions aimed at lowering the Group’s RWAs, in line with the EBA guidelines applicable as of 1 January 2023. These actions resulted in the containment of the credit on negative EVA corporate positions or those no longer justified in relation to the capital absorbed. In particular, the decline in loans was attributable to decreased operations with global corporate customers and in the global markets segment, as well as the reduction in loans for structured finance transactions and to international customers. Direct deposits from banking business, totalling 94,785 million euro, were essentially stable (-0.1%, or -0.1 billion euro), as a result of the decrease in amounts due to global corporate, financial institutions and international customers, offset by the increase in the funding through certificates and, to a lesser extent, in securities issued.

Business

Corporate and transaction banking, investment banking, 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

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 & 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 & Industrials; Basic Materials & Healthcare; Energy; Food & Beverage and Distribution; Infrastructure & Real Estate Partners; Retail and Luxury; Telecom, Media and Technology. A team with specific expertise is dedicated to developing Public Finance customers.

International Department

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.

Global Banking & Sovereign Institutions Department

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.

Global Transaction Banking Department

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.

Global Markets & Investment Banking

The scope of this structure includes capital markets, structured finance, M&A advisory and primary market (equity and debt capital markets) supporting all Group customers, including medium-sized enterprises.
Moreover, portfolio management and ownership risk are monitored through direct or indirect access to the markets.

Distribution structure

In Italy, the IMI Corporate & 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.

In line with the objectives of the 2022-2025 Business Plan, the IMI Corporate & Investment Banking Division updated its organisational structure, applicable from the start of 2023, by identifying three areas of coordination of the business:
- Client Coverage & Advisory Coordination Area, to strengthen oversight of customer advisory and origination activities, organised into Global Corporate, Institutional Clients and Corporate Finance & Advisory;
- Distribution Platforms & GTB Coordination Area, to focus on the management of the Italian and international network, increasing commercial synergies on working capital and centralising loan distribution in a single hub, organised into the Italian Network, International Network, Global Transaction Banking and Syndication & Risk Sharing;

- Global Banking & Markets Coordination Area, to consolidate the best in class management of market risks and hedging strategies, accelerating new business development within Global Markets and strengthening the hub for structuring and managing the lending book, organised into Global Markets Trading & Investments, Global Markets Sales & Platforms, Global Credit Structuring, Global Primary Markets & Solutions and Corporate Finance Mid-Cap.

Global Corporate Department

In 2022, 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, thanks to its specialised expertise linked to the Industry model and the origination ability of two teams dedicated to developing strategic investment banking and structured finance operations. During the year, the measures continued to support corporate customers to manage the economic and financial consequences of the health emergency and the new geopolitical scenario. 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 driver for Italy and the heart of its economic and productive system. The Group participated in numerous syndicated loans, including those in favour of Alstom, Athenahealth, Fabbrica Italiana Sintetici, Axpo Holding, Open Fiber, UPL, Industrie De Nora, HeidelbergCement, Saipem, IP, Saras, CityFibre, Atlantia, Edizione, Merlin Properties, Candy and Alperia. In 2022, 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, by offering financial instruments. Due to its specialised expertise on ESG issues, the Group participated in various syndicated loans, including those in favour of ENEL, Teva Pharmaceutical Industries, OVS, El Corte Ingles, Telefonica, Marcegaglia, Pirelli, Start Romagna, Orsero, Aena, Prysmian, ENI, EDP, ERG, CEPSA, Tages, Cogenio and Vena Energy. Numerous bilateral ESG loans were concluded, including those for Iren, Italgas and Came. Attention should also be drawn to support for acquisition financing in important transactions completed during the year, such as the acquisition of Acciai Speciali Terni by Arvedi, of a share of Pluto Train 2 by Global Infrastructure Partners, and of a majority stake in La Doria by Investindustrial and in Atlantia by a consortium made up of Edizione and Blackstone following the takeover bid on the company's shares. The Bank participated in project financing transactions, including the financing for the implementation of the first phase of the new Terminal 1 of the John F. Kennedy International ("JFK") Airport, and the financing of Aquila Capital, Open Fiber, Milione, Dunas Transmissao de Energia, Doral and Green Arrow. Regarding M&A, the Group acted, inter alia, as financial advisor in the acquisition of a portfolio of photovoltaic plants of NextEnergy Capital by Tages Capital, the acquisition of a majority share of a portfolio of photovoltaic plants of Acea by Equitix, the acquisition of Performance in Lighting by Gewiss and the merger of several Tuscan utility companies into Alia Servizi Ambientali. In debt capital markets operations, the Bank acted as Bookrunner in numerous issues, including APRR, Carnival, Cellnex, Fabbrica Italiana Sintetici, Ford Motor Credit, General Motors Financial, Keurig Dr Pepper, RCI Banque, Stellantis, TotalEnergies, RWE, Var Energy, Electricite De France, Arcelormittal, Iberdrola, Leasys and Estra, and as Placement Agents in the second issue ever of Alia Servizi Ambientali. The Bank also successfully completed the placement of "green" bonds, including those issued by A2A (acting as Global Coordinator), Hera, Iberdrola, Suez, Terna (hybrid), Volkswagen and Ferrovie dello Stato, as well as of "sustainability-linked" bonds, including those issued by A2A, ENEL, Snam, Webuild (in the latter case, also acting as ESG Structuring Advisor) and Carrefour. In the Equity Capital Markets business, the Bank acted, moreover, as Sponsor for the listing of Iveco Group on the Euronext Milan, as part of the spin-off from CNH Industrial, as Coordinating Broker of the takeover bid on shares and dealer manager for the purchase of convertible bonds in the acquisition of Falck Renewables by Infrastructure Investments Fund, as Joint Bookrunner in the capital increase of Nordex, as Coordinating Broker of the takeover bid on the shares of Atlantia and as Joint Global Coordinator in the capital increase of Saipem.

International Department

During the year, the Department followed and still follows with the utmost attention the political and economic situation created as a result of the breakout of war in Ukraine, to limit the impacts of the crisis on the international network, also in light of the series of increasingly harsh international sanctions. The Department also continued providing its support in monitoring the evolution of the COVID-19 emergency on the entire international network of the IMI Corporate & Investment Banking Division, both in the areas where the pandemic has shown signs of declining and in the areas where, instead, the effects worsened. The international business development project "Accelerate" continued, extended also to Global Transaction Banking products, for which the specific initiative "Horizon" is underway. In line with the 2022-2025 Business Plan, greater emphasis and attention was focused on initiatives and counterparties operating in the ESG area, also to support international customers with greater awareness of those issues, to confirm Intesa Sanpaolo's position among the main global players offering ESG-driven products and services. During the year, the structure was completed of the new European Hub, based in Milan, which oversees the operations of the Intesa Sanpaolo branches in the European Union (Frankfurt, Madrid, Paris, Warsaw and Amsterdam, the latter following its transfer from Intesa Sanpaolo Bank Luxembourg to Intesa Sanpaolo, effective in January 2022).
The Division's current international network is present in 25 countries through 16 wholesale branches (including the hubs), 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), in addition to Intesa Sanpaolo IMI Securities Corporation in New York.

Global Banking & Sovereign Institutions Department

In a particularly complex, extraordinary market scenario, the Department continued to assist its customers in important operating and extraordinary finance deals, confirming the significant growth trend in operations and results in recent years. In the banking sector, the Group continued to provide 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 problem assets. Among others, as regards the domestic market, we note the roles of Sole Financial Advisor in the tender offer of Sparkasse on Civibank, Joint Bookrunner in two BPER issues - “SNP” and “T2”, Arranger in the state-guaranteed (GACS) securitisation of ICCREA and the securitisation of the Luzzatti consortium of banks, as well as Joint Bookrunner in a pool loan for Nexi. On the international markets, the Group acted as Joint Lead Manager and Active Bookrunner in the multi-tranche issue of Toronto Dominion Bank and Joint Bookrunner in the senior non-preferred issue of BBVA and participated in numerous issues in USD, EUR and GBP for leading global banking groups including HSBC, DB, UBS, BNP, CACIB, GS and JP Morgan, as well as the capital increase of Credit Suisse. Significant results were also achieved in the South Europe market, where Intesa Sanpaolo acted as Joint Bookrunner in the senior preferred notes issued by the National Bank of Greece and was involved in two major trade finance transactions, of strategic importance, supporting infrastructure projects (Mediterranean Electric Highway) and projects to diversify natural gas supply sources in Greece. In the last quarter, Intesa Sanpaolo was the Lead Manager for the first social bond distributed exclusively on the Fideuram - Intesa Sanpaolo Private Banking networks, issued under the Citigroup Social Bond Framework for Affordable Housing. Operations with non-bank financial institutions and governments continued to achieve highly positive results, due to effective positioning on customers and a product mix in line with the current market context. Within this framework, important business continued with government customers, committed to managing the new debt deriving from measures in support of the economy, in a post-pandemic scenario marked by geopolitical instability. Of note are the roles on behalf of the Ministry of the Economy and Finance in the placement of BTP (specifically the two new BTP Italia, the new 30-year BTP and the new CCTEU maturing in October 2030) and, internationally, loans dedicated to government entities in the Middle East. The support to banking foundations and the growing dialogue with the main pension funds also continued, with specific regard to investment activities, capital markets and risk management. With regard to the asset managers, the subscription facility activities were further developed, such as the operations with Apollo, Tristan Capital and Angelo Gordon, which contributed to increasing the Bank’s visibility in the context of asset-based financing with the leading international players, with which NAV financing operations are also being developed. Also worth noting was the involvement in portfolio financing transactions through the underwriting of senior tranches of securitisations, both at international level, in collaboration with sponsors and origination platforms within lending programmes aimed at European SMEs (including Varde Partners/Beka Finance, where the underlying loans are guaranteed by the EIF, and Varadero Capital/Funding Circle), and at domestic level, with companies operating in SME loans backed by the Guarantee Fund (transactions were carried out with Opyn, Banca Progetto, and Cefin Gruppo MOL). In the near-banking sector, the funding mix through which Intesa Sanpaolo supported the main operators, in particular Agos, Compass and the salary-backed loan providers, changed during the year due to the significant increase in the cost of funding, which heavily impacted the relative affordability of the various funding instruments. In this context, there was a gradual reduction in the use of securitisations compared to the initial months of the year (during which several transactions were completed, such as those with Sigla, Dynamica, Fincontinuo and Spefin), down to essentially zero in the second half of the year. Also worth mentioning, for the same reason, is the significant increase, particularly in the second half of 2022, in repo funding transactions on non-ECB eligible assets (including those with IBL Banca, Banca Progetto, and Banca Ifis). In the insurance area, 2022 maintained the results from previous years despite a challenging market environment that significantly impacted insurance company financial statements. The activities focused mainly on derivative hedges on the separate management of the life business, structures for third-party retail products and indirect risk activities, mainly with Allianz Trade, in addition to capital management aspects, particularly due to the sudden rise in interest rates. In the real estate sector, the oversight of Italian and foreign institutional investors continues, with a focus on transactions respecting ESG issues and innovation in the real estate field, both with regard to income-generating investments and selected urban regeneration projects. In that area, as Mandated Lead Arranger, the Group structured a sustainability-linked loan to support the initial phase of redevelopment of the railway station of Porta Romana in Milan, promoted by Coima SGR, the loan to support the redevelopment project of the Genoa waterfront, promoted by Orion Capital Managers, and various redevelopment works in the student housing and private rented sector asset classes promoted by international operators through Italian real estate funds. Lastly, we note the effective collaboration with the Private Banking Division, which showed important results, including, specifically, the placement of the Technoprobe, Generalfinance and Erredue IPOs. Transactions with financial institutions on emerging markets continued to be managed consistently with the reference context, with a selective strategy focused on risk management. The pivotal role of the Bank’s willingness to support exports and commercial operations of its industrial and financial customers was confirmed, with the assumption of risk concentrated mainly in Africa, Asia and Latam, while the activities performed in the countries of the former CIS area were heavily impacted by the continuation of the conflict in Ukraine. With regard to Structured Deals, the extreme volatility of commodity prices and the consolidation of these prices at historically high levels are continuing to have a negative impact on the development of new transactions. It is important to note the utmost attention the Bank dedicates to managing operations being executed with Russian counterparties, both in commodities financing and in export loans guaranteed by ECAs. Lending for supply chain financing remains significant, especially at the New York branch, but is gradually increasing in the rest of Europe and in Asia. As regards activities linked to Private Equity funds, the Group recorded a large number of operations concluded with its customers in the reference period, in a scenario where the changed conditions of the financial markets partially slowed the origination of transactions based on bond instruments, while on generally domestic operations in the mid-market segment, there are currently no significant impacts compared to the positive trend recorded since the end of last year. In the Italian market, the Bank acted as Financial Advisor, MLA and Joint Bookrunner in the bond issue in support of Bain Capital and BC Partners for the acquisition of Fedrigoni, world leader in the field of labels, self-adhesive materials and high value-added paper for luxury packaging. The Bank also acted as MLA and Bookrunner for the acquisition financing in support of CVC and CDP Equity for the acquisition of Maticmind, a leading Italian IT company focused on proprietary intelligence technologies and integrated solutions in the areas of networking, cybersecurity, data centres, cloud services and IoT. In the international markets, where the Bank continued to consolidate its presence, it acted as Mandated Lead Arranger and Bookrunner in the financing of Sagemcom, a leading

French company operating in the production of internet, audio, video and energy communication terminals, by Charterhouse, and as Senior Underwriter in the financing for the acquisition of Cordenpharma, a German company operating in the pharmaceutical sector, by Astorg. In the United States, the Group acted as Joint Lead Arranger and Joint Bookrunner in the financing of the strategic combination between Citrix and TIBCO in the software sector by Vista Equity Partners and Elliott Investment Management. Of note in the Fund Financing area was the continued growth in funding transactions aimed directly at Private Equity funds completed during the year, including the transaction in favour of the Nextalia Private Equity fund in which the Bank acted as Global Coordinator, MLA and Bookrunner for an ESG-linked credit line. Internationally, where the strongest growth was recorded, Intesa Sanpaolo participated, as Lender and co-Arranger, in some of the most important credit lines aimed at the main fundraising private equity funds during the year, including Permira, KKR and Apollo. With regard to Sovereign Wealth Funds and Pension Funds, the Bank further strengthened its relations with the leading international players in the sector and with new funds (Khazanah, Aware Super and Australian Super), participating in operations in their reference sectors, especially Energy, Infra and TMT, in all main global geographic areas. Transactions carried out directly with sovereign funds included the renewal of the participation (as MLA) in the syndicated loan to PIF, the largest lending operation to a sovereign fund realised to date, the role of Joint Bookrunner in PIF's Green Bond issue, aimed at contributing to decarbonisation in Saudi Arabia, and in the bond issues of the Mubadala fund, the support to QIA in the Public Purchase and Exchange Offer on Coima Res, and the participation in a capital call financing in favour of the ACMP Holdings fund. The Group also participated, with leading roles as Underwriter, MLA and Bookrunner, in the loans for the acquisition of a stake in Cetin (telecommunications infrastructure) by GIC and the acquisition of the energy operator Spark Infrastructure by a consortium formed by KKR, OTPP and PSP, the acquisition of VTG (rail vehicle leasing) by GIP and ADIA, the acquisition of Brisa (Portuguese motorways) by APG, and the acquisition from Telefonica of a stake in a Fiber Co by a leading consortium of investors. Lastly, we also note the transactions carried out with the subsidiaries of sovereign funds, such as the refinancing of the water company Yorkshire Water/Kelda (GIC), the refinancing of Deutsche Glasfaser (OMERS), a company that develops fibre optic lines in Germany, the refinancing of Società Gasdotti Italia (OTPP and SLAM) and the refinancings in favour of Saudi Electricity Company (PIF) and CEPSA (Mubadala). These new transactions join a portfolio of transactions that, over the last few years, have reached an amount that positions the Group as a qualified and recognised operator in the global Sovereign Wealth Funds and Pension Funds market.

Global Transaction Banking Department

During 2022, the Global Transaction Banking Department assisted both SMEs and international corporates in conducting their business - in compliance with the regulations in force - during the period of extreme geopolitical crisis that took shape at the beginning of the year and the market developments in the second half. The Department launched the programmes linked to the 2022-2025 Business Plan, regarding the initiatives under its responsibility, to strengthen the international value proposition - also due to the decision to enter into partnerships with third parties, and through an ever increasing drive towards product and process innovation - and support advisory services to customers through its network of specialists in payment solutions, cash management and trade finance. All the initiatives were launched to expand the international offering of cash management and trade finance, as well as the revision of the operating model, to streamline delivery times in response to customer needs. The establishment of the partnership with Kyriba also continued, on supply chain aspects and company cash management. The digitalisation of the portfolio of services has steadily continued, also with a view to providing ESG support for companies. The Department is also participating in system-wide initiatives for the digital evolution of the banking system on initiatives such as CBDCs (for the digital euro) and digital assets.

Global Markets & Investment Banking

The deterioration of the global geopolitical situation and the countering of inflationary movements by Central Banks heavily influenced the markets during 2022, affecting all asset classes. With regard to the Global Market Securities Department, market liquidity in the Loans and Equity segments fell significantly, with rare and temporary exceptions. Due to the increases in volatility and interest rates, primary and secondary market lending suffered during 2022, only partially recovering at the end of the year. As a result of the same factors, the results for the equity operations were extremely positive, particularly in the equity derivatives component and in trading on Asian markets, while the cash segment declined, but in line with the main reference markets. High volatility favoured an increase in volumes traded on the foreign exchange and commodity markets. In the foreign exchange segment, concerns about the conflict in the first half of the year led to a focus on conservative currencies at the expense of emerging currencies, a trend that reversed to a certain extent in the second half of the year. With regard to commodities, the main activity was concentrated on the energy sector and the precious metals sector, most notably gold. In the area of interest rates, the successive rises led to a major repricing of yield expectations, with customers consequently adopting a cautious stance. The increases, together with the expansion of the product range and the support for the networks, generated a considerable rise in the placement of certificates compared to the previous year, in addition to contributing to significant growth in activity on bonds thanks to the flows managed by Market Hub, which recorded significant overall year-on-year growth in values and volumes traded.
In 2022, the activities carried out by the Global Market Solutions and Financing Department confirmed the Division's leadership position 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 its customers inside and outside 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 Division's international presence, 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 in Italy and in the main international jurisdictions. In 2022, the Finance & Investments Department, in the light of the continuing restrictive monetary policy conditions and a possible recessionary scenario, pursued a strategy of portfolio reallocation among

European, foreign and emerging market government securities. The corporate securities portfolio was also subject to measures to reduce exposure, with the aim of further optimising the relationship between risk-weighted assets and prospective returns. Management of the DVA was focused on the new regime of volatility, maintaining low coverage ratios, which were increased near the end of the first half of the year, in light of the stabilisation of the financial markets. In 2022, despite a less favourable market situation, the portfolio still held up well, and the management focused on careful risk control with a view to optimisation. In the context of uncertainty, also in the primary market, with a sharp reduction in volumes compared to the previous year, the Equity Capital Markets team maintained its usual oversight of the Italian market, carrying out an ABB of Zignago Vetro shares and a Reverse ABB on Banco BPM shares (in both cases as Sole Bookrunner), an ABB of Nexi on behalf of Intesa Sanpaolo (Joint Bookrunner), and the capital increase offered in option by Saipem (Joint Global Coordinator). The Division also acted as Sponsor for the listing of Iveco Group and Revo Insurance on Euronext Milan. At international level, it participated in the capital increases offered in option by Bank of Qingdao, Nordex and Credit Suisse (as Joint Bookrunner in all the transactions). In the area of public takeover bids, it confirmed its leadership acting as the coordinator for the collection of acceptances in eight different bids, including Atlantia in particular. Lastly, in 2022, it was specialist or corporate broker for over 50 companies listed on the Italian market. Despite the difficult environment that also characterised the bond markets, the Debt Capital Markets team maintained its leadership position in Italy in terms of volume in the role of Joint Bookrunner. In the Corporate segment, the Division acted as Joint Bookrunner in several issues, including the sustainability-linked bonds of Enel, Snam, Webuild, A2A and Carrefour, the green bonds of Suez SA, Hera, A2A, General Motors and Coca-Cola HBC, and the senior unsecured bonds of Stellantis, APRR, Autostrade per l'Italia, Ford Motor, McAfee, Carnival, Var Energi, and Leasys. In the Financial Institutions area, the Division acted as Joint Bookrunner for several issues, including the covered bonds of Credit Agricole Italia, VUB Banka and Slovenska Sporitelna, the Additional Tier 1 bonds of Intesa Sanpaolo, Deutsche Bank and BNP Paribas, the senior non-preferred bonds of BBVA and Intesa Sanpaolo, the Tier 2 bonds of BPER Banca and Intesa Sanpaolo, the senior preferred bonds of Illimity Bank and NBG, the social senior preferred bond of ICS, and the placement of the Quarzo ABS. In the SSA segment, it was the dealer for the Italian Government in the issue of the BTP Italia reserved for both retail and institutional customers, as well as Joint Bookrunner in the issue of the 30-year BTP and the CCTEU. It acted as Joint Bookrunner in the senior unsecured issues of Ferrovie dello Stato and Amco. Intesa Sanpaolo also acted as Sole Bookrunner in the placement of the Citigroup and Mediobanca retail issues. The Division provided its M&A Advisory services in many of the most significant transactions in Italy, including, in the TMT sector, to the ION Group, in the acquisition of Cerved Group through a voluntary takeover bid, to IDI, in the acquisition of BFC Media through a mandatory takeover bid, and to Engineering in the acquisition of Atlantic Technologies; in the Industrial & Healthcare sector, to Marcegaglia, in the acquisition of the Long Products Business Unit of the Finnish multinational Outokumpu, to Gewiss in the acquisition of Performance in Lighting, to NB Renaissance in the acquisition of Neopharmed Gentili and to NB Capital in the acquisition of Fedrigoni; in the Consumer & Retail sector, to Investindustrial, in the acquisition of La Doria through a mandatory takeover bid and to CDP Equity, in the merger of Autogrill and Dufry; in the Energy sector, to Next Energy Capital, in the sale of a 149MW photovoltaic portfolio, to Falck, through the issuance of a fairness opinion on the sale of a 60% stake held in Falck Renewables; and in the Financial Institutions sector, to Sparkasse in the acquisition of Banca di Cividale (Civibank) through a voluntary full takeover bid and to P.N. 1898 in the acquisition of Banca Finnat Euroamerica through a mandatory full takeover bid. In 2022, the Structured Finance team confirmed its leadership on the Italian market and successfully continued its business on the international market, maintaining its selective approach in origination, to support investments in all reference sectors. The originate to share approach and the geographical diversification resulted in the conclusion of numerous financing transactions to support important Italian and international industrial operators and financial investors in various infrastructure and public utility services sectors, in line with the growth strategy of the Division, both in terms of volumes and positioning, with specific attention to ESG/Circular/Green issues. In the international market, there was a healthy volume of transactions in the Eurozone in the Infrastructure sector in 2022, although it slowed down as a result of uncertainties related to the conflict, high inflationary pressure, and rising base interest rates. The TMT and Transport sectors were highly stressed, while the Renewables assets continued to be the main catalysts for greenfield investments. The process of repositioning the scope of operations was also completed, with a focus on developing the UK market, monitoring the Middle East market, and consolidating the relationship with major non-European infrastructure funds. Market conditions in Asia were also considerably more volatile. The renewable energy sector remained the most dynamic, with Australia and India among the main markets, as well as US Structured Finance, whose primary trend was a sharp increase in applications for loans on the back of the Energy Transition process that has been impacting the energy market in the last few years. The Mid-Cap Corporate Finance Department gradually expanded, becoming competence centre and point of reference for Corporate Finance transactions for business customers of the Banca dei Territori Division and Domestic Corporate & Institutional Clients of the Banks in the International Subsidiary Banks Division. In addition to numerous M&A Advisory and Structured Finance transactions, the Department, in the Equity Capital Markets, and in a particularly complex market scenario, managed to conclude the IPO of Technoprobe, the largest IPO ever realised on the Growth segment of all the European markets of Euronext, the IPO of Generalfinance, the first on the STAR segment in 2022, and the IPO of Erredue, the third largest in 2022 on the Euronext Growth Milan segment. Efforts to increase synergies with the Private Banking Division also continued during the year.

International Subsidiary Banks

(millions of euro)

Income statement	2022	2021	Changes	
			amount	%
Net interest income	1,592	1,337	255	19.1
Net fee and commission income	574	546	28	5.1
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	129	127	2	1.6
Other operating income (expenses)	-68	-38	30	78.9
Operating income	**2,227**	**1,972**	**255**	**12.9**
Personnel expenses	-573	-549	24	4.4
Other administrative expenses	-431	-410	21	5.1
Adjustments to property, equipment and intangible assets	-114	-113	1	0.9
Operating costs	**-1,118**	**-1,072**	**46**	**4.3**
Operating margin	**1,109**	**900**	**209**	**23.2**
Net adjustments to loans	-345	-157	188	
Other net provisions and net impairment losses on other assets	-20	-74	-54	-73.0
Other income (expenses)	35	7	28	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**779**	**676**	**103**	**15.2**
Taxes on income	-191	-144	47	32.6
Charges (net of tax) for integration and exit incentives	-44	-43	1	2.3
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-40	-26	14	53.8
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**504**	**463**	**41**	**8.9**

(millions of euro)

	31.12.2022	31.12.2021	Changes	
			amount	%
Loans to customers	40,212	38,970	1,242	3.2
Direct deposits from banking business	54,364	51,504	2,860	5.6
Risk-weighted assets	35,056	34,403	653	1.9
Absorbed capital	3,745	3,640	105	2.9

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 2022, the Division's operating income came to 2,227 million euro, up 12.9% compared to the previous year (+16.3% at constant exchange rates). A detailed analysis shows that net interest income came to 1,592 million euro (+19.1%), mainly due to the favourable performance of CIB Bank (+143 million euro) and, to a lesser extent, VUB Banka (+48 million euro), Banca Intesa Beograd, including Intesa Leasing Beograd (+26 million euro) and Bank of Alexandria (+23 million euro). Net fee and commission income, equal to 574 million euro, was up (+5.1%), mainly due to PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (+16 million euro) – VUB Banka (+16 million euro) and Banca Intesa Beograd (+10 million euro). Within other income components, there was a significant increase in other net operating costs (+30 million euro) attributable to the subsidiaries operating in Slovakia, Egypt and Hungary, and a slight increase in the profits (losses) on financial assets and liabilities designated at fair value (+2 million euro).
Operating costs of 1,118 million euro increased (+4.3%; +6.5% at constant exchange rates) mainly due to the changes in administrative and personnel expenses.
As a result of the above revenue and cost trends, the operating margin increased by 23.2%, amounting to 1,109 million euro.
Gross income, amounting to 779 million euro (+15.2%), benefited from lower net provisions and net impairment losses on other assets and higher other income, which partly offset the higher net adjustments to loans for events involving Russia and Ukraine. The Division closed 2022 with net income of 504 million euro (+8.9%).

At the quarterly level, in the fourth quarter of 2022 the operating margin increased compared with the third quarter, as a result of the growth in operating income, which more than offset the increase in operating costs, typical of year-end. In contrast, gross income and net income were adversely impacted by the increase in net adjustments to loans.

The Division's intermediated volumes grew at the end of December 2022 (+4.5%, equal to +4.1 billion euro) compared to the beginning of the year owing to both direct deposits from banking business (+5.6%), in the component of amounts due to customers, and loans to customers (+3.2%). Lending performance was mainly attributable to the subsidiaries operating in Slovakia, Serbia and Croatia, while the growth in deposits was attributable to the subsidiaries operating in Croatia and Slovakia, to a lesser extent, those in Slovenia and Serbia.

In 2022, the International Subsidiary Banks Division continued developing activities, with a business model focused on growth in fee and commission income in the main European subsidiaries, and a continuous focus on wealth management in China.
Specifically, the reshaping of the service model for wealth management continued for affluent and private customers, strengthening commercial oversight, with a focus on ESG issues, the dissemination of financial education topics and the development of innovative and regulatory advisory processes.
In the bancassurance area, the Master Cooperation Agreement was finalised with a leading insurance group for the distribution of insurance products at 5 banks (in Slovakia, Croatia, Hungary, Serbia and Slovenia), and 4 out of 5 Local Distribution Agreements were signed (in Slovakia, Serbia, Slovenia and Croatia).
With regard to increasing fee and commission income, the development of commercial initiatives continued in synergy with the IMI Corporate & Investment Banking Division on the Group Banks in Slovakia, Czech Republic, Hungary and Croatia. With regard to the reshaping and strengthening of the customer service model shared with the Banca dei Territori Division, the commercial actions continued in Italy and the optimisation of the loan approval process was completed.
As for the focus on new business opportunities relating to the ESG transition, an ESG Business Positioning initiative was launched for the Corporate and SME segments in Slovakia, Hungary, Croatia, Serbia and Egypt. Specifically, quick wins were launched to encourage the use of Green and Circular credit lines; the S-Loan offering was structured and made available in Slovakia, Hungary and Serbia; and priority sectors to be targeted by ESG commercial strategy were defined.
In digital banking, on the Corporate&SME side, the Italy-Hungary interconnection was activated and the "Confirming" (Factoring) product was launched on an additional five geographic areas in the scope of the Division (Slovakia, Serbia, Romania, Slovenia and Albania), completing the first deal in Slovakia. Limited to Retail&WM, the activities to acquire prospects in Albania were completed and the expansion continued of functionalities in the credit, wealth management and commercial areas in the main countries where the Division operates.
Regarding the drive towards IT convergence, work is underway on the progressive deployment of the target platform applications in the remaining banks within the scope, according to the project timetable.
Lastly, with regard to wealth management in China, the business activities of Yi Tsai continued, by strengthening the network and expanding the product mix.

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates.
Mission	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 or other foreign offices of the IMI Corporate & Investment Banking Division.
Organisational structure	
South-Eastern Europe Hub (SEE HUB)	Presence in Croatia, Bosnia-Herzegovina and Slovenia.
Central Europe Hub (CE HUB)	Presence in Slovakia, Hungary and the Czech Republic.
Other banks	Presence in Albania, Romania, Serbia, Egypt, Ukraine and Moldova.
Distribution structure	901 branches in 12 countries.

South-Eastern Europe Hub (SEE HUB)

In 2022, the operating income of the **Privredna Banka Zagreb** group amounted to 448 million euro, up on 2021 (+1.9%), due to the favourable performance of net fee and commission income and the reduction in other net operating costs. Operating costs of 196 million euro increased (+6.3%), due to administrative and personnel expenses. The operating margin came to 252 million euro (-1.3%). Gross income amounted to 242 million euro (+15.4%), benefiting from the lower provisions and net adjustments to loans and other assets, and net income was 188 million euro (+15.5%).

Intesa Sanpaolo Banka Bosna i Hercegovina closed 2022 with an operating margin of 22 million euro, down on the previous year (-1.8%). This performance was due to the increase in operating costs, only partly offset by the increase in operating income. Gross income, amounting to 18 million euro, and net income, which came to 14 million euro, were down (-11% and -13.5%, respectively), mainly due to higher net adjustments to loans.

Intesa Sanpaolo Bank (Slovenia) reported operating income of 83 million euro, up on 2021 (+19.8%), due to the growth in net interest income and, to a lesser extent, in net fee and commission income. Operating costs increased (+6.3%) on the previous year. The operating margin increased by 42%. In contrast, gross income and net income, amounting to 24 million euro and 16 million euro respectively, were down (-5% and -7.6%), mainly due to higher provisions and net adjustments to loans and other assets and to lower other income.

Central Europe Hub (CE HUB)

The **VUB Banka** Group reported an operating margin of 279 million euro, up on 2021 (+17.7%) as a result of the growth in operating income (+10%), which more than offset the increase in operating costs (+1.7%). Gross income, amounting to 247 million euro, showed a significant increase (+48.4%), due to lower adjustments to loans and higher other income. Net income came to 169 million euro (+48.9%).

The **CIB Bank** Group recorded operating income of 329 million euro, a significant increase on 2021 (+58.9%) due to the positive performance of net interest income. Operating costs rose by 2.1%. Net income amounted to 92 million euro, and more than doubled on the previous year.

Other banks

Intesa Sanpaolo Bank Albania reported an operating margin of 20 million euro, up on 2021 (+7.4%), due to the growth in revenues, particularly net interest income, which more than offset the increase in operating costs. Net income came to 11 million euro and more than doubled compared to the previous year, benefiting from lower provisions and net adjustments to loans and other assets.

Intesa Sanpaolo Bank Romania reported an operating margin of 12 million euro, up on 2021 (+23.8%), due to higher operating income (+12%), particularly net interest income, which more than offset the higher operating costs. The company closed 2022 with net income of 5.1 million euro, well above the figure for 2021 (1.9 million euro).

Banca Intesa Beograd, including Intesa Leasing Beograd, reported an operating margin of 205 million euro, up 21% on 2021. Operating income increased by 17% and operating costs were up by 10.9%. Gross income amounted to 160 million euro (+22.2%), and net income was 110 million euro (+22.8%).

Bank of Alexandria, which was adversely affected by the depreciation of the Egyptian pound, reported an operating margin of 230 million euro, up by 5.9% on the previous year (+16% at constant exchange rates). Operating income of 384 million euro increased (+3.5%; +13.4% at constant exchange rates), mainly due to the performance of net interest income. Operating costs rose slightly (+0.2%; +9.8% at constant exchange rates). Net income came to 129 million euro, up by 9.5% on 2021 (+19.9% at constant exchange rates).

Pravex. Despite the extremely serious/uncertain situation in Ukraine, Pravex was again consolidated on a line-by-line basis in December 2022. Nonetheless, in light of the objective logistics difficulties and execution difficulties of the administrative structures of the local bank, also with regard to IT channels, the Group's decision was to carry out line-by-line consolidation using the figures of September 2022, making adjustments in connection with the write-down of specific assets of the bank, especially loans to customers, debt securities and properties. With specific regard to the income statement balances, for operating income and costs, the September 2022 figures have been consolidated and, for net adjustments to loans and the other provisions, the valuation effects determined with the Group's head office structures have been taken into account.

Eximbank generated an operating margin of 6.5 million euro, more than treble the figure for 2021, mainly due to the positive performance of operating income (+63.6%). Net income, amounting to 3.4 million euro, almost trebled compared to the previous year.

Private Banking

(millions of euro)

Income statement	2022	2021	Changes amount	Changes %
Net interest income	419	217	202	93.1
Net fee and commission income	1,980	2,096	-116	-5.5
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	60	56	4	7.1
Other operating income (expenses)	16	26	-10	-38.5
Operating income	**2,475**	**2,395**	**80**	**3.3**
Personnel expenses	-486	-473	13	2.7
Other administrative expenses	-354	-365	-11	-3.0
Adjustments to property, equipment and intangible assets	-81	-76	5	6.6
Operating costs	**-921**	**-914**	**7**	**0.8**
Operating margin	**1,554**	**1,481**	**73**	**4.9**
Net adjustments to loans	-12	3	-15	
Other net provisions and net impairment losses on other assets	13	-37	50	
Other income (expenses)	-	194	-194	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,555**	**1,641**	**-86**	**-5.2**
Taxes on income	-444	-483	-39	-8.1
Charges (net of tax) for integration and exit incentives	-37	-40	-3	-7.5
Effect of purchase price allocation (net of tax)	-21	-22	-1	-4.5
Levies and other charges concerning the banking industry (net of tax)	-21	-15	6	40.0
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	2	-5	7	
Net income (loss)	**1,034**	**1,076**	**-42**	**-3.9**

(millions of euro)

	31.12.2022	31.12.2021	Changes amount	Changes %
Assets under management (1)	150,112	166,830	-16,718	-10.0
Risk-weighted assets	12,757	11,617	1,140	9.8
Absorbed capital	1,127	1,014	113	11.1

(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 – Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Banking, Fideuram Asset Management SGR, IW Private Investments SIM, SIREF Fiduciaria, Fideuram Asset Management (Ireland), Fideuram Bank (Luxembourg), the Swiss banking group Reyl (present in Switzerland, the United Kingdom, Singapore, the United Arab Emirates and Malta) and, from 30 June 2022, Compagnie de Banque Privée Quilvest S.A., a Luxembourg private bank with branches in Belgium. Moreover, with the goal of offering a large, dedicated range of products, availing of digital solutions that will be expanded over time, the new Direct Banking business unit was created to meet the needs of customers that wish to autonomously handle their investments and on-line trading.

In 2022, the Division achieved gross income of 1,555 million euro, down by 86 million euro (-5.2%) on the figure for the previous year, which included the capital gain of 194 million euro realised on the sale of the business line related to the activities of Custodian Bank of Fideuram Bank (Luxembourg), recorded under Other income. The operating margin increased by 73 million euro (+4.9%), due to the growth in operating income (+80 million euro), only partly offset by higher operating costs (+7 million euro). The trend in revenues is attributable to net interest income, which increased by 202 million euro (+93.1%) in a scenario of rising interest rates, and, to a lesser extent, to profits (losses) on financial assets and liabilities designated at fair value (+4 million euro). In contrast, net fee and commission income (-116 million euro) was penalised by the unfavourable climate in the financial markets, which affected assets under management and performance, and other net operating income was also down (-10 million euro). The Division closed 2022 with net income of 1,034 million euro, down by 3.9% compared to 2021.

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 2022, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 272.5 billion euro (-21.4 billion euro since the beginning of the year). This trend was due to the market performance that had a negative effect on assets, only partially offset by positive net inflows. The assets under management component amounted to 150.1 billion euro (-16.7 billion euro).

In 2022, the following corporate transactions were carried out:

- the merger by incorporation of Intesa Sanpaolo Private Bank (Suisse) Morval into Reyl & Cie;
- the acquisition by Fideuram Bank (Luxembourg) of UBI Trustee;
- the partial demerger of IW Bank in favour of Fideuram – Intesa Sanpaolo Private Banking of a going concern composed of banking relationships and banking assets;
- the partial demerger of Fideuram – Intesa Sanpaolo Private Banking 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 acquisition by Fideuram – Intesa Sanpaolo Private Banking of an investment of 14.9% in the share capital of Alpian, a Swiss digital bank in the start-up phase, with registered offices in Geneva, in which Reyl & Cie already had a stake;
- the sale of the investment in Morval Vonwiller Advisors;
- the acquisition by Fideuram Bank (Luxembourg) of Compagnie de Banque Privée Quilvest S.A.;
- the merger by incorporation of Sanpaolo Invest SIM into Fideuram – Intesa Sanpaolo Private Banking with retention of the Sanpaolo Invest distribution network.

Business	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.
Mission	Taking care of customers' well-being and protecting all of their assets through top notch advisory services. A relationship based on listening, satisfaction and trust between the customer and the private banker is what makes the business model of the Private Banking Division unique.
Organisational structure	
Fideuram (Italy)	Dedicated to the production, management and distribution of financial products and services to high profile customers, using a network of 4,951 Fideuram and Sanpaolo Invest financial advisors.
Intesa Sanpaolo Private Banking (Italy)	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 939 in-house private bankers and 108 freelance bankers with agency contracts.
IW Private Investments (Italy)	Company specialising in financial advisory and planning services for individuals and households, with a distinctive commercial offering in trading. It operates using a network of 557 financial advisors.
Reyl & Cie (Switzerland)	Swiss bank dedicated to developing international private customers, which operates through a group of companies specialising in wealth management and private banking. It operates using a total network of 52 private bankers.
SIREF Fiduciaria (Italy)	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 8 private bankers.
Compagnie de Banque Privée Quilvest (Luxembourg)	Luxembourg bank with branches in Belgium, which operates using a total network of 33 private bankers.
Fideuram Asset Management (Italy)	Company that manages a wide range of mutual funds, individual portfolios and other investment instruments for private and institutional investors.
Fideuram Asset Management (Ireland)	Company that manages Luxembourg and Italian mutual funds and products designed by the Group's insurance companies.
Distribution structure	Network of 261 branches in Italy, 7 branches abroad and 6,648 financial advisors.

Asset Management

(millions of euro)

Income statement	2022	2021	Changes amount	Changes %
Net interest income	-	-1	-1	
Net fee and commission income	913	1,282	-369	-28.8
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	-21	-4	17	
Other operating income (expenses)	70	67	3	4.5
Operating income	**962**	**1,344**	**-382**	**-28.4**
Personnel expenses	-110	-120	-10	-8.3
Other administrative expenses	-106	-112	-6	-5.4
Adjustments to property, equipment and intangible assets	-6	-7	-1	-14.3
Operating costs	**-222**	**-239**	**-17**	**-7.1**
Operating margin	**740**	**1,105**	**-365**	**-33.0**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-	1	-1	
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**740**	**1,106**	**-366**	**-33.1**
Taxes on income	-184	-297	-113	-38.0
Charges (net of tax) for integration and exit incentives	-1	-8	-7	-87.5
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	-1	-10	-9	-90.0
Net income (loss)	**550**	**787**	**-237**	**-30.1**

(millions of euro)

	31.12.2022	31.12.2021	Changes amount	Changes %
Assets under management	303,829	354,048	-50,219	-14.2
Risk-weighted assets	1,798	1,836	-38	-2.1
Absorbed capital	181	196	-15	-7.7

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.

Operating income for 2022, amounting to 962 million euro, was down by 28.4% on the previous year, due to the performance of net fee and commission income (-369 million euro), which was impacted by the decrease in performance fees collected during the period and, to a lesser extent, in management fees related to the decrease in assets managed and placement. Within the other revenue components, the Chinese subsidiary Penghua, consolidated at equity, provided a positive contribution to operating income of 69 million euro, which was 4 million euro higher than in the previous year, while the contribution from the fair value measurement of the financial portfolio in which cash and cash equivalents of the Division are invested was -21 million euro (-4 million euro in 2021). The performance of operating costs (-7.1%) is mainly attributable to the reduction in personnel expenses and administrative expenses, attributable to the effects of the synergies deriving from the integration with Pramerica finalised at the end of June 2021. As a result of the above revenue and cost trends, the operating margin came to 740 million euro, down 33% on the previous year. The Division closed 2022 with net income of 550 million euro (-30.1%).

As at 31 December 2022, assets managed by the Asset Management Division amounted to nearly 304 billion euro, down by 50.2 billion euro (-14.2%) compared to the beginning of the year. This trend is attributable to the impairment of assets managed relating to the negative performance of the markets, in addition to net outflows (-4 billion euro), attributable to mutual funds (-4.3 billion euro) and portfolio management schemes for retail and private customers (-0.9 billion euro), only partially offset by overall positive net flows on products dedicated to institutional customers and insurance/pension products

(+1.2 billion euro).

As at 31 December 2022, Eurizon Capital's Italian market share of assets under management was 17.1% (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 17.8%.

Business	Asset management.
Mission	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.
Organisational structure	
Eurizon Capital SGR (Italy)	Specialised in active 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. It is controlled by Eurizon Capital SGR, which holds 51% of the voting right and 20% of the company's share capital, and an investee of Intesa Sanpaolo Vita (40% of capital) and the Poste Italiane Group (40% of the capital).
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, factor-based 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). It promotes and manages Slovak mutual funds targeted to the local market.
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

(millions of euro)

Income statement	2022	2021	Changes amount	Changes %
Net interest income	-	-	-	-
Net fee and commission income	3	2	1	50.0
Income from insurance business	1,616	1,586	30	1.9
Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
Other operating income (expenses)	-12	-16	-4	-25.0
Operating income	**1,607**	**1,572**	**35**	**2.2**
Personnel expenses	-148	-142	6	4.2
Other administrative expenses	-217	-240	-23	-9.6
Adjustments to property, equipment and intangible assets	-20	-20	-	-
Operating costs	**-385**	**-402**	**-17**	**-4.2**
Operating margin	**1,222**	**1,170**	**52**	**4.4**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	90	-335	425	
Other income (expenses)	8	-	8	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,320**	**835**	**485**	**58.1**
Taxes on income	-347	-210	137	65.2
Charges (net of tax) for integration and exit incentives	-14	-42	-28	-67
Effect of purchase price allocation (net of tax)	-65	-52	13	25.0
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-24	181	-205	
Net income (loss)	**870**	**712**	**158**	**22.2**

(millions of euro)

	31.12.2022	31.12.2021	Changes amount	Changes %
Direct deposits from insurance business (1)	173,600	204,481	-30,881	-15.1
Risk-weighted assets	-	-	-	-
Absorbed capital	5,096	4,137	959	23.2

(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 (which absorbed Cargeas Assicurazioni from 1 October 2022) and Intesa Sanpaolo RBM Salute, with the mission of synergically developing the insurance product mix targeting Group customers. The scope of the Insurance Division also includes Intesa Sanpaolo Insurance Agency.

In 2022, the Division reported income from insurance business of 1,616 million euro, up (+1.9%, equal to +30 million euro) on the previous year. This trend is attributable to the increase in the technical margin, in both the life business and the non-life business, which more than offset the reduction in the net investment result. Gross income, amounting to 1,320 million euro, showed strong growth (+58.1%), due to the increase in operating income, the reduction in operating costs, notably administrative expenses, and the performance of other net provisions that registered releases of 90 million euro in 2022; in contrast, significant provisions were made in 2021, which included 295 million euro representing the claims in excess of premiums accrued and the estimated future charges also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown.
The cost/income ratio, at 24%, remained at very good levels, lower than those recorded in the previous year.
Lastly, net income came to 870 million euro (+22.2%) after the attribution of taxes of 347 million euro, charges for integration and exit incentives of 14 million euro, effects of purchase price allocation for 65 million euro (up on the same period of comparison due to the effects of the acquisition of the insurance companies of the former UBI Banca Group) and the minority-

interest share of net income of 24 million euro. With regard to this last caption, in 2021 it incorporated the attribution by convention of the net income pertaining to the insurance companies of the former UBI Group.

Direct deposits from insurance business, equal to 173.6 billion euro, decreased (-15.1%, equal to -30.9 billion euro) on the beginning of the year, attributable to both financial liabilities designated at fair value, comprised of unit-linked products, and technical reserves, notably in the life business.

The Division's collected premiums for life policies and pension products, amounting to 16.2 billion euro, decreased by around 14% compared to the previous year, due to unit-linked products (-41%), as a result of the uncertainty on the financial markets. In contrast, the collected premiums for traditional products increased (+39%), including the Class I component of multi-line policies, due to the placement in the fourth quarter of the Class I credit line dedicated to senior customers. Pension products recorded an increase of 1%.

Collected premiums for the protection business totalled 1.4 billion euro, up slightly on 2021 (around +2%). Premiums in the non-motor business (excluding CPI – Credit Protection Insurance) rose by 7%, mainly driven by the Business and Accident Lines of Business (LoB) (+25% and +24%, respectively), against a decrease in the other components (motor and credit-related).

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 73.8% interest in Intesa Sanpaolo RBM Salute. Lastly, it holds 40% of Eurizon Capital Real Asset SGR, a company operational since 31 December 2019, controlled by Eurizon Capital SGR (Asset Management Division), which holds 51% of the voting rights and 20% of the capital.
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.
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 Corporate Centre Departments generated an operating margin of 580 million euro in 2022, compared to -461 million euro in the previous year. That performance is essentially attributable to the growth in operating income, specifically in the component of net interest income, mainly relating to the elimination of the cost of excess liquidity as a result of the rise in interest rates in the second half of 2022. Operating costs recorded a decrease, attributable to synergies on administrative expenses. Gross income amounted to 609 million euro compared to a loss of 1,924 million euro in 2021, which included significant net adjustments to loans (net recoveries in 2022), lower other income and higher net provisions. In 2022, net income came to 244 million euro compared to -1,416 million euro in the previous year. The income statement of the Corporate Centre includes almost all 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 301 million euro, compared with 281 million euro in 2021.

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.

In 2022, Intesa Sanpaolo confirmed its systemic role as a "critical participant" in the ECB's settlement systems (Target2 for cash and Target2 Securities for securities), keeping its domestic and European market shares stable.
After the slowdowns in the last two years due to the pandemic, 2022 was a very important year for all the project activities related to the creation of the new European settlement platform for "Target Services". The technical migration of the T2S Service to the new platform was completed. Specifically, the go-live of the new ancillary EBA Clearing CGS (Continuous Gross Settlement) system for settling SEPA credit transfers was completed in July; the testing and training phase of the Consolidation for the T2 Service continued; and software development continued for the ECMS (centralised management of collateral), the last of the "Target Services" in the ECB's new centralised platform.
The year 2022 was characterised by the end of the extraordinary situation attributable to the pandemic and by Russia's invasion of Ukraine in the early months of the year. The sudden and partially unexpected rise of inflation, which reached an annual figure above 10% in Europe, forced the European Central Bank to accelerate the normalisation of its monetary policy.
After the completion of the Pandemic Emergency Purchase Programme (PEPP) in March and the Asset Purchase Programme (APP) at the end of June, the ECB accelerated the increases in the official rates. The first increase of 50 basis points in July, which ended the season of negative interest rates, was followed by two increases of 75 basis points in the September and October meetings and another increase of 50 basis points in December, resulting in a cumulative increase of 250 basis points in less than six months. A new interest rate increase of 50 basis points was decided on 2 February 2023.
The markets suffered from significant volatility and the key interest rates for the money market rose sharply (the 1-year Euribor rose from -0.501% at the end of 2021 to over 3.25% at the end of December 2022) as well as the cost curves of the Bank's funds, although there was only a marginal widening in terms of credit spread.
Intesa Sanpaolo has maintained a solid liquidity position and, despite the considerable uncertainty in the markets, has always shown stability in relation to outstanding short-term securities funding.
In the United States, the Federal Reserve began to raise interest rates to combat inflation, which was much higher than forecast in 2021. In the Central Bank's seven meetings, the rates rose, starting from March, by 425 basis points, reaching the range of 4.25% to 4.50% at the end of the year. However, liquidity on the dollar market remained abundant throughout the year, without significant consequences linked to the outbreak of the Russian-Ukrainian conflict.

With regard to funding, in 2022, the total amount of the Group's medium/long-term issues placed on the domestic market, via its own networks and direct listings, was 12 billion euro, of which 7.7 billion euro in certificates and 4.3 billion euro in issues placed through the Private Banking Division. Among the securities placed, there was a prevalence of the component consisting of structured financial instruments (62%), mainly comprised of index-linked structures. A breakdown by average maturity shows that 60% is comprised of instruments with maturities up to 5 years, 22% of 6- and 7-year securities, and the remaining 18% of 8- and 10-year securities. The bonds placed through the Private Banking Division amounted to 4.33 billion euro overall – as noted above. In detail, the following bonds were placed: 2.79 billion euro of fixed-rate and floating-rate senior preferred bonds with a maturity of 2 to 5 years, 862 million euro of T2 bonds with a maturity of 10 years in June and 677 million euro of T2 bonds with a maturity of 10 years in October. The T2 bonds are reserved for professional customers and eligible counterparties.
A total of 5.8 billion euro in unsecured institutional funding transactions were placed during the year.
A public issue of 1 billion euro of AT1 securities was carried out in March. This comprises fixed-rate subordinated instruments with a perpetual term, redeemable in advance by the issuer starting from the tenth year (and at each subsequent interest payment date). Based on the contractual terms, payment of interest is at the issuer's total discretion (though subject to several regulatory restrictions). Moreover, where the Common Equity Tier 1 (CET1) ratio of the Group or of Intesa Sanpaolo falls below 5.125%, the nominal value of the instruments will be temporarily reduced by the amount needed to restore the trigger level (5.125% of CET1), taking into account also the other instruments with similar characteristics.
A public fixed-rate senior non-preferred issue for 1 billion euro with 5-year maturity was finalised in September. The security is a "Green" security, for the purpose of funding all green projects in line with the Green Bond & Sustainability Framework: "Renewable Energy", "Energy Efficiency", "Green Buildings", "Clean Transportation" and "Circular Economy". Moreover, also in September, a public transaction targeted to the UK market was finalised. This is a fixed-rate subordinated T2 issue of 400 million GBP (equal to around 460 million euro) with 10-year maturity.

The first public issue of a social bond was completed in October. This consists of an issue of a fixed-rate senior preferred bond for 750 million euro with maturity of January 2030. The proceeds from the issue will be used to fund loans that come under the eligible Social categories established in the Green, Social & Sustainability Bond Framework of June 2022: "Access to Essential Services", "Socioeconomic Advancement and Empowerment", "Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from crises" and "Affordable Housing".
An issue aimed at the US market was completed in November. This is a fixed-rate bond for a total amount of 2 billion USD (equal to 1.936 billion euro) issued in two tranches: senior preferred of 750 million USD with 3-year maturity and senior non-preferred of 1.250 billion USD with 11-year maturity redeemable in advance in the tenth year.
Lastly, private placements were made in EUR, JPY, RON and AUD for a total value of 250 million euro.

With regard to the Covered Bond issue programmes, as part of the programme guaranteed by ISP CB Pubblico, the 10th retained series was decreased by 100 million euro in January and was redeemed in full in advance for 150 million euro in June. In June, the 12th series was partially extinguished for an amount of 225 million euro, bringing the remaining nominal amount to 1.050 billion euro.
Under the covered bond programme guaranteed by ISP CB Ipotecario, the 17th series matured in January for an amount of 1 billion euro. In February, the 28th series was issued for an amount of 1 billion euro. The security is a floating rate, 7-year security listed on the Luxembourg Stock Exchange with an Aa3 rating from Moody's, was fully subscribed by the Parent Company and is eligible for the Eurosystem. The 13th series matured in December for an amount of 1.250 billion euro.
In March, the subsidiary VUB Banka carried out an issuance of covered bonds. These are fixed-rate securities for an amount of 500 million euro, with 5-year maturity.
As part of the programme guaranteed by ISP OBG, the 47th retained series was issued in September, for an amount of 10 million euro. The security is a floating rate, 30-year security listed on the Luxembourg Stock Exchange with an A (high) rating from DBRS, was fully subscribed by the Parent Company and is eligible for the Eurosystem.
Lastly, with regard to the programme guaranteed by UBI Finance, the 30th series was decreased by 200 million euro in January and fully extinguished in advance in February, for 100 million euro. In April, the 3rd series was fully paid off, for the remaining 11.3 million euro outstanding. In May, the 29th series was extinguished in advance, for a total of 600 million euro. Also in May, the 28th series was partially extinguished for an amount of 100 million euro, subsequently for an amount of 175 million euro in September, then for an amount of 100 million euro in October and finally for an amount of 125 million euro in November, bringing the remaining nominal amount to 200 million euro.
A retained securitisation was structured in December. This is the third securitisation on a portfolio of loans disbursed to companies belonging to the small business, SME and Corporate segment, relating to both unsecured loans and loans backed by mortgage collateral. The vehicle company Giada Sec issued two classes of securities for a total of 15.2 billion euro, fully subscribed by Intesa Sanpaolo. Only the senior class, amounting to 10.25 billion euro, with an A rating from DBRS and A1 from Moody's, was made 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 2022 the amount outstanding, gross of the haircuts applicable to loans lodged as pledge by the Group, amounted to 17.7 billion euro.

During the first half of 2022, the expected attenuation of the effects of the pandemic gave way to the unexpected war in Eastern Europe. Due to the inflationary scenario inflamed by the acceleration of commodities prices, Central Banks focused on gradually reducing monetary stimulus measures, which triggered volatility on the credit markets. During the first half of the year, portfolio turnover was aimed to reduce the core government component, which reached extremely high levels of spreads, below those of swap rates; the Italy component was dynamically managed nearing the election of the President of the Republic and subsequently kept below the investment limits. The non-government component maintained low exposure to the corporate market, due to the market uncertainties and the expected reductions in quantitative stimulus by the ECB. In the second half of the year, the persistent inflationary pressures continued to push interest rates upwards, despite a temporary decrease in July. The expected tightening of monetary policy from the main Central Banks continued to weigh on all risky assets, while Italian debt suffered also due to the early end of the current government. Portfolio turnover was aimed at reducing the Italian government component and some components in the non-government portfolio, in order to compress the use of capital and reduce the risk profile of the portfolios in a phase of growing uncertainty and volatility. In the repo business, Italian government bond volumes were significantly higher than in the previous year, while interest rates were lower than the depo facility rate.
The spread between core nation and Italian government bond rates steadily widened during the year.

Strategic ALM

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 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 to the market views; 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, Asset & Liability Committee - ALCO session, within the limits established by the Board of Directors: the Group Treasury & Finance structure plays an instrumental role in the active management of interest rate risk within the limits assigned and supports the Committee's decision-making activity by formulating analyses and proposals. The structural component of liquidity risk is managed, based on the liquidity policies defined at Group level, as part of the Group's funding plan, which monitors 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). The funding plan optimises the various forms of funding in compliance with the liquidity indicators (LCR, NSFR and the other RAF indicators), the rating targets, the various regulatory capital buckets and the MREL buffers, in line with the loan-deposit targets of the Business Units. The structural component of foreign exchange risk is managed, based on the policies on the matter defined at Group level, by monitoring the Group's overall position, also with a view to optimising the capital ratios.

Chief IT, Digital and Innovation Officer Governance Area

Under the new 2022-25 Business Plan, as part of the broader objective of building "a strong bank for a sustainable world", the Chief IT, Digital and Innovation Officer Governance Area is continuing the process – already started with the previous business plan – of digitalisation, innovation and multi-channelling.

In 2022, the Area continuously evolved to increase the effectiveness of the digitalisation process through the progressive and comprehensive overhaul of the IT platform and the development of processes, as well as efficiency improvements in the operating model, the transition to the cloud, and the strengthening of IT security controls.

The project was launched for the creation of the new Digital Bank "Isybank"; the partnership was signed with the leading fintech company Thought Machine enabling the use of cutting-edge, cloud-native technologies adaptable to multi-currency and multi-country customers; the service model and the offering structure were defined, and the functionalities are being developed that will enable Isybank (starting from 2023) to serve retail customers who do not normally use branches.

To provide effective support for the IT transformation process, the Area launched the New DSI programme (aimed at transforming the IT operating model by aligning it with the best practices of the IT structures of digital players in the market) and the Falcon programme (aimed at re-insourcing IT capabilities by hiring more than 1,800 resources over the period of the plan). During the year, new ways of working were introduced, the transformation of the first pilot structures was carried out and specific roles were introduced for the monitoring and development of capabilities (New DSI), with 504 hires, mainly aimed at the Isybank project, in line with the planned schedule (Falcon).

As part of the agreement signed with TIM and Google for the migration of a significant part of Intesa Sanpaolo's information system onto Google's cloud services (which will meet the higher international standards of security and confidentiality of information), the migration continued of the applications onto the Google Cloud Platform (to date 83 applications have been migrated and 27 new applications have been created directly on the cloud), for which Italy's Milan Region has been created and the Turin Region is being completed, which will provide Italian households and businesses with secure and sustainable access to the technological and economic advantages of cloud computing, making a key contribution to the acceleration of Italy's digitalisation. The development also continued of the Opening Future portal, a communication hub developed by the Group in collaboration with Google Cloud and Noovle (cloud company of the TIM Group) aimed at increasing and spreading a digital culture and building green IT in Italy.

The digital process transformation was initiated, using both Smart Process Automation and traditional re-engineering methods. Specifically, in 2022, the analyses were started on the procurement processes, customer onboarding, hereditary succession process management, bank account closing process and control management processes.

In the area of cybersecurity, anti-fraud protection was extended to include new products and services for retail customers, including the use of Artificial Intelligence, and Open Source Intelligence solutions were adopted to enhance the cyber threat intelligence capability. The protection of access to applications both on a remote basis and within corporate workstations has been enhanced by enabling multi-factor authentication, while also improving the user experience through streamlined processes.

In 2022, Intesa Sanpaolo's ongoing commitment to innovation of the methods of interaction with customers continued, releasing additional developments to further integrate the contact channels and improve the range and user experience. As a result of these efforts, the Intesa Sanpaolo App was once more recognised by Forrester as "Overall Digital Experience Leader", ranking first among all the EMEA banking apps, and has been cited as best practice in various categories of the banking apps rated in the world. The Intesa Sanpaolo Mobile App is used as a gateway by over 12 million multi-channel customers, with around 1.5 billion logins and 146 million transactions a year, and supports the purchase of products and services on the Group's digital channels, which account for almost 40% of Banca dei Territori's total sales.

For the Fideuram ISPPB customers, the migration to MyKey has been initiated, and within the Open Digital Bank – which enables the expansion of the Bank's product offering both with third-party products/services and through the sale of own products/services on third-party channels – the second release of the SmartHub portal has been carried out, offering digitally advanced customers a set of systems integrated with the Bank and a customised user experience, allowing them to automate their administrative, operational and business processes, with high security standards, and to create new business. Intesa Sanpaolo was recognised by Global Finance, an influential US magazine, as Outstanding Innovator in Open Banking for SmartHub.

In addition, in the Business and Corporate area, the digitalisation was completed of the new Loan Granting process, which enabled a stable and significant reduction in average approval times; the remote signing of contracts on Inbiz has become a target process for Intesa Sanpaolo and consequently a routine tool in the bank-customer relationship, transforming Inbiz from a transactional platform into a relationship portal and also generating positive ESG impacts (by cutting paper consumption and reducing CO2 emissions associated with paper-based file management); the digital onboarding model was also extended to the Head Office Global Corporate customers; and, in the area of payments, the scope of the new digital payment products and services was expanded with a view to multi-channelling (activation of the Customer Journey for new Commercial Cards).

Lastly, new functionalities of Robo(4)Advisor by BlackRock were introduced on the BlackRock Aladdin platform (adopted in 2021) to generate investment advice on selected products (funds, insurance products and certificates) to support relationship managers. The following investment services modules were adopted: Aladdin Wealth for BdT and Fideuram (first and second releases), Aladdin Enterprise for FAM/FAMI, Luxembourg Eurizon Capital S.A., London Eurizon SLJ Capital, and Aladdin Risk.

Within the International Subsidiary Bank Division, the new core banking system was introduced in Egypt and digital functionalities and services were implemented in Serbia and Hungary.

As part of the measures envisaged by the developments in the regulatory framework, the multi-year initiative aimed at improving the structure of anti-money laundering safeguards continued, reducing the Bank's exposure to risks and aligning the Group's Anti Financial Crime model to international best practices. With a view to improving the effectiveness of the analyses through specialist staff and uniform processes, the Competence Centre has been introduced to provide more support to the Branches in Transaction Monitoring and Know Your Customers processes.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
2022	16,716	3,819	935	21,470
2021 (Redetermined figures)	16,411	3,521	861	20,793
% change	1.9	8.5	8.6	3.3
Loans to customers				
31.12.2022	365,428	63,173	18,253	446,854
31.12.2021	383,765	62,328	19,778	465,871
% change	-4.8	1.4	-7.7	-4.1
Direct deposits from banking business				
31.12.2022	466,841	71,010	7,535	545,386
31.12.2021	480,993	68,136	8,119	557,248
% change	-2.9	4.2	-7.2	-2.1

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 reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

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 78% of revenues, 82% of loans to customers and 86% of direct deposits from banking business.
With regard to operating performance in 2022, loans to customers and direct deposits from banking business were down in Italy and in the rest of the world, but were up in Europe.
Revenues, on the other hand, increased in all the geographical areas: Italy, Europe and rest of the world.
For details on the Group's presence in Italy and abroad, refer to the graphic representation at the beginning of this document (The Intesa Sanpaolo Group: presence in Italy - international presence).

Corporate governance and remuneration policies

Corporate Governance and remuneration policies

Corporate Governance

Intesa Sanpaolo adheres to the Corporate Governance Code for listed companies, and adopts a one-tier corporate governance system in line with the principles contained therein, as well as, in general, with national and international best practices, which aim to ensure, also in accordance with the Supervisory Authority provisions, effective and transparent distribution of the roles and responsibilities of its Corporate Bodies and a proper balance of strategic supervision, management and control functions.
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[52], pursuant to current Italian regulations (Article 120 of the Consolidated Law on Finance) – are shown in the table below[53].

Shareholder	Ordinary shares	% held
Compagnia di San Paolo	1,188,947,304	6.261%
Fondazione Cariplo	961,333,900	5.063%

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.

52 Pursuant to Article 119-bis, paragraph 7 of the Issuers’ Regulation, companies and licensed parties holding shares as assets under management may use the exemption from the disclosure obligations if the managed shares are more than 3% and less than 5%.

53 The 2021 Annual Report also stated that (i) JP Morgan Chase & Co. had declared (Form 120 B) on 21 December 2021 that it held an aggregate interest of 4.571%, of which only 0.963% was represented by voting rights attached to shares, and that (ii) BlackRock Inc. held a 5.005% interest in the share capital of Intesa Sanpaolo, plus, as per Form 120 B of 4 December 2020, an aggregate investment of 5.066% as assets under management.

The Shareholders' Meeting

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, Chair and Deputy Chair of the Board of Directors and Chair and members 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 the current regulations or by the Articles of Association.

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

The Board of Directors is composed of a minimum of 15 up to a maximum of 19 members, including non-shareholders, appointed by the Shareholders' Meeting on the basis of slates submitted by Shareholders. Board Members remain in office for three financial years until the date of the next Shareholders' Meeting called to approve the financial statements and the proposal for allocation of net income in accordance with Article 2364 of the Italian Civil Code and may be re-elected.
The Shareholders' Meeting of Intesa Sanpaolo, held on 29 April 2022, set the number of members of the Board of Directors at 19 and appointed the Board of Directors for the 2022/2023/2024 financial years, electing as its Chair Gian Maria Gros-Pietro and as its Deputy Chair Paolo Andrea Colombo. The election took place on the basis of slates of candidates meeting the requirements established by law and by the Articles of Association.

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 29 April 2022 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, as part of the process for the appointment of members of the Bodies of the main subsidiaries; the Committee also performs the other duties assigned to it pursuant to the law or by the Board of Directors.
- Remuneration Committee: it proposes and advises on remuneration and incentive matters, thereby supporting the Board of Directors, and performs the other duties assigned to it pursuant to the law or by the Board of Directors.
- Risks and Sustainability Committee: it supports the Board of Directors in the performance of strategic supervision functions regarding risks, the internal control system and sustainability, 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 29 April 2022, who appointed as its Chair Alberto Maria Pisani. 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.

The Committee may, after notifying the Chair 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 one Head Office Department 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 and External Communication Officer Governance Area;
  - Strategic Support Head Office Department.

In addition to the aforesaid structures, the Chief Audit Officer reports directly to the Board of Directors to ensure his/her necessary autonomy and independence.

The duties assigned to the Governance Areas and the Strategic Support 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 “Guidelines on Remuneration, Incentives and Identification of Risk Takers”, 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 their 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 corporate and 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;

- ensuring, for the Group, the monitoring of compliance risk with reference to the areas of Protection of Health and Safety in the workplace, pursuant to Legislative Decree no. 81/2008 and Environmental Protection, pursuant to Legislative Decree no. 152/2006.

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:

- consistently with corporate strategies and objectives, assisting the Corporate Bodies in defining guidelines and policies on cost management, property, logistics and procurement of the Group;
- coordinating the implementation of guidelines and policies on cost management, property, logistics and procurement by the relevant Group business units, also in the various corporate contexts;
- collaborating with the Chief Financial Officer Governance Area and the Chief IT Digital and Innovation Officer Governance Area contributing to the definition of the investment initiatives promoted by the same CITDIO Area, by the Divisions/Business Units and by the other Governance Areas, in line with the objectives of the Business Plan;
- ensuring, through the appropriate control methods, compliance with the guidelines and policies in the aforementioned areas, ensuring, in accordance with the Business Plan, cost management results as well as the service levels offered within the property, logistics and procurement scope.

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 Policies 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;
- defining the Group's future qualitative and quantitative objectives through strategic planning, budgeting, capital management, internal assessment of capital adequacy and liquidity position (ICAAP/ILAAP), monitoring of the Recovery and Resolution Plan 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 Environmental, Social, Governance (ESG) and sustainability aspects within the Group, in particular with regard to the related planning, management and reporting activities.

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 risk management guidelines and policies;
- 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 in the above paragraph;
- 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 to monitor non-credit risks;
- continuously and iteratively validating risk measurement and management systems – used both to calculate capital requirements and for non-regulatory purposes, to assess their compliance with regulatory provisions, company operational needs and reference market demands and to 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 monitoring of the Group regulatory compliance risk, including conduct risk, both with regard to the operational risk component and the reputational risk, also through the implementation of a graduated compliance model for the regulations encompassing specific forms of specialized supervision;
- defining, in line with corporate strategies and objectives, guidelines and policies regarding compliance with the Group standards, integrating the compliance risk assessment and management model within the Risk Appetite Framework;
- coordinating the implementation of guidelines and policies on compliance with regulations by the relevant Group business units, and in the various corporate departments;
- collaborating with the other corporate control functions in order to achieve effective integration of the risk management process;
- managing relations with the Corporate Bodies and Supervisory Authorities on compliance issues;
- ensuring, for the Group, the monitoring of compliance risk with reference to the area of Personal Data Protection, pursuant to Legislative Decree no. 101/2018.

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 Chair), 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, including in the respective institutional and representative areas;
- guaranteeing specialist support to the Managing Director and CEO by gathering, evaluating and reviewing the documentation of strategic relevance and preparing technical analyses, including with reference to the activities of the Bodies within the Board with a particular focus on the optimal operation of the Steering Committee;
- overseeing selected initiatives in Italy and abroad, assisting the Managing Director and CEO in extraordinary transactions, in negotiations and in the most impactful corporate projects in which he is directly involved;
- supporting the Chair of the Steering Committee in the performance of his duties;
- coordinating specific interdivisional and interfunctional activities ensuring the coherence and development of synergies with respect to the Group's strategic guidelines;
- facilitating relations with and between the Governance Areas and the Business Units in order to strengthen cooperation mechanisms.

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[54].

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 as of 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 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

[54] Please note that the regulatory framework described in this paragraph is up to date as at the date of approval of this document while the following paragraphs refer to the provisions of the 2022 Group Remuneration and Incentive Policies approved by the Intesa Sanpaolo Shareholders' Meeting held on 29 April 2022.

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.

The aforementioned Regulation was last updated on 23 December 2022 and, on that occasion, its scope of application was extended to investment firms and Directive (EU) 2019/2034 of 27 November 2019 on the prudential supervision of investment firms was transposed. Directive 2019/2034 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.

Procedures for adoption and implementation of the remuneration policies

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 Chair and Deputy Chair 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.

The 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 and Sustainability Committee and the Management Control Committee insofar as within its competence.

The Risks and Sustainability Committee

Without prejudice to the responsibilities of the Remuneration Committee, the Risks and Sustainability 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[55].
In order to strengthen the independence of the Corporate Control Functions, the Risks and Sustainability 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 and Sustainability 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.

Remuneration of the members of the Board of Directors

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 Chair and Deputy Chair 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.

[55] "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, until November 2022, also the Head of the Safety and Protection Head Office Department in his capacity as Data Protection Officer. As of December 2022, following an organisational change that saw the role of Data Protection Officer moved to the Chief Compliance Officer Governance Area, the only role similar to the Corporate Control Functions is the Manager responsible for preparing the Company's financial reports.

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[56], 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 Risk Takers (and, among these, on the so-called Top Risk Takers, including the Key Managers) 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[57] and to the Middle Management[58] belonging to the Corporate Control Functions and similar roles and to the heads of commercial roles within the scope of the physical and digital distribution network of the Banca dei Territori Division;
- 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.

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.

[56] 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.

[57] Italy, Slovakia and Croatia.

[58] Italy, Egypt and China.

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.

With reference to Prestitalia’s[59] Financial Agents, the recurring remuneration is divided into three components: ordinary, recurring and additional commissions, which are constant by production segments, as detailed in the Report on Remuneration.

In addition, with reference to Financial Agents with accessory roles (Team Leaders), an additional coordination fee is provided for the performance of the task of supervising the commercial activity.

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 PSP (Performance Share Plan), targeted at the Intesa Sanpaolo Group Management, including the Top Risk Takers and the remaining Group Risk Takers – in Italy and abroad, the LECOIP 3.0 Plan, targeted at the Intesa Sanpaolo Group Professionals – in Italy – 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[60];
- 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:

- for around 5,000 Financial Advisors of the Fideuram, Sanpaolo Invest SIM and IW SIM Networks, a 2022-2025 Long-Term Incentive Plan has been designed;
- for new Non-employee Financial Advisors of Fideuram, Intesa Sanpaolo Private Banking, Sanpaolo Invest SIM and IW SIM a specific non-recurring component is envisaged as part of the 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, as well as to the Group Human Resources Function.

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 (PSP Plan and LECOIP 3.0 Plan), as well as any variable components linked to seniority or exceptional components. In particular, the PSP and LECOIP 3.0 Plans have an impact on the pro-rata variable remuneration for the entire accrual period.

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[59] It should be noted that until March 2022, Intesa Sanpaolo Agents4you was active, whose recurring commissions remunerated the placement of banking and insurance products under mandate; an additional coordination fee was also paid to Team Leaders for their ancillary responsibility of supervising the commercial activity.

[60] 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 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 Group Risk Takers[61] not belonging to the Corporate Control Functions and similar roles for specific and limited professional sectors and highly profitable business segments[62], as well as non-employee Financial Advisors who are recipients of the recruitment offer in order to attract new key resources from the market for the growth and development of the Networks, as these have a significant effect on the Group's average annual total net funding.
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.

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, also for 2022, 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, Income from Ordinary Insurance Business/Mathematical Reserves;
  - Growth: Net Funding, Medium/Long-Term Disbursements, 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 levels;
- the use of corrective mechanisms that act as de-multipliers of the bonus accrued according to the risks taken and the relevant cluster.

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. Furthermore, individual prior agreements may be entered into for the determination of the remuneration to be granted in the event of early termination of the relationship, provided that these agreements must comply with all the

[61] 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.

[62] 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 Global Banking & Sovereign Institutions Department structures, Global Relationship Managers of the Global Corporate Department and the Global Banking & Sovereign Institutions Department, Heads of the Corporate and Financial Institutions Desks of the Hubs present in the International Department as well as Mortgage Specialists and Personal Bankers within the Všeobecná Úverová Banka (VUB) Network.

conditions set out in the Remuneration Policies and in the Supervisory Provisions[63]. 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.

[63] In 2022, following a resolution approved by the Board of Directors, on the proposal of the Remuneration Committee and taking into account the Chief Compliance Officer's opinion, in line with the practices commonly used among competitors and the leading Italian listed companies, an agreement containing specific conventional regulations on employment termination was entered into with the Managing Director and CEO. Specifically, in line with the provisions of the Remuneration Policies, this agreement provides, for Good Leavers, for the disbursement, in addition to the indemnity in lieu of the notice period required by law and the collective bargaining agreement, of an amount by way of severance of between 12 and 24 months of fixed remuneration depending on the average of the overall Performance Scorecard score relating to the Group's annual Incentive System for the three years preceding the date of termination of the employment agreement. If this average is less than 80%, no severance payment will be due to the Managing Director and CEO.

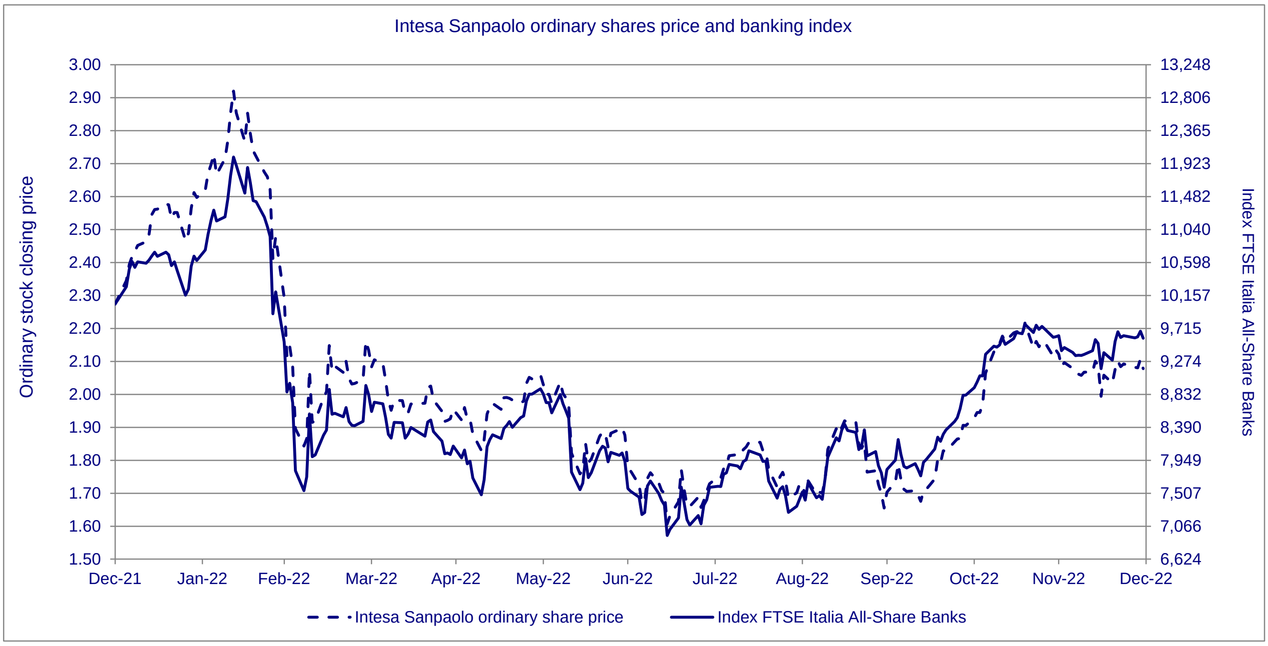
Intesa Sanpaolo stock

Intesa Sanpaolo stock

Stock price performance

After a first half of 2022 characterised by growing concerns about the business cycle and a general rise in investor risk aversion due to the increase in inflationary pressures, bottlenecks in global supply chains, and the outbreak of the war between Russia and Ukraine, the European banking industry recovered much of the lost ground in the second half of the year, benefiting from solid results and the normalisation of interest rates. In 2022, the European banking index posted negative performance of 4.6%, outperforming the Euro Stoxx index (-14.4% in the period).
The Italian banking index performed in line with the European sector, with a fall of 4.6%. Concerns about the economic outlook that had led this index to lose more than 30% in July 2022 were mitigated by the rise in interest rates, to which Italian commercial banks are positively sensitive. In 2022, the Italian banking index outperformed the FTSE MIB index by 8.8%.

During the year, the price of Intesa Sanpaolo ordinary shares moved in correlation with the banking sector indices, with an upward trend until the first ten days of February, when it reached its peak, followed by a sharp decline until the beginning of March and a fluctuating trend until the end of the third quarter, during which it reached its minimum in mid-July, and a recovery in the last quarter, closing the year 8.6% lower than at the end of 2021.
Intesa Sanpaolo's capitalisation dropped to 39.5 billion euro at the end of December 2022, from 44.2 billion euro at the end of 2021.



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				
	31.12.2022	**31.12.2021**	**31.12.2020**	**31.12.2019**	**31.12.2018**
Weighted average number of shares	19,315,541,610	19,377,549,407	18,240,491,151	17,474,056,021	16,772,376,006
Income attributable to the various categories of shares (millions of euro)	4,354	4,185	3,277	4,182	4,050
Basic EPS (euro)	0.23	0.22	0.18	0.24	0.24
Diluted EPS (euro)	0.23	0.22	0.18	0.24	0.24

Price/book value

The index 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 position, the index is significantly affected by the external factors that influence stock prices.
Also for the Intesa Sanpaolo Group, the level and performance of the index – as at 31 December 2022 calculated on both average figures and year-end figures – were influenced by the dynamics of the market and its industry sector. The comparative figures for the years 2018 to 2021 shown in the table are annual averages.

(millions of euro)

	31.12.2022	2022	2021	2020	2019	2018
Market capitalisation	39,459	38,433	44,535	34,961	36,911	44,947
Group's shareholders' equity	61,655	62,715	64,823	60,920	54,996	53,646
Price / book value	**0.64**	**0.61**	**0.69**	**0.57**	**0.67**	**0.84**

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)

	2022	2021	2020	2019	2018
Net consolidated income (*)	4,354	4,185	3,505	4,182	4,050
Dividends (**)	3,048	2,932	2,626	-	3,449
Payout ratio	**70%**	**70%**	**75%**	**0%**	**85%**

(*) 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 write-off of goodwill of the Banca dei Territori Division (-912 million euro).

(**) For 2021 and 2020 the amounts allocated were partially from reserves. In November 2021, an allocation was distributed totalling 1,399 million euro (net of the undistributed portion for own shares held at the record date, for a total of 2.2 million euro). In November 2022, an allocation was distributed totalling 1,400 million euro (net of the undistributed portion for own shares held at the record date, for a total of 1.8 million euro).

In compliance with the instructions from the Supervisory Authority and in line with the provisions of the 2022-2025 Business Plan – which envisages a payout of 70% in each year of the Plan – the Board of Directors of Intesa Sanpaolo resolved the following for the year 2022:

– on 4 November 2022, in compliance with the provisions of paragraph 4 of Article 2433-bis of the Italian Civil Code, the distribution of an interim dividend for 2022 totalling 1,400 million euro, corresponding to a unit dividend of 7.38 euro cents per outstanding ordinary share (excluding own shares held at the record date). The dividend was paid out on 23 November 2022 (with coupon presentation on 21 November and record date on 22 November);

– on 3 February 2023, the allocation of a remaining dividend of 8.68 euro cents per share[64] to the 18,988,803,160 ordinary shares constituting the share capital, for a total of 1,648 million euro.

Based on the above, the total dividends for 2022 would amount to 3,048 million euro, corresponding to a payout ratio of 70% of consolidated net income.

With regard to the year 2021:

– on 3 November 2021, the Board of Directors, in compliance with the provisions of paragraph 4 of Article 2433-bis of the Italian Civil Code, approved 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;
– the Shareholders' Meeting of 29 April 2022 decided to allocate a total remaining amount of 1,533 million euro (corresponding to 7.89 euro cents per share) to the 19,430,463,305 ordinary shares constituting the share capital, of which 1,300 million euro as dividends from net income (corresponding to 6.69 euro cents per share) and 233 million euro as a partial distribution of the free portion of the share premium reserve (corresponding to 1.20 euro cents per share).

Based on the above, the dividend for the year 2021 was set at a total of 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 payout 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, 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, in addition to a 70% payout ratio for each year of the plan, an additional return of capital to Shareholders has been envisaged, to be achieved through the buyback of own shares and their subsequent annulment, for a total of 3.4 billion euro, substantially equivalent to the suspended dividend for 2019. As described in the "Highlights" paragraph of the introductory chapter of this Report, the programme was implemented for an initial amount of 1,700 million euro in the period from 4 July to 11 October 2022 with the purchase and subsequent annulment of 988,632,803 shares. The purchase programme for the remaining maximum amount of 1,700 million euro, approved by the Board of Directors on 3 February 2023, was launched on 13 February and will be completed by 12 May 2023.

As a result of this action, Shareholders will see their share of the total dividends of Intesa Sanpaolo increase without having to make any investment.

[64] The amount of the dividend per share could increase considering the execution of the programme of purchase of own shares for annulment, which started on 13 February 2023. Intesa Sanpaolo will communicate the final amount of the dividend per share at the end of the programme, and in any case by 18 May 2023.

Dividend yield

This indicator measures percentage return on the shares, calculated as the ratio between dividends allocated 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 in view of 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.
Since 2018, Intesa Sanpaolo's share capital has consisted solely of ordinary shares.

(in euro)

	2022	2021	2020	2019	2018
Dividend per share (*)	0.161	0.151	0.135	-	0.197
Average stock price	2.024	2.292	1.799	2.108	2.567
Dividend yield	7.95%	6.59%	7.50%	-	7.67%

(*) The amount of the 2022 dividend per share could increase considering the execution of the programme of purchase of own shares for annulment which started on 13 February 2023.

Rating

Summarised below are the main actions on the ratings of Intesa Sanpaolo decided by the international agencies in 2022:

– S&P Global Ratings confirmed Intesa Sanpaolo's ratings and outlook, on both 31 January 2022 (following the update of the methodological criteria applied to Financial Institutions) and 27 April 2022 (following a similar rating action on Italian sovereign debt on 22 April). On 29 July 2022, the outlook was revised from "Positive" to "Stable", following a similar action on the outlook for Italy's debt on 26 July;
– on 9 August 2022, Moody's confirmed Intesa Sanpaolo's ratings, changing the outlook from "Stable" to "Negative", following a similar action on the Italian sovereign outlook on 5 August;
– DBRS Morningstar confirmed Intesa Sanpaolo's ratings and trend on 1 June 2022;
– Fitch Ratings confirmed Intesa Sanpaolo's ratings and outlook on 29 November 2022.

The ratings assigned to Intesa Sanpaolo by the main international agencies, which were unchanged as at the data of approval of these financial statements, are shown below.

	RATING AGENCY			
	DBRS Morningstar	**Fitch Ratings**	**Moody's**	**S&P Global Ratings**
Short-term debt	R-1 (low) (1)	F2	P-2	A-2
Long-term debt (senior preferred unsecured)	BBB (high)	BBB	Baa1	BBB
Outlook / Trend Long-term debt	Stable	Stable	Negative	Stable
Viability	-	bbb	-	-

(1) Stable trend.

An always updated information about Intesa Sanpaolo's ratings can be found in the Investor Relations section of the Intesa Sanpaolo website, at www.group.intesasanpaolo.com.

Alternative Performance Measures and Other information

Alternative Performance Measures

Introduction

Pursuant to Article 16 of Regulation 1095/2010/EU, the European Securities and Markets Authority (ESMA) has issued specific Guidelines[65] 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[66] 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 those 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.

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 to enable like-for-like comparison when this restatement is necessary and material. Following the acquisition of the former UBI Banca Group and the related corporate transactions, in order to be able to provide like-for-like comparison figures in 2021 it was also necessary to use "redetermined" figures to accompany the restated figures in order to align/supplement them using management information. Those redeterminations have been retained in the 2022 Consolidated Financial Statements in relation to the 2021 comparative figures.

With regard to the scenario resulting from the Covid-19 pandemic and the military conflict between Russia and Ukraine, in accordance with the ESMA guidelines, no new measures have been added, nor have any changes been made to the measures normally used.

[65] Guidelines on Alternative Performance Measures (APMs) - ESMA/2015/1415en.

[66] Consob Communication No. 0092543 of 3 December 2015.

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;
- 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 impairment losses 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 industry), 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 considered:
- 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 chapter "Economic results and balance sheet aggregates" of this Report on operations. 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 a summary with respect to the financial statements, the following have been identified as Alternative Performance Measures, while the chapter "Economic results and balance sheet aggregates" of this Report 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 portions of 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.

Other banking business financial assets and liabilities
This aggregate comprises financial assets and liabilities of banking business (thereby excluding financial assets and liabilities pertaining to the insurance companies) other than those described above. In detail, the following captions of the reclassified balance sheet assets are included, as defined below: 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 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 chapter "Economic results and balance sheet aggregates".

Financial assets 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 chapter "Economic results and 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 further 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[67], a detailed reconciliation is provided in the attachments to the financial statements.

[67] As mentioned above, the use of redetermined figures only took place when the former UBI Banca Group was acquired.

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 adjustments to property, equipment and intangible assets) 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);
- in the denominator, the 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 average 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 divided 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 cumulated adjustments on Non-performing loans (bad loans, unlikely-to-pay loans and past due loans) of the reclassified Income statement 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 level of adjustments on the portfolio during the period/year. To enable a valuation more closely linked to ordinary operations, this measure may be accompanied by a version of the same measure calculated with the isolation of particularly significant non-recurring elements, specified in detail.
For the definition of the aggregate Loans to customers, see the above. In the interim situations, the numerator is annualised (except for any non-recurring components, not 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[68] to take into account the risks not covered by the regulatory metric.

[68] 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, Section 3 - Scope of consolidation and consolidation methods and Part B, Assets - Section 7), in accordance with the provisions of the Bank of Italy;
- Part E - Information on risks and relative hedging policies of the Notes to the consolidated financial statements, in the introductory section on the Manager responsible for preparing the Company's financial reports, also provides information on the certification of compliance, during the year 2022, with the conditions required by Article 15 of Consob Market Regulation 20249/2017 (as amended) for the listing of shares of companies controlling companies 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;
- 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. A summary of the main contents of this document is provided in the paragraph "Sustainability and Group strategy on Environmental, Social and Governance issues" of the opening chapter of this Report.

Forecast for 2023

The recovery in the world economy appears to be strongly influenced by the outcome of the war between Russia and Ukraine, possible new waves of Covid-19 infections due to the termination of China's zero Covid policy, and the intensity and duration of the monetary tightening policies in the advanced economies.
In many advanced economies, real GDP growth rates are expected to slow down sharply in 2023. Inflation is forecast to fall in both the US and the Eurozone. The phase of monetary tightening is likely to come to an end in the United States, where the FED funds rate should settle at 5.0-5.25%, while it is expected to continue throughout the first half of the year in the Eurozone. Markets are factoring in an end point for the deposit rate of between 3.5% and 3.75%, while the Central Bank has signalled that the rises will still be "significant" in early 2023. The prospect of the monetary policy tightening phase coming to an end will keep the spread between long-term and short-term rates very compressed.
In this context, forecasts of economic performance made in the baseline scenario were also cautious for all the countries with ISP subsidiaries. With regard to GDP, the forecast for the Central and South-Eastern Europe (CEE/SEE) region, after the slowdown in 2022, is a growth rate of 1.0% in 2023.
In Russia, GDP is expected to be still in decline in 2023, although less than in 2022, whereas it is forecast to rise by 4.4% in Egypt (IMF estimate) due to the effect of the launch of the major infrastructure projects announced by the local authorities.
Also for the countries with ISP subsidiaries, the economic outlook remains strongly conditioned by risks associated with the duration of the ongoing conflict and possible new waves of Covid-19.
With regard to the Italian banking industry, a further slowdown in short-term loans to businesses is envisaged in 2023, while for medium/long-term loans, following continued weakness in the first half of the year, a gradual return to a positive trend could be buoyed by the knock-on effects on private investments resulting from the NRRP projects. However, financing needs may be partly met using the considerable cash buffers accumulated by businesses in the two-year period 2020-21 and deposited with banks, as well as bond issues and self-financing. Loans to households are projected to continue to slow down, due to rising interest rates, the expected decline in real estate transactions, and the significant weakening of house prices.

For direct deposits, a moderate decrease of current accounts is expected to continue throughout 2023, as a result of a combination of several factors, including the use of deposited cash by businesses and households and the reallocation of savings to more remunerative forms. The shifting of funds towards time deposits, supported by more attractive interest-rate offerings, will continue. The return of positive yields will continue to favour the diversification of household investments towards government and corporate bonds, resulting in lower deposit levels. For bank bonds, after more than a decade of declines, 2023 will see a return to growth. With the repayment of the TLTRO IIIs, banks are again turning to the wholesale institutional market, through diversified short- and medium- to long-term funding channels and instruments. Bond issuances will also be driven by the placement of MREL instruments, as well as green and social bonds.

With the completion of the rise of policy rates in 2023, asset management and life insurance are expected to recover. Inflows of investments to these segments may be fuelled by the stock of cash on bank deposits. Another determining factor will be the demand for advice in financial investment choices. In 2023, moderately positive inflows are expected for mutual funds and portfolio management schemes, with a possible recovery for bond funds. For life insurance, collected premiums are expected to increase. In particular, the level reached by yields is making it possible to meet pent-up demand for traditional policies, which are again seen on the rise. At the same time, the offering will continue the strategy focused on hybrid products and class III policies.

With regard to the Intesa Sanpaolo Group, the industrial initiatives of the 2022-2025 Business Plan are well underway and the net income target of 6.5 billion euro for 2025 is confirmed, with clear and strong upside deriving from the increase of interest rates.
For 2023, the operating margin is expected to significantly increase – as a result of solid growth in revenues driven by net interest income (net interest income growth of around 2.5 billion euro in 2023 on 2022, assuming yearly average Euribor 1-month at 2.5%), coupled with a continuous focus on cost management – and net adjustments to loans are expected to strongly decrease, leading to a net income well above the 2022 net income – calculated excluding the Russia/Ukraine de-risking – of 5.5 billion euro.
A strong value distribution is envisaged:
- a cash payout ratio of 70% of the consolidated net income for each year of the Business Plan;
- distribution to shareholders of 1.7 billion euro through a buyback, already underway (launched on 13 February 2023 and to be completed by 12 May 2023);
- any additional distribution to be evaluated on a yearly basis.

A solid capital position is envisaged, with the fully phased-in Common Equity Tier 1 ratio expected to be close to 13% at the end of 2023 considering regulatory headwinds, above 13% in 2024 and above 13.5% in 2025 pre Basel 4 (above 13% post Basel 4, at around 14% including DTA absorption), taking into account the cash payout ratio of 70% and not considering any additional distribution – confirming the Basel 3/Basel 4 fully phased-in Common Equity Tier 1 ratio target of above 12% over the 2022-2025 Business Plan time horizon.

The Board of Directors

Turin, 28 February 2023

Intesa Sanpaolo Group Consolidated financial statements

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		31.12.2022	31.12.2021	Changes	
				amount	%
10.	Cash and cash equivalents	112,924	14,756	98,168	
20.	Financial assets measured at fair value through profit or loss	47,577	52,731	-5,154	-9.8
	a) financial assets held for trading	*42,522*	*47,181*	*-4,659*	*-9.9*
	b) financial assets designated at fair value	*1*	*4*	*-3*	*-75.0*
	c) other financial assets mandatorily measured at fair value	*5,054*	*5,546*	*-492*	*-8.9*
30.	Financial assets measured at fair value through other comprehensive income	49,716	67,580	-17,864	-26.4
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	172,725	206,800	-34,075	-16.5
40.	Financial assets measured at amortised cost	528,078	668,866	-140,788	-21.0
	a) due from banks	*32,884*	*163,937*	*-131,053*	*-79.9*
	b) loans to customers	*495,194*	*504,929*	*-9,735*	*-1.9*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	85	-5	-5.9
50.	Hedging derivatives	10,062	1,732	8,330	
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,752	392	-10,144	
70.	Investments in associates and companies subject to joint control	2,013	1,652	361	21.9
80.	Technical insurance reserves reassured with third parties	163	208	-45	-21.6
90.	Property and equipment	10,505	10,792	-287	-2.7
100.	Intangible assets	9,830	9,342	488	5.2
	of which:				
	- goodwill	*3,626*	*3,574*	*52*	*1.5*
110.	Tax assets	18,273	18,808	-535	-2.8
	a) current	*3,520*	*3,555*	*-35*	*-1.0*
	b) deferred	*14,753*	*15,253*	*-500*	*-3.3*
120.	Non-current assets held for sale and discontinued operations	638	1,422	-784	-55.1
130.	Other assets	22,851	13,837	9,014	65.1
Total assets		**975,683**	**1,069,003**	**-93,320**	**-8.7**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2022	31.12.2021	Changes	
				amount	%
10.	Financial liabilities measured at amortised cost	667,586	710,055	-42,469	-6.0
	a) due to banks	*137,482*	*165,258*	*-27,776*	*-16.8*
	b) due to customers	*454,025*	*458,239*	*-4,214*	*-0.9*
	c) securities issued	*76,079*	*86,558*	*-10,479*	*-12.1*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,550	2,146	404	18.8
20.	Financial liabilities held for trading	46,512	56,306	-9,794	-17.4
30.	Financial liabilities designated at fair value	8,795	3,674	5,121	
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	71,744	84,770	-13,026	-15.4
40.	Hedging derivatives	5,346	4,868	478	9.8
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-8,031	53	-8,084	
60.	Tax liabilities	2,306	2,285	21	0.9
	a) current	*297*	*363*	*-66*	*-18.2*
	b) deferred	*2,009*	*1,922*	*87*	*4.5*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	15	30	-15	-50.0
80.	Other liabilities	11,060	15,639	-4,579	-29.3
90.	Employee termination indemnities	852	1,099	-247	-22.5
100.	Allowances for risks and charges	5,010	5,716	-706	-12.4
	a) commitments and guarantees given	*711*	*508*	*203*	*40.0*
	b) post-employment benefits	*139*	*290*	*-151*	*-52.1*
	c) other allowances for risks and charges	*4,160*	*4,918*	*-758*	*-15.4*
110.	Technical reserves	100,117	118,296	-18,179	-15.4
120.	Valuation reserves	-1,939	-709	1,230	
125.	Valuation reserves pertaining to insurance companies	-696	476	-1,172	
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,211	6,282	929	14.8
150.	Reserves	15,827	17,706	-1,879	-10.6
155.	Interim dividend (-)	-1,400	-1,399	1	
160.	Share premium reserve	28,053	27,286	767	2.8
170.	Share capital	10,369	10,084	285	2.8
180.	Treasury shares (-)	-124	-136	-12	-8.8
190.	Minority interests (+/-)	166	291	-125	-43.0
200.	Net income (loss) (+/-)	4,354	4,185	169	4.0
Total liabilities and shareholders' equity		**975,683**	**1,069,003**	**-93,320**	**-8.7**

Consolidated income statement

(millions of euro)

		2022	2021	Changes	
				amount	%
10.	Interest and similar income	13,232	10,473	2,759	26.3
	of which: interest income calculated using the effective interest rate method	*12,708*	*10,039*	*2,669*	*26.6*
20.	Interest and similar expense	-3,547	-2,480	1,067	43.0
30.	**Interest margin**	**9,685**	**7,993**	**1,692**	**21.2**
40.	Fee and commission income	11,285	12,087	-802	-6.6
50.	Fee and commission expense	-2,708	-2,723	-15	-0.6
60.	**Net fee and commission income**	**8,577**	**9,364**	**-787**	**-8.4**
70.	Dividend and similar income	225	161	64	39.8
80.	Profits (Losses) on trading	-149	503	-652	
90.	Fair value adjustments in hedge accounting	33	36	-3	-8.3
100.	Profits (Losses) on disposal or repurchase of:	-48	758	-806	
	a) financial assets measured at amortised cost	*167*	*201*	*-34*	*-16.9*
	b) financial assets measured at fair value through other comprehensive income	*-243*	*611*	*-854*	
	c) financial liabilities	*28*	*-54*	*82*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	755	71	684	
	a) financial assets and liabilities designated at fair value	*957*	*-42*	*999*	
	b) other financial assets mandatorily measured at fair value	*-202*	*113*	*-315*	
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	1,234	4,754	-3,520	-74.0
120.	**Net interest and other banking income**	**20,312**	**23,640**	**-3,328**	**-14.1**
130.	Net losses/recoveries for credit risks associated with:	-2,624	-2,843	-219	-7.7
	a) financial assets measured at amortised cost	*-2,579*	*-2,813*	*-234*	*-8.3*
	b) financial assets measured at fair value through other comprehensive income	*-45*	*-30*	*15*	*50.0*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	-160	-26	134	
140.	Profits (Losses) on changes in contracts without derecognition	-5	-29	-24	-82.8
150.	**Net income from banking activities**	**17,523**	**20,742**	**-3,219**	**-15.5**
160.	Net insurance premiums	10,358	10,557	-199	-1.9
170.	Other net insurance income (expense)	-9,398	-13,525	-4,127	-30.5
180.	**Net income from banking and insurance activities**	**18,483**	**17,774**	**709**	**4.0**
190.	Administrative expenses:	-11,579	-12,012	-433	-3.6
	a) personnel expenses	*-6,793*	*-7,187*	*-394*	*-5.5*
	b) other administrative expenses	*-4,786*	*-4,825*	*-39*	*-0.8*
200.	Net provisions for risks and charges	-349	-374	-25	-6.7
	a) commitments and guarantees given	*-209*	*97*	*-306*	
	b) other net provisions	*-140*	*-471*	*-331*	*-70.3*
210.	Net adjustments to / recoveries on property and equipment	-700	-659	41	6.2
220.	Net adjustments to / recoveries on intangible assets	-984	-934	50	5.4
230.	Other operating expenses (income)	934	980	-46	-4.7
240.	**Operating expenses**	**-12,678**	**-12,999**	**-321**	**-2.5**
250.	Profits (Losses) on investments in associates and companies subject to joint control	232	138	94	68.1
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-46	-21	25	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	16	289	-273	-94.5
290.	**Income (Loss) before tax from continuing operations**	**6,007**	**5,181**	**826**	**15.9**
300.	Taxes on income from continuing operations	-1,630	-1,138	492	43.2
310.	**Income (Loss) after tax from continuing operations**	**4,377**	**4,043**	**334**	**8.3**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**4,377**	**4,043**	**334**	**8.3**
340.	Minority interests	-23	142	-165	
350.	**Parent Company's net income (loss)**	**4,354**	**4,185**	**169**	**4.0**
	Basic EPS - Euro	**0.23**	**0.22**		
	Diluted EPS - Euro	**0.23**	**0.22**		

Statement of consolidated comprehensive income

(millions of euro)

		2022	2021	Changes amount	Changes %
10.	**Net income (Loss)**	**4,377**	**4,043**	**334**	**8.3**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**240**	**23**	**217**	
20.	Equity instruments designated at fair value through other comprehensive income	-114	-37	77	
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	32	26	6	23.1
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	141	30	111	
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	181	4	177	
80.	Non current assets classified as held for sale	-	-	-	
90.	Share of valuation reserves connected with investments carried at equity	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**-2,721**	**-543**	**2,178**	
100.	Hedges of foreign investments	-10	-	10	
110.	Foreign exchange differences	-219	103	-322	
120.	Cash flow hedges	237	127	110	86.6
130.	Hedging instruments (not designated elements)	-	-	-	
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	-1,447	-530	917	
145.	Financial assets measured at fair value through other comprehensive income, pertaining to Insurance companies	-1,268	-286	982	
150.	Non-current assets held for sale and discontinued operations	-	-	-	
160.	Share of valuation reserves connected with investments carried at equity	-14	43	-57	
170.	**Total other comprehensive income (net of tax)**	**-2,481**	**-520**	**1,961**	
180.	**Total comprehensive income (captions 10 + 170)**	**1,896**	**3,523**	**-1,627**	**-46.2**
190.	**Total consolidated comprehensive income pertaining to minority interests**	**-53**	**-135**	**-82**	**-60.7**
200.	**Total consolidated comprehensive income pertaining to the Parent Company**	**1,949**	**3,658**	**-1,709**	**-46.7**

Changes in consolidated shareholders' equity as at 31 December 2022

(millions of euro)

	31.12.2022													
	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 31.12.2021	**10,223**	**-**	**27,309**	**16,936**	**1,089**	**-757**	**476**	**6,282**	**-1,399**	**-136**	**4,043**	**64,066**	**63,775**	**291**
Changes in opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AMOUNTS AS AT 1.1.2022	**10,223**	**-**	**27,309**	**16,936**	**1,089**	**-757**	**476**	**6,282**	**-1,399**	**-136**	**4,043**	**64,066**	**63,775**	**291**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)														
Reserves	**-**	**-**	**-**	**1,311**	**-**	**-**	**-**	**-**	**-**	**-**	**-1,311**	**-**	**-**	**-**
Dividends and other allocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,399**	**-**	**-2,732**	**-1,333**	**-1,316**	**-17**
CHANGES IN THE PERIOD														
Changes in reserves	**-**	**-**	**595**	**-**	**-185**	**3**	**-**	**-**	**-**	**-**	**-**	**413**	**413**	**-**
Operations on shareholders' equity														
Issue of new shares	285	-	405	-	-	-	-	-	-	1,795	-	2,485	2,485	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-1,783	-	-1,783	-1,783	-
Interim dividend	-	-	-	-	-	-	-	-	-1,400	-	-	-1,400	-1,400	-
Dividends	-	-	-233	-	-	-	-	-	-	-	-	-233	-233	-
Changes in equity instruments	-	-	-	-	-	-	-	929	-	-	-	929	929	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	29	-	-8	-3,240	-	-	-	-	-	-	-	-3,219	-3,164	-55
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-1,309**	**-1,172**	**-**	**-**	**-**	**4,377**	**1,896**	**1,949**	**-53**
SHAREHOLDERS' EQUITY AS AT 31.12.2022	**10,537**	**-**	**28,068**	**15,007**	**904**	**-2,063**	**-696**	**7,211**	**-1,400**	**-124**	**4,377**	**61,821**	**61,655**	**166**
- Group	**10,369**	**-**	**28,053**	**14,923**	**904**	**-1,939**	**-696**	**7,211**	**-1,400**	**-124**	**4,354**	**61,655**		
- minority interests	**168**	**-**	**15**	**84**	**-**	**-124**	**-**	**-**	**-**	**-**	**23**	**166**		

(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 2021

(millions of euro)

	31.12.2021													
	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.

Consolidated statement of cash flows

(millions of euro)

	2022	2021
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**11,169**	**10,854**
Net income (loss) (+/-)	4,377	4,043
Gains/losses on financial assets held for trading and on other financial assets/liabilities measured at fair value through profit and loss (-/+)	1,523	-49
Gains/losses on financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (-/+)	-957	-1,670
Gains/losses on hedging activities (-/+)	-33	-36
Gains/losses on hedging activities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (-/+)	-	-
Net losses/recoveries for credit risk (+/-)	3,147	3,621
Adjustments to/net recoveries on property, equipment and intangible assets (+/-)	1,684	1,592
Net provisions for risks and charges and other costs/revenues (+/-)	918	374
Net insurance premiums to be collected (-)	-5	13
Other insurance revenues/charges to be collected (-/+)	-827	3,266
Taxes, duties and tax credits to be paid/collected(+/-)	1,373	1,638
Net adjustments to/recoveries on discontinued operations net of tax effect (+/-)	-	-
Other adjustments (+/-)	-31	-1,938
2. Cash flow from / used in financial assets	**151,669**	**-36,147**
Financial assets held for trading	1,472	6,276
Financial assets designated at fair value	3	-27
Other financial assets mandatorily measured at fair value	290	-1,068
Financial assets measured at fair value through other comprehensive income	14,858	-9,351
Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	21,464	4,678
Financial assets measured at amortised cost	139,249	-32,999
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	9	302
Other assets	-25,676	-3,958
3. Cash flow from / used in financial liabilities (*)	**-60,562**	**34,098**
Financial liabilities measured at amortised cost	-44,404	45,278
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	403	112
Financial liabilities held for trading	-8,904	-2,581
Financial liabilities designated at fair value	6,140	626
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	-1,702	-276
Other liabilities	-12,095	-9,061
Net cash flow from (used in) operating activities	**102,276**	**8,805**
B. INVESTING ACTIVITIES		
1. Cash flow from	**455**	**166**
Sales of investments in associates and companies subject to joint control	295	4
Dividends collected on investments in associates and companies subject to joint control	79	48
Sales of property and equipment	78	96
Sales of intangible assets	3	18
Sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-993**	**-2,392**
Purchases of investments in associates and companies subject to joint control	-217	-54
Purchases of property and equipment	-576	-775
Purchases of intangible assets	-1,272	-1,117
Purchases of subsidiaries and business branches	1,072	-446
Net cash flow from (used in) investing activities	**-538**	**-2,226**
C. FINANCING ACTIVITIES		
Issues/purchases of treasury shares	-1,118	-6
Share capital increases	616	-1,532
Dividend distribution and other	-2,966	-4,041
Disposal/acquisition of minority interests in subsidiaries	-50	-14
Net cash flow from (used in) financing activities	**-3,518**	**-5,593**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**98,220**	**986**
RECONCILIATION		
Financial statement captions		
Cash and cash equivalents at beginning of period	14,756	13,733
Net increase (decrease) in cash and cash equivalents	98,220	986
Cash and cash equivalents: foreign exchange effect	-52	37
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**112,924**	**14,756**

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 60.562 million euro (cash flow used) and comprise -63.190 million euro in cash flows, -6.140 million euro in fair value changes and +8.768 million euro in other changes.

The significant increase in Cash and cash equivalents at the end of the financial year is linked to the different ways in which excess liquidity is used. Due to the rise in interest rates, it is no longer deposited in the Reserve Requirement account reported in the caption “Financial assets measured at amortised cost – Due from banks”, but in overnight deposits under “Current accounts and on-demand deposits with Central Banks” in the amount of approximately 89 billion euro.

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 2022 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[69], 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[70].
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 2022 (including the SIC and IFRIC 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 2022.

IFRS endorsed as at 31.12.2022 in force since 2022

Regulation endorsement	Amendments	Effective date
1080/2021	Amendments to IAS 16 Property, Plant and Equipment, IAS 37 Provision, Contingent Liabilities and Contingent Assets, IAS 41 Agricolture, 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

As shown in the table above, starting on 1 January 2022, the provisions of Regulation (EU) 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 are effective.
The amendments relate to:
- IAS 16 – Cost components: the amendments, which are not pertinent to the Group, introduce a prohibition on deducting from the cost of property, plant and equipment the amounts received from the sale of articles produced while the company was preparing the asset for the intended use. 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 – References to the Conceptual Framework: several references were updated to the new version of the Conceptual Framework of 2018 which, nonetheless, do not entail changes to the 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 Conclusions).

[69] 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.
[70] The 8th update of 17 November 2022, which amends Circular no. 262 to take account of the new IFRS 17 Insurance Contracts, which will be effective from 1 January 2023, will apply from the financial statements for the periods ending on or after 31 December 2023.

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 Regulation introduces several changes and clarifications of little significance which, therefore, do not have significant impacts on 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 2023 – 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 31.12.2022 applicable subsequent to 31.12.2022

Regulation endorsement	Title	Effective date
2036/2021	IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023

Regulation endorsement	Amendments	Effective date
2036/2021	Amendments to IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023
357/2022	Amendments to IAS 1 Presentation of Financial Statements - Disclosures of Accounting Policies	01/01/2023 First financial year starting on or after 01/01/2023
357/2022	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	01/01/2023 First financial year starting on or after 01/01/2023
1392/2022	Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023 First financial year starting on or after 01/01/2023
1491/2022	Amendments to IFRS 17 Insurance Contracts - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	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, Regulation no. 2036/2021 of 19 November 2021 which endorses the new accounting standard IFRS 17 "Insurance Contracts", and the subsequent Regulation no. 1491/2022 of 8 September 2022, adopting the amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, are here reported for their particular relevance. For the disclosure relating to the adoption of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments by the Group's insurance companies, refer to the specific paragraph.
Starting on 1 January 2023, Regulation no. 357/2022 and Regulation no. 1392/2022, illustrated below, will be applicable.

Regulation no. 357/2022 of 2 March 2022 – Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
Regulation no. 357/2022 of 2 March 2022 adopts several narrow scope amendments and additional clarifications to support entities in deciding which accounting policy information must be disclosed (amendments to IAS 1) and distinguishing between accounting policies and estimates (amendments to IAS 8). Therefore, it is not expected to have significant impacts on the Group, even though it could be a useful reference for analyses and for improving financial statement disclosure.
More specifically, the Regulation introduces amendments to the following accounting standards:
- *IAS 1 Presentation of Financial Statements*

These are narrow-scope amendments to IAS 1 Presentation of Financial Statements and to the IFRS Practice Statement 2 "Making Materiality Judgements", which provide guidance to assist companies in deciding which accounting policy information must be disclosed and, thus, improving their disclosure, to make it more useful for investors and other primary users of financial statements.
The amendments to IAS 1 require that companies provide material accounting policy information, replacing the previous term "significant", which is not defined in the IFRS and, therefore, could lack clarity. Accounting policy information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence decisions made by the primary users of financial statements. In other words, accounting policy information is material if it enables users to understand the information reported in the financial statements on material transactions. 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.
In any event, entity-specific information is more useful than standardised information or information that only duplicates or summarises the requirements of the IFRS.
Several amendments were also made to Practice Statement 2, which provides guidance on how to apply the concept of materiality to accounting policy information;

- *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments to IAS 8 aim to provide further clarifications on 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. Nonetheless, in the past, entities had difficulty in distinguishing between the two cases based on the provisions of IAS 8.
In that regard, a definition of accounting estimate was added, which previously was not provided – "accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty" – and other amendments were introduced to provide greater clarifications. The entity may need to change an accounting estimate if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience. By its nature, a change in an estimate does not relate to prior periods and is not the correction of an error. It may only influence the income statement results of current or future periods (for example, following a change in the estimated useful life of a depreciable asset).
Corrections of errors are distinguished from changes in accounting estimates: accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

Regulation no. 1392/2022 - Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

With Regulation no. 1392/2022 of 11 August 2022, the European Commission adopted the amendment to IAS 12 Income Taxes "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction", published by the IASB on 7 May 2021. The amendments clarify how companies have to account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce diversity in the reporting of deferred tax assets and liabilities on those transactions[71]. The cases that could be material for the ISP Group are related to the accounting for 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 at the time of initial recognition of the assets and the liabilities. The amendments in question specified that, in those cases, entities must recognise any resulting deferred tax liability and asset (therefore, the exemption set out in paragraphs 15 and 24 of IAS 12 - which permits omitting the recognition of deferred tax assets and liabilities in the case of transactions which, on the whole, do not impact profit - does not apply to those cases).
The amendments in question are immaterial, in terms of quantitative impact, for Intesa Sanpaolo and for the Italian companies of the Group, as, under the tax provisions applicable in Italy (in accordance with the "IFRS 16 Tax Decree"), both the right of use and the lease liability are fully relevant for tax purposes (statutory value and tax value are aligned), and the resulting income statement components recognised in the financial statements (depreciation, amortisation and interest) are treated accordingly based on the tax provisions. That approach is valid not only for new leases, following the initial application of IFRS 16, but also for transactions existing at the time of FTA, following the tax realignment implemented, as permitted by the tax decree. Therefore, no taxable or deductible temporary differences arise.
As regards any impacts on the Group's international companies, the analyses conducted did not show any significant aspects to be highlighted.

Adoption of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments by the Group's Insurance Companies

This paragraph provides disclosure on the main impacts expected from the introduction of the new IFRS 17 Insurance Contracts, as well as the application of IFRS 9 Financial Instruments for the Group's Insurance Companies, in relation to the requirements of IAS 8, paragraphs 30 and 31, and in accordance with the guidance from the European Securities and Markets Authority (ESMA)[72]. The interaction between the two standards - IFRS 17 and IFRS 9 - which the companies of the Insurance Division will apply simultaneously and for the first time from 1 January 2023 is also illustrated.
Note that the disclosure on the transition to the new standards will be provided in the 2023 Interim Statement, which will be the first financial report published following the first-time adoption of the two standards, and will contain the information required by the IFRSs and by the ESMA.

The new IFRS 17 published by the IASB in May 2017 and subject to subsequent amendments published on 25 June 2020 and 9 December 2021, was endorsed by Regulation (EU) No. 2036/2021 of 19 November 2021 and will be effective from 1 January 2023. The European endorsement regulation makes it possible, on an optional basis, to exempt intergenerationally-mutualised and cash flow matched contracts from the application of the obligation of grouping into annual cohorts set out by IFRS 17. Moreover, with Regulation no. 1491/2022 of 8 September 2022, several narrow-scope amendments were introduced for the preparation of comparative information upon initial application of IFRS 17 and IFRS 9.
Note that IFRS 9 Financial Instruments, issued by the IASB in July 2014 and endorsed by the European Commission through Regulation No. 2067/2016, replaced IAS 39 in the requirements for the classification and measurement of financial instruments with effect from 1 January 2018.
The Intesa Sanpaolo Group, as a financial conglomerate primarily engaged in banking activities, has 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, until the entry into

71 According to the definitions in IAS 12, taxable/deductive temporary differences are temporary differences between carrying amounts and tax amounts which, when determining the taxable income (tax loss) of future periods, will result in taxable/deductible amounts in the future when the carrying amount of the asset is recovered or the liability is settled.

72 This refers to the ESMA Public Statement of 13 May 2022 "Transparency on implementation of IFRS 17 Insurance Contracts", also referred to in the more recent ESMA Public Statement "European common enforcement priorities for 2022 annual financial reports" of 30 October 2022 and, for IFRS 9, the ESMA Public Statement of 10 November 2016 "Issues for consideration in implementing IFRS 9: Financial Instruments".

force of the new financial reporting standard on insurance contracts (IFRS 17) on 1 January 2023. The deferral of the adoption of IFRS 9 by the companies of the Insurance Division thus means that, starting from 1 January 2018, different accounting standards need to be applied for the financial assets and liabilities within the Group's consolidated financial statements.
In this context, from 1 January 2023, the Group Insurance Division will apply IFRS 9 and IFRS 17 together for the first time. The implementation of IFRS 9 by the Insurance Division is consistent with the accounting policies defined by the Intesa Sanpaolo Group to ensure the correct and uniform application of the new standard at consolidated level.

IFRS 17 Insurance Contracts

Overview of IFRS 17

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 contracts – therefore forms the basis of 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 (Present Value Future Cash Flows – "PVFCF"), also including an appropriate Risk Adjustment ("RA") to cover non-financial risks and the Contractual Service Margin ("CSM"), which represents the present value of the future profits on insurance contracts;
– 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 further subdivided into groups consisting of contracts with similar characteristics in terms of expected profitability, thus distinguishing between profitable contracts (with a positive contractual service margin) and onerous contracts (with a negative contractual service margin);
– the measurement models envisaged by the standard: IFRS 17 envisages a measurement model known as General Model ("GM") applicable in principle to all contracts, except for contracts with direct participation features, for which the Variable Fee Approach ("VFA") is applied, if the eligibility criteria based on the nature of the participation features are met. There is also an optional simplified model (Premium Allocation Approach – "PAA") for the valuation of the Liability for Remaining Coverage ("LRC", similar to the reserve for unearned premiums or premium carry-forward) for contracts with a coverage period of one year or less and for all contracts where the valuation is not materially different from that resulting from the application of the General Model;
– transition: upon first-time adoption, IFRS 17 requires that all contracts in the portfolio are accounted for as if the rules introduced had always been in force; this transition approach is referred to as the Full Retrospective Approach ("FRA"). Given that its application can be very complex due to the unavailability of the time series of the attributes required to manage the breadth of the data model envisaged by IFRS 17, which enables its full application, the standard allows the possibility of using two other approaches, optional to each other:
  - o the Modified Retrospective Approach ("MRA"), which approximates the results obtained from the FRA using a retrospective approach, including some simplifications regarding the estimation of the CSM, the level of aggregation of the contracts, the use of annual cohorts and the discount rates to be used;
  - o the Fair Value Approach ("FVA"), according to which the CSM/Loss Component (in the case of onerous contracts) is calculated as the difference between the fair value of the group of contracts to which it refers and the value of the Fulfilment Cash Flows at the same date (consisting of the sum of the PVFCF and RA);
– subsequent measurement of the insurance liability: IFRS 17 requires an update to 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 updates are recorded in the financial statements at the first reporting date: in profit or loss for changes relating to current events or events that have already occurred or as a reduction of the contractual service margin (CSM) when the changes relate to future events. Solely with regard to changes in financial variables (and not the others, i.e. mainly related to policyholder behaviour), it is left to the entities to decide – for each grouping of contracts – whether to present the effects of the changes through profit or loss or through other comprehensive income (the so called OCI option);
– 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, and does not therefore require the recognition of any revenue at the time of entering into the contract. With regard to that aspect, the standard is asymmetrical, as, for groups of onerous contracts, it requires immediate recognition of losses through profit or loss;
– measurement of the performance: with a view to providing disclosure that ensures better comparability 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 insurance service 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 future estimates of premiums linked to the outstanding contracts at the reporting date (cash flows to be received) and payments (cash flows to be paid) are recognised in profit or loss over the entire remaining contractual lifetime of the policies concerned.

With reference to the representation of IFRS 17 in the consolidated financial statements of banks leading financial conglomerates, note that on 17 November 2022 the Bank of Italy published the 8th update to Circular no. 262 of 22 December 2005, which will be applicable starting from financial statements as at 31 December 2023.
In order to reduce the burden of preparation for banks, in drafting the update, the Bank of Italy considered the equivalent provisions issued by IVASS[73] with reference to IAS/IFRS insurance financial statements, providing a reference to the provisions issued by IVASS for the aspects relating to insurance contracts pertaining to consolidated insurance companies. The changes introduced regard the alignment of the consolidated financial statement and the related disclosure in the notes to the consolidated financial statements to the provisions of IFRS 17, which amended IAS 1 and IFRS 7, and the alignment with the provisions issued by IVASS. Specifically, in the consolidated balance sheet, the captions "Insurance liabilities" and "Insurance assets" provide information on the insurance contracts issued and reinsurance contracts held. With reference to the consolidated income statement, income from insurance business shall distinguish between income/expenses for insurance services and net financial income/expenses relating to insurance contracts issued and reinsurance contracts held. The notes to the consolidated financial statements are aligned, according to the provisions issued by IVASS, to present disclosure on the nature and extent of risks arising from insurance contracts, pursuant to the provisions of IFRS 17. The Bank of Italy did not make changes regarding the presentation of IFRS 9 amounts. Therefore, financial instruments belonging to insurance companies (including insurance products to which IFRS 9 is applied) in the financial statement forms pursuant to Circular 262 shall be presented along with those of the bank and, where necessary, specific evidence shall be provided in the tables of the Notes.

Implementation Project for the Insurance Division: organisational and information system impacts
Within the Intesa Sanpaolo Group, IFRS 17 is applicable to the insurance products and investment products with discretionary participation features of the Insurance Division.
The IFRS 17 implementation project for the Insurance Division started in June 2019 and is divided into several strands that have been set up uniformly for all the companies of the Insurance Division, taking into account the specific business characteristics of each company:

- definition of the methodological framework: the key topics have been identified, corresponding to the related approaches set out in the Technical Papers, in terms of product classification, determination of future cash flows and calculation of the CSM;
- evolution of information systems: the "Big Picture" of this project, which includes the mapping of applications and their IT interfaces, established in December 2020, has been maintained and implemented also for the insurance companies subsequently acquired, and envisages the same IT structure for all the companies of the Insurance Division, taking into account their specific characteristics. Moreover, the analysis and preparation of the business requirements have been carried out. As at 30 June 2022, the implementation had been completed aimed at including the part of the processes relating to the calculation of the forward-looking measures introduced by IFRS 17 (mainly cash flows, risk adjustment and CSM) into the accounting and financial reporting process. Lastly, the IT developments for the actuarial engines have been completed;
- training activities: these activities were planned for the entire duration of the project and allocated across the technical and operational areas and top management, and envisage specific sessions dedicated to the directors of the companies of the Insurance Division and the Parent Company;
- changes to processes and internal procedures: the target operating model has been formalised, i.e. the design and formalisation of the systems, organisational processes and the offices responsible for them, in order to control the new process for preparing the financial statements;
- transition and parallel running in 2022: the work on the quantification of the opening balances as at 1 January 2022 and the calculation of the comprehensive income for 2022 has been completed. The production in the IT systems of the comparative information for the quarters of 2022 has been started for all the companies of the Insurance Division.

From an organisational perspective, in addition to the process for the preparation of the financial statements, the IFRS 17 project includes the implementation of systems and processes related to planning and control and asset and liability management, in order to ensure the Group companies' management capabilities according to the new metrics introduced by IFRS 17.
During 2022 a specific project was also launched at the Parent Company, which involved several departments in the CFO and COO areas, and operates in full synergy with the Insurance Division and the related project to implement IFRS 17 with regard to the presentation of the balance sheet and income statement amounts typical of IFRS 17 in the Consolidated financial statements of Intesa Sanpaolo pursuant to IFRS 10.
Lastly, periodic meetings were held with the Independent Auditors EY to enable discussion of the methodological choices identified in the project.

[73] Reference is made to ISVAP Regulation no. 7 of 13 July 2007, as amended by Order no. 121 of 7 June 2022.

Group methodological choices

The main methodological choices faced by the Group concerned the definition of the discount curve, the quantification of the cash flows according to IFRS 17, and the quantification of the CSM for the consolidated financial statements of the Intesa Sanpaolo Group, which differs from the CSM of the Insurance Division, to take the actual distribution/management costs into account in the future flows of insurance liabilities rather than the fees settled between Group companies.
The main methodological choices made by the Intesa Sanpaolo Group are reported below:

- Level of aggregation and carve-out option on cohorts: the level of aggregation enables the definition of the granularity to be used to assess the profitability of a group of contracts, by grouping in the same portfolio contracts that:
  - have similar risks and are managed together;
  - have the same expected profitability upon issue (profitability bucket);
  - belong to the same generation (annual cohort).

  With reference to the first point, the Group has adopted the choice of aggregating the contracts belonging to the Non-Life Business based on the Solvency II Line of Business ("LoB") they belong to. For the Life Business, groups of contracts are aggregated by grouping in a single portfolio products included in the same Separate Management, Multi-Line products for each Separate Management, Unit-Linked products, products linked to Pension Funds and pure risk products (e.g. temporary death policies).
  With regard to contracts relating to Multi-Line products or linked to a Separate Management, the Group has decided to exercise the option not to apply the Annual Cohort requirement (so-called "carve-out"), as allowed in the IFRS 17 Endorsement Regulation at European level, and therefore to aggregate these types of contracts only based on the concept of similar risks and uniform management and belonging to the same profitability bucket.
- Discount curve: the Group has decided to use a bottom-up approach, which involves using risk-free rates with the addition of a liquidity premium, estimated based on the risk premium inherent in each company's securities portfolio, broken down by individual separate management, unit-linked portfolio, pension funds and free portfolio.
- Risk adjustment: it is determined using a Value at Risk (VaR) approach that estimates the uncertainty of the non-financial risks based on the 75th percentile of the specific distribution of each risk considered.
- Variable Fee Approach (VFA): as noted above, the VFA is a mandatory model required by the standard for contracts involving significant discretionary participation features for the policyholders. To determine whether discretionary participation features are significant, both a qualitative and quantitative test is performed to verify the requirements. Within the Insurance Division's products, all the insurance Linked contracts and all the contracts linked to a separate management, both individual and Multi-Line, are measured using the Variable Fee Approach.
- Premium Allocation Approach (PAA): as already mentioned, the PAA is an optional method applicable to contracts with a duration of less than one year or to contracts with a duration of more than one year for which it is demonstrated that the application of the PAA model does not lead to results that are significantly different from those that would be obtained with the general model. The Group has decided to apply this model solely to the Non-Life Business, with the general rule being to use the PAA model for insurance policies with a duration of one year or less.
- Coverage units: these are the drivers used to determine the CSM release to profit or loss, taking into account the amount of service provided to the policyholders and the expected duration of the group of contracts. The coverage units are determined differently based on whether they relate to Life Business or Non-Life Business. Specifically, for the Non-Life Business, the coverage units are identified by the earned premiums for the period, while for the Life Business, they are identified by the insured capitals for the period with respect to the whole life insured capitals, which represent the company's commitment to the policyholders during the valuation period.
- Contract boundaries: the determination of the contract boundaries is used to establish whether a particular contractual option is to be included in the cash-flow projection as soon as the contract is issued or whether the exercise of that option will result in the generation of a new group of contracts.
  The IFRS 17 contract boundaries include all the contractual options that establish the conditions for exercising the option in terms of pricing, already at the time when the contracts are issued. If the exercise of the option does not have conditions predetermined upon issue and the conditions are only defined at a later date or at the time of exercise by the policyholder, they are not included in the IFRS 17 contract boundaries and are not projected in the cash flows of the host contract; the exercise of the option generates a new group of contracts different from that of the host contract.
- Transition approach: the Group has decided to use all three transition approaches envisaged by the standard based on the availability of the historical data required by the standard for determining the CSM at the FTA date. Specifically, the Full Retrospective Approach is used for the most recent generations of contracts, except for the acquired companies (ISP RBM Salute and former UBI), for which the Fair Value Approach is used. For multi-line life contracts and older non-life contracts the Modified Retrospective Approach is used, while for the remaining products and annuities the Fair Value Approach is used. The main simplifications used by the Group in applying the Modified Retrospective Approach are:
  - use of annual cohorts: the Group adopts the simplifications set out in the standard and aggregates the annual cohorts into a single Unit of Account for the Life and Non-Life Businesses;
  - discount rate: calculation of the discount rates using the median of the last 5 curves reconstructed for the years of valuation prior to the transition date;
  - no calculation of the closing balances for the previous periods.
- Quantification of the CSM for the Consolidated financial statements: under IFRS 17, in order to quantify cash flows, the management of intragroup transactions entails the need to "replace" the intragroup costs projected by the Insurance Division in the estimate of its standalone accounting values (typically fees paid to the banking distribution network) with the costs incurred by the Group with third parties. That operation may entail the recognition of expected profit (CSM) which differs between the individual Group companies and the Group as a whole. The ESMA, in its annual statement on priorities for financial reports[74], highlights the importance of consistently applying the consolidation requirements pursuant to IFRS 10 in order to guarantee the correct application of IFRS 17 in the consolidated financial statements. Specifically, the ESMA notes that where banks of the group distribute insurance products, the consolidated CSM will often differ from the insurance CSM.

[74] ESMA Public Statement "European common enforcement priorities for 2022 annual financial reports" of 30 October 2022, referred to above.

- Impacts of IFRS 17 on Alternative Performance Measures: as a result of the changes introduced by the application of the new standard, the Group is assessing the best methods for presenting the insurance business in the reclassified balance sheet and income statement.
- Interaction between IFRS 17 and IFRS 9 and use of the OCI option: in some cases, the interaction between IFRS 17 and IFRS 9 may generate accounting mismatches between the way insurance contracts and related financial assets are accounted for. In order to reduce these mismatches, IFRS 17 allows for a disaggregation of financial income and expenses from insurance contracts between the profit or loss (financial result) and other comprehensive income (OCI). The choice of disaggregation is made at portfolio level for the insurance contracts and must be made consistently with the valuation approach used for the assets. In particular:
  - with regard to contracts valued using the General Model and the Premium Allocation Approach, the financial revaluation of future cash flows and risk adjustment at historical rates is recognised through profit or loss, while the difference between the revaluation at historical and current rates is recognised through other comprehensive income;
  - for contracts valued under the Variable Fee Approach, IFRS 17 requires the financial result of insurance contracts to be disaggregated between profit or loss and other comprehensive income. In essence, the difference between the financial result of insurance contracts and the financial result through profit or loss arising from the underlying financial instruments is reclassified to other comprehensive income (mirroring).

  In accordance with IFRS 9, the Insurance Division finalised the definition of the “to be” business model: Hold To Collect and Sell for debt financial instruments, except for those connected to linked products and open pension funds (to which the “Other” Business Model will be applied). With regard to the classification of equity instruments that come under the scope of IFRS 9, the Insurance Division will apply their fair value measurement through profit or loss. As a result, in order to reduce potential accounting mismatches, the Group has decided to adopt the OCI option on all the insurance contract portfolios, except for the unit-linked policies not connected to multi-line products and open pension funds.
  For more details on financial assets, see the paragraph below on the adoption of IFRS 9 by the Group’s Insurance Companies.

Main differences between the IFRS 17 framework and Solvency II

The main differences between IFRS 17 and Solvency II in relation to the valuation of insurance liabilities primarily relate to the identification of the contract boundaries, the determination of the discount curve, and the method of calculation of the Prudent Margin (respectively Risk Adjustment or Risk Margin). In particular:

- with regard to the contract boundaries, the main differences concern both the determination criteria and the frequency of the valuation. Under Solvency II, the contract boundaries are based on a risk approach for the company and are determined at each valuation date; under IFRS 17, they are based on the possibility of re-pricing by the company and are determined when the contracts are issued;
- with regard to the discount curves, the main difference concerns the approach and granularity used for the calculation of the discount curve. Specifically, for Solvency II there is a single discount curve composed of a risk-free base curve plus a liquidity premium (volatility adjustment), defined by the EIOPA on the basis of an average market benchmark portfolio. In the IFRS 17 framework, on the other hand, the discount curves for each identified portfolio can be calculated on the basis of specific reference asset pools;
- for the Prudent Margin, the difference between Risk Margin and Risk Adjustment is due to both a different calculation approach and a different scope of identified risks. The Solvency II Risk Margin is calculated using a Cost of Capital approach, applied to the company’s capital requirement assessed with a 95% percentile, considering the technical risks, credit risk and operational risk. For the IFRS 17 Risk Adjustment, the standard does not envisage a standard approach, but only its determination on the basis of specific non-financial risks.

Note that no impacts are expected on the Solvency II synthetic indicator for the Insurance Group following the introduction of IFRS 17.

Income statement and balance sheet impacts

The new standard envisages the introduction of new balance sheet figures and different ways of recognising the profitability of insurance products in the companies’ financial statements, which will lead to both balance sheet impacts upon first-time adoption of the standard and volatility in the income statement once the standard is being implemented.
Specifically, upon transition to the new standard – 1 January 2022 - the captions previously recognised pursuant to IFRS 4 (technical reserves) and IFRS 3 (Value of Business Acquired, VoBA, recognised upon purchase price allocation – PPA - as intangible assets with a finite useful life), which do not meet the requirements for recognition pursuant to the new IFRS 17 will be reversed, and new IFRS 17 insurance liabilities will be recognised in the components Present Value of Future Cash Flows, Risk Adjustment and CSM. The cumulative effect of first-time adoption of IFRS 17 (impact as at 1 January 2022 and delta in the 2022 income statement) will be recognised as at 1 January 2023 as a balancing entry for a specific retained earnings reserve (also called “First-time adoption reserve”).
The balance sheet impact upon first-time adoption mainly depends on the level of market rates at the transition date (a lower rate level corresponds to a higher negative balance sheet impact), as well as the transition approaches adopted. On the other hand, the income statement result is closely related to how the CSM is released over time and how it is adjusted following revisions to the operational and financial assumptions included in the cash flow and risk adjustment.
Based on the analyses and implementations carried out, the following effects are estimated:

- the total impact to be recognised in shareholders’ equity upon transition to the new accounting standard as at 1 January 2022 is estimated to be around -1 billion euro net of tax, and is attributable:
  - on one hand, to the impact of the different measurement criteria for insurance liabilities pursuant to IFRS 17, in place of the previous criterion set out by IFRS 4, whose effect is attributable mainly to the measurement of separate management that has high guaranteed minimum yields; and
  - on the other, to the derecognition of the Value of Business Acquired (VoBA) recognised pursuant to IFRS 3 upon PPA following business combinations;
- the amount of the CSM calculated at consolidated level at the transition date - 1 January 2022 - is 9.3 billion euro;

  – at the date of initial application of the standard - 1 January 2023 - the overall impact, which is currently under calculation, is estimated to be not significantly different from the amount estimated as at 1 January 2022;
– the related prudential impacts estimated as at 1 January 2023 amount to around -20 bps on CET1, considering the application of the "Danish Compromise". For regulatory purposes, note that the Intesa Sanpaolo Group, as a "financial conglomerate", has been authorised to apply the "Danish Compromise", which allows for the 370% weighting of significant investments in insurance subsidiaries instead of their deduction from CET1.

IFRS 9 Financial Instruments

The companies of the Insurance Division have participated, through the Insurance Parent Company Intesa Sanpaolo Vita, in the Intesa Sanpaolo Group project launched in September 2015 and aimed at investigating the various areas of influence of IFRS 9, defining its qualitative and quantitative impacts, and identifying and implementing the necessary application and organisational measures. In particular, account has been taken of the objective of pursuing the uniform adoption of the accounting standard, also in the presence of insurance operations linked in particular to the specific characteristics of products under separate management.

Classification and Measurement

In order to comply with the provisions of IFRS 9 – which introduces a model where the classification of financial assets is guided, on the one hand, by the contractual cash flow characteristics of the instruments and, on the other hand, by the management intent for which they are held – the methods for performing the test on the contractual cash flow characteristics (known as the SPPI Test) have been drawn up, while the definition of the "to be" business models has been finalised.
With regard to the SPPI test on financial assets, the Insurance Division will adopt the approach defined at Intesa Sanpaolo Group level and used from 2018. The analysis has also been completed of the composition of the securities and loans portfolios currently in place, to identify their correct classification at the time of first-time adoption (FTA) of the new standard.
With regard to debt securities, a detailed examination of the cash flow characteristics of instruments classified in the Financial assets available for sale category according to IAS 39 and at amortised cost has been carried out in order to identify the assets that have not passed the SPPI test and will therefore be measured at fair value through profit or loss in accordance with IFRS 9. According to the analyses conducted in the Insurance Division, only a non-material percentage of the debt securities – with respect to the portfolio as a whole – failed the SPPI test, mainly consisting of structured securities.
In addition, the investment funds (open-ended and closed-end funds) will be mandatorily measured at fair value through profit or loss, with a consequent future increase in the income statement volatility for these instruments, which are currently classified as Financial assets available for sale.
With regard to the classification of equity instruments in the scope of IFRS 9, the Insurance Division does not intend to exercise the option to classify the equity instruments at fair value through other comprehensive income (FVTOCI without recycling to profit or loss) upon first-time adoption of the standard.
Lastly, with regard to loans, their overall contribution to the Division's financial assets is not significant and, since they mainly consist of current accounts and other short-term technical forms, no failures of the SPPI test or particular impacts are expected upon FTA.
With regard to the second driver of classification of the financial assets (business model), i.e. the intention with which financial assets are held, the following is noted. For debt securities, the companies of the Insurance Division will adopt mainly a Hold To Collect and Sell business model, with the exception of portfolios connected to unit-linked products and open pension funds, for which an "Other" Business Model will be adopted, with measurement of the assets at fair value through profit or loss. In this regard, for debt securities, no significant changes are expected with respect to the classification according to IAS 39, except for marginal cases relating to:
– debt securities currently classified as Financial assets available for sale that do not pass the SPPI test. This reclassification has no impact on the total shareholders' equity determined in accordance with IFRS 9;
– debt securities currently classified under Loans & Receivables which, depending on the result of the SPPI test, will be classified either at fair value through profit or loss or at fair value through other comprehensive income. This reclassification will have a non-material impact.

With regard to loans, whose immaterial contribution to the Division's financial assets as a whole has already been noted, the Hold to Collect business model will be used.

Lastly, in relation to the business models under which the financial assets are held, the Business Model Rules are under update, in order to define and set out the components of the business model for the Group's Insurance Division, specifying the role with reference to the classification model governed by IFRS 9.

With regard to the financial liabilities, no changes are envisaged with respect to the current methods of classification and measurement of the financial liabilities in accordance with IAS 39. Specifically, the Group adopted the option to designate as liabilities at fair value the financial products issued by the insurance companies that do not fall within the scope of IFRS 17. This was decided in order to eliminate or reduce possible "accounting mismatches" in relation to connected assets also measured at fair value.

Impairment

With regard to impairment, a common approach and a process centralised within Intesa Sanpaolo's Risk Management structure have been established by the Parent Company Intesa Sanpaolo for the quantification of the expected credit loss for all the Group companies. Accordingly, for a full description of the choices adopted by the Group regarding the application of impairment in accordance with IFRS 9, see the Accounting Policies and the description provided in Part E of the Notes to the financial statements concerning risk management.

For the purpose of completeness, it is noted that the "Rules on the measurement of expected credit loss in accordance with IFRS 9 (Impairment Policy)" will also be applicable to the Insurance Division, with reference to the methodological guidelines defined by the Intesa Sanpaolo Group in application of IFRS 9 and approved by the competent levels of governance.
Please note in this regard that, for the companies of the Insurance Division, the application of the new expected credit losses model is mainly relevant for the portfolio of debt securities classified in the category Fair value through other comprehensive income. For loans, on the other hand, it is not significant.
The main elements underlying the approach can be considered to be the following:

– method of tracking the credit quality of portfolios of financial assets measured at amortised cost and at fair value through other comprehensive income;
– definition of the parameters for determining the significant increase in credit risk, for the purposes of the correct allocation of performing exposures to Stage 1 or Stage 2, based on the change in lifetime probability of default since the time of initial recognition of the financial instrument. With regard to the impaired exposures, on the other hand, given the alignment of the definitions of accounting and regulatory default, the current criteria for classifying exposures as "impaired" can be considered identical to the criteria for classifying exposures in Stage 3;
– definition of models – including forward-looking information – for the staging (with respect to the use of lifetime PD as a relative indicator of impairment) and for the calculation of the one-year ECL (to be applied to Stage 1 exposures) and lifetime ECL (to be applied to Stage 2 and Stage 3 exposures). In order to take into account forward-looking information and the macroeconomic scenarios in which the Group may find itself operating, the "Most likely scenario + Add-on" approach has been adopted.

With regard to the staging for securities, it must be considered that 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 a methodology 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, in line with the choice adopted by the Intesa Sanpaolo Group from 2018, the Insurance Division will also use 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) which helps 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.
Moreover, a key element for the estimation of the expected losses is the inclusion of forward-looking factors and, in particular, macroeconomic scenarios. From a methodological perspective, the approach adopted by the Intesa Sanpaolo Group is the "Most likely scenario + Add-on". Under this approach, the calculation of the expected credit loss (ECL) and the stage assignment use the credit loss determined for the baseline scenario, which is considered the most likely scenario and is also used for other purposes within the Group (for example, for preparing the budget and the business plan), to which an add-on is applied to reflect the effects from the non-linearity of the variables used for the conditioning of the macro-economic parameters. A similar approach will therefore also be applied to the companies of the Insurance Division.
Lastly, with regard only to the initial application of the standard - i.e. 1 January 2023 - for performing debt securities recognised at fair value through other comprehensive income, it was decided to use the low credit risk exemption set out in IFRS 9, based on which exposures that, at the date of transition to the new standard, had an investment grade (or similar) rating were identified as exposures with low credit risk and, therefore, to be considered in Stage 1.

Hedge accounting

With regard to hedge accounting, IFRS 9 introduces changes solely to general hedging and are closely tied to the Group's choice of exercising the opt-in / opt-out option (i.e., the possibility of implementing the new IFRS 9 rather than continuing to apply the former IAS 39). The Intesa Sanpaolo Group, on the basis of detailed studies on the management of the hedging transactions, decided to exercise the opt-out during the IFRS 9 FTA, and has maintained this choice to date. In light of this, the hedging transactions for the Insurance Division will also continue to be managed in accordance with IAS 39 (carve-out), currently in force.

Organisational and information system impacts

The adoption of IFRS 9 entails organisational and information system changes for the Insurance Division.
The main organisational impacts have been identified and relate to the revision and adaptation of existing operating processes, the design and implementation of new processes, and the expansion of the skills available within the various operations, administration and control structures.
With regard to the information systems, work was carried out on the securities management applications of the insurance companies to adapt them to the requirements of the standard, and a monthly exchange of flows has been set up between the insurance companies and the relevant Intesa Sanpaolo structures in relation to staging and expected credit losses for securities classified at fair value through other comprehensive income.

Restatement of comparative information and parallel running

As illustrated above, insurance companies were able to 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.
With regard to the methods of presentation of the effects of first-time adoption of IFRS 9, the Insurance Division will exercise the option established in paragraph 7.2.15 of IFRS 9, according to which – subject to the retrospective application of the new measurement and presentation rules required by the standard – there is no requirement for the compulsory restatement on a like-for-like basis of the comparative information in the financial statements of first-time adoption of the new standard. In particular, the Insurance Division will adopt the Classification Overlay for the entire portfolio of financial assets in accordance with the provisions of paragraph C28A and following of IFRS 17 – as amended by the IASB on 9 December 2021 and endorsed by the European Commission with Regulation No. 1491/2022 of 8 September 2022 – regarding companies adopting IFRS 9 and IFRS 17 simultaneously for the first time.

The Classification Overlay allows the application of the classification and measurement requirements as envisaged by IFRS 9 for the preparation of comparative periods using reasonable and supportable information. The exercise of that option will make it possible to present the comparative period on a like-for-like basis, also with reference to financial instruments already derecognised as at 1 January 2023 (for which restatement would not be permitted according to the ordinary rules of transition to IFRS 9). Moreover, as permitted by Regulation no. 1491, the Classification Overlay will be adopted without applying the ECL requirements.
In the second half of 2022, the companies in the Insurance Division finished quantifying the opening balances as at 1 January 2022, and producing the comparative figures for the quarters of 2022 in accordance with the Classification Overlay.

Income statement and balance sheet impacts
Overall, the impact on the shareholders' equity deriving from first-time adoption of IFRS 9 by the companies in the Insurance Division was estimated as immaterial both as at 1 January 2022 and as at 1 January 2023.

In light of the not material impact on the shareholders' equity deriving from first-time adoption, there are no expected impacts on CET1 in terms of bps.

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 31.12.2022

Standard/ Interpretation	Amendments	Date of issue
IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	23/01/2020
IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date	15/07/2020
IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants	31/10/2022
IFRS 16	Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	22/09/2022

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.
- Amendments to IAS 1 "Non-current Liabilities with Covenants"

On 31 October the IASB published an additional narrow-scope amendment to IAS 1 "Presentation of Financial Statements", which aims to improve the information provided by entities on liabilities with covenants and the classification of those liabilities as current or non-current. The IASB expects the amendments to improve the information provided by entities, enabling investors to understand the risk that those liabilities could become repayable early.
IAS 1 requires that an entity may classify a liability as non-current only where the entity has the right at the reporting date to defer settlement of the liability for at least 12 months. Nonetheless, an entity's ability to do so is often subject to compliance with covenants. For example, an entity may have a non-current payable that could become repayable within 12 months if the entity fails to comply with a covenant (for example, a working capital ratio) in the subsequent 12 months.
The amendments to IAS 1 specify that covenants to be met after the reporting date do not influence the classification of the payable as current or non-current at the reporting date. Conversely, the entity is required to provide information on these covenants in the notes to the financial statements.
The amendments take effect for financial years starting on or after 1 January 2024, with early adoption permitted, following endorsement by the European Commission.
Considering the content of the amendments illustrated above, which are immaterial for the financial sector, as well as the obligation to apply the templates prescribed in Bank of Italy Circular 262/05, the proposed narrow-scope amendments to IAS 1 are not specifically significant for the Group.
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"
With the publication of the narrow-scope amendments "Lease Liability in a Sale and Leaseback" on 22 September 2022, the IASB introduced several narrow-scope amendments to IFRS 16 regarding the recognition of only sale and leaseback transactions by the seller-lessee. Sale and leaseback transactions are transactions in which an entity sells one of its assets and then immediately leases it back from the new owner. In this regard, transactions in which the transfer of the asset meets the requirements of IFRS 15 to be recognised as a sale of an asset are analysed.
This amendment was requested by the IFRIC, which found a regulatory gap in terms of recognition of rights of use and lease liabilities in sale and leaseback transactions in the event of variable lease payments that do not depend on an index or rate, for example, those based on a percentage of sales of the seller-lessee generated by use of the asset.

In this regard, the amendments provide several clarifications and let the individual entities define an accounting policy for the method of measuring the liability arising from the leaseback.
Application of these amendments will be mandatory from 1 January 2024 - following endorsement by the European Commission, and with the possibility of early implementation – with retrospective application to sale and leaseback transactions entered into following the date of first-time adoption of IFRS 16, i.e. 1 January 2019 for the Group.
In that regard, there have been few, immaterial sale and leaseback transactions entered into by the Intesa Sanpaolo Group since 2019 and, currently, there are no cases covered by the amendments.

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 and the outbreak of the Russia-Ukraine crisis, issued by European regulatory and supervisory authorities and the standard-setters illustrated in further detail in Section 5 - Other aspects.

The balance sheets and the related details in the Notes present, in accordance with IFRS 5, among components related to discontinued operations, mainly portfolios of non-performing loans that will be subject to sale as part of the Group's de-risking strategies. This caption also includes the following reclassifications: the equity investment in Zhong Ou Asset Management Co. Ltd., for which the sale is expected to be finalised in the coming months, once the authorisation process has been completed, and the assets and liabilities relating to PBZ Card's merchant acquiring business line, which will be transferred to the Nexi Group in the first half of 2023.

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 2021.

The Attachments include the reconciliation statements to the balance sheet and income statement figures originally published in the 2021 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, subcaptions and further detailed information (specified as the "of which" items in the captions and subcaptions).
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.

With respect to 31 December 2021, the changes in the line-by-line consolidation area involved the entry of:

- Newco TPA S.p.A. (now named InSalute Servizi S.p.A.), a newly-incorporated company in the Insurance Group, 100% owned by Intesa Sanpaolo Vita;
- Compagnie de Banque Privée Quilvest (CBPQ), 100%-owned by Fideuram Bank (Luxembourg) S.A.;
- VUB Operating Leasing A.S., previously consolidated using the equity method;
- Acantus S.p.A. (transferee of ISP's pledged loans business line belonging to the former UBI Group), following the exceeding of the immateriality limits that previously allowed its consolidation at equity;
- VUB Generali Dochodkova Spravcovska Spolocnost A.S, following the acquisition of an additional share of 5.26% by VSEOBECNA UVEROVA BANKA A.S. (the total investment now amounts to 55.26%). The company was previously consolidated at equity;
- Eurizon Capital Real Asset SGR S.p.A., following the exceeding of the immateriality limits that previously allowed its consolidation at equity;

and the exit of:

- Intesa Sanpaolo Private Bank (Suisse) Morval, merged by incorporation into Reyl & Cie S.A.;
- VUB Leasing A.S., which was discontinued following its demerger into Vseobecna Uverova Banka A.S. for finance leases and into VUB Operating Leasing (mentioned above) for operating leases;
- UBI Leasing S.p.A., merged by incorporation into Intesa Sanpaolo S.p.A.;
- PBZ Stambena Stedionica d.d., merged by incorporation into PBZ – Privredna Banka Zagreb d.d.;
- Intesa Sanpaolo (Qingdao) Service Company Limited, which is now consolidated using the equity method in view of the negligible amounts of the balance sheet aggregates;
- Cargeas Assicurazioni S.p.A., merged by incorporation into Intesa Sanpaolo Assicura S.p.A.;
- Intesa Sanpaolo Smart Care S.r.l., merged by incorporation into Intesa Sanpaolo S.p.A.;
- Sanpaolo Invest SIM S.p.A., merged by incorporation into Fideuram-Intesa Sanpaolo Private Banking S.p.A.;

In the interest of completeness, it should also be noted that Mooney Group continues to be consolidated at equity for the purposes of the accounting scope of consolidation, but is included in the prudential scope of consolidation using the proportional method; in July, Banca 5 S.p.A. acquired an additional 20% stake in the above-mentioned company, bringing the total interest to 50% (subject to joint control).

Lastly, for completeness, please note the following changes of name:

- Intesa Sanpaolo International Value Services Ltd. into Intesa Sanpaolo International Value Services d.o.o.;
- IW Bank S.p.A. into IW Private Investments Società di Intermediazione Mobiliare S.p.A.

The following table lists the investments in exclusively controlled companies at 31 December 2022.

1. Exclusively controlled companies

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
1	Acantus S.p.A.	Milano	Milano	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 800,000						
2	Anti Financial Crime Digital HUB S.c.a.r.l. (c)	Torino	Torino	1	Intesa Sanpaolo Innovation Center S.p.A.	10.00	
	Capital Eur 100,000				Intesa Sanpaolo S.p.A.	60.00	
						70.00	
3	Asteria Investment Managers S.A. (d)	Geneva	Geneva	1	REYL & Cie S.A.	100.00	
	Capital Chf 14,000,000						
4	Banca 5 S.p.A.	Milano	Milano	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 30,000,000						
5	Banca Comerciala Eximbank S.A.	Chisinau	Chisinau	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Mdl 1,250,000,000						
6	Banca Intesa AD Beograd	Novi Beograd	Beograd	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Rsd 21,315,900,000						
7	Bank of Alexandria S.A.E.	Cairo	Cairo	1	Intesa Sanpaolo S.p.A.	80.00	
	Capital Egp 5,000,000,000						
8	Banka Intesa Sanpaolo d.d. (e)	Koper	Koper	1	Intesa Sanpaolo S.p.A.	48.13	
	Capital Eur 22,173,218				Privredna Banka Zagreb d.d.	51.00	
						99.13	
9	CBP Quilvest PE Fund GP S.a r.l. (c)	Luxembourg	Luxembourg	1	Compagnie de Banque Privée Quilvest S.A.	100.00	
	Capital Usd 20,000						
10	Cib Bank Ltd.	Budapest	Budapest	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Huf 50,000,000,003						
11	CIB Insurance Broker Ltd.	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
	Capital Huf 10,000,000						
12	CIB Leasing Ltd.	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
	Capital Huf 53,000,000						
13	CIB Rent Operative Leasing Ltd.	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
	Capital Huf 5,000,000						
14	Colline e oltre S.p.A. (c)	Pavia	Pavia	1	Intesa Sanpaolo S.p.A.	51.00	
	Capital Eur 50,000						
15	Compagnia Italiana Finanziaria - CIF S.r.l.	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture S.r.l.	61.45	
	Capital Eur 10,000						
16	Compagnie de Banque Privée Quilvest S.A.	Luxembourg	Luxembourg	1	Fideuram Bank Luxembourg S.A.	100.00	
	Capital Eur 32,537,000						
17	Consorzio Studi e ricerche fiscali Gruppo Intesa Sanpaolo (c)	Roma	Roma	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	7.50	
	Capital Eur 258,228				Eurizon Capital SGR S.p.A.	5.00	
					Intesa Sanpaolo Vita S.p.A.	7.50	
					Intesa Sanpaolo S.p.A.	80.00	
						100.00	
18	Duomo Funding Plc (f)	Dublin	Dublin	2	Intesa Sanpaolo S.p.A.	-	
19	Epsilon SGR S.p.A.	Milano	Milano	1	Eurizon Capital SGR S.p.A.	100.00	
	Capital Eur 5,200,000						
20	Etoile François Premier S.a.r.l. (g)	Paris	Paris	1	Risanamento Europa S.r.l.	100.00	
	Capital Eur 5,000						
21	Eurizon Asset Management Croatia D.O.O.	Zagreb	Zagreb	1	Eurizon Asset Management Slovakia Sprav. Spol. A.S.	100.00	
	Capital Hrk 5,000,000						
22	Eurizon Asset Management Hungary Ltd.	Budapest	Budapest	1	Eurizon Asset Management Slovakia Sprav. Spol. A.S.	100.00	
	Capital Huf 600,000,000						
23	Eurizon Asset Management Slovakia Sprav. Spol. A.S.	Bratislava	Bratislava	1	Eurizon Capital SGR S.p.A.	100.00	
	Capital Eur 4,093,560						
24	Eurizon Capital Asia Limited (già Eurizon Capital (HK) limited) (c)	Hong Kong	Hong Kong	1	Eurizon Capital SGR S.p.A.	100.00	
	Capital Hkd 78,000,000						
25	Eurizon Capital Real Asset SGR S.p.a.	Milano	Milano	1	Eurizon Capital SGR S.p.A.	19.98	51,00 (*)
	Capital Eur 4,166,667				Intesa Sanpaolo Vita S.p.A.	40.01	24,50 (*)
						59.99	75,50 (*)

	Companies	Place of business	Registered office	Type of relationship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
26	Eurizon Capital S.A. Capital Eur 7,974,600	Luxembourg	Luxembourg	1	Eurizon Capital SGR S.p.A.	100.00	
27	Eurizon Capital SGR S.p.A. Capital Eur 99,000,000	Milano	Milano	1	Intesa Sanpaolo S.p.A.	100.00	
28	Eurizon Slj Capital Ltd. Capital Gbp 1,001,000	London	London	1	Eurizon Capital SGR S.p.A.	65.00	
29	Exelia S.r.l. (c) Capital Ron 8,252,600	Brasov	Brasov	1	Intesa Sanpaolo Holding International S.A.	100.00	
30	Exetra S.p.A. (h) Capital Eur 158,000	Milano	Milano	1	Intesa Sanpaolo S.p.A.	85.00	
31	Fideuram Intesa Sanpaolo Private Banking S.p.A. Capital Eur 300,000,000	Roma	Torino	1	Intesa Sanpaolo S.p.A.	100.00	
32	Fideuram Asset Management (Ireland) Dac (già Fideuram Asset Management (Ireland) Ltd.) Capital Eur 1,000,000	Dublin	Dublin	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
33	Fideuram Asset Management SGR S.p.A. Capital Eur 25,870,000	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	99.52	
34	Fideuram Asset Management Uk Ltd (c) Capital Gbp 1,000,000	London	London	1	Fideuram Asset Management (Ireland) Dac	100.00	
35	Fideuram Bank (Luxembourg) S.A. Capital Eur 40,000,000	Luxembourg	Luxembourg	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
36	Fideuram Vita S.p.A. Capital Eur 357,446,836	Roma	Roma	1	Intesa Sanpaolo S.p.A. Fideuram Intesa Sanpaolo Private Banking S.p.A.	80.01 19.99 100.00	
37	Fondo Sviluppo ecosistemi di Innovazione (c) Capital Eur 15,000,000	Torino	Torino	1	Intesa Sanpaolo Innovation Center S.p.A.	100.00	
38	Gap Manco Sarl (c) Capital Eur 12,500	Luxembourg	Luxembourg	1	REYL & Cie S.A.	100.00	
39	Iberia Distressed Assets Manager Sarl (c) Capital Eur 12,500	Luxembourg	Luxembourg	1	REYL Finance (MEA) Ltd.	100.00	
40	IIF SME Manager Ltd. (c) Capital Usd 1,000	George Town	George Town	1	Asteria Investment Managers S.A.	100.00	
41	IMI Capital Market USA Corp. Capital Usd 5,000	New York	New York	1	IMI Investments S.A.	100.00	
42	IMI Finance Luxembourg S.A. (c) Capital Eur 100,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
43	IMI Investments S.A. Capital Eur 21,660,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo S.p.A.	100.00	
44	IMMIT - Immobili Italiani S.r.l. Capital Eur 185,680,000	Bergamo	Bergamo	1	Intesa Sanpaolo S.p.A.	100.00	
45	Immobiliare Cascina Rubina S.r.l. (g) Capital Eur 10,000	Milano	Milano	1	Risanamento S.p.A.	100.00	
46	IN.FRA - Investire nelle Infrastrutture S.r.l. Capital Eur 10,000	Milano	Milano	1	Intesa Sanpaolo S.p.A.	100.00	
47	Iniziative Logistiche S.r.l. Capital Eur 10,000	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture S.r.l.	60.02	
48	Insalute Servizi S.p.A. Capital Eur 500,000	Torino	Torino	1	Intesa Sanpaolo Vita S.p.A.	100.00	
49	Intesa Invest A.D. Beograd (c) Capital Rsd 236,975,800	Beograd	Beograd	1	Banca Intesa AD Beograd	100.00	
50	Intesa Leasing (Closed Joint-Stock Company) Capital Rub 3,000,000	Moscow	Moscow	1	Joint-Stock Company Banca Intesa	100.00	
51	Intesa Leasing d.o.o. Beograd Capital Rsd 960,374,301	Beograd	Beograd	1	Banca Intesa AD Beograd	100.00	
52	Intesa Sanpaolo (Qingdao) Service Company (c) Capital CNY 80,000,000	Qingdao	Qingdao	1	Intesa Sanpaolo S.p.A.	100.00	
53	Intesa Sanpaolo Assicura S.p.A. Capital Eur 27,912,258	Torino	Torino	1	Intesa Sanpaolo Vita S.p.A.	100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
54	Intesa Sanpaolo Bank Albania Sh.A.	Tirana	Tirana	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital All 5,562,517,674						
55	Intesa Sanpaolo Bank Ireland Plc	Dublin	Dublin	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 400,500,000						
56	Intesa Sanpaolo Bank Luxembourg S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Eur 1,389,370,555						
57	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina	Sarajevo	Sarajevo	1	Privredna Banka Zagreb d.d.	99.99	100,00 (**)
	Capital Bam 44,782,000						
58	Intesa Sanpaolo Brasil S.A. - Banco Multiplo	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo S.p.A.	99.90	
	Capital Brl 945,428,281				Intesa Sanpaolo Holding International S.A.	0.10	
						100.00	
59	Intesa Sanpaolo Casa S.p.A. (c)	Milano	Milano	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 1,000,000						
60	Intesa Sanpaolo Expo Institutional Contact S.r.l. (c)	Milano	Milano	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 50,000						
61	Intesa Sanpaolo Funding LLC (già Intesa Funding LLC)	New York	Wilmington Delaware	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Usd 25,000						
62	Intesa Sanpaolo Harbourmaster III S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Eur 5,500,000						
63	Intesa Sanpaolo Highline S.r.l. (c)	Torino	Torino	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 500,000						
64	Intesa Sanpaolo Holding International S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 2,157,957,270						
65	Intesa Sanpaolo House Luxemburg S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Eur 24,990,317						
66	Intesa Sanpaolo Imi Securities Corp.	New York	New York	1	IMI Capital Market USA Corp.	100.00	
	Capital Usd 44,500,000						
67	Intesa Sanpaolo Innovation Center S.p.a.	Torino	Torino	1	Intesa Sanpaolo S.p.A.	99.99	
	Capital Eur 9,254,940				Intesa Sanpaolo Vita S.p.A.	0.01	
						100.00	
68	Intesa Sanpaolo Insurance Agency S.p.A.	Torino	Torino	1	Intesa Sanpaolo Vita S.p.A.	100.00	
	Capital Eur 500,000						
69	Intesa Sanpaolo International Value Services d.o.o.	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Hrk 100,000						
70	Intesa Sanpaolo Life Designed activity company (già Intesa Sanpaolo Life Ltd.)	Dublin	Dublin	1	Intesa Sanpaolo Vita S.p.A.	100.00	
	Capital Eur 625,000						
71	Intesa Sanpaolo Private Argentina S.A. (c)	Buenos Aires	Buenos Aires	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	4.97	
	Capital Ars 13,404,506				REYL & Cie S.A.	95.03	
						100.00	
72	Intesa Sanpaolo Private Banking S.p.A.	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
	Capital Eur 117,497,424						
73	Intesa Sanpaolo Provis S.p.A.	Milano	Milano	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 6,725,000						
74	Intesa Sanpaolo RBM Salute S.p.A. (i)	Venezia	Venezia	1	Intesa Sanpaolo Vita S.p.A.	73.79	
	Capital Eur 305,208,000						
75	Intesa Sanpaolo RE.O.CO. S.p.A.	Milano	Milano	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 13,000,000						
76	Intesa Sanpaolo Rent Foryou S.p.A.	Torino	Torino	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 630,000						
77	Intesa Sanpaolo Romania S.A. Commercial Bank	Bucarest	Bucarest	1	Intesa Sanpaolo S.p.A.	99.73	
	Capital Ron 1,216,639,410				Intesa Sanpaolo Holding International S.A.	0.27	
						100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
78	Intesa Sanpaolo Serviços e Empreendimentos Ltda em liquidação (c)	São Paulo	São Paulo	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Brl 3,283,320						
79	Intesa Sanpaolo Servitia S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Eur 1,500,000						
80	Intesa Sanpaolo Vita S.p.A.	Milano	Torino	1	Intesa Sanpaolo S.p.A.	99.99	
	Capital Eur 320,422,509						
81	Inveniam S.A. en Liquidation ©	Geneva	Geneva	1	REYL Private Office Luxembourg S.a.r.l.	100.00	
	Capital Chf 50,000						
82	ISP CB Ipotecario S.r.l. (c)	Milano	Milano	1	Intesa Sanpaolo S.p.A.	60.00	
	Capital Eur 120,000						
83	ISP CB Pubbico S.r.l. (c)	Milano	Milano	1	Intesa Sanpaolo S.p.A.	60.00	
	Capital Eur 120,000						
84	ISP OBG S.r.l. (c)	Milano	Milano	1	Intesa Sanpaolo S.p.A.	60.00	
	Capital Eur 42,038						
85	IW Private Investments SIM S.p.A.	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
	Capital Eur 67,950,000						
86	Joint-Stock Company Banca Intesa	Moscow	Moscow	1	Intesa Sanpaolo Holding International S.A.	53.02	
	Capital Rub 10,820,180,800				Intesa Sanpaolo S.p.A.	46.98	
						100.00	
87	Lux Gest Asset Management S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Bank Luxembourg S.A.	100.00	
	Capital Eur 200,000						
88	Milano Santa Giulia S.p.A. (g)	Milano	Milano	1	Risanamento S.p.A.	100.00	
	Capital Eur 139,041						
89	Morval Bank & Trust Cayman Ltd. (c)	Grand Cayman	Grand Cayman	1	REYL & Cie S.A.	100.00	
	Capital Usd 7,850,000						
90	MSG Comparto Quarto S.r.l. (e)	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
	Capital Eur 20,000						
91	MSG Comparto Secondo S.r.l. (g)	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
	Capital Eur 50,000						
92	MSG Comparto Terzo S.r.l. (g)	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
	Capital Eur 20,000						
93	Neva S.G.R. S.p.A. (già Imi Fondi Chiusi S.p.A.) (c)	Torino	Torino	1	Intesa Sanpaolo Innovation Center S.p.A.	100.00	
	Capital Eur 2,000,000						
94	OOO Intesa Realty Russia in Liquidation (c)	Moscow	Moscow	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Rub 10,000						
95	Oro Italia Trading S.p.A. in liquidazione (c)	Arezzo	Arezzo	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 500,000						
96	PBZ Card d.o.o.	Zagreb	Zagreb	1	Privredna Banka Zagreb d.d.	100.00	
	Capital Hrk 43,422,200						
97	PBZ Leasing d.o.o.	Zagreb	Zagreb	1	Privredna Banka Zagreb d.d.	100.00	
	Capital Hrk 15,000,000						
98	Porta Nuova Gioia (j)	Milano	Milano	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 7,054,350						
99	Portugal Real Estate Opportunities Manager Sarl (c)	Luxembourg	Luxembourg	1	REYL Finance (MEA) Ltd.	100.00	
	Capital Eur 12,500						
100	Pravex Bank Joint-Stock Company	Kiev	Kiev	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Uah 979,089,724						
101	Prestitalia S.p.A.	Bergamo	Bergamo	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 205,722,715						
102	Private Equity International S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 101,000,000						
103	Privredna Banka Zagreb d.d.	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Hrk 1,876,574,700						
104	Qingdao Yicai Fund Distribution Co. Ltd.	Qingdao	Qingdao	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Cny 591,000,000						
105	RB Participations S.A.	Geneva	Geneva	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
	Capital Chf 100,000						

	Companies	Place of business	Registered office	Type of relationship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
106	Recovery Property Utilisation and Services Zrt.	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
	Capital Huf 20,000,000						
107	REYL & Cie (Malta) Holding Ltd. (c)	Valletta	Valletta	1	REYL & Cie S.A.	100.00	
	Capital Eur 730,000						
108	REYL & Cie (Malta) Ltd. (c)	Valletta	Valletta	1	REYL & Cie (Malta) Holding Ltd.	100.00	
	Capital Eur 730,000						
109	REYL & Cie S.A. (k)	Geneva	Geneva	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	39.00	
	Capital Chf 31,500,001				RB Participations S.A.	30.00	
						69.00	
110	REYL & CO (UK) Llp. (c)	London	London	1	REYL & CO Holdings Ltd.	100.00	
	Capital Gbp 2,500,000						
111	REYL & CO Holdings Ltd. (c)	London	London	1	REYL & Cie S.A.	100.00	
	Capital Gbp 2,400,000						
112	REYL Finance (MEA) Ltd. (c)	Dubai	Dubai	1	REYL & Cie S.A.	100.00	
	Capital Usd 2,875,000						
113	REYL Overseas AG (c)	Zurich	Zurich	1	REYL & Cie S.A.	100.00	
	Capital Chf 2,000,000						
114	REYL Private Office Luxembourg Sarl (c)	Luxembourg	Luxembourg	1	REYL & Cie S.A.	100.00	
	Capital Eur 50,000						
115	REYL Singapore Holding Pte. Ltd. (c)	Singapore	Singapore	1	REYL & Cie S.A.	75.00	
	Capital Sgd 1,201						
116	REYL Singapore Pte. Ltd. (c)	Singapore	Singapore	1	REYL & Cie S.A.	76.00	
	Capital Sgd 500,000				REYL Singapore Holding Pte. Ltd.	24.00	
						100.00	
117	Ri. Rental S.r.l. (g)	Milano	Milano	1	Risanamento S.p.A.	100.00	
	Capital Eur 10,000						
118	Risanamento Europa S.r.l. (g)	Milano	Milano	1	Risanamento S.p.A.	100.00	
	Capital Eur 10,000						
119	Risanamento S.p.A. (g)	Milano	Milano	1	Intesa Sanpaolo S.p.A.	48.88	
	Capital Eur 197,951,784						
120	Romulus Funding Corporation (f)	New York	New York	2	Intesa Sanpaolo S.p.A.	-	
121	Società Benefit Cimarosa 1 S.p.A. (c)	Milano	Milano	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital Eur 100,000						
122	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A.	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
	Capital Eur 2,600,000						
123	SRM Studi e Ricerche per il Mezzogiorno (c)	Napoli	Napoli	1	Intesa Sanpaolo S.p.A.	60.00	20,00 (*)
	Capital Eur 90,000						
124	Sviluppo Comparto 3 S.r.l. (g)	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
	Capital Eur 50,000						
125	UBI Finance S.r.l. (c)	Milano	Milano	1	Intesa Sanpaolo S.p.A.	60.00	
	Capital Eur 10,000						
126	UBI Trustee S.A. (c)	Luxembourg	Luxembourg	1	Fideuram Bank Luxembourg S.A.	100.00	
	Capital Eur 250,000						
127	Vseobecna Uverova Banka A.S.	Bratislava	Bratislava	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital Eur 430,819,064						

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT		Votes available (b)
					Direct ownership	% held	
128	VUB Generali Dochodkova Spravcovska Spolocnost A.S. (l)	Bratislava	Bratislava	1	Vseobecna Uverova Banka A.S.	55.26	
	Capital Eur 10,090,976						
129	VUB Operating Leasing	Bratislava	Bratislava	1	Vseobecna Uverova Banka A.S.	100.00	
	Capital Eur 25,000						

(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 consolidated using the equity method given its limited materiality.

(d) The subsidiary Asteria Investment Managers SA ("Asteria") is 80% owned by Reyl & Cie SA following the acquisition of the minority interests from the minority shareholders. The remaining 20% of the share capital consists of treasury shares. These treasury shares are due to be cancelled in early 2023, resulting in an adjustment of Asteria's total share capital, after which Reyl & Cie will hold a 100% equity investment. Asteria absorbed the subsidiary Obviam AG with accounting effect from 31 December 2022 (which was previously consolidated at equity due to its low materiality).

(e) Minority shareholders are subject to a legal commitment to purchase the remaining 0.7% of share capital.

(f) Company controlled pursuant to IFRS 10, although the Group does not hold any equity stake in the company capital.

(g) Company not subject to the management and coordination activities pursuant to art. 2497 and following of the Italian Civil Code.

(h) In the event of liquidation of the equity investment, the minority shareholder has the right to sell, and Intesa Sanpaolo is required to purchase, the entire minority investment.

(i) Please note that there are put and call option agreements on 26.1% of share capital held by minority shareholders.

(j) A closed-end alternative real estate investment fund managed by COIMA SGR S.p.A.

(k) Please note that there are put and call option agreements on 31% of share capital held by minority shareholders.

(l) Please note that there are put and call option agreements on 44.74% 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 significant minority interests

3.1 Minority interests, minority voting rights and dividends distributed to minority shareholders

	Companies	Minority interests %	Minority voting rights % (1)	Dividends distributed to minority shareholders
1	Bank of Alexandria (2)	20.00	20.00	16
2	Banka Intesa Sanpaolo D.D.	0.87	0.87	
3	Compagnia Italiana Finanziaria - CIF S.r.l.	38.55	38.55	
4	Eurizon Capital Real Asset SGR S.p.A.	40.01	24.50	
5	Eurizon SLJ Capital Limited	35.00	35.00	1
6	Exetra S.p.A.	15.00	15.00	
7	Fideuram Asset Management SGR S.p.A.	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.	26.21	26.21	
11	Intesa Sanpaolo Vita S.p.A.	0.01	0.01	
12	Reyl & Cie S.A.	31.00	31.00	
13	Risanamento S.p.A.	51.12		
14	VUB Generali Dochodkova Spravcovska Spolocnost A.S.	44.74	44.74	

(1) Available voting rights at Ordinary Shareholders' Meeting.

(2) Dividend approved but not distributed

3.2 Investments in companies with significant minority interests: financial highlights

(millions of euro)

	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)
1	Bank of Alexandria	5,171	86	4,808	162	4,249	628	353	408	-177	191	129	-	129	-319	-190

4. Significant restrictions

In terms of significant restrictions, it is noted that 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.

Referring, for more details, to Part A - Section 5 of the consolidated financial statements, in compliance with the provisions of IFRS 12, in this section we note the limitations currently imposed by Russian regulations which – in substance – impose restrictions on repayments and payments to parties resident in unfriendly countries.

Those limitations specifically affect the subsidiary Banca Intesa Russia, which, in 2022, was unable to directly route the repayments of past due instalments referring to intragroup exposures to the creditor banks and, therefore, routed the resources allocated for those repayments (for a total of around 29 million euro at the end of 2022) to specific accounts in Russia.

It must also be noted that the current legal restrictions on transferring monetary resources beyond the country's borders do not prejudice in any way the ownership of the amounts (due to the creditor banks), nor, as argued in greater detail in Part A – Section 5, do they constitute an obstacle to maintaining control over the Russian subsidiary.

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, except for that reported below for the Ukrainian subsidiary Pravex Bank in the following paragraph on Consolidation methods.

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.

With regard to the Ukrainian subsidiary Pravex Bank, as a result of the worsening of the situation in Kyiv (where the subsidiary’s offices are located) since mid-October 2022, due to the repeated Russian bombings of the main Ukrainian power plants, it was decided, with a view to reducing “operational” risk, that it was best to retain, in December’s consolidation, the accounting values produced by Pravex for the consolidation of September 2022. Thus, for the financial statements as at 31 December, the balance sheet and income statement results of Pravex were included based on a consolidation package, drawn up in compliance with the IAS/IFRSs, as set out in the Group Accounting Policies, related to 30 September 2022, using the exchange rate as at 31 December 2022 for conversion into Euro. The decision to use the data as at 30 September 2022 for the line-by-line consolidation of Pravex, also taken in light of the slight materiality of the subsidiary, and motivated by objective operational restrictions, is also based on the indications in IFRS 10, though for specific cases[75].

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.

[75] IFRS 10 states that, where it is not possible to use the subsidiary’s data updated to the same reporting date as the consolidated financial statements, it is permitted to use the previous accounting data, provided that previous date is no more than 3 months prior. For more details, see the following paragraphs of IFRS 10: IFRS 10.B92 “*The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall have the same reporting date. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.” IFRS 10.B93 “If it is impracticable to do so, the parent shall consolidate the financial information of the subsidiary using the most recent financial statements of the subsidiary adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements. In any case, the difference between the date of the subsidiary’s financial statements and that of the consolidated financial statements shall be no more than three months, and the length of the reporting periods and any difference between the dates of the financial statements shall be the same from period to period.”*

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

On 1 January 2023, the amendments to the Articles of Association of Banca 5 S.p.A. took effect, with the company's new name of Isybank S.p.A. This is the first formal step in the project underway to create a new digital bank within the Group, as envisaged in the 2022-2025 Business Plan.
Also on 1 January 2023 the Extraordinary Shareholders' Meetings of the two companies approved the merger by incorporation of Fideuram Bank (Luxembourg) S.A. into Compagnie de Banque Privée Quilvest S.A., which took the name Intesa Sanpaolo Wealth Management, with statutory and accounting effects on the same date.

With reference to the purchase of own shares for annulment (buyback) for a maximum total outlay of 3,400 million euro and a number of shares not exceeding 2,615,384,615 Intesa Sanpaolo ordinary shares - approved by the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022 and authorised by the ECB through the notification received on 24 June 2022 - which was carried out under an initial programme launched on 4 July and concluded on 11 October 2022 for an outlay of 1,700 million euro and the purchase of 988,632,803 shares (all of them annulled)[76], on 6 February 2023 Intesa Sanpaolo announced the launch of the buyback for the remaining maximum outlay of 1,700 million euro and a number of shares not exceeding 1,626,751,812, as resolved by the Bank's Board of Directors on 3 February 2023.
The programme, assigned to an appointed third-party intermediary, operating in full independence and without any involvement of the Intesa Sanpaolo Group, to carry out the operations on the regulated market Euronext Milan of Borsa Italiana, was launched on 13 February 2023, and will be completed by 12 May 2023, in compliance with the terms approved at the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022, which establish that the purchase of own shares and their annulment should take place by the ex-right date of the dividend related to the financial statements for the year ending 31 December 2022, namely by 22 May 2023.
Intesa Sanpaolo will communicate, by 18 May 2023, the final amount of the remaining dividend per share based on the number of shares annulled following the completion of the programme.

SECTION 5 - OTHER ASPECTS

RISKS, UNCERTAINTIES AND IMPACTS OF THE RUSSIAN/UKRAINIAN CRISIS AND THE COVID-19 PANDEMIC

Introduction
In terms of risk management, 2022 saw both positive aspects, such as the regression of the impacts deriving from the COVID-19 pandemic and the consequences on customer solvency, and negative aspects, mainly attributable to the Russia-Ukraine conflict and the consequences of that scenario, in terms of hikes in the prices of energy sources, the lack of certain commodities and the resulting increase in prices.

The preparation of the consolidated financial statements in accordance with IFRS requires 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 main areas of uncertainty in the estimates made by the management, which are based on historical experience and other assumptions that are deemed reasonable, include those relating to loan losses, the fair value of financial instruments (including derivatives), corporate income taxes, employee benefits, goodwill and intangible assets, impairment of non-financial assets, derecognition of financial assets and liabilities and provisions for risks and charges.

The situation described above 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. Scenarios with significantly new elements that were not found in recent periods are very difficult to capture in the modelling of credit assessments, making it extremely difficult to produce forecasts for specific portfolio risks in such circumstances.

The estimation methodologies set out in the Group's policies provide that, in certain circumstances – such as the current ones – the need may arise to make temporary adjustments (valuation increases) to the results of the models adopted, as a precaution. That need may arise as a result of external events that are unexpected, which the Bank cannot control and have potential consequences, also on a large scale, on the measurement of the ECL of the Bank's portfolios as a result of elements that are not adequately captured by the IFRS 9 models used. It must be noted that the IFRS 9 estimation methodologies are founded on experience-based assumptions, and are strongly anchored to historical observations, which are considered over a congruous time horizon and in a sufficiently stable backdrop. At the same time, the estimation methodologies must also reflect forward-looking conditions and adopt reasonable, sustainable approaches and forecasts (without undue cost and effort). They must be appropriately assessed in the event of increased uncertainty on the future scenario and on the possible impacts of the events in question.

The guidelines provided by regulators for the COVID-19 pandemic and the conflict in Ukraine (reported in greater detail in the specific sections below) allow/invite intermediaries to adopt a flexible approach and to use their own expert judgment in making decisions in exceptional, unexpected contexts, 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 context of extremely specific events. These considerations supported the Bank's decision to adopt post-model adjustments, increasing the Expected Credit Losses (ECL) on a managerial basis, in order to incorporate a suitable estimate of the uncertainties mentioned above. The Bank therefore used estimates, assumptions and judgments that reflect this uncertainty. In the current situation of uncertainty, the

[76] Detailed information on the initial programme is provided in the paragraph "Highlights" in the Report on operations.

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.

The current context, in terms of both the macroeconomic profile and the evolution of the Russian-Ukrainian conflict, is thus marked by significant uncertainties, which were considered in drawing up the financial statements. Specifically, the potential direct and indirect risks of that context were taken into consideration in order to measure credit positions, through prudential adjustments to exposures to Russian and Ukrainian counterparties and the strengthening of coverage for non-performing positions and all performing positions which, while not showing specific impairment, may suffer the consequences of a negative evolution of the macroeconomic context and the Russian-Ukrainian conflict.

Thus, the following is set out below:
- first, several indications on the scenarios used by the Group in preparing the financial statements in this specific context, the related sensitivity analyses and the issue of impairment testing of goodwill and deferred taxation;
- subsequently, the issues relating to the Russian-Ukrainian conflict are covered;
- lastly, the issue of COVID-19 is covered[77].

Reference is also made to the relevant Sections of the Notes to the consolidated financial statements (as indicated below) for a more detailed examination, including quantitative data, of the effects of the above situations, which are summarised below. Specifically, a more complete analysis of the approach to measuring credit positions, also with specific regard to describing the modelling used and the management overlays used in this specific context is provided in Part E - Section 2 - Credit risk management policies. Given the importance of these issues, it is also noted that the Report on operations contains a section specifically dedicated to "The impact for the ISP Group of the military conflict between Russia and Ukraine", which summarises, *inter alia*, the initiatives of the Intesa Sanpaolo Group in favour of Ukraine, as well as the aspects regarding the framework of sanctions against the Russian Federation and cybersecurity. An equivalent section on the "Impacts of the COVID-19 pandemic" has also been included in the Report on operations.

Intesa Sanpaolo Group macroeconomic scenarios for the 2022 financial statements

With regard to 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 and considering the lesser uncertainties that characterise the process of estimating the projections (compared to the extremely serious scenario at the start of the pandemic), the Group decided to return to using the scenarios produced internally by the Parent Company's Research Department as input to the ECL models in December 2021, thus restoring substantial uniformity between the scenarios used in the other measurement/forecasting processes (impairment tests, budgeting, etc.), especially with regard to the Business Plan launched in 2022. This choice, confirmed during 2022, also seems reasonable in light of the convergence between the forecasts produced internally by the Research Department and the forecasts drawn up periodically by the ECB/Bank of Italy.

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.
Instead, the medium-term forecasting scenario of reference to determine the value in use of the CGUs for impairment testing is set out in Section 10 of Part B.

Sensitivity analysis in the light of alternative scenarios

As in the previous years, and as recommended by the regulators (see, for example, ESMA: "European common enforcement priorities for 2021 annual financial reports" and the ESMA guidelines on the Russian/Ukrainian crisis illustrated in the specific section), in the Notes to the consolidated financial statements, the Group provides the various sensitivity analyses in order to supplement its disclosures. These analyses related to the issues indicated below, to provide users of the financial statements with a greater understanding of the Group's valuation choices in this specific context. Therefore, 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 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);

[77] Based on the indications provided in the specific communications from the Bank of Italy: "impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS".

- 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 current 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 2022, the effects of the current situation 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 current scenario

As provided for by 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). The Group carried out that test also in the current situation. For a more detailed illustration, refer to Part B – Assets: Section 11 Deferred Tax Assets and Liabilities - Probability test on deferred taxation.

RISKS, UNCERTAINTIES AND IMPACTS OF THE RUSSIAN/UKRAINIAN CRISIS

On 24 February 2022, the gradually escalating tension between Russia and Ukraine erupted into a conflict, the intensity and size of which had not been seen in Europe since the end of the Second World War. The extremely serious situation resulting from the conflict was immediately closely monitored and assessed by Intesa Sanpaolo, also in light of the guidance provided by the regulators on the subject, given that the Group has:

- a direct presence with two subsidiaries in the warring countries, Pravex Bank Public Joint-Stock Company (Pravex) and Joint-Stock Company Banca Intesa (Banca Intesa Russia), and is therefore particularly exposed to the consequences of the conflict;
- cross-border exposures stemming from its corporate and investment banking activities.

In its lending activities, the IMI C&IB Division has over time financed counterparties resident in the Russian Federation. More than two-thirds of the loans to Russian customers disbursed before the conflict involve leading industrial groups, which have established commercial relationships with customers belonging to the main international supply chains, a significant amount of which derives from commodity exports. At the outbreak of hostilities, loans to Russian customers represented around 1% of the Intesa Sanpaolo Group's total loans to customers, net of Export Credit Agency - ECA guarantees. Due to the existence of those guarantees, the credit risk on those exposures can be considered as not referring to either Russia or Ukraine.

That being said, in this section we note some information relating to the Russian and Ukrainian subsidiaries:

- Banca Intesa Russia[78]: this is a Moscow-based corporate bank, 47% owned by Intesa Sanpaolo and 53% by Intesa Sanpaolo Holding International, part of the IMI Corporate & Investment Banking Division. It operates with 27 branches and 907 staff;
- Pravex is a small commercial bank, wholly owned by Intesa Sanpaolo and based in Kyiv, part of the International Subsidiary Banks Division. It operates with 43 branches (mainly in the Kyiv region) and 735 staff.

Specific regulations issued by the EU Regulators on the Russian-Ukrainian crisis

As a result of the unexpected evolution of the Russian-Ukrainian crisis, as well as the resulting tensions that arose in relations between the Russian Federation and the EU and NATO countries (including Italy), the main regulators issued a series of specific measures to provide guidance on this issue. The most significant is the public statement issued by ESMA on 13 May 2022, symmetrically adopted also by CONSOB with regard to the priority accounting aspects. This public statement is based, and provides greater details, on the previous document of 14 March 2022 (ESMA PUBLIC STATEMENT: ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets – 14 March 2022). That public statement was additionally confirmed by the "ESMA Enforcement Priorities 2022" of 28 October 2022.

In the context of the Russian-Ukrainian war, as previously for COVID-19, specific recommendations are provided for the financial statement aspects most strongly impacted by the war regarding:

<u>Control and going concern</u>

- assess at Group level the going concern situation. This assessment must take account of all the information available on the future, including expected profitability and any restrictions on immediate access to financial resources;
- assess the continuing control over the subsidiaries located in the regions involved in the conflict;
- consider existing financial restrictions on assets;
- carefully assess whether control was effectively lost in the event of disposal.

<u>Valuation process and classification of positions</u>

- update the valuation based on significant judgements, assumptions about the future and other tools for assessing uncertainty;

[78] In addition to the marginal company OOO Intesa Realty Russia, consolidated at equity, considering its slight materiality.

- in assessing the impairment of debt securities and loans, as well as of leases and trade receivables and contract assets, consider the effect of the war on whether there has been a significant increase in credit risk (SICR)[79] and on the measurement of expected credit losses (ECL) taking into account forward-looking information;
- when assessing whether recognition of impairment or write-down of assets is necessary, take into account decisions to discontinue, dispose of, or suspend operations, or cancel investments in Ukraine, Russia or Belarus;
- focus on the classification of non-current assets held for sale and/or discontinued operations pursuant to IFRS 5.

Financial reporting

- use caution in presenting the impacts of the conflict separately in the financial statement forms, given its extensiveness. Instead, it would be preferable to provide in the notes the qualitative and quantitative information on significant impacts, the judgements and assumptions applied in recognising, measuring and presenting assets and liabilities, and their related economic effects;
- adjust and potentially expand the level of detail of the information provided in the financial statements. It is also recommended to update the disclosures on sensitivity analyses, both in general and with specific reference to exposures to Russia and Ukraine;
- provide adequate information on the scenarios considered, updating the impairment tests on non-financial assets (such as intangible assets with indefinite life and deferred tax assets).

Specific attention must obviously be paid to the impacts on the financial statements of any significant events occurring after the end of the reporting period, to provide relevant supplementary information.

Control and going concern

Despite the critical situation, particularly for Pravex, the two subsidiaries resident in the warring countries are continuing to operate with the support of the Parent Company structures, albeit with the objective limits dictated by the war and the continued high international tensions.

Intesa Sanpaolo's continuing control over the two entities has also been confirmed. This can be identified based on several aspects:

- in accounting/administrative terms, by acquiring the accounts for consolidation purposes. Specifically, as illustrated in greater detail in Part A: Section 3 - Scope of consolidation and consolidation methods, for the Russian subsidiary, the accounts as at 31 December 2022 were acquired accurately and in a timely manner, while for Pravex, it was decided to maintain the accounts produced for consolidation as at 30 September 2022, considering the specific operating difficulties of the subsidiary, as well as in light of the substantial immateriality of its balance sheet figures at Group level;
- in terms of statutory regulations. With specific regard to the Russian subsidiary, the Parent Company was able to exercise its power to determine, in compliance with Russian regulations, the composition of the corporate bodies and to appoint the management body members of Banca Intesa Russia at the Shareholders' Meeting of 8 July 2022. The turnover involving the Board and the Audit Committee was the result of appointments proposed by the Parent Company that passed the approval process of the Russian Central Bank, while the Board appointed before the conflict remains in place for the Ukrainian subsidiary;
- in terms of steering the business, the two entities continue to move ahead with their commercial business following the instructions of the Parent Company. Specifically, in its corporate operations, Banca Intesa Russia complied with the instructions received, immediately after the conflict broke out, to gradually reduce its existing credit exposure. In lending, that bank is not subject to external "interference", and follows the instructions of the Parent Company also in cases where, due to the slight materiality of the disbursements, based on its existing powers, it would be entitled to make autonomous decisions on its action;
- in terms of coordination and control, as the Parent Company's control functions (including the support function of the Manager responsible for preparing the Company's financial reports, namely Administrative and Financial Governance) continue to carry out their roles through the regular receipt and analysis of the planned information flows, interacting with the structures of the subsidiaries through the communication channels available, in line with any limitations that may arise over time, also handled using contingency solutions.

Moreover, the conclusions regarding the maintenance of control over Banca Intesa Russia are not invalidated by the limitations currently set by Russian regulations which, substantially, impose restrictions to repayments and payments to parties resident in "unfriendly" countries. Aware of the restrictions imposed by the specific regulatory framework, Banca Intesa Russia credited to specific Russian accounts, as provided by law, the monetary resources for the repayment of intragroup exposures that matured in the meantime.
The potential use of the resources credited to those accounts – equal to around 29 million euro at the end of December 2022 – is limited to several specific purposes within Russia. In this context, it must be considered that, also based on specific legal opinions acquired, the current limitations do not constitute the "expropriation" of the amounts in any way (nor are they even indicators of a loss of control over the subsidiary's assets). Rather, they derive from the temporary legal "freezing" of the free availability of amounts which, based on economic rights, would otherwise be available for their owner.

Also with regard to the issue of control over assets, note the two significant de-risking operations for a total of 2.5 billion euro in loans to leading counterparties in the Russian Federation. Those operations were completed with the collection of the consideration agreed from the acquiring counterparties.

[79] Where it is difficult to identify the effect at instrument level, it may be necessary to perform the assessment on a collective basis, on groups of financial instruments.

Valuation process and classification of positions

In referring to Part E (Section 2 “Risks of the prudential consolidation”) of these Consolidated financial statements for a more complete examination of the aspects of managing and measuring the Group’s exposures to Russian[80] and Ukrainian counterparties, it is noted that, as a result of the outbreak of the conflict, considering the presence of credit exposures of the Group to counterparties exposed to country risk related to the conflict (specifically, resident counterparties or counterparties controlled by residents in the Russian Federation), for the purpose of drawing up the financial reporting, a regulatory analysis was conducted of the international accounting standards to verify any indications or rationales underlying the measurement of the Expected Credit Loss in crisis scenarios such as the current one. The analysis of IFRS 9 “Financial Instruments” and the related Annexes shows no indications or examples aimed at setting out guidelines for the measurement of Expected Credit Losses in contexts of war or determining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. Rather, the standard offers general indications on calculating the ECL within this framework[81].

Therefore, in light of the significant uncertainty about the direct or indirect effects of the conflict and based on the indications provided by the various regulators on the outbreak of the COVID-19 pandemic (see below), which also contained elements of clear unpredictability, it was deemed consistent with the indications of the standard to identify:

- in the collective assessment, the methods for capturing the SICR, specifically if it is not possible to measure a specific level of credit risk for the single counterparties;
- in using management overlays, for the purpose of calculating the ECL, the most suitable method for incorporating provisions linked to country and geopolitical risk relating to the ongoing conflict.

For the purposes of the financial statements as at 31 December 2022, the main choices regarding the staging assignment and calculation of the ECL adopted by the Group in the 2022 interim reporting for performing loans to Russian and Ukrainian counterparties were confirmed. In light of that indicated in the previous paragraph, for these loans, the Group decided to adopt an approach strongly guided by the emergence of geopolitical risk, thus impacted by the counterparties’ country of residence, both to determine the SICR and to calculate the ECL, also by applying management overlays. Moreover, with specific reference to the cross-border exposures, the Russian companies financed before the outbreak of the conflict all had high ratings and therefore, for most of them, their business outlook does not include any increased risks other than those generated by the geopolitical situation. Consequently, for these companies, the main current risk is transfer risk, i.e. the risk that they will fail to honour their debt repayment commitments, not because of aspects directly related to their business, but because of government-imposed restrictions.

This was considered the most appropriate way to incorporate the provisions for country and geopolitical risk related to the current conflict that would otherwise not be properly captured by the risk measurement systems normally used. These choices were applied consistently to both the exposures of Pravex and of Banca Intesa Russia and cross-border positions mainly at the Parent Company and the international subsidiary banks of the IMI CIB Division and, for smaller amounts, the banks of the International Subsidiary Banks Division. For a more detailed examination of the main application methods of those approaches, refer to that illustrated in greater detail in Part E - Information on risks and relative hedging policies[82] of the Notes.

With regard to the classification of exposures to Russian and Ukrainian counterparties in the various risk stages set out in IFRS 9, for cross-border counterparties, the constant updating of the ratings entailed their classification in Stage 2, just based on the ordinary staging processes, except for a few Russian counterparties, for which the status of Unlikely-to-Pay was established. The Group’s approach entailed classifying performing exposures to customers of Banca Intesa Russia in Stage 2. Instead, with regard to exposures to customers of Pravex, the absolutely serious situation in all of Ukraine resulted in the definition, for the purpose of classifying and measuring the bank’s loan portfolio, of a specific approach, significantly based on prudent rationales, in light of the worsening of the conflict and the consequent repercussions on the Ukrainian economy. For the purposes of the financial statements as at 31 December, it was deemed appropriate to fully write down Pravex’s on-balance sheet loans to customers, with consequent classification to Stage 3. This measure reflects the ongoing war situation that requires considering country risk, with appropriate measurement of the risk that the capital invested abroad is exposed to, connected to the possibility that political or economic circumstances may result in non-repayment of the loan or in a write-down of the investment made in the country. In essence, the risk of insolvency of public and private operators linked to their geographical area of origin is independent from their intent. Lastly, these choices also consider the limited volume of loans of the subsidiary.

The real estate assets and the financial investments in Russian securities of the two subsidiaries were also assessed, with marginal impacts at Group level, also in light of their limited materiality.

With regard to the classification of non-current assets held for sale and/or discontinued operations pursuant to IFRS 5, the Group did not classify any exposures to Russian or Ukrainian counterparties in that manner, as the conditions under IFRS 5 were not met.

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

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

[82] Section 2 – Risk of the prudential consolidation 1.1 Credit risk.

Financial reporting

In line with the approach adopted in the interim statements published during the year, the Group presents the impacts of the conflict by providing in the Notes to the consolidated financial statements (in this Section or in the references indicated) qualitative and quantitative information on significant impacts, the judgements and assumptions applied in recognising, measuring and presenting assets and liabilities, and their related economic effects, without opting for separate presentation.

That being said, a summary is provided below of the remaining exposures of the Group to counterparties resident in Russia or Ukraine and the related economic impacts, referring, also in this case, to that set out in Part E - Information on risks and relative hedging policies of these Notes to the consolidated financial statements for more detailed analyses.

At the end of the year, the remaining exposures to counterparties resident in Russia or Ukraine (net of the share covered by Export Credit Agency guarantees) amounted, in terms of gross values, to 372 million euro (205 million euro net) for Banca Intesa Russia and 1,257 million euro (963 million euro net) for cross-border exposures to customers resident in Russia (net of ECA guarantees). These were accompanied by exposures to banks totalling 797 million euro (782 million euro net) and in securities totalling 73 million euro (41 million euro net). Exposures to customers resident in Ukraine amounted to 216 million euro (103 million euro net), of which 112 million euro (book value nil in net terms) related to the subsidiary Pravex Bank. These were accompanied by exposures to banks and in securities totalling 74 million euro (64 million euro net), for a total of 2,789 million euro.

The significant de-risking exercise set up during 2022 (which involved the finalisation of two significant positions for a total of 2,515 million euro in gross value) and the major adjustments to the residual positions contributed to more than halving the overall net exposure (customers, banks and securities) as at 31 December 2022 to counterparties resident in Russia and Ukraine, which amounted to 2,158 million euro, down by 3,087 million euro compared to 31 December 2021 (-59%).

Moreover, the Parent Company and two subsidiaries disbursed loans to Banca Intesa Russia for a residual book value of 211 million euro, to support the bank's operations, and also made available 200 million euro originally intended for a capital increase. The concrete implementation of that capital increase was suspended due to the war. The loan of 211 million euro is still supporting the operations of the bank, which, despite the difficulties caused by the context, achieved a positive operating result in 2022. For the amount originally intended for a capital increase, the decisions will depend on the development of the war and the Russian regulations which currently impose temporary restrictions to repayments and payments to parties resident in "unfriendly" countries.

Overall, the valuation processes and the losses associated with the de-risking of the Russian exposures led to the recognition in the year, before tax, of net charges totalling 1,415 million euro, with 1,298 million euro relating to adjustments to loans, 36 million euro to securities and 81 million euro to other balance sheet items, including the provision of 80 million euro made upon consolidation of the subsidiary Banca Intesa Russia to zero out its equity contribution to the Group's consolidated financial statements and factor in the impact of the limitations to the repatriation of intragroup funds by Banca Intesa Russia, given the local regulatory restrictions.

Lastly, the Sections of Part E of these Notes dedicated to the single types of risk (market and liquidity, insurance and operational risk) set out the information on the relevant aspects resulting from the limited impacts – where present – of the Russian-Ukrainian crisis.

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 the documents published in 2020 and 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. The following table shows the most relevant documents and their scope of application.

Issuing body	Date	Title	Main topic		
			Classifications	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 were aimed essentially at clarifying the treatment of moratoria, indicating the minimum conditions for clear financial reporting, uniformly guiding the definition of prospective scenarios and allowing flexibility in defining credit assessments.

That being said, during 2022 the health crisis gradually and steadily improved, linked to the increasing immunity reached by the population, both due to the vaccination campaigns and the high number of cases, in addition to decreased seriousness of the variants of the virus in circulation. That trend made it possible to gradually eliminate the restrictive measures, with a resulting recovery in the economic activities that had remained negatively affected by that context (such as tourism). During 2022 – in line with the developments in the health situation, and with the economic recovery under way – there was a gradual resumption of payments for exposures that had benefited from the support measures such as moratoria. As a result, during 2022, the Group reduced the measures implemented to ensure that credit assessments were consistent with the specific context of the pandemic.

Loan classification and valuation in the COVID-19 scenario

The COVID-19 pandemic had a significant 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 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, did 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 set out the conditions also regarding the duration and time limit of the concession for the purposes of applying the exemption. Those conditions gradually stopped applying during 2021. With regard to the Italian scenario, the latest regulatory measure in terms of moratoria was the “Sostegni bis” Law Decree, which granted the option to benefit from an additional extension of legislative moratoria expiring as at 30 June 2021 up to 31 December 2021. The suspension from 1 July onwards only related to the principal, while the interest gradually accruing had to be paid. Considering that no additional legislative measures were decided, any further extensions of existing moratoria/granting of new suspensions during 2022 thus followed the ordinary credit processes, assessing whether the measure should be considered as forbearance.

With regard to loan valuation, the Group adopted a prudent 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, 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 made more sophisticated and consistent over time, by defining management overlays that were gradually refined, reflecting the best perception of the evolution of the crisis. With regard to adjustments to loans, in 2022, the management overlays covering the vulnerability of the moratoria were gradually eliminated, given the progressive increase in moratoria that have reached the deadline for resuming payments without displaying any significant problem issues (as at 31 December 2022 the existing moratoria were substantially eliminated, and remaining exposures amounted to only 80 million euro).

* * *

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 any 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 due to the pandemic, in line with the EBA guidelines, complied with some specific requirements. More specifically, these:

- were offered without distinction to a large group of (performing) borrowers or following legislative provisions;
- did not provide a waiver of contractual interest or principal but solely a deferral/extension of payments.

Since the granted moratoria provided solely a deferral/extension of the period in which payments are due, the application of a moratorium did not 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 2022, 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
Referenced to EONIA	-	-	-	-	-
Referenced to LIBOR USD	9,712	1,393	1,052	412	520,237
of which expiring after 30.06.2023	*8,767*	*1,361*	*680*	*287*	*361,471*
Referenced to LIBOR other currency (all tenors)	60	-	-	-	-
of which: GBP	*4*	-	-	-	-
of which: JYP	-	-	-	-	-
of which: CHF	*56*	-	-	-	-
of which: EUR	-	-	-	-	-
Other IBORs	50	59	-	-	-
Total	**9,822**	**1,452**	**1,052**	**412**	**520,237**

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 disclosure on the IBOR Reform presents the instruments linked to the LIBOR in the residual currencies (mainly USD LIBOR). The exposure in debt securities issued by the Group is attributable to its Fix-to-Float issues currently linked to the floating USD LIBOR (as the period in which these issues provided fixed-rate returns has ended). As illustrated in greater detail below, the transition has been essentially completed for the instruments linked to benchmarks that were subject to transition as at 31 December 2021.

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 arose in completing the transition by the set deadlines, nor are any critical issues expected for the future wind-down of the USD LIBOR. 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 reference to the benchmarks being wound down as at 31 December 2021, the transition activities have been successfully completed for all these benchmarks. Specifically, with regard to the remaining derivative contracts still outstanding as at 31 December 2021 with an underlying EONIA benchmark rate (EONIA OIS), as well as the contracts with the EONIA as the collateral benchmark remuneration rate, no positions were open as at 31 December 2022.

It is also noted that the exposures relating to derivative contracts linked to the Libor to be wound down as at 31 December 2021 (mainly in relation to those expressed in GBP, CHF, JPY and EUR) were no longer present from the initial months of 2022. On financial instruments other than derivatives, linked to the GBP, JPY and CHF Libor, the actions have been completed to transition them to their respective RFRs or to other benchmarks set out in the contracts, with the exception of residual positions in CHF and GBP Libor of an international subsidiary, for which the corresponding measures have been planned.

With 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.
In any event, phases similar to those that were implemented for financial instruments linked to other benchmarks wound down as at 31 December 2021, both for on-balance sheet assets and liabilities and for derivative contracts, are expected to follow. Specific analyses relating to debt securities under assets (third-party issues) and liabilities (own issues) of the Group are still under way, with specific regard to the respective fallback clauses of each bond, also in relation to the reference legislation.
On financial instruments linked to the USD LIBOR, the Group continues to record a gradual decrease in loans, while for derivative instruments, it has acted to reduce its exposures also through transactions with equal and opposite sensitivity. This resulted in an increase in the number of transactions and in the total notional amount, against a gradual reduction in the exposure to that benchmark in terms of risk measures.

Financial instruments linked to other IBORs, which were of insignificant amount as at 31 December 2022, are mainly represented by loans and debt securities linked to the Canadian Dollar Offered Rate (CDOR), whose transition should be finalised by 28 June 2024 - the date of wind-down of that benchmark. The date on which the CDOR 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.

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.

Set up of a VAT Group

Intesa Sanpaolo and all of the Group companies 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.

"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 - Intesa Sanpaolo Private Banking S.p.A. (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 S.p.A., Fideuram Asset Management SGR, Sanpaolo Invest SIM[83] and S.I.RE.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.

[83] Sanpaolo Invest SIM was incorporated into Fideuram ISPPB on 5 December 2022.

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 Decree Law 34/2019 (the "Growth" 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 2022 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 2022 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). Those documents 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 are 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, along with IFRS 9, starting 1 January 2023[84].

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

[84] 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 revaluation model) 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 intangible assets, such as software applications, which are amortised on the basis of their expected technological obsolescence and over a maximum period of seven years. An exception is the core banking system platforms, whose useful life is estimated on a case-by-case basis, and, as a result, amortised over longer periods (from 10 to 15 years). Moreover, the costs incurred for the development of software 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, then an independent and specific valuation is made of the intangible on the basis of the fair value certified by the appraisal of an independent expert. If the fair value of the brand name is not higher than its carrying amount, the recoverable amount of the CGU is estimated, calculated based on future cash flows.

It is also noted that, where a CGU which is allocated both goodwill and a brand name has a value in use lower than the carrying amount, by an amount that exceeds the total value of the intangibles with indefinite life allocated, without prejudice to the full write-down of goodwill, an autonomous valuation of the brand name is carried out based on the fair value stated in the specific appraisal.

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, the tax credits connected with the "Cura Italia" and "Rilancio" Law Decrees 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

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.

With regard to the "Conversion of financial statements in currencies other than the euro" for the purposes of consolidation and accounting for the related foreign exchange differences, reference is made to the specific paragraph of Part A: Section 3 - Scope of consolidation and consolidation methods of these Notes to the consolidated financial statements.

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). Additionally, the government once again intervened on the issue through Law Decree no. 50/2022 ("Decreto Aiuti"), mainly by remodulating the base of potential re-assignees.

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 connected with the "Cura Italia" and "Rilancio" Law Decrees acquired following the assignment by the direct beneficiaries or previous purchasers" 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 attributes:

- to a Hold to Collect business model the credits that are acquired within the limits of its tax capacity, given the objective of holding them for future offsetting. Those credits are recognised at amortised cost and the profitability is recognised on a pro-rata basis under net interest income in the income statement;
- to a Hold to Collect and Sell business model the excess credits acquired in relation to its tax capacity and, therefore, held for subsequent reassignment. Those credits are measured at fair value through other comprehensive income. Given the particular nature of these instruments, their fair value fluctuations are linked to the changes in interest rates to the extent that these reflect on the definition of the purchase prices. The profitability is recognised on a pro-rata basis under net interest income in the income statement.

The accounting framework set out in IFRS 9 for calculating expected credit losses is not deemed applicable to this specific case. The ECL need not be calculated on these tax credits, as no refund is expected from the tax authorities, as the extinction of the instrument is linked to the offsetting of the bearer's tax payables. Moreover, in cases where reassignment is planned, the sale will be finalised by collecting the price of the instrument, without recognising a receivable due from the assignee.

Lastly, considering the operating methods implemented by the Group, the risk of non-use of the tax credits, i.e. the risk that the Bank lacks the tax capacity, , to achieve the benefits associated with the asset, can be reasonably deemed as inexistent. Specifically:

- with regard to the Hold to Collect business model, the amounts acquired are consistent with the overall tax capacity, constantly monitored, so that the Bank can offset its payables;
- with regard to the Hold to Collect and Sell business model, for the credits acquired, reassignment agreements are gradually entered into for excess volumes, binding on the customer, with multiple counterparties, whose tax capacity is verified in advance.

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. Several of the parameters that characterise these operations, established by the ECB on 6 June 2019, were subsequently recalibrated in several steps, initially improving them for banks in light of the economic effects of the COVID-19 emergency and, recently - on 27 October 2022 - to “normalise” funding costs in order to exert downward pressure on inflation and contribute to restoring price stability over the medium term. 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 single tranches could be subscribed on a quarterly basis, from September 2019 up to December 2021, 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), except for the special interest rate period from 24 June 2020 to 23 June 2022, when a rate of 50 basis points lower applied. Banks granting net eligible loans above a preset benchmark net lending level can receive an interest rate reduction. Specifically, the favourable rate applied is equal to the average rate on deposits with the central bank (Deposit Facility Rate or DFR) for the entire duration of the respective operation, except for the special interest rate period where an additional reduction of 50 basis points was added. The interest is paid in arrears at the maturity date of each TLTRO III transaction or at the time of early repayment.

As stated, on 27 October 2022, in addition to further increasing interest rates, as part of a trend of interest rate hikes begun in July 2022, the Governing Council of the ECB decided to recalibrate the conditions applicable to TLTRO III financing. Specifically, it maintained the existing interest rate calculation method up to 22 November. This method provided that, in “ordinary” periods (i.e. periods other than special interest rate periods defined above) the applicable interest rate would equal the average of interest rates calculated over the duration of the instrument, entailing an “adjustment” to the interest rate, which would be determined by applying the interest rate in force each time, only in ordinary periods. Starting on 23 November 2022 (up to the date of maturity or early redemption of each existing TLTRO III) the interest rate is indexed to average applicable key ECB interest rates for each operation in that period (equal to the DFR rate for banks that reached the defined benchmarks).
Lacking specific provisions in the reference accounting standards on how to account for this case and clear indications from IFRIC, which had been consulted on the accounting treatment of the TLTRO III, the Intesa Sanpaolo Group defined its own accounting policy, applied consistently and with continuity over time, also following the changes made to contractual conditions: the Group applies to TLTRO operations the accounting treatment defined by IFRS 9 for floating-rate financial instruments - considering the refinancing conditions defined by the ECB as floating market rates as part of the monetary policy measures of the Eurosystem - recognising the interest applicable in each case, to be estimated based on the probability of achieving the net lending targets set.
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. These benchmarks – referring in particular to volumes as at 31 March 2021 and 31 December 2021 – were in fact achieved.
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.
According to the Group’s accounting policies, the revision of the conditions of the instrument by the ECB is considered as a change to a floating rate pursuant to par. B5.4.5 of IFRS 9, with a forward-looking adjustment to the interest rate, considering the fact that the ECB has the option to change interest rates at its discretion in defining monetary policy rates (as it did in April and December 2020, introducing the special interest rate periods and, more recently, in October 2022, in the terms illustrated above). 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, thereafter, based on existing conditions, illustrated below) as required by paragraph B5.4.5 of IFRS 9.
Following the increases in interest rates approved by the Governing Council of the ECB starting in July 2022, it was necessary to redetermine the effective interest rate applicable to each operation, starting from the date of recalibration of the interest rates, with the goal of reallocating the benefit resulting from the specific mechanism of the average of interest rates in the reference period of the benefit. Lastly, the recalibration of the conditions applicable to TLTRO III financing defined on 27 October 2022 entailed the recognition of the residual benefit up to the date of the changes to contractual conditions (i.e., up to 22 November 2022). That approach is in line with that adopted in the past for recognising interest during special periods (i.e., recognition of the additional benefit of -50 bps in the period from June 2020 - June 2022), as it was considered as the “monetary policy” floating rate applicable in the reference period. Starting on 23 November 2022, interest on existing TLTRO III financing is recognised based on the DFR in force at each time.

As previously noted in the 2021 Financial Statements, 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.
Therefore, in line with the requests from ESMA and in addition to the disclosure on the accounting policies adopted to recognise the TLTRO III operations, the ISP Group provides information also on the resulting quantitative impacts of the recognition of interest.

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;
- 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.

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 treatment in relation to the regulatory provisions, in order to estimate the accounting LGD, to include in the modelling (in line with the indications of IFRS 9 on using entity-specific information) the estimates of internal recoveries exceeding the regulatory threshold of the Maximum Recovery Period, i.e., the maximum time limit beyond which the Supervisory Authority assumes that nothing will be recovered;
- 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);
- Brent price;
- 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, 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 probability of migration to bad loans for positions already in default, the loss rates observed in the pre-bad loans phase for positions migrating to bad loans, and the loss rates observed in the pre-bad loans phase for positions that return to performing status or are extinguished.

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 (Add-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, 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 any 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.
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 bank collateral, is also been accompanied - where applicable and as an alternative recovery strategy - by the scenario of the sale of the loan.
Where company plans and Group strategies identify disposal objectives 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 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 is identified, the book value of said portfolio is determined by weighting the recoverable amount 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 positions to be sold are specifically identified, 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:
  - 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 reporting 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 the 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.
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.
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:
- 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 head-office 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[85]. 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.

[85] 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.

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 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 participation 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 2022.

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 IAS/IFRS, independent price verification (IPV) and prudent value measurement. The latter two are established by the Capital Requirement Regulation (CRR). The paragraphs below describe the methods applied by the Intesa Sanpaolo Group to implement and use those elements.

General fair value principles

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the Group Guidelines and Rules for Valuation of Financial Instruments at Fair Value, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries, including the Insurance Companies.

The “Guidelines for Valuation of Financial Instruments at Fair Value”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability 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 and approved by the Group Financial Risk Committee, 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.

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 participants 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). Specifically:

- 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, and derivatives for which prices are available on an active market (for example, exchange traded futures and options).
Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value are not considered level 1 instruments.
When no listing on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
In the case of instruments classified as level 2, the valuation is based on prices or credit spreads presumed from the official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final measurement.
The following are measured using level 2 input models:

- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- loans whose fair value is determined through the use of an appropriate credit spread which is estimated starting from market data of financial instruments with similar characteristics;
- derivatives (including securitised derivatives) measured through specific models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- structured credit products (ABSs, HY CLOs, CDOs) for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters that can be gathered from the market;
- non-contributed equity instruments measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, or using the "relative" valuation models based on multipliers;

– non-UCITS hedge funds, 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 Market and Financial 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 and monitoring illustrated above.

The fair value of an OTC derivative is calculated considering the risk premium related to the various underlying risk factors. Specifically, there are two relevant cases, according to whether or not the instrument is subject to collateralisation agreements (CSAs) aimed at mitigating the counterparty and funding risk:

a. for CSA transactions with characteristics that reduce counterparty and funding risk to a negligible level, the fair value is calculated according to the non-arbitrage principle, by including the market risk premium related to the risk factors underlying the contract (e.g. interest rates, volatility, etc.), and, in the most significant cases, using the rate of remuneration for the collateral as the discount rate for the future cash flows;
b. for transactions without CSAs, or with CSAs with characteristics that do not reduce the counterparty and funding risk to a negligible level (e.g., One Way CSAs, or with non-negligible limits or minimum transfer amounts), the fair value of the instrument may be stated, under appropriate circumstances, as the sum of the reference (or base) value, equal to the price of the corresponding collateralised instrument, and several additional valuation components related to the counterparty and funding risk premium, referred to jointly as XVA (see "Valuation risk: fair value adjustments”).

In view of the number and complexity of the OTC derivatives, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used for their measurement.

The table below illustrates the main methods used to measure OTC derivatives based on the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black-Scholes, SABR, Libor Market Model, Hull-White, Bivariate log-normal, Rendistato, Hagan exact formula for CMS	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, CMS, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV), Stochastic Local Volatility (SLV), Local Volatility (LV)	Interest rate curves, spot and forward FX curves, FX volatility, "quanto" volatility and correlations
Equity	Accrual, Net present Value Equity, Generalised Black-Scholes, Heston, Local Volatility, Jump Diffusion	Interest rate curves, underlying asset spot rate, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Inflation NPV, Inflation SABR, Inflation Jarrow-Yildirim	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward, Local Volatility, 2-Factors Jump Diffusion	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Loans	Net present Value, CDS Option (or log-normal model), Contingent CDS	Probability of default, Recovery rate, credit index volatility.

As envisaged by IFRS 13, in determining fair value the Intesa Sanpaolo Group also takes into account the effect of non-performance risk. This risk includes changes in the counterparty credit rating and changes in the issuer’s own credit risk.

IV. Valuation model for structured credit products

With regard to asset-backed securities (ABSs), if significant prices are not available, valuation techniques are used that take into account parameters that can be gathered from an active market (level 2 inputs) or, where parameters cannot be observed, estimated parameters (level 2 or 3 inputs, where immaterial or material).

In this case, the cash flows are obtained from infoproviders or specialised platforms, where available, or are taken from the business plan of the transaction, supplemented with periodic reporting, such as the case of Non-Performing Loans (NPLs) and Unlikely to Pay (UTP); the spreads are gathered from prices available on the market/market info provider, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures.

In the case of securitised high-yield loans to European corporate borrowers (CLO HY loans), valuation techniques call for calculation of the net present value of the expected cash flows, determined through specialised platforms, discounted

using market spreads. When modelling expected future flows, account is taken of all contractual aspects of the HY CLO loans that may influence the waterfall, i.e. the distribution of cash flows from the collateral on the notes.
After this valuation, credit analyses on underlying assets are fine-tuned to incorporate 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 fair value of a hedge fund 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.
The fair value hierarchy level is Level 2, provided the Level 3 instruments do not exceed a set threshold.

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. The fair value hierarchy level is Level 3.

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.

With regard to closed-end funds resulting from sales of non-performing loans, where an information set is available that makes it possible to conduct an analysis of the business plan of the positions held by the fund, individually or by uniform cluster, to determine the fair value of the units of the fund, in general the Bank uses the support of an independent expert, who, among other duties, carries out a comparison of performance of the business plans of the underlying exposures, and states in its report, that the fair value determined by the expert complies with the indications from the main regulators[86].

Where it is not possible to apply the approach mentioned above, for each fund a comparison is made between the expected return of the fund and a benchmark rate, defined using a model that factors in various elements, such as: i) the fund's valuation policies, verifying whether they are compliant with criteria consistent with the definition of fair value pursuant to IFRS 13, ii) verification that there is an updated business plan and of the performance of the fund compared to the available business plan, iii) the characteristics of the fund's assets, iv) the level of the cost of funding on the market for issuing liquid instruments, v) the completeness and extensiveness of the information provided by the fund, and vi) the fund management methods. Where the expected return of the fund is higher than the defined benchmark rate, the NAV communicated by the asset management company is used as the fair value measure. Where, instead, the benchmark rate is higher than the expected return of the fund, the fair value is determined based on the NAV minus a discount, which takes account of the spread between the benchmark rate and the expected return of the fund and the average residual life of the fund (Weighted Average Life or WAL).

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.

(thousands of euro)

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	Favourable changes in FV	Unfavourable changes in FV
Securities and loans	Discounting Cash Flows	Credit Spread	-3	6	%	7,409	-11,764
Structured securities and loans	JD model	JD parameters	-37	13	%	134	-192
Structured securities and loans	Two-factor model	Correlation	-26	32	%	4,871	-3,413
ABSs	Discounting Cash Flows	Credit Spread	-1	3	%	611	-832
CLOs Cash	Discounting Cash Flows	Credit Spread	-6	6	%	503	-523
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Loss Given Default Rate (LGD)	0	100	%	3,388	-2,315
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Probability of default (PD) based on counterparty's internal rating	CCC	A	Internal rating	44	-78
OTC Derivatives - Equity basket option	Black - Scholes model	Equity basket correlation	-11.16	87.39	%	517	-759
OTC Derivatives - Equity Option	Black - Scholes model	Historical volatility	8.21	76.17	%	967	-1,524
OTC Derivatives - Equity Option	Marshall Olkin Model	Historical correlation	2.44	47.95	%	66	-43
OTC Derivatives - Spread option on swap rates	Bivariate log-normal model	Correlation between swap rates	-71.70	71.04	%	0	-1

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.

As required by IFRS 13, for the financial assets and liabilities measured at level 3 fair value, the following table lists the effects of a change in one or more significant non-observable parameters used in the valuation techniques adopted to determine the fair value. Note that only the total material effects at the end of the year are shown in the table.

[86] See Bank of Italy/Consob/Ivass Document no. 8 "Treatment in the financial statements of sales without recourse of unlikely-to-pay loans in exchange for units of investment funds", published in April 2020.

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non-observable parameter
FVTPL and FVTOCI securities and loans	Credit spread	-576	1 bp
FVTPL and FVTOCI securities and loans	JD parameters	-10	1%
FVTPL and FVTOCI securities and loans	Correlation	157	1%
OTC Derivatives - Equity	Correlation between underlying equity baskets	218	10%
OTC Derivatives - Equity	Historical volatility	-1,076	10%
OTC Derivatives - Equity CPPI	Historical correlation	-24	10%

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 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 and Sustainability 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. Specifically:

- 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.

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 and Sustainability 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.

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[87] 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 2022” 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.

For the purposes of valuation, if necessary and where relevant, the assumptions also include sustainability considerations, connected with climate change and energy efficiency factors, as well as aspects linked to any specific legislation (for example, configuration, accessibility, etc.). To date, the Group has not made substantial adjustments to fair value due to climate change, aside from those already valued by the indicators observable on the reference market.

[87] 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 2021 and took effect on 31 January 2022.

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 2022, investment properties as well as owner-occupied properties which, based on the scenario analysis, recorded changes on the defined threshold, 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 to value the various classes of real estate, represented by the discounted cash flow method. Specifically, taking account of the trend recorded in the various asset classes of the real estate market and the parameters featuring greater volatility/variability, for owner-occupied properties, reference was made to the net capitalisation rate (yield) and the average medium/long-term inflation rate, while for investment properties, to the exit value. In compliance with the estimate assumptions applied to real estate assets, for the purpose of the analysis, variation ranges were used that were consistent with the potential trends in the market at the reporting date. For owner-occupied properties, a change of +/- 25 bps for the net capitalisation rate and a concurrent change of -/+15 bps for the inflation rate were assumed, in relation to which average deviations of fair value of +4.4% and -4.3% were recorded. For investment properties, a change of +/- 5% in the exit value was assumed, in relation to which there were average deviations of fair value of +4.8% and -5.2%.

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.
Based on the rules referred to, in 2022, artworks which, based on the scenario analysis, recorded changes on the defined threshold, were subject to valuation.

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	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	11,311	32,672	3,594	24,262	25,080	3,389
a) Financial assets held for trading	10,331	32,008	183	22,615	24,379	187
of which: Equities	*860*	*-*	*22*	*674*	*-*	*17*
of which: quotas of UCI	*264*	*5*	*21*	*116*	*-*	*25*
b) Financial assets designated at fair value	-	1	-	-	1	3
c) Other financial assets mandatorily measured at fair value	980	663	3,411	1,647	700	3,199
of which: Equities	*122*	*107*	*242*	*161*	*116*	*225*
of which: quotas of UCI	*858*	*191*	*2,401*	*1,486*	*149*	*2,166*
2. Financial assets measured at fair value through other comprehensive income	41,937	7,422	357	59,084	8,004	492
of which: Equities	*513*	*510*	*325*	*1,537*	*1,314*	*421*
3. Hedging derivatives	-	10,062	-	-	1,732	-
4. Property and equipment	-	-	7,144	-	-	7,364
5. Intangible assets	-	-	-	-	-	-
Total	**53,248**	**50,156**	**11,095**	**83,346**	**34,816**	**11,245**
1. Financial liabilities held for trading	7,285	39,085	142	22,241	33,946	119
2. Financial liabilities designated at fair value	-	8,765	30	6	3,642	26
3. Hedging derivatives	-	5,346	-	-	4,868	-
Total	**7,285**	**53,196**	**172**	**22,247**	**42,456**	**145**

With regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio, with an impact of 9.7% on total assets (8.7% as at 31 December 2021). The majority of level 3 financial assets is represented by quotas of UCIs, of which, under Financial assets mandatorily measured at fair value, 290 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 46% of assets measured at fair value are determined based on market prices, and therefore without any discretion by the valuator.
Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 64% of the balance sheet assets at level 3 fair value.

As at 31 December 2022, 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 141 million euro in positive fair value and a reduction of 79 million euro in negative fair value.
The impact of the Funding Value Adjustment in reducing the fair value amounted to 63 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 2022:

- from level 1 to level 2:
  - financial assets held for trading for 99 million euro (book value as at 31 December 2022);
  - other financial assets mandatorily measured at fair value for 51 million euro (book value as at 31 December 2022);
  - financial assets measured at fair value through other comprehensive income for 131 million euro (book value as at 31 December 2022);
  - financial liabilities designated at fair value for 3 million euro (book value as at 31 December 2022);
- from level 2 to level 1:
  - financial assets held for trading for 100 million euro (book value as at 31 December 2022);
  - financial assets measured at fair value through other comprehensive income for 47 million euro (book value as at 31 December 2022);
  - financial liabilities held for trading for 4 million euro (book value as at 31 December 2022).

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	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	297	249	356	344	293	390
of which: Equities	-	-	-	-	-	-
of which: quotas of UCI	*97*	-	*46*	*122*	-	*49*
2. Financial assets designated at fair value through profit or loss	85,608	22	587	100,515	143	401
of which: Equities	*3,016*	-	-	*3,510*	-	-
of which: quotas of UCI	*78,025*	-	-	*91,908*	*109*	-
3. Financial assets available for sale	77,810	3,158	4,625	93,910	6,305	4,208
of which: Equities	*1,921*	*7*	*67*	*2,201*	*7*	*54*
of which: quotas of UCI	*8,306*	-	*4,208*	*9,879*	-	*3,742*
4. Hedging derivatives	-	13	-	-	291	-
5. Property and equipment	-	-	7	-	-	8
6. Intangible assets	-	-	-	-	-	-
Total	**163,715**	**3,442**	**5,575**	**194,769**	**7,032**	**5,007**
1. Financial liabilities held for trading	1	8	-	-	42	61
2. Financial liabilities designated at fair value through profit or loss	-	71,565	-	-	84,667	-
3. Hedging derivatives	-	170	-	-	-	-
Total	**1**	**71,743**	**-**	**-**	**84,709**	**61**

With regard to insurance companies, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio. They amount to 3.2% of Assets (2.4% as at 31 December 2021).

94.8% 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.

Liabilities at fair value were almost entirely measured using level 2 inputs.

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 2022:

- from level 1 to level 2:
  - financial assets measured at fair value through profit and loss for 3 million euro (book value as at 31 December 2022);
  - financial assets available for sale for 143 million euro (book value as at 31 December 2022);
- from level 2 to level 1:
  - financial assets measured at fair value through profit and loss for 2 million euro (book value as at 31 December 2022);
  - financial assets available for sale for 2,114 million euro (book value as at 31 December 2022).

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 Group's Guidelines and Rules for Valuation of Financial Instruments at Fair Value. 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

(millions of euro)

	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*				
1. Initial amount	**3,389**	**187**	**3**	**3,199**	**492**	**-**	**7,364**	**-**
2. Increases	**1,070**	**94**	**-**	**976**	**93**	**-**	**278**	**-**
2.1 Purchases	390	20	-	370	60	-	76	-
2.2 Gains recognised in:	177	7	-	170	18	-	32	-
2.2.1 Income statement	177	7	-	170	-	-	5	-
- of which capital gains	*152*	*7*	-	*145*	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	18	-	27	-
2.3 Transfers from other levels	38	11	-	27	14	-	-	-
2.4 Other increases	465	56	-	409	1	-	170	-
3. Decreases	**-865**	**-98**	**-3**	**-764**	**-228**	**-**	**-498**	**-**
3.1 Sales	-208	-43	-3	-162	-100	-	-48	-
3.2 Reimbursements	-5	-	-	-5	-14	-	-	-
3.3 Losses recognized in:	-264	-42	-	-222	-25	-	-181	-
3.3.1 Income statement	-264	-42	-	-222	-4	-	-165	-
- of which capital losses	*-243*	*-35*	-	*-208*	*-1*	-	-	-
3.3.2 Shareholders' equity	-	X	X	X	-21	-	-16	-
3.4 Transfers to other levels	-38	-12	-	-26	-65	-	-	-
3.5 Other decreases	-350	-1	-	-349	-24	-	-269	-
4. Final amount	**3,594**	**183**	**-**	**3,411**	**357**	**-**	**7,144**	**-**

The captions Other increases and Other decreases in Financial assets mandatorily measured at fair value mainly refer to quotas of UCIs, and include the payments made and the reimbursements received by the Bank, with no change in the quotas held. With regard to Property and equipment, the captions mainly include transfers of these assets from investment to operations and vice versa.

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
1. Initial amount	**390**	**401**	**4,208**	**-**	**8**	**-**
2. Increases	**92**	**186**	**1,091**	**-**	**-**	**-**
2.1 Purchases	58	-	876	-	-	-
2.2 Gains recognised in:	-	-	199	-	-	-
2.2.1 Income statement	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-
2.2.2 Shareholders' equity	X	X	199	-	-	-
2.3 Transfers from other levels	32	-	12	-	-	-
2.4 Other increases	2	186	4	-	-	-
3. Decreases	-126	-	-674	-	**-1**	-
3.1 Sales	-4	-	-354	-	-	-
3.2 Reimbursements	-	-	-12	-	-	-
3.3 Losses recognized in:	-68	-	-236	-	-	-
3.3.1 Income statement	-68	-	-53	-	-	-
- of which capital losses	-	-	*12*	-	-	-
3.3.2 Shareholders' equity	X	X	-183	-	-	-
3.4 Transfers to other levels	-54	-	-68	-	-	-
3.5 Other decreases	-	-	-4	-	**-1**	-
4. Final amount	**356**	**587**	**4,625**	**-**	**7**	**-**

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
1. Initial amount	**119**	**26**	**-**
2. Increases	**101**	**4**	**-**
2.1 Issues	71	-	-
2.2 Losses recognised in:	-	3	-
2.2.1 Income statement	-	3	-
- of which capital losses	*-*	*3*	*-*
2.2.2 Shareholders' equity	X	-	-
2.3 Transfers from other levels	30	-	-
2.4 Other increases	-	1	-
3. Decreases	**-78**	**-**	**-**
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-19	-	-
3.3.1 Income statement	-19	-	-
- of which capital gains	*-16*	*-*	*-*
3.3.2 Shareholders' equity	X	-	-
3.4 Transfers to other levels	-50	-	-
3.5 Other decreases	-9	-	-
4. Final amount	**142**	**30**	**-**

“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
1. Initial amount	**61**	**-**	**-**
2. Increases	**-**	**-**	**-**
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	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**-61**	**-**	**-**
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-61	-	-
3.3.1 Income statement	-61	-	-
- of which capital gains	-	-	-
3.3.2 Shareholders' equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Final amount	**-**	**-**	**-**

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	31.12.2022				31.12.2021			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	528,078	28,958	320,105	161,493	668,866	27,206	484,983	165,462
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	638	-	-	638	1,422	-	-	1,422
Total	**528,716**	**28,958**	**320,105**	**162,131**	**670,288**	**27,206**	**484,983**	**166,884**
1. Financial liabilities measured at amortised cost	667,586	41,748	592,888	32,270	710,055	47,030	625,414	39,759
2. Liabilities associated with non-current assets	15	-	-	15	30	-	-	30
Total	**667,601**	**41,748**	**592,888**	**32,285**	**710,085**	**47,030**	**625,414**	**39,789**

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	31.12.2022				31.12.2021			
	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	40	-	40	-	41	-	41	-
3. Loans to customers	40	-	34	6	44	-	39	5
4. Investment property	-	-	-	-	-	-	-	-
5. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**80**	**-**	**74**	**6**	**85**	**-**	**80**	**5**
1. Due to banks	629	-	17	556	623	-	-	650
2. Due to customers	587	-	452	135	188	-	93	95
3. Securities issued	1,334	-	1,171	-	1,335	-	1,338	-
4. Liabilities associated with non-current assets	-	-	-	-	-	-	-	-
Total	**2,550**	**-**	**1,640**	**691**	**2,146**	**-**	**1,431**	**745**

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. For securities issued by Intesa Sanpaolo, 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.

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 normally coincides with the transaction price is usually intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Any differences between the price and the fair value are usually attributable to the so-called commercial margins, which are considered as not falling within the scope of Day One Profit. Therefore, commercial margins are taken to the income statement on the first subsequent measurement of the financial instrument.
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 residual differences, as in the previous case, are usually attributable to the commercial margins.
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, irrespective of whether it is possible to identify commercial margins. 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 unobservable inputs used to estimate the fair value become observable, the residual deferred Day One Profits are recognised in the income statement. Similarly, in the event of “on the book” transactions falling under the investment division’s activities, the Day One Profits earned on transactions - included in the above on the book management - are taken to the income statement when transactions are carried out which substantially eliminate the risks linked to unobservable parameters of the instrument which generated the DOP.
At the end of 2022, as at the end of 2021, the amount of the DOP deferred in the balance sheet was immaterial (around 0.1 million euro).

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)

	31.12.2022	31.12.2021
a) Cash	3,709	3,463
b) Current accounts and on demand deposits with Central Banks	105,546	7,020
c) Current accounts and on demand deposits with banks	3,669	4,273
Total	**112,924**	**14,756**

As at 31 December 2022, the aggregate "b) Current accounts and on-demand deposits with Central Banks" includes overnight deposits, totalling approximately 89 billion euro, where the excess liquidity is placed, which due to the rise in interest rates is no longer deposited in the Reserve Requirement account reported in the caption "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

(millions of euro)

Captions	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	9,150	1,194	52	21,798	1,324	89
1.1 Structured securities	*1,016*	*74*	*-*	*5*	*1,009*	*42*
1.2 Other debt securities	*8,134*	*1,120*	*52*	*21,793*	*315*	*47*
2. Equities	860	-	22	674	-	17
3. Quotas of UCI	264	5	21	116	-	25
4. Loans	-	32	53	-	14	4
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	*32*	*53*	-	*14*	*4*
Total (A)	**10,274**	**1,231**	**148**	**22,588**	**1,338**	**135**
B. Derivatives						
1. Financial derivatives	57	29,841	35	27	20,817	52
1.1 trading	*55*	*29,841*	*35*	*27*	*20,817*	*52*
1.2 fair value option	-	-	-	-	-	-
1.3 other	*2*	-	-	-	-	-
2. Credit derivatives	-	936	-	-	2,224	-
2.1 trading	-	*936*	-	-	*2,224*	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**57**	**30,777**	**35**	**27**	**23,041**	**52**
TOTAL (A+B)	**10,331**	**32,008**	**183**	**22,615**	**24,379**	**187**

Structured securities as at 31 December 2022 consist of 1,086 million euro of fixed-rate debt securities indexed to inflation, as an additional component, and 4 million euro of debt securities convertible into shares.

The caption above includes the securities connected with securitisation transactions for a total amount of approximately 865 million euro (818 million euro Level 1 and 47 million euro Level 2), of which 627 million euro is senior, 230 million euro is mezzanine and 8 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 Financial liabilities held for trading and Financial assets held for trading, respectively.

2.2 Financial assets held for trading: breakdown by borrower/issuer/counterparty

(millions of euro)

Captions	31.12.2022	31.12.2021
A. Cash assets		
1. Debt securities	**10,396**	**23,211**
a) Central Banks	78	44
b) Public administration	7,541	20,394
c) Banks	1,186	1,149
d) Other financial companies	1,175	1,239
of which: insurance companies	*85*	*65*
e) Non financial companies	416	385
2. Equities	**882**	**691**
a) Banks	35	71
b) Other financial companies	133	96
of which: insurance companies	*51*	*31*
c) Non financial companies	714	524
d) Other issuers	-	-
3. Quotas of UCI	**290**	**141**
4. Loans	**85**	**18**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	38	-
of which: insurance companies	-	-
e) Non financial companies	47	18
f) Households	-	-
Total A	**11,653**	**24,061**
B. Derivatives		
a) Central counterparties	11,065	1,693
b) Other	19,804	21,427
Total B	**30,869**	**23,120**
TOTAL (A+B)	**42,522**	**47,181**

2.3 Financial assets designated at fair value: breakdown

(millions of euro)

Captions	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**-**	**1**	**-**	**-**	**1**	**3**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	1	-	-	1	3
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	**-**	**1**	**-**	**-**	**1**	**3**

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: breakdown by borrower/issuer

(millions of euro)

Captions	31.12.2022	31.12.2021
1. Debt securities	**1**	**4**
a) Central Banks	-	-
b) Public administration	1	1
c) Banks	-	-
d) Other financial companies	-	3
of which: insurance companies	-	-
e) Non financial companies	-	-
2. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total	**1**	**4**

2.5 Other financial assets mandatorily measured at fair value: breakdown

(millions of euro)

Captions	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**-**	**55**	**133**	**-**	**60**	**107**
1.1 Structured securities	-	-	5	-	-	5
1.2 Other debt securities	-	55	128	-	60	102
2. Equities	**122**	**107**	**242**	**161**	**116**	**225**
3. Quotas of UCI	**858**	**191**	**2,401**	**1,486**	**149**	**2,166**
4. Loans	**-**	**310**	**635**	**-**	**375**	**701**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	310	635	-	375	701
Total	**980**	**663**	**3,411**	**1,647**	**700**	**3,199**

The caption above includes the securities connected with securitisation transactions for a total amount of approximately 125 million euro (25 million euro Level 1 and 100 million euro Level 2), of which 44 million euro is senior, 65 million euro is mezzanine and 16 million euro is junior.

2.6 Other financial assets mandatorily measured at fair value: breakdown by borrower/issuer

(millions of euro)

Captions	31.12.2022	31.12.2021
1. Equities	**471**	**502**
of which: banks	*-*	*-*
of which: other financial companies	*117*	*160*
of which: non financial companies	*355*	*342*
2. Debt securities	**188**	**167**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	157	158
of which: insurance companies	*1*	*-*
e) Non financial companies	31	9
3. Quotas of UCI	**3,450**	**3,801**
4. Loans	**945**	**1,076**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	29	38
d) Other financial companies	119	141
of which: insurance companies	*10*	*10*
e) Non financial companies	554	674
f) Households	243	223
Total	**5,054**	**5,546**

The aggregate “quotas of UCI” includes 290 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.
Loans include 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

(millions of euro)

Captions	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**41,424**	**5,227**	**9**	**57,547**	**6,003**	**18**
1.1 Structured securities	1,373	-	-	-	587	-
1.2 Other debt securities	40,051	5,227	9	57,547	5,416	18
2. Equities	**513**	**510**	**325**	**1,537**	**1,314**	**421**
3. Loans	**-**	**1,685**	**23**	**-**	**687**	**53**
Total	**41,937**	**7,422**	**357**	**59,084**	**8,004**	**492**

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 1,543 million euro (all Level 2), of which approximately 1,501 million euro is senior, 42 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 375 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 years, the use of level 2 inputs (direct transaction prices) as the reference for determining fair value for the 2022 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 50 million euro.

3.2 Financial assets measured at fair value through other comprehensive income: borrower/issuer breakdown

(millions of euro)

Captions	31.12.2022	31.12.2021
1. Debt securities	**46,660**	**63,568**
a) Central Banks	-	-
b) Public administration	35,062	50,549
c) Banks	5,487	5,699
d) Other financial companies	3,943	4,212
of which: Insurance companies	*25*	*11*
e) Non financial companies	2,168	3,108
2. Equities	**1,348**	**3,272**
a) Banks	768	1,456
b) Other issuers:	580	1,816
- other financial companies	163	1,268
of which: insurance companies	*3*	*3*
- non financial companies	407	538
- other	10	10
3. Loans	**1,708**	**740**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	100	-
d) Other financial companies	146	62
of which: insurance companies	-	-
e) Non financial companies	1,462	678
f) Households	-	-
Total	**49,716**	**67,580**

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	46,501	*564*	213	36	-	-26	-28	-36	-	-
Loans	1,081	-	654	-	-	-8	-19	-	-	-
Total 31.12.2022	**47,582**	***564***	**867**	**36**	**-**	**-34**	**-47**	**-36**	**-**	**-**
Total 31.12.2021	**64,126**	***965***	**231**	**35**	**-**	**-38**	**-11**	**-35**	**-**	**-**

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 2022 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	31.12.2022	31.12.2021
20. Financial assets held for trading	902	1,027
30. Financial assets designated at fair value	86,217	101,059
40. Financial assets available for sale	85,593	104,423
80. Hedging derivatives	13	291
TOTAL Caption 35	**172,725**	**206,800**

3.1 Bis Financial assets held for trading: breakdown

(millions of euro)

Captions	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	150	198	310	166	288	337
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	*150*	*198*	*310*	*166*	*288*	*337*
2. Equities	-	-	-	-	-	-
3. Quotas of UCI	97	-	46	122	-	49
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**247**	**198**	**356**	**288**	**288**	**386**
B. Derivatives						
1. Financial derivatives:	50	51	-	56	5	4
1.1 trading	*50*	*35*	-	*55*	*4*	*4*
1.2 fair value option	-	*16*	-	*1*	*1*	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**50**	**51**	**-**	**56**	**5**	**4**
TOTAL (A+B)	**297**	**249**	**356**	**344**	**293**	**390**

3.2 Bis Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

Captions	31.12.2022	31.12.2021
A. Cash assets		
1. Debt securities	**658**	**791**
a) Governments and Central Banks	101	122
b) Other public entities	-	-
c) Banks	267	329
d) Other issuers	290	340
2. Equities	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Quotas of UCI	**143**	**171**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
Total A	**801**	**962**
B. Derivatives		
a) Banks	-	-
- Fair value	-	-
b) Customers	101	65
- Fair value	*101*	*65*
Total B	**101**	**65**
Total (A+B)	**902**	**1,027**

3.3 Bis Financial assets designated at fair value: breakdown

(millions of euro)

Captions/Amounts	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**4,344**	**22**	**5**	**4,754**	**34**	**5**
1.1 Structured securities	-	-	-	17	2	-
1.2 Other debt securities	4,344	22	5	4,737	32	5
2. Equities	**3,016**	**-**	**-**	**3,510**	**-**	**-**
3. Quotas of UCI	**78,025**	**-**	**-**	**91,908**	**109**	**-**
4. Loans	**223**	**-**	**582**	**343**	**-**	**396**
4.1 Structured	-	-	-	-	-	-
4.2 Other	223	-	582	343	-	396
Total	**85,608**	**22**	**587**	**100,515**	**143**	**401**
Cost	**86,661**	**14**	**586**	**93,092**	**121**	**395**

3.4 Bis Financial assets designated at fair value: borrower/issuer breakdown

(millions of euro)

Captions	31.12.2022	31.12.2021
1. Debt securities	**4,371**	**4,793**
a) Governments and Central Banks	3,375	3,772
b) Other public entities	11	11
c) Banks	514	471
d) Other issuers	471	539
2. Equities	**3,016**	**3,510**
a) Banks	214	239
b) Other issuers:	2,802	3,271
- insurance companies	*129*	*120*
- financial companies	*50*	*54*
- non-financial companies	*1,327*	*1,669*
- other	*1,296*	*1,428*
3. Quotas of UCI	**78,025**	**92,017**
4. Loans	**805**	**739**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	805	739
d) Other counterparties	-	-
Total	**86,217**	**101,059**

3.5 Bis Financial assets available for sale: breakdown

(millions of euro)

Captions	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**67,583**	**3,152**	**349**	**81,830**	**6,298**	**412**
1.1 Structured securities	8	-	-	14	-	-
1.2 Other debt securities	67,575	3,152	349	81,816	6,298	412
2. Equities	**1,921**	**7**	**67**	**2,201**	**7**	**54**
2.1 Measured at fair value	1,921	7	67	2,201	7	54
2.2 Measured at cost	-	-	-	-	-	-
3. Quotas of UCI	**8,306**	**-**	**4,208**	**9,879**	**-**	**3,742**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**77,810**	**3,159**	**4,624**	**93,910**	**6,305**	**4,208**

3.6 Bis Financial assets available for sale: borrower/issuer breakdown

(millions of euro)

Captions	31.12.2022	31.12.2021
1. Debt securities	**71,084**	**88,540**
a) Governments and Central Banks	55,587	71,782
b) Other public entities	283	359
c) Banks	6,495	6,214
d) Other issuers	8,719	10,185
2. Equities	**1,995**	**2,262**
a) Banks	194	206
b) Other issuers:	1,801	2,056
- insurance companies	*35*	*37*
- financial companies	-	-
- non-financial companies	*1,766*	*2,019*
- other	-	-
3. Quotas of UCI	**12,514**	**13,621**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
Total	**85,593**	**104,423**

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

(millions of euro)

	Fair value 31.12.2022			Notional value	Fair value 31.12.2021			Notional value
	Level 1	Level 2	Level 3	31.12.2022	Level 1	Level 2	Level 3	31.12.2021
A) Financial derivatives	**-**	**13**	**-**	**200**	**-**	**291**	**-**	**1,046**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	13	-	200	-	291	-	1,046
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**13**	**-**	**200**	**-**	**291**	**-**	**1,046**

3.9 Bis Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)

(millions of euro)

Operations/Type of hedge	FAIR VALUE						CASH FLOWS		FOREIGN. INVESTM.
	Specific					Generic			
	Interest rate risk	foreign exchange risk	Credit risk	various risk	Multiple risk		Specific	Generic	
1. Financial assets available for sale	-	-	-	-	-	X	13	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	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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.

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[88].

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.

[88] 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

(millions of euro)

Caption	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
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	**171,920**	**-24,284**	**-9,857**	**206,061**
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)	69,674	-14,890	-1,888	86,452
Debt securities	69,674	-14,890	-1,888	86,452
Structured securities	-	-	-9	9
Other debt securities	69,674	-14,890	-1,879	86,443
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)	17,044	-1,668	-818	19,530
Debt securities	2,086	-408	-405	2,899
Structured securities	8	-1	4	5
Other debt securities	2,078	-407	-409	2,894
Equities	1,995	-207	-60	2,262
Quotas of UCI	12,865	-1,008	-152	14,025
Loans	-	-	-	-
Derivatives	98	-45	-201	344
Other financial assets	-	-	-	-
Other financial assets connected with contracts where the investment risk is borne by the policyholders	85,202	-7,726	-7,151	100,079
Debt securities	4,353	-437	17	4,773
Structured securities	-	-	-19	19
Other debt securities	4,353	-437	36	4,754
Equities	3,016	-552	58	3,510
Quotas of UCI	77,817	-6,811	-7,156	91,784
Loans	-	-	-	-
Derivatives	16	74	-70	12
Other financial assets	-	-	-	-
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (*)	**69**	**-6**	**-7**	**82**
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)	33	-2	-6	41
Debt securities	33	-2	-6	41
Structured securities	-	-	-	-
Other debt securities	33	-2	-6	41
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)	36	-4	-1	41
Debt securities	36	-4	-1	41
Structured securities	-	-	-	-
Other debt securities	36	-4	-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 805 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		67,265	83,261
Structured securities	Investment Grade	-	9
Other debt securities	Investment Grade	67,265	83,252
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		2,444	2,445	3,227
Structured securities	Non-Investment Grade	-	-	-
Other debt securities	Non-Investment Grade	2,444	2,445	3,227
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

(millions of euro)

Transaction type/Amount	31.12.2022						31.12.2021					
	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
A. Due from Central Banks	**9,712**	**-**	**-**	**-**	**7,089**	**2,623**	**131,361**	**-**	**-**	**-**	**128,282**	**3,078**
1. Time deposits	3,622	-	-	X	X	X	3,118	-	-	X	X	X
2. Compulsory reserve	5,427	-	-	X	X	X	126,882	-	-	X	X	X
3. Repurchase agreements	543	-	-	X	X	X	273	-	-	X	X	X
4. Other	120	-	-	X	X	X	1,088	-	-	X	X	X
B. Due from banks	**23,136**	**36**	**-**	**1,265**	**18,791**	**3,055**	**32,523**	**53**	**-**	**1,547**	**28,156**	**2,903**
1. Loans	21,478	36	-	-	18,465	3,055	30,752	53	-	-	27,914	2,903
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Time deposits	2,449	-	-	X	X	X	1,681	-	-	X	X	X
1.3 Other loans:	19,029	36	-	X	X	X	29,071	53	-	X	X	X
- Reverse repurchase agreements	*5,397*	-	-	*X*	*X*	*X*	*9,566*	-	-	X	*X*	*X*
- Finance leases	*5*	-	-	*X*	*X*	*X*	*6*	-	-	X	*X*	*X*
- Other	*13,627*	*36*	-	*X*	*X*	*X*	*19,499*	*53*	-	X	*X*	*X*
2. Debt securities	1,658	-	-	1,265	326	-	1,771	-	-	1,547	242	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	1,658	-	-	1,265	326	-	1,771	-	-	1,547	242	-
TOTAL	**32,848**	**36**	**-**	**1,265**	**25,880**	**5,678**	**163,884**	**53**	**-**	**1,547**	**156,438**	**5,981**

As at 31 December 2022, the decline in the sub-caption Reserve Requirement was due to the placement of excess liquidity in overnight deposits reported in the caption Cash and cash equivalents.

The sub-caption “Other loans - Other” includes operating loans, i.e. operations connected to the provision of financial activities and services with no credit facilities, for an amount of 122 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	31.12.2022						31.12.2021					
	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
1. Loans	**432,447**	**5,255**	**271**	**-**	**283,348**	**140,877**	**449,287**	**6,682**	**446**	**-**	**317,673**	**147,945**
1.1.Current accounts	22,967	484	12	X	X	X	21,724	688	22	X	X	X
1.2. Reverse repurchase agreements	15,366	-	-	X	X	X	17,620	-	-	X	X	X
1.3. Mortgages	242,049	3,083	156	X	X	X	250,722	4,080	268	X	X	X
1.4. Credit card loans, personal loans and transfer of one fifth of salaries	19,435	339	2	X	X	X	18,626	364	9	X	X	X
1.5. Finance leases	7,780	328	85	X	X	X	12,830	347	108	X	X	X
1.6. Factoring	10,869	52	-	X	X	X	9,453	65	-	X	X	X
1.7. Other loans	113,981	969	16	X	X	X	118,312	1,138	39	X	X	X
2. Debt securities	**57,188**	**33**	**-**	**27,693**	**10,877**	**14,938**	**48,473**	**41**	**-**	**25,659**	**10,872**	**11,536**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	57,188	33	-	27,693	10,877	14,938	48,473	41	-	25,659	10,872	11,536
Total	**489,635**	**5,288**	**271**	**27,693**	**294,225**	**155,815**	**497,760**	**6,723**	**446**	**25,659**	**328,545**	**159,481**

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 740 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 8,495 million euro, of which 8,475 million euro is senior notes and 20 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	31.12.2022			31.12.2021		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired
1. Debt securities	**57,188**	**33**	**-**	**48,473**	**41**	**-**
a) Public administration	32,298	13	-	27,851	15	-
b) Other financial companies	21,418	8	-	16,612	14	-
of which: insurance companies	*1*	-	-	*6*	-	-
c) Non financial companies	3,472	12	-	4,010	12	-
2. Loans:	**432,447**	**5,255**	***271***	**449,287**	**6,682**	**446**
a) Public administration	15,566	213	-	16,385	356	-
b) Other financial companies	44,781	123	*1*	45,872	262	*1*
of which: insurance companies	*39*	-	-	*361*	-	-
c) Non financial companies	193,579	3,126	*150*	212,387	3,555	*246*
d) Households	178,521	1,793	*120*	174,643	2,509	*199*
TOTAL	**489,635**	**5,288**	***271***	**497,760**	**6,723**	**446**

4.4 Financial assets measured at amortised cost: 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	54,961	-	4,062	105	-	-29	-66	-72	-	-
Loans	419,968	*24*	46,175	10,332	384	-659	-1,929	-5,041	-113	**3,081**
Total 31.12.2022	**474,929**	***24***	**50,237**	**10,437**	**384**	**-688**	**-1,995**	**-5,113**	**-113**	**3,081**
Total 31.12.2021	**603,169**	***17***	**61,028**	**14,892**	**587**	**-753**	**-1,800**	**-8,116**	**-141**	**6,476**

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)

	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	-	-	-	-	-	-	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	51	-	26	27	-	-	-3	-11	-	-
3. Other loans with COVID-19-related forbearance measures	4	-	693	156	1	-	-36	-52	-1	-
4. Newly originated loans	29,434	-	3,199	573	1	-38	-37	-176	-	-
Total 31.12.2022	**29,489**	**-**	**3,918**	**756**	**2**	**-38**	**-76**	**-239**	**-1**	**-**
Total 31.12.2021	**35,182**	**-**	**9,340**	**545**	**5**	**-44**	**-248**	**-151**	**-**	**-**

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. As at 31 December 2022 such loans were less than 1 million euro and amounted to 412 thousand euro.

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 "Other forborne loans" contains information regarding the loans subject to the COVID-19 support measures that meet the conditions of "forborne exposures" as defined by the current supervisory reports, and have not been included in the category "EBA-compliant moratoria loans" since the grant date or since the date on which they no longer comply with the EBA/GL/2020/02.

The row "Newly originated 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 2022.

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 components 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	31.12.2022	31.12.2021
50. Investments held to maturity	-	-
60. Due from banks	40	41
70. Loans to customers	40	44
TOTAL Caption 45	**80**	**85**

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	31.12.2022				31.12.2021			
	Book value	Fair value			Book 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	**40**	**-**	**40**	**-**	**41**	**-**	**41**	**-**
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	40	-	40	-	41	-	41	-
2.1 Structured	-				-			
2.2 Other	*40*				*41*			
Total	**40**	**-**	**40**	**-**	**41**	**-**	**41**	**-**

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	31.12.2022						31.12.2021					
	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	**5**	**-**	**-**	**-**	**4**	**1**	**8**	**-**	**-**	**-**	**8**	**-**
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	5	-	-	X	X	X	8	-	-	X	X	X
Debt securities	**35**	**-**	**-**	**-**	**30**	**5**	**36**	**-**	**-**	**-**	**31**	**5**
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	35	-	-	X	X	X	36	-	-	X	X	X
Total	**40**	**-**	**-**	**-**	**34**	**6**	**44**	**-**	**-**	**-**	**39**	**5**

4.7 Bis Loans to customers: borrower/issuer breakdown

(millions of euro)

Captions	31.12.2022			31.12.2021		
	Performing	Non performing		Performing	Non performing	
		Purchased	Other		Purchased	Other
1. Debt securities	**35**	**-**	**-**	**36**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	35	-	-	36	-	-
- non-financial companies	*20*	-	-	*21*	-	-
- financial institutions	*15*	-	-	*15*	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans:	**5**	**-**	**-**	**8**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other counterparties	5	-	-	8	-	-
- non-financial companies	-	-	-	-	-	-
- financial institutions	*4*	-	-	*7*	-	-
- insurance companies	-	-	-	-	-	-
- other	*1*	-	-	*1*	-	-
Total	**40**	**-**	**-**	**44**	**-**	**-**

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.

5.1 Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value 31.12.2022			Notional amount 31.12.2022	Fair value 31.12.2021			Notional amount 31.12.2021
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives								
1. Fair Value	-	10,061	-	177,498	-	1,719	-	186,185
2. Cash flows	-	1	-	893	-	13	-	3,961
3. Foreign investments	-	-	-	28	-	-	-	-
B. Credit derivatives								
1. Fair Value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**10,062**	**-**	**178,419**	**-**	**1,732**	**-**	**190,146**

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 Financial liabilities held for trading.

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	2,566	-	263	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	2,876	X	3	-	X	X	X	1	X	X
3. Portfolio	X	X	X	X	X	X	3,803	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**5,442**	**-**	**266**	**-**	**-**	**-**	**3,803**	**1**	**-**	**-**
1. Financial liabilities	476	X	60	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	14	X	-	X
Total liabilities	**476**	**-**	**60**	**-**	**-**	**-**	**14**	**-**	**-**	**-**
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 continued to refer mainly to micro fair value hedges of debt securities under assets, as well as macro fair value hedges of loans disbursed.

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

(millions of euro)

Fair value change of hedged assets / Amount	31.12.2022	31.12.2021
1. Positive fair value change	**-**	**408**
1.1 of specific portfolios:	-	400
a) financial assets measured at amortised cost	*-*	*400*
b) financial assets measured at fair value through other comprehensive income	*-*	*-*
1.2 overall	-	8
2. Negative fair value change	**-9,752**	**-16**
2.1 of specific portfolios:	-9,752	-16
a) financial assets measured at amortised cost	*-9,752*	*-16*
b) financial assets measured at fair value through other comprehensive income	*-*	*-*
2.2 overall	-	-
Total	**-9,752**	**392**

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)	INVESTMENT Direct ownership	% held	Votes available % (b)
	A. COMPANIES SUBJECT TO JOINT CONTROL						
1	Apside S.p.A.	Torino	Torino	7	Intesa Sanpaolo S.p.A.	50.00	
	Capital Euro 10,000 in shares of Euro 1						
2	Augusto S.r.l.	Milano	Milano	7	Intesa Sanpaolo S.p.A.	5.00	
	Capital Euro 10,000 in shares of Euro 1						
3	Diocleziano S.r.l.	Milano	Milano	7	Intesa Sanpaolo S.p.A.	5.00	
	Capital Euro 10,000 in shares of Euro 1						
4	Immobiliare Novoli S.p.A.	Firenze	Firenze	7	Intesa Sanpaolo S.p.A.	50.00	
	Capital Euro 15.635.514 un shares of Euro 0,60						
5	Mir Capital Management S.A.	Luxembourg	Luxembourg	7	Private Equity International S.A.	50.00	
	Capital Euro 31.000 in shares of Euro 1						
6	Mir Capital S.C.A. SICAR	Luxembourg	Luxembourg	7	Private Equity International S.A.	50.00	
	Capital Euro 65.365.000 in shares of Euro 1						
7	Mooney Group S.p.A.	Milano	Milano	7	Banca 5 S.p.A.	50.00	
	Capital Euro 10.050.000 in shares of Euro 0,20						
8	PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management	Zagreb	Zagreb	7	Privredna Banka Zagreb D.D.	50.00	
	Capital HRK 56.000.000 in shares of HRK 1.000						
9	Responsability BOP S.A.R.L.	Luxembourg	Luxembourg	7	Asteria Investment Managers S.A.	50.00	
	Capital USD 20.000 in shares of USD 50						
	B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE						
1	1875 Finance Holding AG	Sarnen	Sarnen	4	Reyl&Cie S.A.	40.00	
	Capital Chf 500.000 in shares of Chf 1						
2	Adriano Lease Sec S.r.l. (c)	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	5.00	100,00 (**)
	Capital Euro 10.000 in shares of Euro 1						
3	Alpian S.A.	Genève	Genève	4	Fideuram - Intesa Sanpaolo Private Banking S.p.A.	14.91	
	Capital Chf 21.672.678 in shares of Chf 0,01				Reyl&Cie S.A.	12.93	
						27.84	
4	Apulia Finance N. 4 S.r.l. in liquidazione (c)	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	10.00	
	Capital Euro 10.000 in shares of Euro 1						
5	Back2Bonis	Milano	Milano	4	Intesa Sanpaolo S.p.A.	55.40	35,00 (*)
	Capital Euro 776.381.183 in shares of Euro 476.671						
6	Backtowork24 S.r.l. (d)	Milano	Milano	4	Intesa Sanpaolo S.p.A.	30.58	
	Capital Euro 2.892.691 in shares of Euro 0,01						
7	Bancomat S.p.A.	Roma	Roma	4	Intesa Sanpaolo S.p.A.	31.55	
	Capital Euro 21.095.726 in shares of Euro 5				Banca 5 S.p.A.	0.01	
						31.56	
8	Berica ABS 3 S.r.l. (c)	Vicenza	Vicenza	4	Intesa Sanpaolo S.p.A.	5.00	
	Capital Euro 10.000 in shares of Euro 1						
9	Brera Sec S.r.l. (c)	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	5.00	
	Capital EUR 10.000 in shares of Euro 1						
10	Camfin S.p.A. (e)	Milano	Milano	4	Intesa Sanpaolo S.p.A.	4.60	8,53 (*)
	Capital EUR 110.800.000 in shares of Euro 0,2						
11	Cassa di Risparmio di Fermo S.p.A.	Fermo	Fermo	4	Intesa Sanpaolo S.p.A.	33.33	
	Capital EUR 39.241.088 in shares of Euro 51,65						
12	Centai Institute S.p.A.	Torino	Torino	4	Intesa Sanpaolo S.p.A.	49.00	
	Capital EUR 50.000 in shares of Euro 1						
13	Clara Sec S.r.l.	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	5.00	
	Capital Euro 10.000 in shares of Euro 1						
14	Compagnia Aerea Italiana S.p.A.	Roma	Fiumicino	4	Intesa Sanpaolo S.p.A.	27.49	
	Capital Euro 3.526.846 in shares of Euro 0,00004						

	Companies	Registered office	Place of business	Type of relationship (a)	INVESTMENT Direct ownership	% held	Votes available % (b)
15	Destination Gusto S.r.l. Capital Euro 20.000 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo S.p.A.	49.00	
16	Digit'ed Holding S.p.A. Capital Euro 1.173.822 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo S.p.A.	20.00	
17	Equiter S.p.A. Capital Euro 150.004.017 in shares of Euro 1	Torino	Torino	4	Intesa Sanpaolo S.p.A.	32.88	
18	Euromilano S.p.A. Capital Euro 1.356.582 in shares of Euro 15,51	Milano	Milano	4	Intesa Sanpaolo S.p.A.	43.43	
19	Europrogetti & Finanza S.r.l. in liquidazione Capital Euro 5.636.400 in shares of Euro 1	Roma	Roma	4	Intesa Sanpaolo S.p.A.	15.97	
20	Eusebi Holdings B.V. Capital Euro 100 in shares of Euro 1	Amsterdam	Amsterdam	4	Intesa Sanpaolo S.p.A.	47.00	
21	FI.NAV. Comparto A - Crediti Capital USD 405.821.168 in shares of USD 1	Roma	Roma	4	Intesa Sanpaolo S.p.A.	50.54	
22	Fondo di Rigenerazione Urbana Sicilia S.r.l. (f) Capital Euro 50.000 in shares of Euro 1	Palermo	Torino	4	Intesa Sanpaolo S.p.A.	100.00	
23	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 S.p.A.	100.00	
24	Fondo Sardegna Energia S.r.l. (f) Capital Euro 25.000 in shares of Euro 1	Cagliari	Torino	4	Intesa Sanpaolo S.p.A.	100.00	
25	Giada Sec S.r.l. (c) Capital Euro 10.000 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	5.00	
26	Gilda S.r.l. Capital Euro 213.402 in shares of da Euro 1	Montesilvano	Montesilvano	4	Intesa Sanpaolo S.p.A.	13.05	15,00 (**)
27	Indaco Venture Partners SGR S.p.A. (già Venture Capital Partners SGR) Capital Euro 750.000 in shares of Euro 0,50	Milano	Milano	4	Intesa Sanpaolo S.p.A.	24.50	
28	Iniziative Immobiliari Industriali S.p.A. In liquidazione Capital Euro 510.000 in shares of Euro 0,51	Arquà Polesine	Arquà Polesine	4	Intesa Sanpaolo S.p.A.	20.00	
29	Intrum Italy S.p.A. Capital Euro 600.000 in shares of Euro 0,02	Milano	Milano	4	Intesa Sanpaolo S.p.A.	49.00	
30	Ism Investimenti S.p.A. Capital Euro 6.654.902 in shares of Euro 1	Mantova	Mantova	4	Intesa Sanpaolo S.p.A.	27.36	
31	Leonardo Technology S.r.l. in liquidazione Capital Euro 242.081 in shares of Euro 1	Torino	Torino	4	Intesa Sanpaolo S.p.A.	26.60	
32	Marketwall S.r.l. Capital Euro 2.380.409 in shares of Euro 1	Milano	Milano	4	Intesa Sanpaolo S.p.A.	33.00	
33	Materias S.r.l. Capital Euro 29.191 in shares of Euro 1	Napoli	Napoli	4	Intesa Sanpaolo S.p.A.	12.87	
34	Misr Alexandria for Financial Investments Mutual Fund Co. in liquidazione Capital EGP 30.708.000 in shares of EGP 1000	Cairo	Cairo	4	Bank of Alexandria S.A.E.	25.00	
35	Misr International Towers Co. Capital EGP 50.000.000 in shares of EGP 10	Cairo	Cairo	4	Bank of Alexandria S.A.E.	27.86	
36	Monilogi SRO Capital Euro 250.000 in shares of Euro 1	Bratislava	Bratislava	4	Vseobecna Uverova Banka A.S.	30.00	
37	Montefeltro Sviluppo Soc.cons. A.r. Capital Euro 73.000 in shares of Euro 10	Urbania	Urbania	4	Intesa Sanpaolo S.p.A.	26.37	
38	Network Impresa S.p.A. in concordato preventivo Capital Euro 562.342 in shares of Euro 1	Limena	Limena	4	Intesa Sanpaolo S.p.A.	28.95	
39	Neva First - FCC Capital Euro 237.323.232 in shares of Euro 99,80	Torino	Torino	4	Intesa Sanpaolo Innovation Center S.p.A.	42.53	

	Companies	Registered office	Place of business	Type of relationship (a)	INVESTMENT Direct ownership	% held	Votes available % (b)
40	NEWCO - Fondo Tematico Piani Urbani Integrati S.r.l. (f)	Torino	Torino	4	Intesa Sanpaolo S.p.A.	100.00	
	Capital Euro 25.000 in shares of Euro 1						
41	NEWCO - Fondo Tematico Turismo S.r.l. (f)	Torino	Torino	4	Intesa Sanpaolo S.p.A.	100.00	
	Capital Euro 25.000 in shares of Euro 1						
42	Penghua Fund Management Co. Ltd.	Shenzhen	Shenzhen	4	Eurizon Capital SGR S.p.A.	49.00	
	Capital CNY 150.000.000 in shares of CNY 1						
43	Pietra S.r.l. In liquidazione	Milano	Milano	4	Intesa Sanpaolo S.p.A.	22.22	
	Capital Euro 40.000 in shares of Euro 1						
44	R.C.N. Finanziaria S.p.A.	Mantova	Mantova	4	Intesa Sanpaolo S.p.A.	23.96	
	Capital Euro 1.000.000 in shares of Euro 0,50						
45	RSCT FUND - COMPARTO CREDITI	Milano	Milano	4	Intesa Sanpaolo S.p.A.	70.07	
	Capital Euro 383.363.831 in shares of Euro 1						
46	S.F. Consulting S.r.l.	Bergamo	Bergamo	4	Intesa Sanpaolo S.p.A.	35.00	
	Capital Euro 93.600 in shares of Euro 0,52						
47	Sicily Investments S.a.r.l.	Luxembourg	Luxembourg	4	Intesa Sanpaolo S.p.A.	25.20	
	Capital Euro 12.500 in shares of Euro 25						
48	Slovak Banking Credit Bureau S.r.o.	Bratislava	Bratislava	4	Vseobecna Uverova Banka A.S.	33.33	
	Capital Euro 9.958 in shares of Euro 3.319,39						
49	Sviluppo Industriale S.p.A. in Liquidazione (già Sviluppo Industriale S.p.A. in Concordato Preventivo)	Pistoia	Pistoia	4	Intesa Sanpaolo S.p.A.	28.27	
	Capital Euro 628.444 in shares of Eur 22,26						
50	Trinacria Capital S.a.r.l.	Luxembourg	Luxembourg	4	Intesa Sanpaolo S.p.A.	25.20	
	Capital Euro 12.500 in shares of Euro 25						
51	UBI SPV LEASE 2016 S.r.l.	Milano	Milano	4	Intesa Sanpaolo S.p.A.	10.00	100,00 (**)
	Capital Euro 10.000 in shares of Euro 1						
52	Vesta OML Limited (ex Oval Money LTD)	London	London	4	Intesa Sanpaolo S.p.A.	37.51	
	Capital GBP 16.692 in shares of GBP 0,0004						
53	Warrant Hub S.p.A.	Correggio	Correggio	4	Intesa Sanpaolo S.p.A.	12.00	
	Capital Euro 113.637 in shares of Euro 1						
54	Yolo Group S.p.A.	Milano	Milano	4	Intesa Sanpaolo Vita S.p.A.	1.43	
	Capital Euro 87.493 in shares of Euro 0,01						

(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.

(d) 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) 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)
A. COMPANIES SUBJECT TO JOINT CONTROL				
1	Mooney Group S.p.A.	111	-	-
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE				
1	BACK2BONIS	387	-	-
2	Penghua Fund Management Co. Ltd.	332	-	45
3	Intrum Italy S.p.A.	307	-	13
4	RSCT FUND - Comparto Crediti	256	-	-
5	FI.NAV. Comparto A - Crediti	155	-	-
6	Equiter S.p.A.	104	-	2
7	NEVA FIRST - FCC	59	-	-
TOTAL		**1,711**	**-**	**60**

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

(millions of euro)

	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) (1)	Other comprehensive income (net of tax) (2)	Consolidated comprehensive income (3) = (1) + (2)
A. COMPANIES SUBJECT TO JOINT CONTROL														
Mooney Group S.p.A.	X	397	930	1,446	198	300	X	X	-48	-37	-	-37	-	-37
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE														
BACK2BONIS	X	748	22	24	3	11	X	X	-	-	-	-	-	-
Penghua Fund Management Co. Ltd.	X	826	198	221	249	596	X	X	181	136	-	136	-	136
Intrum Italy S.p.A.	X	65	86	9	60	163	X	X	46	35	-	35	-	35
RSCT FUND - Comparto Crediti	X	346	25	-	4	-	X	X	-	-	-	-	-	-
FI.NAV. Comparto A - Crediti	X	268	-	-	-	-	X	X	-	-	-	-	-	-
Equiter S.p.A.	X	296	8	-	3	13	X	X	10	8	-	8	-	8
NEVA FIRST - FCC	X	110	22	-	1	7	X	X	7	7	-	7	-	7

(millions of euro)

	Total Shareholders' Equity	Proportionate equity	Goodwill	Other changes	Consolidated book value
A. COMPANIES SUBJECT TO JOINT CONTROL					
Mooney Group S.p.A.	-	-	111	-	111
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE					
BACK2BONIS	725	402	-	-15	387
Penghua Fund Management Co. Ltd.	554	272	60	-	332
Intrum Italy S.p.A.	82	40	267	-	307
RSCT FUND - Comparto Crediti	375	263	-	-7	256
FI.NAV. Comparto A - Crediti	306	155	-	-	155
Equiter S.p.A.	293	97	7	-	104
NEVA FIRST - FCC	138	59	-	-	59
	2,473	**1,288**	**445**	**-22**	**1,711**

The figures for these companies are updated to December 2022, for Intrum and Penghua; to 30 June 2022 for RSCT FUND, BACK2BONIS, NEVA FIRST and FI.NAV; and to 31 December 2021 for Equiter. For Mooney Group S.p.A., the figures shown above refer to 30 September 2022, even though the figures as at 31 December 2022 were used for the purposes of the Group's consolidated financial statements. The latter will be made public following approval by the company's Shareholders' Meeting.

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	23	210	147	94	-1	-	-1	-	-1
COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (a)	279	4,523	3,449	222	5	-	5	-46	-41

(a) This caption includes some subsidiaries excluded from the scope of consolidation as of modest amount.

7.5 Investments in associates and companies subject to joint control: annual changes

(millions of euro)

	31.12.2022	31.12.2021
A. Initial amount	**1,652**	**1,996**
B. Increases	**942**	**422**
B.1 purchases	528	122
of which business combinations	-	*10*
B.2 recoveries	13	-
B.3 revaluations	143	163
B.4 other changes	258	137
C. Decreases	**-581**	**-766**
C.1 sales	-305	-58
C.2 impairment losses	-52	-39
C.3 write-downs	-69	-61
C.4 other changes	-155	-608
D. Final amount	**2,013**	**1,652**
E. Total revaluations	**3,620**	**3,477**
F. Total impairment losses	**2,111**	**2,059**

The sub-caption B.1 purchases includes the acquisition of the additional 20% stake in Mooney Group, Back2Bonis and other purchases, including Warrant Hub and Digit'Ed Holding.

The sub-caption B.3 revaluations mainly includes the profits of companies carried at equity (including Penghua Fund Management Co. Ltd.).

The sub-caption B.4 Increases - other changes includes profits on disposal/reclassifications for a total of 197 million euro, attributable to the Isp Formazione transaction for 196 million euro and to Innolva for 1 million euro.

The sub-caption C.1 sales includes the disposal of companies carried at equity (mainly ISP Formazione and Innolva).

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 (mainly Penghua and Intrum), as well as reclassification from other portfolios of VUB Generali, which entered the line-by-line scope of consolidation following the purchase of an additional 5.26%.

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 2022, there were commitments on capital referring to MIR CAPITAL S.C.A. Sicar for a total of 35.6 million euro; to Mooney Group S.p.A. for a total of 8 million euro; and to Apside S.p.A. for a total of 17 million euro, relating to the subscription of equity instruments issued by the company.

7.8 Commitments referred to investments in companies subject to significant influence

As at 31 December 2022, the following commitments are noted: the recapitalisation of Bancomat S.p.A. for around 2.7 million euro; 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 residual 49.5 million euro; a capital increase commitment benefiting Centai Institute S.p.A. for 0.7 million euro; a commitment to subscribe equity instruments issued by the associate Destination Gusto S.r.l. for a maximum of 2.5 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. If, subsequently, the recoverable amount is higher than the new carrying amount and the reasons for the impairment no longer apply following an event subsequent to the recognition of the impairment, write-backs are recognised, through profit or loss, up to the amount of the adjustment previously 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 investments in Intrum Italy (34 million euro), Mir Capital (8 million euro), RSCT Fund Comparto Crediti (4 million euro), Marketwall (3 million euro) and in other minor investments for 3 million euro. The valuation of investments in associates or companies subject to joint control also led to the recognition of a write-back of 13 million euro of the investment in FI.NAV. Comparto A Crediti.

SECTION 8 – TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES – CAPTION 80

8.1 Technical insurance reserves reassured with third parties: breakdown

(millions of euro)

Captions	31.12.2022	31.12.2021
A. Non-life business	**127**	**164**
A1. Premiums reserves	44	37
A2. Claims reserves	83	127
A3. Other reserves	-	-
B. Life business	**36**	**44**
B1. Mathematical reserves	32	40
B2. Reserves for amounts to be disbursed	4	4
B3. Other reserves	-	-
C. Technical reserves for investment risks to be borne by the insured	**-**	**-**
C1. Reserves for contracts with disbursements connected with investment funds and market indices	-	-
C2. Reserves from pension fund management	-	-
D. Total technical insurance reserves reassured with third parties	**163**	**208**

8.2 Change in caption 80 Technical insurance reserves reassured with third parties

The balance of this caption came to 163 million euro (208 million euro as at 31 December 2021), down by 45 million euro compared to 31 December 2021. The change is essentially due to the decline in caption "A2. Claims reserves" as a result of a new underwriting policy, for both renewals and new customers, preferring profitability by enabling a reduction in the portfolio's claims rate.

SECTION 9 – PROPERTY AND EQUIPMENT – CAPTION 90

(millions of euro)

Assets/Amounts	31.12.2022	31.12.2021
1. Property and equipment used in operations measured at cost	2,483	2,530
Of which - Property and equipment used in operations - Rights of use acquired under leases	*1,495*	*1,521*
2. Investment property measured at cost	-	-
3. Property and equipment used in operations, revalued	6,381	6,574
Of which - Property and equipment used in operations, revalued - Rights of use acquired under leases	-	-
4. Investment property measured at fair value	770	798
Of which - Investment property - Rights of use acquired under leases	-	-
5. Inventories of property and equipment governed by IAS 2	871	890
Total Property and equipment caption 90	**10,505**	**10,792**

9.1 Property and equipment used in operations: breakdown of assets measured at cost

(millions of euro)

	31.12.2022	31.12.2021
1. Property and equipment owned	**988**	**1,009**
a) land	-	-
b) buildings	-	-
c) furniture	194	207
d) electronic equipment	748	758
e) other	46	44
2. Rights of use acquired through the lease	**1,495**	**1,521**
a) land	1	9
b) buildings	1,218	1,331
c) furniture	-	-
d) electronic equipment	36	16
e) other	240	165
Total	**2,483**	**2,530**
of which: resulting from the enforcement of guarantees	*1*	*2*

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

(millions of euro)

	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Property and equipment owned	**-**	**-**	**6,381**	**-**	**-**	**6,574**
a) land	-	-	2,641	-	-	2,656
b) buildings	-	-	3,429	-	-	3,606
c) valuable art assets	-	-	311	-	-	312
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. Rights of use acquired through the lease	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
TOTAL	**-**	**-**	**6,381**	**-**	**-**	**6,574**
of which: resulting from the enforcement of guarantees	-	-	-	-	-	-

9.4 Investment property: breakdown of assets measured at fair value

(millions of euro)

	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Property and equipment owned	**-**	**-**	**770**	**-**	**-**	**798**
a) land	-	-	271	-	-	281
b) buildings	-	-	499	-	-	517
2. Rights of use acquired through the lease	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
TOTAL	**-**	**-**	**770**	**-**	**-**	**798**
of which: resulting from the enforcement of guarantees	*-*	*-*	*114*	*-*	*-*	*138*

With regard to the provisions of IAS 40, paragraph 75, letters c), g) and h), there was no information worth mentioning.

9.5 Inventories of property and equipment governed by IAS 2: breakdown

(millions of euro)

	31.12.2022	Of which:			31.12.2021
		Banking group	*Insurance companies*	*Other companies*	
1. Inventories of property and equipment resulting from the enforcement of guarantees	**192**	***181***	**-**	***11***	**211**
a) land	13	*3*	-	*10*	18
b) buildings	179	*178*	-	*1*	192
c) furniture	-	-	-	-	-
d) electronic equipment	-	-	-	-	-
e) other	-	-	-	-	1
2. Other inventories of property and equipment	**679**	***24***	**-**	***655***	**679**
Total	**871**	***205***	**-**	***666***	**890**
of which: measured at fair value less cost to sell	*6*	*6*	*-*	*-*	*1*

9.6 Property and equipment used in operations: annual changes

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
A. Gross initial carrying amount	**2,665**	**5,736**	**2,088**	**6,657**	**312**	**395**	**17,853**
A.1 Total net adjustments	-	-799	-1,881	-5,883	-	-186	-8,749
A.2 Net initial carrying amount	**2,665**	**4,937**	**207**	**774**	**312**	**209**	**9,104**
B. Increases	**52**	**450**	**36**	**260**	**1**	**188**	**987**
B.1 Purchases	-	97	33	244	-	155	529
of which business combinations	-	-	-	-	-	-	-
B.2 Capitalised improvement costs	12	37	-	-	-	-	49
B.3 Recoveries	-	-	-	-	-	-	-
B.4 Positive fair value differences recognised in:	16	11	-	-	-	-	27
a) shareholders' equity	*16*	*11*	-	-	-	-	*27*
b) income statement	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-
B.6 Transfer from investment property	14	19	X	X	X	X	33
B.7 Other changes	10	286	3	16	1	33	349
C. Decreases	**-75**	**-740**	**-49**	**-250**	**-2**	**-111**	**-1,227**
C.1 Sales	-	-6	-	-1	-	-2	-9
of which business combinations	-	-	-	-	-	-	-
C.2 Depreciation	-	-342	-33	-221	-	-79	-675
C.3 Impairment losses recognised in:	-	-3	-5	-	-	-2	-10
a) shareholders' equity	-	*-3*	-	-	-	-	*-3*
b) income statement	-	-	*-5*	-	-	*-2*	*-7*
C.4 Negative fair value differences recognised in:	-9	-13	-	-	-2	-1	-25
a) shareholders' equity	*-6*	*-9*	-	-	-	-	*-15*
b) income statement	*-3*	*-4*	-	-	*-2*	*-1*	*-10*
C.5 Negative foreign exchange differences	-20	-46	-3	-5	-	-2	-76
C.6 Transfer to:	-38	-77	-	-	-	-	-115
a) investment	*-36*	*-72*	*X*	*X*	*X*	*X*	*-108*
b) non-current assets held for sale and discontinued operations	*-2*	*-5*	-	-	-	-	*-7*
C.7 Other changes	-8	-253	-8	-23	-	-25	-317
D. Net final carrying amount	**2,642**	**4,647**	**194**	**784**	**311**	**286**	**8,864**
D.1 Total net adjustments	-	-967	-1,902	-6,012	-	-173	-9,054
D.2 Gross final carrying amount	**2,642**	**5,614**	**2,096**	**6,796**	**311**	**459**	**17,918**
E. Measurement at cost	**1,852**	**2,450**	**-**	**-**	**112**	**-**	**4,414**

The table above shows the values of owned assets, as well as the rights of use acquired under leases.

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:
- the properties classified as owner-occupied assets and trophy assets in the real estate portfolio were respectively subject to full valuation at the end of 2020 and the end of 2021, and were therefore subject to scenario analysis for 2022;
- the valuable art assets were subject to scenario analyses for the year 2022, as they had been fully appraised at the end of 2020, through external appraisals, entrusted to qualified independent experts.

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 and early terminations 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.

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.

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
A. Gross initial carrying amount	**9**	**1,968**	**-**	**36**	**-**	**193**	**2,206**
A.1 Total net adjustments	-	-637	-	-20	-	-28	-685
A.2 Net initial carrying amount	**9**	**1,331**	**-**	**16**	**-**	**165**	**1,521**
B. Increases	**-**	**356**	**-**	**52**	**-**	**150**	**558**
B.1 Purchases	-	78	-	42	-	137	257
of which business combinations	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	X	X	X	X	-
B.7 Other changes	-	278	-	10	-	13	301
C. Decreases	**-8**	**-469**	**-**	**-32**	**-**	**-75**	**-584**
C.1 Sales	-	-1	-	-1	-	-	-2
of which business combinations	-	-	-	-	-	-	-
C.2 Depreciation	-	-214	-	-24	-	-69	-307
C.3 Impairment losses recognised in:	-	-1	-	-	-	-	-1
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	*-1*	-	-	-	-	*-1*
C.4 Negative fair value differences recognised in:	**-**	**-**	**-**	**-**	**-**	**-1**	**-1**
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	*-1*	*-1*
C.5 Negative foreign exchange differences	-	-5	-	-	-	-2	-7
C.6 Transfer to:	-	-	-	-	-	-	-
a) investment	-	-	*X*	*X*	*X*	*X*	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-
C.7 Other changes	-8	-248	-	-7	-	-3	-266
D. Net final carrying amount	**1**	**1,218**	**-**	**36**	**-**	**240**	**1,495**
D.1 Total net adjustments	-	-718	-	-39	-	-34	-791
D.2 Gross final carrying amount	**1**	**1,936**	**-**	**75**	**-**	**274**	**2,286**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The Other changes, both increases and decreases, refer mainly to renegotiations and early terminations during the year of leases (IFRS 16).

9.7 Investment property: annual changes

(millions of euro)

	TOTAL	
	Land	**Buildings**
A. Initial carrying amount	**281**	**517**
B. Increases	**41**	**87**
B.1 Purchases	-	-
of which business combinations	-	-
B.2 Capitalised improvement costs	-	7
B.3 Positive fair value differences	3	3
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfer from investment property	36	72
B.7 Other changes	2	5
C. Decreases	**-51**	**-105**
C.1 Sales	-13	-30
of which business combinations	-	-
C.2 Depreciation	-	-
C.3 Negative fair value differences	-10	-32
C.4 Impairment losses	-	-1
C.5 Negative foreign exchange differences	-	-
C.6 Transfer to	-24	-35
a) property used in operations	*-14*	*-19*
b) non-current assets held for sale and discontinued operations	*-10*	*-16*
C.7 Other changes	-4	-7
D. Final carrying amount	**271**	**499**
E. Fair value measurement	**-**	**-**

The table above shows the values of owned assets, as well as the rights of use acquired under leases.

Investment property, comprised of land and buildings, is measured at fair value, in compliance with IAS 40.
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 2022 the appraisals were updated for all the investment properties, whose effects are recognised in the sub-captions B.3 Positive fair value differences and C.3 Negative fair value differences.

9.7 Of which - Investment property - Rights of use acquired under leases: annual changes

As at 31 December 2022, the amount for Investment property - Rights of use acquired under leases was immaterial.

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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		
A. Initial carrying amount	**18**	**191**	**-**	**-**	**1**	**680**	**890**
B. Increases	**1**	**24**	**-**	**-**	**5**	**4**	**34**
B.1 Purchases	-	-	-	-	5	-	5
B.2 Recoveries	-	1	-	-	-	-	1
B.3 Positive foreign exchange differences	1	1	-	-	-	-	2
B.4 Other changes	-	22	-	-	-	4	26
C. Decreases	**-6**	**-36**	**-**	**-**	**-6**	**-5**	**-53**
C.1 Sales	-5	-14	-	-	-5	-2	-26
C.2 Impairment losses	-	-17	-	-	-	-1	-18
C.3 Negative foreign exchange differences	-1	-	-	-	-	-	-1
C.4 Other changes	-	-5	-	-	-1	-2	-8
D. Final carrying amount	**13**	**179**	**-**	**-**	**-**	**679**	**871**

9.8 Of which: Banking group

(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		
A. Initial carrying amount	**7**	**190**	**-**	**-**	**1**	**26**	**224**
B. Increases	**1**	**24**	**-**	**-**	**5**	**3**	**33**
B.1 Purchases	-	-	-	-	5	-	5
B.2 Recoveries	-	1	-	-	-	-	1
B.3 Positive foreign exchange differences	1	1	-	-	-	-	2
B.4 Other changes	-	22	-	-	-	3	25
C. Decreases	**-5**	**-36**	**-**	**-**	**-6**	**-5**	**-52**
C.1 Sales	-5	-14	-	-	-5	-2	-26
C.2 Impairment losses	-	-17	-	-	-	-1	-18
C.3 Negative foreign exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-	-5	-	-	-1	-2	-8
D. Final carrying amount	**3**	**178**	**-**	**-**	**-**	**24**	**205**

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

(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		
A. Initial carrying amount	**11**	**1**	**-**	**-**	**-**	**654**	**666**
B. Increases	**-**	**-**	**-**	**-**	**-**	**1**	**1**
B.1 Purchases	-	-	-	-	-	-	-
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	1	1
C. Decreases	**-1**	**-**	**-**	**-**	**-**	**-**	**-1**
C.1 Sales	-	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-	-
C.3 Negative foreign exchange differences	-1	-	-	-	-	-	-1
C.4 Other changes	-	-	-	-	-	-	-
D. Final carrying amount	**10**	**1**	**-**	**-**	**-**	**655**	**666**

9.9 Commitments to purchase property and equipment

Commitments to purchase property and equipment in existence as at 31 December 2022 amounted to approximately 9 million euro, mainly relating to efficiency improvement measures implemented on the systems installations in the Group's head office buildings. Any commitments relating to lease agreements are illustrated in Part M.

SECTION 10 - INTANGIBLE ASSETS - CAPTION 100

10.1 Intangible assets: breakdown by type of asset

(millions of euro)

	31.12.2022		*Of which:* *Banking group*		*Insurance companies*		*Other companies*		31.12.2021	
	Finite useful life	Indefinite useful life	*Finite useful life*	*Indefinite useful life*	*Finite useful life*	*Indefinite useful life*	*Finite useful life*	*Indefinite useful life*	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**3,626**	***X***	***2,650***	***X***	***976***	***X***	**-**	**X**	**3,574**
A.1.1 Group	x	3,626	*x*	*2,650*	*x*	*976*	*x*	-	x	3,574
A.1.2 Minority interests	x	-	*x*	-	*x*	-	*x*	-	x	-
A.2 Other intangible assets	**4,322**	**1,882**	***3,755***	***1,882***	***549***	**-**	***18***	**-**	**3,886**	**1,882**
of which: software	3,013	-	*2,961*	-	*52*	-	-	-	2,533	-
A.2.1 Assets measured at cost	4,322	1,882	*3,755*	*1,882*	*549*	-	*18*	-	3,886	1,882
a) Internally generated intangible assets	2,386	-	*2,366*	-	*20*	-	-	-	2,072	-
b) Other assets	1,936	1,882	*1,389*	*1,882*	*529*	-	*18*	-	1,814	1,882
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**4,322**	**5,508**	***3,755***	***4,532***	***549***	***976***	***18***	**-**	**3,886**	**5,456**

As at 31 December 2022, the amount for software was 3,013 million euro, of which 2,386 million euro produced internally and 627 million euro purchased externally.

The allocation of goodwill between "Cash Generating Units" is reported in the following table.

(millions of euro)

CGUs/Goodwill	31.12.2022	31.12.2021
Banca dei Territori	-	-
IMI Corporate & Investment Banking	56	56
Insurance	976	976
Asset Management	1,059	1,060
Private Banking	1,535	1,482
International Subsidiary Banks	-	-
Bank of Alexandria (Egypt)	-	-
Pravex Bank (Ukraine)	-	-
GROUP TOTAL	**3,626**	**3,574**

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	
A. Gross initial carrying amount	**20,772**	**7,382**	**-**	**10,583**	**2,386**	**41,123**
A.1 Total net adjustments	-17,198	-5,310	-	-8,769	-504	-31,781
A.2 Net initial carrying amount	**3,574**	**2,072**	**-**	**1,814**	**1,882**	**9,342**
B. Increases	**52**	**1,041**	**-**	**422**	**-**	**1,515**
B.1 Purchases	42	51	-	304	-	397
of which business combinations	*42*	-	-	*73*	-	*115*
B.2 Increases of internally generated intangible assets	X	990	-	-	-	990
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	10	-	-	-	-	10
B.6 Other changes	-	-	-	118	-	118
C. Decreases	**-**	**-727**	**-**	**-300**	**-**	**-1,027**
C.1 Sales	-	-	-	-3	-	-3
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-692	-	-292	-	-984
- Amortisation	X	-684	-	-280	-	-964
- Write-downs recognised in	-	-8	-	-12	-	-20
shareholders' equity	*X*	-	-	-	-	-
income statement	-	*-8*	-	*-12*	-	*-20*
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	-	-12	-	-	-	-12
C.5 Negative foreign exchange differences	-	-	-	-4	-	-4
C.6 Other changes	-	-23	-	-1	-	-24
D. Net final carrying amount	**3,626**	**2,386**	**-**	**1,936**	**1,882**	**9,830**
D.1 Total net adjustments	-17,198	-6,002	-	-9,061	-504	-32,765
E. Gross final carrying amount	**20,824**	**8,388**	**-**	**10,997**	**2,386**	**42,595**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The sub-caption B.1 includes the increase for Goodwill deriving from the purchase of Compagnie de Banque Privée Quilvest S.A. (CBPQ).

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	
A. Gross initial carrying amount	**19,042**	**7,322**	**-**	**8,952**	**2,386**	**37,702**
A.1 Total net adjustments	-16,444	-5,276	-	-7,743	-504	-29,967
A.2 Net initial carrying amount	**2,598**	**2,046**	**-**	**1,209**	**1,882**	**7,735**
B. Increases	**52**	**1,025**	**-**	**378**	**-**	**1,455**
B.1 Purchases	42	38	-	276	-	356
of which business combinations	*42*	-	-	*73*	-	*115*
B.2 Increases of internally generated intangible assets	X	987	-	-	-	987
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	10	-	-	-	-	10
B.6 Other changes	-	-	-	102	-	102
C. Decreases	**-**	**-705**	**-**	**-198**	**-**	**-903**
C.1 Sales	-	-	-	-3	-	-3
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-678	-	-190	-	-868
- Amortisation	X	-670	-	-178	-	-848
- Write-downs recognised in	-	-8	-	-12	-	-20
shareholders' equity	*X*	-	-	-	-	-
income statement	-	*-8*	-	*-12*	-	*-20*
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	-	-12	-	-	-	-12
C.5 Negative foreign exchange differences	-	-	-	-4	-	-4
C.6 Other changes	-	-15	-	-1	-	-16
D. Net final carrying amount	**2,650**	**2,366**	**-**	**1,389**	**1,882**	**8,287**
D.1 Total net adjustments	-16,444	-5,954	-	-7,933	-504	-30,835
E. Gross final carrying amount	**19,094**	**8,320**	**-**	**9,322**	**2,386**	**39,122**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

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	
A. Gross initial carrying amount	**1,712**	**60**	**-**	**1,544**	**-**	**3,316**
A.1 Total net adjustments	-736	-34	-	-939	-	-1,709
A.2 Net initial carrying amount	**976**	**26**	**-**	**605**	**-**	**1,607**
B. Increases	**-**	**16**	**-**	**21**	**-**	**37**
B.1 Purchases	-	13	-	6	-	19
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	3	-	-	-	3
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	-	-	-	15	-	15
C. Decreases	**-**	**-22**	**-**	**-97**	**-**	**-119**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-14	-	-97	-	-111
- Amortisation	X	-14	-	-97	-	-111
- 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	-	-8	-	-	-	-8
D. Net final carrying amount	**976**	**20**	**-**	**529**	**-**	**1,525**
D.1 Total net adjustments	-736	-48	-	-1,036	-	-1,820
E. Gross final carrying amount	**1,712**	**68**	**-**	**1,565**	**-**	**3,345**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

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	
A. Gross initial carrying amount	**18**	**-**	**-**	**87**	**-**	**105**
A.1 Total net adjustments	-18	-	-	-87	-	-105
A.2 Net initial carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**-**	**-**	**-**	**23**	**-**	**23**
B.1 Purchases	-	-	-	22	-	22
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	-	-	-	1	-	1
C. Decreases	**-**	**-**	**-**	**-5**	**-**	**-5**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-5	-	-5
- Amortisation	X	-	-	-5	-	-5
- 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	-	-	-	-	-	-
D. Net final carrying amount	**-**	**-**	**-**	**18**	**-**	**18**
D.1 Total net adjustments	-18	-	-	-92	-	-110
E. Gross final carrying amount	**18**	**-**	**-**	**110**	**-**	**128**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

10.3 Other information

As at 31 December 2022, there were commitments relating to investments in intangible assets, primarily software, of approximately 25 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 led to the recognition of significant amounts for intangible assets and goodwill.
In 2022 two transactions were finalised, entailing the recognition of new intangible assets with finite useful lives and goodwill. These transactions are briefly illustrated below, describing their effects on the amount and composition of the Group's intangible assets.

The acquisition by Fideuram Bank Luxembourg, a subsidiary of Fideuram - Intesa Sanpaolo Private Banking, of 100% of the capital of Compagnie de Banque Privée Quilvest, a Luxembourg private bank wholly owned by the holding company Quilvest Wealth Management, was finalised on 30 June 2022. Within the framework of the Purchase Price Allocation (PPA), two specific customer relationship related intangible assets were identified and recognised, amounting to 43 million euro in relation to indirect customer deposits (assets under management) and 30 million euro in relation to core deposits, respectively. In addition, goodwill of approximately 42 million euro was recognised as the residual difference between the acquisition cost and the company's shareholders' equity measured at its acquisition date fair value. According to IAS 36, both goodwill and the intangible assets linked to these assets were allocated to the Private Banking CGU.
Within the International Subsidiary Banks Division, the acquisition by VUB Banka, a wholly owned subsidiary of Intesa Sanpaolo Holding International, of 5.26% of the capital of VUB Generali, the number-four operator in the Slovak pension fund market, in which the Intesa Sanpaolo Group previously held a 50% stake as part of a joint venture established in 2004 with the Generali Group, was finalised on 24 October 2022. This transaction, which entailed the acquisition of control over the company by the Intesa Sanpaolo Group pursuant to IFRS 10, was considered a business combination to be accounted for under IFRS 3. At the end of the Purchase Price Allocation (PPA), an intangible asset not previously recognised in the financial statements of VUB Generali attributable to customer relationship related activities, and in particular asset management, of 80 million euro was identified and allocated to the International Subsidiary Banks CGU. The intangible asset identified, net of the related tax effect, offset the entire difference between the acquisition cost and the company's assets, without the transaction giving rise to amounts of goodwill.
For more details on the transactions mentioned above, see Part G of these Notes.

The table below summarises the values of the intangible assets and goodwill recorded in the consolidated financial statements at 31 December 2022 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.

(millions of euro)

CGU	Financial Statements 2021	Acquisition of CBPQ	Acquisition of VUB Generali	Amortisation	Other changes (1)	Financial Statements 2022
BANCA DEI TERRITORI DIVISION	**1,833**	**-**	**-**	**-22**	**-**	1,811
- Asset management intangibles - distribution	201	-	-	-14	-	187
- Insurance intangibles - distribution	110	-	-	-7	-	103
- Brand name intangibles	1,507	-	-	-	-	1,507
- Intangible asset under administration	15	-	-	-1	-	14
- Intangibile Acquiring	-	-	-	-	-	-
- Goodwill	-	-	-	-	-	-
DIVISIONE IMI CORPORATE & INVESTMENT BANKING	**56**	**-**	**-**	**-**	**-**	**56**
- Goodwill	56	-	-	-	-	56
ASSET MANAGEMENT DIVISION	**1,166**	**-**	**-**	**-6**	**-1**	**1,159**
- Asset management intangibles - prod. and distribut.	106	-	-	-6	-	**100**
- Goodwill	1,060	-	-	-	-1	1,059
PRIVATE BANKING DIVISION	**2,106**	**115**	**-**	**-19**	**15**	**2,217**
- Asset management intangibles - prod. and distribut.	180	43	-	-14	4	213
- Insurance intangibles - distribution	47	-	-	-2	-	45
- Intangibile Core Deposits	-	30	-	-1	-	29
- Brand name intangibles	375	-	-	-	-	375
- Intangible asset under administration	22	-	-	-2	-	20
- Goodwill	1,482	42	-	-	11	1,535
INSURANCE DIVISION	**1,567**	**-**	**-**	**-94**	**-**	**1,473**
- Insurance intangibles - production	591	-	-	-94	-	497
- Goodwill	976	-	-	-	-	976
DIVISIONE INTERNATIONAL SUBSIDIARY BANKS	**-**	**-**	**80**	**-1**	**-**	**79**
- Intangible asset management - production	-	-	80	-1	-	79
BANK OF ALEXANDRIA (Egypt)	**-**	**-**	**-**	**-**	**-**	**-**
PRAVEX BANK (Ukraine)	**-**	**-**	**-**	**-**	**-**	**-**
CGU TOTAL	**6,728**	**115**	**80**	**-142**	**14**	**6,795**
- Asset management intangibles	487	43	80	-35	4	579
- Insurance intangibles	748	-	-	-103	-	645
- Intangibile Core Deposits	-	30	-	-1	-	29
- Intangible asset under administration	37	-	-	-3	-	34
- Intangibile Acquiring	-	-	-	-	-	-
- Brand name intangibles	1,882	-	-	-	-	1,882
- Goodwill	3,574	42	-	-	10	3,626

(1) Foreign exchange differences on the goodwill attributable to Eurizon Capital SLJ and on the portion of amortisation of intangibles attributable to Reyl & Cie SA.

The intangible assets with finite useful lives recognised refer to customer relationships and relate to the valuation of the insurance portfolio (Value of Business Acquired), Assets Under Administration (AUA), Assets Under Management (AUM) and Core Deposits. Such intangible assets 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.
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 142 million euro gross of the tax effect.

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.

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 2022 financial statements. In particular, for the financial statements as at 31 December 2022, 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 – is added. Both of these methods were based on the individual estimates made internally for the 2023-2027 period, which for the years up to 2025 represent the forecasts in the 2022-2025 Business Plan, updated to take account of the changed macroeconomic scenario, whereas the final two years of forecasts were estimated through inertial tracking of the flows for 2025, on the basis of internal forecasts relating to the aforementioned macroeconomic scenario. 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, a CGU which no longer has goodwill allocated.
The results of the impairment test as at 31 December 2022 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 2022.

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 acquisitions 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, whereas Cargeas Assicurazioni was merged into Intesa Sanpaolo Assicura on 1 October 2022.
The intangible assets referring to the insurance portfolio were partly allocated to the Insurance CGU, partly to the Private Banking 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, for a total amount of 103 million euro.
During the year, the analyses on the main impairment indicators were updated.
Specifically, in 2022 the Insurance Division reported strong income from insurance business of approximately 1.6 billion euro, up slightly on the previous year (+1.9%). This trend is attributable to the increase in the technical margin, in both the life business and the non-life business, which more than offset the reduction in the net investment result. In addition, in 2022 the Division's collected premiums for life policies and pension products amounted to 16.2 billion euro, down by around 14% compared to the previous year, due to unit-linked products (-41%), as a result of the uncertainty on the financial markets. In contrast, the collected premiums for traditional products increased (+39%), including the Class I component of multi-line policies, due to the placement in the fourth quarter of the Class I credit line dedicated to senior customers. Pension products recorded an increase of 1%. Direct deposits from insurance business exceeded 173 billion euro as at 31 December 2022, down by approximately 15% on the previous year.
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.
In addition, the volumes of the policies underlying the measurement of the intangible assets recognised in the financial statements are negligible if compared with the total policies of the relevant CGUs.
An analysis of the comprehensive income of the products in the portfolios did not identify any potential impairment of the intangible asset relating to the insurance business, also considering that, as required by IAS 36, the intangible asset is tested for impairment at the CGU level as a whole and not by individual product or business line.

The following table presents a summary of the values of insurance intangibles according to the relevant CGU.

(millions of euro)

CGU	Financial statements 2021	Amortisation	Financial statements 2022
BANCA DEI TERRITORI DIVISION			
Insurance intangibles - distribution	110	-7	103
INSURANCE DIVISION			
Insurance intangibles - production	591	-94	497
PRIVATE BANKING DIVISION			
Intangibile asset management - produc. and distribut.	47	-2	45
GROUP TOTAL	**748**	**-103**	**645**

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 2022.

Asset management and administration portfolio

The intangible asset recognised in Intesa Sanpaolo's consolidated financial statements is regarded as having a finite useful life. Accordingly, for the purposes of the 2022 Financial Statements, analyses were conducted on the main value indicators, 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 - Intesa Sanpaolo Private Banking 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 (AUA) and assets under management (AUM), whereas 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.

In 2022, as stated above, new customer relationship related intangible assets were recognised in connection with the indirect customer deposits of Compagnie de Banque Privée Quilvest (CBPQ) and VUB Generali, amounting to 43 and 80 million euro as at the acquisition date, respectively.

As at 31 December 2022, taking account of the portion amortised in the meantime, the intangible asset linked to AUM was allocated to the Banca dei Territori CGU (187 million euro), to the Private Banking CGU (213 million euro), to the Asset Management CGU (100 million euro) and to the International Subsidiary Banks CGU (79 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 (14 million euro), and to the Private Banking CGU, for the component distributed to customers of IW Private Investments SIM (20 million euro) as at 31 December 2022.

As stated above, IAS 36 provides that impairment testing must not be limited only to the cash flows deriving from the assets acquired, but should take account of all the cash flows linked to the assets of the specific CGU, also including the cash flows generated after initial measurement of the intangible assets. On this regard, it is noted that the volumes of assets underlying the measurement of the intangible assets recognised in the financial statements are negligible if compared with the total assets of the CGUs.

Accordingly, in the light of the above, and regardless of the performance of the assets during the reporting period, it may be confirmed that there were no signs of impairment of the intangible assets recognised in the financial statements and pertaining to asset under management and asset under administration relationships.

The following table presents a summary of the values of the AUM and AUA intangibles attributable to the Banca dei Territori, Private Banking, Asset Management and International Subsidiary Banks CGUs.

CGU	Financial statements 2021	Acquisitions	Amortisation	Other changes (1)	Financial statements 2022
BANCA DEI TERRITORI DIVISION					
Intangibile asset management - distribution	201	-	-14	-	187
Intangibile asset under administration	15	-	-1	-	14
PRIVATE BANKING DIVISION					
Intangibile asset management - produc. and distribut.	180	43	-14	4	213
Intangibile asset under administration	22	-	-2	-	20
ASSET MANAGEMENT DIVISION					
Intangibile asset management - produc. and distribut.	106	-	-6	-	100
INTERNATIONAL SUBSIDIARY BANKS DIVISION					
Intangibile asset management - distribution	-	80	-1	-	79
GROUP TOTAL	**524**	**123**	**-38**	**4**	**613**

(1) Foreign exchange differences on intangible assets attributable to Reyl & Cie SA.

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 stable and lower funding cost compared to market parameters. Basically, the acquirer may use funding for its lending and investment activities which pays less than the interbank market interest rate. The intangible asset consists of the valuation of this future margin, known as the “deposit premium”, which represents an asset the value of which is correlated with the performance of market rates and the assets raised.

As stated above, total core deposits of 30 million euro were recognised as part of the acquisition of Compagnie de Banque Privée Quilvest by Fideuram Bank Luxembourg.

No impairment indicators were considered when assessing whether the intangible asset had maintained its value, given the limited period of time between the initial recognition of the asset and the expected interest rate scenario.

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 2022 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 and 2021 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, which was undergoing a deep economic and currency crisis, 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 2022 impairment testing, as no significant elements arose that cast doubt on the decision made for the previous financial statements, and taking account of the outbreak of the military conflict between Russia and 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, with specific regard to the Ukrainian bank, within the limits permitted by the ongoing conflict.

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).

(millions of euro)

Values	**Value as at 31.12.2022**			
CGU	Book value	*of which goodwill Group share*	*of which brand name*	*of which minority interests*
Banca dei Territori	18,858	-	*1,507*	*14*
IMI Corporate & Investment Banking	21,334	*56*	-	*18*
Insurance	6,702	*976*	-	*1*
Asset Management	2,656	*1,059*	-	*6*
Private Banking	5,192	*1,535*	*375*	*1*
International Subsidiary Banks	6,461	-	-	-
Bank of Alexandria (Egypt)	628	-	-	*126*
Pravex Bank (Ukraine)	-	-	-	-
TOTAL	**61,831**	***3,626***	***1,882***	***166***

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 2022 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 particularly complex.

The medium-term forecasting scenario of reference has been drawn up by the Intesa Sanpaolo Research Department taking account of the forecasts of the main Italian and international organisations and institutions, and underlies the income forecasts throughout the 2023-2027 period.

These forecasts are based on a reference scenario for the global economy characterised by a gradual return of inflation to levels consistent with the definition of price stability by central banks, associated with lower real growth rates than in the years prior to the pandemic crisis and rising nominal and real interest rate levels.

The reference scenario assumes that in 2022 global GDP growth was 2.7%, following the rebound of 6% witnessed in 2020. In 2023 growth is expected to slow further to 2.2%, but then to accelerate again to a range of 3% to 3.5%. International trade of goods is expected to remain essentially stagnant in 2023 (+0.6%), but then to gain momentum in 2024 at growth rates similar to those of global GDP.

In 2022, the Euro area was hit by the effects of a spike in natural gas prices, a repercussion of the Russian invasion of Ukraine and of the resulting deterioration in relations between the European Union and Russia. The almost total disruption of gas imports from Russia was tackled with a combination of reduced consumption, increased production from renewable and other fossil sources, and increased imports from other suppliers. Achieving this forced transition in such a short time means that prices will remain structurally higher than in the pre-crisis years. Although 2023 began relatively well, due to milder temperatures than the seasonal average and low Chinese demand, the expectation that Chinese gas demand will resume in the second quarter could entail further price tensions by the end of the year. In the light of recent developments, the scenario includes very conservative forecasts of gas prices in 2023, with mainly downside risks in the short term.

The drastic deterioration in terms of trade as a result of the gas crisis was reflected in a fall of around 4 percentage points in the trade balance. The recessionary impact of the shock was almost entirely offset by public support measures for households and businesses and the fall in the average household saving rate back towards pre-pandemic levels. As a result, GDP grew by 3.3% in 2022, well above the potential growth estimates. In 2023 GDP growth is expected to be essentially nil (0.1%), associated with two quarters of mild decline. Estimated annual average growth is then expected to rebound to a range of between 1.5% and 1.8%. The long-term scenario is weighed down by the risk that structurally higher energy prices may reduce the European economy's growth potential.

In 2022, inflation rose to levels well above those predicted a year ago before the war, with an estimated annual average of 8.5%. Much of the greater increase was attributable to the direct and indirect effects of higher natural gas prices, but statistical analyses now also point to demand factors making a significant contribution to the underlying inflation dynamics. The decline in gas prices from the summer 2022 peak suggests that inflation rates will fall in 2023. The annual average is estimated at 7.7%, a level that reflects very conservative forecasts of gas prices at the beginning of the year. The decrease in energy prices would further reduce inflation in the following years, bringing it into line with the ECB's price stability target in 2025. However, the decline in underlying inflation will be much slower, as a salary increase is expected, compatible with inflation rates of above 2% in services, considering that in 2023-24 productivity growth is unlikely to accelerate enough to offset its effects.

In Italy, GDP growth in 2022 was 3.8%, around half a point lower than predicted before the war. The reduction in growth was due to the sharp deterioration in the trade balance (at around 4% of GDP in 2022), which was reflected internally in a decline in real household income and a fall in company earnings. However, the final impact was mitigated by fiscal measures (cut in excise duty, corporate tax credits, household subsidies, suspension of several system-wide cost components, etc.) and the reduction in the average household saving rate. GDP growth gradually slowed down over the course of 2022, and is expected to be negative on a quarterly basis at the end of 2022 and early 2023. It is expected to amount to an annual average of 0.6% in 2023. A sharp acceleration is then expected in the wake of declining energy prices, assuming that aggregate demand is supported by spending flows associated with the Next Generation EU programme (which could increase growth by 0.5% a year), investments in the energy transition, a recovery of foreign demand and a positive trend in employment and real income. Interest-rate-sensitive components of demand will record weaker real growth, a trend that will be accentuated in construction due to the scaling-back of tax incentives for renovations, but without fully offsetting the foregoing factors. Accordingly, on the whole growth continues to be expected to be above potential in the years 2024-27, although there are greater downside risks due to higher energy costs.

In the reference scenario, Italian inflation slows to 6.8% in 2023 and then to 2.4% in 2024. This reduction is due primarily to the decrease in energy prices. The risks for 2023 are primarily to the downside, considering the recent performance of gas prices.
The European Central Bank raised official rates rapidly from July 2022, initiating a tightening phase that will carry on into the early part of 2023. The year 2022 ended with a deposit facility rate (DFR) of 2.00% and a rate on main refinancing operations (Refi) of 2.5%. At its meeting at the end of 2022, the ECB announced that the increases would continue at a robust pace in early 2023, and this is believed to entail at least a further increase in the DFR to 3.0%. In addition, given the underlying inflation forecasts for the coming years and the very modest slowdown in final domestic demand, it is likely that the rate will be raised further in the following months to 3.50%. However, to take account of the current context of uncertainty, the reference scenario includes a progression of official rates reaching a maximum of 3.0% (DFR) and 3.5% (Refi) in 2023. Official rates are then expected to converge gradually towards neutral levels.
The European Central Bank has also begun the progressive discontinuation of unconventional measures. Through an amendment of conditions, it facilitated early repayment of TLTRO III loans. Net purchases of securities under the APP and PEPP programmes were discontinued in June 2022 and March 2022, respectively. In addition, at the end of March 2023 the APP portfolio will begin to decline through monthly reductions in reinvestments from maturing securities of 15 billion euro. In the long term, such measures could exert upwards pressure on risk premiums and on the slope of the government yield curve, enhancing monetary policy direction. Excess liquidity is expected to be reduced drastically in 2023.
Due to the relatively conservative assumption made regarding official rate performance, short-term interest rate forecasts are expected to fall short of implicit market rates until the end of 2027, with the sole exception of 2024. The exceptionally high level of surplus reserves, while falling rapidly in 2023 and 2024, will remain considerable and tend to keep very short-term rates close to the ECB overnight deposit rate throughout the horizon of the forecast.
Estimates for the medium and long-term interest rate curve reflect the closing of the securities purchase programmes, the speed of the monetary tightening phase already implemented, modest expectations of increases in official rates for the rest of 2023 and the expectation of a decline in such rates in the following years. The slope of the rate curve becomes negative in 2023, but resumes growth in 2024 due to the decline in short-term rates and a marginal increase in longer-term rates. The decline in ECB securities portfolios could provide an additional contribution to the increase in long-term 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 in previous years.
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, and by the faster reduction in public debt than expected in the 2022-24 period. The reference scenario incorporates a modest increase in the spread linked to only fundamental factors (performance of the debt) and monetary policy (rates and negative net purchases). However, the sovereign rating and risk premium level will also be very sensitive to the level of implementation of the NRRP, with regard to both investments and structural reforms. In this regard, the reference scenario assumes that implementation will be relatively prompt.

With reference to the banking scenario, in 2022 the credit market saw moderate tightening of supply conditions in line with the move towards more restrictive monetary policy and the increase in perceived risks, while on the bank balance sheets side, the good liquidity and funding position was maintained and the capital base remained solid. In addition, credit quality did not show any particular signs of deterioration.
Demand for credit from businesses revived due to financial needs related to day-to-day management, in the face of rising operating costs as a result of higher prices for energy and other inputs. The particular nature of demand drove a rebound in short-term loans, but near the end of the year they began to slow partly due to the worsening of credit conditions. In contrast, medium- and long-term loans remained stationary, with rates of change hovering around zero, reflecting the strong increase during the pandemic due to the support of government-backed loans.
In 2023 short-term loan performance is expected to normalise; such loans could continue to present moderately positive changes in line with inflation performance. With regard to medium- and long-term loans, after the persistent weakness of early 2023, the recovery of GDP is expected to support a return to positive territory. As already seen in 2022, 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. In particular, market conditions are expected to be more favourable for the issues of securities, in the light of the return of interest from investors in bonds, above all after the end of the ECB rate hike phase.
Loans to households continued to grow at a robust pace in 2022. Once again, this performance was driven by loans for home purchases, which grew at a rate of 5%, the highest in the last decade, with a gradually more moderate trend in the fourth quarter.
The slowdown of loans to households is expected to continue in 2023 due to the impact of the increase in mortgage rates and the expected decline in real estate transactions, against the backdrop of house price trends that, while remaining slightly positive, will lose the momentum gained during the pandemic, culminating in 5.2% growth in the second quarter of 2022.
In subsequent years, loans to households are expected to grow at a moderate rate, slightly higher from 2025, driven by a possible recovery in house sales and prices. Mortgage loans will continue to play a major role in the residential property market, which is expected to continue to be driven by the new housing and working needs that emerged following the pandemic, renovations and energy reclassification, and the use of part of the excess savings accumulated by some segments of households starting in 2020.
With the shift in monetary policy and the rapid rise in interest rates, the long and strong growth of bank deposits, which had lasted more than a decade, came to a halt in the autumn of 2022. After the peaks reached in 2021 and the subsequent gradual slowdown, the growth rate for total deposits fell to zero, following the deceleration in the overnight deposits component, which recorded a slightly negative annual change towards the end of 2022.
In a context of much higher inflation and interest rates, a modest decrease of overnight deposits is expected to continue throughout 2023, as a result of a combination of several factors, including the use of the considerable cash deposited with banks in previous years by businesses and households and the reallocation of savings to more remunerative forms. In

particular, funds will continue to be shifted from overnight deposits to forms of time deposit, supported by more attractive interest-rate offerings, a trend that had already begun to be seen in late 2022. Buoyed by the return of positive yields, 2023 and subsequent years will see renewed diversification of household financial investments into government and corporate bonds, resulting in less dynamic bank deposits than during the exceptional phase of years of very low rates and the pandemic crisis.
For bank bonds, after more than a decade of decline, 2023 will see a resumption of growth, which will continue in subsequent years. With the progressive repayment of the TLTRO IIIs, alongside the use of the ECB's more traditional refinancing instruments, banks are again turning to the wholesale institutional market, through diversified short- and medium- to long-term funding channels and instruments.
Increases in key monetary policy rates have begun to filter through to bank interest rates. In the second half of 2022, interest rates on new loans to non-financial companies rose rapidly, to around double for loans up to 1 million euro compared to the beginning of the year, while the rate on larger loans more than trebled. Interest rates on loans to households for home purchases also increased significantly, particularly the fixed rate, which returned to being higher than the variable rate by 0.9 points in the second half of 2022, after two years of substantial alignment between the two rates. As a result of the increases in new transactions, the average bank lending interest rates also rose faster in the latter part of 2022, to 3.2% (+1.1 percentage points compared to the end of 2021).
Interest rates on deposits were more stable in 2022, particularly the average rate on overnight deposits, which only increased slightly towards the end of the year. The stickiness of the interest rate for the on demand component influenced the performance of the average interest rate on deposits, which only rose slightly. In contrast, the interest rates on new time deposits were more responsive, with significant increases from July. The overall cost of funding from customers also began to rise very gradually, reflecting moderate upward movements in the average rate on bonds. As a result, the spread between lending and funding rates increased significantly, returning to levels not seen since 2009.
The increase in rates on loans will continue in 2023, following the additional expected increases of key monetary policy rates. In subsequent years, the expected performance of monetary rates will enable a moderate reduction of rates on loans from the levels to be reached in 2023, which will represent the maximum for the entire scenario period. Turning to borrowing rates, in 2023 and subsequent years the stickiness of overnight deposit rates will continue, whereas pricing policies are expected to favour time deposits. The total cost of funding will increase, also driven by the effects of the recomposition towards costlier components such as time deposits and bonds.
The banking spread will continue to widen in 2023, driven by the various rates of adjustment of lending and borrowing rates. A moderate reduction is expected from 2024, but unit profitability of dealing will remain high compared to the last decade.
After eleven years in negative territory, in September 2022 the mark-down on on-demand deposits returned to positive levels, and it is expected to increase further in 2023 to approximately 2%, to then decline gradually in later years, given the expectation of falling Euribor rates.
In contrast, with the sharp rise in Euribor rates, the mark-up on short-term rates fell significantly towards the end of 2022. A further moderate reduction is also expected in the first half of 2023, followed by a general recovery in the margin as increases in key rates are transmitted to rates on loans. Substantial stabilisation of the mark-up is expected in the final two years of the scenario period.
Assets under management performed weakly in 2022. For mutual funds, the inflows during the year were mainly directed towards the equity, balanced and money-market segments. The moderate inflows to funds were driven by the negative performance of stock market indices, against the backdrop of reduced investor confidence. Portfolio management schemes were characterised by net outflows. Overall, life insurance declined as new business fell for both traditional and unit-linked policies.
With the completion of the rise of rates in 2023, volumes in the asset management and life insurance industries are expected to recover. Inflows of investments to these segments may be fuelled by the stock of cash that flowed into bank deposits in previous years, albeit in a scenario of more attractive direct investment in fixed-income securities.
In particular, in 2023 moderately positive inflows are expected for mutual funds and portfolio management schemes, with a possible recovery for bond fund subscriptions. In the following years, assets under management are expected to continue to achieve positive results.
For life insurance companies, in 2023 and onwards, total collected premiums are expected to increase. In particular, the level reached by market rates is making it possible to meet the previous demand for traditional policies, which is again on the rise. However, on the offering side, the strategy will continue to focus on hybrid products and class III policies, set to recover starting in 2023. This is also reflected on the demand side, where there is interest in products capable of taking advantage of the best investment opportunities, including those more closely linked to equity instruments. From this perspective, multi-line policies will continue to be drivers.

The table below illustrates the macroeconomic variables expected in the period 2023-2027, only for Italy, as no goodwill was recognised for the CGUs operating in foreign countries.

(values as a percentage)

Italy	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
REAL ECONOMY						
Real GDP Italy	3.8	0.6	1.8	1.2	1.0	0.6
Consumer prices Italy	8.2	6.8	2.4	1.3	1.5	1.3
Period-end ECB rate	2.50	3.50	3.00	2.75	2.50	2.50
3-month Euribor rate	0.34	3.00	2.99	2.38	2.10	2.06
10-year IRS	1.92	2.82	3.11	3.28	3.27	3.23
10-year BTP	3.03	4.05	4.60	4.90	4.85	4.76
Spread vs. Bund (basis points)	187	201	190	179	174	170
BANKING SECTOR						
Loans	2.3	1.5	1.9	2.2	2.6	2.7
Direct customer deposits	2.2	0.6	1.3	2.1	2.3	2.3
Average customer spread	1.93	2.87	2.80	2.60	2.52	2.49
Mutual funds	-12.9	4.7	4.1	4.1	3.9	3.6
Portfolio management	-15.1	2.8	2.9	2.9	2.8	2.5
Life technical reserves	-1.9	4.6	4.4	4.4	4.4	4.3

Scenario produced in December 2022 by the Research Department. Forecast data (estimates for 2022).

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 previous Financial Statements, a timeframe of 5 years was considered, i.e. the five-year period 2023-2027. For that period, with regard to the years up to 2025, the forecasts set out in the 2022-2025 Business Plan, updated to take account of the changed macroeconomic scenario, were considered. The flows for the last two years of forecasting (2026 and 2027) were estimated through inertial tracking of the flows for 2025, based on the forecasts relating to the updated macroeconomic scenario, thus, without considering the effect of additional managerial leverage, compared to that incorporated into the Plan forecasts.
The net income projected for the forecast years 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.
In addition, 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 2027, the last year of the analytical projections, was used as the cash flow achievable at full capacity.
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 2008-2027 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 2008-2027. 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 have often been negative, due mainly to the various economic and financial crises that affected global economies, beginning in particular with the 2008 global financial crisis, followed by the sovereign debt crisis in 2011. The trend began to be reversed as early as 2015, with the resumption of a growth process that, however, was abruptly interrupted in 2020 by the COVID-19 pandemic, and which continues to be threatened by the energy crisis that emerged in 2022 as a consequence of the outbreak of the military conflict between Russia and Ukraine. In order to consider the various phases of the economic cycle, the growth rate for estimating terminal value was calculated as the average GDP rates for the 2008-2027 period, inasmuch as this period was deemed sufficiently extensive to include, and thus average, a period of severe crisis and a prospective period of a return to a scenario of moderate economic growth.

Furthermore, with a prudential approach, it was checked that the "g" rate was not higher than Italy's GDP growth rate in 2027 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 (Ke), 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:

- with regard to the choice of cash flow discounting rates, and in particular of the risk-free rate and CRP, in view of the structure of interest rates in the current macroeconomic scenario, which will see a further increase in the long term, continuing the progression of increases that began in the second half of 2022, it was prudentially decided to maintain the approach that involves the use of differentiated discount rates for the discounting of cash flows expected over the explicit forecast horizon and for the terminal value cash flow:
    - 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 2022) 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 2027, which is the last year of flow forecast period, estimated by the Intesa Sanpaolo Research Department.

  In line with the above, also for the Country Risk Premium (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 2022 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 2022 was considered;
    - concerning the CRP included in the cash flow discounting rate of the terminal value, the average annual BTP-Bund spread estimated for 2027 was considered, based on the medium-term forecast scenario mentioned previously;
- 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 1928-2022, 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 2023-2027 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 CGU	Nominal growth rates for impairment test (2023-2027)	NOMINAL DISCOUNTING RATES				LONG-TERM "G" GROWTH RATES		INFLATION RATES
		2022 flows	2022 Terminal Value	2021 flows	2021 Terminal Value	2022	2021	2022
CGU subject to impairment test								
IMI Corporate & Investment Banking	17.81%	10.57%	11.18%	7.61%	9.37%	2.06%	1.52%	1.96%
Insurance	1.69%	10.27%	10.88%	7.12%	8.89%	2.06%	1.52%	1.96%
Asset Management	1.96%	10.12%	10.73%	6.85%	8.61%	2.06%	1.52%	1.96%
Private Banking	2.59%	10.14%	10.75%	7.28%	9.05%	2.06%	1.52%	1.96%

Impairment testing results

The outcomes of the impairment test showed how the values in use of each of the CGUs to which amounts of goodwill were allocated as at 31 December 2022 were higher than the respective book values. Thus, it was not necessary to proceed to any impairment of the goodwill or brand name 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.

Finally, with regard to the direct consequences of the Russia-Ukraine conflict on the Group’s goodwill, it should be noted that the goodwill relating to the Ukrainian subsidiary Pravex Bank, considered an autonomous CGU, was already fully written down in the 2008 Financial Statements, as previously mentioned. In the case of the Russian subsidiary Joint-Stock Company Banca Intesa (Banca Intesa Russia), in addition to not presenting allocated goodwill, its weight in the IMI Corporate & Investment Banking CGU is absolutely immaterial on that CGU. Furthermore, as stated above, during impairment testing as at 31 December 2022 the IMI Corporate & Investment Banking CGU was found to have a recoverable amount in excess of its book value.

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 (RAF), and significantly higher than the capital requirement (8.91%) communicated by the ECB following the results of the Supervisory Review and Evaluation Process (SREP). For the Insurance CGU, a Solvency Ratio of 170% was taken into account, as per the aforementioned RAF.

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

During 2022, the Intesa Sanpaolo stock price declined (-8.6%) on the closing values at the end of 2021, underperforming the Italian sector index (FTSE Italia All-Share Banks, approximately -4%), but outperforming the main Borsa Italiana reference index (FTSE MIB Index, approximately -13.4%).

Specifically, after a particularly difficult start to the year following the outbreak of the military conflict between Russia and Ukraine and the consequent deterioration of the macroeconomic scenario, in which stock prices slowed considerably, in the second half of the year the stock recovered in part, rallying to a particularly evident degree in the fourth quarter of the year, to close at around 2.08 euro at the end of December 2022. In early 2023 the Intesa Sanpaolo stock appreciated further, with prices at the end of February of approximately 2.5 euro per share and a market capitalisation of approximately 47 billion euro (with a P/BV multiple of approximately 0.7x).

The valuations and reports by financial analysts produced during 2022 showed on average a downward revision of the target prices compared to the 2021 values, with a performance essentially in line with the decline in Intesa Sanpaolo stock prices. In early 2023, above all following the reporting to the market of 2022 results, target prices were generally revised upwards, with an average value of 2.85 euro per share.

Among the strengths of Intesa Sanpaolo, analysts underscore its strong brand and its highly qualified management, which is valued by the market. In addition, they believe that the Bank will benefit from further increases in net interest income, considering that on average Italian banks have a positive sensitivity to increases in the Euribor rate. Intesa Sanpaolo is also capable of generating a level of profitability that is among the highest in Italy, while also benefiting from considerable exposure to portfolio and asset management activities, and maintains a strong capital position. In addition, it conducted a highly successful de-risking strategy that allows it to face a possible further deterioration of the macroeconomic scenario with greater peace of mind. On the other hand, among the main elements that could prove especially critical, analysts reiterate the customary risk of internal political instability for Italy, with possible consequences for the BTP-Bund spread, in addition to possible outflows of assets managed if financial market tension should resume.

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 mainly extend to 2025, and are essentially aligned with, or marginally in excess of, internal management estimates, whereas the forecasts used for impairment testing purposes cover a period of five years that extends until 2027;
- the cost of the capital used (in not particularly frequent cases where this parameter is explicitly stated by analysts) 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 marginally lower than the average value shown in the reports by the analysts. Analysts tend to use discount rates implicit in stock market values, which are therefore higher on average as they are influenced by current prices;
- similarly to the observations made for the impairment test of the 2021 Financial Statements, from the methodological standpoint, use was often made of multiples (in terms of P/E or ROE) applied to current market prices or expected profitability for the coming years 2023 or 2024; these are thus methods that provide a fair value, rather than a long-term value in use.

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.
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: the period covered by the estimates of the cash flows, as mentioned, has a considerable impact on the valuation of the Group; given the time horizon considered by analysts, which in general covers a period of 3 years, and deducting the control premium, the Group's total recoverable amount would be, in terms of value per share, in line with that given by analysts as the target price;
- 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.

Finally, it is believed that impairment tests must be performed with the awareness of the fact that the current economic situation, penalised by the geopolitical context, impacts expected short- and medium-term cash flows from operating activities, without however in any way affecting the Intesa Sanpaolo Group's primary sources of income, which are also positively impacted by rising interest rates, 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 2022.
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, the merchant acquiring business, Fund Administration in Luxembourg and the training business), 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 used for the purposes of impairment testing, 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 essentially in line with 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.

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 2022. Nonetheless, it must be noted that the business units that 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.

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 characterised by a significant degree of uncertainty. 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 CGU	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%
IMI Corporate & Investment Banking	-0.82%	-1.09%	-8.49%
Insurance	-0.78%	-1.05%	-6.44%
Asset Management	-0.80%	-1.07%	-6.50%
Private Banking	-0.80%	-1.07%	-6.52%

Based on the table above, changes in the Ke (increasing) or the "g" (decreasing) values within 10 bps would lead to a general decrease in the values in use ranging between 0.78% and 1.09%. 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 6.50% and 8.49%. 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 CGU	"g" growth rate	Difference compared to the "g" rate used	TV discounting rate	Difference compared to the Ke discounting rate used
IMI Corporate & Investment Banking	0.10%	-198 bps	12.70%	152 bps
Insurance	-3.80%	-583 bps	15.16%	428 bps
Asset Management	-17.80%	-1.984 bps	23.62%	1.289 bps
Private Banking	-54.50%	-5.658 bps	45.27%	3.452 bps

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 (Ke) and the "g" growth rates.

Finally, within the framework of analysis regarding possible changes in the cash flows of the CGUs on the basis of alternative scenarios to those used for the purposes of this impairment test, account was taken of the impact on prospective cash flows of the application of an alternative prospective macroeconomic scenario, consistent with the "adverse" scenario incorporated into the Expected Credit Loss models used to measure loans pursuant to IFRS 9. This scenario envisages a general shock to the Euro area economy, relating primarily to a very significant increase in the price of gas, with the introduction of a recession for the years 2023 and 2024, with the resulting increase in inflation. The scenario presented above translates into a reduction in cash flows at the Group level, which will also benefit from the provisions set aside in the 2022 Financial Statements in response to the uncertainty in the prospective scenario and the significant reduction in risks associated with exposures to Russian and Ukrainian counterparties following the de-risking measures taken and the provisions made, averaging 11% over the forecasting horizon, with impacts spread across all CGUs.
Following this analysis, it was found that the reduction in cash flows over the 2023-2027 forecasting horizon, estimated as a result of the application of an "adverse" scenario, would not entail issues of impairment for any of the Group's CGUs.

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 14,753 million euro, of which 12,941 million euro refers to taxes recorded through profit or loss and 1,812 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 2,009 million euro and the balancing entry is in the income statement (1,634 million euro) as well as in shareholders' equity (375 million euro).

11.3 Changes in deferred tax assets (through profit or loss)

(millions of euro)

	31.12.2022	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2021
1. Initial amount	**14,287**	***13,739***	***537***	***11***	**15,771**
2. Increases	**1,426**	***1,266***	***160***	**-**	**2,254**
2.1 Deferred tax assets recognised in the period	1,233	*1,107*	*126*	-	1,442
a) related to previous years	*326*	*326*	-	-	*25*
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	-	-	-	-	-
d) other	*907*	*781*	*126*	-	*1,417*
2.2 New taxes or tax rate increases	2	*2*	-	-	-
2.3 Other increases	190	*156*	*34*	-	741
2.4 Business combinations	1	*1*	-	-	71
3. Decreases	**-2,772**	***-2,655***	***-116***	***-1***	**-3,738**
3.1 Deferred tax assets eliminated in the period	-1,519	*-1,405*	*-113*	*-1*	-2,331
a) reversals	*-1,401*	*-1,396*	*-4*	*-1*	*-2,087*
b) write-offs	-	-	-	-	*-1*
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-118*	*-9*	*-109*	-	*-243*
3.2 Tax rate reductions	-1	*-1*	-	-	-
3.3 Other decreases	-1,252	*-1,249*	*-3*	-	-1,407
a) changes into tax credits pursuant to Law no. 214/2011	*-851*	*-851*	-	-	*-1,254*
b) other	*-401*	*-398*	*-3*	-	*-153*
3.4 Business combinations	-	-	-	-	-
4. Final amount	**12,941**	***12,350***	***581***	***10***	**14,287**

Among Increases, sub-caption a) related to previous years is made up of 320 million euro for the recognition of the deferred tax assets on part of tax losses carried forward of the former UBI Banca.
Again, among Increases, sub-caption d) other refers mainly to 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 and the deductible temporary differences arising during the year, connected to provisions for risks and charges.

With regard to the insurance companies, within the framework of the Increases, sub-caption d) others primarily referred to the recognition of deferred tax assets on the goodwill arising from the merger of Cargeas Assicurazioni S.p.A. in 2022.

Other increases mainly consist of the write-off of netting against deferred tax liabilities, applied as at 31 December 2021.

"Business combinations" include the balance contributed by Compagnie de Banque Privée Quilvest S.A. (CBPQ), which entered the scope of consolidation in 2022.

Among Decreases, sub-caption 3.1 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.

Among Other decreases, sub-caption a) changes into tax credits pursuant to Law no. 214/2011 refers to the information set out in Part C, table 21.1.

Again, among Other decreases, sub-caption b) other refers to the netting against deferred tax liabilities for the year.

11.4 Changes in deferred tax assets pursuant to Law 214/2011

(millions of euro)

	31.12.2022	31.12.2021
1. Initial amount	**8,758**	**10,010**
2. Increases	**470**	**954**
3. Decreases	**-1,740**	**-2,206**
3.1 Reversals	-865	-925
3.2 Changes into tax credits	-851	-1,254
a) from losses for the year	*-*	*-537*
b) from fiscal losses	*-851*	*-717*
3.3 Other decreases	-24	-27
4. Final amount	**7,488**	**8,758**

11.5 Changes in deferred tax liabilities (through profit or loss)

(millions of euro)

	31.12.2022	*Of which:*			31.12.2021
		Banking group	*Insurance companies*	*Other companies*	
1. Initial amount	**1,337**	***652***	***660***	***25***	**1,253**
2. Increases	**660**	***129***	***531***	***-***	**806**
2.1 Deferred tax liabilities recognised in the period	521	*15*	*506*	*-*	124
a) related to previous years	*-*	*-*	*-*	*-*	*-*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*521*	*15*	*506*	*-*	*124*
2.2 New taxes or tax rate increases	-	*-*	*-*	*-*	-
2.3 Other increases	121	*96*	*25*	*-*	402
2.4 Business combinations	18	*18*	*-*	*-*	280
3. Decreases	**-363**	***-275***	***-88***	***-***	**-722**
3.1 Deferred tax liabilities eliminated in the period	-270	*-182*	*-88*	*-*	-629
a) reversals	*-75*	*-74*	*-1*	*-*	*-35*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*-195*	*-108*	*-87*	*-*	*-594*
3.2 Tax rate reductions	-	*-*	*-*	*-*	-
3.3 Other decreases	-93	*-93*	*-*	*-*	-93
3.4 Business combinations	-	*-*	*-*	*-*	-
4. Final amount	**1,634**	***506***	***1,103***	***25***	**1,337**

Among Increases, sub-caption c) other mainly refers to taxable temporary differences arising during the year, in relation to the tax amortisation of the brand name and other intangible assets “realigned” in the previous year in accordance with Article 110, paragraphs 8 and 8-bis of Law Decree no. 104/2020.

With regard to the insurance companies, among Increases, sub-caption c) refers primarily to deferred taxation relating to the measurement of securities through profit or loss.

Other increases mainly consist of the write-off of netting against deferred tax assets through profit or loss applied as at 31 December 2021.

“Business combinations” include the balance contributed by Compagnie de Banque Privée Quilvest S.A. (CBPQ), which entered the scope of consolidation in 2022.
Among Decreases, sub-caption c) other relates to the release of the deferred tax assets recognised as at 31 December 2021 on intangible assets subject to tax realignment pursuant to Article 15, paragraph 10, of Law Decree no. 185/2008.

With regard to the insurance companies, among Decreases, sub-caption c) refers primarily to deferred taxation relating to the measurement of securities and the reduction in technical reserves.

Other decreases mainly relate to the netting against deferred tax assets through profit or loss for the year.

11.6 Changes in deferred tax assets (recorded in equity)

(millions of euro)

	31.12.2022	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2021
1. Initial amount	**966**	***826***	***136***	***4***	**1,406**
2. Increases	**1,419**	***1,098***	***317***	***4***	**386**
2.1 Deferred tax assets recognised in the period	1,370	*1,053*	*317*	-	240
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*1,370*	*1,053*	*317*	-	*240*
2.2 New taxes or tax rate increases	4	-	-	*4*	5
2.3 Other increases	45	*45*	-	-	137
2.4 Business combinations	-	-	-	-	4
3. Decreases	**-573**	***-573***	**-**	**-**	**-826**
3.1 Deferred tax assets eliminated in the period	-467	*-467*	-	-	-258
a) reversals	*-453*	*-453*	-	-	*-178*
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-14*	*-14*	-	-	*-80*
3.2 Tax rate reductions	-	-	-	-	-6
3.3 Other decreases	-106	*-106*	-	-	-562
3.4 Business combinations	-	-	-	-	-
4. Final amount	**1,812**	***1,351***	***453***	***8***	**966**

Among Increases, sub-caption c) other mainly refers to deductible temporary differences arising during the year, connected with the results of financial assets measured at fair value through other comprehensive income and cash flow hedging derivatives.

For the insurance companies, among Increases, sub-caption c) others refers primarily to the effects on taxation of the measurement of securities available for sale, the measurement of which has effects on valuation reserves.

Other increases mainly refer to the write-off of netting against deferred tax liabilities recorded in equity, applied as at 31 December 2021.

Among Decreases, sub-caption a) reversals mainly refers 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.

Caption 3.3 Other decreases refers mainly to the netting against deferred tax liabilities recorded in equity.

11.7 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2022	Of which: Banking group	Of which: Insurance companies	Of which: Other companies	31.12.2021
1. Initial amount	**585**	***221***	***363***	***1***	**1,492**
2. Increases	**239**	***239***	**-**	**-**	**370**
2.1 Deferred tax liabilities recognised in the period	154	*154*	-	-	182
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*154*	*154*	-	-	*182*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	85	*85*	-	-	161
2.4 Business combinations	-	-	-	-	27
3. Decreases	**-449**	***-255***	***-194***	**-**	**-1,277**
3.1 Deferred tax liabilities eliminated in the period	-288	*-119*	*-169*	-	-498
a) reversals	*-103*	*-103*	-	-	*-12*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-185*	*-16*	*-169*	-	*-486*
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-161	*-136*	*-25*	-	-779
3.4 Business combinations	-	-	-	-	-
4. Final amount	**375**	***205***	***169***	***1***	**585**

Among Increases, sub-caption c) other refers to taxable temporary differences arising during the year connected with the measurement of financial assets measured at fair value through other comprehensive income and cash flow hedging derivatives.

Other increases mainly consist of the write-off of netting against deferred tax assets applied as at 31 December 2021.

Among Decreases, sub-caption a) reversals mainly refers 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.

With regard to the insurance companies, among Decreases, sub-caption c) others refers primarily to the measurement of securities with an impact on technical reserves.

Caption 3.3 Other decreases mainly relates to the netting against deferred tax assets recorded in equity and 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

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 7,488 million euro, while “ineligible” deferred tax assets subjected to the probability test amounted to 7,265 million euro (joined by 2,009 million euro in deferred tax liabilities).
The probability test on the “ineligible” deferred tax assets carried in the 2022 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);
- 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 2022 Financial Statements, deferred tax assets relating to previous tax losses of the parent company Intesa Sanpaolo were recognised for a total of 2,277[89] million euro, of which 1,755 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 this amount of deferred tax assets, 320 million euro consists of deferred tax assets at 24% recognised for the first time in the financial statements as at 31 December 2022 as regards the tax losses carried forward of the former UBI Banca ("new DTAs"; see below).

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 and 2022.

For the purposes of the probability test, the income prospects of Intesa Sanpaolo have been estimated, for the years 2023-2027, using the economic-financial forecasts drawn up by the Planning and Control Department ("Forecasts" or "Estimates"). More specifically: for the years 2023-2025, the Estimates were prepared starting from the 2023 Budget, which takes into account the update of the macroeconomic and banking scenario illustrated in the previous chapter on the impairment test of intangible values, and reflect the dynamics underlying the 2022-2025 Business Plan ("Plan"), drawn up by the management of Intesa Sanpaolo and submitted for approval by the Board of Directors on 4 February 2022; for 2026 and 2027, they represent an "inertial" extrapolation of the new scenario, without considering the effects of managerial leverage (taken from the same database used for the impairment test on intangibles in the 2022 Financial Statements); for the years following 2027, it was prudently assumed that the gross result would remain constant, therefore, equal to that estimated for 2027 (without, therefore, considering a growth rate "g"). The Forecasts, which benefit from the allowances for risks recognised in the 2022 Financial Statements to reflect the uncertainties regarding the prospective scenario and the significant reduction in risks associated with exposures to Russian and Ukrainian counterparties following the de-risking measures taken, were prudentially prepared, in order to achieve a sufficient degree of confidence regarding the recognition of "new DTAs" relating to the prior losses of the former UBI Banca, assuming – in addition to the "base" scenario – a scenario less favourable – than the "base" one – consistent with the "adverse" scenario incorporated into the Expected Credit Loss models used for the valuation of loans pursuant to IFRS 9, which essentially provides for a general shock to the Eurozone economy, relating primarily to a very significant increase in the price of gas, with the introduction of a recession hypothesis for the years 2023 and 2024, with the resulting increase in inflation and a negative impact on Italian GDP (" Adverse scenario").

Even considering the Adverse scenario, based on the analyses conducted, total absorption of the deferred tax assets in question – and also of the "new DTAs" recognised in the 2022 Financial Statements – could be achieved over a time horizon deemed compatible with the "probability" of recovery required by IAS 12.

With particular regard to the "new DTAs" recognised in the 2022 Financial Statements, as at the date of the merger of UBI Banca into Intesa Sanpaolo, UBI Banca had tax losses carried forward, largely relating to the former Good Banks (in turn merged into UBI in 2017 and 2018) against of which UBI Banca had not recognised deferred tax assets. During the PPA, and in the 2020 and 2021 Financial Statements, Intesa Sanpaolo had decided to adopt an approach in line with that of UBI Banca, prudently choosing not to recognise the above deferred tax assets. However, it had been decided to reconsider the issue in later years, based on the trend in the Bank's income performance within the evolution of the external situation.

In 2022: i) the right to full use by Intesa Sanpaolo of the tax losses of UBI Banca (both those for which deferred tax assets had already been recognised and the others) was confirmed by the Italian Revenue Agency in response to a specific ruling request filed by the Parent Company (the reply was received on 11 July 2022); and ii) the Parent Company and the National Resolution Fund (which had sold UBI Banca the equity investments in the former Good Banks) held talks aimed at regulating in the post-merger structure the right granted to the National Resolution Fund, on the basis of the initial agreements, to receive a part of the tax benefit that will be achieved in the future when the tax losses of the former Good Banks are concretely used.

The favourable outcome to the above ruling request , along with several objective elements, mainly relating to changes in interest rates and the ensuing expected performance of the net interest income of Intesa Sanpaolo, which have a positive impact on the earnings prospects of Intesa Sanpaolo, made it possible to reconsider, when preparing the 2022 Financial Statements, the extremely conservative attitude taken until now with regard to the recognition of new deferred tax assets on the tax losses of the former UBI Banca.

However, even in such an improving scenario there continue to be circumstances – such as the macroeconomic framework, which is still uncertain, due in part to the Russia-Ukraine conflict, and the wholly preliminary stage of the talks with the National Resolution Fund – that suggest caution in recognising all the deferred tax assets in question.

On the basis of the foregoing, for the time being it was decided to quantify the amount of deferred tax assets to be recognised in the 2022 income statement of Intesa Sanpaolo at 320 million euro. The possibility of recognising the residual deferred tax assets, which in view of the outcome of the aforementioned ruling request and net of a prudential estimate of the potential retrocession to the National Resolution Fund amount to 320 million euro, will be assessed in the upcoming financial reports, as a function of the Bank's earnings performance and the aforementioned talks with the National Resolution Fund.

In the 2022 Financial Statements, deferred tax assets of 44 million euro are also entered, which derive from previous years' tax losses 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.

[89] That amount is already net of the benefit 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).

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 2022, 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 recognised within 2014 – from goodwill and other intangible assets with indefinite useful lives[90] ("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.
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[91]. 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 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 2023-2027, using the same database used for the impairment test on intangibles in the 2022 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 2022.
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, 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 2022 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:

[90] 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.

[91] 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).

- the health situation is improving, resulting in a gradual easing of the containment measures adopted during the most critical phase of the pandemic, with the consequent favourable impacts on the relevant financial performance indicators;
- the 2022 results of Intesa Sanpaolo are better than in the previous year, with a more significant increase in the more "stable" revenue components, confirming a solid profitability track record;
- the forecast figures that form the basis of the estimate of the future taxable income prudentially incorporate a macroeconomic scenario less favourable than the "base" scenario, which, however, shows an improvement in all variables relevant for tax purposes in the 2023-2027 period;
- for the purposes of additional prudence, when performing the probability 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 the Forecasts;
- in any event, the future earnings estimates used for the probability test are updated at least 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);
- 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);
- almost all the deferred tax assets on tax losses relate to the entities acquired by Intesa Sanpaolo and arose prior to the acquisition by Intesa Sanpaolo.

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 as at 31 December 2022 for their full amount.

11.8 Other information

There is no other information to be noted in addition to the above.

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

(millions of euro)

Captions	31.12.2022	31.12.2021
A. Non-current assets held for sale		
A.1 Financial assets	368	1,206
A.2 Investments in associates and companies subject to joint control	145	145
A.3 Property and equipment	87	60
of which: resulting from the enforcement of guarantees	*5*	*4*
A.4 Intangible assets	-	8
A.5 Other	38	3
Total A	**638**	**1,422**
of which measured at cost	***557***	***1,364***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***81***	***58***
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	-
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	-	-
of which: resulting from the enforcement of guarantees	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**-**	**-**
of which measured at cost	***-***	***-***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***
C. Liabilities associated with non current assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other	-15	-30
Total C	**-15**	**-30**
of which measured at cost	***-15***	***-30***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***
D. Liabilities associated with discontinued operations		
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	-	-
Total D	**-**	**-**
of which measured at cost	***-***	***-***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***

As at 31 December 2022 assets held for sale amounted to 638 million euro and consist mainly of: portfolios classified as UTP and, to a residual extent, performing loans that will be sold in 2023, the equity investment in Zhong Ou Asset Management Co. Ltd. (ZOAM), closing for which is expected after the completion of the authorisation process, and the assets and liabilities relating to the PBZ Card business line dedicated to merchant acquiring activity, which will be transferred to the Nexi Group in the coming months.
This amount is compared to the amount of 1,422 million euro recorded as at 31 December 2021, which primarily included portfolios, or individual positions, classified as bad loans or UTP, and which were sold in 2022.

12.2 Other information

There is no other significant information to note as at 31 December 2022. We highlight the equity investment in Zhong Ou Asset Management Co. Ltd. (ZOAM), dedicated to mutual fund management, 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

(millions of euro)

Captions		
Amounts to tax authorities		16,503
Amounts to be credited and items under processing		1,297
Cheques and other instruments held		455
Leasehold improvements		93
Transit items		9
Other		4,494
TOTAL	**31.12.2022**	**22,851**
TOTAL	**31.12.2021**	**13,837**

The sub-caption “Amounts due from tax authorities” includes tax credits related to the “Cura Italia” and “Rilancio” Law Decrees acquired as a result of transfer by direct beneficiaries or previous purchasers for a total of approximately 11 billion euro.

The sub-caption “Other” includes the following main components: (i) prepayments and accrued income not reallocated of 367 million euro; (ii) costs incurred to obtain and execute contracts with customers for an amount of 524 million euro, mainly referring to costs for bonuses capitalised by Fideuram – Intesa Sanpaolo Private Banking (and, therefore, subject to amortisation for 68.7 million euro) as they are strictly related to the acquisition and maintenance of the funding; and (iii) pursuant to paragraphs 116 and following of IFRS 15, operating loans, i.e. loans for operations connected with the provision of non-financial activities and services, amounting to 150 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

(millions of euro)

Transaction type/Amount	31.12.2022				31.12.2021			
	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	**98,444**	**X**	**X**	**X**	**134,790**	**X**	**X**	**X**
2. Due to banks	**39,038**	**X**	**X**	**X**	**30,468**	**X**	**X**	**X**
2.1 Current accounts and on demand deposits	3,234	X	X	X	3,197	X	X	X
2.2 Time deposits	3,807	X	X	X	4,394	X	X	X
2.3 Loans	18,610	X	X	X	18,574	X	X	X
2.3.1 Repurchase agreements	*12,753*	*X*	*X*	*X*	*12,160*	*X*	*X*	*X*
2.3.2 Other	*5,857*	*X*	*X*	*X*	*6,414*	*X*	*X*	*X*
2.4 Debts for commitments to repurchase own equity instruments	-	X	X	X	138	X	X	X
2.5 Lease liabilities	6	X	X	X	8	X	X	X
2.6 Other debts	13,381	X	X	X	4,157	X	X	X
Total	**137,482**	**-**	**125,164**	**12,148**	**165,258**	**-**	**153,297**	**11,916**

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 - Sales of the Notes to the financial statements.
The caption Due to Central Banks includes the balance of TLTRO refinancing operations for a total of 96,060 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/Amount	31.12.2022				31.12.2021			
	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	**412,667**	**X**	**X**	**X**	**423,335**	**X**	**X**	**X**
2. Time deposits	**20,309**	**X**	**X**	**X**	**19,184**	**X**	**X**	**X**
3. Loans	**5,200**	**X**	**X**	**X**	**5,716**	**X**	**X**	**X**
3.1 Repurchase agreements	1,284	X	X	X	2,691	X	X	X
3.2 Other	3,916	X	X	X	3,025	X	X	X
4. Debts for commitments to repurchase own equity instruments	**181**	**X**	**X**	**X**	**23**	**X**	**X**	**X**
5. Lease liabilities	**1,309**	**X**	**X**	**X**	**1,379**	**X**	**X**	**X**
6. Other debts	**14,359**	**X**	**X**	**X**	**8,602**	**X**	**X**	**X**
Total	**454,025**	**-**	**435,464**	**18,132**	**458,239**	**-**	**433,309**	**25,130**

1.3 Financial liabilities measured at amortised cost: breakdown of securities issued

(millions of euro)

Transaction type/Amount	31.12.2022				31.12.2021			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	64,838	41,748	22,980	29	75,050	47,030	29,971	42
1.1 structured	*1,806*	*397*	*1,361*	*29*	*2,262*	*246*	*2,038*	*42*
1.2 other	*63,032*	*41,351*	*21,619*	*-*	*72,788*	*46,784*	*27,933*	*-*
2. other	11,241	-	9,280	1,961	11,508	-	8,837	2,671
2.1 structured	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
2.2 other	*11,241*	*-*	*9,280*	*1,961*	*11,508*	*-*	*8,837*	*2,671*
Total	**76,079**	**41,748**	**32,260**	**1,990**	**86,558**	**47,030**	**38,808**	**2,713**

1.4 Details of subordinated debts/securities

There were no subordinated debts with banks and customers as at 31 December 2022.
As at the reporting date, subordinated securities issued amounted to 12,474 million euro, entirely attributable to the Parent Company.

1.5 Details of structured debts

As at 31 December 2022 there were no structured debts.

1.6 Lease payables

As at 31 December 2022 lease payables amounted to 1,315 million euro, of which 238 million euro maturing within one year, 622 million euro maturing within 1 to 5 years and 455 million euro maturing in over 5 years.
Lease payables comprise 1,309 million euro referring to customer counterparties and 6 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 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	**31.12.2022**	**31.12.2021**
10. Due to banks	629	623
20. Due to customers	587	188
30. Securities issued	1,334	1,335
Total - Caption 15	**2,550**	**2,146**

1.1 Bis Due to banks: breakdown

(millions of euro)

Transaction type/Amount	**31.12.2022**	**31.12.2021**
1. Due to central banks	**-**	**-**
2. Due to banks	**629**	**623**
2.1 Current accounts and deposits	6	-
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	16
TOTAL (Book value)	**629**	**623**
Fair value - level 1	**-**	**-**
Fair value - level 2	**17**	**-**
Fair value - level 3	**556**	**650**
Total Fair value	**573**	**650**

1.2 Bis Breakdown of "Due to banks": subordinated debts

As at 31 December 2022 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 2022.

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 2022.

1.5 Bis Lease payables

As at 31 December 2022 there were no lease payables due to banks.

1.6 Bis Due to customers: breakdown

(millions of euro)

Transaction type/Amount	31.12.2022	31.12.2021
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	360	87
5. Lease liabilities	6	7
6. Other debts	221	94
Total (Book value)	**587**	**188**
Fair value - level 1	**-**	**-**
Fair value - level 2	**452**	**93**
Fair value - level 3	**135**	**95**
Total Fair Value	**587**	**188**

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 26% 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 2022.

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 2022.

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 2022.

1.10 Bis Lease payables

As at 31 December 2022 there were lease payables due to customers of 6 million euro, all of which are due between 1 and 5 years.
These derive from the application of the financial reporting standard IFRS 16 relating to Leases, with effect from 1 January 2019.

1.11 Bis Securities issued: breakdown

(millions of euro)

Transaction type/Amount	31.12.2022				31.12.2021			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A.Securities								
1. Bonds	1,334	-	1,171	-	1,335	-	1,338	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	*1,334*	-	*1,171*	-	*1,335*	-	*1,338*	-
2. Other	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-
Total	**1,334**	**-**	**1,171**	**-**	**1,335**	**-**	**1,338**	**-**

1.12 Bis Breakdown of “Securities issued”: subordinated securities

As at 31 December 2022, a total of 1,334 million euro pertaining to insurance companies, fully attributable to level-2 other bonds (fair value 1,171 million euro), which at the end of 2021 amounted to 1,335 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)

Transaction type/Amount	31.12.2022					31.12.2021				
	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	**4,729**	**4,240**	**-**	**-**	**4,239**	**19,827**	**22,222**	**40**	**-**	**22,262**
2. Due to customers	**3,121**	**3,001**	**-**	**-**	**3,001**	**-**	**-**	**-**	**-**	**-**
3. Debt securities	**3,000**	**-**	**2,779**	**-**	**X**	**3,324**	**-**	**3,459**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
3.1.2 Other bonds	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
3.2 Other	3,000	-	2,779	-	X	3,324	-	3,459	-	X
3.2.1 Structured	*3,000*	*-*	*2,779*	*-*	*X*	*3,324*	*-*	*3,459*	*-*	*X*
3.2.2 Other	*-*	*-*	*-*	*-*	*X*	*-*	*-*	*-*	*-*	*X*
Total A	**10,850**	**7,241**	**2,779**	**-**	**7,240**	**23,151**	**22,222**	**3,499**	**-**	**22,262**
B. Derivatives										
1. Financial derivatives	**X**	**44**	**35,363**	**142**	**X**	**X**	**19**	**28,107**	**118**	**X**
1.1 Trading	X	44	35,343	142	X	X	19	28,072	118	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	20	-	X	X	-	35	-	X
2. Credit derivatives	**X**	**-**	**943**	**-**	**X**	**X**	**-**	**2,340**	**1**	**X**
2.1 Trading	X	-	943	-	X	X	-	2,340	1	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**44**	**36,306**	**142**	**X**	**X**	**19**	**30,447**	**119**	**X**
Total (A+B)	**10,850**	**7,285**	**39,085**	**142**	**X**	**23,151**	**22,241**	**33,946**	**119**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Amounts due to banks and customers consist entirely of short selling of securities.

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 5,017 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 229 million euro and related to derivatives and Debt securities - Other.

The values of derivative instruments as at 31 December 2022 include the results of the offsetting of accounts between positive and negative gross balances of hedging derivatives undertaken with the legal clearing agent LCH Ltd. as they meet the requirements set out in IAS 32, paragraph 42.

2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

The aggregate Financial liabilities held for trading includes subordinated liabilities represented by Due to banks for 214 million euro and Due to customers for 36 million euro.

2.3 Breakdown of "Financial liabilities held for trading": structured debts

As at 31 December 2022, structured debts classified under Financial liabilities held for trading amounted to 300 million euro due to customers and 57 million euro due to banks, attributable to short selling of fixed-rate bonds indexed to inflation, as an additional component.

SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE – CAPTION 30

3.1 Financial liabilities designated at fair value: breakdown

(millions of euro)

Transaction type/Amount	31.12.2022					31.12.2021				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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*
2. Due to customers	**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*
3. Debt securities	**9,875**	**-**	**8,761**	**30**	**8,719**	**3,634**	**6**	**3,638**	**26**	**3,566**
3.1 Structured	9,875	-	8,761	30	X	3,634	6	3,638	26	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**9,880**	**-**	**8,765**	**30**	**8,723**	**3,639**	**6**	**3,642**	**26**	**3,570**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

The Group has classified the LECOIP 3.0 for the employment agreements, terminated early, of employees of Group companies 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 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 negative by 47 million euro.

3.2 Breakdown of "Financial liabilities designated at fair value": subordinated liabilities

As at 31 December 2022, 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	31.12.2022	31.12.2021
40. Financial liabilities held for trading	9	103
50. Financial liabilities designated at fair value through profit or loss	71.565	84.667
60. Hedging derivatives	170	-
Total Caption 35	**71.744**	**84.770**

3.1 Bis Financial liabilities held for trading: breakdown

(millions of euro)

Transaction type/Amount	31.12.2022					31.12.2021				
	Nominal or notional amount	Fair value Level 1	Level 2	Level 3	Fair value (*)	Nominal or notional amount	Fair value Level 1	Level 2	Level 3	Fair value (*)
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	1	8	-	X	X	-	42	61	X
1.1 Trading	X	1	-	-	X	X	-	38	61	X
1.2 Fair value option	X	-	8	-	X	X	-	4	-	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	1	8	-	X	X	-	42	61	X
Total (A+B)	X	1	8	-	X	X	-	42	61	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 2022.

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 2022.

3.4 Bis Financial liabilities measured at fair value: breakdown

(millions of euro)

Transaction type/Values	31.12.2022					31.12.2021				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
2. Due to customers	**71,565**	**-**	**71,565**	**-**	**79,141**	**84,667**	**-**	**84,667**	**-**	**85,269**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	71,565	-	71,565	-	X	84,667	-	84,667	-	X
3. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**71,565**	**-**	**71,565**	**-**	**79,141**	**84,667**	**-**	**84,667**	**-**	**85,269**

(*) 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 2022.

3.6 Bis Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	Fair value	31.12.2022		Notional value	Fair value	31.12.2021		Notional value
	Level 1	Level 2	Level 3	31.12.2022	Level 1	Level 2	Level 3	31.12.2021
A) Financial derivatives	**-**	**170**	**-**	**1,241**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	170	-	1,241	-	-	-	-
3) foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) fair value	-	-	-	-	-	-	-	-
2) cash flows	-	-	-	-	-	-	-	-
Total	**-**	**170**	**-**	**1,241**	**-**	**-**	**-**	**-**

3.7 Bis 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	Specific	Generic	
	Interest rate risk	Foreign exchange risk	Credit risk	Price risk	Various risks				
1. Financial assets available for sale	-	-	-	-	-	X	-	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	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	170	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**170**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

SECTION 4 – HEDGING DERIVATIVES – CAPTION 40

4.1 Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	31.12.2022 Fair value			Notional value	31.12.2021 Fair value			Notional value
	Level 1	Level 2	Level 3	31.12.2022	Level 1	Level 2	Level 3	31.12.2021
A) Financial derivatives	**-**	**5,346**	**-**	**191,704**	**-**	**4,868**	**-**	**111,607**
1) Fair value	-	5,093	-	178,117	-	2,814	-	102,604
2) Cash flows	-	253	-	13,408	-	2,054	-	9,003
3) Foreign investments	-	-	-	179	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**5,346**	**-**	**191,704**	**-**	**4,868**	**-**	**111,607**

As at 31 December 2022 the Group had undertaken hedging transactions involving foreign investments, relating to the equity investment in Reyl & Cie SA, based in Switzerland.

4.2 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	68	-	16	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	972	X	161	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	3	X	210	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**1,040**	**-**	**177**	**-**	**-**	**-**	**3**	**-**	**210**	**-**
1. Financial liabilities	545	X	625	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	2,703	X	43	X
Total liabilities	**545**	**-**	**625**	**-**	**-**	**-**	**2,703**	**-**	**43**	**-**
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 continue to refer mainly to macro hedges of portfolios of liabilities represented by core deposits and debt securities under assets.
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

(millions of euro)

Fair value change of hedged liabilities/Group members	31.12.2022	31.12.2021
1. Positive fair value change of financial liabilities	-	63
2. Negative fair value change of financial liabilities	-8,031	-10
Total	**-8,031**	**53**

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 was 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		
Amounts to be credited and items under processing		3,256
Due to suppliers		1,884
Due to tax authorities		1,340
Amounts due to third parties		333
Personnel charges		294
Due to social security entities		223
Other		3,730
TOTAL	**31.12.2022**	**11,060**
TOTAL	**31.12.2021**	**15,639**

The sub-caption “Other” includes the following main components: (i) unallocated accrued expenses and deferred income of 755 million euro; and (ii) payables to private bankers of 660 million euro.

That sub-caption also includes, as required by paragraph 116 a) of IFRS 15, liabilities arising from contracts with customers of 112 million euro.

SECTION 9 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 90

9.1 Employee termination indemnities: annual changes

(millions of euro)

	31.12.2022	31.12.2021
A. Initial amount	**1,099**	**1,200**
B. Increases	**117**	**291**
B.1 Provisions in the year	18	7
B.2 Other	99	284
- of which business combinations	*-*	*6*
C. Decreases	**-364**	**-392**
C.1 Benefits paid	-101	-150
C.2 Other	-263	-242
- of which business combinations	*-2*	*-5*
D. Final amount	**852**	**1,099**
Total	**852**	**1,099**

C.1. refers to benefits paid as at 31 December 2022.
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 852 million euro as at 31 December 2022, while at the end of 2021 it amounted to 1,099 million euro.

SECTION 10 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 100

10.1 Allowances for risks and charges: breakdown

(millions of euro)

Captions/Components	31.12.2022	31.12.2021
1. Allowances for credit risk associated with commitments and financial guarantees given	**711**	**508**
2. Allowances on other commitments and other guarantees given	**-**	**-**
3. Post-employment benefits	**139**	**290**
4. Other allowances for risks and charges	**4,160**	**4,918**
4.1 legal disputes	969	1,066
4.2 personnel charges	2,230	2,611
4.3 other	961	1,241
Total	**5,010**	**5,716**

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

(millions of euro)

Captions	Allowances on other commitments and other guarantees given	Post-employment benefits	Other allowances for risks and charges	Total
A. Initial amount	**-**	**290**	**4,918**	**5,208**
B. Increases	**-**	**18**	**1,098**	**1,116**
B.1 Provisions in the year	-	13	1,063	1,076
B.2 Time value changes	-	3	1	4
B.3 Changes due to discount rate variations	-	-	-	-
B.4 Other	-	2	34	36
- of which business combinations	-	-	-	-
C. Decreases	**-**	**-169**	**-1,856**	**-2,025**
C.1 Uses in the year	-	-100	-1,549	-1,649
C.2 Changes due to discount rate variations	-	-	-129	-129
C.3 Other	-	-69	-178	-247
- of which business combinations	-	-	-	-
D. Final amount	**-**	**139**	**4,160**	**4,299**

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 140 million euro to caption 200, letter b) of the income statement and net provisions to other income statement captions, for the residual amount. Provisions include those for legal and tax disputes (180 million euro) and those for other risks and charges (325 million euro), as well as costs included in the income statement among personnel expenses. Uses refer almost entirely to payments.

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	70	73	53	-	196
2. Financial guarantees given	82	82	351	-	515
Total	**152**	**155**	**404**	**-**	**711**

10.4 Allowances on other commitments and other guarantees given

As at 31 December 2022, 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 liability is recognised net of any plan assets and the actuarial gains and losses calculated in the valuation process for the plans are recognised in the statement of comprehensive income and, therefore, in shareholders' equity.

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 Cariplo, Banca Commerciale Italiana 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.

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 – 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 delle Comunicazioni; current and retired employees of 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 the former Banca Popolare dell'Adriatico, formerly enrolled in the Pension fund for the employees of 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 formerly enrolled in the Company supplementary pension fund 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 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; 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; employees and retired employees formerly enrolled in the former UBI Banca internal Funds - which include the Funds relating to the former Centrobanca (former Supplementary Pension Fund for employees of Centrobanca - former Banca Centrale di Credito Popolare S.p.A.), former Banca Regionale Europea (former Fund for the personnel of Banca Regionale Europea from the former Banca del Monte di Lombardia and the former Cassa di Risparmio di Cuneo), former Carime (former Fund of the former Cassa di Risparmio di Calabria e Lucania, Fund of the former Cassa di Risparmio di Puglia, Fund of the former Cassa di Risparmio Salernitana) and former Banca Adriatica (former Retirement Fund for the personnel of the loans business line of the former Cassa di Risparmio di Macerata S.p.A, Retirement Fund for the personnel of the former Banca Ca.Ri.Ma. transferred to Se.Ri.Ma - now Equitalia Servizi di Riscossione S.p.A., Retirement Fund for the personnel of the former Mediocredito Fondiario Centro Italia S.p.A., Retirement Fund for personnel in the tax-collection segment of the former Cassa di Risparmio di Pesaro, Retirement Fund for the personnel of the former Cassa di Risparmio di Jesi, 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.

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 Reyl & Cie S.A. / Asteria Investment Managers S.A. / Obviam AG: the plan provides supplementary benefits when the pension is due or in the event of an unfavourable event (disability and death) under the local social security provisions (LPP); 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 Sanpaolo 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”). 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. The subscriptions received over time led to a decrease in the obligation, which, in the current year, amounted to around 6 million euro, partly covered by the Fund’s assets (around 3 million euro) and partly through the use of Funds set up specifically for this purpose by the Bank, under the guarantee given (around 3 million euro).

On 7 October 2021, 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, from 1 July 2022, of the pension rights of the Internal Funds of the former UBI Banca into the Intesa Sanpaolo Group Defined-Benefit Fund, which, from that date, has provided the participants with the defined benefit pension rights envisaged by their Rules. 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 first half of 2022, and the subscriptions received led to a decrease in the obligation of around 34 million euro. On 1 July 2022, Intesa Sanpaolo S.p.A. transferred the liability of 38 million euro, remaining after the payments resulting from the above-mentioned subscriptions to the offers, to the Intesa Sanpaolo Group Defined-Benefit Fund.

The streamlining process also involved the external funds of former UBI and, therefore, again on 7 October 2021, 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, from 1 September 2022, of the pension rights of the Pension Fund of the UBI Banca Group of the former Banca Popolare di Bergamo and its subsidiaries and the Pension Fund for the personnel of the former Banca Popolare di Ancona and its subsidiaries into the Intesa Sanpaolo Group Defined-Benefit Fund, which, from that date, has provided the participants with the defined benefit pension rights envisaged by their Rules. 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 July and August 2022 and led to a decrease in the obligation of around 5 million euro.

On 9 June 2022, 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, from 1 January 2023, of the pension rights of the Pension Fund of Cassa di Risparmio di Firenze into the Intesa Sanpaolo Group Defined-Benefit Fund, which, from that date, has provided the participants with the defined benefit pension rights envisaged by their Rules. 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 last four months of 2022, and the subscriptions received led to a decrease in the obligation of around 370 million euro.

With effect from 1 January 2022, following the merger of Intesa Sanpaolo Private Banking (Suisse) Morval S.A. into Reyl & Cie S.A., the integration of the related pension plan was also finalised.

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	31.12.2022			31.12.2021		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	**1,099**	**359**	**1,763**	**1,200**	**345**	**1,692**
Current service costs	14	3	10	7	4	12
Recognised past service costs	-	-	1	-	-	-4
Interest expense	4	13	17	-	16	3
Actuarial losses due to changes in financial assumptions	-	5	-	33	3	73
Actuarial losses due to changes in demographic assumptions	1	-	16	5	-	9
Actuarial losses based on past experience	70	5	50	2	15	28
Positive exchange differences	-	-	10	-	19	10
Increases - business combinations	-	-	5	6	-	87
Participants' contributions	X	-	13	X	-	7
Actuarial profits due to changes in financial assumptions	-207	-72	-251	-	-24	-5
Actuarial profits due to changes in demographic assumptions	-	-1	-	-	-	-12
Actuarial profits based on past experience	-1	-6	-	-	-	-1
Negative exchange differences	-	-42	-	-	-	-
Benefits paid	-101	-15	-136	-150	-19	-131
Decreases - business combinations	-2	-	-	-5	-	-
Curtailments of the fund	X	-	-	X	-	-6
Settlements of the fund	X	-34	-375	X	-	-
Other increases	28	-	41	238	1	1
Other decreases	-52	-39	-12	-237	-1	-
Final amount	**853**	**176**	**1,152**	**1,099**	**359**	**1,763**

Pension plan liabilities defined benefit obligations	31.12.2022			31.12.2021		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	853	73	-	1,099	177	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	103	1,152	-	182	1,763

The actuarial gains recorded for variations in financial assumptions are mainly due to the increase in the discount rate which was higher than the increase in the inflation rate.

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	31.12.2022		31.12.2021	
	Internal plans	External plans	Internal plans	External plans
Initial amount	**168**	**1,602**	**131**	**1,536**
Return on assets net of interest	-28	-109	19	114
Interest income	3	14	2	3
Positive exchange differences	-	7	10	7
Increases - business combinations	-	5	-	61
Employer contributions	9	15	10	8
Participants' contributions	-	13	-	7
Negative exchange differences	-9	-	-	-
Decreases - business combinations	-	-	-	-
Benefits paid	-6	-136	-4	-131
Curtailments of the fund	-	-	-	-6
Settlements of the fund	-	-375	-	-
Other changes	-	30	-	3
Final amount	**137**	**1,066**	**168**	**1,602**

(millions of euro)

Plan assets: additional information	31.12.2022				31.12.2021			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	**-**	**-**	**314**	**29.5**	**89**	**53.0**	**456**	**28.5**
- of which level-1 fair value	-		300		89		437	
Mutual funds	**-**	**-**	**80**	**7.5**	**-**	**-**	**137**	**8.6**
- of which level-1 fair value	-		21		-	-	82	
Debt securities	**126**	**92.0**	**300**	**28.1**	**59**	**35.0**	**460**	**28.7**
- of which level-1 fair value	126		300		59		460	
Real estate assets and investments in real estate companies	**8**	**5.8**	**319**	**29.9**	**10**	**6.0**	**377**	**23.5**
- of which level-1 fair value	-		-		-		-	
Insurance business	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- of which level-1 fair value	-		-		-		-	
Other assets	**3**	**2.2**	**53**	**5.0**	**10**	**6.0**	**172**	**10.7**
- of which level-1 fair value	-		-		-		-	
TOTAL ASSETS	**137**	**100.0**	**1,066**	**100.0**	**168**	**100.0**	**1,602**	**100.0**

(millions of euro)

Plan assets: additional information	31.12.2022				31.12.2021			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	**-**	**-**	**314**	**29.5**	**89**	**53.0**	**456**	**28.5**
- of which financial companies	-		56		89		70	
- of which non financial companies	-		258		-		386	
Mutual funds	**-**	**-**	**80**	**7.5**	**-**	**-**	**137**	**8.6**
Debt securities	**126**	**92.0**	**300**	**28.1**	**59**	**35.1**	**460**	**28.7**
Government bonds	89		208		59		282	
- of which investment grade	*89*		*208*		*59*		*282*	
- of which speculative grade	-		-		-		-	
Financial companies	37		34		-		76	
- of which investment grade	*37*		*30*		-		*70*	
- of which speculative grade	-		*4*		-		*6*	
Non Financial companies	-		58		-		102	
- of which investment grade	-		*52*		-		*84*	
- of which speculative grade	-		*6*		-		*18*	
Real estate assets and investments in real estate companies	**8**	**5.8**	**319**	**29.9**	**10**	**6.0**	**377**	**23.5**
Insurance business	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets	**3**	**2.2**	**53**	**5.0**	**10**	**5.9**	**172**	**10.7**
TOTAL ASSETS	**137**	**100.0**	**1,066**	**100.0**	**168**	**100.0**	**1,602**	**100.0**

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	31.12.2022				31.12.2021			
	Discount rate	Expected rate of return	Expected rate of wage rises (a)	Annual inflation rate	Discount rate	Expected rate of return	Expected rate of wage rises (a)	Annual inflation rate
EMPLOYEE TERMINATION INDEMNITIES	from 3,2% to 3,6%	X	from 3,3% to 3,4%	2.7%	from 0,2 % to 1,4%	X	from 2,8% to 3%	2.2%
INTERNAL PLANS								
- of which Italy	-	-	-	-	0.4%	-	2.9%	2.2%
- of which Egypt	14.7%	-	6.4%	6.4%	14.6%	-	5.3%	5.3%
- of which England	4.4%	-	2.9%	2.9%	1.9%	-	3.0%	3.0%
- of which Serbia	6.8%	-	8.0%	-	3.3%	-	5.0%	-
EXTERNAL PLANS								
- of which Italy	from 3,3% to 3,4%	5.0%	3.5%	from 2,7% to 3,3%	from 0,1% to 0,7%	3.0%	from 2,7% to 2,8%	from 1,7% to 2,2%
- of which USA	4.8%	4.8%	-	-	2.8%	2.8%	-	-
- of which Switzerland	1.9%	1.0%	-	1.3%	0.4%	1.0%	-	0.5%

(a) Net of career developments.

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.

Likewise, the Intesa Sanpaolo Group mainly uses the European Zero-Coupon Inflation-Indexed Swap rate curve, weighted on the basis of the ratio of the amount paid for each maturity and the total amount to be paid until the obligation is finally discharged in full, as the inflation rate.

5. Information on amount, timing and uncertainty of cash flows

(millions of euro)

Sensitivity analysis	31.12.2022					
	EMPLOYEE TERMINATION INDEMNITIES		INTERNAL PLANS		EXTERNAL PLANS	
	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Discount rate	792	921	153	204	1,057	1,266
Rate of wage rises	853	853	189	166	1,164	1,141
Inflation rate	895	813	190	163	1,223	1,089

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 +/-100bps.

The average duration of the defined benefit obligation is 10.98 years for pension funds and 7.91 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 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 May 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 S.p.A.), whose tax collection services were transferred on 1 January 1990 to the former Equitalia Marche S.p.A. (currently Agenzia delle Entrate - Riscossione) which was transferred to the Intesa Sanpaolo Group Defined-Benefit Fund on 1 July 2022. The trade union agreement and agreements between subscribers of the operation sanctioned that the then-parent company Ca.Ri.Ma. (then former Banca Marche S.p.A., then former Nuova Banca Marche S.p.A. and subsequently former Banca Adriatica S.p.A., then merged into former UBI Banca, in turn merged into Intesa Sanpaolo S.p.A.) 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, transferred on 1 September 2022 to the Intesa Sanpaolo Group Defined-Benefit Fund, which provides a guarantee of settlement of the respective shares of the subscribers by Intesa Sanpaolo S.p.A. (former UBI Banca) and Credito Valtellinese.

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

(millions of euro)

Captions/Components	31.12.2022	31.12.2021
Other allowances		
1. legal disputes	969	1,066
2. personnel charges	2,230	2,611
incentive-driven exit plans	*1,306*	*1,771*
employee seniority bonuses	*177*	*229*
other personnel expenses	*747*	*611*
3. other risks and charges	961	1,241
other indemnities due to agents of the distribution network	*300*	*367*
other	*661*	*874*
Total	**4,160**	**4,918**

Where the time value is significant, provisions are discounted using current market rates.
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;
- 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 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.

(millions of euro)

Captions	Direct work	Indirect work	31.12.2022	31.12.2021
A. Non-life business	**1,654**	**-**	**1,654**	**1,756**
A.1 premiums reserves	932	-	932	945
A2. claims reserves	708	-	708	797
A3. other reserves	14	-	14	14
B. Life business	**89,874**	**-**	**89,874**	**107,324**
B1. mathematical reserves	97,148	-	97,148	98,399
B2. reserves for amounts to be disbursed	673	-	673	712
B3. other reserves	-7,947	-	-7,947	8,213
C. Technical reserves for investment risks to be borne by the insured	**8,589**	**-**	**8,589**	**9,216**
C1. reserves for contracts with disbursements connected with investment funds and market indices	1,586	-	1,586	1,917
C2. reserves from pension fund management	7,003	-	7,003	7,299
D. Total technical reserves	**100,117**	**-**	**100,117**	**118,296**

11.2 Technical reserves: annual changes

(millions of euro)

Items	31.12.2022	31.12.2021
A. Non-life insurance	**1,654**	**1,756**
Initial amount	1,756	1,213
Business combinations	-	396
Changes in the reserve (+/-)	-102	147
B. Life business and other technical reserves	**98,463**	**116,540**
Initial amount	116,540	95,598
Business combinations	-	20,530
Change in premiums	9,065	9,338
Change in payments	-9,668	-9,534
Changes due to income and other bonuses recognised to insured parties (+/-)	289	1,743
Changes due to exchange differences (+/-)	-	-
Changes in other technical reserves (+/-)	-17,763	-1,135
C. Total technical reserves	**100,117**	**118,296**

SECTION 12 – REDEEMABLE SHARES – CAPTION 130

These are not present for 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
A. Initial number of shares	**19,430,463,305**
-fully paid-in	*19,430,463,305*
- not fully paid-in	-
A.1 Own shares (-)	-30,629,777
A.2 Shares outstanding: initial number	**19,399,833,528**
B. Increases	**566,771,008**
B.1 New issues	546,972,658
- for consideration:	386,972,658
- business combinations	-
- conversion of bonds	-
- exercise of warrants	-
- other	*386,972,658*
- for free:	160,000,000
- in favour of employees	160,000,000
- in favour of directors	-
- other	-
B.2 Sale of own shares	19,798,350
B.3 Other	-
C. Decreases	**-1,001,693,612**
C.1 Annulment	-988,632,803
C.2 Purchase of own shares	-13,060,809
C.3 Disposal of companies	-
C.4 Other	-
D. Shares outstanding: final number	**18,964,910,924**
D.1 Own shares (+)	23,892,236
D.2 Final number of shares	18,988,803,160
-fully paid-in	*18,988,803,160*
- not fully paid-in	-

13.3 Share capital: other information

The share capital of Intesa Sanpaolo as at 31 December 2022 amounted to 10,369 million euro, divided into 18,988,803,160 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 2022, the Group holds treasury shares of Intesa Sanpaolo of 124 million euro, of which approximately 50 million euro attributable to the Parent Company and the remaining 74 million euro to the other Group companies.

13.4 Reserves from retained earnings: other information

Group reserves amounted to 14,427 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 2,635 million euro and included valuation reserves for assets measured at fair value through other comprehensive income of -2,032 million euro, valuation reserves pertaining to insurance companies of -696 million euro, reserves for cash flow hedges of -466 million euro, exchange rate valuation reserves (relating to fully consolidated equity investments) of -1,247 million euro, reserves relating to the hedging of foreign investments of -10 million euro, reserves for revaluations of property and equipment and legally-required revaluation reserves of 2,060 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 -45 million euro, as well as the negative reserve on actuarial profits (losses) from defined benefit pension plans of -238 million euro, in addition to approximately 39 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	873
Intesa Sanpaolo	7.75% fixed rate	no	11-Jan-2017	perpetual	11-Jan-2027	Eur	1,250,000,000	1,251
Intesa Sanpaolo	6.25% fixed rate	no	16-May-2017	perpetual	16-May-2024	Eur	750,000,000	750
Intesa Sanpaolo	5.875% fixed rate payable semi-annually	no	20-Jan-2020	perpetual	20-Jan-2025	Eur	400,000,000	382
Intesa Sanpaolo	3.75% fixed rate	no	27-Feb-2020	perpetual	27-Feb-2025	Eur	750,000,000	731
Intesa Sanpaolo	4.125% fixed rate	no	27-Feb-2020	perpetual	27-Feb-2030	Eur	750,000,000	732
Intesa Sanpaolo	5.875% fixed rate payable semi-annually	no	01-Sep-2020	perpetual	01-Sep-2031	Eur	750,000,000	743
Intesa Sanpaolo	5.5% fixed rate payable semi-annually	no	01-Sep-2020	perpetual	01-Mar-2028	Eur	750,000,000	746
Intesa Sanpaolo	6.375% fixed rate payable semi-annually	no	30-Mar-2022	perpetual	30-Sep-2028	Eur	1,000,000,000	980
REYL & Cie SA	4.75%	NO	30-Nov-2018	perpetual	30-Nov-2023	CHF	12,000,000	10
REYL & Cie SA	4.75%	NO	30-Nov-2019	perpetual	30-Nov-2024	CHF	15,000,000	13
Total								**7,211**

13.6 Other information

Pursuant to Article 2433-bis, paragraph 4, of the Italian Civil Code, Intesa Sanpaolo distributed a 2022 interim dividend totalling 1,399,608,167.99 euro[92], corresponding to a unit dividend of 7.38 euro cents per ordinary share. The dividend was paid out on 23 November 2022 (with coupon presentation on 21 November and record date on 22 November).

[92] It does not include the interim dividend on the 23,922,835 own shares held at the record date, equal to 1,765,505.22 euro.

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		31.12.2022	31.12.2021
Investments in consolidated companies with significant minority interests		**158**	**276**
1	Bank of Alexandria	126	174
2	Risanamento S.p.A.	26	53
3	Eurizon SLJ Capital Limited	3	-
4	Eurizon Capital Real Asset S.p.A.	3	-
5	Private Equity International S.A.	-	32
6	Privredna Banka Zagreb DD	-	17
Other investments		**8**	**15**
TOTAL		**166**	**291**

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				31.12.2022	31.12.2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
1. Commitments to disburse funds	**216,615**	**22,288**	**908**	**4**	**239,815**	**234,827**
a) Central Banks	1,146	48	-	-	1,194	1,617
b) Public Administration	9,371	2,374	100	-	11,845	11,485
c) Banks	31,750	497	11	-	32,258	35,157
d) Other financial companies	14,447	5,798	12	-	20,257	22,012
e) Non-financial companies	144,200	12,882	728	4	157,814	148,920
f) Households	15,701	689	57	-	16,447	15,636
2. Financial guarantees given	**42,580**	**4,727**	**854**	**-**	**48,161**	**46,458**
a) Central Banks	-	-	-	-	-	1
b) Public Administration	438	6	-	-	444	493
c) Banks	3,434	124	-	-	3,558	3,124
d) Other financial companies	948	399	12	-	1,359	783
e) Non-financial companies	37,264	4,171	835	-	42,270	41,509
f) Households	496	27	7	-	530	548

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 152,332 million euro in 2022).

1.Bis Commitments and financial guarantees given – *Insurance companies*
As at 31 December 2022 there were no exposures of this type.

2. Other commitments and other financial guarantees given – *Excluding insurance companies*
As at 31 December 2022 there were no exposures of this type.

3. Assets pledged as collateral of liabilities and commitments

(millions of euro)

Portfolios	31.12.2022	31.12.2021
1. Financial assets measured at fair value through profit or loss	2,058	9,266
2. Financial assets measured at fair value through other comprehensive income	10,006	25,308
3. Financial assets measured at amortised cost	187,404	199,785
4. Property and equipment	-	-
of which: property and equipment that constitute inventories	-	-

Intragroup deposits of 689 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	31.12.2022
Assets in the balance sheet	-26,843	-2,380	-29,223
Intra-group assets	-292	-16	-308
Total Assets	**-27,135**	**-2,396**	**-29,531**
Financial liabilities in the balance sheet	44,695	-	44,695
Technical reserves in the balance sheet	1,586	7,004	8,590
Intra-group liabilities	493	-	493
Total Liabilities	**46,774**	**7,004**	**53,778**

5. Management and dealing on behalf of third parties

(millions of euro)

Type of service	31.12.2022
1. Trading on behalf of customers	
a) Purchases	395,714
1. settled	*395,714*
2. to be settled	-
b) Sales	371,516
1. settled	*371,516*
2. to be settled	-
2. Portfolio management	
a) individual	73,591
b) collective	161,776
3. Custody and administration of securities	
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	4,468
1. securities issued by companies included in the consolidation area	-
2. other securities	*4,468*
b) third-party securities held in deposit (excluding portfolio management): other	544,770
1. securities issued by companies included in the consolidation area	*18,515*
2. other securities	*526,255*
c) third party securities deposited with third parties	539,444
d) portfolio securities deposited with third parties	181,698
4. Other	**694,276**

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

(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 31.12.2022 (f=c-d-e)	Net amount 31.12.2021
				Financial instruments (d)	Cash collateral (e)		
1. Derivatives	-118,734	81,574	-37,160	-22,195	-13,851	-1,114	-1,091
2. Repurchase agreements	-20,694	-	-20,694	-19,539	-632	-523	-259
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2022	**-139,428**	**81,574**	**-57,854**	**-41,734**	**-14,483**	**-1,637**	**X**
TOTAL 31.12.2021	**-86,176**	**-41,082**	**-45,094**	**-41,726**	**-2,018**	**X**	**-1,350**

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 31.12.2022 (f=c-d-e)	Ammontare netto 31.12.2021
					Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives		111,771	81,574	30,197	22,196	6,418	1,583	522
2. Repurchase agreements		15,981	-	15,981	15,643	-	338	82
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
TOTAL	**31.12.2022**	**127,752**	**81,574**	**46,178**	**37,839**	**6,418**	**1,921**	**X**
TOTAL	**31.12.2021**	**84,693**	**41,082**	**43,611**	**31,209**	**11,798**	**X**	**604**

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), GMRAs (for repurchase agreements) and GMSLAs (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 2022, the collateral of transactions mainly referring to ISPB amounted to 689 million euro.

9. Disclosure on joint-control assets

With regard to the disclosure required in this paragraph, the Intesa Sanpaolo Group holds a stake in Mooney Group S.p.A. as a material jointly controlled entity. For details regarding this entity, see section 7 of Assets and the paragraph “Highlights” of the Report on operations.

Part C – Information on the consolidated income statement

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1. Interest and similar income: breakdown

(millions of euro)

Captions/Types	Debt securities	Loans	Other transactions	2022	2021
1. Financial assets measured at fair value through profit or loss	**17**	**38**	**-**	**55**	**55**
1.1 Financial assets held for trading	9	2	-	11	8
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	8	36	-	44	47
2. Financial assets measured at fair value through other comprehensive income	**860**	**52**	**X**	**912**	**652**
3. Financial assets measured at amortised cost	**829**	**10,967**	**X**	**11,796**	**9,386**
3.1 Due from banks	47	1,201	X	1,248	273
3.2 Loans to customers	782	9,766	X	10,548	9,113
4. Hedging derivatives	**X**	**X**	**-584**	**-584**	**-1,134**
5. Other assets	**X**	**X**	**251**	**251**	**34**
6. Financial liabilities	**X**	**X**	**X**	**802**	**1,480**
Total	**1,706**	**11,057**	**-333**	**13,232**	**10,473**
of which: interest income on impaired financial assets	*1*	*444*	*-*	*445*	*608*
of which: interest income on financial lease	*X*	*338*	*X*	*338*	*350*

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 161 million euro (time value) which came to 275 million euro in 2021.
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 an overall basis, on other TLTROs in the total amount of 615 million euro in 2022 and 1,187 million euro in 2021. The amount recognised in 2022 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 taking into account the achievement of the benchmarks set (referring in particular to the outstanding amounts as at 31 March 2021 and 31 December 2021), the changes in interest rates and lastly the recalibrations of the conditions applicable to TLTRO III loans communicated by the Governing Council of the ECB on 27 October 2022.
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 2022 includes 3,659 million euro relating to financial assets in foreign currency.

1.3 Interest and similar expense: breakdown

(millions of euro)

Captions/Types	Debts	Securities	Other transactions	2022	2021
1. Financial liabilities measured at amortised cost	**1,323**	**1,658**	**X**	**2,981**	**2,021**
1.1 Due to Central Banks	76	X	X	76	16
1.2 Due to banks	495	X	X	495	164
1.3 Due to customers	752	X	X	752	350
1.4 Securities issued	X	1,658	X	1,658	1,491
2. Financial liabilities held for trading	**39**	**-**	**-**	**39**	**80**
3. Financial liabilities designated at fair value	**10**	**1**	**-**	**11**	**11**
4. Other liabilities and allowances	**X**	**X**	**49**	**49**	**34**
5. Hedging derivatives	**X**	**X**	**-61**	**-61**	**-435**
6. Financial assets	**X**	**X**	**X**	**528**	**769**
Total	**1,372**	**1,659**	**-12**	**3,547**	**2,480**
of which: interest expense on lease liabilities	*22*	*X*	*X*	*22*	*25*

"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 2022 includes 1,612 million euro relative to financial liabilities in foreign currency.

1.5. Differentials on hedging transactions

(millions of euro)

Captions	2022	2021
A. Positive differentials on hedging transactions	3,626	2,570
B. Negative differentials on hedging transactions	-4,149	-3,269
C. Balance (A-B)	**-523**	**-699**

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

(millions of euro)

Type of service/Amounts	2022	2021
a) Financial instruments	**1,584**	**1,968**
1. Placement of securities	511	886
1.1 Through underwriting and/or on a firm commitment basis	29	19
1.2 Without firm commitment	482	867
2. Reception and transmission of orders and execution of orders on behalf of customers	214	227
2.1 Reception and transmission of orders for one or more financial instruments	107	119
2.2 Execution of orders on behalf of customers	107	108
3. Other fee and commission income related to activities connected to financial instruments	859	855
of which: dealing on own account	*2*	*3*
of which: individual portfolio management	*857*	*852*
b) Corporate Finance	**9**	**22**
1. M&A advisory	9	22
2. Treasury services	-	-
3. Other fee and commission income related to corporate finance services	-	-
c) Investment advice	**238**	**221**
d) Clearing and settlement	**-**	**-**
e) Collective portfolio management	**2,180**	**2,608**
f) Custody and administration	**80**	**116**
1. Depositary bank	4	15
2. Other fee and commission income related to custody and administration services	76	101
g) Central administrative services for collective portfolio management	**-**	**-**
h) Fiduciary services	**13**	**10**
i) Payment services	**3,071**	**2,999**
1. Current accounts	1,410	1,471
2. Credit cards	611	559
3. Debit cards and other payment cards	284	249
4. Credit transfers and other payment orders	389	314
5. Other fee and commission income related to payment services	377	406
j) Distribution of third-party services	**711**	**662**
1. Collective portfolio management	510	508
2. Insurance products	109	78
3. Other products	92	76
of which: individual portfolio management	*27*	*27*
k) Structured finance	**24**	**24**
l) Servicing related to securitisations	**1**	**-**
m) Commitments to disburse funds	**15**	**18**
n) Financial guarantees given	**473**	**403**
of which: credit derivatives	*2*	*2*
o) Financing transactions	**922**	**878**
of which: for factoring transactions	*84*	*85*
p) Currency dealing	**16**	**21**
q) Commodities	**-**	**-**
r) Other fee and commission income	**1,948**	**2,137**
of which: for management of multilateral trading facilities	-	-
of which: for management of organised trading facilities	-	-
Total	**11,285**	**12,087**

The sub-caption "Other fee and commission income" includes fee and commission income collected from insurance companies of 1,590 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)

	2022	2021
a) Financial instruments	**306**	**278**
of which: trading in financial instruments	*50*	*34*
of which: placement of financial instruments	*244*	*219*
of which: individual portfolio management	*12*	*25*
- Own portfolio	*12*	*24*
- Third-party portfolio	*-*	*1*
b) Clearing and settlement	**31**	**19**
c) Collective portfolio management	**46**	**54**
- Own portfolio	11	14
- Third-party portfolio	35	40
d) Custody and administration	**75**	**86**
e) Collection and payment services	**601**	**576**
of which: credit cards, debit cards and other payment cards	*457*	*417*
f) Servicing related to securitisations	**-**	**-**
g) Commitments to receive funds	**1**	**1**
h) Financial guarantees received	**255**	**220**
of which: credit derivatives	*27*	*21*
i) "Out-of-branch" offer of financial instruments, products and services	**925**	**919**
j) Currency dealing	**7**	**4**
k) Other fee and commission expense	**461**	**566**
Total	**2,708**	**2,723**

The sub-caption "Other fee and commission expense" includes 228 million euro on the placement of investment insurance products, 140 million euro on banking services to Italian branches, 60 million euro on banking services to international branches and 33 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 6 million euro.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(millions of euro)

Captions/Income	2022		2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	39	-	27	-
B. Other financial assets mandatorily measured at fair value	5	119	7	72
C. Financial assets measured at fair value through other comprehensive income	62	-	55	-
D. Investments in associates and companies subject to joint control	-	-	-	-
Total	**106**	**119**	**89**	**72**

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

4.1 Profits (Losses) on trading: breakdown

(millions of euro)

Transactions/Income components	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**218**	**3,058**	**-711**	**-2,304**	**261**
1.1 Debt securities	184	2,985	-662	-2,169	338
1.2 Equities	31	66	-40	-121	-64
1.3 Quotas of UCI	3	4	-7	-13	-13
1.4 Loans	-	-	-2	-	-2
1.5 Other	-	3	-	-1	2
2. Financial liabilities held for trading	**901**	**6**	**-7**	**-30**	**870**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	559	-	-5	-	554
2.3 Other	342	6	-2	-30	316
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-1,574**
4. Derivatives	**123,315**	**43,492**	**-126,013**	**-41,929**	**294**
4.1 Financial derivatives:	122,227	40,888	-124,987	-39,269	288
- on debt securities and interest rates	*120,294*	*29,263*	*-121,852*	*-29,172*	*-1,467*
- on equities and stock indexes	*1,037*	*6,230*	*-2,485*	*-4,488*	*294*
- on currencies and gold	*X*	*X*	*X*	*X*	*1,429*
- other	*896*	*5,395*	*-650*	*-5,609*	*32*
4.2 Credit derivatives	1,088	2,604	-1,026	-2,660	6
of which: natural hedging associated with the fair value option	*X*	*X*	*X*	*X*	*-*
Total	**124,434**	**46,556**	**-126,731**	**-44,263**	**-149**

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.
The net result of the exchange differences on Financial assets and liabilities, reported in sub-caption 3, is connected to the result of sub-caption 4.1 relating to Derivatives - Financial derivatives on currencies and gold, which includes the results of the related operational hedges taken out by the Bank on foreign exchange risk using financial trading derivatives. Similarly, the result in Financial derivatives on debt securities and interest rates should be viewed in conjunction with the results of the Financial assets held for trading in Debt securities and Financial liabilities held for trading in Payables (short selling of securities) respectively, as these transactions are operationally linked to each other.

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

(millions of euro)

Income component/Amount	2022	2021
A. Income from:		
A.1 fair value hedge derivatives	25,847	6,866
A.2 financial assets hedged (fair value)	52	186
A.3 financial liabilities hedged (fair value)	13,205	1,947
A.4 cash flow hedge: derivatives	-	-
A.5 currency assets and liabilities	10	-
Total income from hedging (A)	**39,114**	**8,999**
B. Expenses for		
B.1 fair value hedge derivatives	-13,798	-3,775
B.2 financial assets hedged (fair value)	-25,282	-5,091
B.3 financial liabilities hedged (fair value)	-1	-97
B.4 cash flow hedge: derivatives	-	-
B.5 currency assets and liabilities	-	-
Total expense from hedging (B)	**-39,081**	**-8,963**
C. Fair value adjustments in hedge accounting (A - B)	**33**	**36**
of which: fair value adjustments in hedge accounting on net positions	-	-

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

(millions of euro)

Captions/Income components	2022			2021		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	439	-272	167	494	-293	201
1.1 Due from banks	*1*	*-9*	*-8*	-	-	-
1.2 Loans to customers	*438*	*-263*	*175*	*494*	*-293*	*201*
2. Financial assets measured at fair value through other comprehensive income	357	-600	-243	693	-82	611
2.1 Debt securities	*356*	*-588*	*-232*	*693*	*-82*	*611*
2.2 Loans	*1*	*-12*	*-11*	-	-	-
Total assets (A)	**796**	**-872**	**-76**	**1,187**	**-375**	**812**
Financial liabilities valued at amortized cost						
1. Due to banks	1	-6	-5	1	-3	-2
2. Due to customers	-	-	-	6	-3	3
3. Securities issued	47	-14	33	19	-74	-55
Total liabilities (B)	**48**	**-20**	**28**	**26**	**-80**	**-54**

The Net result on Financial assets measured at amortised cost in sub-caption 1.2 Loans to customers, primarily attributable to the Parent Company, mainly relates 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 Debt securities, 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

(millions of euro)

Transactions/Income components	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**1,020**	**8**	**-1**	**-42**	**985**
2.1 Securities issued	1,007	8	-1	-42	972
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	13	-	-	-	13
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-28**
Total	**1,020**	**8**	**-1**	**-42**	**957**

Sub-caption 2.1 Financial liabilities - Securities issued, reports the net result of the 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), issued after 1 January 2020. The Revaluations shown in the table refer to the fair value measurement of these financial instruments, calculated excluding the changes in value due to the change in own credit rating recognised in the Statement of comprehensive income (Shareholders' equity).
For information on the methods used to determine counterparty risk (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

(millions of euro)

Transactions/Income components	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	**204**	**38**	**-448**	**-30**	**-236**
1.1 Debt securities	12	3	-104	-2	-91
1.2 Equities	8	4	-40	-2	-30
1.3 Quotas of UCI	137	6	-95	-18	30
1.4 Loans	47	25	-209	-8	-145
2. Financial assets: foreign exchange differences	**X**	**X**	**X**	**X**	**34**
Total	**204**	**38**	**-448**	**-30**	**-202**

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)

Breakdown of Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39 - Caption 115	**2022**	**2021**
10. Interest and similar income	2,335	1,862
20. Interest and similar expense	-77	-75
70. Dividend and similar income	503	383
80. Profits (Losses) on trading	-53	-69
90. Fair value adjustments in hedge accounting (*)	-	-
100. Profits (Losses) on disposal or repurchase of:	-384	198
a) loans	-	-
b) financial assets available for sale	*-384*	*198*
c) investments held to maturity	-	-
d) financial liabilities	-	-
110. Profits (Losses) on financial assets and liabilities designated at fair value	-1,090	2,455
TOTAL Caption 115	**1,234**	**4,754**

(*) 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**	**2022**	**2021**
1. Financial assets held for trading	22	-	-	22	16
2. Financial assets designated at fair value	1	-	-	1	1
3. Financial assets available for sale	2,298	-	-	2,298	1,834
4. Investments held to maturity	-	-	-	-	-
5. Due from banks	1	1	-	2	3
6. Loans to customers	-	-	-	-	-
7. Hedging derivatives	X	X	12	12	8
8. Other assets	X	X	-	-	-
Total	**2,322**	**1**	**12**	**2,335**	**1,862**

7.2 Bis. Interest and similar income: differentials on hedging transactions

Differentials on hedging transactions amounted to 12 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

(millions of euro)

Captions/Types	Debts	Securities	Other transactions	2022	2021
1. Due to Central Banks	-	X	-	-	-
2. Due to banks	5	X	21	26	27
3. Due to customers	-	X	-	-	-
4. Securities issued	X	51	-	51	48
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	-	-	-
Total	**5**	**51**	**21**	**77**	**75**

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

(millions of euro)

Captions/Income	2022		2021	
	Dividends	Income from quotas of UCI	Dividends	Income from quotas of UCI
A. Financial assets held for trading	-	-	-	-
B. Financial assets available for sale	78	362	93	237
C. Financial assets designated at fair value	63	-	53	-
D. Investments in associates and companies subject to joint control	-	X	-	X
Total	**141**	**362**	**146**	**237**

7.8 Bis. Profits (Losses) on trading: breakdown

(millions of euro)

Transactions/Income components	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**-**	**-**	**-153**	**-3**	**-156**
1.1 Debt securities	-	-	-136	-1	-137
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	-	-	-17	-2	-19
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**3**
4. Derivatives	**33**	**218**	**-17**	**-52**	**100**
4.1 Financial derivatives:	33	217	-17	-52	99
- on debt securities and interest rates	*-*	*156*	*-*	*-9*	*147*
- on equities and stock indexes	*33*	*61*	*-17*	*-43*	*34*
- on currencies and gold	*X*	*X*	*X*	*X*	*-82*
- other	*-*	*-*	*-*	*-*	*-*
4.2 Credit derivatives	-	1	-	-	1
Total	**33**	**218**	**-170**	**-55**	**-53**

7.9 Bis. Fair value adjustments in hedge accounting: breakdown

There were no fair value adjustments in hedge accounting pertaining to insurance companies through the income statement.

7.10 Bis. Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

Captions/Income components	2022			2021		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	297	-681	-384	300	-102	198
3.1 Debt securities	*135*	*-598*	*-463*	*152*	*-17*	*135*
3.2 Equities	*51*	*-32*	*19*	*45*	*-36*	*9*
3.3 Quotas of UCI	*108*	*-51*	*57*	*103*	*-49*	*54*
3.4 Loans	3	-	3	-	-	-
4.Investments held to maturity	-	-	-	-	-	-
Total assets	**297**	**-681**	**-384**	**300**	**-102**	**198**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

7.11 Bis. Profits (losses) on financial assets/liabilities designated at fair value: breakdown

(millions of euro)

Transactions/Income components	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	**413**	**611**	**-10,686**	**-2,724**	**-12,386**
1.1 Debt securities	6	106	-403	-157	-448
1.2 Equities	147	184	-480	-309	-458
1.3 Quotas of UCI	231	314	-9,740	-2,250	-11,445
1.4 Loans	29	7	-63	-8	-35
2. Financial liabilities	**11,339**	**-**	**-15**	**-**	**11,324**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	69	-	-	-	69
2.3 Due to customers	11,270	-	-15	-	11,255
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**49**	**83**	**-20**	**-140**	**-28**
Total	**11,801**	**694**	**-10,721**	**-2,864**	**-1,090**

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

(millions of euro)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				2022	2021
	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	**-18**	**-32**	**-**	**-1**	**-**	**-**	**28**	**14**	**1**	**-**	**-8**	**30**
- Loans	-15	-30	-	-1	-	-	25	14	1	-	-6	31
- Debt securities	-3	-2	-	-	-	-	3	-	-	-	-2	-1
B. Credit to clients	**-565**	**-2,111**	**-79**	**-2,870**	**-10**	**-48**	**540**	**1,249**	**1,278**	**45**	**-2,571**	**-2,843**
- Loans	-549	-2,090	-79	-2,865	-10	-48	525	1,236	1,272	45	-2,563	-2,858
- Debt securities	-16	-21	-	-5	-	-	15	13	6	-	-8	15
Total	**-583**	**-2,143**	**-79**	**-2,871**	**-10**	**-48**	**568**	**1,263**	**1,279**	**45**	**-2,579**	**-2,813**

8.1a Net adjustments for credit risk associated with loans measured at amortised cost subject to COVID-19 support measures: breakdown

(millions of euro)

Operation / P&L item	Net Adjustments						2022	2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired			
			Write-off	Others	Write-off	Others		
1. EBA-compliant moratoria loans	-	-	-	-	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-2	-	-7	-	-	**-9**	**11**
3. Other loans with COVID-19-related forbearance measures	-	-17	-	-10	-	-	**-27**	**-163**
4. Newly originated loans	-12	-11	-	-128	-	-	**-151**	**-93**
Total 2022	**-12**	**-30**	**-**	**-145**	**-**	**-**	**-187**	**-**
Total 2021	**-1**	**-124**	**-**	**-120**	**-**	**-**		**-245**

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 of these Notes to the financial statements and described in more detail in Part E - Section 2 - 1.1 Credit Risk of the Notes to the consolidated financial statements.

Row 1. “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.

Row 2. “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.

Row 3. “Other forborne loans” contains information regarding the loans subject to the COVID-19 support measures that meet the conditions of “forborne exposures” as defined by the current supervisory reports, and have not been included in the category “EBA-compliant moratoria loans” since the grant date or since the date on which they no longer comply with the EBA/GL/2020/02.

Row 4. “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

(millions of euro)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				2022	2021
	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	**-13**	**-21**	**-**	**-**	**-**	**-**	**15**	**-**	**-**	**-**	**-19**	**-31**
B. Loans	**-13**	**-15**	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**-**	**-26**	**1**
- to customers	-13	-15	-	-	-	-	1	1	-	-	-26	1
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-26**	**-36**	**-**	**-**	**-**	**-**	**16**	**1**	**-**	**-**	**-45**	**-30**

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

(millions of euro)

	IMPAIRMENT LOSSES		RECOVERIES		2022	2021
	Individual write-offs	other	Individual of interest	other		
A. Debt securities	-	-41	-	11	-30	-
B. Equities	-	-123	X	X	-123	-25
C. Quotas of UCI	-	-7	-	-	-7	-1
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-171**	**-**	**11**	**-160**	**-26**

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 5 million euro were recognised.

SECTION 10 - NET INSURANCE PREMIUMS - CAPTION 160

10.1 Net insurance premiums: breakdown

(millions of euro)

Premiums deriving from insurance business	Direct work	Indirect work	2022	2021
A. Life business				
A.1 Gross accounted premiums (+)	9,075	-	9,075	9,446
A.2 Premiums ceded for reinsurance (-)	-4	X	-4	-4
A.3 Total	9,071	-	9,071	9,442
B. Non-life business				
B.1 Gross accounted premiums (+)	1,436	-	1,436	1,342
B.2 Premiums ceded for reinsurance (-)	-172	X	-172	-216
B.3 Changes in the gross amount of premium reserve (+/-)	13	-	13	-18
B.4 Changes in premium reserves reassured with third parties (-/+)	10	-	10	7
B.5 Total	1,287	-	1,287	1,115
C. Total net premiums	**10,358**	**-**	**10,358**	**10,557**

SECTION 11 - OTHER NET INSURANCE INCOME (EXPENSE) - CAPTION 170

11.1 Other net insurance income (expense): breakdown

(millions of euro)

Captions	2022	2021
1. Net change in technical reserves	923	-1,355
2. Claims accrued during the year	-10,224	-10,259
3. Other income/expenses arising from insurance business	-97	-1,911
Total	**-9,398**	**-13,525**

11.2 Breakdown of Net change in technical reserves

(millions of euro)

Net change in technical reserves	2022	2021
1. Life business		
A. Mathematical reserves	**1,612**	**3,979**
A.1 Gross annual amount	1,619	3,983
A.2 Amount reinsured with third parties (-)	-7	-4
B. Other technical reserves	**-1,603**	**-3,459**
B.1 Gross annual amount	-1,603	-3,459
B.2 Amount reinsured with third parties (-)	-	-
C. Technical reserves for investment risks to be borne by the insured	**914**	**-1,874**
C.1 Gross annual amount	914	-1,874
C.2 Amount reinsured with third parties (-)	-	-
Total "life business reserves"	**923**	**-1,354**
2. Non-life business		
Changes in other technical reserves of non-life business other than the claims fund, net of ceded reinsurance	-	-1

11.3 Breakdown of Claims accrued and paid during the year

(millions of euro)

Charges associated to claims	2022	2021
LIFE BUSINESS: CHARGES ASSOCIATED TO CLAIMS, NET OF REINSURANCE CEDED		
A. Amounts paid	**-9,658**	**-10,077**
A.1 Gross annual amount	-9,663	-10,082
A.2 Amount reinsured with third parties (-)	5	5
B. Change in funds for amounts to be disbursed	**36**	**501**
B.1 Gross annual amount	36	501
B.2 Amount reinsured with third parties (-)	-	-
Total life business claims	**-9,622**	**-9,576**
NON-LIFE BUSINESS: CHARGES ASSOCIATED TO CLAIMS, NET OF RECOVERIES AND REINSURANCE CEDED		
C. Amounts paid	**-641**	**-592**
C.1 Gross annual amount	-780	-778
C.2 Amount reinsured with third parties (-)	139	186
D. Change in recoveries net of quotas borne by reinsurers	**2**	**1**
E. Change in the claims reserve	**37**	**-92**
E.1 Gross annual amount	81	-127
E.2 Amount reinsured with third parties (-)	-44	35
Total non-life business claims	**-602**	**-683**

11.4 Breakdown of Other income/expenses arising from insurance business

(millions of euro)

	2022	2021
Other income	**1,653**	**215**
Life business	1,604	180
Non-life business	49	35
Other expenses	**-1,750**	**-2,126**
Life business	-1,639	-2,018
Non-life business	-111	-108

SECTION 12 - ADMINISTRATIVE EXPENSES - CAPTION 190

12.1 Personnel expenses: breakdown

(millions of euro)

Type of expense	2022	2021
1) Employees	**6,760**	**7,152**
a) wages and salaries	4,836	4,741
b) social security charges	1,201	1,218
c) termination indemnities	35	41
d) supplementary benefits	6	4
e) provisions for termination indemnities	18	7
f) provisions for post employment benefits	16	12
- defined contribution plans	-	-
- defined benefit plans	*16*	*12*
g) payments to external pension funds	362	368
- defined contribution plans	*360*	*366*
- defined benefit plans	*2*	*2*
h) costs from share based payments	146	220
i) other benefits in favour of employees	140	541
2) Other non-retired personnel	**16**	**16**
3) Directors and statutory auditors	**17**	**19**
4) Early retirement costs	**-**	**-**
Total	**6,793**	**7,187**

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

	2022	2021
Personnel employed	**90,003**	**92,657**
a) managers	1,775	1,831
b) total officers	34,836	35,971
c) other employees	53,392	54,855
Other personnel	**85**	**108**
TOTAL	**90,088**	**92,765**

In 2022, the average number of employees (with part-time employees calculated, per standard practice, at 0.5) decreased on 2021 due to the terminations occurred under agreements over the two years and partially due to the sales of going concerns in early 2021.

12.3 Post-employment defined benefit plans: costs and revenues

(millions of euro)

	2022			2021		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-14	-3	-10	-7	-4	-12
Interest expense	-4	-13	-17	-	-16	-3
Interest income	-	3	14	-	2	3
Reimbursement from third parties	-	-	-	-	-	-
Past service cost	-	-	-1	-	-	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 in 2022 amounts to 140 million euro. This amount essentially relates to contributions for health assistance, lunch and restaurant vouchers, as well as adjustments to liabilities due to the agreements on voluntary exit incentives signed with the trade unions and seniority bonuses, mainly due to the increase, during the year, in the discount rate curve used for the discounting.

12.5 Other administrative expenses: breakdown

(millions of euro)

Type of expense/Amount	2022	2021
Expenses for maintenance of information technology and electronic equipment	799	821
Telephonic, teletransmission and transmission expenses	66	75
Information technology expenses	**865**	**896**
Rentals and service charges - real estate	42	42
Security services	46	48
Cleaning of premises	50	56
Expenses for maintenance of real estate assets furniture and equipment	77	84
Energy costs	90	110
Property costs	11	15
Management of real estate assets expenses	**316**	**355**
Printing, stationery and consumables expenses	27	36
Transport and related services expenses (including counting of valuables)	76	75
Information expenses	242	227
Postal and telegraphic expenses	54	58
General structure costs	**399**	**396**
Expenses for consultancy fees	157	165
Legal and judiciary expenses	136	157
Insurance premiums - banks and customers	57	62
Professional and legal expenses	**350**	**384**
Advertising and promotional expenses	**173**	**154**
Services rendered by third parties	**437**	**496**
Indirect personnel costs	**121**	**51**
Other costs	**218**	**225**
Contributions to resolution funds and deposit guarantee schemes	**793**	**739**
Taxes and duties	**1,147**	**1,170**
Recovery of taxes and duties	**-4**	**-5**
Recovery of other expenses	**-29**	**-36**
Total	**4,786**	**4,825**

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 lease contracts are recognised as an expense on a straight-line basis for the contract term.

In 2022 the costs incurred by the Intesa Sanpaolo Group for measures related to the pandemic amounted to around 19.7 million euro (37 million euro in 2021).

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

(millions of euro)

	Provision	Reallocations	Net provision
Stage1	-133	103	-30
Stage2	-182	119	-63
Stage3	-205	89	-116
Total	**-520**	**311**	**-209**

13.2 Net provisions associated with other commitments and other guarantees given: breakdown

With regard to net provisions associated with other commitments and other guarantees given, there were no amounts as at 31 December 2022.

13.3 Net provisions for other risks and charges: breakdown

(millions of euro)

	Provisions	Reallocations	Net provision
Net provisions for legal disputes	-180	87	-93
Net provisions for other personnel charges	-	-	-
Net provisions for risks and charges	-325	278	-47
Total	**-505**	**365**	**-140**

"Net provisions for risks and charges", which amounted to a negative 140 million euro, recorded the provisions attributable to the year relating to legal and tax 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.

SECTION 14 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT - CAPTION 210

14.1 Net adjustments to property and equipment: breakdown

(millions of euro)

Assets/Income components	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Used in operations	-675	-7	-	-682
- Owned	*-368*	*-6*	-	*-374*
- Licenses acquired through lease	*-307*	*-1*	-	*-308*
A.2 Investment property	-	-1	-	-1
- Owned	-	*-1*	-	*-1*
- Licenses acquired through lease	-	-	-	-
A.3 Inventories	X	-18	1	-17
B. Non-current assets held for sale	X	-	-	-
Total	**-675**	**-26**	**1**	**-700**

SECTION 15 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 220

15.1 Net adjustments to intangible assets: breakdown

(millions of euro)

Assets/Income components	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
of which: software	*-776*	*-20*	*-*	*-796*
A.1 Owned	-964	-20	-	-984
- Internally generated	-684	-8	-	-692
- Others	-280	-12	-	-292
A.2 Rights of use acquired through the lease	-	-	-	-
B. Non-current assets held for sale	**X**	**-**	**-**	**-**
Total	**-964**	**-20**	**-**	**-984**

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

(millions of euro)

Type of expense/Amount	
Other expenses for consumer credit and leasing transactions	29
Amortisation of leasehold improvements	34
Other	373
Total 2022	**436**
Total 2021	**503**

The sub-caption “Other expenses” comprises 53 million euro for the negative result on gold and precious metals.

16.2 Other operating income: breakdown

(millions of euro)

Type of expense/Amount	
Recovery of other expenses	930
Income related to consumer credit and leasing	42
Rentals and recovery of expenses on real estate	34
Recovery of services rendered to third parties	23
Negative Goodwill	-
Other	341
Total 2022	**1,370**
Total 2021	**1,483**

The sub-caption “Other income” comprises 58 million euro for the positive result on gold and precious metals.

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 17 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

(millions of euro)

Income components/Sectors	2022	2021
1) Companies subject to joint control		
A. Revenues	3	12
1. Revaluations	*3*	*12*
2. Profits on disposal	-	-
3. Recoveries	-	-
4. Other	-	-
B. Charges	-37	-3
1. Write-downs	*-29*	*-3*
2. Impairment losses	*-8*	-
3. Losses on disposal	-	-
4. Other	-	-
Net result	**-34**	**9**
2) Investments in associates		
A. Revenues	350	229
1. Revaluations	*140*	*164*
2. Profits on disposal	*197*	*65*
3. Recoveries	*13*	-
4. Other	-	-
B. Charges	-84	-100
1. Write-downs	*-40*	*-58*
2. Impairment losses	*-44*	*-39*
3. Losses on disposal	-	*-3*
4. Other	-	-
Net result	**266**	**129**
Total	**232**	**138**

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

(millions of euro)

Assets/Income component	Revalutations	Write-downs	Foreign exchange differences		Net result
			Positive	Negative	
A. Property and equipment	**6**	**-52**	**-**	**-**	**-46**
A.1 Used in operations:	-	-10	-	-	-10
- Owned	*-*	*-9*	*-*	*-*	*-9*
- Licenses acquired through lease	*-*	*-1*	*-*	*-*	*-1*
A.2 Investment:	6	-42	-	-	-36
- Owned	*6*	*-42*	*-*	*-*	*-36*
- Licenses acquired through lease	*-*	*-*	*-*	*-*	*-*
A.3 Inventories	-	-	-	-	-
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned:	-	-	-	-	-
B.1.1 Internally generated	*-*	*-*	*-*	*-*	*-*
B.1.2 Other	*-*	*-*	*-*	*-*	*-*
B.2 Licenses acquired through lease	-	-	-	-	-
Total	**6**	**-52**	**-**	**-**	**-46**

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 2022. 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

(millions of euro)

Income component/Amount	2022	2021
A. Real estate assets	**4**	**4**
- profits on disposal	9	8
- losses on disposal	-5	-4
B. Other assets (a)	**12**	**285**
- profits on disposal	18	297
- losses on disposal	-6	-12
Net result	**16**	**289**

(a) Included profits and losses on disposal of subsidiaries.

There were no significant events in 2022. In 2021, the profits on disposal included in sub-caption B “Other assets” were mainly attributable to the capital gains of 194 million euro realised on the sale 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.

SECTION 21 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 300

21.1 Taxes on income from continuing operations: breakdown

(millions of euro)

Income component/Amount	2022	2021
1. Current taxes (-)	-1,190	-888
2. Changes in current taxes of previous years (+/-)	15	24
3. Reduction in current taxes of the year (+)	81	110
3. bis Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	851	1,254
4. Changes in deferred tax assets (+/-)	-1,136	-2,143
5. Changes in deferred tax liabilities (+/-)	-251	505
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**-1,630**	**-1,138**

The reduction in current taxes for the year, measured at 851 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 the tax loss of Intesa Sanpaolo in relation to 2021. 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)

	2022	2021
Income before tax from continuing operations	6,007	5,181
Income before tax from discontinued operations	-	-
Theoretical taxable income	**6,007**	**5,181**

	Taxes (a)	Impact % on theoretical taxable income
Income taxes - theoretical tax charge (b)	**1,986**	**33.1**
Increase of taxes	**358**	**6.0**
Non-deductible interest expense	299	5.0
Other	59	1.0
Decrease of taxes	**-714**	**-11.9**
Effects of the participation exemption	-68	-1.1
Effects of international companies lower rates	-291	-4.9
Other	-355	-5.9
Total changes in taxes	**-356**	**-5.9**
Total income tax expense for the period	**1,630**	**27.2**
of which: - total income tax expense from continuing operations	**1,630**	**27.2**
- total income tax expense from discontinued operations	**-**	**-**

(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 22 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 320

22.1 Income (Loss) after tax from discontinued operations: breakdown
There was no Income (loss) after tax from discontinued operations in 2022 or 2021.

22.2 Breakdown of taxes on income from discontinued operations
There were no taxes on income from discontinued operations in 2022 or 2021.

SECTION 23 – MINORITY INTERESTS - CAPTION 340

23.1 Breakdown of caption 340 Minority interests

(millions of euro)

		31.12.2022	31.12.2021
Investments in consolidated companies with significant minority interests			
1	Bank of Alexandria S.A.E.	-26	-24
2	Intesa Sanpaolo RBM Salute S.p.A.	-24	166
3	Intesa Sanpaolo Rent for You S.p.A.	-2	-3
4	Eurizon SLJ Capital Limited	-1	-2
5	Eurizon Capital SGR S.p.A.	-	-8
6	Privredna Banka Zagreb d.d.	-	-2
7	Private Equity International S.A.	-	-1
8	Vseobecna Uverova Banka a.s.	-	-1
9	Intesa Sanpaolo Private Bank (Suisse) Morval S.A.	-	4
10	Reyl & CIE S.A.	1	-
11	Asteria Investment Managers S.A.	1	-
12	Risanamento S.p.A.	28	13
TOTAL		**-23**	**142**

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	
	31.12.2022	31.12.2021
Weighted average number of shares	19,315,541,610	19,377,549,407
Income attributable to the various categories of shares (millions of euro)	4,354	4,185
Basic EPS (euro)	0.23	0.22
Diluted EPS (euro)	0.23	0.22

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		2022	2021
10.	**Net income (loss)**	**4,377**	**4,043**
	Other comprehensive income that may not be reclassified to the income statement	**240**	**23**
20.	Equity instruments measured at fair value through other comprehensive income	-123	-38
	a) fair value changes	*-546*	*-43*
	b) transfer to other components of shareholders' equity	*423*	*5*
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	32	26
	a) fair value changes	32	**26**
	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	140	27
60.	Intangible assets	**-**	**-**
70.	Defined benefit plans	236	2
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	-45	6
	Other comprehensive income that may be reclassified to the income statement:	**-2,721**	**-543**
110.	Hedges of foreign investments:	-10	-
	a) fair value changes	**-**	**-**
	b) reclassification to the income statement	**-**	**-**
	c) other changes	**-10**	**-**
120.	Foreign exchange differences:	-219	111
	a) value change	**-**	**-**
	b) reclassification to the income statement	**-**	**-**
	c) other changes	-219	111
130.	Cash flow hedges:	348	192
	a) fair value changes	*710*	*405*
	b) reclassification to the income statement	*-155*	*-213*
	c) other changes	*-207*	-
	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	-1,839	-504
	a) value change	*-1,817*	*-1,046*
	b) reclassification to the income statement	*-20*	*-77*
	c) other changes	*-2*	*619*
150.	Financial assets (other than equities) measured at fair value through other comprehensive income	-2,107	-786
	a) fair value changes	*-2,400*	*-171*
	b) reclassification to the income statement	*296*	*-579*
	- adjustments for credit risk	*44*	*16*
	- gains/losses on disposals	*252*	*-595*
	c) other changes	*-3*	*-36*
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:	-14	43
	a) fair value changes	**-10**	**-1**
	b) reclassification to the income statement	**-**	**-**
	- impairment losses	**-**	**-**
	- gains/losses on disposals	**-**	**-**
	c) other changes	*-4*	*44*
180.	Income taxes associated with other comprehensive income that may be reclassified to the income statement	1,120	401
190.	**Total other comprehensive income**	**-2,481**	**-520**
200.	**Comprehensive income (Captions 10+190)**	**1,896**	**3,523**
210.	**Total consolidated comprehensive income pertaining to minority interests**	**-53**	**-135**
220.	**Total consolidated comprehensive income pertaining to the Parent Company**	**1,949**	**3,658**

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, in particular the disclosure on credit risk, 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 and the measures to support the economy. 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).
In addition – as an accompaniment to the disclosure on the control actions and main accounting issues related to the Russia-Ukraine risk contained in the introductory chapter of the Report on Operations – this Part E, within the comments on credit risk, provides a detailed description of the exposures to Russia and Ukraine, together with an examination of the related valuation aspects, with particular regard to the choices made for the calculation of ECLs on cross-border exposures. Also with reference to the risk aspects related to Russia and Ukraine, Part A of these Notes provides the Group's disclosures in response to the recommendations of the Regulators in relation to the issues most impacted by the conflict.
Specific information is also provided on the relevant aspects related to the limited impacts, where present, connected to COVID-19 and the conflict between Russia and Ukraine, also for the other main types of risk.

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 to the Group's customers;
– 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 risks arising from its activities;
– 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 exceeding 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, model risk, as well as reputational risks, ESG and climate change risks within appropriate limits.

In detail, the control of the overall risk profile is aimed at maintaining adequate levels of:
– capitalisation, also in conditions of severe macroeconomic stress, in relation to both Pillar 1 and Pillar 2, by monitoring the Common Equity Ratio, the Total Capital Ratio, the Leverage Ratio and the Risk Bearing Capacity;
– liquidity, sufficient to face periods of tension, including extended ones, on the various funding markets, with regard to both the short-term and the structural situation, by monitoring the internal limits of the Liquidity Coverage Ratio, Net Stable Funding Ratio, Loan/Deposit Ratio, Asset Encumbrance and Survival Period in an adverse scenario;
– stability of profits, by monitoring the net profit adjusted and the adjusted operational cost on income, which represent the main potential causes for their instability;
– resolvability capacity in order 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;
– model risk, with the aim of limiting the financial and reputational impacts of its portfolio of models;
– reputational, ESG and climate change risks, 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/2021/11) 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 Group's activities, such as credit risk, market risk and interest rate risk, as well as the most significant risk concentrations such as, for example, 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[93]).
Within the monitoring of the specific risks, the Credit Risk Appetite (CRA) Framework, a specific RAF for credit risk, 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 designated structures of the Chief Risk Officer Area.

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[94].

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, Recovery Plan, Capital Plan and Liquidity 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

[93] With regard to "Associated Entities", see the "Group Procedures regulating the conduct of transactions with Related Parties of Intesa Sanpaolo S.p.A. and 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 plafonds of Group exposure are proposed to the Board of Directors by involving the Parent Company structures concerned. Those plafonds, 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.
[94] 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 Risks Committee;
– for non-financial risks and reputational risk metrics, the responsibility lies with the Group Control Coordination and Non-Financial Risks Committee.

scope of RAF risks is thus defined starting with that process, paying particular attention to the evolution of the risks for which specific limits and/or risk strategy actions are deemed necessary;
- formulation of the limits proposal: in general, the RAF limits are defined according to a prudential approach. However, the criteria adopted to determine the risk limits differ depending on whether related to control of the Overall Group risk or to control of the Main Specific Group Risks;
- reconciliation between the RAF, Business Plan and Budget: consistency between the RAF and the Business Plan/Budget is sought in all phases of the related preparation procedures through a process of mutual consultation and dialogue that lasts for several months, involving not only the structures of the Chief Risk Officer Governance Area and the Chief Financial Officer Governance Area but also the Business Divisions/Structures;
- approval of the RAF: in line with the provisions of the applicable regulations, the Board of Directors defines and approves the risk objectives, the tolerance threshold (where identified) and the risk governance policies.

The RAF is updated every year, in view of the preparation of the Annual Budget and/or the Business Plan. During the year, when significant events occur, such as exceptional changes in the market context in which the Group operates, significant changes in the configuration of the Group and/or its strategy or based on direct instructions from the Board of Directors, also through the Risks and Sustainability 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 could 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 and Sustainability Committee, the Management Control Committee and the Steering Committee.

The assessment of the Group's capital adequacy and liquidity profiles is conducted annually with the ICAAP and the ILAAP, which represent self-assessment processes according to the Group's internal rules, the results of which are then also discussed and analysed by the Supervisor.
With regard to the ICAAP, in accordance with the ECB requirements, the capital adequacy self-assessment 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.

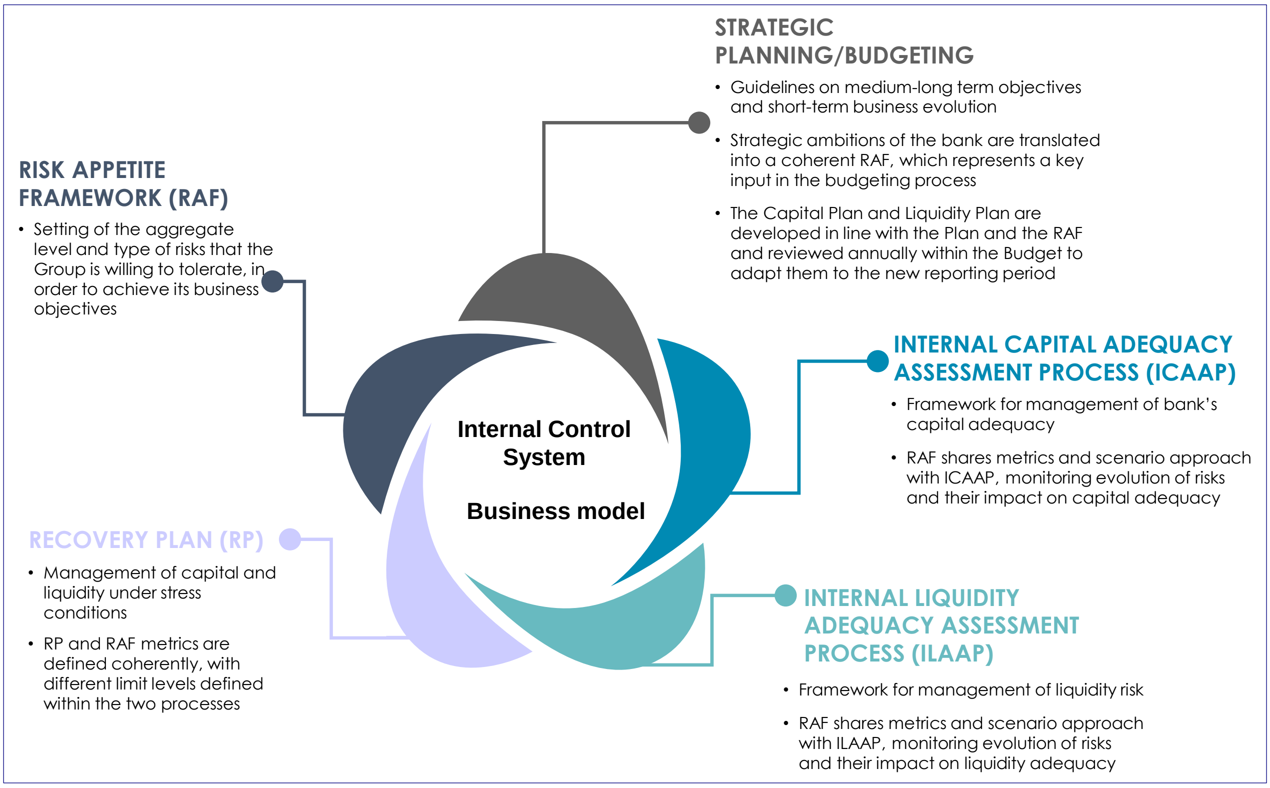
The scope of analysis also includes the insurance segment to better capture the specific characteristics of the Group's business model (financial conglomerate).
The quantitative reconciliation between regulatory requirements and management estimates of capital adequacy is set out in a specific document 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 ILAAP is the internal process of self-assessment of the adequacy of the Group's short-term and structural liquidity position. Like the ICAAP, it is based on two complementary pillars – the economic perspective and the regulatory perspective – aimed at supporting a clear assessment of the corporate liquidity risks and their effective governance, based on a management strategy, all aspects of which have been carefully considered, with the establishment of an appropriate system of risk-taking limits.

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.
For 2022, in accordance with the applicable regulations, the Intesa Sanpaolo Group has developed four stress scenarios, two of which are also based on the potential economic and financial fallouts of the prolonged crisis caused by the Russia-Ukraine conflict.

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 – Intesa Sanpaolo Private Banking, the VUB Group, Banka Intesa Sanpaolo d.d., Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Bank Luxembourg, CIB Group, the PBZ 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 2021 Recovery Plan.

The Intesa Sanpaolo Group ensures full consistency of the business model and internal control system with the Business Plan and 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 single 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 regard to the regulatory multi-risk exercises in particular, you are reminded that in 2022 the Intesa Sanpaolo Group took part in the 2022 SSM Climate Risk Stress Test conducted by the ECB. 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. The results of this exercise were published by the ECB in aggregate form on 8 July 2022[95].
In 2023 the Intesa Sanpaolo Group will take part in the 2023 EBA EU-wide Stress Test, conducted by the European Banking Authority (EBA), in cooperation with the Bank of Italy, the European Central Bank (ECB) and the European Systemic Risk Board (ESRB). The results of this exercise will be published by the EBA by the end of July. As in previous years, there is no minimum capital threshold to be met and the results will be used as an input in the Supervisory Review and Evaluation Process (SREP).

Risk Culture

Risk Culture is the subject of increasing attention, 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 2022, aimed at strengthening cooperation, awareness and responsibilities in relation to risk, with a view 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 2022, including:
- several workshops/webinars on innovative topics with a high potential impact on the Bank's risk profile (e.g. infodemics, the role of neurobiology in economic decision-making and other aspects of neuroscience, the new frontiers of cybersecurity, in particular cyber-fraud and cyber-war, the main megatrends, and emerging risks);
- the conclusion of the Risk Culture Assessment, initiated in 2021, completing the investigation scope (IMI C&IB, Private, Asset Management, Insurance and International Subsidiary Banks Divisions), aimed at analysing the Group's Risk Culture profile. 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 questionnaire provided to a sample of international peers and with the results of the same questionnaire circulated within the Company during 2016-2017. In addition, several questions, not included during the last edition nor in the questionnaire provided to the peers, were also proposed to colleagues with the goal of investigating the perception of emerging risks, specifically in relation to the Russia-Ukraine conflict, the pandemic and the new way of working, and ESG and Diversity & Inclusion issues. The 2021-2022 results show improvements over the previous edition (2016-17), also with good scores compared to the peers;
- in line with previous years, the Risk Culture Ambassador initiative entailed the temporary secondment of resources from the Chief Risk Officer Area, receiving the same number of resources from the recipient structures of the Head Office Departments and Divisions.

[95] For more information see the document "2022 climate risk stress test"
https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.climate_stress_test_report.20220708~2e3cc0999f.en.pdf.

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 and Sustainability 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, preparatory and instrumental to its approval by the Board of Directors, the analysis of the ICAAP and ILAAP Group packages and of the Risks Tableau de Bord;
- the Group Financial Risks Committee is a technical body with decision-making, reporting and consulting powers, focused both on the risks relating to the banking business (including market risk, banking book financial risks, and liquidity risk) and those in 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 three 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 Guidelines and Operating Choices Session (ALCO), chaired by the Chief Financial Officer, provides the Group Companies 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 ALCO session – Extended, chaired by the Chief Risk Officer, which analyses the performance of loans and deposits, in current and prospective terms, together with the expected trend in Risk-Weighted Assets (RWA) and financial assets (debt securities and loans) measured at Fair Value through Other Comprehensive Income (FVOCI reserves), in order to monitor and assess their impact on the Group's liquidity and capital profiles;
- 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[96].
- 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, in relation to non-financial and reputational risks, to facilitate their effective management;
  - 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

[96] 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 Risks 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.

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.

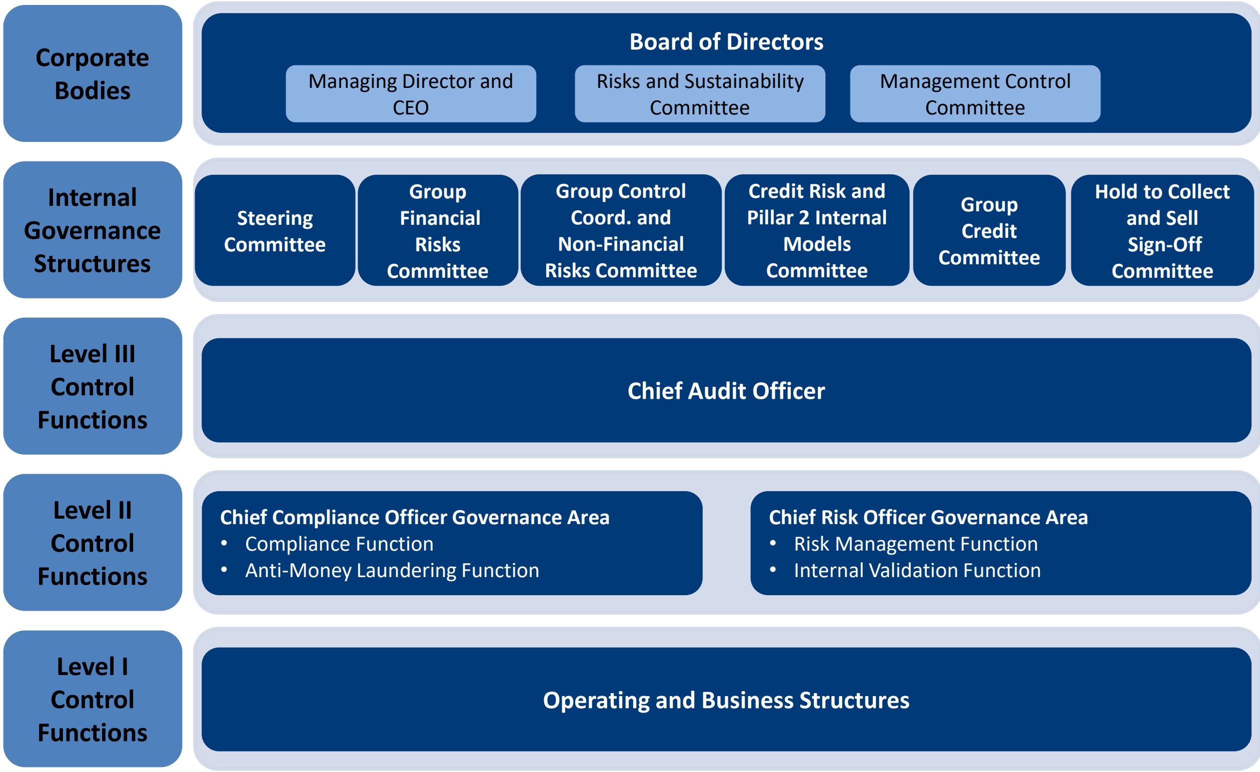
The Chief Risk Officer Governance Area, directly reporting to the Managing Director and CEO, in which the risk management functions are concentrated, including the controls on the risk management and internal validation process, represents a relevant component of the “second line of defence” of the internal 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.

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, Privacy and Controls Head Office Department, which includes the Data Protection Officer function that performs the tasks assigned by data protection legislation;
- 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 with respect to the Group companies[97], 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 the 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.

[97] 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 Chair 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, 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;

  - o 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:
  - o Chief Compliance Officer Governance Area, which has the tasks and responsibilities of the "compliance function", as defined in the applicable regulations, and which includes the "anti-money laundering function", within the Anti Financial Crime Head Office Department, which has the tasks and responsibilities laid down in the regulations on anti-money laundering, counter-terrorism and monitoring of financial sanctions, and the "data protection officer function", within the Compliance Governance, Privacy and Controls Head Office Department, which performs the tasks assigned by data protection legislation;
  - o 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.

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 are 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, as well as the enhancement of technical and professional skills, including in the area of IT developments;
- managing relations with the Authorities with regard to compliance issues and non-compliance events.

The compliance function also includes the data protection officer function, which performs the tasks assigned by data protection legislation in accordance with the governance model described in the Guidelines on the protection of personal data of natural persons.

The regulatory scope, including Environmental, Social and Governance (ESG) factors, and the procedures for monitoring regulatory areas that present significant risks of non-compliance for the Group are defined in the aforementioned guidelines.
The Chief Compliance Officer submits periodic reports to the Corporate Bodies on the adequacy of compliance control, with regard to all regulatory aspects applicable to the Group which show compliance risks. On an annual basis, these reports include an identification and assessment of the primary compliance risks to which the Group is exposed and a schedule of the associated management measures, and on a half-yearly basis they include a description of the activities performed, critical issues noted, and remedies identified. A specific notice is also given when events of particular significance occur.

The Compliance Guidelines call for the adoption of two distinct models in relation to direction, 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. Functional reporting is also in place for the local Data Protection Officers of Group Companies established in the European Union.

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 terrorism financing 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 direction, coordination and control of the Group according to a model similar to the one described for the compliance function.

The Risk Management and Internal Validation Function

The Chief Risk Officer Governance Area is responsible for operational implementation of the strategic and management guidelines for risk along the Bank's entire decision-making chain, down to individual operational units. The tasks and functions are discussed in detail in the subsequent chapters of this Part.

Through the Internal Validation and Controls Head Office Department, the Chief Risk Officer Governance Area carries out Level II controls on credit and data quality.

The purpose of the credit controls is to verify the proper classification and provisioning and the adequacy of the management and recovery process for individual exposures (so-called single names).

In general, the control activities development includes the credit processes assessment also to verify that suitable Level I controls are in place, including proper execution and traceability. The potential areas of investigation to be examined through Single Name controls also consider the results of the monitoring carried out by the Level I Control Functions within the different credit clusters.

As part of the overall risk management process, the Department carries out the Level II controls connected with data quality, in line with the internal and external regulations on the matter, with specific focus on the input data used in internal models, in cooperation with the Data Office, the Enterprise Risk Management Head Office Department and Administrative and Financial Governance. In accordance with 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 Chief Risk Officer 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[98], operational needs and reference market demands[99].

The internal systems adopted by the Group are validated on first adoption (based on the plans of gradual extension made by the Group) or when changes are made to them, in compliance with the development and validation process approved by the Corporate Bodies. The validation function also ensures the periodic review of internal systems in terms of models, processes, data used and implementations in IT, assessing their adequacy, predictive ability and performance, as well as their compliance over time with regulatory provisions, company needs and changes in the reference market.

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

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

The validations are conducted in line with the planning of the function's activities, defined consistently with 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.

Internal Auditing

Internal auditing activities are assigned to the Chief Audit Officer, who reports directly to the Board of Directors (and therefore it reports to the Chairman), functionally reporting 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 to the Chief Audit Officer in terms of functions.
The Internal Auditing Department performs overall level 3 assessment of the internal control system, reporting possible improvements to the corporate bodies, with specific regard to the Risk Appetite Framework (RAF), the risk management process and risk measurement and control instruments. In particular, the Department assesses the completeness, adequacy, functionality and reliability of the components of the internal control system, the risk management process and the corporate processes, also with regard to their ability to identify and prevent errors and irregularities. In this context, inter alia, it audits the risk control and regulatory compliance corporate functions, also through participation in projects, so as to generate added value and improve the effectiveness of the control and corporate governance processes.
The audit action concerns directly both Intesa Sanpaolo and the Group companies.
The Head of the Internal Auditing Department do not have direct responsibility for operating areas subject to control and not be directly subordinate to the managers of these areas. The Department has access to all the activities carried out both in the head office departments 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 2021, three years after the previous review, in accordance with the frequency agreed with the Management Control Committee, and concluded in the first quarter of 2022, confirming the highest assessment envisaged ("Generally Compliant").
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 Intervention Plan for prior examination by the Management Control Committee, and subsequent approval by the Board of Directors, on the basis of which it conducts its activities during the year, in addition to a Long-Term Plan.
It supports the Surveillance Body pursuant to Legislative Decree 231/2001 in ensuring constant and independent surveillance of the regular performance of operations and processes, to prevent or detect anomalous and risky actions or situations, and to monitor compliance with and effectiveness of the rules set out in the 231 Model. The Chief Audit Officer ensures the correct execution 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 weaknesses identified in the audit activities were systematically reported to the Corporate Functions involved for prompt remedial action, which is, then, duly followed up by the Chief Audit Officer to verify its effectiveness.
Summary internal control system assessments from the audit activities have been periodically submitted to the Management Control Committee and the Board of Directors.

The findings of the audit activities completed with a negative opinion or with the identification of major shortcomings were sent in full to the Board of Directors, the Managing Director and CEO and the Management Control Committee, as well as the Boards of Directors and Boards of Statutory Auditors of the subsidiaries concerned.
The main weaknesses detected and their evolution have been included in the Audit Tableau de Bord (TdB), with evidence of the ongoing mitigation actions, the parties responsible for implementing them and the relevant deadlines, to ensure systematic follow-up.
Lastly, the Chief Audit Officer ensured constant assessment of its own effectiveness and efficiency in line with the internal “quality assurance and improvement" plan drafted in accordance with the recommendations of International Standards for the Professional Practice of Internal Auditing. In this context, during 2022, the new Strategic Audit Innovation Line-up (SAIL) programme for the period 2022-2025 continued in line with the new Business Plan, with the establishment of the related operational work streams.

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 Management Control Committee and the Board of Directors.

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

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

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 "Administrative and Financial Governance Guidelines" and the related implementing rules. 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, in the Group Control Coordination and Non-Financial Risks Committee belonging to the Integrated Internal Control System, the Corporate Control Functions and the Manager responsible for preparing the Company's financial reports share their annual verification plans and their findings. Any critical issues arising from inspections conducted by external entities (Independent Auditors, Supervisory Authorities) relating to financial reporting risk are also gathered and assessed.

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 companies controlling companies incorporated and subject to the laws of non-EU member states (Article 15 of the Market Regulation). 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.

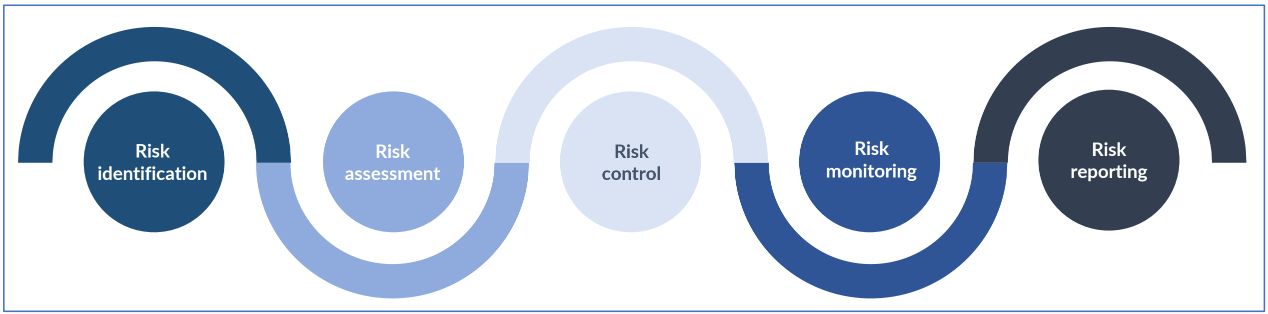
The scope of risks

The risks identified, covered and incorporated within the Economic Capital are as follows:

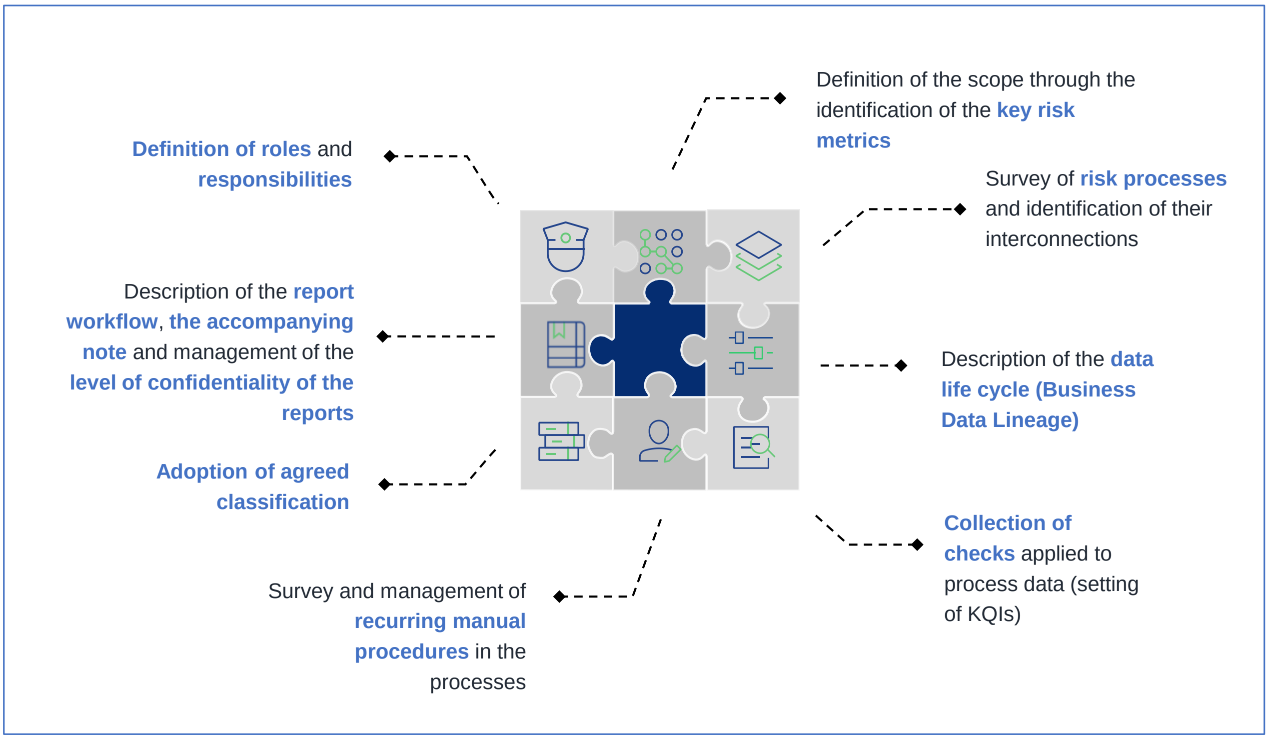
- credit and counterparty risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and uncertainty on credit recovery rates;
- market risk (trading book), including position, settlement and concentration risk on the trading book;
- financial risk 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, particular attention is given to integrating climate change risk into the overall risk management framework, in line with the regulatory guidance and international best practices.

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, as well as the adoption of the Data Quality standards, 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, continued in 2021 and completed in 2022, through the participation of the Chief Risk Officer Area in specific waves 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 figure – the Economic Capital – defined as the maximum "unexpected" loss the Group may incur over a year, at a given confidence level. This is a key measure for determining the Group's financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. It is estimated on the basis of the current situation and also at a forecast level, in line with the Risk Appetite Framework approved by the Group, based on the budget assumptions and the forecast macroeconomic scenario, and in relation to stress scenarios. The economic capital together with the risk capital calculated on a regulatory basis is a fundamental element in the assessment of the Group's capital adequacy and is calculated within the ICAAP.
The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risk and Sustainability 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	**Paragraph**	**Section**
RISKS OF THE BANKING GROUP	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
RISKS OF INSURANCE COMPANIES	PART E - SECTION 3		
- Insurance Risks	Chapter 3.1		
- Financial Risks	Chapter 3.2		
RISKS OF OTHER COMPANIES	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 performing the Investment Service for customers, the Groups is exposed to a series of potential risks linked to the activity, such as reputational, legal, strategic and operational risks.
To minimise the above risk dimensions, also in compliance with the applicable regulations, the Group has long had appropriate processes in place to capture their key aspects. These include the following processes in particular:
- Product Governance Risk Clearing, which is assigned the objective of pre-emptive assessment, together with the other competent control functions and the business owner, of the suitability of the products being sold/distributed to customers, analysing all potential risk factors;
- Risk Profile Annual Review of the adequacy of the portfolio risk "limit" associated with each customer segment identified;
- Investment Adequacy Framework, covering the subscription of financial investments and the execution of transactions in unlisted derivatives.

The sale of financial products is therefore 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), in order to correctly identify and mitigate any potential source of risk inherent to the activity.

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 issues therefore requires considering not only the impacts of the related 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.
ESG risks are therefore included in the overall risk management framework as they represent potential negative impacts that an organisation or activity may have on the environment, people and communities, including risks related to the corporate conduct (corporate governance), earnings, reputational profile and credit quality with possible legal consequences. Within the ESG risks, particular importance is given to climate risk, namely the financial risk arising from exposure to the physical and transition risk related to climate change. The risks and opportunities related to climate change are identified and analysed in a coordinated manner by the various corporate functions, in order to include them in the ordinary processes of risk identification, assessment and monitoring, in the Group's credit strategies and commercial offering.
The Group is therefore committed to incorporating the impact of climate-related aspects into its strategic decision-making processes, in order to fully integrate them into the risk management framework with the aim of maintaining a low risk profile. This includes the monitoring and management of ESG risks, including climate change risks (credit, operational, reputational, market and liquidity risks) and the implementation of ethical and environmental standards in the internal processes, products and services offered to customers, and selection of counterparties and suppliers.
Accordingly, since 2021 a specific section dedicated to ESG, climate change and reputational risks has been included in the Risk Appetite Framework (RAF), which represents the general framework used for the management of enterprise risk. This section includes qualitative and quantitative information. Specifically, with regard to ESG & Climate risks, the Group recognises the strategic importance of ESG factors and the urgent need to curb climate change.

Climate change risks can be divided into physical and transitional risks.

Physical risks represent the negative financial impact from climate change, including more frequent extreme weather events and gradual climate change, as well as environmental degradation, i.e. air, water and soil pollution, water stress, biodiversity loss, and deforestation. These risks – which can usually arise in both the short/medium and long term – can be broken down into acute and chronic risks:
- **acute physical risks,** which refer to specific events that have the potential to create significant physical damage (e.g. flooding of rivers and oceans, tropical storms). These events are occurring more frequently, on both a regional and global basis;
- **chronic physical risks,** which involve a series of physical impacts of considerably longer duration than those posed by acute risks. They are identifiable as processes of change rather than single events. In most cases, the impacts are localised (e.g., drought) but chronic risks are likely to become more significant in the long term.

Transition risks are the negative financial impacts that an institution may incur, directly or indirectly, as a result of the process of adjustment to a low-carbon and more environmentally sustainable economy, arising from:

- **public policy and legal risks**: this category includes policies that attempt to limit actions that contribute to the negative effects of climate change or political actions that seek to promote adaptation to climate change and the legal risk arising from the inability of organisations to mitigate/adapt to climate change;
- **technological developments**: these include innovations that support the transition to a low-carbon and energy-efficient economic system;
- **consumer preferences**: changes in the demand and supply of certain goods, products and services that are more sustainable;
- **reputational risk:** arising from changes in customer or community perceptions of an organisation's contribution to the transition to a low-carbon economy.

The integration of ESG risks, and in particular climate change risk, into the risk management framework comprises:

- a materiality analysis (Climate/ESG Materiality Assessment), aimed at identifying and assessing the relevance of ESG and climate risk factors with respect to different risk portfolios and categories. One of the main tools supporting this analysis is the ESG Sectoral Assessment, which also forms the basis for establishing targeted controls and developing ESG sectoral strategies;
- establishment of specific controls within the Risk Appetite Framework (RAF);
- performance of climate scenario analyses to assess the impacts of these risks in the short, medium and long term;
- monitoring of ESG risks divided according to the different risk categories (e.g. credit, market, liquidity), with a particular focus, within the environmental risks (e.g. earthquakes, biodiversity loss), on climate change risk.

Climate/ESG Materiality Assessment

The Climate/ESG Materiality Assessment is a process of assessing the potential impacts of ESG and climate risks for the Group. This analysis is based on an organic and structured approach to risk assessment involving a granular breakdown of the risk drivers and the integration of forward-looking elements.

The materiality assessment, with particular regard to climate change risk, is based on an analysis of the composition of each exposure class for each financial risk, considering the operational impact and transmission channels identified for each climate risk driver. The main tool is the annually updated ESG sectoral assessment, which identifies the sectors (and subsectors) most exposed to climate change and ESG risks. The methodology used involves assigning scores to each risk driver (transitional risk, physical risk, environmental risk, social risk and governance risk).

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

The results of the Materiality Assessment form the basis for setting the ESG sectoral strategy and guide the identification, within the Risk Appetite Framework, of limits, key risk indicators and specific actions aimed at containing ESG risks, particularly with regard to the sectors most exposed to those risks.

Risk Appetite Framework (RAF)

As mentioned above, the RAF integrates and translates what has been defined in terms of strategic guidelines, ESG/Climate Materiality Assessment, and ESG Sectoral Strategy into specific controls, identifying, on an annual basis, limits, key risk indicators and specific actions aimed at containing the ESG risks, with particular regard to the sectors most exposed to those risks. This also includes specific actions related for example to the Group's commitment to the "Net-Zero" objectives. The development of the ESG RAF controls also takes into account the findings of the main risk assessment processes.

Since 2021, the Group's RAF has introduced a section dedicated to ESG, climate change and reputational risk, which includes qualitative and quantitative elements that incorporate:

- awareness that climate change is a significant risk factor for both current and future credit risk, in addition to influencing investor preferences;
- the Bank's commitment to being a responsible financial intermediary and supporting the transition to a low-emission economy;
- the firmly established role of social media as highly effective tools for generating public opinion and guiding the behaviour of consumers and counterparties and influencing the Bank's reputation.

Specific limits have therefore been set in relation to the exposure to the coal mining and oil & gas sectors, which are more exposed to transition risk. For coal mining in particular, the limit is reviewed annually in line with the target of phasing out lending by 2025. In order to fulfil the commitments made within the Net-Zero Banking Alliance, specific attention thresholds/KRIs have been introduced relating to the CO_2 emissions of financed counterparties from the Oil & Gas, Power Generation and Automotive sectors. An attention threshold in relation to the Group's exposure has also been introduced for sectors characterised by significant issues, especially with regard to the social dimension, in line with the ESG sectoral strategy of associated credit disincentives.

The RAF also identifies the main limitations and exclusions to lending to sectors/counterparties most exposed to ESG risks, which are then integrated into the self-regulatory policy and/or company processes. Specifically, Intesa Sanpaolo has issued the "Rules for lending operations in the coal sector", the "Rules for lending operations in the unconventional oil&gas sector" and the "Rules governing transactions with subjects active in the armaments sector", aimed at establishing general and specific criteria for limiting and excluding lending operations to counterparties in those sectors.

Climate Scenario Analysis

Scenario analysis is a key element in integrating the risks and opportunities associated with climate change into the business strategies, also considering the medium- to long-term implications. In general, Climate Scenario Analysis is used to explore potential portfolio vulnerabilities, particularly credit related, within regulatory stress testing exercises or the ICAAP.

In conducting this activity, Intesa Sanpaolo adopts an approach that incorporates the following components:

- **dedicated solution for verifying the impact of transition risk on the NFC (Non Financial Corporate) portfolio**: the assessment is carried out through shocks applied to the financial statements of each company, differentiating between Corporate and Corporate SME. For the former, the impact of the climate scenario on the financial statements is derived through a bottom-up approach, while for Corporate SMEs, the model involves top-down modelling, where the impact on the company's financial statements is determined by the evolution of its sector;
- **dedicated solution for verifying the impact of transition risk on the Residential Real Estate portfolio**: the assessment is carried out at asset level and is aimed at measuring the loss of value of the properties provided as collateral in relation to the energy class they belong to;
- **methodology for quantifying the physical risk on the properties underlying the collateral for the mortgage portfolio**: the impact in this case depends on the geographical location of the properties and the types of damage resulting from the different levels of risk of acute and chronic weather events.

In 2022, for the purpose of assessing banks' vulnerability to climate and environmental risks, Intesa Sanpaolo participated in the 2022 SSM Climate Risk Stress Test conducted by the ECB. The results of this exercise were integrated into the supervisory review and assessment process (SREP). Capabilities and methodologies have also been developed for identifying and assessing physical risk, aimed at introducing stresses, starting from the ICAAP/ILAAP 2023 report, related to climate risk, both long- and short-term, with regard to both the transition risk and the physical risk. In 2023, the climate scenario analysis framework will be further strengthened, also using solutions from recognised providers, in order to broaden the scope of assessment of the physical and transition risk impacts.

Monitoring of ESG/climate risks in the different risk categories

Intesa Sanpaolo's risk management framework involves the integration of climate and environmental risk factors with the different risk categories impacted. This decision takes into account the fact that the impact of climate and environmental risks may be direct, for example due to lower earnings of companies or the reduction in value of assets, or indirect, for example due to legal actions (legal risk) or reputational damage that arises when the public, counterparties of the institution and/or investors associate the institution with adverse environmental effects (reputational risk).

With regard to **credit risk**, it should first be noted that the effects of climate risk are mainly prospective over medium- to long-term horizons 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 2022, 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 (companies or groups with a size of less than 500 million euro), for which the model change application was submitted during the first half of 2021, 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), while awaiting the validation, a specific new module has been developed within the new Corporate model, 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 will be included through 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.

In managing **market risk**, Intesa Sanpaolo also assesses the effects of climate and environmental factors on its current positions exposed to market risk. Specifically, the Group:

- analyses and monitors market prices and liquidity of financial instruments to identify possible evidence of climate and environmental risk factors;
- analyses the impact of climate and environmental risks on the fair value measurement of financial instruments, focusing in particular on the main asset classes, payoffs and positions explicitly linked to climate and environmental (C&E) risk factors, as well as the future investments proposed by the business structures;
- classifies current positions subject to market risk using the ESG indicators available internally (e.g. ESG Sectoral Assessment, ESG Sectoral Strategy) and externally (e.g. economic-industrial business sectors, ESG score/rating), also through recognised providers.

With regard to **liquidity risk**, significant climate and environmental risks may lead to an increase in net cash outflows or erode available liquidity reserves. Even though, according to the general consensus in the banking industry, the link between ESG risks and liquidity is mainly indirect and potentially more long term in nature, it is considered important not to underestimate

these risks and their potential transmission, and to duly incorporate an assessment of their potential effects on the Group's current and future liquidity position.
To this end, after the prior identification of climate and environmental risk factors that could adversely affect the Group's liquidity positions, specific analyses and monitoring of exposures are carried out to assess the materiality of the risk factors identified, maintaining a close connection with the qualitative assessments adopted by the Bank at sector and sub-sector level (e.g. ESG Sectoral Assessment) for credit risk purposes.
In the assessment of the various scenarios, including stress scenarios, on the timing of inflows and outflows and the quantitative and qualitative adequacy of liquidity buffers, particular attention is also devoted to analysing the impact of climate and environmental risk factors that could compromise the liquidity positions on a forward-looking basis over medium-term horizons (1-3 years). These analyses are incorporated into the annual report on the Internal Liquidity Adequacy Assessment Process (ILAAP) without highlighting material absorptions of the Group's liquidity reserves.

In managing **operational risks**, Intesa Sanpaolo also considers the possible adverse impact of climate and environmental events on its real estate, business continuity and litigation risk. Specifically, the Group:
- within the loss data collection for operational events, identifies those related to climate and environmental risks, through specific event types;
- during the Operational Risk Assessment process, uses specific risk scenarios dedicated to climate and environmental risks to assess possible losses resulting from property damage, possible disruptions to its operations and potential legal liabilities;
- to protect business continuity, assesses the impact of the physical risks associated with IT centres and sites (including outsourced IT services), identifying alternative locations for disaster recovery.

With regard to the control of litigation risk, the Supervisory Authorities and International Institutions have pointed to the prospect of growth in climate and environmental issues. This trend calls for close monitoring of the related risks by Supervisory Authorities and Central Banks, and consequently by financial institutions. In relation to climate/environmental litigation risk, Intesa Sanpaolo has set up monitoring of market disputes (domestic and international), refined its litigation monitoring process, and established a special training initiative for the staff involved.

In managing **reputational risk**, the Group makes prior assessments of the potential ESG and reputational risks associated with the Group's business operations and supplier/partner, selection through the ESG & Reputational Risk Clearing process.
With regard to the corporate credit granting process in particular, it is aimed at making a prior assessment of the potential ESG and reputational risks associated with credit transactions involving counterparties operating in sectors sensitive to ESG and/or reputational risks. The ESG & Reputational risk clearing process is applied on a proportional basis and in a differentiated manner according to the complexity of the counterparties/transactions and has escalation mechanisms differentiated according to the ESG/reputational risk class assigned to the transaction/counterparty. The risk classes assigned consider the ESG risk assessments assigned to the various business areas by the materiality analysis and sectoral strategies. The Group also monitors its web reputation by integrating specific assessments of events related to environmental risks/climate change (e.g. events resulting from protests or adverse campaigns arising from the Bank's lending activities). Lastly, specific scenarios relating to ESG and climate issues are included in the annual reputational risk assessment by the top management.

With regard to **direct environmental risks**, in view of the increasing strategic significance of the issue of CO_2 emissions, in 2022 Intesa Sanpaolo drew up a new plan, called the Own Emissions Plan, which replaces the previous Climate Change Action Plan, setting a Net Zero target for own emissions to 2030 through energy efficiency measures and greater use of energy from 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. The analysis conducted in relation to hydrogeological/landslide risk found that in Italy, approximately 290 of the properties are in areas with medium or high flood risk, while only 16 properties are in areas with high or very high landslide risk (currently, there are over 3,000 owner-occupied properties located in Italy subject to monitoring).
In 2022, a project was launched to map the exposure of all the physical risks, both acute and chronic, from climate change for all the banking assets in line with the Bank's Business Plan. The project involves assessing environmental vulnerabilities through a platform used to identify hazard risk for each real estate asset of the Intesa Sanpaolo Group related to Climate Change Risks and other Geographical Risks.

The results of the analyses conducted so far (materiality assessment and the stress test), have shown that the Group is not exposed in the short term to a material extent to the above-mentioned risks.
In particular, with regard to the Transition Risk on the most emission-intensive sectors of the Banking Book (Oil & Gas, Power Generation and Automotive), intermediate sector targets to 2030 have been set in the Business Plan – aligned to the Net Zero target by 2050 – subject to a transition plan in accordance with the NZBA guidance, to mitigate the potential future risk. Further areas will gradually be added to the three mentioned above, as a result of the analyses that will be carried out in relation to the commitments made when joining the NZBA and to the SBTI (Science Based Target Initiative) validation.

The potential impacts, the related time horizon (short, medium and long-term) and the actions identified for each observed potential risk, which are updated annually, for both indirect and direct risks, are set out in the tables below.

Indirect risks related to climate change

Potential risks	Timeframe (*)	Potential impacts	Actions	Opportunities
Transition Changes in public policies Technological changes Changes in customer/consumer preferences	Short/medium/long-term	**Loans** Reduction of business or increased costs for corporate customers with possible consequences on creditworthiness and solvency Reputational impacts	**Loans** Assessment of ESG and climate risk in loans Inclusion of ESG risks when assessing creditworthiness Assessment of the materiality of ESG risks in the business sectors Counterparty ESG scoring Implementation and updating of self-regulatory policies for the assessment and management of socio-environmental risk of loans in sensitive sectors Adherence to Net-Zero initiatives with a reduction in emissions associated with loans Active monitoring of ESG regulations	**Loans** Supporting energy transition through lending for the green and circular economy and related advisory services
		Asset Management Consequences of climate change on portfolio companies with consequent reduction in value of assets under management Documentary impacts Impacts on the offering of products and services to customers Impacts on internal and IT procedures Reputational impacts	**Asset Management** Assessment and control of ESG risks in the investment portfolio Implementation of sustainability self-regulation policies Adherence to Net-Zero initiatives with a reduction in emissions associated with investments Active monitoring of ESG regulations IT investments	**Asset Management** Alignment and extension of the product and service range
Transition Changes in public policies Technological changes Changes in customer/consumer preferences	Short/medium/long-term	Reputational impact, negative perception by stakeholders and in particular by ESG investors due to a lack of or inadequate management of these risks Possible exclusion from sustainability indices (ESG) or deterioration of ESG ranking or rating	Inclusion of ESG risks when assessing creditworthiness Implementation and updating of self-regulatory policies for the assessment and management of socio-environmental risk of loans in sensitive sectors Stakeholder consultation Participation in international working groups on climate change issues Adherence to Net-Zero initiatives with targets to reduce financed emissions Active monitoring of ESG regulations	

(*) 0-5 years short-term; 5-10 years medium-term; 10-30 years long-term.

Potential risks	Timeframe (*)	Potential impacts	Actions	Opportunities
Transition Changes in environmental regulations Introduction of new air emissions limits or new related reporting systems	Short/medium-term	**Loans** Financial implications of environmental and ESG regulations and emission limits and/or taxes imposed on customers operating in certain economic sectors	**Loans** Participation in working groups and initiatives related to climate change Active collaboration with policy makers to convey the need for stability and clarity in environmental and ESG regulations Target setting for reducing the emissions of the loan portfolios	**Loans** Offering dedicated financial solutions and specialist advisory services for customers in the areas of renewable energy and energy efficiency and transition
Transition Introduction of regulations on climate risks for the financial sector	Short/Medium-Term	Reduction in revenues for the Group resulting from excessive exposure to sectors most vulnerable to climate risk	Integration of climate risk into risk management systems Target setting for reducing the emissions of the loan portfolios Counterparty ESG scoring ESG sectoral mapping	Expansion of the offering of transition-related products and services Rebalancing of portfolios
Transition Changes in customer/consumer preferences	Short/medium-term	Reduction in revenues for the Group due to increased competition as a result of increasing demand for ESG products and lower demand for non-ESG services/products	Identification of sustainable credit products based on the "Rules for the Identification of sustainable credit products and credit transactions" within the Group's Product Governance processes	Expansion of the offering of products and services for the green economy, the circular economy and ecological transition Green and ESG bond issuances
Physical Extreme weather events (floods, landslides, avalanches, rainstorms, hailstorms, heavy snowfall, tornadoes, hurricanes, cyclones and storm surges)	Short/medium/long-term	Financial implications for corporate and retail customers affected by extreme weather events with possible consequences on creditworthiness and solvency	Suspension or moratorium of the payment of loan instalments for affected customers	New subsidised loans for the restoration of damaged structures Insurance products for damage caused by extreme weather events

(*) 0-5 years short-term; 5-10 years medium-term; 10-30 years long-term.

Direct risks related to climate change

Potential risks	Timeframe (*)	Potential impacts	Actions
Transition Changes in environmental regulations	Short/medium-term	Possible fines in the event of failure to comply with new regulations	Continuous and proactive monitoring of possible changes in national and European regulations Participation in specific training courses and workshops
Transition Introduction of new air emissions limits or new related reporting systems Increase in commodity prices	Short/Medium-Term	Costs for the upgrading of heating and air conditioning systems and for new monitoring instruments Costs associated with possible taxes related to greenhouse gas emissions Increase in energy supply costs	Implementation and monitoring of Own Emissions Plan Energy efficiency measures Increase in the use of renewable energy sources Pre-emptive actions to replace old systems with the latest generation of low environmental impact systems, in addition to using consumption monitoring systems during the renovation of branches and buildings
Transition Changes in environmental regulations and standards the Group voluntarily adheres to (ISO standards)	Short/medium-term	Costs of adapting the procedures for certification processes in the event of changes in rules	Continuous and proactive monitoring of possible changes in standards Participation in specific training courses and workshops
Physical - acute Extreme weather events (floods, landslides, avalanches, rainstorms, hailstorms, heavy snowfall, tornadoes, hurricanes, cyclones and storm surges)	Short/medium/long-term	Possible damage to the Bank's infrastructure and operational interruptions	Pre-emptive assessment of the hydrogeological risk of buildings Adoption of a business continuity plan and measures to prevent/mitigate/manage physical damage to the Bank's structures Creation of a platform to identify a hazard risk for each real estate asset of the Intesa Sanpaolo Group
Physical - chronic Rising or falling average temperatures, rising sea levels, water stress and droughts	Short/medium/long-term	Increase in energy supply costs due to higher thermal or electricity consumption Black-out risk due to increased energy demand Sea level rise with consequent impact on buildings in the immediate vicinity of the sea Possible fires due to temperature increases also in areas adjacent to the Bank's buildings	Energy efficiency measures Increase in the use of renewable energy sources Pre-emptive actions to replace old systems with the latest generation of low environmental impact systems, in addition to using consumption monitoring systems during the renovation of branches and buildings Pre-emptive assessment of the sea level rise risk Adoption of a business continuity plan and actions to mitigate/manage possible energy blackouts ISO 14001, ISO 50001 and ISO 45001 certifications, which take into account climate change risks Creation of a platform to identify a hazard risk for each real estate asset of the Intesa Sanpaolo Group

(*) 0-5 years short-term; 5-10 years medium-term; 10-30 years long-term.

Further information on the monitoring of environmental and climate risks is contained in the TCFD report the Group has published on a voluntary basis since 2021.

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 real estate price indexes (mainly Italian, the type of exposure prevalent in 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, supplemented with market valuations for the listed portion. 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 2022 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).

In addition, in view of the rapidly evolving world of Digital Assets/Metaverse and the associated competitive environment, it is more relevant than ever to consider a new service offering and communication methods. The Group has initiated a series of discussions with the various stakeholders to identify a structured programme aimed at assessing the opportunities and risks associated with these potential new markets. Although the current progress of the work does not allow for an overall assessment of the risk associated with these ecosystems, from the preliminary analyses carried out, it is reasonable to expect that transactions in digital assets and the use of new technology will have the same categories of risk as traditional finance products, but with increased significance due to the following factors:

- vulnerabilities of the new technologies not fully explored;
- technological standards being defined;

– absence of a reference regulatory/legal framework;
– absence of safeguards and guarantee schemes;
– presence of non-regulated entities and/or entities based in non-EU/OECD jurisdictions;
– continuous evolution of the related laws and regulations.

The continuous evolution of the operational environment, both internal and external, requires the continuous updating of the current analysis frameworks (e.g. portfolio development policies, internal control system, payment systems, cybersecurity safeguards, anti-money laundering and counter-terrorism financing safeguards, and accounting, tax and prudential treatment of the assets) in order to take into account the new/altered operations and maximise the effectiveness of the controls for the identification and mitigation of the Group's potential exposure. To this end, a series of projects have been launched to optimise the Group's Digital Operational Resilience profile, by developing the current assessment processes towards more timely, data driven approaches.

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 (34.0% 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 (19.7% 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 (16.1% of the total Economic Capital). The "International Subsidiary Banks" Business Unit is assigned 7.4% 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, as well as the risks arising from the management of the Parent Company's FVOCI portfolio (19.2% of the overall Economic Capital).

Absorption of Economic Capital by the "Private Banking" and "Asset Management" Business Units is marginal (2.7% and 0.9%, respectively) due to the nature of their business, which is predominantly aimed at asset management activities.

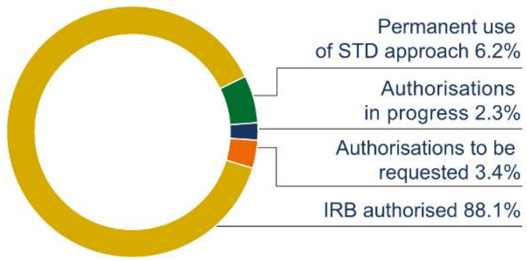
The Basel 3 regulations

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 risk, the ECB's authorisation to use the new Retail models for regulatory purposes was implemented starting from September 2022.
The periodic updating and alignment to changes in regulations governing IRB systems and their extension 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 (IRB regulatory Roadmap), the share of exposures authorised for the IRB system is 88.1% of the loans portfolio. There are no pending authorisations on portfolios not yet validated, while requests to be made for the remaining portfolios of the Group's Italian and international banks represent 3.4% of the portfolio. For the residual component, equal to 8.5%, the permanent use of the Standardised approach has been reported to the supervisory authorities and authorisation has been received for 6.2% and is still being awaited for 2.3%.

Roll-out plan for internal models for credit risk(*)



(*) Percentages calculated based on the full standard RWA amounts as at 31.12.22. The portfolios are considered to be covered by IRB models when the authorisation has been received, from the Supervisory Authority, for use of the internal model for at least one of the risk parameters.

With regard to counterparty risk, the Banking Group improved the measurement and monitoring of the risk, by refining the instruments required under Basel 3. For reporting purposes, the Parent Company is authorised to use the internal models approach for the reporting of the requirement with respect to counterparty risk both for derivatives and for SFTs (Securities Financing Transactions, i.e. repos and securities lending). This authorisation was obtained for derivatives from the first quarter of 2014, and for SFTs from the report as at 31 December 2016.
For management purposes, the advanced risk measurement approaches have been implemented for the OTC derivatives of the Parent Company since 2010 and were subsequently extended in 2015 to Securities Financing Transactions.
Compared to 31 December 2021, it is noted that, starting from the second quarter of 2022, the eligibility rules for securities used as collateral in SFTs were revised, in light of the provisions of art. 271.2 CRR. In order to maintain a suitable level of control over the materiality of transactions previously considered at full risk, a concentration limit was introduced on guarantees that have low levels of liquidity or creditworthiness. A new assessment process was also defined for guarantees comprised of senior securitisation tranches, to make them eligible to mitigate exposures deriving from SFTs.
Starting from the fourth quarter of 2022, in response to the request from the ECB, a process was activated to exclude from the internal counterparty risk model those transactions whose valuation does not comply with the consistency thresholds between the risk and front office systems.

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. As at 31 December 2022, the scope of the Advanced Measurement Approach (AMA) is comprised of Intesa Sanpaolo (including the former Banks and Companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka and Privredna Banka Zagreb.

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 2022.

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) each quarter.

Other risk factors

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

Interest Rate Benchmark Reform – General aspects
For some years now, 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.
After the reform of the EURIBOR, effective from November 2019, the adoption of the €STR rate to replace the EONIA fixing in October 2019 and the publication from April 2021 of the Compounded €STR Index and the €STR Compounded Average Rates, the transition has been completed in the Eurozone and this is also the case in the rest of the world where risk-free rates have become the main reference.
The following is a summary of the framework of risk-free rates:

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

Source: ICE Benchmark Administration, Intesa Sanpaolo

With regard to the LIBOR, in its announcement of 5 March 2021, the Financial Conduct Authority (FCA) established that the LIBOR would no longer be published or would lose validity immediately from 31 December 2021 for all maturities of Pound Sterling, Euro, Swiss Franc and Japanese Yen and 1-week and 2-month maturities for the US dollar. The final phase will be activated after 30 June 2023 for the remaining maturities on the US dollar (i.e. overnight, 1-month, 3-month, 6-month and 12-month).

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 2022, focusing on the following aspects in particular:
– continuation of the bilateral negotiations with counterparties to change the rate of return of the collateral of Credit Support Annexes (CSA) from €STR plus a spread of 8.5 basis points to the flat €STR, where requested by the specific counterparties;
– progressive greater use of €STR derivatives;
– definitive wind down of the offer of products linked to the LIBOR in GBP, CHF and JPY;
– continuation of the initiatives to facilitate and move up, to the extent possible, the winding down of the USD LIBOR in accordance with the recommendations of the ARRC and, where applicable, of EU or US legislation on statutory replacement, in preparation of the final transition to the SOFR rate in June 2023 and the correlated activities to include robust fallback clauses in the outstanding contracts linked to the LIBOR:
  o continuation of the projects and lines dedicated to bonds linked to the overnight risk-free rates (owned by the Bank and customers) and activation of projects to manage short-term and MLT issues;
  o with regard to the transition with clearing houses for derivatives in USD subject to clearing with underlying USD LIBOR, the Group participated in the Consultation of the Central Counterparty (CCP) LCH, addressed to its members, to gather feedback on operating aspects of the transition – which will occur in the second quarter of 2023 – in a similar manner to that carried out in December 2021 for derivatives with underlying GBP, JPY, CHF and EUR LIBOR. That active transition mechanism, similar to that set out in 2021 for other LIBOR currencies, is based on standard rules for all participants and considers the criteria for determining spreads based on the fallback provisions drawn up by the industry as part of the benchmark reform;
– completion of preparation of the IT structure necessary for the use of RFRs in the Bank's accounting and management systems;
– constant information updates for the Group's international legal entities;
– collaboration with the Italian authorities to support the development of the new RFR market;
– participation in surveys and public consultations at European 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;
– planning additional delivery of specialist training to staff via remote learning and courses on the digital learning platform;
– updating of the disclosure to customers on the pages of the Group's website dedicated to illustrating the issue of the transition of benchmarks.

Intesa Sanpaolo has also continued to take part in various initiatives, among which the most significant were European working groups organised by EMMI, and by ESMA (the latter replaced the ECB in managing the Secretariat of the Working Group on Euro Risk-Free Rates).
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.

As reported in the "Accounting Policies", in the 2022 Financial Statements, 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 from 2021. 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 were caused by 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 consequence of the reform.
In referring to Part A, Section 5 - Other aspects of the 2022 Annual Report for a more detailed analysis of the financial instruments impacted by the IBOR Reform at the reporting date and the methods for managing the transitions adopted by the Group, it is noted that, in light of the regulatory measures and actions undertaken by the Group, no critical issues were identified in completing the transition by the planned deadlines, nor are any critical issues forecast in view of the future discontinuation of the USD LIBOR. 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.

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.
Hedging derivatives impacted by the IBOR Reform are exclusively represented by derivatives linked to the USD LIBOR.

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

(millions of euro)

Portfolios/quality		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		1,131	3,963	413	3,550	519,021	528,078
2. Financial assets measured at fair value through other comprehensive income		-	-	-	94	48,274	48,368
3. Financial assets designated at fair value		-	-	-	-	1	1
4. Other financial assets mandatorily measured at fair value		-	33	-	129	971	1,133
5. Non-current financial assets held for sale		46	312	-	-	10	368
Total	**31.12.2022**	**1,177**	**4,308**	**413**	**3,773**	**568,277**	**577,948**
Total	**31.12.2021**	**2,564**	**5,164**	**622**	**6,053**	**721,224**	**735,627**

A.1.1. Bis. Breakdown of financial assets by portfolio classification and credit quality (book values) - Insurance companies

(millions of euro)

Portfolios/quality		Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Performing exposures	TOTAL
1. Financial assets available for sale		-	-	-	-	71,084	71,084
2. Investments held to maturity		-	-	-	-	-	-
3. Due from banks		-	-	-	-	40	40
4. Loans to customers		-	-	-	-	40	40
5. Financial assets designated at fair value		-	-	-	-	5,176	5,176
6. Non-current financial assets held for sale		-	-	-	-	-	-
TOTAL	**31.12.2022**	**-**	**-**	**-**	**-**	**76,340**	**76,340**
TOTAL	**31.12.2021**	**-**	**-**	**-**	**-**	**94,157**	**94,157**

A.1.2. Breakdown of financial assets by portfolio classification and credit quality (gross and net values) - *Excluding insurance companies*

(millions of euro)

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	10,729	-5,222	5,507	3,081	525,258	-2,687	522,571	528,078
2. Financial assets measured at fair value through other comprehensive income	36	-36	-	-	48,449	-81	48,368	48,368
3. Financial assets designated at fair value	-	-	-	-	X	X	1	1
4. Other financial assets mandatorily measured at fair value	45	-12	33	-	X	X	1,100	1,133
5. Non-current financial assets held for sale	744	-386	358	1	10	-	10	368
Total 31.12.2022	**11,554**	**-5,656**	**5,898**	**3,082**	**573,717**	**-2,768**	**572,050**	**577,948**
Total 31.12.2021	**19,944**	**-11,594**	**8,350**	**7,158**	**728,675**	**-2,606**	**727,277**	**735,627**

(millions of euro)

Portfolios/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-27	22	41,328
2. Hedging derivatives	-	-	10,062
Total 31.12.2022	**-27**	**22**	**51,390**
Total 31.12.2021	**-26**	**34**	**48,047**

A.1.2. Bis Breakdown of financial assets by portfolio classification and credit quality (gross and net values) - *Insurance companies*

(millions of euro)

Portfolios / Quality (Figures must be filled in absolute values)	Non-performing assets			Performing assets			Total (net exposure)
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets available for sale	-	-	-	71,084	-	71,084	71,084
2. Investments held to maturity	-	-	-	-	-	-	-
3. Due from banks	-	-	-	40	-	40	40
4. Loans to customers	-	-	-	40	-	40	40
5. Financial assets designated at fair value	-	-	-	X	X	5,176	5,176
6. Non-current financial assets held for sale	-	-	-	-	-	-	-
Total 31.12.2022	**-**	**-**	**-**	**71,164**	**-**	**76,340**	**76,340**
Total 31.12.2021	**-**	**-**	**-**	**88,625**	**-**	**94,157**	**94,157**

(millions of euro)

Portfolios / Quality	Assets of evidently low credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	759
2. Hedging derivatives	-	-	13
Total 31.12.2022	**-**	**-**	**772**
Total 31.12.2021	**-**	**-**	**1,147**

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

(millions of euro)

Captions / Type of structured entity		Accounting portfolios under assets	Total assets (A)	Accounting portfolios under liabilites	Total liabilities (B)	NET BOOK VALUE (C = A-B)	Maximum exposure to risk of loss (D)	Difference between exposure to risk of loss and book value (E = D - C)
1.	**Special purpose vehicle**		**2,780**		**912**	**1,868**	**3,375**	**1,507**
		Financial assets held for trading	82	Due to customers	778			
		Other financial assets mandatorily measured at fair value	3	Financial liabilities held for trading	134			
		Financial assets measured at fair value through other comprehensive income	16		-			
		Financial assets measured at amortised cost - Loans to customers	2,679					
2.	**UCI**		**4,033**		**10**	**4,023**	**4,262**	**239**
		Financial assets held for trading	292	Due to customers	-			
		Financial assets designated at fair value	3,450	Financial liabilities held for trading	10			
		Assets measured at amortised cost Loans to customers	291		-			

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.

(millions of euro)

Type of structured entity sponsored	Interest	Fees and commissions	Dividends	Other revenue	TOTAL
UCI	51	2,171	119	-160	2,181
Special-purpose vehicles	107	10	-	-286	-169

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	31.12.2022 Financial Statements	Effects of the deconsolidation and consolidation of counterparties other than those in the banking group (*)	31.12.2022 Regulatory-scope balance sheet
10.	Cash and cash equivalents	112,924	-915	112,009
20.	Financial assets measured at fair value through profit or loss	47,577	744	48,321
	a) financial assets held for trading	*42,522*	*92*	*42,614*
	b) financial assets designated at fair value	*1*	*-*	*1*
	c) other financial assets mandatorily measured at fair value	*5,054*	*652*	*5,706*
30.	Financial assets measured at fair value through other comprehensive income	49,716	-	49,716
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	172,725	-172,725	-
40.	Financial assets measured at amortised cost	528,078	761	528,839
	a) due from banks	*32,884*	*3*	*32,887*
	b) loans to customers	*495,194*	*758*	*495,952*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	-80	-
50.	Hedging derivatives	10,062	-	10,062
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,752	-	-9,752
70.	Investments in associates and companies subject to joint control	2,013	6,527	8,540
80.	Technical insurance reserves reassured with third parties	163	-163	-
90.	Property and equipment	10,505	-1,277	9,228
100.	Intangible assets	9,830	-885	8,945
	of which:	*-*	*-*	*-*
	- goodwill	*3,626*	*-382*	*3,244*
110.	Tax assets	18,273	-1,127	17,146
	a) current	*3,520*	*-97*	*3,423*
	b) deferred	*14,753*	*-1,030*	*13,723*
120.	Non-current assets held for sale and discontinued operations	638	-3	635
130.	Other assets	22,851	-4,080	18,771
	Total Assets	**975,683**	**-173,223**	**802,460**

	Liabilities and Shareholders' Equity	31.12.2022 Financial Statements	Effects of the deconsolidation and consolidation of counterparties other than those in the banking group (*)	31.12.2022 Regulatory-scope balance sheet
10.	Financial liabilities measured at amortised cost	667,586	3,660	671,246
	a) due to banks	*137,482*	*-265*	*137,217*
	b) due to customers	*454,025*	*2,615*	*456,640*
	c) securities issued	*76,079*	*1,310*	*77,389*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,550	-2,550	-
20.	Financial liabilities held for trading	46,512	21	46,533
30.	Financial liabilities designated at fair value	8,795	-	8,795
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	71,744	-71,744	-
40.	Hedging derivatives	5,346	-	5,346
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-8,031	-	-8,031
60.	Tax liabilities	2,306	-1,311	995
	a) current	*297*	*-24*	*273*
	b) deferred	*2,009*	*-1,287*	*722*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	15	-	15
80.	Other liabilities	11,060	-794	10,266
90.	Employee termination indemnities	852	-5	847
100.	Allowances for risks and charges	5,010	-352	4,658
	a) commitments and guarantees given	*711*	*-136*	*575*
	b) post-employment benefits	*139*	*-*	*139*
	c) other allowances for risks and charges	*4,160*	*-216*	*3,944*
110.	Technical reserves	100,117	-100,117	-
120.	Valuation reserves	-1,939	-	-1,939
125.	Valuation reserves pertaining to insurance companies	-696	-	-696
130.	Redeemable shares	-	-	-
140.	Equity instruments	7,211	-	7,211
150.	Reserves	15,827	-	15,827
155.	Interim dividends (-)	-1,400	-	-1,400
160.	Share premium reserve	28,053	-	28,053
170.	Share capital	10,369	-	10,369
180.	Own shares (-)	-124	-	-124
190.	Minority interests (+/-)	166	-31	135
200.	Net income (loss) (+/-)	4,354	-	4,354
	Total Liabilities and Shareholders' Equity	**975,683**	**-173,223**	**802,460**

(*) 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 should also be noted that the 2022-2025 Business Plan includes specific initiatives aimed at massive NPL stock reduction and continuous pre-emption through a modular strategy.
The transactions carried out during the year included several extraordinary de-risking initiatives for a total of 9.5 billion euro in terms of GBV, in addition to around 0.8 billion euro in GBV classified as assets held for sale for which the disposal is envisaged in 2023.

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

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

In referring to Part A of these Notes to the consolidated financial statements (Section 5: Other aspects) for the Group's general approach to the risks, uncertainties and impacts associated with the conflict between Russia and Ukraine, details are provided below of the qualitative and quantitative aspects relating to credit exposures to counterparties resident in the countries in conflict, held in the portfolio of the two subsidiaries resident in Russia and Ukraine, Banca Intesa Russia and Pravex Bank (Ukrainian bank), or credit disbursed by other entities of the Group (cross-border exposures), with particular regard to their valuation.

As at 31 December 2022, the Group presented the following on-balance sheet exposures to counterparties resident in Russia and Ukraine, net of ECA guarantees and gross/net of value adjustments carried out:

(millions of euro)

	31.12.2022 (*)				31.12.2021 (**)			
	Gross exposure		Net exposure		Gross exposure		Net exposure	
	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine
Loans to customers	**1,629**	**216**	**1,168**	**103**	**4,518**	**226**	**4,486**	**224**
Banca Intesa Russia	*372*	*-*	*205*	*-*	*644*	*-*	*614*	*-*
Pravex	*-*	*112*	*-*	*-*	*-*	*156*	*-*	*154*
Cross-border exposures	*1,257*	*104*	*963*	*103*	*3,874*	*70*	*3,872*	*70*
Due from banks	**797**	**63**	**782**	**62**	**305**	**57**	**305**	**56**
Banca Intesa Russia	*751*	*-*	*740*	*-*	*269*	*-*	*269*	*-*
Pravex	*-*	*63*	*-*	*62*	*-*	*57*	*-*	*56*
Cross-border exposures	*46*	*-*	*42*	*-*	*36*	*-*	*36*	*-*
Securities	**73**	**11**	**41**	**2**	**118**	**58**	**118**	**56**
Banca Intesa Russia	*13*	*-*	*13*	*-*	*24*	*-*	*24*	*-*
Pravex	*-*	*-*	*-*	*-*	*-*	*48*	*-*	*46*
IMI C&IB Division	*31*	*-*	*14*	*-*	*29*	*-*	*29*	*-*
Insurance Division	*29*	*11*	*14*	*2*	*65*	*10*	*65*	*10*

(*) In addition to the on-balance sheet exposures shown in the table, there are off-balance risks to customers for 126 million euro (113 million euro net) at Banca Intesa Russia, and 67 million euro (66 million euro net) at Pravex, in addition to 232 million euro (186 million euro net) in cross-border off-balance risks to resident customers in Russia, net of ECA, and 27 million euro (gross and net value) to customers resident in Ukraine.
There are also 155 million euro (152 million euro net) in cross-border off-balance exposures to banks resident in Russia and 18 million euro (gross and net value) in cross-border off-balance exposures to banks resident in Ukraine.
On the other hand, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by US persons, while, for the household part, the amounts as at 31 December 2022 and the increase of around 34 million euro compared to 31 December 2021 mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

(**) In addition to the on-balance sheet exposures shown in the table, there are off-balance risks to customers for 254 million euro (253 million euro net) at Banca Intesa Russia, and 88 million euro (gross and net value) at Pravex, in addition to 995 million euro (gross and net value) in cross-border off-balance risks to resident customers, net of ECA. There are also 1,109 million euro (gross and net value) in cross-border off-balance exposures to banks resident in Russia.
On the other hand, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by US persons, while, for the household part, they mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

As shown in the table, at the end of the year the remaining on-balance sheet exposures to the total counterparties resident in Russia and Ukraine amounted, in terms of gross values, to 372 million euro (205 million euro net) for Banca Intesa Russia and 1,257 million euro (963 million euro net) for cross-border exposures to customers resident in Russia (net of ECA guarantees). These were accompanied by exposures to banks totalling 797 million euro (782 million euro net) and in securities totalling 73 million euro (41 million euro net). Exposures to customers resident in Ukraine amounted to 216 million euro (103 million euro net), of which 112 million euro (book value nil in net terms) related to the subsidiary Pravex Bank. These were accompanied by exposures to banks and in securities totalling 74 million euro (64 million euro net). The majority of the exposures to Russian[100] and Ukrainian counterparties essentially consist of loans to customers subject to measurement in accordance with IFRS 9 "Financial Instruments".

In view of the above, it should be noted that during the year the Group has taken active steps to significantly reduce the credit risks associated with the Russian-Ukrainian conflict. Specifically, during the year, the gross on-balance sheet exposure to the total counterparties resident in Russia and Ukraine (customers, banks and securities) decreased by 2,493 million euro (-47% compared to the end of the previous year), mainly due to the final disposal of two major exposures (for 2.2 billion euro in the third quarter and 0.3 billion euro in the fourth quarter of 2022). In detail, there was a reduction of 2,899 million euro (-61% compared to the end of 2021) in gross credit exposures to customers, only partly offset by the increase in Banca Intesa Russia's amounts due from banks in relation to the liquidity that has become available from the progressive repayment of loans to customers.

The significant de-risking exercise and the major adjustments to the residual positions – described below – contributed to more than halving the overall net exposure (customers, banks and securities) as at 31 December 2022 to counterparties resident in Russia and Ukraine, which amounted to 2,158 million euro, down by 3,087 million euro compared to 31 December 2021 (-59%).
Starting in March 2022, among the areas receiving the greatest attention in terms of credit assessments in the emergency triggered by the conflict in Ukraine, a specific focus was dedicated to the Group's exposure to counterparties resident in Russia and Ukraine. Specifically, customised measures were implemented to strengthen the oversight of credit risk, also by updating the assessment of creditworthiness, of counterparties with residency or parent companies in the Russian Federation, Belarus or Ukraine. In that context, the deterioration of specific positions was also acknowledged, which were classified among unlikely-to-pay exposures and, as a result, subject to analytical measurement. As at 31 December, in the Group companies other than those resident in the countries in conflict, a total of 322 million euro of on-balance sheet non-performing

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

loans to counterparties resident in Russia were recorded, relating to positions already classified as at 30 June, mainly attributable to two counterparties.
The non-performing loans of the Russian subsidiary amounted to 61 million euro, while the classification of the entire portfolio of the Ukrainian subsidiary to bad loan status led to the recognition of 112 million euro in bad loans.
In line with the disclosure already provided in the Half-yearly Report as at 30 June, with regard to the portfolio that did not show specific signs of deterioration, the analyses of IFRS 9 and the related Annexes show no indications or examples aimed at setting out specific guidelines for the measurement of Expected Credit Losses in contexts of war or defining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. The most pertinent references to the current scenario seem to be those set out in the Application Guidance of the standard. These allow/suggest the use of collective assessment to verify the existence of a Significant Increase in Credit Risk (SICR) with a view to staging the credit exposures[101], as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (COVID-19[102]), using the management overlay in calculating the ECL, to define the most suitable methods to incorporate the aspects linked to the ongoing conflict into provisions.
With specific reference to cross-border positions, the Group thus decided to adopt a valuation approach strongly guided by the emerging geopolitical risk "via transfer", i.e. the risk that counterparties do not honour their commitments to pay debt following restrictions or decisions by their countries of residence, not due to aspects directly pertaining to their business, thus applied based on the country of residence of the counterparties. That approach was implemented both to determine the SICR and the related classification in Stage 2, and to calculate the ECL by applying a management overlay. This approach, which was adopted on a continuous basis throughout the year, was considered the most appropriate way to incorporate the provisions for country and geopolitical risk related to the current conflict that would otherwise not be properly captured by the risk measurement systems normally used. At the same time, the rating review continued for the most significant counterparties exposed to the country risk related to the conflict, for which more restrictive validity periods were exceptionally established for the ratings assigned.
In detail, the choices made for the purposes of calculating ECL on cross-border exposures were as follows:

- application of PD through the cycle associated with the assigned rating, without forward-looking conditioning. This approach was deemed more prudent, as the conditioning methodology, relating to the approaches currently adopted in the satellite models, would not represent the specific risk linked to the countries in conflict;
- calculation of an additional prudential buffer that ensures equivalence with the use of an estimated loss rate according to an approach based on the transfer of the risk of the country of residence under Pillar 2 modelling (unconditional LGD set by the transfer risk model of 55%);
- introduction of prudent margins in addition to the ECL estimates deriving from the above elements, in relation to potential further worsening of the credit ratings of Russian counterparties.

With reference to loans to customers disbursed by Pravex Bank, the absolutely serious situation in all of Ukraine also resulted in the definition, for the purpose of measuring the loan portfolio of the subsidiary Ukraine bank, of a highly specific approach, significantly based on rationales, which consider the uncertainties and the risk elements associated with the military conflict. Already in the Half-yearly Report, for the portfolio of performing loans of Pravex (the bank substantially had no NPLs as at 31 December 2021) a specific management overlay had been applied at ECL level, which resulted in impairment that brought the coverage ratio to 73%. In light of the worsening and prolongation of the conflict, with the consequent repercussions on the Ukrainian economy, in the financial statements as at 31 December 2022, in line with the Interim Statement as at 30 September, the loans to customers of the Ukrainian subsidiary have been classified for the purposes of the Consolidated Financial Statements as non-performing loans (bad loans), with full impairment of the on-balance sheet component.

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

Moreover, the Parent Company and two subsidiaries disbursed loans to Banca Intesa Russia for a residual book value of 211 million euro, to support the bank's operations, and also made available 200 million euro originally intended for a capital increase. The concrete implementation of that capital increase was suspended due to the war. The loan of 211 million euro is still supporting the operations of the bank, which, despite the difficulties caused by the context, achieved a positive operating result in 2022. For the amount originally intended for a capital increase, the decisions will depend on the development of the war and the Russian regulations which currently impose temporary restrictions to repayments and payments to parties resident in "unfriendly" countries.

For completeness, you are reminded that the real estate assets of the two subsidiaries were also subject to valuation: given the extreme uncertainty surrounding the current war scenario and the current absence of a real estate market in Ukraine, it was considered prudent to confirm the write-off of the value of Pravex Bank's investment and branch assets and other properties used in operations. The sole exception was the Kyiv headquarters, for which it was decided, in view of its strategic function for the banking business, the current control that can be exercised over the condition of the building, and its location, to keep its value unchanged. On the other hand, with regard to Banca Intesa Russia's small real estate asset portfolio, essentially consisting of the Moscow headquarters, no items were identified that required a write-down.

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

[102] 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.

With regard to Banca Intesa Russia's securities portfolio (Pravex's residual portfolio was duly repaid at the end of 2022), the valuations were made using the prices recorded on the Russian secondary market, with consequent classification in fair value level 2 due to the low liquidity of the reference market. A similar approach was adopted for the small securities exposures of the Parent Company and entities of the Group's insurance segment.

Overall, these valuation processes and the losses associated with the de-risking of the Russian exposures led to the recognition in the year, before tax, of net charges totalling 1,415 million euro, with 1,298 million euro relating to adjustments to loans, 36 million euro to securities and 81 million euro to other balance sheet items, including the provision of 80 million euro made upon consolidation of the subsidiary Banca Intesa Russia mainly to zero out its equity contribution to the Group's consolidated financial statements.

1.2. 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 2022, 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 and 2021, 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-19 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, the choice was made to continue applying the resilience factor on the economic outlooks, implemented at micro-sector level.

With regard to the actions in support of customers, the process of gradual restoration of fully ordinary credit processes, with one-to-one assessments, already initiated in 2021 with the gradual phase out of the EBA Guidelines on general payment moratoria, was completed in full on 1 April 2022, following the termination of the state of emergency, with full return also of the solutions offered by the Bank's ordinary product catalogue.

As at 31 December 2022, the option ended, which had been set up in April 2022 and provided for by the "Mille Proroghe Decree" for loans of "30 thousand euro" pursuant to letters m) and m-bis) of Article 13, paragraph 1 of Law Decree no. 23 of 8 April 2020, converted, with amendments, by Law no. 40 of 5 June 2020, to be requested by the borrower, through agreement between the parties, to defer for a maximum of 6 months the grace period of the loan, whose initial deadline for payment of principal was scheduled in 2022.

However, the possibility of extending the duration within the maximum limit of 15 years remains for loans of up to 30 thousand euro guaranteed in accordance with Article 13, paragraph 1, letter m) of the Liquidity Law Decree.

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 added, 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 and for which the process of parallel running and embedding into the credit management processes continues.

With regard to actions linked to proactive credit management, in 2021 specific diagnostics were launched on the moratoria portfolio, which continued for the entire year in the area of the Credit Action Plan, with the goal of reducing impairment, by activating actions on critical positions. In the second quarter of 2022, new diagnostics were launched on the moratoria expired or expiring in the first half of 2022, which presented certain elements of risk, with outcomes that did not identify any significant critical issues or need for monitoring with any planned actions in the third quarter for almost all the positions (96%).

Similar diagnostics were then repeated in the third and fourth quarters, with outcomes in line with those reported in the first half.

At domestic level, the amount of outstanding moratoria as at 31 December 2022 was small, both in absolute terms (around 80 million euro) and in comparison to the situation at the end of 2021 (4.8 billion euro). The amount of terminated moratoria that

will reach the term for the resumption of payments in subsequent months was also very small, at around 40 million euro, compared to 6.7 billion euro at the end of 2021. The expired moratoria that had already met the conditions for the resumption of payments as at 31 December 2022 amounted to 35.9 billion euro. The rate of total defaults on the portfolio as at that date was around 4.5% (2.7% at the end of 2021). The rate of total defaults, when compared to the total exposures with moratoria originally granted, was less than 3%.
At consolidated level, the exposure value of the outstanding moratoria as at 31 December 2022 was 80 million euro (4.9 billion euro as at December 2021), substantially attributable to the domestic perimeter, against expired moratoria of 39.6 billion euro (around 47 billion euro at the end of 2021). Like at domestic level, also at consolidated level the outstanding moratoria qualifying as such under the EBA Guidelines amounted to 412 thousand euro (1.1 billion euro at the end of 2021).
With regard to the assessment of the forborne designation of the moratoria, in 2020/2021 Intesa Sanpaolo operated in compliance with the "EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" and the applicable government regulations, reinstating the ordinary valuation processes already from the second half of 2021 and then fully confirming them in 2022.
During 2022, the systematic monitoring continued of the risk profiles of the exposures that had already reached or had not yet reached the terms for resumption of payments (all occurring within the year). Specifically, as a result of the steady decrease in exposures due to resumptions and payments, as mentioned above, there were no particularly negative trends in 2022 in relation to the emergence of signs of distress or deterioration. For the Financial Statements as at 31 December 2021, management overlays on performing loans had been maintained (adjustments to the results of the IFRS 9 models in use incorporated into the satellite models and extraordinary triggers for sliding into Stage 2) to prudently take account of the potential emergence of vulnerabilities on the exposures subject to moratorium measures. During the year, these were gradually reassessed, while still maintaining reasonable prudence up to the third quarter and completing their release in the fourth quarter, in light of the results of the abovementioned monitoring.
Moreover, it should be recalled that the general rules adopted by the Bank for the identification of the Significant Increase in Credit Risk and the classification to Stage 2 also apply to this portfolio on an ordinary basis, including the presence of a payment past due more than 30 days and the granting of forbearance measures. It should also be noted that the specificity of the portfolio that was subject to moratoria and related extensions in the 2020/2021 two-year period is becoming less and less distinctive or directly correlated to the cessation of the benefit granted at the time. In addition, in response to the evolution of the geopolitical crisis triggered by the Russia/Ukraine conflict, starting from the first quarter of 2022, prudent choices have been made on the portfolios of households, small economic operators and companies operating in certain sectors (including, when covered by the rules adopted, counterparties that were granted moratoria during the pandemic) due to the emergence – within the Group's geographical scope – of indirect repercussions and new vulnerabilities arising from the effects of persistent inflationary pressures and increases in energy costs. Further details are provided in paragraph 2.3 "Methods for measuring expected losses".

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.

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 ensures the measurement of portfolio risk in relation to Expected Loss, Economic Capital (ECAP) and RWAs;
- monitors the absorption of capital relating to credit risk, supporting the Chief Financial Officer Governance Area in the active management of capital;
- makes proposals for the assignment of Credit Powers;
- validates internal risk measurement systems;
- oversees model risk;
- performs level II 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.

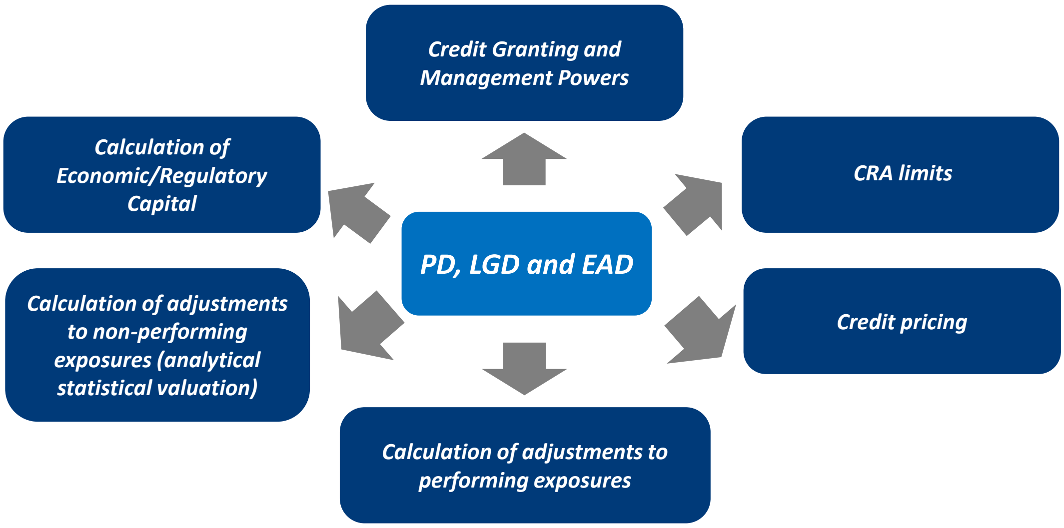
With regard to the credit risk management policies, the Chief Financial Officer Governance Area:
- assists the Corporate Bodies in defining, in accordance with the Group corporate strategies and objectives, the guidelines and policies on administration and tax, planning and management control, treasury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

The Chief 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.
The objective of the calculation of the pricing of transactions is to define the suitability of the economic conditions based on the value generation with respect to the expressed riskiness and all the components that contribute to the calculation of the value, also including the costs allocated to the structures.
The capital at risk is defined as the maximum “unexpected” loss that the Group may incur over a period of one year with 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 from both a regulatory and a management perspective.

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

The credit risk management processes also envisage the periodic review of the credit positions by the 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 from the second half of 2021 for a forthcoming addition of new models to the credit process. More generally, the Group continued to develop its own management models to support the credit granting, monitoring and management processes (e.g. affordability, automatic granting engines, and forecasting). In more detail, the development was completed of the Retail and Retail SME affordability models. In the Retail SME sector, the model went into operation on 18 November 2022 to serve the APC/ATP product feeding a new automatic decision-making engine developed using machine learning techniques. In the Retail sector, the model is expected to be in operation in March 2023 to serve the personal loan process and in May 2023 to serve the mortgage loan product. Sector-specific forecasting models were also developed in 2022 in support of numerous company processes including the RAF, credit strategies, and credit granting and monitoring activities/instruments.

The valuation of the adjustments to the performing and non-performing exposures is based on methods consistent with IFRS 9, described in detail in Part A - Section "A. 2 - Main financial statement captions" and in particular in the paragraph "Impairment of assets*"*. The paragraph below "*2.3. Methods for measuring expected losses*" details the main applications used for the 2022 Financial Statements.

Country risk is an additional component of an individual borrower's insolvency risk, measured by credit risk control systems. This component is linked to losses potentially resulting from international lending operations caused by events in a country that are partly or entirely within the control of the government concerned, but not that of the individual residents of the country in question. Country risk therefore takes the form of both transfer risk for non-sovereign counterparties, due to the freezing of international payments, and sovereign risk, which is measured through an assessment of the sovereign states' creditworthiness. This definition includes all forms of cross-border lending to entities residing in a 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. It should also be noted that, as a result of the exceptional situation caused by the outbreak of the Russia/Ukraine conflict, the estimated transfer risk of the Russian Federation was taken as a reference for the establishment of the management overlay of the LGD of the cross-border counterparties as described in paragraph "1.1 The valuation impacts for the ISP Group of the military conflict between Russia and Ukraine".

Counterparty risk is a particular kind of credit risk associated with derivatives and SFTs (Securities Financing Transactions, 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 - Intesa Sanpaolo Private Banking. The other Banks of the Group also use an internal model measurement approach, in simplified form, through internally estimated add-ons.
In addition, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:
- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
- definition and monitoring of management limits;
- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivatives and SFTs with margining agreements (CSA, GMRA and similar);
- periodic reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk;
- definition and periodic calculation of back-testing analyses to monitor the predictive performance over time of the model with respect to the movements of the risk factors underlying the transactions in the portfolio.

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

The Internal Validation and Controls Head Office Department within the Chief Risk Officer Governance Area, carries out specific Level II controls on credit and data quality.
The purpose of the credit controls is to verify the proper classification and the adequacy of the management process for individual exposures (so-called single names).
In general, the development of control activities, as well as of guidance and coordination, includes the credit processes assessment also to verify that suitable Level I controls are in place, including proper execution and traceability. The potential

areas of investigation to be examined through Single Name controls also consider the results of the monitoring carried out by the Level I Control Functions within the different credit clusters.
It also assesses the compliance of the internal risk measurement and management systems over time as regards determination of the capital requirements with the regulatory provisions, company needs and changes in the relative market.

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

2.3. Methods for measuring expected losses

The expected loss is the product of exposure at default, probability of default and Loss Given Default.
In Intesa Sanpaolo, probability of default is measured by means of different rating models according to borrower segment (Corporate, Retail SME, Retail, Sovereigns, Public Sector Entities and Banks). These models make it possible to summarise the counterparty's credit quality in a 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, since May 2021, a new automated rating model has been in use that enables the calculation of the rating in real time;
- 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. The model was updated in August 2022, following the receipt of the Authorisation Letter, with effects for reporting purposes from September 2022.

With regard to the Institutions portfolio:

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

For the international subsidiary banks of the Group, PD models are used, which may be:

- developed by the international subsidiary banks in order to capture the specific features of the risk of the local counterparties;
- extended by the Parent Company;
- borrowed from the Parent Company and adapted to local situations.

Some of these models are used for reporting purposes and others only for management purposes, 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
Sovereign	Shadow model based on agency rating	Model based on recovery rates estimated by rating agencies	Regulatory parameters	Used for management purposes only; Standardised approach for reporting purposes
Institutions	Default model (Banks) [4]	Market model (Banks)	Regulatory parameters (Banks)	AIRB authorised since June 2017
	Default model (Municipalities and Provinces) Shadow model (Regions) [4]	Workout model (Municipalities, Provinces, Regions)	Regulatory parameters (Municipalities, Provinces, Regions)	AIRB authorised since June 2017
Corporate	Default model (Corporate)	Workout model (Bank products; Leasing and Factoring)	CCF/K factor model (Bank products) Regulatory parameters (Leasing and Factoring)	FIRB authorised since December 2008, AIRB LGD authorised since December 2010, EAD authorised since September 2017 [1]
	Simulation models (Specialised Lending)	Simulation models (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
Retail	Default model (Retail)	Workout model (Retail)	CCF/K factor model (Retail)	IRB Retail authorised since September 2018 and IRB Mortgage since December 2010 [2]
	Default model (Retail SME)	Workout model (Retail SME)	CCF/ K factor model (Retail SME)	IRB authorised since December 2012 [3]

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

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

The methodology for the estimation of the Expected Credit Loss (ECL), adopted for the determination of the impairment on the credit exposures in accordance with IFRS 9, is implemented at individual transaction or securities tranche level, based on the IRB modelling of the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate adjustments are made to ensure compliance with the requirements of the standard. 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 models.

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 "*Risks, uncertainties and impacts of the Russian/Ukrainian crisis*" in Part A - Section 5 - Other Aspects.
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.
Upon the periodic update of the time series incorporated into the models for the forward-looking conditioning of the parameters underlying the determination of the ECL, a refinement of the models was introduced to handle the discontinuity generated in the relationship between the trends in default rates and the macro-economic variables, as a consequence of extraordinary circumstances like those generated by the COVID-19 pandemic. Moreover, it is noted that, in re-estimating the econometric relationships underlying the satellite models, in order to adequately consider the effects deriving from the energy crisis, additional explanatory variables relating to energy prices were introduced and tested.
The effectiveness of the IFRS 9 models is monitored by the Validation function once a year through specific backtesting of the risk parameters (staging criteria, PD, LGD and EAD models, and haircuts). In addition, in the event of significant updates, the Validation function performs prior checks also in terms of model design. The results of the checks by the Validation function are submitted to the competent managerial committees and model owner functions and are presented in the annual report on the internal models used for management purposes, which is also sent to the Supervisor.

Macroeconomic scenario for forward-looking conditioning

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

		Baseline				Mild				Severe			
		2022	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**	**2022**	**2023**	**2024**	**2025**
Euro Area	Real GDP EUR (annual change)	3.3%	0.1%	1.6%	1.8%	3.3%	0.7%	2.0%	2.3%	3.3%	-0.9%	-0.4%	1.9%
	CPI EUR (annual change)	8.5%	7.7%	2.7%	1.9%	8.5%	8.0%	3.6%	2.2%	8.0%	8.7%	5.1%	1.5%
	EurIRS 10Y	1.92	2.82	3.11	3.28	1.93	2.86	3.51	3.98	1.93	2.61	3.19	3.73
	EUR/USD	1.05	1.07	1.11	1.13	1.05	0.99	1.05	1.09	1.05	0.99	1.04	1.09
Italy	Real GDP Italy (annual change)	3.8%	0.6%	1.8%	1.2%	3.6%	0.9%	2.2%	1.8%	3.6%	-1.0%	-1.1%	0.4%
	CPI Italy (annual change)	8.2%	6.8%	2.4%	1.3%	8.1%	7.2%	3.4%	2.2%	8.1%	13.3%	4.9%	2.3%
	Residential Property Italy (annual change)	5.1%	1.5%	1.5%	1.5%	5.1%	1.9%	1.6%	1.9%	5.1%	-1.2%	-3.1%	-1.7%
	6-month BOT yield	0.5	2.7	2.9	2.6	0.5	2.7	3.4	3.5	0.5	2.4	2.9	3.0
	10Y BTP yield	3.0	4.1	4.6	4.9	3.0	4.1	5.0	5.6	3.0	4.2	5.1	5.9
	BTP-Bund Spread 10Y (basis points)	187	201	190	179	187	200	184	173	187	242	232	230
	Italian Unemployment (%)	8.2	8.5	8.2	8.1	8.2	8.5	8.1	7.9	8.2	8.8	9.4	10.0
Commodities	Natural gas price (€/MWh)	134	145	107	79	135	157	116	83	135	246	201	127
	Oil price (BRENT)	100.8	93.0	87.0	82.0	100.8	93.0	90.5	84.2	100.8	92.3	83.4	79.4
USA	Real GDP US (annual change)	2.0%	0.3%	1.1%	2.4%	2.0%	1.1%	2.1%	2.4%	2.0%	-0.6%	0.9%	2.2%
	US Unemployment (%)	3.7	4.5	4.5	3.9	3.7	4.3	4.0	3.5	3.7	4.7	4.7	4.2

Scenarios produced in December 2022 by the Research Department. Forecast data (estimates for 2022).

The main assumptions underlying the baseline forecast are founded on the assumption of a widespread slowdown in real growth, due to factors such as rising energy costs in Europe, economic developments in China, and the impacts of monetary tightening. Inflation is expected to fall in the advanced economies in 2023. However, core inflation may continue to rise until the first quarter of 2023 and then slowly decline. High inflation and uncertainty in relation to energy supplies are expected to cause a reduction in the GDP growth envisaged for the euro area in 2023, which will go into recession over the winter, returning to positive growth from spring 2023 onwards. However, the recovery will be held back by monetary tightening and a slowdown in the global economy throughout 2023, settling at an annual rate of 0.1%. With regard to interest rates, the peak of the cycle may be reached by mid-2023. However, there is a significant risk that more monetary tightening, with negative effects on the 2024-25 growth, will be necessary. Oil and energy (natural gas) prices are expected to remain high in 2023, due to limited storage capacity and high uncertainty fuelled by persistent political and geopolitical risks, despite the likely recession in North America and Europe and the slowdown in China.
For Italy, inflation may have peaked at the end of 2022, but the fall could be slow and the annual average will remain very high even in 2023. Inflation may return to just above 2% only from the end of 2024, with a true “normalisation” of the inflation scenario only expected from 2025.
GDP growth is expected to slow significantly in 2023, to 0.6%, after an estimated 3.8% in 2022. The slowdown in the economic scenario forecast for 2023 is mainly attributable to the inflationary surge following the energy crisis and the monetary tightening decided by the major central banks at global level in response to the shock. The effects of these factors do not yet appear to have fully worked their way through the economy, which is why it will be difficult to avoid a contraction of GDP in early 2023. However, the recent fall from the spikes in the wholesale prices of energy commodities will make the effects on household income and business margins less dramatic, enabling the assumption of a recovery in economic activity from next spring, albeit at a moderate pace. A stronger re-acceleration of 1.8% is expected in 2024.
The component of domestic demand that is expected to be most affected by the effects of the inflation shock will be consumption of goods (durable and non-durable), which is predicted to be essentially stagnant on average for 2023, while expenditure on services may maintain positive growth due to the residual effect of the normalisation of lifestyles following the restrictions imposed during the pandemic. Investment is also expected to slow down in 2023, in the wake of the effects of rising commodity prices on company profit margins, the tightening of financial conditions, the gradual fading of the impetus from incentives for building renovations, and the continued high uncertainty surrounding the scenario. The hardest hit component will be investment in construction, due to the gradual phasing out of tax incentives, as well as the effects of higher production costs on supply and the expected rise in mortgage rates on demand.
The effects of the NRRP should be felt from 2023 onwards: the impact on the GDP growth rate is expected to be 0.5% for each year until the end of the period (2023-26).
As a result of the continuing excess of demand for labour over supply, unemployment is expected to remain within moderate levels, despite an economic slowdown.
For real estate, the rise in prices is being driven by the forecast of higher inflation, which is compensating for the unfavourable trend in financial conditions and real income. The levels of the BTP-Bund spread are also reflected in the estimation horizon starting from the fall seen at the close of 2022.

As described in Part A - Accounting Policies, and in particular in the section “Impairment of assets”, the methodology adopted by the Group includes taking into account alternative scenarios (best-case/worst-case), which mainly use external information (among others, the minimum and maximum forecasts of a fundamental variable such as GDP based on data from Consensus Economics).

The highest GDP growth forecasts in the Consensus Economics survey published in December 2022 for several advanced economies were identified for the favourable scenario, and all the private consumption and fixed investment trends of the baseline scenario were adjusted to provide an annual average GDP growth profile identical to those forecasts, and the other variables were recalculated accordingly. These assumptions yield a scenario characterised by higher real growth rates, higher inflation, a lower unemployment rate and more robust growth in stock indices and real estate prices compared to the baseline scenario, under the assumption that central banks will adopt a more aggressive monetary policy in response to economic signals indicating a lower than expected slowdown in order to contain inflationary pressures. In any event, the forecast outcomes yielded by the favourable scenario on the performance of the most representative variables are not significantly different from those of the baseline forecasts.

The “adverse” scenario adopted by the Group was, initially, constructed according to the methodology envisaged by the internal policy, and therefore based on the lowest GDP growth forecasts in the Consensus Economics survey published in December 2022 for the main advanced economies. The private consumption and fixed investment trends of the baseline scenario were adjusted to yield GDP growth in line with those forecasts, and a negative shock was also applied to the performance of stock market indices and real estate prices. Based on these results, in the construction of the worst-case scenario, the Group also took the decision to take into account the more conservative assumptions considered in the downside scenario included in the “Macroeconomic projections for the euro area” published by the ECB on 15 December 2022. The uncertainty characterising the experts’ projections is still high and a significant risk for the outlook for the euro area – according to the ECB – relates to the possibility of more severe disruptions in European energy supplies, leading to further spikes in energy prices and production cuts. In the assumptions adopted by the ECB, the downside scenario reflects this risk and points to higher inflation rates than in the baseline scenario in 2023 and 2024, as energy prices spike, with these only later dropping below the baseline scenario, when supply shocks unwind and the lagged impact of adverse demand shocks predominates.

To take this more drastic assumption into account, a shock to the European natural gas market, calibrated to that predicted in the Eurosystem’s adverse scenario for this variable, was added to the adverse forecast prepared by the Group, through a very significant increase in gas prices compared to the baseline scenario forecasts in both 2023 and 2024. The effects on growth were aggravated to capture possible rationing. These assumptions result in a much more aggressive inflation trend than in the baseline scenario and severe impacts on Italian and euro area GDP, with two years of fall in GDP. Indeed, Italy’s GDP growth shows a negative deviation between the baseline and worst-case scenarios, increasing until 2024 and becoming smaller in 2025. The cumulative difference for the period 2022-2025 is -5.5%. The decline in real growth is reflected in the unemployment rate, which is 1.9 percentage points above the baseline scenario in the final year. It is assumed that, in the event of critical inflationary pressures, the ECB would prioritise price stability, accepting the prospect of a period of even intense GDP decline. The deviation of ECB rates from the baseline scenario reflects excessive inflation, which dominates over the separate reduction in growth. The BTP-Bund spread is higher than the baseline scenario over the entire forecast period.

With regard to the impact of adopting the above scenario in the estimate of the ECL for the measurement of performing loans, you are reminded that, starting from the Interim Statement as at 31 March, following the outbreak of the Russia/Ukraine conflict, the Group – in order to take proper account of the gradually observed and expected effects of the macroeconomic situation – has incorporated systematic updates (on a quarterly basis) of the baseline forecasts and alternative scenarios on the “Core” scope, namely the Parent Company and the other Italian entities, as well as Intesa Sanpaolo Luxembourg and Intesa Sanpaolo Ireland. As at 31 December 2022, impacts were mainly generated by the updated forecasts for the adverse scenario.

At the end of the year, the banks of the International Subsidiary Banks Division also updated their estimates on the basis of the forecast scenarios for their geographical scope.

The overall impact of the macro-economic scenario on the ECL of performing loans during the year was around 300 million euro (of which around 140 million euro in the fourth quarter, and, for the latter, it was estimated that around half of this impact resulted from the prudent decision to adjust the adverse scenario assumptions to those adopted by the ECB).

ECL sensitivity analysis

The ECL, calculated in accordance with IFRS 9, was subject to sensitivity analysis aimed at analysing its variability with respect to the individual alternative scenarios in accordance with the ESMA Recommendations (“Report on the application of the IFRS 7 and IFRS 9 requirements regarding banks’ expected credit losses – ECL” of 15 December 2021).

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 90% of the Group’s total exposure).

You are reminded that, according to the approach adopted by the Group to estimate the ECL, the parameters for calculating it are determined on the basis of the Most-Likely scenario and an Add-on calculated based on the distance between the baseline scenario and alternative scenarios. The sensitivity analysis is determined using the assumptions adopted for the alternative scenarios (best-case and worst-case), produced internally by the Research Department, each weighted at 100%. This result is then compared with the ECL calculated with the Most-Likely plus Add-On scenario.

As highlighted in the paragraphs above, there is a big distance between the worst-case and best-case scenarios, while the latter is very close to the baseline forecast. As a result, the sensitivity of the portfolio to the worst-case scenario is already essentially factored into the ECL as at 31 December 2022 in the model used, as described above, in addition to the overlays illustrated in the paragraph below. Therefore, the application of the worst-case scenario would result in the sliding into Stage 2 of 1.5 billion euro of exposures, a slight increase in the ECL and a substantially unchanged coverage ratio. On the other hand, the sensitivity of the portfolio to the best-case scenario would see a decrease of 240 million euro in the ECL, with a return to Stage 1 of 4.9 billion euro of exposures. The coverage ratio for performing exposures would decrease by 5 bps.

Management overlays

During 2022, the Group, in applying the estimation methods for the calculation of the ECL, in compliance with IFRS 9, added several more prudent factors in consideration of the situation of high uncertainty generated by the continuation of the Russia/Ukraine conflict. Examples include the systematic updating of macroeconomic forecasts, the actions described in the paragraph on the "adverse" scenario, and the updating of the explanatory macroeconomic variables used by the satellite models for the estimates of the future default rates – in which the choice of energy cost variables was favoured on the basis of a judgement sensitivity influenced by the current situation. That said, the ECL estimates are based on forward-looking models that use historical observations of the relationships between macroeconomic variables and default rates. The "rare" scenarios, particularly those not previously seen, are very difficult to capture in the modelling process and it is essentially impossible to produce forecasts for specific portfolio risks in such circumstances.
In this context, the Bank – as also reiterated by the standard setters in the context of the pandemic crisis – must take into account the fact that, as a result of the uncertainties presented by the forecast scenarios and the estimation characteristics adopted, which are strongly anchored to the long-term observed relationships, the methodologies used may not be fully adequate in the current situation. The main area of uncertainty underlying the most recent forecast scenarios is the occurrence of major supply shocks in the gas market, triggered by a worsening of the geopolitical crisis, and the ability to accurately forecast their effects on the economic and financial systems in the presence of unprecedented conditions (strong dependence of the European economy on this energy source).
These considerations supported the Bank's decision to adopt post-model adjustments, increasing the ECL on a managerial basis, in order to incorporate a suitable estimate of the uncertainties relating to the measurement of performing loans. This choice was introduced during the year and was reinforced in the fourth quarter in order to adequately account for potential vulnerabilities not captured by the models used, from a forward-looking perspective, given the current situation of increased uncertainty and the limited availability of reasonable and supportable forward-looking information. At the same time, as already stated in paragraph "*1.2. Impacts from the COVID-19 pandemic*", the conditions were also fulfilled for considering that the management overlays on the portfolios subject to moratoria during the pandemic were no longer necessary. For the purposes of the decisions regarding updates and changes and additions to the results of the models, as in the period of the pandemic, the Group has adopted enhanced governance through the decisions of the Credit Risk and Pillar 2 Internal Models Committee and also taken into account the references to the relevant guidance issued by the standard setters and regulators[103].
Details are provided below of the main choices adopted by the Group in 2022 in relation to the above, while details of the credit risk aspects more closely related to the Russia/Ukraine crisis are provided in the specific paragraph.
As already stated, in 2022, as the country emerged from the health emergency and health restrictions were relaxed, the uncertainties specifically related to the pandemic eased and there was no noticeable increase in credit risk on exposures that had been subject to moratoria. The latter have now all returned to resumption of payments, for a considerable portion already some time ago, and continue to record reductions in the exposures and full repayments.
The elements of vulnerability of the exposures subject to moratorium measures considered for the purposes of the Financial Statements as at 31 December 2021 (represented by both overlays incorporated into the satellite models and extraordinary triggers for sliding into Stage 2) had already been re-estimated starting from March, still maintaining suitable prudence, but considering both the substantial normalisation of forbearance measures and the positive evidence from the set of exposures with resumption of payments that has already begun. During the next two quarters, although the observations regarding the evolution of the credit risk parameters remained satisfactory, it was decided to continue the observation until the end of 2022 and to keep the overlay incorporated into the satellite model unchanged, while returns to Stage 1 were recorded in relation to the increasingly residual portfolios that had gradually resumed payments (subject to the extraordinary trigger for sliding into Stage 2). In light of the additional observations, which are described in paragraph "*1.2. Impacts from the COVID-19 pandemic*", the remaining management overlays were released in the fourth quarter.
At the same time, since the Russia/Ukraine geopolitical crisis, uncertainties about the economic outlook have gradually increased, as also discussed with regard to the macroeconomic scenario. In particular, a specific risk factor has emerged (the energy crisis brought about in the context of the ongoing geopolitical crisis) accompanied by the prospects of the effects of rising inflation, rising costs for businesses and rising interest rates. In the fourth quarter, economic activity weakened, both due to the slackening of the recovery of added value for services, which had already returned to pre-pandemic values in the summer, and due to the decline in industrial production and the slowdown in household spending, despite measures implemented to support disposable income in a situation of high inflation.
From the first quarter of 2022, management overlays were added in order to introduce increased adjustments of performing loans related to the effects of the higher sector-specific vulnerability companies were exposed to. In the third quarter, with the greater availability of more specific forecast scenarios, also at the micro-sector level, the Bank considered that the increases already recognised were still appropriate. At the same time, the allocation was redefined for the previously applied management overlays by sector-specific vulnerability. Specifically, the analyses by the CRO Area led to the adoption of a post-model adjustment, i.e. an increase in the ECL, which was applied in a more targeted manner to all counterparties belonging to micro-sectors with negative sector performance or particularly exposed to energy cost risk, as defined by the sector risk management framework developed by the CRO and CLO Areas and by the Research Department with the support of the business divisions and recently adopted by the Bank for the granting, management and monitoring of credit. This framework duly takes into account the micro-sector forecasts and their outlooks, which are also systematically monitored and calibrated based on the experience of the Bank's business and credit risk governance structures.
The post-model adjustment adopted replaced the previous method of application, which, although timely in terms of adoption, was mainly based on an increase in the estimate of future default rates derived from the IFRS 9 models for macro-aggregates potentially more exposed to the effects of persistent inflationary pressures on energy products and commodities, but without being able to introduce particular differentiations within them (in particular, the Manufacturing and Transport macro-aggregates had been considered for companies). In order to introduce a more targeted and granular level of intervention, in

[103] 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.

the subsequent quarters extraordinary triggers for sliding into Stage 2 were introduced for counterparties not already classified as such by the staging allocation methods, when they belong to certain micro-sectors identified with negative sector performance and with medium/high risk profiles.
In the fourth quarter, in light of the macroeconomic situation described above and the uncertainties associated with it, it was decided to reinforce the adjustments of the ECL estimates compared to those already made in the previous quarters. In particular, an additional ECL value that expresses this uncertainty was initially quantified at the overall portfolio level. To this end, a simulation was conducted assuming the "adverse" scenario – instead of the baseline scenario – and on that basis quantifying the difference in adjustments generated by the performing portfolio identifiable up to the end of 2023. This exercise resulted in a theoretical impact that was taken as reference for the determination of the total amount of the post-model adjustments to be applied to the ECL of the Core scope as at 31 December.
The post-model adjustment is applied to the modelling result to estimate the ECL through a percentage increase in its size without any effect on the staging allocation. Therefore, when applied to Stage 2 or higher risk positions, it has a larger effect on the ECL in absolute terms. This approach adds prudential elements to those already factored in with the application of the macroeconomic scenario for the purposes of forward-looking conditioning, as described above.
With regard to the application of the post-model adjustments in the 2022 Financial Statements, the following is noted:

- for business sectors particularly exposed to risks arising from the macroeconomic outlook (sectors with negative performance or energy-intensive sectors), the adjustments have been revised with respect to the third quarter in order to take into account the outcomes of the most recent Sector Working Group, as well as refinements to make the identification of the scope more consistent with the taxonomies used in credit management and reporting. It was also decided to limit the scope of application to Corporate/SME counterparties of the BdT Division, as these are portfolios for which it is considered that the expected economic slowdown may lead to lower resilience and greater difficulties than for Large Corporate counterparties. The scope of application of this overlay has also been defined, taking into account not only the sector-specific vulnerability but also the risk level of the counterparties, measured through their rating;
- a post-model adjustment has been introduced in the Commercial Real Estate scope in order to add a prudent margin to the assessment of the counterparties operating in the sector and with high risk;
- a post-model adjustment has also been introduced in the Retail and Retail SME segments, which are predominantly composed of consumer households and SMEs. This was aimed at capturing the potential negative effects on their future risk levels due to rising interest rates and lower disposable income as a result of high inflation. Consequently, the scope of application – which is within the BdT Division – has been defined for counterparties at medium or higher risk.

The overall portfolio subject to management overlay amounts to around 70 billion euro.
The banks of the International Subsidiary Banks Division, in a large number of cases, have also adopted prudent margins, through management overlays, based on specific assessments of the current and future situation and the characteristics of their portfolios.
Overall, the adjustment allowances for performing exposures as at 31 December included prudential elements amounting to 785 million euro, in addition to the impact of around 70 million euro described in the paragraph above on the macroeconomic scenario, due to the consideration of assumptions in line with the ECB for the "adverse" scenario.

2.4. Credit risk mitigation techniques

During the credit granting and managing process, the acquisition of mitigating factors is encouraged for counterparties with non-investment grade ratings or for certain types of medium/long-term transactions.
The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other forms of risk mitigation are pledges on non-financial assets and non-residential mortgages.
The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor's credit quality.
Detailed processes govern the material acquisition of the individual collateral and guarantees, identifying the structure responsible as well as the methods for their correct completion, for archiving the documentation and for the complete and timely recording of the related information in the 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;
- the methods for approving collateral and guarantee documents deviating from the standard by structures other than those in charge of commercial relations with the customer are identified.

The guidelines for the management of collateral and guarantees are the same for the entire Group. The management of collateral and guarantees received for the Parent Company and the Italian subsidiaries is carried out on a single platform, which is integrated with the register of assets and the portal that manages the immovable property valuations.
The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the valuation of the asset, the acquisition of the collateral and the control of its value. The enforcement of the collateral is handled by specialist departments, which are responsible for credit recovery.
In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, focused mainly on the borrower's ability to meet the obligations assumed, irrespective of the associated collateral.
The assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed on a regulated market, or, otherwise, the estimated realisable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments accepted as collateral.
For real-estate collateral, 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 specialised

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

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

In 2022, 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 – again as part of the GARC Project – with regard to operations with the Guarantee Fund for SMEs, the ramp-up was completed of four tranched cover transactions on the junior risk of portfolios of newly disbursed loans in support of businesses adversely affected by the COVID-19 emergency.
For details of the transactions carried out in 2022 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 Serbia, Egypt and Moldova were also renewed and the hedging for the bank operating in Albania was increased.
During the year, with the aim of improving the overall risk/return profile of the loan portfolios, also in terms of capital optimisation, Intesa Sanpaolo carried out a securitisation on a portfolio of performing loans originating from leases, with significant risk transfer, for a total gross amount of around 3.7 billion euro.

3. NON-PERFORMING CREDIT EXPOSURES

3.1 Management strategies and policies

On 31 March 2022, the Board of Directors approved the 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 4 April 2022. The 2022-2025 NPL Plan is consistent with both the 2022-2025 Business Plan, approved by the Board of Directors in February 2022, and the Risk Appetite Framework, and takes into account the observations and recommendations of the Supervisory Authority.
The Group NPL Plan is made up of a main document (2022-2025 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 2022-2025 Business Plan, the Group intends to pursue a structural de-risking strategy, which was mostly launched during the last Business Plan, placing it among the best in Europe in terms of non-performing loan ratio and stock (Zero-NPL Bank) and generating a net drop in the cost of risk. Indeed, the latter will always be maintained at a conservative level, due to the extensive reserves of provisions on loans and ongoing prudent credit management. The deleveraging will be supported by the establishment of additional select partnerships and targeted disposals of portfolios.
At the end of 2022, non-performing loans before adjustments amounted to 10.6 billion euro bringing the ratio of non-performing loans to total loans to 2.3% gross and 1.2% net, with a cost of risk of 70 basis points (30 basis points when excluding the adjustments for the exposure to Russia and Ukraine and the additional adjustments for overlays and to favour de-risking, net of the release of generic provisions set aside in 2020 for the expected impacts of COVID-19). Based on the EBA methodology, the NPL to total loan ratio stood at 1.9% gross and 1% net.

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

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

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

The type “exposures subject to concessions – forbearance” has also been established. These are exposures subject to renegotiation and/or refinancing due to financial difficulties (evident or in the process of becoming evident) of the debtor, which effectively constitute a subgroup of both non-performing exposures (non-performing exposures with forbearance measures) and performing exposures (other forborne exposures).
Non-performing exposures with forbearance measures do not represent a separate category of non-performing assets, rather, they are a sub-set of the above categories of non-performing assets.

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

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

In addition to the assessment component determined through statistical valuation models or through individual expert evaluation, a component is calculated to take into account the evolution of the current operational variables, the future macroeconomic scenarios, the incremental risk of the counterparty as long as it remains in the specific risk status for unlikely-to-pay exposures (vintage), as well as the sales prospects if present.
The assessment of non-performing positions classified as assets held for sale 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 counterparties in the various statuses of non-performing loan, randomly selected mainly with risk-based criteria in order to verify their proper classification and provisioning, as well as the adequacy of the management and recovery processes.

3.2 Write-offs

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

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

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

  In 2022, the Group carried out write-offs on gross non-performing loans for around 658 million euro. Of these, around 475 million euro regarded bad loans, for the most part using the allowance already set aside. More than 87% of these write-offs related to derecognised positions that are still subject to enforcement procedures, for which any recoveries from collections after the write-off will be recognised in the income statement as recoveries.

3.3 Purchased or originated credit-impaired financial assets

According to IFRS 9, loans considered as impaired already upon initial recognition in the financial statements, due to the high credit risk associated with them, are defined as Purchased or Originated Credit Impaired Assets (POCI). If these loans fall within the scope of impairment in accordance with IFRS 9, they are valued by allocating allowances - from the date of initial recognition - to cover losses for the entire residual life of the loan (lifetime Expected Credit Loss). Since these are non-performing loans, they are initially recognised within Stage 3, subject to the possibility of being transferred, over the course of their lives, to Stage 2 if, based on the credit risk analysis, they are identified as no longer being impaired.

POCI loans recorded in the Group's financial statements may derive from single renegotiations of non-performing exposures carried out as part of routine lending activity or be recognised following business combinations. With regard to the latter case, the acquisition of the former UBI Group during 2020 resulted in the recognition of a significant portfolio of non-performing loans, which, therefore, were initially recognised as POCI pursuant to IFRS 9 and posted in the financial statements at the fair value determined on Purchase Price Allocation, as the initial recognition value. More in detail, at the acquisition date (4 August 2020), the accounting records of the UBI Group had gross non-performing loans amounting to around 6.5 billion euro (8 billion euro in terms of credit claim).

In light of the sales already carried out, the POCI loans referring to the former UBI Group posted in the consolidated financial statements as at 31 December 2022 remain under assets measured at amortised cost for substantially residual amounts and further reduced compared to the end of 2021, totalling 188 million euro, consisting of 131 million euro of non-performing loans and 57 million euro of performing positions (total of 284 million euro, with 211 million euro of non-performing loans and 73 million euro of performing loans, as at 31 December 2021).

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 exposures” refers to all the financial transactions that are not on the balance sheet (guarantees given, revocable and irrevocable commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of those transactions (trading, hedging, etc.). The off-balance sheet credit exposures also include the counterparty risk associated with any securities lending transactions. Where necessary, the counterparty risk associated with exposures relating to repurchase agreements, transactions involving the granting or assumption of goods on loan, and loans with margins falling within the notion of securities financing transactions defined by the prudential regulations, is also reported.

Non-performing credit exposures (on-balance sheet and off-balance sheet) do not include financial assets held for trading and hedging derivatives, which are therefore normally recognised as performing credit exposures.

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

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

(millions of euro)

Portfolios/risk stages	STAGE 1			STAGE 2			STAGE 3			PURCHASED OR ORIGINATED CREDIT-		
	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	1,823	168	272	686	466	129	360	187	2,913	10	4	138
2. Financial assets measured at fair value through other comprehensive income	45	-	49	-	-	-	-	-	-	-	-	-
3. Non-current financial assets held for sale	-	-	-	-	-	-	4	5	277	-	-	10
Total 31.12.2022	**1,868**	**168**	**321**	**686**	**466**	**129**	**364**	**192**	**3,190**	**10**	**4**	**148**
Total 31.12.2021	**2,192**	**236**	**155**	**2,623**	**598**	**194**	**466**	**237**	**5,455**	**7**	**9**	**261**

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

(millions of euro)

Reasons/risk stages	**TOTAL ADJUSTMENTS**											
	Stage 1 assets						**Stage 2 assets**					
	On demand due from banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*	On demand due from banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*
Total opening adjustments	**-**	**766**	**38**	**-**	***577***	***227***	**1**	**1,792**	**11**	**-**	***1,577***	***227***
Changes in increase from financial assets acquired or originated	-	302	11	-	*230*	*83*	-	23	-	-	*1*	*22*
Cancellations other than write-offs	-	-78	-15	-	*-69*	*-24*	-	-113	-1	-	*-102*	*-12*
Net value adjustments / write-backs for credit risk	-2	-264	-	-	*-220*	*-46*	-1	283	37	-	*83*	*236*
Contractual changes without cancellations	-	18	-	-	*7*	*11*	-	22	-	-	*15*	*7*
Changes in the estimation methodology	-	-3	-	-	*-*	*-3*	-	3	-	-	*-*	*3*
Write-offs non recorded directly in the income statement	-	-	-	-	*-*	*-*	-	-	-	-	*-*	*-*
Other variations	2	-34	-	-	*-4*	*-28*	-	-22	-	-	*14*	*-36*
Total closing adjustments	**-**	**707**	**34**	**-**	***521***	***220***	**-**	**1,988**	**47**	**-**	***1,588***	***447***
Recoveries from financial assets subject to write-off	-	-	-	-	*-*	*-*	-	-	-	-	*-*	*-*
Write-offs recorded directly in the income statement	-	-	-	-	*-*	*-*	-	-	-	-	*-*	*-*

(millions of euro)

Reasons/risk stages	**TOTAL ADJUSTMENTS**										
	Stage 3 assets						**Purchased or originated credit-impaired financial assets**				
	On demand due from banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*
Total opening adjustments	**-**	**8,161**	**35**	**3,231**	***10,940***	***487***	**141**	**-**	**67**	***198***	***10***
Changes in increase from financial assets acquired or originated	-	2	-	-	*2*	*-*	X	X	X	*X*	*X*
Cancellations other than write-offs	-	-4,119	-	-3,038	*-7,128*	*-29*	-53	-	-67	*-120*	*-*
Net value adjustments / write-backs for credit risk	-	1,587	1	-	*1,344*	*244*	4	-	-	*9*	*-5*
Contractual changes without cancellations	-	65	-	-	*61*	*4*	2	-	-	*-*	*2*
Changes in the estimation methodology	-	-	-	-	*-*	*-*	-	-	-	*-*	*-*
Write-offs non recorded directly in the income statement	-	-517	-	-103	*-574*	*-46*	-35	-	-	*-35*	*-*
Other variations	-	57	-	288	*365*	*-20*	54	-	7	*61*	*-*
Total closing adjustments	**-**	**5,236**	**36**	**378**	***5,010***	***640***	**113**	**-**	**7**	***113***	***7***
Recoveries from financial assets subject to write-off	-	41	-	1	*40*	*2*	-	-	-	*-*	*-*
Write-offs recorded directly in the income statement	-	-79	-	-	*-76*	*-3*	-10	-	-	*-10*	*-*

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

(millions of euro)

Reasons/risk stages	TOTAL PROVISIONS ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN				TOTAL
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given impaired purchased or originated	
Total opening adjustments	**110**	**104**	**233**	**-**	**14,690**
Changes in increase from financial assets acquired or originated	23	2	-	-	**363**
Cancellations other than write-offs	-6	-6	-4	-	**-7,500**
Net value adjustments / write-backs for credit risk	-42	42	44	-	**1,689**
Contractual changes without cancellations	1	-	-	-	**108**
Changes in the estimation methodology	1	-	-	-	**1**
Write-offs non recorded directly in the income statement	-	-	-	-	**-655**
Other variations	66	13	-6	-	**425**
Total closing adjustments	**153**	**155**	**267**	**-**	**9,121**
Recoveries from financial assets subject to write-off	-	-	-	-	**42**
Write-offs recorded directly in the income statement	-	-	-	-	**-89**

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

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

(millions of euro)

Portfolios/risk stages	GROSS AMOUNTS/NOMINAL VALUE					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
1. Financial assets measured at amortised cost	27,417	21,356	1,442	534	1,708	156
2. Financial assets measured at fair value through other comprehensive income	767	43	-	-	-	-
3. Non-current financial assets held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	19,170	6,537	311	22	511	24
Total 31.12.2022	**47,354**	**27,936**	**1,753**	**556**	**2,219**	**180**
Total 31.12.2021	**49,645**	**39,553**	**1,607**	**451**	**1,709**	**224**

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
A. Loans measured at amortized cost	**2,345**	**2,923**	**211**	**99**	**323**	**27**
A.1 subject to EBA-compliant moratoria	-	-	-	-	-	-
A.2 Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	3	18	1	-	-	-
A.3 subject to COVID-19-related forbearance measures	289	3	74	89	32	-
A.4 newly originated loans	2,053	2,902	136	10	291	27
B. Loans and advances valued at fair value with an impact on overall profitability	**-**	**-**	**-**	**-**	**-**	**-**
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	-	-	-	-	-	-
Total 31.12.2022	**2,345**	**2,923**	**211**	**99**	**323**	**27**
Total 31.12.2021	**7,818**	**920**	**214**	**13**	**539**	**12**

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 “Other forborne loans” contains information regarding the loans subject to the COVID-19 support measures that meet the conditions of “forborne exposures” as defined by the current supervisory reports, and have not been included in the category “EBA-compliant moratoria loans” since the grant date or since the date on which they no longer comply with the 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

(millions of euro)

Type of exposure/amounts	Gross exposure					Total adjustments and total provisions for credit risk					Net exposure	Total partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE SHEET EXPOSURES												
A.1 ON DEMAND	**108,301**	**108,135**	**166**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**108,301**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	108,301	108,135	166	X	-	-	-	-	X	-	108,301	-
A.2 OTHERS	**39,824**	**37,294**	**1,184**	**53**	**-**	**-55**	**-15**	**-24**	**-16**	**-**	**39,769**	**-**
a) Bad loans	4	X	-	4	-	-4	X	-	-4	-	-	-
- of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	48	X	-	48	-	-12	X	-	-12	-	36	-
- of which: forborne exposures	*48*	*X*	-	*48*	-	*-12*	*X*	-	*-12*	-	*36*	-
c) Non-performing past due exposures	1	X	-	1	-	-	X	-	-	-	1	-
- of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past due exposures	2	-	2	X	-	-	-	-	X	-	2	-
- of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	39,769	37,294	1,182	X	-	-39	-15	-24	X	-	39,730	-
- of which: forborne exposures	*83*	-	*83*	*X*	-	-	-	-	*X*	-	*83*	-
TOTAL (A)	**148,125**	**145,429**	**1,350**	**53**	**-**	**-55**	**-15**	**-24**	**-16**	**-**	**148,070**	**-**
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing	12	X	-	12	-	-	X	-	-	-	12	-
b) Performing	82,282	36,190	677	X	-	-66	-62	-4	X	-	82,216	-
TOTAL (B)	**82,294**	**36,190**	**677**	**12**	**-**	**-66**	**-62**	**-4**	**-**	**-**	**82,228**	**-**
TOTAL (A+B)	**230,419**	**181,619**	**2,027**	**65**	**-**	**-121**	**-77**	**-28**	**-16**	**-**	**230,298**	**-**

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

(millions of euro)

Type of exposure/Amounts	Gross exposure					Total adjustments and total provisions for credit risk					Net Exposure	Total partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE SHEET EXPOSURES												
a) Bad loans	3,850	X	-	3,685	165	-2,672	X	-	-2,599	-73	1,178	2,574
- of which: forborne exposures	*815*	*X*	*-*	*772*	*43*	*-518*	*X*	*-*	*-496*	*-22*	*297*	*220*
b) Unlikely to pay	7,431	X	-	7,144	144	-2,956	X	-	-2,896	-43	4,475	508
- of which: forborne exposures	*3,060*	*X*	*-*	*2,951*	*81*	*-1,129*	*X*	*-*	*-1,102*	*-20*	*1,931*	*180*
c) Non-performing past due exposures	552	X	-	550	2	-139	X	-	-139	-	413	-
- of which: forborne exposures	*47*	*X*	*-*	*47*	*-*	*-11*	*X*	*-*	*-11*	*-*	*36*	*-*
d) Performing past due exposures	3,923	2,373	1,412	X	9	-147	-15	-132	X	-	3,776	-
- of which: forborne exposures	*505*	*-*	*385*	*X*	*1*	*-53*	*-*	*-53*	*X*	*-*	*452*	*-*
e) Other performing exposures	542,843	483,524	48,502	X	83	-2,594	-711	-1,879	X	-4	540,249	-
- of which: forborne exposures	*6,977*	*1*	*6,819*	*X*	*20*	*-500*	*-*	*-498*	*X*	*-1*	*6,477*	*-*
TOTAL (A)	**558,599**	**485,897**	**49,914**	**11,379**	**403**	**-8,508**	**-726**	**-2,011**	**-5,634**	**-120**	**550,091**	**3,082**
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing	1,771	X	-	1,765	4	-267	X	-	-267	-	1,504	-
b) Performing	330,175	229,968	26,343	X	1	-242	-91	-151	X	-	329,933	-
TOTAL (B)	**331,946**	**229,968**	**26,343**	**1,765**	**5**	**-509**	**-91**	**-151**	**-267**	**-**	**331,437**	**-**
TOTAL (A+B)	**890,545**	**715,865**	**76,257**	**13,144**	**408**	**-9,017**	**-817**	**-2,162**	**-5,901**	**-120**	**881,528**	**3,082**

The dealings between the Banking Group and other non-banking companies included within the scope of consolidation amounted to:
- 352 million euro, adjusted by 142 million euro, included among gross non-performing on-balance sheet exposures to customers;
- 11,797 million euro, adjusted by 22 million euro, included among gross performing on-balance sheet exposures to customers;
- 19 million euro, adjusted by 3 million euro, included among gross non-performing off-balance sheet exposures to customers;
- 8,897 million euro, adjusted by 16 million euro, included among gross performing off-balance sheet exposures to customers.

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

A.1.5a Loans subject to COVID-19 support measures: gross and net amounts

(millions of euro)

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	**90**	**-**	**-**	**90**	**-**	**-63**	**-**	**-**	**-63**	**-**	**27**	**-**
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	9	-	-	9	-	-7	-	-	-7	-	2	-
d) Newly originated loans	81	-	-	81	-	-56	-	-	-56	-	25	-
B. UNLIKELY TO PAY LOANS	**595**	**-**	**-**	**594**	**1**	**-167**	**-**	**-**	**-166**	**-1**	**428**	**-**
a) Subject to EBA-compliant moratoria	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	27	-	-	27	-	-11	-	-	-11	-	16	-
c) Subject to other COVID-19-related forbearance measures	159	-	-	158	1	-50	-	-	-49	-1	109	-
d) Newly originated loans	409	-	-	409	-	-106	-	-	-106	-	303	-
C. NON-PERFORMING PAST DUE LOANS	**93**	**-**	**-**	**93**	**-**	**-19**	**-**	**-**	**-19**	**-**	**74**	**-**
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	3	-	-	3	-	-1	-	-	-1	-	2	-
d) Newly originated loans	90	-	-	90	-	-18	-	-	-18	-	72	-
D. OTHER PAST DUE PERFORMING LOANS	**227**	**97**	**130**	**-**	**-**	**-3**	**-**	**-3**	**-**	**-**	**224**	**-**
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	10	-	10	-	-	-1	-	-1	-	-	9	-
d) Newly originated loans	217	97	120	-	-	-2	-	-2	-	-	215	-
E. OTHER PERFORMING LOANS	**33,181**	**29,392**	**3,788**	**-**	**1**	**-111**	**-38**	**-73**	**-**	**-**	**33,070**	**-**
a) Subject to EBA-compliant moratoria	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	77	51	26	-	-	-3	-	-3	-	-	74	-
c) Subject to other COVID-19-related forbearance measures	687	4	683	-	-	-35	-	-35	-	-	652	-
d) Newly originated loans	32,417	29,337	3,079	-	1	-73	-38	-35	-	-	32,344	-
TOTAL (A+B+C+D+E)	**34,186**	**29,489**	**3,918**	**777**	**2**	**-363**	**-38**	**-76**	**-248**	**-1**	**33,823**	**-**

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.
As at 31 December 2022 such loans were less than 1 million euro and amounted to 412 thousand euro.
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 "Other forborne loans" contains information regarding the loans subject to the COVID-19 support measures that meet the conditions of "forborne exposures" as defined by the current supervisory reports, and have not been included in the category "EBA-compliant moratoria loans" since the grant date or since the date on which they no longer comply with the 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

(millions of euro)

Reasons/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	**4**	**66**	**-**
- of which: exposures sold not derecognised	-	-	-
B. Increases	**-**	**-**	**1**
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			
C. Decreases	**-**	**-18**	**-**
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	-	-	-
C.3 collections	-	-15	-
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	-	-3	-
D. Final gross exposure	**4**	**48**	**1**
- of which: exposures sold not derecognised	-	-	-

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

(millions of euro)

Description/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposure	**66**	**9**
- of which: exposures sold not derecognised	-	-
B. Increases	**-**	**81**
B.1 inflows from non-forborne performing exposures	-	81
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	-	-
C. Decreases	**-18**	**-7**
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	-15	-7
C.6 profits on disposal	-	-
C.7 losses on disposal	-	-
C.8 other decreases	-3	-
D. Final gross exposure	**48**	**83**
- of which: exposures sold not derecognised	-	-

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

(millions of euro)

Reasons/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	**9,461**	**9,915**	**774**
- of which: exposures sold not derecognised	*196*	*862*	*242*
B. Increases	**1,852**	**3,905**	**817**
B.1 inflows from performing exposures	377	2,432	761
B.2 inflows from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other non-performing exposures categories	985	701	14
B.4 changes in contracts without derecognition	-	9	-
B.5 other increases	490	763	42
C. Decreases	**-7,463**	**-6,389**	**-1,039**
C.1 outflows to performing exposures	-22	-639	-171
C.2 write-offs	-549	-194	-1
C.3 collections	-505	-1,106	-118
C.4 profits on disposal	-1,382	-1,085	-1
C.5 losses on disposal	-130	-5	-1
C.6 transfers to other non-performing exposure categories	-75	-926	-699
C.7 changes in contracts without derecognition	-	-19	-
C.8 other decreases	-4,800	-2,415	-48
D. Final gross exposure	**3,850**	**7,431**	**552**
- of which: exposures sold not derecognised	*93*	*507*	*172*

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

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

(millions of euro)

Reasons/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposure	**6,170**	**8,616**
- of which: exposures sold not derecognised	*580*	*1,780*
B. Increases	**1,624**	**2,467**
B.1 inflows from non-forborne performing exposures	227	1,910
B.2 inflows from forborne performing exposures	638	X
B.3 inflows from non-performing forborne exposures	X	439
B.4 inflows from forborne non-performing exposures	173	6
B.5 other increases	586	112
C. Decreases	**-3,872**	**-3,601**
C.1 outflows towards non-forborne performing exposures	X	-1,397
C.2 outflows towards forborne performing exposures	-439	X
C.3 outflows towards non-performing forborne exposures	X	-638
C.4 write-offs	-127	-
C.5 collections	-690	-913
C.6 profits on disposal	-820	-395
C.7 losses on disposal	-56	-
C.8 other decreases	-1,740	-258
D. Final gross exposure	**3,922**	**7,482**
- of which: exposures sold not derecognised	*260*	*1,335*

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.

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

(millions of euro)

Reasons/Categories	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*
A. Initial total adjustments	**4**	**-**	**13**	***13***	**-**	**-**
- of which: exposures sold not derecognised	-	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
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	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-1**	**-1**	**-**	**-**
C.1 recoveries on impairment losses	-	-	-1	-1	-	-
C.2 recoveries on repayments	-	-	-	-	-	-
C.3 profits on disposal	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-	-	-
C.6 changes in contracts without derecognition	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Final total adjustments	**4**	**-**	**12**	**12**	**-**	**-**
- of which: exposures sold not derecognised	-	-	-	-	-	-

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

(millions of euro)

Reasons/Categories	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*
A. Initial total adjustments	**6,897**	**1,294**	**4,582**	**1,562**	**152**	**32**
- of which: exposures sold not derecognised	*105*	*28*	*221*	*116*	*35*	*4*
B. Increases	**1,794**	***381***	**1,975**	***764***	**215**	***21***
B.1 adjustments to purchased or originated credit-impaired assets	-	*X*	-	*X*	-	*X*
C.2 other adjustments	851	*180*	1,566	*599*	162	*21*
B.3 losses on disposal	253	*56*	6	1	1	-
B.4 transfers from other non-performing exposures categories	463	*121*	185	50	9	-
B.5 changes in contracts without derecognition	-	-	77	*77*	-	-
B.6 other increases	227	*24*	141	*37*	43	-
C. Decreases	**-6,019**	**-1,157**	**-3,601**	**-1,197**	**-228**	**-42**
C.1 recoveries on impairment losses	-367	*-84*	-425	-261	-43	-
C.2 recoveries on repayments	-99	*-21*	-141	-85	-6	-
C.3 profits on disposal	-23	*-1*	-15	-8	-	-
C.4 write-offs	-549	*-73*	-194	-54	-1	-
C.5 transfers to other non-performing exposure categories	-47	*-10*	-449	-119	-161	-42
C.6 changes in contracts without derecognition	-	-	-14	*-14*	-	-
C.7 other decreases	-4,934	*-968*	-2,363	-656	-17	-
D. Final total adjustments	**2,672**	**518**	**2,956**	**1,129**	**139**	**11**
- of which: exposures sold not derecognised	*46*	*7*	*106*	*45*	*31*	*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. The ratings provided by those agencies are used in compliance with the authorisations received and the regulations in force for the different Group banks.
In compliance with the regulations, if there are two ratings for the same customer, the most prudential of the two is used, when three ratings are available, the middle rating is adopted, and when all ratings are available, the second-best is taken.

(millions of euro)

Exposures	EXTERNAL RATING CLASSES						UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**17,930**	**23,364**	**64,235**	**10,923**	**6,063**	**374**	**413,994**	**536,883**
- Stage 1	17,887	21,082	62,418	10,578	4,631	113	358,898	475,607
- Stage 2	43	2,282	1,817	343	1,300	100	44,335	50,220
- Stage 3	-	-	-	-	132	161	10,379	10,672
- Purchased or originated credit-impaired	-	-	-	2	-	-	382	384
B.Financial assets measured at fair value through other comprehensive income	**16,399**	**10,502**	**14,790**	**963**	**2,481**	**69**	**3,284**	**48,488**
- Stage 1	16,399	10,502	14,722	866	2,290	47	2,758	47,584
- Stage 2	-	-	68	97	191	8	504	868
- Stage 3	-	-	-	-	-	14	22	36
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Non-current financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**754**	**754**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	10	10
- Stage 3	-	-	-	-	-	-	725	725
- Purchased or originated credit-impaired	-	-	-	-	-	-	19	19
Total (A+B+C)	**34,329**	**33,866**	**79,025**	**11,886**	**8,544**	**443**	**418,032**	**586,125**
D. Commitments to disburse funds and financial guarantees given								
- Stage 1	11,594	25,962	51,799	13,899	3,271	142	161,048	267,715
- Stage 2	27	211	3,177	2,099	1,586	35	19,891	27,026
- Stage 3	-	-	-	-	25	3	1,754	1,782
- Purchased or originated credit-impaired	-	-	-	-	-	-	4	4
Total (D)	**11,621**	**26,173**	**54,976**	**15,998**	**4,882**	**180**	**182,697**	**296,527**
Total (A+B+C+D)	**45,950**	**60,039**	**134,001**	**27,884**	**13,426**	**623**	**600,729**	**882,652**

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

Mapping of ratings issued by external rating agencies

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

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

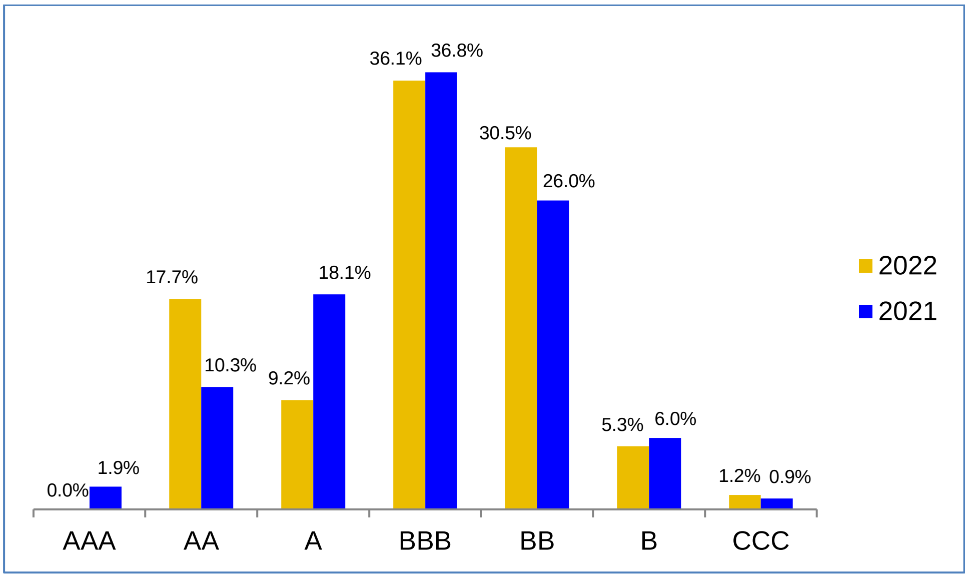
As indicated above in the paragraph entitled "Basel 3 Regulations", the Intesa Sanpaolo Group has a set of ratings for the various operating segments of the counterparties (Corporate, Retail SME, Retail, Public Sector Entities and Banks).
The breakdown of exposures by internal rating classes shown in 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 7.8% 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 69.3% of the total, whilst 22.6% fall within the BB+/BB range (class 4) and 8% fall under higher risk classes (of which 2.3% are below B-).

(millions of euro)

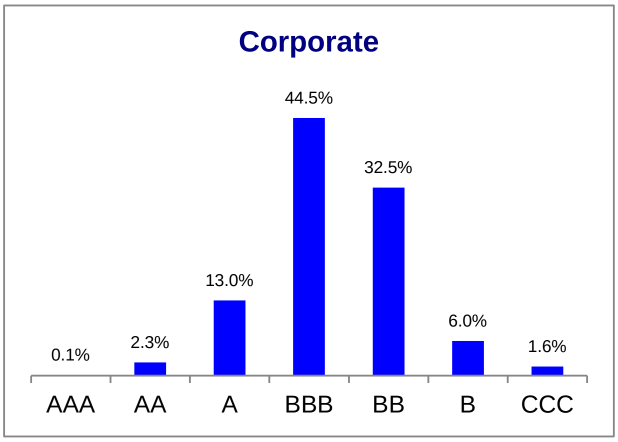
Exposures	Internal rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost	**91,831**	**46,154**	**168,462**	**125,556**	**33,988**	**17,037**	**53,855**	**536,883**
- Stage 1	91,064	45,045	162,091	108,589	22,183	9,367	37,268	475,607
- Stage 2	765	1,108	6,360	16,931	10,350	5,117	9,589	50,220
- Stage 3	1	-	-	2	1,373	2,500	6,796	10,672
- Purchased or originated credit-impaired	1	1	11	34	82	53	202	384
B. Financial assets measured at fair value through other comprehensive income	**15,298**	**8,508**	**14,013**	**1,637**	**1,996**	**691**	**6,345**	**48,488**
- Stage 1	15,282	8,484	13,965	1,016	1,921	685	6,231	47,584
- Stage 2	16	24	48	621	75	6	78	868
- Stage 3	-	-	-	-	-	-	36	36
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Non-current financial assets held for sale	**-**	**-**	**-**	**8**	**195**	**452**	**99**	**754**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	8	2	-	-	10
- Stage 3	-	-	-	-	188	441	96	725
- Purchased or originated credit-impaired	-	-	-	-	5	11	3	19
Total (A+B+C)	**107,129**	**54,662**	**182,475**	**127,201**	**36,179**	**18,180**	**60,299**	**586,125**
D. Commitments and financial guarantees given								
- Stage 1	24,502	62,299	116,759	45,823	7,857	2,127	8,348	267,715
- Stage 2	109	1,482	6,271	8,504	3,258	1,478	5,924	27,026
- Stage 3	-	-	1	2	383	174	1,222	1,782
- Purchased or originated credit-impaired	-	-	-	-	-	-	4	4
Total (D)	**24,611**	**63,781**	**123,031**	**54,329**	**11,498**	**3,779**	**15,498**	**296,527**
Total (A+B+C+D)	**131,740**	**118,443**	**305,506**	**181,530**	**47,677**	**21,959**	**75,797**	**882,652**

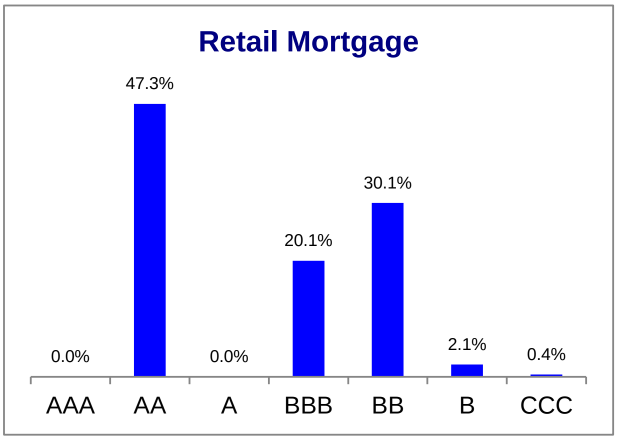
In addition to the tables required by the regulations, the rating allocation for performing loans to customers attributable to the main Group banks is shown below.
As at 31 December 2022, performing loans to customers assigned an individual rating internally or by an external agency accounted for 96% of the loans of the main Group banks.

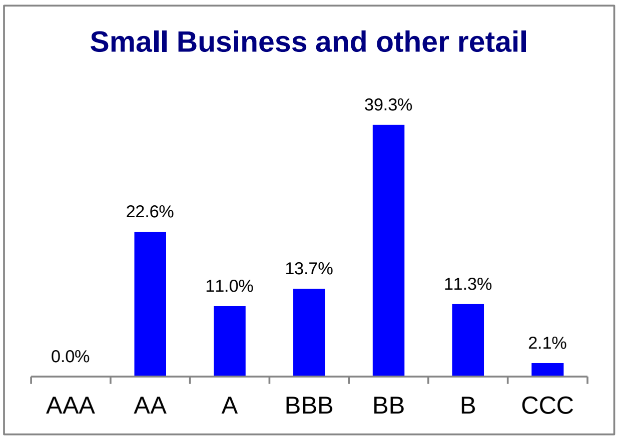


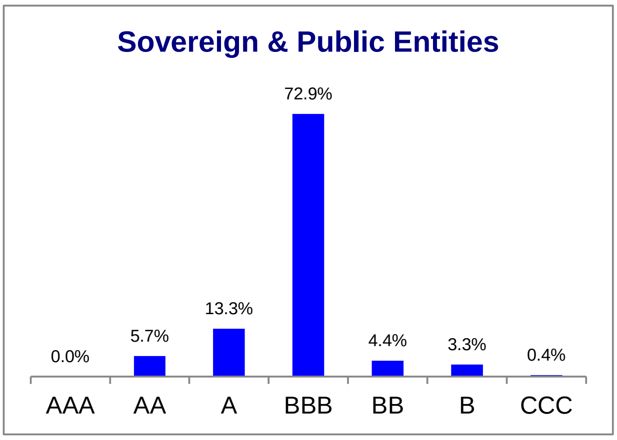
The allocation shows a level of investment grade exposures (from AAA to BBB inclusive), at 63.0%, down on the previous year (67.1%), mainly due to a revision in the master scale for certain types of counterparties rated using internal models. The same percentage calculated on the entire portfolio, net of Russian counterparties, came to 74.2%.
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 59.9%, 67.4%, 47.3% and 91.9% 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 (*) (1)				Personal guarantees (2)	
							Credit derivatives	
			Real estate assets - mortgages	Real estate assets - finance leases	Securities	Other	CLN	Other derivatives Central counterparties
1.Guaranteed on-balance sheet credit exposures:	**6,437**	**6,433**	**-**	**5**	**5,559**	**172**	**-**	**-**
1.1 totally guaranteed	5,596	5,593	-	5	5,193	172	-	-
- of which non-performing	*1*	-	-	-	-	-	-	-
1.2 partly guaranteed	841	840	-	-	366	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**26,510**	**26,510**	**-**	**-**	**1,929**	**11,333**	**-**	**-**
2.1 totally guaranteed	4,925	4,925	-	-	1,929	980	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partly guaranteed	21,585	21,585	-	-	-	10,353	-	-
- of which non-performing	-	-	-	-	-	-	-	-

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

(millions of euro)

	Personal guarantees (*) (2)							Total
	Credit derivatives			Commitments				(1)+(2)
	Other derivatives							
	Banks	Other financial companies	Other counterparties	Public Administration	Banks	Other financial companies	Other counterparties	
1.Guaranteed on-balance sheet credit exposures:	**-**	**-**	**-**	**228**	**23**	**-**	**66**	**6,053**
1.1 totally guaranteed	-	-	-	8	3	-	66	5,447
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partly guaranteed	-	-	-	220	20	-	-	606
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**7**	**76**	**-**	**70**	**13,415**
2.1 totally guaranteed	-	-	-	3	35	-	14	2,961
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partly guaranteed	-	-	-	4	41	-	56	10,454
- of which non-performing	-	-	-	-	-	-	-	-

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

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

(millions of euro)

	Gross exposure	Net exposure	Collateral (*) (1)				Personal guarantees (*) (2)	
							Credit derivatives	
			Real estate assets - mortgages	Real estate assets - finance leases	Securities	Other	CLN	Other derivatives
								Central counterparties
1. Guaranteed on-balance sheet credit exposures:	**318,384**	**313,549**	**164,512**	**4,816**	**26,969**	**10,564**	**-**	**-**
1.1 totally guaranteed	252,621	248,860	161,898	4,626	26,238	8,118	-	-
- of which non-performing	*6,201*	*3,838*	*2,517*	*268*	*45*	*104*	-	-
1.2 partly guaranteed	65,763	64,689	2,614	190	731	2,446	-	-
- of which non-performing	*1,476*	*737*	*170*	*65*	*9*	*22*	-	-
2. Guaranteed off-balance sheet credit exposures:	**53,130**	**53,017**	**2,016**	**52**	**8,758**	**4,341**	**-**	**-**
2.1 totally guaranteed	39,452	39,376	1,390	10	8,288	2,115	-	-
- of which non-performing	*327*	*295*	*36*	-	*6*	*12*	-	-
2.2. partly guaranteed	13,678	13,641	626	42	470	2,226	-	-
- of which non-performing	*159*	*136*	*23*	-	*1*	*27*	-	-

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

(millions of euro)

	Personal guarantees (*) (2)							Total
	Credit derivatives			Commitments				
	Other derivatives			Public administration	Banks	Other financial companies	Other counterparties	(1)+(2)
	Banks	Other financial companies	Other counterparties					
1. Guaranteed on-balance sheet credit exposures	**-**	**-**	**-**	**49,862**	**766**	**3,199**	**26,698**	**287,386**
1.1 totally guaranteed	-	-	-	23,208	437	2,253	17,987	244,765
- of which non-performing	-	-	-	*360*	*5*	*29*	*439*	*3,767*
1.2 partly guaranteed	-	-	-	26,654	329	946	8,711	42,621
- of which non-performing	-	-	-	*277*	*1*	*4*	*59*	*607*
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**2,477**	**92**	**1,787**	**25,015**	**44,538**
2.1 totally guaranteed	-	-	-	1,558	42	899	20,443	34,745
- of which non-performing	-	-	-	*30*	-	*1*	*161*	*246*
2.2. partly guaranteed	-	-	-	919	50	888	4,572	9,793
- of which non-performing	-	-	-	*7*	-	-	*31*	*89*

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

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

(millions of euro)

	Derecognised credit exposure	Gross amount	Total adjustments	Book value	of which obtained during the year
A. Property and equipment	**338**	**375**	**-70**	**305**	**15**
A.1 Used in operations	1	1	-	1	-
A.2. Investment	134	123	-9	114	3
A.3 Inventories	203	251	-61	190	12
B. Equities and debt securities	**367**	**368**	**-176**	**192**	**-**
C. Other assets	**-**	**-**	**-**	**-**	**-**
D. Non-current assets held for sale and discontinued operations	**5**	**6**	**-1**	**5**	**-**
D.1 Property and equipment	5	6	-1	5	-
D.2. Other assets	-	-	-	-	-
Total 31.12.2022	**710**	**749**	**-247**	**502**	**15**
Total 31.12.2021	**735**	**775**	**-196**	**579**	**36**

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

- Property and equipment used in operations: buildings (1 million euro);
- Investment property: buildings (82 million euro); land (32 million euro);
- Property and equipment – Inventories: buildings (178 million euro), land (12 million euro);
- Equities and debt securities:
  - equity investments of 24 million euro (primarily relating to the equity investment in Risanamento);
  - financial assets mandatorily measured at fair value of 118 million euro;
  - financial assets measured at fair value through other comprehensive income of 50 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), other (1 million euro).

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

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

(millions of euro)

Exposures/Counterparties		Public administration		Financial companies		Financial companies (of which: insurance companies)	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures							
A.1 Bad loans		73	-158	6	-23	-	-
- of which: forborne exposures		*-*	*-*	*1*	*-1*	-	-
A.2 Unlikely to pay		153	-30	105	-167	-	-
- of wich: forborne exposures		*22*	*-10*	*18*	*-58*	-	-
A.3 Non-performing past due exposures		2	-	1	-	-	-
- of which: forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		90,484	-147	72,943	-120	1,315	-
- of which: forborne exposures		*13*	*-*	*140*	*-4*	-	-
Total (A)		**90,712**	**-335**	**73,055**	**-310**	**1,315**	**-**
B. Off-balance sheet exposures							
B.1 Non-performing exposures		91	-8	22	-2	-	-
B.2 Performing exposures		27,791	-8	66,502	-29	10,312	-
Total (B)		**27,882**	**-16**	**66,524**	**-31**	**10,312**	**-**
Total (A+B)	**31.12.2022**	**118,594**	**-351**	**139,579**	**-341**	**11,627**	**-**
Total (A+B)	**31.12.2021**	**155,202**	**-301**	**124,749**	**-576**	**10,072**	**-**

(millions of euro)

Exposures/Counterparties		Non-financial companies		Households	
		Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures					
A.1 Bad loans		681	-1,546	418	-945
- of which: forborne exposures		*219*	*-394*	*77*	*-123*
A.2 Unlikely to pay		2,727	-1,906	1,490	-853
- of which: forborne exposures		*1,212*	*-810*	*679*	*-251*
A.3 Non-performing past due exposures		133	-44	277	-95
- of which: forborne exposures		*17*	*-5*	*19*	*-6*
A.4 Performing exposures		201,804	-1,594	178,794	-880
- of which: forborne exposures		*5,048*	*-437*	*1,728*	*-112*
Total (A)		**205,345**	**-5,090**	**180,979**	**-2,773**
B. Off-balance sheet exposures					
B.1 Non-performing exposures		1,336	-249	55	-8
B.2 Performing exposures		216,744	-179	18,221	-26
Total (B)		**218,080**	**-428**	**18,276**	**-34**
Total (A+B)	**31.12.2022**	**423,425**	**-5,518**	**199,255**	**-2,807**
Total (A+B)	**31.12.2021**	**444,382**	**-10,582**	**193,298**	**-3,205**

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

(millions of euro)

Exposures/Geographical areas	Italy		Other european countries	
	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures				
A.1 Bad loans	956	-1,906	156	-610
A.2 Unlikely to pay	3,727	-2,417	557	-399
A.3 Non-performing past due exposures	344	-88	61	-44
A.4 Performing exposures	376,976	-1,648	116,563	-978
Total (A)	**382,003**	**-6,059**	**117,337**	**-2,031**
B. Off-balance sheet exposures				
B.1 Non-performing exposures	1,275	-219	99	-45
B.2 Performing exposures	169,505	-137	114,307	-84
Total (B)	**170,780**	**-356**	**114,406**	**-129**
Total (A+B) 31.12.2022	**552,783**	**-6,415**	**231,743**	**-2,160**
Total (A+B) 31.12.2021	**585,575**	**-12,838**	**231,907**	**-1,408**

(millions of euro)

Exposures/Geographical areas	America		Asia		Rest of the world	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures						
A.1 Bad loans	37	-76	1	-32	28	-48
A.2 Unlikely to pay	16	-63	43	-29	132	-48
A.3 Non-performing past due exposures	-	-	-	-	8	-7
A.4 Performing exposures	26,909	-45	14,481	-21	9,096	-49
Total (A)	**26,962**	**-184**	**14,525**	**-82**	**9,264**	**-152**
B. Off-balance sheet exposures						
B.1 Non-performing exposures	23	-	12	-	95	-3
B.2 Performing exposures	30,733	-7	11,622	-2	3,091	-12
Total (B)	**30,756**	**-7**	**11,634**	**-2**	**3,186**	**-15**
Total (A+B) 31.12.2022	**57,718**	**-191**	**26,159**	**-84**	**12,450**	**-167**
Total (A+B) 31.12.2021	**56,550**	**-148**	**29,087**	**-64**	**14,512**	**-206**

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

(millions of euro)

Exposures/Geographical areas		North West		North East		Centre		South and islands	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures									
A.1 Bad loans		254	-591	171	-316	236	-389	295	-610
A.2 Unlikely to pay		1,424	-864	522	-412	916	-582	865	-559
A.3 Non-performing past due exposures		104	-27	44	-12	77	-20	119	-29
A.4 Performing exposures		133,051	-688	72,057	-248	113,783	-384	58,085	-328
Total A		**134,833**	**-2,170**	**72,794**	**-988**	**115,012**	**-1,375**	**59,364**	**-1,526**
B. Off-balance sheet exposures									
B.1 Non-performing exposures		421	-49	467	-84	269	-73	118	-13
B.2 Performing exposures		72,661	-96	32,751	-15	49,630	-16	14,463	-10
Total B		**73,082**	**-145**	**33,218**	**-99**	**49,899**	**-89**	**14,581**	**-23**
Total (A+B)	**31.12.2022**	**207,915**	**-2,315**	**106,012**	**-1,087**	**164,911**	**-1,464**	**73,945**	**-1,549**
Total (A+B)	**31.12.2021**	**215,021**	**-4,799**	**104,749**	**-2,290**	**193,455**	**-3,006**	**72,350**	**-2,743**

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

(millions of euro)

Exposures / Geographical Areas		Italy		Other european countries	
		Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures					
A.1 Bad loans		-	-	-	-2
A.2 Unlikely to pay		-	-	-	-
A.3 Non-performing past due exposures		-	-	1	-
A.4 Performing exposures		103,544	-2	32,515	-25
Total (A)		**103,544**	**-2**	**32,516**	**-27**
B. Off-balance sheet exposures					
B.1 Non-performing exposures		-	-	-	-
B.2 Performing exposures		8,879	-	51,458	-65
Total (B)		**8,879**	**-**	**51,458**	**-65**
Total (A+B)	**31.12.2022**	**112,423**	**-2**	**83,974**	**-92**
Total (A+B)	**31.12.2021**	**136,133**	**-4**	**80,122**	**-11**

(millions of euro)

Exposures / Geographical Areas		America		Asia		Rest of the world	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures							
A.1 Bad loans		-	-	-	-2	-	-
A.2 Unlikely to pay		36	-12	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-	-
A.4 Performing exposures		6,314	-1	3,026	-1	2,634	-10
Total (A)		**6,350**	**-13**	**3,026**	**-3**	**2,634**	**-10**
B. Off-balance sheet exposures							
B.1 Non-performing exposures		2	-	-	-	10	-
B.2 Performing exposures		6,969	-	11,037	-	2,508	-1
Total (B)		**6,971**	**-**	**11,037**	**-**	**2,518**	**-1**
Total (A+B)	**31.12.2022**	**13,321**	**-13**	**14,063**	**-3**	**5,152**	**-11**
Total (A+B)	**31.12.2021**	**11,588**	**-14**	**13,093**	**-4**	**5,492**	**-10**

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

(millions of euro)

Exposures/Geographical areas	NORTH WEST		NORTH EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	3,845	-1	3,015	-	96,677	-1	7	-
Total A	**3,845**	**-1**	**3,015**	**-**	**96,677**	**-1**	**7**	**-**
B. Off-balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	6,465	-	749	-	1,661	-	4	-
Total B	**6,465**	**-**	**749**	**-**	**1,661**	**-**	**4**	**-**
Total (A+B) 31.12.2022	**10,310**	**-1**	**3,764**	**-**	**98,338**	**-1**	**11**	**-**
Total (A+B) 31.12.2021	**8,969**	**-3**	**1,474**	**-**	**125,485**	**-1**	**205**	**-**

B.4 Large exposures

Large exposures	
a) Book value (millions of euro)	258,353
b) Weighted value (millions of euro)	22,314
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 2022 are summarised below:

GARC Securitisations

Within the "GARC" transactions, Intesa Sanpaolo completed six new synthetic securitisations during the year: GARC High Potential-2, GARC Residential Mortgages-3, GARC Leasing-2, GARC Corp-5, GARC CRE-1 and GARC Infrastructure-1. Specifically:

i) For the GARC High Potential-2 transaction, the junior and mezzanine risk relating to a portfolio of around 0.5 billion euro in residential mortgages to around 7,000 retail customers, valued using internal models (Advanced IRB), was sold;
ii) For the GARC Residential Mortgages-3 transaction, the upper junior and mezzanine risk relating to a portfolio of around 1.4 billion euro of high LTV residential mortgages to around 12,800 retail customers, valued using internal models (Advanced IRB), was sold to specialist investors;
iii) For the GARC Leasing-2 transaction, the junior risk relating to a total portfolio of around 2.1 billion euro in finance leases to around 2,900 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-5 transaction, the junior risk relating to a total portfolio of around 7.5 billion euro in loans to around 4,500 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors;
v) For the GARC Commercial Real Estate-1 transaction, the junior risk relating to a total portfolio of around 1.9 billion euro in corporate and commercial real estate mortgage loans to around 150 counterparties in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors;
vi) For the GARC Infrastructure-1 transaction, the junior risk relating to a total portfolio of around 2.3 billion euro in corporate and project finance loans in the infrastructure segment to around 200 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors.

In compliance with the retention rule laid down by the supervisory regulations, for the first four transactions, Intesa Sanpaolo holds 5% of the securitised portfolio, while for the last two, it holds 10% of the securitised portfolio.

The portfolios of the transactions mainly consist of customers operating in Northern Italy.

Tranched Cover Fondo di Garanzia per le PMI Securitisation

During 2022, as part of the operations with the Guarantee Fund for SMEs, the ramp-up was completed of four tranched cover transactions on the junior risk of portfolios of newly disbursed loans in support of businesses adversely affected by the COVID-19 emergency, for a total of around 0.6 billion euro to around 1,700 businesses.

For these transactions, Intesa Sanpaolo holds at least 10% of the securitised portfolios in compliance with the retention rule laid down by the supervisory regulations.

Organa Securitisation

As part of the derisking strategy envisaged in the 2022-2025 Business Plan, and, specifically, in line with the 2022 derisking plan approved by the Board of Directors on 21 December 2021, in April 2022, Intesa Sanpaolo completed a process to deconsolidate a loan portfolio classified as "bad loans", through a securitisation and subsequent application for issue of a "GACS" government guarantee for the holders of senior notes issued as part of the 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 to be sold, identified as at 31 December 2021 (cut-off date), has a Gross Book Value (GBV) of around 4 billion euro (accounting GBV at pre-closing values, before PPA).

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

The securitised assets were broken down as follows by geographical area:

– 31.2% North-West;
– 25.0% Centre;
– 22.5% South and Islands;
– 21.1% North-East;
– 0.2% Outside Italy.

The breakdown of the assigned debtors by economic sector was as follows:

– 18.6% Production companies;
– 16.1% Consumer households;
– 14.9% Construction companies;
– 13.8% Wholesale and retail;
– 13.3% Real estate business;

- 8.0% Services;
- 15.3% other business sectors (Agriculture, Transport, Manufacturing).

The sale transaction was structured in two main phases:

(i) Self-securitisation: in that phase, the sale of the portfolio to a securitisation vehicle, Organa SPV S.r.l. (SPV), established pursuant to Italian Law 130/99, was completed, with Intesa Sanpaolo fully subscribing the senior, mezzanine and junior notes issued by the SPV to finance the purchase price of the portfolio. At the time of issue of the notes, Intesa Sanpaolo disbursed a loan with limited recourse as a liquidity facility for said SPV. In this phase of the transaction, as the risks and rewards of the assets sold had not yet been transferred, the portfolio continued to be consolidated in the Intesa Sanpaolo financial statements. Concurrent with the issue of the securitisation notes, Moody's, DBRS and Scope issued ratings for the senior class of notes - investment grade "BBB" or equivalent;

(ii) "Placement of the subordinated securities and deconsolidation of the portfolio sold": in that phase, the sale of 95% of the Mezzanine and Junior notes was finalised to a third party investor selected through syndication on the market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised, with the subsequent application for a GACS guarantee to the Ministry of the Economy and Finance and Concessionaria Servizi Assicurativi Pubblici. The guarantee was granted on 10 June 2022.

The SPV financed the acquisition of the portfolio by issuing 3 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 970 million euro, fully subscribed by Intesa Sanpaolo;
- mezzanine notes of 130 million euro, of which 6.5 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor;
- junior notes of 15 million euro, of which 0.8 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 that 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 2022-2025 Business Plan.

Teseo Securitisation

As part of the derisking strategy envisaged in the 2022-2025 Business Plan and, specifically, in line with the Board of Directors' resolution of 4 November 2022, on 21 November 2022 the sale of a performing loan portfolio deriving from leases originated by Intesa Sanpaolo was finalised through a securitisation pursuant to Law 130/99. The portfolio sold is composed of performing loans mainly in the Corporate SME segment (60% of the portfolio sold) and the Small Business Retail segment (26% of the portfolio sold) with a Gross Book Value (GBV) of around 3,761 million euro as at 31 October 2022 (date of identification of the portfolio).

As part of the transaction, in addition to being the originator, Intesa Sanpaolo is also the servicer of the portfolio.

The sale involved the transfer of the loans to the SPV, along with the transfer of the legal asset and liability relationships arising from the leases pertaining to the loans sold, where the ownership of the moveable and immovable property covered by those leases remained with Intesa Sanpaolo.

The securitised assets were broken down as follows by geographical area:

- 63.26% North;
- 23.76% Centre;
- 12.98% South and Islands.

The breakdown of the assigned debtors by economic sector was as follows:

- 27% Production companies;
- 22% Real Estate;
- 17% Wholesale and Retail;
- 34% other business sectors.

The breakdown by type of lease was as follows:

- 82.2% real estate leases;
- 10.5% equipment leases;
- 4.4% energy leases;
- 2.9% other (motor vehicles, aeronautical, etc.).

On 30 November 2022 the SPV financed the acquisition of the portfolio by issuing 4 classes of securities, two senior tranches, one fixed-rate and one floating-rate, both 100% subscribed by Intesa Sanpaolo. One mezzanine tranche and one junior tranche were 5% subscribed by Intesa Sanpaolo, in compliance with the retention rule laid down in the supervisory regulations. In detail:

– Class A1 – floating-rate senior – fully subscribed by Intesa Sanpaolo for a total of 2,632 million euro;
– Class A2 – fixed-rate senior – fully subscribed by Intesa Sanpaolo for a total of 564 million euro;
– Class B – mezzanine – subscribed by Intesa Sanpaolo for 9.4 million euro and the remainder by third parties;
– Class J – junior – subscribed by Intesa Sanpaolo for 20.5 million euro, at an issue price of 9.3 million euro, and the remainder by third parties.

With the completion of the transaction, Intesa Sanpaolo achieved full accounting and prudential deconsolidation of the portfolio.
More specifically, taking into account the retention of 5% of the classes issued (vertical slice), 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 addition, a significant credit risk transfer was carried out, in line with Article 244(2) of the CRR.
In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used, have been classified as follows:

– the senior and mezzanine classes under securities at amortised cost;
– the junior class under securities at fair value through profit or loss (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 2022-2025 Business Plan.

Quantitative information

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

On-balance sheet

(millions of euro)

Type of securitised asset/ Exposure	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**7,401**	**6**	**49**	**-10**	**16**	**-11**
– Loans to businesses (including SMEs) (*)	3,661	7	35	-9	5	-11
– Leases (**)	3,203	-1	13	-	10	-
– Residential mortgage loans (*)	537	-	1	-1	-	-
– Consumer credit	-	-	-	-	1	-
B. Partly derecognised	-	-	-	-	-	-
C. Not derecognised	**24,824**	**4**	**97**	**7**	**413**	**-3**
- Loans to businesses (including SMEs) (***) (****)	17,457	7	85	7	225	-
– Residential mortgage loans (****)	3,281	-1	12	-	160	-3
– Leases (****)	2,421	-1	-	-	12	-
– Commercial mortgage loans (****)	1,665	-1	-	-	16	-
TOTAL	**32,225**	**10**	**146**	**-3**	**429**	**-14**

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

(**) The amounts refer to the Portland securitisation relating to credit-impaired financial assets for amounts of 6 million euro - senior and 4 million euro - mezzanine, respectively (see the 2021 Consolidated Financial Statements for a description of the transaction) and the Teseo transaction relating to performing financial assets (described in the paragraph on "Qualitative information" of this Section).

(***) The amounts include non-performing financial assets amounting to 29 million euro in senior exposures, 53 million euro in mezzanine exposures and 17 million euro in junior exposures.

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

Off-balance sheet

This type of exposure did not exist as at 31 December 2022.

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	4	-	4	-	2	-
Covered bonds	36	-	16	-1	-	-
Commercial mortgage loans	126	-3	32	-1	-	-
Securitisations	167	-1	-	-	-	-
Trade receivables	213	-2	16	-1	-	-
Consumer credit	457	-	4	-	3	-
Residential mortgage loans	876	-12	91	-1	-	-
Loans to businesses (including SMEs)	1,526	-34	120	-7	2	-1
Other assets (*)	10,707	-6	-	-	-	-
TOTAL	**14,112**	**-58**	**283**	**-11**	**7**	**-1**

(*) The amount also includes the Romulus securities for 6,778 million, held by the Banking Group, generally represented among third-party securitisations, as well as loans to the vehicle Duomo Funding Plc for 3,541 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 (*)	-	-	-	-	-	-	(*)	(*)	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(*) With regard to the transactions carried out through Duomo Funding Plc and funded by ABCP, Intesa Sanpaolo has granted credit lines (amounting to 6,576 million euro in terms of net exposures and around 3 million euro of recoveries) to secure the assets included under "Other assets" in Table C.2 on-balance sheet exposures.

C.3. Prudential consolidation - Stakes in securitisation vehicles

(millions of euro)

SECURITISATION/ SPECIAL PURPOSE VEHICLE	REGISTERED OFFICE	CONSOLIDATION (a)	ASSETS (b)			LIABILITIES (b)		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Augusto S.r.l. (d)	Milano	(e)	-	-	2	13	-	-
Berica ABS 3 S.r.l. (h)	Vicenza	(e)	(f)	(f)	(f)	(f)	(f)	(f)
Brera Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	16,319	-	594	13,869	-	2,652
Clara Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	6,442	-	2,378	6,350	-	824
Diocleziano S.r.l. (d)	Milano	(e)	1	-	1	48	-	-
Giada Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	21,803	-	3,825	16,860	-	8,425
ISP CB Ipotecario S.r.l. (g)	Milano	(e)	16,631	-	4,877		18,612	
ISP CB Pubblico S.r.l. (g)	Milano	(e)	1,943	1,212	823		3,897	
ISP OBG S.r.l. (g)	Milano	(e)	54,200	-	6,533		60,537	
UBI Finance S.r.l. (g)	Milano	(e)	8,574	-	777		9,241	

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

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

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

(d) The amounts shown under assets and liabilities refer to the latest financial statement data available (31.12.2021).

(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.

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

C.4 Prudential consolidation – Unconsolidated securitisation vehicles

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.

(millions of euro)

	BERICA ABS 3 S.r.l. (*)
A. Assets	**197**
A.1 Loans	197
A.2 Securities	-
A.3 Other assets	-
B. Use of cash and cash equivalents	**13**
B.1 Deposits with banks	-
B.2 Prepayments and accrued income	-
B.3 Other	13
B Liabilities	**162**
B.1 Class A Securities issued	-
B.2 Class B Securities issued	18
B.3 Class C Securities issued	-
B.4 Class J Securities issued	115
B.5 Other liabilities	29
C. Interest expense and other expenses	**17**
D. Interest income and other revenues	**23**

(*) Vehicle used for securitisations involving residential mortgage loans. The securitised assets included in the vehicle were not derecognised pursuant to the international accounting standards.

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.	23	174	4	31	0%	100%	0%	81%	0%	0%
Intesa Sanpaolo	Brera Sec S.r.l. (*) (**)	61	16,258	7	1,673	0%	29%	0%	0%	0%	0%
Intesa Sanpaolo	Clara Sec S.r.l. (*)	30	6,412	10	2,159	0%	0%	0%	0%	0%	0%
Intesa Sanpaolo	Giada Sec S.r.l. (*) (***)	130	21,673	10	3,806	0%	0%	0%	0%	0%	0%
Intesa Sanpaolo	Teseo SPV S.r.l. (****)	-	3,644	-	-	0%	0%	0%	0%	0%	0%
Total		**244**	**48,161**	**31**	**7,669**						

During 2022 the Berica ABS 4 S.r.l. securitisation was extinguished.

(*) Vehicle used for self-securitisations.

(**) As regards Brera Sec S.r.l., in 2022 the Brera SME securitisation was extinguished.

(***) As regards Giada Sec S.r.l., in 2022 a new self-securitisation was structured, named Giada Bis, for which no notes had been redeemed as at 31 December 2022.

(****) Vehicle used for the new traditional securitisation of performing lease receivables called Teseo. Note that collections of 129 million euro remained with the vehicle, as the first payment date will be in March 2023.

C.6. Prudential consolidation – Consolidated securitisation vehicles

There were no transactions that used consolidated securitisation vehicles during 2022.

D. SALES

A. Financial assets sold not fully derecognised

Qualitative information

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

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

Quantitative information

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

(millions of euro)

	Financial assets sold fully recognised				Related financial liabilities		
	Book value	*of which: securitisations*	*of which: subject to sales contracts with repurchase clauses*	*of which: non-performing*	Book value	*of which: securitisations*	*of which: subject to sales contracts with repurchase clauses*
A. Financial assets held for trading	**599**	**-**	***599***	***X***	**615**	**-**	***615***
1. Debt securities	391	-	*391*	*X*	395	-	*395*
2. Equities	208	-	*208*	*X*	220	-	*220*
3. Loans	-	-	-	*X*	-	-	-
4. Derivatives	-	-	-	*X*	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	*X*	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**7,645**	**-**	***7,645***	**-**	**7,739**	**-**	***7,739***
1. Debt securities	7,645	-	*7,645*	-	7,739	-	*7,739*
2. Equities	-	-	-	*X*	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**5,458**	***27***	***5,431***	***3***	**5,150**	***18***	***5,132***
1. Debt securities	5,431	-	*5,431*	-	5,132	-	*5,132*
2. Loans	27	*27*	-	*3*	18	*18*	-
TOTAL 31.12.2022	**13,702**	***27***	***13,675***	***3***	**13,504**	***18***	***13,486***
TOTAL 31.12.2021	**14,213**	***98***	***14,115***	***10***	**12,546**	***67***	***12,479***

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 repurchase agreements and, to a lesser extent, loans to customers assigned 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	31.12.2022	31.12.2021
A. Financial assets held for trading	**599**	**-**	**599**	**647**
1. Debt securities	391	-	391	446
2. Equities	208	-	208	201
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**7,645**	**-**	**7,645**	**8,548**
1. Debt securities	7,645	-	7,645	8,548
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost (fair value)	**4,812**	**-**	**4,812**	**5,018**
1. Debt securities	4,785	-	4,785	4,920
2. Loans	27	-	27	98
Total financial assets	**13,056**	**-**	**13,056**	**14,213**
Total related financial liabilities	**13,504**	**-**	**13,504**	**12,546**
Net value 31.12.2022	**-448**	**-**	**-448**	**X**
Net value 31.12.2021	**1,667**	**-**	**X**	**1,667**

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 2022.

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 2022, 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 previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, in the third quarter of 2020 the Intesa Sanpaolo Group begun the deconsolidation of a portfolio of credit exposures (including real estate assets and contracts) classified as unlikely to pay with real estate underlying held by the Parent Company~~,~~ accompanied by their conversion into units of the securities fund called Back2Bonis.
The transaction, the closing of which took place at the end of 2020, took the form for the Bank ~~(~~including the transactions undertaken in 2019 and 2020 by UBI Banca, merged in 2021) of the sale of a portfolio of loans, short-term legal relationships and legal relationships and assets from lease receivables for a total gross amount of 351 million euro and net exposure of 164 million euro, accompanied by the subscription of the units of the Back2Bonis Fund for an amount of 164 million euro, substantially in line with the net value of the loans and receivables sold.
The transaction was completed through: (i) the sale to the securitisation vehicle Ampre S.r.l. of the bank receivables and the lease receivables; (ii) the sale to Ampre LeaseCo S.r.l. of the legal relationships and assets arising from the leases; (iii) the sale of the short-term revolving contracts and the related legal relationships and receivables of ISP, together with the medium/long-term contracts with residual disbursements and the related legal relationships, other than the lease relationships and assets through the fronting bank provided by Banca Finanziaria Internazionale S.p.A.; (iv) the subscription by the Back2Bonis Fund of all the securities issued by the securitisation vehicle; and (v) the acquisition by Intesa Sanpaolo of the units of the Fund in exchange for the loans and receivables sold.

In 2022, additional loans were sold, for a gross amount of 1 billion euro and net exposure of 216 million euro, accompanied by the subscription of units of the Back2Bonis Fund, for an amount of 216 million euro, with the sale price offset against the subscription price of the Fund's units, without significant effects on the income statement for 2022.

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

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
– "Production companies" at 79.9%;
– "Construction companies" at 12.9%;
– "Real estate business" at 3.5%;
– "Financial and insurance business" at 2.6%;
– and a residual amount in other business sectors (Services, Transport and Manufacturing Activities).

The assets of the assigned debtors were broken down as follows by geographical area:
– 92.2% North-West;
– 3.5% North-East;
– 3.2% South and Islands;
– 1.1% Centre.

At 31 December 2022, the Parent Company held a 55.4% stake (with voting rights limited to 35%) in the Back2Bonis Fund, classified among investments subject to significant influence, for a consolidated book value of 387 million euro.

FI.NAV. Fund

In pursuit of the de-risking activities provided for in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, in the fourth quarter of 2018 the Intesa Sanpaolo Group had launched the contribution to the FI.NAV. Fund (a closed-end Italian securities umbrella fund) of a portfolio of non-performing secured and unsecured loans attributable to the shipping sector.
The Fund, reserved for institutional investors, is managed by the asset management company 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, dedicated to receiving the loans transferred by the Intesa Sanpaolo Group and Unicredit, and FI.NAV. Sub-fund B – New Finance, dedicated to receiving the capital of third-party investors to relaunch the “repossessed” ships.
The transaction, formulated in 2018, was closed in 2019 through a sale of receivables without recourse for total gross consideration of 155 million euro and a net exposure of 102 million euro, equal to the sale price, set off against the price of subscription of the Fund units and, therefore, without
any effects on the income statement for 2019.
In the first quarter of 2020, a further tranche was sold without recourse for a gross amount of 37 million euro and a net value of 34 million euro, in line with the sale price and, therefore, with no impact on the income statement for 2020.
Pursuant to IFRS 9, for the Intesa Sanpaolo Group the transaction entailed the derecognition of the loans sold since the Fund has become solely responsible for managing them following the sale; the Intesa Sanpaolo Group had therefore derecognised the loans concerned, while recognising the corresponding fair value of the units of the Fund assigned.
The Group companies involved in the transaction were the Parent Company Intesa Sanpaolo and some of its subsidiaries merged in 2019 and 2020 (Cassa di Risparmio in Bologna and Mediocredito, both merged in 2019, and Banca IMI, merged in 2020).

In December 2022 the sale of a loan portfolio was finalised for a gross amount of 74 million euro and net exposure of 36 million euro, accompanied by the subscription of the units of the fund for an amount of 36 million euro, essentially in line with the value of the exposure sold, without significant effects on the income statement for 2022.

The economic sector of the assigned debtors was mainly concentrated in Transport. The transferred financial assets are primarily in the South and Islands area.

At 31 December 2022, the Parent Company ISP held a 50.54% stake in the FI.NAV. Fund, classified among investments subject to significant influence, for a book value of 155 million euro. The measurement of the FI.NAV. Fund yielded a positive effect of 7 million euro. Of this, +13 million euro was recognised through profit and loss, and refers to the change in the NAV and the discount applied, while -6 million euro refers to foreign exchange differences, and is recognised, as per the IAS 28 investment policy, in a specific shareholders’ equity reserve.

RSCT Fund – Loans Sub-Fund

As part of the derisking envisaged in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, the Intesa Sanpaolo Group had identified the opportunity to transfer assets (loans and securities) relating to non-performing positions to the closed-end RSCT FUND, in exchange for units of the fund. The project was managed by Pillarstone, which had selected a portfolio of industrial and commercial companies with the objective of helping each of them to identify a strategy for maximising the potential for debt recovery, also through injections of new finance. The transaction took place in May 2020 with the transfer of a portfolio of loans with 18 companies originated by the 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 2022, the Parent Company ISP held a 70.07% stake in the RSCT Fund, classified among investments subject to significant influence, for a book value of 256 million euro. The measurement of the RSCT Fund yielded a negative effect for the year of 4 million euro.

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

In 2018, the Intesa Sanpaolo Group (specifically Intesa Sanpaolo and the banks subsequently merged into Intesa Sanpaolo: Cassa di Risparmio del Veneto, Cassa di Risparmio di Firenze, Cassa di Risparmio del Friuli Venezia Giulia, Cassa di Risparmio in Bologna, and Mediocredito) participated in the closed-end Italian fund IDEA CCR Corporate Credit Recovery II - Loans Sub-fund, managed by Dea Capital Alternative Funds S.G.R. S.p.A. and dedicated to the recovery of mid-size Italian companies in situations of financial tension but with solid industrial fundamentals. The transaction, which was completed in 2018, was undertaken by contributing non-performing loans with a nominal value of 59 million euro and a net exposure to the sale price of 39.2 million euro, with the price of sale offset against the subscription price, of equal amount, of the units of the IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-Fund. In 2021, the 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.

In 2022, the investment of the Parent Company Intesa Sanpaolo in the IDEA CCR Fund changed due to: i) the inclusion of the stake held by UBI Leasing S.p.A., merged into ISP in May 2022, which had sold loan positions to the IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-Fund in 2019 for a total gross amount of 5 million euro and a net exposure of 3 million euro, with the sale price offset against the subscription price, in the same amount, of the Fund units, and ii) the sale of A1 units held by ISP in the Fund to Banca Nazionale del Lavoro S.p.A.. The receivable held by ISP in relation to the sale was settled by offsetting with the purchase of units of Back2Bonis. As at 31 December 2022, Intesa Sanpaolo held a 19.98% 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 46 million euro. The measurement of the IDEA CCR II Fund yielded a positive effect on the income statement for the year of 4 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 sub-funds: loans, 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 2021 was merged into Intesa Sanpaolo, had sold loans with a total gross amount of 45 million euro and a net exposure of 31 million euro. As at 31 December 2022, 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 11 million euro. The measurement of the IDEA CCR Corporate Credit Recovery II Fund - Shipping Sub-fund yielded no effects during the year for the consolidated financial statements.

Clessidra Restructuring Fund

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

As at 31 December 2022, Intesa Sanpaolo held a 4.34% stake in the CRF Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 9 million euro. The measurement of the Clessidra Restructuring Fund yielded a positive effect of 1 million euro during the year.

UTP Italia Fund – Loans Sub-Fund

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

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

– "Production Companies" at 80%;
– "Companies with fewer than 20 workers" at 9.1%;
– and a residual amount in other business sectors (Consumer households, Other financial intermediaries).

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

– 35.0% North-West;
– 18.3% North-East;
– 32.6% South and Islands;
– 14.1% Centre.

As at 31 December 2022, Intesa Sanpaolo held a 27.58% stake in the UTP Italia Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 25 million euro.

Efesto

Efesto is an alternative closed-end Italian securities fund (AIF). In July 2022 the sale of loans was finalised for a gross amount of 17 million euro and net exposure of 9 million euro, accompanied by the subscription of the units of the fund for an amount of 7 million euro, without significant effects on the income statement for 2022. The economic sector of the assigned debtor is "Production Companies". The financial asset sold is located in the North-west area. As at 31 December 2022, Intesa Sanpaolo held a 2.44% stake in the Efesto Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 8 million euro. The measurement of the Efesto Fund yielded a positive effect of 1 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. 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.

As at 31 December 2022, loans and securities sold to the vehicle had a book value of 3.2 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 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.

During 2022 the tenth series was fully subject to early redemption, for a total nominal amount of 250 million euro, and the twelfth series was partially redeemed for 225 million euro.

Therefore, as at 31 December 2022, a total nominal amount of 3.1 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP CB Pubblico was outstanding, fully subscribed by 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 38.4 billion euro (net of retrocessions).

During 2022, the following additional transactions were also finalised:

– in January repurchases were carried out for an amount of 116 million euro;
– in May sales were carried out for an amount of 2.7 billion euro.

As at 31 December 2022, the loans sold to the vehicle had a book value of 16.6 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 34.9 billion euro (of which a total of 20.6 billion euro subject to early redemption or matured at December 2022).

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.
During 2022, two series matured for an amount of 2.2 billion euro and one series was issued for an amount of 1 billion euro.
Accordingly, as at 31 December 2022, a total nominal amount of 14.3 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 8.4 billion placed with third party investors and 5.9 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 94.4 billion euro (net of exclusions).
In 2022, Intesa Sanpaolo sold mortgages to the vehicle for an original total nominal value of 12 billion euro (net of exclusions). The following sales were carried out:

- in June, sales for an amount of 6.2 billion euro;
- in November, sales for a total of 6 billion euro.

In addition, the following loans were repurchased in 2022:

- in January, for an amount of 281 million euro.

As at 31 December 2022, the loans sold to the vehicle by Intesa Sanpaolo had a book value of 54.2 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 rating.
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.
During 2022, the forty-seventh series was issued for 10 million euro.
Accordingly, as at 31 December 2022, a total nominal amount of 45.9 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP OBG was outstanding, fully subscribed by Intesa Sanpaolo.

The fourth programme was launched by the former UBI Banca Group in 2008.
Former UBI Banca, merged into Intesa Sanpaolo S.p.A. during 2021, included two covered bond programmes, run by two special purpose vehicles named UBI Finance S.r.l. and UBI Finance CB2 S.r.l., respectively. The latter was closed in January 2021.
The former programme still provides Intesa Sanpaolo with the right to issue securities, targeted to institutional investors, for a maximum amount of 15 billion euro. The Programme includes residential mortgage loans assigned by the UBI Group's network banks. These banks participated in the programme as Originator Banks and Lending Banks.
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.
During 2022, four series matured for a total amount of 1.4 billion euro.
As at 31 December 2022 a total nominal amount of 7.7 billion euro of issues made as part of the covered bond programme of the vehicle UBI Finance was outstanding, of which 7.5 billion placed with third party investors and 0.2 billion retained.
As at 31 December, the bonds under the programme were assigned an Aa3 rating from Moody's and AA from DBRS Morningstar.
In 2022, Intesa Sanpaolo sold mortgages to the vehicle for an original total nominal value of 751 million euro.
The following transactions were carried out:

- in June, a sale for an amount of 823 million euro;
- in February, repurchases were carried out for an amount of 72 million euro.

As at 31 December 2022, the loans sold to the vehicle had a book value of 8.6 billion euro.

The key figures for ISP CB Pubblico, ISP CB Ipotecario, ISP OBG, and UBI Finance as at 31 December 2022 are shown in the table below.

(millions of euro)

COVERED BOND		VEHICLE DATA		SUBORDINATED LOAN [(1)]	COVERED BONDS ISSUED	
		Total assets	Cumulated write-downs on securitised portfolio	amount	Nominal amount (2)	Book value (2)
ISP CB PUBBLICO	Performing public sector loans and securities	3,978	21	3,897	-	-
ISP CB IPOTECARIO	Residential mortgages	21,508	33	18,612	8,702	8,328
ISP OBG	Mortgages	60,733	192	60,537	-	-
UBI FINANCE	Residential mortgages	9,351	65	9,241	7,497	7,108

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

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

In addition to this type of Covered Bonds, provided for by Italian law (Law 80/2005), there are some mortgage bonds issued by the Slovak investee VUB. These are securities whose nominal value and returns are guaranteed by mortgage loans, i.e. loans to individuals with residual maturities up to 30 years, backed by a pledge on property located in the Slovak Republic, with a maximum loan-to-value of 80%.
Each issue has specific coverage, and the entire nominal value of the issue, including interest, must be backed by mortgage loans on local properties on at least 90% of their nominal value, and the remaining 10% possibly by liquidity or deposits with the National Bank of Slovakia, the European Central Bank, other European central banks or banks that meet the criteria set out in Art. 129(1)(c) of Regulation (EU) 575/2013.
To cover the negative net cash flows expected from the covered bonds at 180 days, the issuer must maintain high-quality liquid assets pursuant to Articles 10 and 11 of Regulation (EU) 61/2015.
As at 31 December 2022, the subsidiary VUB had issued 4 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 2022, the expected loss on performing loans to customers (which takes account of cash and unsecured loan types) was 0.40%, substantially in line with the figure for 2021 (0.39%). The stable incidence is due to the offsetting of the increased risk from counterparties involved in the Russia-Ukraine conflict, and the activities of derisking and improvement in the credit quality recorded in the second half of the year.
As at 31 December 2022, economic capital was 2.00% of disbursed loans, down, considering performing loans to customers only, on the figure for 2021 (-0.44%). That change is attributable to the above-mentioned improvement in the quality of the portfolio, as well as the inclusion of the most significant international subsidiary banks in the analytical calculations of economic capital.
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 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 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 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 that 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.).

(millions of euro)

	BOOK VALUE (supervisory scope)	MAIN RISK MEASUREMENT METRICS		
		VaR	Other	Risk factors measured using metrics included under Other
Assets subject to market risk	**645,478**	**93,608**	**551,870**	
Financial assets held for trading	42,614	42,260	354	Interest rate risk, credit spread, equity
Financial assets designated at fair value	1	1	-	-
Other financial assets mandatorily measured at fair value	5,706	176	5,530	Interest rate risk, credit spread, equity
Financial assets measured at fair value through other comprehensive income (ifrs 7 par. 8 lett. h))	49,716	48,342	1,374	Interest rate risk, credit spread, equity
Due from banks	32,887	-	32,887	Interest rate risk
Loans to customers	495,952	-	495,952	Interest rate risk
Hedging derivatives	10,062	2,829	7,233	Interest rate risk
Investments in associates and companies subject to joint control	8,540	-	8,540	Equity risk
Liabilities subject to market risk	**731,920**	**55,340**	**676,580**	
Due to banks	137,217	-	137,217	Interest rate risk
Due to customers	456,640	-	456,640	Interest rate risk
Securities issued	77,389	-	77,389	Interest rate risk
Financial liabilities held for trading	46,533	46,462	71	Interest rate risk
Financial liabilities designated at fair value (ifrs 7 par. 8 lett. e))	8,795	8,795	-	-
Hedging derivatives	5,346	83	5,263	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 (Value at Risk) 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 UCI with daily liquidity and (iii) 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 (RAF). 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. limits of negative maximum exposure of the valuation reserve, ceilings for transactions with issuer risk).

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 represents the main portion of the Group's market risks, while some other Group subsidiaries hold smaller trading books with a marginal risk (approximately less than 1% of the Group's overall management risk): in particular, the risk factors of the international subsidiaries' trading books are local government bonds, positions in interest rates, and foreign exchange rates relating to linear pay-offs.

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 2022, on approving the ordinary annual update of the market risk managerial framework (as part of the 2022 Group Risk Appetite Framework), the Board of Directors confirmed a specific limit for trading within an overall limit for trading and the hold to collect and sell (HTCS) business model.

Sensitivity and greeks

Definition: sensitivity measures the risk attributable to a change in the theoretical value of a financial position to changes of a defined quantity of risk factors connected thereto. It therefore summarises:

- the extent and direction of the change in the form of multipliers or monetary changes in theoretical value;
- without explicit assumptions on the time horizon;
- without explicit assumptions of correlation between risk factors.

Method: the sensitivity indicator can be constructed using the following techniques:

- calculation of prime and second derivatives of the valuation formulae;
- calculation of the difference between the initial value and that resulting from the application of unidirectional shocks independent of risk factors (delta, gamma, vega, CR01 and PV01).

Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

Level measures

Definition: Level measures, used also as ratios, are indicators supporting synthetic risk metrics which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. In particular, level measures make it possible to monitor the nature of exposures to certain issuers and economic groups.

The main level measure indicators are nominal (or equivalent) position and average duration metrics; level indicators also include the Negative Maximum Exposure of the Valuation Reserve measures characteristic of the HTCS business model.

Method: nominal (or equivalent) position is determined by identifying:

- the notional amount;
- the mark to market;
- the conversion of the position of one or more instruments to that of a given benchmark (equivalent position);
- the FX exposure.

When determining the equivalent position, risk is defined as the value of the various assets, converted into an aggregate position that is "equivalent" in terms of sensitivity to the change in the risk factors investigated.

At Intesa Sanpaolo the approach is characterised by extended use of ceilings in terms of MtM, as representative of the value of the assets as recognised.

Stress tests

Definition: stress tests are conducted periodically to identify and monitor potential vulnerabilities in trading books upon the occurrence of extreme, rare events not fully captured by VaR models.

Method: Stress tests for management purposes are applied periodically to market risk exposures, typically adopting:

- sensitivity analysis, which measures the potential impact on the main risk metrics of a change in a single risk factor or simple multi-risk factors;
- scenario analysis, which measures the potential impact on the main risk metrics of a certain scenario that considers multiple risk factors.

The following stress exercises are included in the Group's Stress Testing Programme:

- multi-risk exercise, based on scenario analysis, which enables the forward-looking assessment of the simultaneous impact on the Group of multiple risk factors, also taking into account the interrelationships between them and, where applicable, the top management's reaction capacity;
- regulatory multi-risk exercise, ordered and coordinated by the supervisor/regulator which defines its general assumptions

and scenarios, requires the full revaluation of the impacts with the resulting need of contributions from the specialist departments of the Chief Risk Officer and Chief Financial Officer Governance Areas;
- situational exercise, ordered by the top management or by the supervisor/regulator in order to assess the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.) from a forward-looking perspective;
- a single or specific risk exercise to assess the impact of scenarios (or single or more specific risk factors) on specific risk areas.

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: that period was identified considering the following guidelines:
- 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 2022 Financial Statements, the period for the measurement of Stressed VaR for Intesa Sanpaolo was from 3 October 2011 to 20 September 2012.
For managerial purposes, the stressed VaR metric is calculated on the entire set of the Group's portfolios measured at fair value (trading and FVOCI in the banking scope) and the stressed period is revised at least annually, together with the annual update to the market risk management framework (Risk Appetite Framework).

Incremental Risk Charge (IRC)
Definition: The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure, which is additional to the VaR, is applied to the entire trading book of Intesa Sanpaolo (just as for the other regulatory metrics, it is not applied to the sub-portfolios).
The IRC enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.
This measure applies to all financial products that are sensitive to credit spreads included in the trading book 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

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Total GroupTrading Book [(a)]	26.6	21.5	31.0	26.0	22.8	21.4
of which: Group Treasury and Finance Department	6.6	4.9	9.4	7.2	6.1	3.8
of which: IMI C&IB Division	*24.7*	*18.7*	*31.0*	*26.0*	*21.2*	*17.5*

Each line in the table sets out past estimates of daily VaR calculated on the histrorical quarterly time-series of the Intesa Sanpaolo Group (including other subsidiaries), the Group Treasury and Finance Department and the IMI C&IB Division respectively; minimum and maximum values for the overall perimeter are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

(a) The Group Trading Book figure includes the managerial VaR of the Group Treasury and Finance Department, the IMI C&IB Division (Trading Book perimeter) and the other subsidiaries.

During the fourth quarter of 2022, as shown in the table above, compared to the averages for the third quarter of 2022, trading managerial risks were substantially stable (26.6 million euro in the fourth quarter of 2022 and 26 million euro in the third quarter of 2022).
Instead, with regard to the overall performance in 2022, compared to the same period of 2021, the trading managerial VaR decreased slightly, also due to lower market volatility compared to the exceptional market shocks connected with the spread of the COVID-19 pandemic. In particular, there was a reduction from 26.7 million euro in 2021 to 24.1 million euro in 2022.

Daily managerial VaR of the trading book - Comparison 2022 – 2021

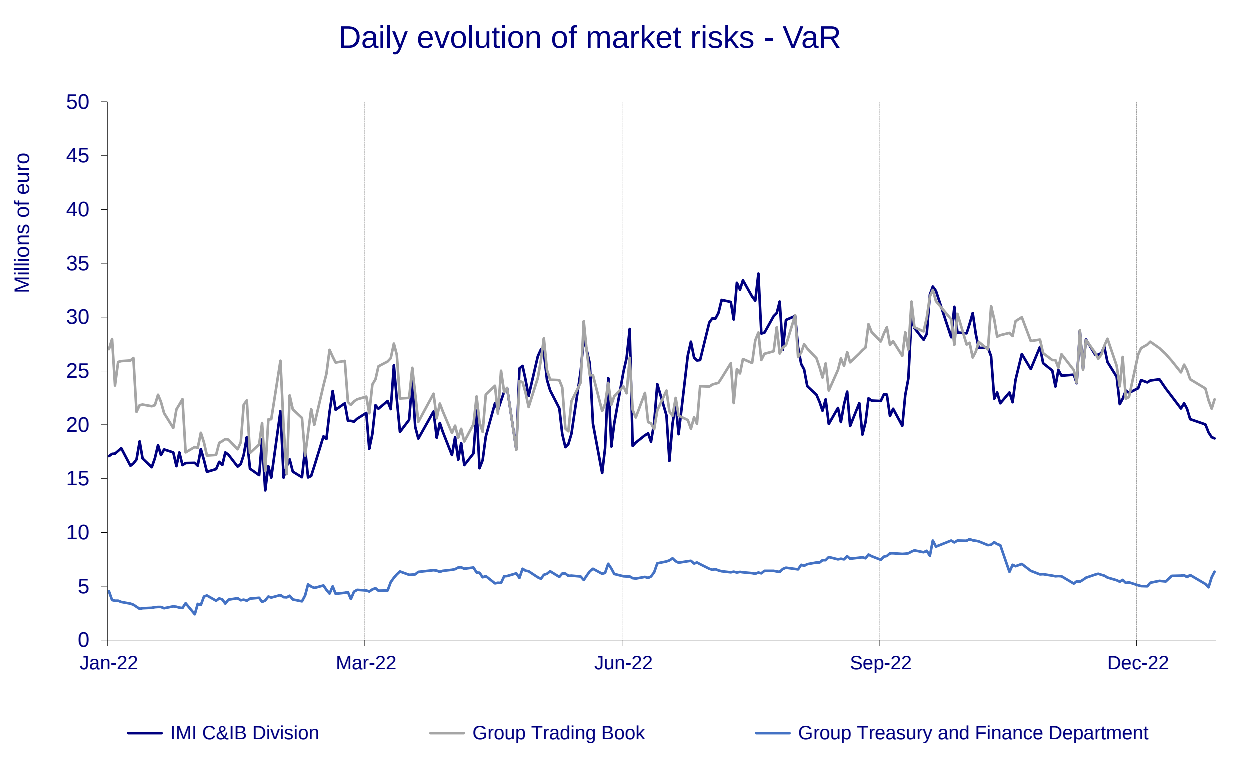
(millions of euro)

	2022				2021		
	average	minimum	maximum	last day	average	minimum	maximum
Total GroupTrading Book [(a)]	24.1	15.4	32.5	22.4	26.7	16.9	57.8
of which: Group Treasury and Finance Department	5.9	2.4	9.4	6.4	2.8	2.3	5.6
of which: IMI C&IB Division	*22.3*	*13.9*	*34.1*	*18.7*	*25.7*	*16.0*	*51.9*

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.

The trend in the trading VaR in the fourth quarter of 2022 was mainly marked by transactions conducted by the IMI C&IB Division. Specifically, as shown in the chart below, there was a gradual decrease attributable to transactions in developed market government securities and credit indices. 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 2022 shows a prevalence of credit spread risk and interest rate risk, accounting for 34% and 29%, respectively, of the Group's total managerial VaR. Instead, the single risk-taking centres show a prevalence of exchange rate risk and interest rate risk for the Group Treasury and Finance Department (46% and 44%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (40% and 29%, respectively).

Contribution of risk factors to total managerial VaR

4th quarter 2022	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	4%	44%	6%	46%	0%	0%
IMI C&IB Division	13%	29%	40%	5%	8%	5%
Total	**11%**	**29%**	**34%**	**15%**	**7%**	**4%**

(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 2022, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

Risk control with regard to the activity of the Intesa Sanpaolo Group also uses scenario analyses and stress tests. The impact of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates and commodity prices at the end of December is summarised in the following table:

(millions of euro)

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	Crash	Bullish	+40bps	lower rate	-25bps	+25bps	-5%	+5%	Crash	Bullish
Total Trading Book	55	15	17	10	-16	19	22	-13	-17	6

Specifically:
- for stock market positions, there would not be potential losses either in the case of sudden increases in stock prices or in the case of sharp decreases therein;
- for positions in interest rates, there would not be potential losses either in the case of sudden increases or decreases therein;
- for positions in credit spreads, a tightening of credit spreads of 25 bps would result in an overall loss of 16 million euro;
- for positions in exchange rates, there would be potential losses of 13 million euro in the event of appreciation in the Euro against the other currencies;
- finally, for positions in commodities, there would be a loss of 17 million euro in the event of a fall in prices of commodities other than precious metals.

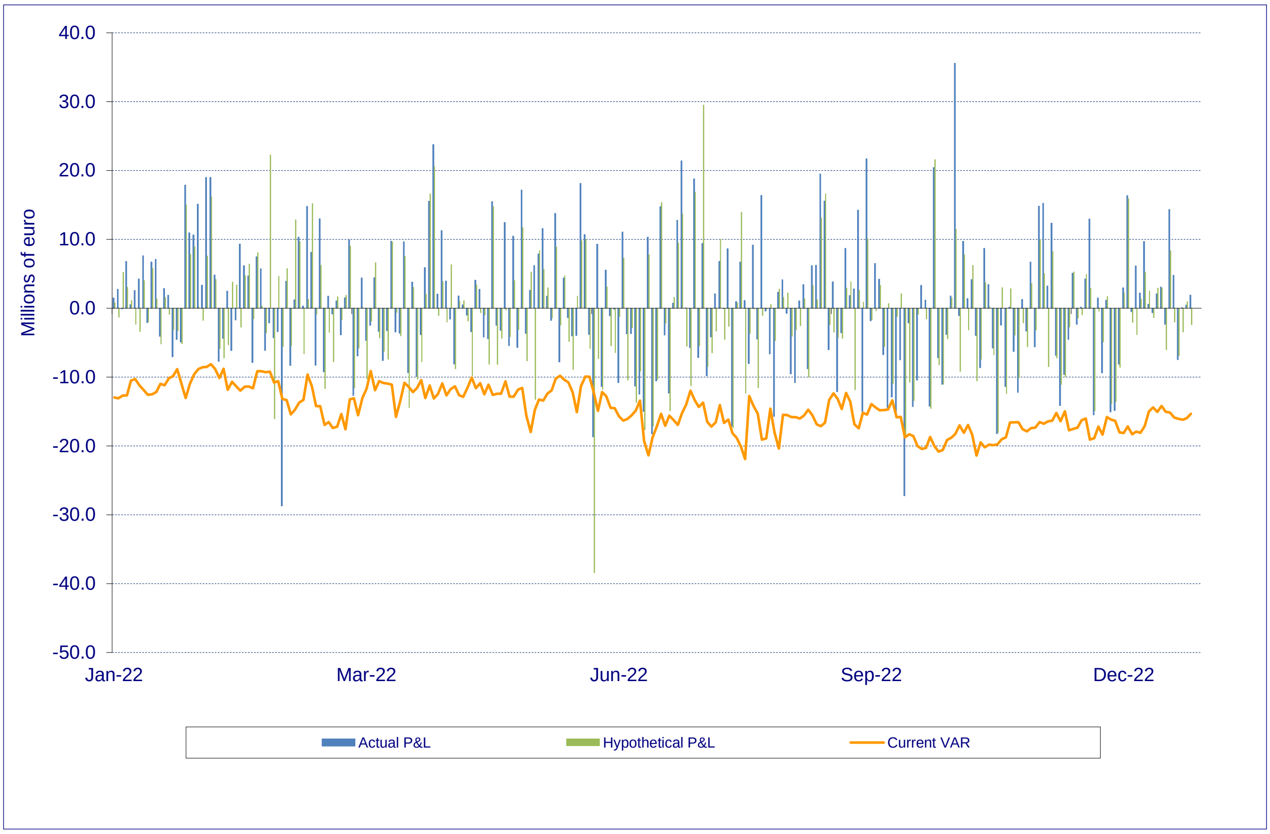
With regard to the use of the overall limit relating to trading and the hold to collect and sell (HTCS) business model, there was an overall reduction in the market managerial VaR in the fourth quarter of 2022 from 207 million euro (average managerial VaR third quarter 2022) to 155 million euro (average managerial VaR fourth quarter 2022).

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.

During the last year there were three backtesting exceptions[104] for the regulatory VaR measure of Intesa Sanpaolo. The breaches were not due to portfolio turnover but to peaks of volatility in the interest rate and credit risk factors.



[104] In the last 250 observations, the Bank recorded three Actual P&L exceptions and three Hypothetical P&L exceptions. For the total calculation, as per the reference regulations, the maximum between Actual P&L and Hypothetical P&L exceptions is counted. Accordingly, there were three backtesting exceptions in the last year.

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%	8%	40%	12%	3%	5%	32%
Total	**100%**	**8%**	**40%**	**12%**	**3%**	**5%**	**32%**

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 securitisation segments.

Impacts from the COVID-19 pandemic

With regard to operating and regulatory market risks, during 2022 there were no changes in the risk metrics attributable to the context resulting from the COVID-19 pandemic.

Impacts of the Russia-Ukraine conflict

There were no significant impacts of the Russia-Ukraine conflict on the metrics for measuring market risk in the Group's trading book.

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 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 (sensitivity or ΔEVE) and net interest income sensitivity (ΔNII). The consolidated ΔEVE limits reflect, consistent with the context and regulatory instructions, the average expected exposure of the Group's EVE. The expected average level is quantified within the RAF and defined as the average exposure that the Group expects to take during the year. The Group's consolidated 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 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 and approved by the Group Financial Risk Committee (GFRC). These limits take account of the characteristics of the banks'/divisions' portfolios, with particular reference to intermediated volumes, average durations, the type of instruments traded and the Company's strategic mission within the Group.

The Financial and Market Risks Head Office Department performs monthly checks that the limits and early warning level approved in the Risk Appetite Framework (RAF) are observed at the consolidated and individual level. In addition, the Group has adopted a specific internal policy document regarding interest rate risk (the IRRBB Guidelines) subject to approval by the Board of Directors, which governs the Group's entire interest rate risk management framework and in particular the aspects of governance, methods of use and formulation of scenarios.
The IRRBB Guidelines define the methods for measuring the financial risks generated by the Group's banking book:

1. Sensitivity of economic value (ΔEVE);
2. Net interest income sensitivity (ΔNII);
3. Credit Spread Risk of the Banking Book (CSRBB);
4. Value at Risk (VaR).

These measures are available for each relevant currency in the banking book.

The **sensitivity of the economic value** (or fair value 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 contractual rate, FTP (internal fund transfer price) or risk-free rate (Euribor/Libor) 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 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 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. The reference area is represented by 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) on the EVE, which introduces an "early warning" of 15% of Tier 1, calculated with reference to the BCBS scenarios (Parallel shock up, Parallel shock down, Steepener 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 2022, the strategies and safeguards implemented in the framework of interest rate risk management were put into place to protect net interest income against potential additional negative impacts of COVID-19. Net interest income was stabilised through measures to cover the viscousness of customer demand deposits by entering into hedging derivatives and natural hedges with mortgage loans to customers.

Impacts of the Russia-Ukraine conflict
The Russia-Ukraine conflict resulted in a generalised increase in the spread against the German Bund and, as a result, an increase in the related returns. With regard to the interest rate risk generated by the Intesa Sanpaolo Group's banking book, this increase resulted in a reduction in exposure of the government bond portfolio.

Quantitative information

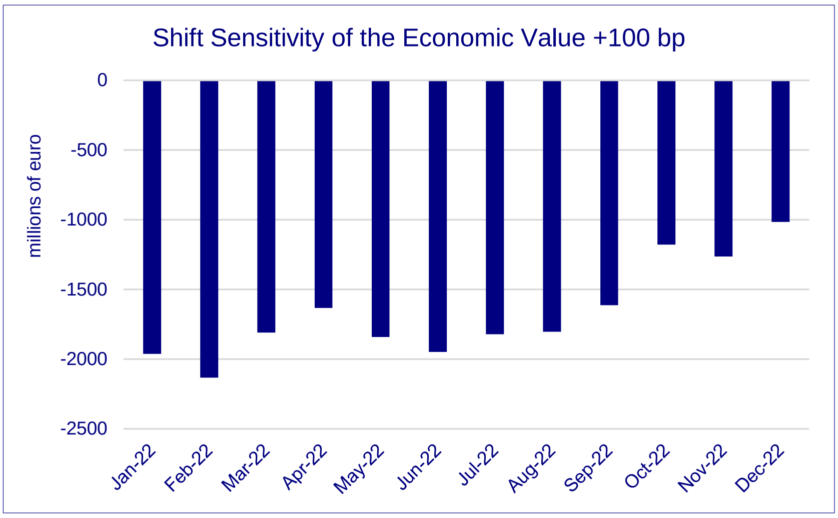
Banking book: internal models and other sensitivity analysis methodologies
In 2022, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of value, averaged -1,669 million euro, with a maximum of -2,134 million euro and a minimum value of -1,016 million euro, with the latter coinciding with the value at the end of December 2022. The latter figure decreased by 740 million euro on the end of 2021, when it came to -1,756 million euro. The reduction in the last few months of 2022 originates from the effect of the increase in interest rates, as well as derivatives to hedge loans and the decrease in the HTCS securities portfolio.

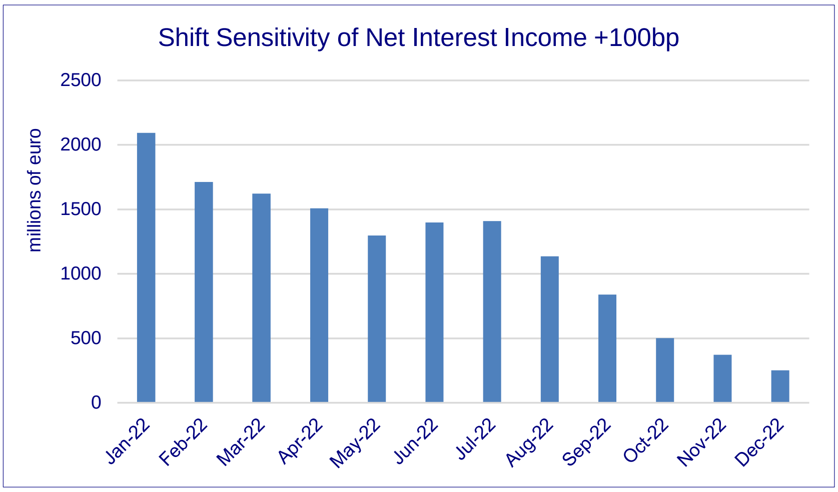
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 633 million euro, -668 million euro and 251 million euro, respectively, at the end of December 2022. The latter figure decreased (-1,596 million euro) on the end of 2021, when it came to 1,847 million euro. The reduction was impacted by both the change in the rules of indexation of operations with the ECB, made at the end of October, and the rise in short-term market rates, which resulted in increased responsiveness of on demand deposits from customers envisaged by the behavioural model.

The following table and charts provide a representation of the performance of the shift sensitivity of economic value (or the shift sensitivity of fair value) and the shift sensitivity of net interest income.

(millions of euro)

	2022			31.12.2022	31.12.2021
	average	minimum	maximum		
Shift Sensitivity of the Economic Value +100 bp	-1,669	-1,016	-2,134	-1,016	-1,756
Shift Sensitivity of Net Interest Income -50bp	-790	-641	-903	-668	-880
Shift Sensitivity of Net Interest Income +50bp	844	617	1,105	633	962
Shift Sensitivity of Net Interest Income +100bp	1,179	251	2,094	251	1,847





Interest rate risk, measured in terms of VaR, averaged 643 million euro in 2022, with a maximum value of 885 million euro and a minimum value of 442 million euro, with the latter coinciding with the value at the end of December 2022. The latter figure decreased by 67 million euro compared to 509 million euro at the end of 2021. That change is largely due to the decrease in exposure recorded especially in the last few months of 2022.

Foreign exchange risk expressed by equity investments in foreign currency (banking book) and measured in terms of VaR averaged 155 million euro in 2022, with a minimum value of 74 million euro and a maximum value of 252 million euro, standing at 126 million euro at the end of December 2022, up by 33 million euro on the value of 93 million euro at the end of December 2021. That change is due to the increase in the volatility of the Russian rouble and the Egyptian pound.

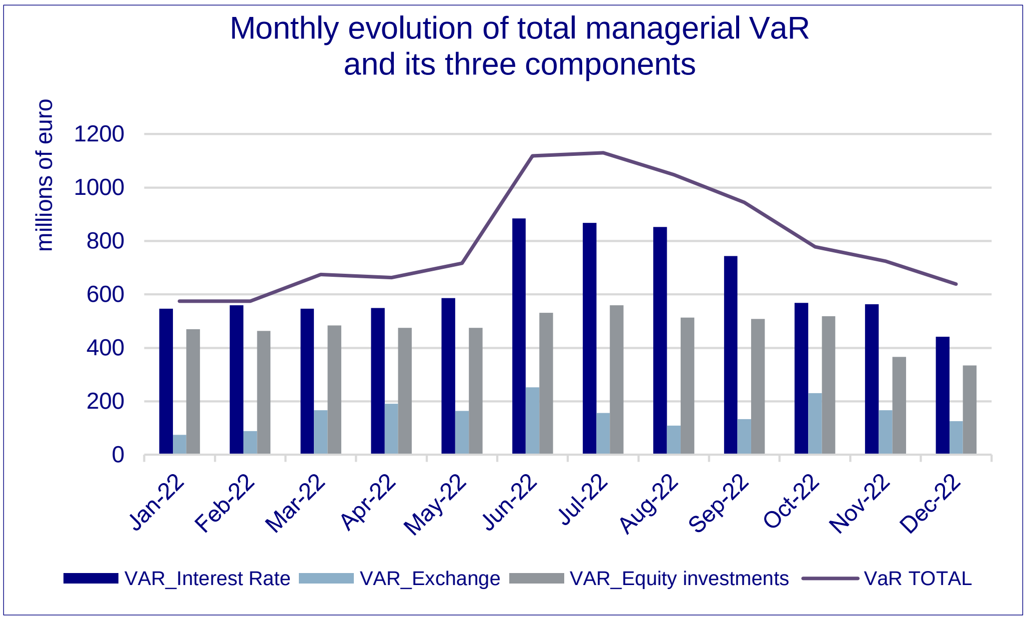
Price risk generated by the equity portfolio, measured in terms of VaR, recorded an average level during 2022 of 475 million euro, with maximum and minimum values of 560 million euro and 334 million euro, respectively, the latter being the figure of the end of December 2022, down by 33 million euro on the value at the end of December 2021 of 367 million euro. That change is mainly due to the sales of stakes in various listed subsidiaries during the last few months of 2022.

Total VaR, consisting of the three components described above (Interest Rate VaR, Exchange VaR and Equity VaR) averaged 799 million euro in 2022, with a maximum value of 1,130 million euro and a minimum value of 575 million euro, reaching a figure of 639 million euro at the end of December 2022, up by 92 million euro on the value at the end of December 2021 of 548 million euro. This was due to a reduction in the benefit of overall diversification, linked to both the recomposition of the portfolio illustrated with regard to single risks (Interest Rate, Foreign Exchange, and Equity Investment risk), and the increase in market volatility.

The table and chart below provide a representation of the performance of total VaR and its three components (Interest Rate VaR, Exchange VaR and Equity Investments VaR).

(millions of euro)

	2022			31.12.2022	31.12.2021
	average	minimum	maximum		
Value at Risk - Interest Rate	643	442	885	442	509
Value at Risk - Exchange	155	74	252	126	93
Value at Risk - Equity investments	475	334	560	334	367
Total Value at Risk	**799**	**575**	**1,130**	**639**	**548**



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 ±10% for the portfolio of quoted minority stakes, largely classified to the HTCS category.

Price risk: impact on Shareholders' Equity

(millions of euro)

		Impact on shareholders' equity at 31.12.2022	Impact on shareholders' equity at 30.09.2022	Impact on shareholders' equity at 30.06.2022	Impact on shareholders' equity at 31.03.2022	Impact on shareholders' equity at 31.12.2021
Price shock	10%	73	147	146	166	177
Price shock	-10%	-73	-147	-146	-166	-177

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.

Transaction Foreign Exchange Risk is defined as the potential loss resulting from changes in the currencies exchange rate that may have negative impacts both on the valuation of the assets and liabilities in the financial statements when converted into the reporting currency and on the earnings from funding, lending and investment/disinvestment transactions in currencies other than the euro. The main sources of this foreign exchange risk consist of: non-euro loans and deposits held by corporate and/or retail customers; conversion into domestic currency of assets, liabilities and income of the international branches; trading of foreign currencies; collection and/or payment of interest, commissions, dividends and administrative expenses in foreign currencies; purchase and sale of securities and financial instruments for the purpose of resale in the short term; etc. Transaction foreign exchange risk also includes the risk of transactions related to operations that generate the type of structural foreign exchange risk represented, for example, by dividends approved by international subsidiaries and that relating to the management of foreign exchange risk tied to the management of equity investments, also including the gains/losses of international branches (Transaction Foreign Exchange Risk associated with Structural Foreign Exchange Risk).
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. 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 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.
The monitoring and management of the Structural Foreign Exchange Risk are carried out at central level by the Group Treasury and Finance Head Office Department of the Parent Company, which manages it with a view to risk/return and to optimising capital requirements.

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.

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.

Impacts of the Russia-Ukraine conflict

The Russia-Ukraine conflict did not generate critical issues in the management of liquidity in foreign currency. Limited to the days immediately following the outbreak of the war, the cost of funding in USD increased on the market, an indicator of strong risk aversion. On the forex segment, though with low liquidity, the possibility of trading roubles on the interbank market did not disappear, save for the limits imposed by the sanctions regime.

EMARKET SDIR CERTIFIED

Quantitative information

1. Breakdown by currency of assets and liabilities and of derivatives

(millions of euro)

	CURRENCIES							
	US dollar	GB pound	Croatian kuna	Swiss franc	Hungarian forint	Yen	Australian dollar	Other currencies
A. FINANCIAL ASSETS	**38,356**	**3,770**	**8,660**	**1,052**	**5,456**	**2,700**	**3,605**	**17,115**
A.1 Debt securities	8,194	661	848	-	1,112	2,457	854	3,316
A.2 Equities	624	95	5	63	2	-	-	824
A.3 Loans to banks	10,728	623	434	174	1,847	48	1,441	5,764
A.4 Loans to customers	18,810	2,391	7,373	815	2,495	195	1,310	7,211
A.5 Other financial assets	-	-	-	-	-	-	-	-
B. OTHER ASSETS	**3,432**	**556**	**771**	**987**	**204**	**103**	**117**	**2,277**
C. FINANCIAL LIABILITIES	**40,959**	**3,147**	**6,988**	**995**	**4,769**	**703**	**2,164**	**12,218**
C.1 Due to banks	20,464	588	160	185	865	47	1,898	1,741
C.2 Due to customers	7,025	833	6,828	718	3,889	28	200	8,494
C.3 Debt securities	13,470	1,726	-	92	15	628	66	1,983
C.4 Other financial liabilities	-	-	-	-	-	-	-	-
D. OTHER LIABILITIES	**1,561**	**692**	**351**	**118**	**73**	**27**	**50**	**1,468**
E. FINANCIAL DERIVATIVES								
- Options								
long positions	*5,552*	133	-	53	55	408	65	*336*
short positions	*5,711*	195	-	37	33	340	69	*761*
- Other derivatives								
long positions	*62,767*	10,972	12	5,946	1,849	3,246	1,501	*11,711*
short positions	*62,708*	11,271	9	6,706	1,960	5,366	3,070	*13,524*
TOTAL ASSETS	**110,107**	**15,431**	**9,443**	**8,038**	**7,564**	**6,457**	**5,288**	**31,439**
TOTAL LIABILITIES	**110,939**	**15,305**	**7,348**	**7,856**	**6,835**	**6,436**	**5,353**	**27,971**
DIFFERENCE (+/-)	**-832**	**126**	**2,095**	**182**	**729**	**21**	**-65**	**3,468**

As of 31 December 2022, the presentation of the "Breakdown by currency of assets and liabilities and of derivatives" has been aligned with the prudential approach in compliance with the new methodological framework introduced by the EBA Guidelines on the treatment of structural FX under Article 352(2) of Regulation (EU) No 575/2013 (CRR).
On 1 January 2023, the Croatian kuna joined the euro Area, and will no longer be the subject of future reporting.

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 managerial VaR.
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 126 million euro as at 31 December 2022. 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 derivatives portfolio (as shown in the table below, as at 31 December 2022 approximately 95% 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 2022 accounting for approximately 5% 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.

(millions of euro)

Transaction categories	Exposure at default (EAD)			
	31.12.2022		31.12.2021	
	Standardised models	Internal Method (EPE)	Standardised models	Internal Method (EPE)
Derivative contracts	666	12,340	599	16,270

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 17.7 billion euro for the Parent Company, while the collateral paid equals 18 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

(millions of euro)

Underlying asset/Type of derivatives	31.12.2022				31.12.2021			
	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	**2,301,865**	**244,096**	**76,402**	**109,527**	**1,933,468**	**255,211**	**70,804**	**167,501**
a) Options	-	68,869	7,909	1,004	-	68,964	6,224	6,868
b) Swaps	2,301,865	175,227	66,617	-	1,933,468	186,247	63,792	-
c) Forwards	-	-	1,607	-	-	-	751	-
d) Futures	-	-	269	108,523	-	-	37	160,633
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indices	**-**	**6,570**	**25,435**	**5,889**	**-**	**4,955**	**28,500**	**2,480**
a) Options	-	6,101	25,426	3,961	-	4,948	28,491	609
b) Swaps	-	469	9	-	-	7	9	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	1,928	-	-	-	1,871
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	**-**	**163,959**	**17,532**	**209**	**96**	**170,930**	**17,670**	**2,005**
a) Options	-	27,688	1,282	5	-	22,674	1,186	89
b) Swaps	-	37,274	2,952	201	95	44,619	4,450	-
c) Forwards	-	98,710	12,425	-	-	103,454	11,258	1,901
d) Futures	-	-	-	3	-	-	-	15
e) Other	-	287	873	-	1	183	776	-
4. Commodities	**-**	**4,043**	**1,079**	**1,640**	**-**	**3,070**	**1,074**	**1,698**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,301,865**	**418,668**	**120,448**	**117,265**	**1,933,564**	**434,166**	**118,048**	**173,684**

The notional amounts shown as at 31 December 2022 in the column "Over the counter" with central counterparties relate to interest rate derivatives settled through legal clearing for a total of 2,302 billion euro.

A.2. Financial trading derivatives: gross positive and negative fair value – breakdown by product

(millions of euro)

Type of derivative	31.12.2022				31.12.2021			
	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	-	1,580	594	54	-	1,750	789	26
b) Interest rate swaps	83,520	9,334	1,649	-	39,039	9,181	5,331	-
c) Cross currency swaps	-	1,599	201	-	-	1,250	272	-
d) Equity swaps	-	21	2	1	-	-	-	-
e) Forwards	-	1,886	232	-	-	890	108	8
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	723	170	-	-	757	190	-
Total	**83,520**	**15,143**	**2,848**	**55**	**39,039**	**13,828**	**6,690**	**34**
2. Negative fair value								
a) Options	-	1,803	6,320	44	-	1,815	6,365	19
b) Interest rate swaps	80,573	10,223	3,824	-	39,252	13,298	801	-
c) Cross currency swaps	-	1,443	878	-	-	1,127	864	-
d) Equity swaps	-	21	-	1	-	-	-	-
e) Forwards	-	1,323	365	-	-	1,146	212	16
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	558	186	-	-	752	422	-
Total	**80,573**	**15,371**	**11,573**	**45**	**39,252**	**18,138**	**8,664**	**35**

A.3. Over the counter financial trading derivatives: notional values, gross positive and negative fair value by counterparty

(millions of euro)

Underlying asset	Central Counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	1,982	16,278	58,142
- positive fair value	X	288	120	1,339
- negative fair value	X	-235	-502	-3,555
2) Equities and stock indices				
- notional amount	X	14,300	5,362	5,773
- positive fair value	X	518	41	3
- negative fair value	X	-841	-160	-5,009
3) Foreign exchange rates and gold				
- notional amount	X	1,352	2,961	13,219
- positive fair value	X	34	13	345
- negative fair value	X	-668	-31	-397
4) Commodities				
- notional amount	X	-	114	965
- positive fair value	X	-	8	139
- negative fair value	X	-	-19	-156
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included under netting agreements				
1) Debt securities and interest rates				
- notional amount	2,301,865	171,158	58,904	14,034
- positive fair value	83,520	6,514	3,523	315
- negative fair value	-80,573	-8,639	-1,505	-1,072
2) Equities and stock indices				
- notional amount	-	2,490	4,065	15
- positive fair value	-	134	64	3
- negative fair value	-	-101	-330	-
3) Foreign exchange rates and gold				
- notional amount	-	118,496	34,311	11,152
- positive fair value	-	2,610	867	394
- negative fair value	-	-1,829	-659	-676
4) Commodities				
- notional amount	-	350	1,725	1,968
- positive fair value	-	48	219	452
- negative fair value	-	-38	-189	-333
5) Other				
- 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	847,618	1,021,245	753,500	2,622,363
A.2 Financial derivatives on equities and stock indices	11,182	19,440	1,383	32,005
A.3 Financial derivatives on foreign exchange rates and gold	129,901	38,991	12,599	181,491
A.4 Financial derivatives on commodities	2,632	2,490	-	5,122
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2022	**991,333**	**1,082,166**	**767,482**	**2,840,981**
Total 31.12.2021	**730,422**	**1,012,428**	**742,928**	**2,485,778**

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)
1. Protection purchases		
a) Credit default products	7,582	68,356
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2022	**7,582**	**68,356**
Total 31.12.2021	**7,531**	**67,468**
2. Protection sales		
a) Credit default products	7,890	65,183
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2022	**7,890**	**65,183**
Total 31.12.2021	**8,043**	**63,098**

As at 31 December 2022, 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

(millions of euro)

Type of derivative	Total 31.12.2022	Total 31.12.2021
1. Positive fair value		
a) Credit default products	936	2,225
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**936**	**2,225**
2. Negative fair value		
a) Credit default products	943	2,341
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**943**	**2,341**

As at 31 December 2022, 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

(millions of euro)

	Central counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Protection purchases				
− notional amount	X	-	-	275
− positive fair value	X	-	-	22
− negative fair value	X	-	-	-
2) Protection sales				
− notional amount	X	-	36	8
− positive fair value	X	-	-	-
− negative fair value	X	-	-	-8
Contracts included under netting agreements				
1) Protection purchases				
− notional amount	53,496	11,408	10,759	-
− positive fair value	15	168	147	-
− negative fair value	-421	-77	-83	-
2) Protection sales				
− notional amount	53,235	10,587	9,207	-
− positive fair value	410	62	112	-
− negative fair value	-13	-185	-156	-

As at 31 December 2022, 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

(millions of euro)

Underlying/Residual maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
1. Protection sales	7,767	64,382	924	73,073
2. Protection purchases	8,088	67,174	676	75,938
Total 31.12.2022	**15,855**	**131,556**	**1,600**	**149,011**
Total 31.12.2021	**9,145**	**135,770**	**1,225**	**146,140**

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 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 2022 the Group entered into hedging relationships, subject to hedge accounting, to neutralise the effects of structural foreign exchange rate fluctuations on positions not exempt for the purposes of calculating capital requirements for foreign exchange risk. Such hedging relationships were entered into in respect of structural foreign exchange risk positions capable of generating an impact on the foreign exchange reserves that form part of the Group's consolidated shareholders' equity. In the Parent Company's financial statements these hedging relationships are accounted for as micro fair value hedges, whereas in the consolidated financial statements they are treated as hedges of a net investment in a foreign currency.

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, 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.
- net investments in foreign currency.

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.

E.8 Foreign investments
The Group currently has active hedging relationships of net investments in a foreign currency that use outright currency forward contracts as the hedging instruments.
The purpose of the hedging is to protect the Group from the effects of changes in the exchange rate that could have impacts on the foreign exchange reserves that are part of the Group's consolidated shareholders' equity.
Of the currency forward derivative contract, only the change relating to the spot exchange rate (spot component) is designated a hedge subject to hedge accounting; this change is separated from the total fair value of the instrument.
In the Parent Company's financial statements, these hedging relationships are accounted for as micro fair value hedges, whereas in the consolidated financial statements they are treated as hedges of a net investment in a foreign currency.
The Dollar Offset Method is used to verify the hedge effectiveness at the Parent Company level, while at the Group level the actual consistency of the hedged items is verified by a capacity test.

Quantitative information

A. Financial hedging derivatives

A.1 Financial hedging derivatives: period-end notional amounts

(millions of euro)

Underlying asset/Type of derivative	31.12.2022				31.12.2021			
	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	**322,529**	**28,225**	**8,873**	**-**	**253,424**	**29,784**	**8,435**	**-**
a) Options	-	1,587	-	-	-	1,851	-	-
b) Swaps	322,529	26,269	8,873	-	253,424	27,195	7,687	-
c) Forwards	-	349	-	-	-	718	748	-
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	**-**	**9,528**	**21**	**316**	**-**	**9,576**	**26**	**175**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	9,321	21	316	-	9,576	26	175
c) Forwards	-	207	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**322,529**	**37,753**	**8,894**	**316**	**253,424**	**39,360**	**8,461**	**175**

The average notional amount in the year of the financial hedging derivatives was 335,456 million 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 31.12.2022				Total 31.12.2021				Total	Total
	Over the counter			Organised markets	Over the counter			Organised markets	31.12.2022	31.12.2021
	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	-	75	-	-	-	26	-	-	-47	-114
b) Interest rate swap	17,193	1,637	830	-	2,816	712	61	-	18,312	2,505
c) Cross currency swap	-	325	-	-	-	483	-	-	-92	68
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**17,193**	**2,037**	**830**	**-**	**2,816**	**1,221**	**61**	**-**	**18,173**	**2,459**
Negative fair value										
a) Options	-	1	-	-	-	2	-	-	1	2
b) Interest rate swap	12,471	1,631	18	-	5,238	2,492	63	-	13,360	5,743
c) Cross currency swap	-	788	8	-	-	380	7	-	1,015	378
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	5	-	-	-	6	1	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	6	-	-	-	-	-	-
Total	**12,471**	**2,425**	**26**	**6**	**5,238**	**2,880**	**71**	**-**	**14,376**	**6,123**

A.3 Over the counter financial hedging derivatives: notional amounts, gross positive and negative fair values by counterparty

(millions of euro)

Underlying asset	Central counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	4,834	4,039	-
- positive fair value	X	497	333	-
- negative fair value	X	-16	-2	-
2) Equities and stock indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange rates and gold				
- notional amount	X	21	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-8	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included under netting agreements				
1) Debt securities and interest rates				
- notional amount	322,529	26,545	1,680	-
- positive fair value	17,193	1,668	44	-
- negative fair value	-12,471	-1,119	-517	-
2) Equities and stock indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange rates and gold				
- notional amount	-	7,918	1,610	-
- positive fair value	-	293	32	-
- negative fair value	-	-465	-324	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- 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	83,539	151,813	124,275	359,627
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on foreign exchange rates and gold	687	3,704	5,158	9,549
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2022	**84,226**	**155,517**	**129,433**	**369,176**
Total 31.12.2021	**60,347**	**126,333**	**114,565**	**301,245**

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. 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

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.

With reference to the benchmarks being wound down as at 31 December 2021, the transition activities have been successfully completed for all these benchmarks. Specifically, with regard to the remaining hedging derivative contracts still outstanding as at 31 December 2021 with an underlying EONIA benchmark rate (EONIA OIS), as well as the contracts with the EONIA as the collateral benchmark remuneration rate, no positions were open as at 31 December 2022.

It is also noted that the exposures relating to hedging derivative contracts linked to the Libor to be wound down as at 31 December 2021 (mainly in relation to those expressed in GBP, CHF, JPY and EUR) were no longer present from the initial months of 2022.

With regard to hedging derivative contracts linked to the USD LIBOR, the transition must be carried out by 30 June 2023 (the last date of publication of only the one-week and two-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 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.
Specifically, as at 31 December 2022 fair value hedge derivatives indexed to the USD LIBOR amounted to a notional value of 13,332 million euro, accounting for 4% of the Group's total fair value hedge derivatives. As at 31 December 2021 fair value hedge derivatives indexed to the EONIA amounted to a notional value of 4 million euro, those indexed to the USD LIBOR to a notional value of 16,646 million euro and those indexed to the LIBOR in other currencies to a notional value of 62 million euro, accounting for 6% of the Group's total fair value hedge derivatives.

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 2022. 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)	Micro-hedges			Macro-hedges: book value
			Cumulative fair value changes (hedged instrument)	Termination of hedging: residual cumulative fair value changes	Changes in value used to assess hedge ineffectiveness	
A. Assets						
1. Financial assets designated at fair value through other comprehensive income – hedging of:	**30,794**	**-**	**-4,934**	**-2,221**	**-4,575**	**-**
1.1 Debt securities and interest rates	28,597	-	-4,905	-2,214	-4,566	X
1.2 Equities and stock indices	-	-	-	-	-	X
1.3 Foreign exchange rates and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	2,197	-	-29	-7	-9	X
2. Financial assets measured at amortised cost - hedging of:	**35,329**	**-**	**-2,568**	**-1,028**	**-2,536**	**99,032**
1.1 Debt securities and interest rates	34,751	-	-2,766	-1,028	-2,738	X
1.2 Equities and stock indices	-	-	-	-	-	X
1.3 Foreign exchange rates and gold	157	-	-1	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	421	-	199	-	202	X
Total 31.12.2022	**66,123**	**-**	**-7,502**	**-3,249**	**-7,111**	**99,032**
Total 31.12.2021	**84,679**	**-**	**3,383**	**190**	**2,773**	**76,009**
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedging of:	**55,128**	**-**	**-3,589**	**-370**	**-3,764**	**111,035**
1.1 Debt securities and interest rates	49,462	-	-2,997	-66	-3,219	X
1.2 Foreign exchange rates and gold	-	-	-	-	-	X
1.3 Other	5,666	-	-592	-304	-545	X
Total 31.12.2022	**55,128**	**-**	**-3,589**	**-370**	**-3,764**	**111,035**
Total 31.12.2021	**61,269**	**-**	**740**	**3**	**697**	**61,554**

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
A. Cash flow hedge				
1. Assets		**640**	**-488**	**-**
1.1 Debt securities and interest rates		640	-488	-
1.2 Equities and stock indices		-	-	-
1.3 Foreign exchange rates and gold		-	-	-
1.4 Loans		-	-	-
1.5 Other		-	-	-
2. Liabilities		**192**	**22**	**-**
1.1 Debt securities and interest rates		192	22	-
1.2 Foreign exchange rates and gold		-	-	-
1.3 Other		-	-	-
Total (A)	**31.12.2022**	**832**	**-466**	**-**
Total (A)	**31.12.2021**	**-751**	**-607**	**-**
B. Hedges of foreign investments		X	10	-
Total (A+B)	**31.12.2022**	**832**	**-456**	**-**
Total (A+B)	**31.12.2021**	**-751**	**-607**	**-**

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
Initial amount	**-607**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Fair value changes (effective portion)	141	-	-	-	-	-	-	-	-	-
Reclassification to the income statement	-	-	-	-	-	-	-	-	-	-
of which: future transaction not expected	-	-	-	-	-	*X*	*X*	*X*	*X*	*X*
Other changes	-	-	-	-	-	-	-	10	-	-
of wich: transfer to initial book value	-	-	-	-	-	*X*	*X*	*X*	*X*	*X*
Final amount	**-466**	**-**	**-**	**-**	**-**	**-**	**-**	**10**	**-**	**-**

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

(millions of euro)

	Central counterparties	Banks	Other financial companies	Other counterparties
A. Financial derivatives				
1) Debt securities and interest rates				
- notional amount	1,650,362	-	-	-
- positive net fair value	564	-	-	-
- negative net fair value	-	-	-	-
2) Equities and stock indices				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
3) Foreign exchange rates and gold				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. Credit derivatives				
1) Protection purchases				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Protection sales				
- 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 clearing amount, which had a total net positive value of 564 million euro (positive fair value of 85,957 million euro and negative fair value of 85,393 million euro), attributable to a positive result of 147 million euro from trading derivatives and a positive result of 417 million euro from hedging derivatives, is presented in Part B of the Notes to the financial statements, for operations on behalf of customers and Group companies (trading derivatives) among Financial assets held for trading for 4,384 million euro and operations on own account (trading derivatives and hedging derivatives) among Financial liabilities held for trading for 3,820 million euro, respectively.

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 must comply with: (i) the short-term liquidity coverage ratio (LCR > 100%) and (ii) the net stable funding ratio (NSFR >100%), as set out in Directive 2019/878/EU, Regulation (EU) No 575/2013, Regulation (EU) No 2019/876 and Delegated Regulation (EU) No 2015/61, as supplemented and amended. The regulatory framework is completed by the "Implementing Technical Standards" developed by the European Banking Authority (EBA) and ECB Guidelines designed to increase regulatory harmonisation of the Union within the framework of the Single Supervisory Mechanism (SSM), which in the area of liquidity also establishes an Internal Liquidity Adequacy Assessment Process (ILAAP), to be conducted with annual frequency for the purposes of the Supervisory Review and Evaluation Process (SREP).

The "Group Liquidity Risk Management Guidelines" of the Intesa Sanpaolo Group – in addition to referring to the Bank of Italy's indications regarding liquidity risk contained in the "Supervisory regulations for banks" – have gradually incorporated all the above regulatory provisions, in implementation of the applicable regulatory provisions.
In this framework, 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 attention thresholds 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. In order to maximise the coordination and integrated control of liquidity risk, the Group Liquidity Risk Management Guidelines identify the following scopes of companies: (i) the "Eurozone sub-consolidation scope", which comprises the Parent Company with its international branches and all the other Italian and international banks of the Group in the Eurozone for which the transfer of liquidity is not blocked or limited by regulatory constraints and which therefore contribute to the stability of the integrated management in the Eurozone, for which the Central Treasury function is directly responsible, subject to compliance with the limits set for each individual legal entity; and (ii) the "Other Banks/Group Companies" scope, which includes the Group's international subsidiaries, whose liquidity management is carried out by the Treasury/ALM functions of each subsidiary, under the guidance and monitoring of the competent structures of the Parent Company.

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

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

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

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

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

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

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

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

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 Intesa Sanpaolo Group's structural Liquidity Policy has adopted the structural requirement provided for by the regulatory provisions - the Net Stable Funding Ratio (NSFR). This indicator is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. To this end, it sets a minimum "acceptable" amount of funding exceeding one year in relation to the needs originating from the characteristics of liquidity and residual duration of assets and off-balance sheet exposures. In addition, the internal policy on structural liquidity also includes early warning indicators for maturities of more than 1 year, with particular attention to long-term gaps (> 5 years).

The Group Liquidity Risk Management Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing business continuity under conditions of extreme liquidity emergency, the Contingency Liquidity Plan (CLP) ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, also indicating the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Market and Financial Risk Management Head Office Department. Within this framework, the Group Treasury

and Finance Head Office Department was officially entrusted with drawing up the Contingency Funding Plan (CFP), which contains the various lines of actions that can be activated in order to face potential stress situations, specifying the extent of the mitigating effects attainable in the short-term.
The CLP is part of the more general plan of Crisis Management (i.e. it is the first step of the escalation process envisaged in the management of liquidity emergencies) and the instruments envisaged in it represent a selection of recovery actions that are considered to be implementable in the short term and before other more radical measures, which are more extraordinary in nature or extent. To this end, intervention strategies and tools are defined according to the type, duration and intensity of the liquidity emergency, as well as the context in which the emergency is expected to occur.

Group liquidity position

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 2022.
Both regulatory indicators, LCR and NSFR, were above the regulatory requirements. In 2022, the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average[105] of 181.9% (184.5% in 2021). The NSFR was also significantly higher than 100%, supported by a solid base of stable deposits from customers, further increased during the year, as well as by adequate wholesale medium/long-term securities funding and the TLTRO funding from the ECB. At 31 December 2022, the Intesa Sanpaolo Group's NSFR, measured in accordance with regulatory instructions, was 126% (127.3% at the end of 2021); this indicator remains well above 100%, even excluding the positive contribution of TLTRO funding.
The surpluses of both regulatory indicators, LCR and NSFR, are mainly originated within the Eurozone sub-consolidation scope. For the purposes of the LCR indicator, individual surpluses recorded at some international subsidiaries are also sterilised on consolidation due to constraints on the circulation of liquidity at those subsidiaries.
At the end of December 2022, the exact value of total unencumbered HQLA reserves at the various Treasury Departments of the Group totalled 172.5 billion euro (187.1 billion euro at the end of 2021), approximately 64% of which consisted of cash as a result of temporary excess liquidity payments in the form of unrestricted deposits held at central banks. 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 177.7 billion euro (192.4 billion euro at the end of 2021).

(millions of euro)

	Unencumbered (net of haircut)	
	31.12.2022	31.12.2021
HQLA Liquidity Reserves	172,527	187,066
Cash and Deposits held with Central Banks (HQLA)	109,792	135,061
Highly liquid securities (HQLA)	62,735	52,005
Other eligible and/or marketable reserves	5,222	5,306
Total Group's Liquidity Buffer	**177,749**	**192,372**

Regular stress tests are carried out to assess the impact of negative events on the company liquidity position and on the adequacy of liquidity reserves, in relation to the current and prospective situation of the Group, the Bank and the market, to enable the Corporate Bodies to promptly recognise any unexpected vulnerability and to direct the activation of consequent corrective measures.

Considering the high amounts of unencumbered liquidity reserves (liquid or eligible), the stress tests, in a combined scenario of market and specific crises (with significant loss in customer deposits), yielded results in excess of the target threshold for the Intesa Sanpaolo Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months.

Intesa Sanpaolo's funding strategy is based on maintaining diversity in terms of customers, products, maturities and currencies. 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.

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

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 Corporate Bodies of Intesa Sanpaolo, the Liquidity Adequacy Statement (LAS) approved by 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.

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.

Impacts of the Russia-Ukraine conflict

In light of the low exposure to Russian and Ukrainian counterparties, there were no significant impacts on the Group's consolidated liquidity position deriving from the Russia-Ukraine conflict.

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

(millions of euro)

Type/Residual 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	Unspecified maturity
A. Cash assets	**150,164**	**13,534**	**4,019**	**17,166**	**21,843**	**22,015**	**35,595**	**167,586**	**197,955**	**4,250**
A.1 Government bonds	17	8	155	97	649	1,282	1,250	9,778	43,346	-
A.2 Other debt securities	1,130	1,050	900	4,861	300	450	749	8,695	21,832	-
A.3 Quotas of UCI	3,198	-	-	-	-	-	-	-	-	-
A.4 Loans	145,819	12,476	2,964	12,208	20,894	20,283	33,596	149,113	132,777	4,250
- Banks	103,537	3,769	411	912	988	511	1,622	1,080	380	4,120
- Customers	42,282	8,707	2,553	11,296	19,906	19,772	31,974	148,033	132,397	130
B. Cash liabilities	**428,655**	**2,922**	**1,670**	**4,159**	**13,240**	**51,096**	**9,465**	**92,428**	**21,562**	**-**
B.1 Deposits and current accounts	395,258	712	1,126	1,681	2,277	1,881	2,756	2,259	816	-
- Banks	2,310	241	111	156	133	143	169	480	308	-
- Customers	392,948	471	1,015	1,525	2,144	1,738	2,587	1,779	508	-
B.2 Debt securities	41	190	543	2,444	6,468	2,224	5,716	40,828	16,951	-
B.3 Other liabilities	33,356	2,020	1	34	4,495	46,991	993	49,341	3,795	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	425	6,820	2,244	8,791	26,476	5,951	7,116	14,707	8,408	-
- Short positions	456	8,536	2,187	8,212	13,420	4,250	6,172	13,096	12,759	-
C.2 Financial derivatives without exchange of capital										
- Long positions	24,138	68	4	118	167	425	869	260	16	-
- Short positions	25,672	30	12	156	322	584	905	261	16	-
C.3 Deposits and loans to be settled										
- Long positions	59,541	-	-	-	-	-	-	-	-	-
- Short positions	5	55,786	99	1,213	2,295	70	-	53	19	-
C.4 Irrevocable commitments to lend funds										
- Long positions	4,135	10,943	7	339	556	723	2,093	17,146	2,266	-
- Short positions	36,478	50	7	42	40	91	162	104	3	-
C.5 Financial guarantees given	1,110	14	13	26	146	103	264	313	136	-
C.6 Financial guarantees received	172	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	20	30	536	686	-
- Short positions	-	-	-	-	-	20	30	536	686	-
C.8 Credit derivatives without exchange of capital										
- Long positions	502	-	-	-	-	-	-	-	-	-
- Short positions	469	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(millions of euro)

Type/Residual 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	Unspecified maturity
A. Cash assets	**10,524**	**6,846**	**2,923**	**4,420**	**6,658**	**4,133**	**5,676**	**26,663**	**18,337**	**1,322**
A.1 Government bonds	5	111	133	354	892	810	1,260	5,323	11,488	-
A.2 Other debt securities	199	28	59	195	359	164	441	4,285	1,667	-
A.3 Quotas of UCI	541	-	-	-	-	-	-	-	-	-
A.4 Loans	9,779	6,707	2,731	3,871	5,407	3,159	3,975	17,055	5,182	1,322
- Banks	7,012	5,788	1,812	1,409	2,025	914	324	408	263	1,309
- Customers	2,767	919	919	2,462	3,382	2,245	3,651	16,647	4,919	13
B. Cash liabilities	**26,832**	**3,598**	**4,891**	**6,108**	**6,196**	**1,312**	**2,370**	**11,864**	**8,142**	**-**
B.1 Deposits and current accounts	25,077	1,383	1,458	1,974	2,230	808	1,648	1,716	359	-
- Banks	1,588	729	531	666	543	99	260	798	75	-
- Customers	23,489	654	927	1,308	1,687	709	1,388	918	284	-
B.2 Debt securities	132	110	1,227	577	458	201	673	9,049	6,935	-
B.3 Other liabilities	1,623	2,105	2,206	3,557	3,508	303	49	1,099	848	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	142	14,959	5,653	12,622	17,107	8,030	11,320	17,395	10,723	-
- Short positions	254	14,143	5,716	13,676	30,101	9,688	11,985	18,887	6,052	-
C.2 Financial derivatives without exchange of capital										
- Long positions	2,808	5	61	81	43	227	274	2	19	-
- Short positions	5,667	1	53	69	40	201	273	3	20	-
C.3 Deposits and loans to be settled										
- Long positions	2,950	-	-	-	-	-	-	-	-	-
- Short positions	-	199	1,001	659	736	2	-	155	198	-
C.4 Irrevocable commitments to lend funds										
- Long positions	1,563	113	25	157	1,286	724	1,181	11,677	1,142	-
- Short positions	15,810	26	-	-	1	2	10	6	-	-
C.5 Financial guarantees given	839	13	8	48	124	127	245	371	92	-
C.6 Financial guarantees received	96	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	28	47	-	-
- Short positions	-	-	-	-	-	-	28	47	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	432	-	-	-	-	-	-	-	-	-
- Short positions	435	-	-	-	-	-	-	-	-	-

2. Self-securitisations

A brief illustration of the securitisations originated by Intesa Sanpaolo outstanding as at 31 December 2022 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.

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). 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.
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).
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: 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, and therefore today they have been fully subscribed by Intesa Sanpaolo.
The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

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 are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating.
As at 31 December 2022, the value of the outstanding subscribed securities was 2,831 million euro for the senior securities and 1,067 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 are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating.
As at 31 December 2022, the value of the outstanding securities was 4,523 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.
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 are listed with an A1 Moody's and an A (High) DBRS Morningstar rating.
As at 31 December 2022, the value of the outstanding securities was 6,515 million euro for the senior securities and 725 million euro for the junior securities.

Clara Sec S.r.l.
In 2020, a self-securitisation was structured involving receivables arising from performing personal loans within the consumer credit area and disbursed to consumer households.
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 transaction took place with the sale of the portfolio of loans originated by Intesa Sanpaolo to the vehicle company Clara Sec S.r.l.
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.
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 sale of 1.4 billion euro was finalised in February 2022, followed by a repurchase of 88 million euro in April and a sale of 1.5 billion euro in October.
As at 31 December 2022, 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.
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.
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).
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: 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, with a Moody's A1 and a DBRS Morningstar A rating, was used as collateral for refinancing operations in the Eurosystem.
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.
A sale of 1.7 billion euro was finalised in May 2022.
As at 31 December 2022, the value of the outstanding securities was 6,610 million euro for the senior securities and 3,485 million euro for the junior securities.

Giada Sec S.r.l. (Giada BIS)
In October 2022, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo, disbursed to small and medium enterprises ("SMEs"), including sole proprietorships and loans granted to corporate customers not belonging to the "large corporate" segment, to the special-purpose vehicle Giada Sec S.r.l.
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 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 senior security issued through the transaction, with a Moody's A1 and a DBRS Morningstar A rating, 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 15.2 billion euro.
The sale price of the portfolio was settled through the issuance of securities on 5 December 2022 for a total of 15.2 billion euro.
As at 31 December 2022, the value of the outstanding securities was 10,250 million euro for the senior securities and 4,940 million euro for the junior securities.

(millions of euro)

Vehicle		Type of security issued	Type of asset securitised	External rating	Principal as at 31.12.2022
BRERA SEC S.r.l.					
of which issued in euro					**3,898**
	Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / DBRS Morningstar AH	2,831
	Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	1,067
BRERA SEC S.r.l. (SEC 2)					
of which issued in euro					**5,383**
	Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / DBRS Morningstar AH	4,523
	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					**7,240**
	Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's A1 / DBRS Morningstar AH	6,515
	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 F/R 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 F/R Notes	Junior	Receivables from Small business, SME and corporate customers	no rating	3,485
GIADA SEC S.r.l. (GIADA BIS)					
of which issued in euro					**15,190**
	Class A Asset Backed F/R Notes	Senior	Receivables from Small business, SME and corporate customers	Moody's A1 / DBRS Morningstar A	10,250
	Class B Asset Backed F/R Notes	Junior	Receivables from Small business, SME and corporate customers	no rating	4,940
TOTAL					**48,980**

The Adriano Lease SEC S.r.l. and Brera Sec S.r.l. (SME) self-securitisations were extinguished during 2022.
The former UBI Leasing, merged into Intesa Sanpaolo S.p.A. in 2022, had entered into the UBI SPV Lease 2016 securitisation, which was also extinguished in 2022.

OTHER INFORMATION ON FINANCIAL RISKS

SOVEREIGN RISK EXPOSURE BY COUNTRY OF RESIDENCE OF THE COUNTERPARTY

The following table illustrates the details of the exposures of the Intesa Sanpaolo Group to sovereign risk in banking business, based on management data.

(millions of euro)

	DEBT SECURITIES				LOANS
	BANKING GROUP			TOTAL [1]	
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss		
EU Countries	**30,875**	**24,708**	**616**	**56,199**	**10,128**
Austria	615	160	1	776	-
Belgium	2,405	1,962	101	4,468	-
Bulgaria	-	-	3	3	-
Croatia	151	1,100	72	1,323	1,378
Cyprus	-	-	-	-	-
Czech Republic	-	-	-	-	-
Denmark	-	-	-	-	-
Estonia	-	-	-	-	-
Finland	255	13	-	268	-
France	6,457	2,370	-309	8,518	3
Germany	262	538	-151	649	-
Greece	-	-	-8	-8	-
Hungary	141	787	39	967	313
Ireland	336	45	26	407	-
Italy	14,994	11,255	622	26,871	8,019
Latvia	-	-	-	-	20
Lithuania	-	-	-	-	-
Luxembourg	265	392	88	745	-
Malta	-	-	-	-	-
The Netherlands	828	19	25	872	-
Poland	28	65	-	93	-
Portugal	388	621	-41	968	-
Romania	66	370	-1	435	4
Slovakia	-	892	2	894	149
Slovenia	1	148	2	151	178
Spain	3,683	3,971	145	7,799	64
Sweden	-	-	-	-	-
Non-EU Countries					
Albania	93	489	1	583	1
Egypt	96	1,145	-	1,241	515
Japan	-	2,404	-	2,404	-
Russia	-	31	-	31	-
Serbia	7	536	-	543	165
United Kingdom	-	173	19	192	-
U.S.A.	1,398	6,944	126	8,468	-

Management accounts

(1) Debt securities from insurance business (excluding securities in which gathered amounts are invested from insurance policies where the total risk is borne by the policyholders) relating to Italy amounted to 45.491 million euro.

As illustrated in the table, the Banking Group's exposure to securities issued by Italian central and local public administration bodies at the end of 2022 totalled approximately 27 billion euro (31 billion euro at 31 December 2021), in addition to around 8 billion euro represented by loans (9 billion euro at the end of 2021).

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products came to 3,303 million euro as at 31 December 2022, a net decrease of 318 million euro compared to the stock of 3,621 million euro as at 31 December 2021. The exposure includes investments in CLOs (Collateralised Loan Obligations) of 1,643 million euro, in ABSs (Asset-Backed Securities) of 1,588 million euro and in CDOs (Collateralised Debt Obligations) of 72 million euro, which continued to be a marginal activity also in 2022.

(millions of euro)

Accounting categories	31.12.2022				31.12.2021	Changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	339	478	-	**817**	**1,049**	-232	-22.1
Financial assets mandatorily measured at fair value	-	3	-	**3**	**3**	-	-
Financial assets measured at fair value through other comprehensive income	769	776	-	**1,545**	**1,701**	-156	-9.2
Financial assets measured at amortised cost	535	331	72	**938**	**868**	70	8.1
Total	**1,643**	**1,588**	**72**	**3,303**	**3,621**	**-318**	**-8.8**

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).
Portfolio performance in 2022, while still focused on taking advantage of market opportunities, reflects more divestments and redemptions than new positions, which involved assets measured at fair value, held for trading, through other comprehensive income or at amortised cost, with a total value that declined by 318 million euro.
Exposures measured at fair value (ABS and CLO debt securities) went from 2,753 million euro in December 2021 to 2,365 million euro in December 2022, a net decrease of 388 million euro, mainly attributable to operations of the IMI Corporate & Investment Banking Division, and to a greater extent in financial assets held for trading and to a lesser extent in financial assets measured at fair value through other comprehensive income.
Exposures classified among assets measured at amortised cost (ABS, CLO and CDO debt securities) amounted to 938 million euro in December 2022, compared with a balance of 868 million euro in December 2021, a net increase of 70 million euro.
From the perspective of the income statement, the overall loss for the year ended 31 December 2022 of -49 million euro is compared with a profit of 10 million euro for the year ended 31 December 2021.
The profits (losses) from assets held for trading, caption 80 of the income statement, amounted to -49 million euro and is attributable to exposures in CLOs and ABS (-27 million euro of unrealised losses and -22 million euro of losses on disposals), as was the impact on the income statement for the year ended 31 December 2021, equal to +9 million euro (+4 million euro of unrealised gains and +5 million euro of gains on disposals).
The profits (losses) from financial assets mandatorily measured at fair value were nil in the year ended 31 December 2022, compared to +1 million euro in the year ended 31 December 2021.
The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded a decrease in fair value of -43 million euro as at 31 December 2022 through a shareholders' equity reserve (from a reserve of -1 million euro in December 2021 to -44 million euro in December 2022). In the current year, there were also impacts from sales on the portfolio of -3 million euro, which were nil in the previous year.
As regards debt securities classified among assets measured at amortised cost, the profit for the year ended 31 December 2022 of 3 million euro (+1 million euro from unrealised gains and +2 million euro from realised gains) is compared with the overall nil impact in the year ended 31 December 2021 (-1 million euro of unrealised losses and +1 million euro of realised gains).

(millions of euro)

Income statement results broken down by accounting category	31.12.2022				31.12.2021	Changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	-36	-13	-	**-49**	**9**	-58	
Financial assets mandatorily measured at fair value	-	-	-	**-**	**1**	-1	
Financial assets measured at fair value through other comprehensive income	-	-3	-	**-3**	**-**	3	-
Financial assets measured at amortised cost	-	1	2	**3**	**-**	3	-
Total	**-36**	**-15**	**2**	**-49**	**10**	**-59**	

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 2022, for the Intesa Sanpaolo Group, the transactions that meet the definition of Leveraged Transactions as per the ECB Guidance amounted to approximately 26.2 billion euro, relating to 1,864 credit lines (35.3 billion euro as at 31 December 2021). The decline over twelve months was mainly concentrated:

– within the Parent Company for 75%, due to the exclusion from the reporting scope of counterparties with significant amounts, as a result of an improved rating (lifting them into the investment grade area);
– within Intesa Sanpaolo Bank Luxembourg for 23%, due to the reduction of the exposure of a significant counterparty, not offset by new entries.

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 2022 amounted to 173 million euro for the trading book and 184 million euro for the banking book for a total of 357 million euro, compared to 27 million euro and 200 million euro, respectively, as at 31 December 2021, for a total of 227 million euro.
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 Schemes in Transferable Securities) funds.
In 2022 the increase in balances compared to the previous year was 130 million euro. In the previous year, 2021, first-time adoption of the CRR2 regulations, which had entered into force on 30 June 2021, had resulted in significant disinvestments, as a result of the changes to the method of calculating capital absorption associated with investments in funds; in order to restore the previous volume levels, during 2022 greater investments were made, relating as a priority to UCITS hedge funds that best meet capital absorption requirements.
In terms of the income statement effects, in 2022 an overall loss was recorded for -9 million euro, referring solely to the valuation effects of funds held in portfolio among financial assets mandatorily measured at fair value (-7 million euro) and among financial assets held for trading (-2 million euro), compared to an overall impact of +14 million euro in 2021 (-7 million euro from financial assets held for sale and +21 million euro from financial assets mandatorily measured at fair value), of which +9 million euro attributable to valuation effects and +5 million euro to realisation impacts.
In the Intesa Sanpaolo Group, as at 31 December 2022 the portfolio of Eurizon Capital SGR also included hedge funds for 50 million euro, with an impact on the income statement of -3 million euro in the year. Hedge funds are held 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 2022, 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 3,049 million euro (6,917 million euro as at 31 December 2021). The notional value of these derivatives totalled 29,872 million euro (64,254 million euro as at 31 December 2021).
In particular, the notional value of plain vanilla contracts was 26,826 million euro (59,649 million euro as at 31 December 2021), while that of structured contracts was 3,046 million euro (4,605 million euro as at 31 December 2021).
The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 1,726 million euro (4,416 million euro as at 31 December 2021).
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 6,149 million euro as at 31 December 2022 (2,192 million euro as at 31 December 2021). The notional value of these derivatives totalled 74,174 million euro (34,378 million euro as at 31 December 2021).
In particular, the notional value of plain vanilla contracts was 69,140 million euro (31,493 million euro as at 31 December 2021), while that of structured contracts was 5,034 million euro (2,885 million euro as at 31 December 2021).
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 2022, this led to a positive effect of 102 million euro under "Profits (Losses) on trading" in the income statement (positive impact of 97 million euro in 2021).
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.

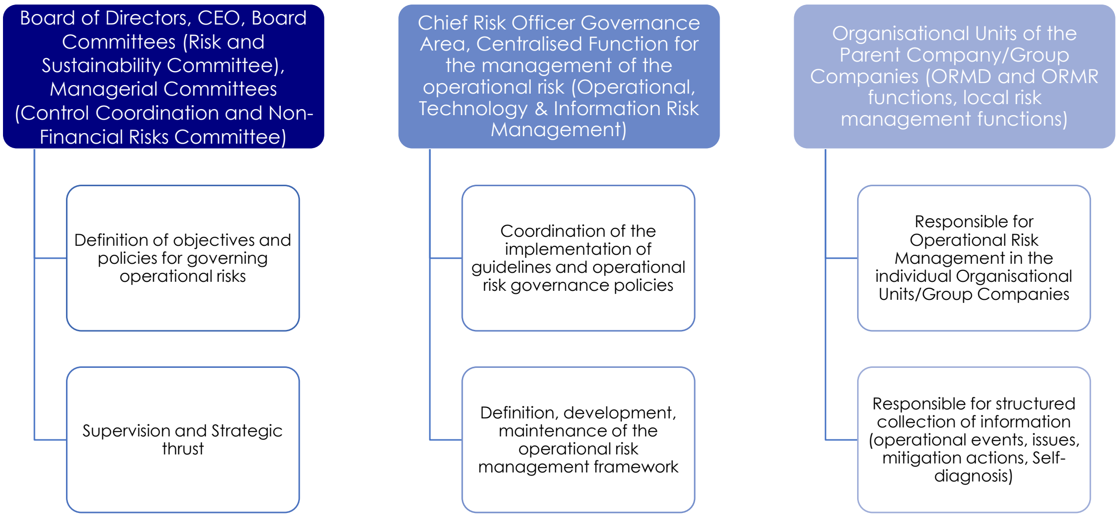
1.5. OPERATIONAL RISK

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[106].
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 governance 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. As at 31 December 2022, the scope of the Advanced Measurement Approach (AMA) is comprised of Intesa Sanpaolo (including the former Banks and Companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka and PBZ Banka.

Governance Model
An effective and efficient framework for managing operational risks must be fully integrated into decision-making processes and management of business operations. Accordingly, the Intesa Sanpaolo Group has chosen to involve the organisational units (business units, central/support structures) of the Parent Company, the Banks and Group companies with direct responsibility in the operational risk management process.
The operational risk governance model has been developed in view of:
- optimising and maximising organisational safeguards, interrelations and information flows between the existing organisational units and integration of the operational risk management approach with other company models developed for specific risks (business continuity, IT security, etc.);
- guaranteeing transparency and spread of the models, methods and criteria of analysis, assessment and measurement criteria used to facilitate the process of cultural diffusion and comprehension of the logic underlying the choices made.



The Group has a centralised function within the Enterprise Risk Management Department for management of the Group's operational risk. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to Top Management. In compliance with current requirements, the individual organisational units are responsible for

106 As far as the financial losses component is concerned, the Operational Risk includes the following risks: legal, conduct,compliance, financial crime, fiscal, IT and Cyber, physical security, business continuity, third-party, data quality, fraud, process and employer. Strategic and reputational risk are not included.

identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these organisational units to be responsible for Operational Risk Management (structured collection of information relative to operational events, detection of issues and related mitigation actions, scenario analyses and evaluation of the business environment and internal control factors). In order to support the operational risk management process on a continuous basis, a structured training programme has been implemented for employees actively involved in this process.

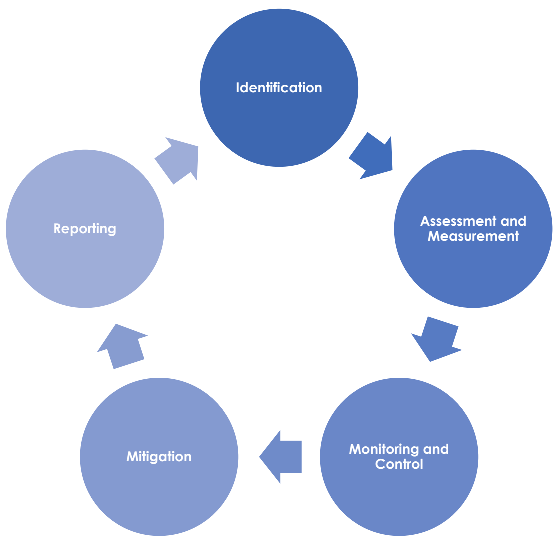
ICT risk

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.

Assessment and measurement
The assessment and measurement 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);
- the development of the risk profile inherent in the use of new technologies or in the implementation of significant changes to existing systems.

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 for Companies included in the AMA scope, 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[107].
- 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

[107] 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.

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 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 2022, the company measures and rules adopted since the beginning of the emergency, in order to ensure business continuity and the safeguarding of the health of customers, employees and suppliers, were constantly reassessed and updated based on the evolution of the health situation and the regulatory requirements.
In terms of operational risks, no additional impacts were reported specifically due to the pandemic.

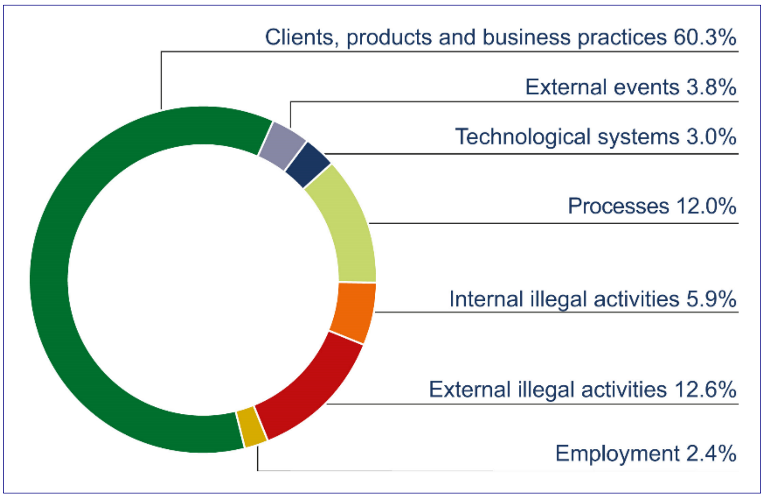
Impacts of the Russia-Ukraine conflict
As regards operational risks, the impacts of the Russia-Ukraine conflict regard several actions implemented to ensure the Group's business continuity operations, particularly the extra costs incurred for Business continuity and the losses resulting from physical damage directly caused to offices/branches located in the conflict zone. That information is used to monitor exposure to operational risk, including that regarding the Risk Appetite Framework.

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 2,039 million euro as at 31 December 2022, substantially stable on the 2,024 million euro as at 31 December 2021.

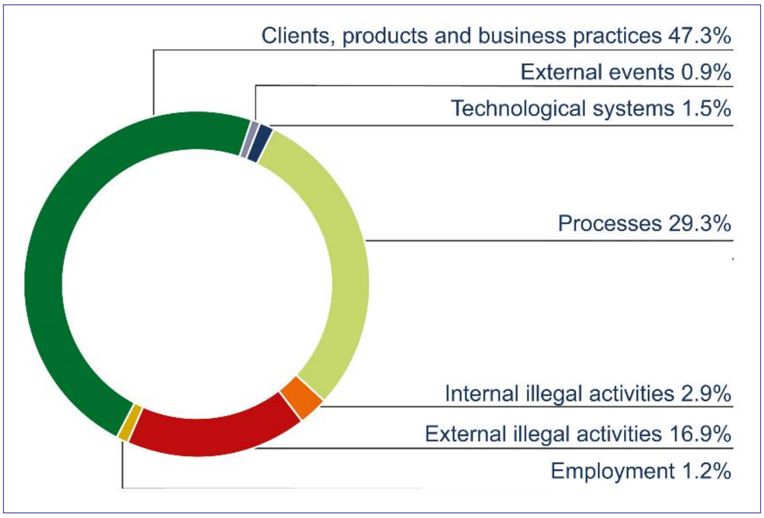
The following shows the breakdown of capital requirement relating to the Advanced Measurement Approach by type of operational event (Event Type).

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 2022, 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 2022, by event type



LEGAL RISKS

As at 31 December 2022, there were a total of about 37,400 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[108] sought of around 3,850 million euro. This amount includes all 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. Those disputes include a large number of mass disputes at the international subsidiary banks (amounting to around 25,600 disputes) which, as a whole, account for a very low remedy sought.

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 only disputes with likely risk amount to around 28,300 with a remedy sought of 1,788 million euro and provisions of 744 million euro. The component referring to the Parent Company Intesa Sanpaolo totals around 5,280 disputes, with a remedy sought of 1,433 million euro and provisions of 550 million euro. These include 2,860 positions relating to disputes concerning anatocism, illustrated in greater detail below. Compared to the previous year's figures, there was a decrease in number and in the amount of remedy sought. That decrease mainly regarded disputes concerning anatocism, illegal interest and other conditions, and claims on banking products.

There were around 700 disputes relating to other Italian subsidiaries, with a remedy sought of 246 million euro and provisions of 91 million euro. There were around 22,300 disputes relating to international subsidiaries, with a remedy sought of 109 million euro and provisions of 103 million euro, impacted by the previously mentioned mass disputes[109]: specifically, there were around 19,000 disputes referring to the subsidiary Banca Intesa Beograd, regarding two areas of litigation which are illustrated in 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 74% of the remedy sought and 75% 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 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 2022, 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 2,860. The remedy sought amounted to 491 million euro, with provisions of 180 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. With ruling of 2 January 2023, the Regional Administrative Court confirmed the fine and the Bank will appeal to the Council of State.

Disputes relating to investment services

Also in this area, the disputes showed a downtrend in terms of number compared to the previous year. The most significant sub-group was disputes concerning derivatives. There were a total of around 350 disputes relating to investment services with likely risk. The total remedy sought amounted to around 242 million euro, with provisions of 144 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. We also note approximately 154 disputes with a remedy sought of 142 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 the former UBI Banca, and

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[108] 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.

[109] For those cases, the provisions are relatively higher than the remedy sought (which is determined based on the customer's original claim) to take account of the interest and legal fees to be paid to the adverse party and the potential expansion of the original claim submitted in the legal proceedings.

now Intesa Sanpaolo, 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.

Dispute regarding financial derivative instruments

With regard to derivative transactions, the legal risks linked to legal proceedings with local authorities, their subsidiaries and individuals continue to be subject to careful monitoring.

Specifically, disputes are pending with 20 local authorities, with possible or probable risk, for total claims of 142 million euro, and disputes with 5 Companies controlled by public entities, with total claims of 66 million euro. Disputes with individuals, assessed as having possible or probable risk, total around 197, and of these, around 43 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 84 million euro.

With regard to contracts entered into with local authorities, during 2022, 6 new disputes were initiated against the Bank (Province of Catanzaro, Province of Varese, Province of Rovigo, Municipality of Marsciano, Municipality of Soriano del Cimino and Municipality of Servigliano) with total claims of 27 million euro.

In the same year, 4 rulings were issued relating to the following proceedings:

- Municipality of Faenza: with decision dated 1 February 2022, the Court of Appeal of Bologna confirmed that the contract was null and void. In execution of the first instance ruling, the Bank paid 2.8 million euro. An appeal was lodged with the Court of Cassation.
- Municipality of Santa Maria Capua Vetere: the Court of Rome, in its ruling of 2 March 2022, rejected the claim of invalidity of the two derivative contracts, made by the Municipality, and, instead upheld the claim for implicit costs not disclosed at the time of signing and ordered the Bank to pay 1.1 million euro plus interest and revaluation.
- Municipality of Vittorio Veneto: the Court of Venice, with non-final ruling of 29 March 2022, voided two contracts, referring to the final decision for the quantification of the restitutionary effects, whose potential risk amounts to 5.8 million euro.
- Province of Pavia: with decision dated 4 May 2022, the Court of Appeal of Milan confirmed that the contract was null and void. In execution of the first instance ruling, the Bank had already paid 10.1 million euro. An appeal was lodged with the Court of Cassation.

A summary of the most significant disputes with local authorities is provided below:

- Municipality of Venice: the dispute regards a contract governed by the ISDA, with remedy sought of 71 million euro. With ruling of 14 October 2022, the High Court of Justice in London held that the Municipality did not have the capacity to enter into speculative derivative contracts involving debt. As a result, the High Court established that the Municipality was entitled to the restitution of the differentials paid to the Bank solely in the amount exceeding the outlays of the Bank incurred for the back-to-back hedging derivatives (at least until December 2020, the date on which the Municipality formally challenged the validity of the transaction). In this case, the application of that principle would significantly reduce the restitutionary obligation to the Municipality.
  The parties formalised the grounds for appeal by the set deadline of 3 February 2023.
  In a subsequent hearing of 6 February 2023, the request was upheld to defer to the outcome of the appeal the settlement of the credit/debit amounts between the parties ("consequential hearing") due to the High Court's ruling.
  The Bank was also ordered to pay 70% of the legal fees requested by the Municipality, of which 35%, equal to around 2 million GBP, to be paid by 20 February.
  With regard to the second proceedings with the Municipality of Venice before the Italian court, regarding alleged breaches deriving from the mandate and investment services agreements, the Court has set a new hearing for 22 March 2023, *"as it would be appropriate to hear testimony from the parties and obtain clarifications, given the likely settlement of the proceedings held in the UK."*
- 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. The Court permitted an expert's report, adjourning to the hearing of 9 March 2023 for the examination of the expert witness report.

With regard to the contracts entered into with subsidiaries of local authorities, no new disputes were initiated, while 2 rulings were issued regarding the following proceedings:

- Azienda Socio Sanitaria territoriale Valle Olona: with ruling dated 6 April 2022, the Court of Busto Arsizio declared the contract null and void. In execution of the ruling, the Bank paid 1.8 million euro and lodged an appeal.
- Aler S.p.A.: with ruling dated 1 August 2022, the Court of Appeal of Milan confirmed that the contract entered into with the then Banca OPI was null and void. As a result of the first instance ruling, the Bank had paid 4.6 million euro. The possibility of filing an appeal with the Court of Cassation is being evaluated.

A summary of the most significant disputes with subsidiaries of local authorities is provided below:

- Terni Reti Sud S.r.l.: the dispute concerns a derivative contract entered into in August 2007 by the former Banca delle Marche[110] with Terni Reti Sud S.r.l., whose capital 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. The Court ordered a court-appointed expert's report and adjourned the case to 13 June 2023.
- EUR S.p.A.: in May 2021, 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 ISP, the company is also suing other intermediaries due to derivative contracts governed by the ISDA, entered into in relation to a syndicated loan granted. At the hearing of 8 November

[110] 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.

2022, the Court deemed that the lawsuit was ready for a ruling on the objection raised by the defendants regarding the lack of jurisdiction of the Italian court, and granted the terms for filing the closing briefs. Intesa Sanpaolo's risk amounts to 22 million euro.

Disputes with individuals are decreasing, in terms of both stock and flows.

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

As already noted in the previous financial statements, Potrošač – Croatian Union of the Consumer Protection Association initiated legal action against the subsidiary Privredna Banka Zagreb ("PBZ") and seven other Croatian banks. According to the plaintiff, the defendant banks engaged in an unfair practice by allegedly using unfair contractual provisions on variable interest rate , 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 appropriately informing the consumers of the risks prior to entering into 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, which was rejected near the end of 2022. 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 – the "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), 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. In May 2022, the EU Court of Justice, in proceedings regarding reference for a preliminary ruling involving another intermediary, established that the Court of Justice has jurisdiction over the conversion agreements concluded under the Conversion Law, as they occurred after Croatia joined the European Union, and that the EU Directive on unfair terms in consumer contracts does not apply to those conversion agreements, whose content reproduces provisions of national law.
On 20 December 2022, the Civil Law Department of the Croatian Supreme Court provided an interpretation of the legal effects of the agreements for the conversion of loan agreements from CHF to EUR and on consumers' rights. By virtue of that interpretation, consumers that entered into a conversion agreement pursuant to the aforementioned Conversion Law of 2015 have the right to receive legal interest on excess amounts paid that the bank calculated on converting the loans, from the date of each single payment up to the date of conversion. Once this judicial interpretation is recorded with the Court Practice Records Department, it will be final and binding for lower instance courts.
The number of new individual lawsuits filed against PBZ in 2022 was lower than those in 2021. At the end of 2022, 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.

Dispute with the foreign subsidiary Banca Intesa Beograd (Serbia)
The following areas of the mass disputes that have impacted the entire Serbian banking system are 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 recorded a significant increase in lawsuits was recorded in the following years, though for modest amounts on average. At the end of 2022 Banca Intesa Beograd had been summoned in around 18,600 lawsuits deemed as having possible or probable risk (at the end of 2021, these amounted to around 24,500); the related total amounts of principal requested to be repaid by the Bank came to around 1.3 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. During 2022, the flows of new disputes significantly decreased on 2021, and several customers dropped pending disputes.
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. At the end of 2022 Banca Intesa Beograd had been summoned in around 1,100 lawsuits deemed as having possible or probable risk (at the end of 2021, these amounted to around 1,000); the related total amounts of principal requested to be repaid by the Bank came to 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. In 2022, the flows of new disputes grew slightly on 2021, and several customers dropped pending disputes.

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 did 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 was followed by the single panels, which rejected 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 was 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.

With ruling no. 263 of 22 December 2022, the Constitutional Court accepted the question of constitutionality raised by the Court of Turin in November 2021, in a lawsuit brought against an intermediary specialising in salary-backed loans, for repayment of the upfront costs, declaring only the section of Article 11 octies, paragraph 2 of Law Decree no. 73 of 25 May

2021, converted with amendments into Law no. 106 of 23 July 2021 with the wording "*and the secondary regulations contained in the transparency and supervisory provisions of the Bank of Italy*" to be unconstitutional.
In light of the ruling of the Constitutional Court, the Bank made an initial estimate of the potential charge connected with the effects of the partial declaration of unconstitutionality of Article 11 octies, paragraph 2 of Law Decree no. 73 of 25 May 2021, making a specific provision to the allowance for risks and charges.
On 9 February 2023, the European Court of Justice, within proceedings originating from a reference for a preliminary ruling from the Austrian Supreme Court, ruled on the applicability of the Lexitor principle to mortgage lending to consumers. The Austrian Court asked the European Court of Justice whether Directive 2014/17 on mortgage lending to consumers precluded national legislation providing that the right of the consumer to a reduction in the total cost of the credit in the event of early repayment of the credit covers only interest and costs that are dependent on the duration of the agreement. The Court declared that Directive 2014/17 does not preclude such legislation.
According to the Court, that right to reduction does not, therefore, include costs which, irrespective of the duration of the agreement, are payable by the consumer to either the creditor or third parties for services previously rendered in their entirety at the time of early repayment (such as processing and appraisal fees).
Moreover, in 2021 the European Commission launched the process for the revision of EU Directive no. 2008/48 on consumer credit, on which the Lexitor ruling had been handed down. Following the legislative proposal initially formulated by the Commission, the phase of involving the European Parliament and Council began and, in the last few months, these bodies defined their positions by publishing their respective proposals.

Dispute between Intesa Sanpaolo Vita S.p.A. and RB Holding S.p.A. and the Favaretto family
In May 2020, Intesa Sanpaolo Vita S.p.A. finalised an investment in RBM Assicurazioni Salute S.p.A., the leading Italian insurance company in the healthcare class held by RB Holding S.p.A. referring to the family of Roberto Favaretto, an operation that resulted in Intesa Vita S.p.A. currently controlling the insurance company, now named Intesa Sanpaolo RBM Salute S.p.A.
In May, Intesa Sanpaolo Vita sent the minority shareholders RB Holding S.p.A. an indemnity request pursuant to and in accordance with the investment contract, in relation to the emerging situations that gave rise (or could give rise) to liabilities currently quantifiable at over 129 million euro, which substantially involve:

- the increase in the charges for claims concerning the MètaSalute Policy due to the elimination of unfair business practices subject to proceedings launched by the AGCM (Italian Competition Authority);
- credit positions (per 'premium settlements') posted to balance sheet assets at the time of closing and fully written down following the closing, due to their verified uncollectibility;
- penalties for delays in payments of claims relating to the ASDEP – Healthcare for Employees of Public Entities Policy.

RB Holding S.p.A. rejected all charges and, in the second decade of July, along with the Favaretto family, submitted a petition to the Arbitration Chamber of Milan, claiming the invalidity of several clauses in the investment contract and shareholders' agreement of 2020 (including those relating to the put and call options on the minority interest and the non-competition agreement), breaches by Intesa Sanpaolo Vita of contractual commitments (such as the consultation clause relating to the renewal of the MètaSalute contract and the termination of the relationship with the previous Managing Director), the breach by the latter of the rules of good faith and fairness, with a request for compensation for damages totalling 423.5 million euro.
Intesa Sanpaolo Vita S.p.A. filed its defence to the Arbitration Chamber by the assigned deadline of 5 September 2022, fully contesting the adverse party's arguments and also making a counterclaim for the payment of a total amount of 129.4 million euro, for the breach, by RB Hold, of the representations and warranties issued and commitments undertaken through the investment contract, as well as the obligation to act in accordance with fairness and good faith, making full reference to the claims set out in the indemnity request of last May.
As the appearing parties did not reach an agreement on the appointment of the President of the Arbitration Tribunal, they submitted a joint request to the Arbitration Board to postpone the appointment.
Where consultation between the parties identifies the interest in an amicable settlement, the fact that the dispute is pending shall not impede the verification of the feasibility of such cases.

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):
   a1 - the Previous Disputes, included among the liabilities of the Aggregate Set transferred to Intesa Sanpaolo, which include, with some important exceptions (see point a2 herein), civil disputes relating to proceedings already pending at 26 June 2017, and in any case different from those included under the Excluded Disputes (see the point below);
   a2 - the Excluded Disputes, which remain under the responsibility of the Banks in compulsory administrative liquidation and which concern, among other things, disputes (even if already pending at 26 June 2017) brought by shareholders and convertible and/or subordinated bondholders of one of the two former Venetian banks (including those deriving from so-called "operazioni baciate"), 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. The Excluded Disputes also include the disputes attributable to all the categories listed herein (point a2) brought against Banca Nuova and Banca Apulia (or Intesa Sanpaolo as their absorbing company). 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;
b. 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 reimbursed by the Banks in compulsory administrative liquidation, based on that set out in the Sale Contract and subsequent agreements. 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 subordinated 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.

All the obligations and liabilities for indemnity assumed by the Banks in compulsory administrative liquidation in relation to Intesa Sanpaolo are covered by a public guarantee ("Indemnification Guarantee"), whose issue was an essential prerequisite of the Sale Contract. This guarantee was formalised on 15 November 2022.

Over time, by virtue of the contractual obligations assumed by the two Venetian Banks in compulsory administrative liquidation, Intesa Sanpaolo has sent them several claims containing requests (or reserving the right to make requests) for reimbursement/indemnity relating to previously incurred or potential damage concerning Previous Disputes or Excluded Disputes, as well as the breach of representations and warranties regarding certain assets and liabilities transferred to Intesa Sanpaolo.

Pending the formalisation of the "Indemnification Guarantee", on 14 October 2022, Intesa Sanpaolo and the two Venetian Banks in compulsory administrative liquidation negotiated and signed a "Third Agreement" to govern several aspects for the performance of the Sale Contract of 26 June 2017 (as occurred for two previous acknowledgement agreements signed in 2017 and in 2018). At that time, Intesa Sanpaolo and the two Venetian Banks in compulsory administrative liquidation:

– extended the duration of the loan agreements on the net debt of the sale and the sale of high risk loans and their conditions, aligning the guarantees;
– specified, both regarding the claims already sent by Intesa Sanpaolo and for the future, several aspects concerning the timing and methods of managing the related requests for compensation, covered by the Indemnification Guarantee in favour of Intesa Sanpaolo;
– agreed on several methods to effectively manage disputes in which Intesa Sanpaolo will be involved.

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 adverse parties in proceedings relating to the Excluded Disputes have always been rejected by judges, as they were deemed immaterial or clearly unfounded.

In filing an appearance in court, the Bank challenged the order of referral, claiming that it was inadmissible and unfounded; this, considering EU and Italian regulations on State aid as part of the operations on the Venetian Banks, correctly applied by the national legal system, and the absence of discriminatory effects against the shareholders and subordinated bondholders of the Venetian Banks. The Presidency of the Council of Ministers and BPVi in compulsory administrative liquidation (as well as the Bank of Italy, as *amicus curiae*) filed appearances in the proceedings, concluding in favour of the inadmissibility and lack of grounds of the issues of unconstitutionality raised.

With ruling no. 225 filed on 7 November 2022, accepting the defences of Intesa Sanpaolo, the Attorney General and Banca Popolare di Vicenza in compulsory administrative liquidation, the Court declared all the issues of unconstitutionality raised to be inadmissible, also taking a position on their lack of grounds, in line with the defences submitted by Intesa Sanpaolo.

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, assuming that 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 thus filed an appearance, requesting that it be excluded from the proceedings. 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.
As part of recovery proceedings managed by Italfondiario on behalf of the Bank, the issue relating to the consequences of the principle stated by the Court in 2017 on individual bank guarantees issued based on the Italian Banking Association (ABI) scheme was referred to the Joint Sections.
Specifically, they were asked to assess:

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

On 30 December 2021, the Joint Sections declared the partial nullity of the bank guarantees drawn up based on the Italian Banking Association (ABI) template, in relation to clauses 2, 6 and 8.
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.
Around one year since the ruling of the Joint Sections, there have been no increases in disputes, which, on the whole, are still a modest amount.

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[111]. 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 the former UBI Banca. The former UBI Banca 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 the former UBI Banca. Following its interruption due to the death of one of the claimants, the lawsuit was resumed. The Court of Milan granted the terms for filing preliminary briefs and scheduled the hearing for 28 March 2023.

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.
By order filed at the end of July 2022, the Court of Cassation rejected the appeals filed by the adverse parties in their entirety and ordered them to pay the costs to the Bank.
Therefore, the dispute has been definitively closed without any outlays.

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.
By measures dated 23 May 2022 and 14 June 2022, the Public Prosecutor's Office of Rome ordered the closure of the positions of both the former manager of Banca IMI and of ISP to request their dismissal. By order dated 27 June 2022, which became final in December, the Public Prosecutor's Office ordered the dismissal of the proceedings against the Bank. It is also expected that the request for dismissal be formalised also against the former manager of Banca IMI.

[111] See the previous note.

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. The activities of the technical roundtable with the Italian Revenue Agency - Collections Division on the parties' claims have been concluded, and now the negotiations are underway.

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.
The trial process was begun and the usual briefings were exchanged without the preliminary investigation being carried out. On 10 December 2022, the Court filed its ruling rejecting Energy's claims. On 10 January 2023 Energy served its appeal.

Engineering Service S.r.l.
In 2015, Engineering Service S.r.l. brought a civil suit against the Ministry of Economic Development, BPER and the former UBI Banca 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, fully rejected the claimant's application, ordering it to pay the legal fees of all the parties summoned.
The ruling became final due to lack of appeal within the terms set out by law.

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), claiming that they were liable for having contributed, along with other banks and 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 adverse party at around 22.5 million euro.
Lifting the reservation assumed at the hearing of 16 December 2022, the Court ordered the court-appointed expert's report requested by the Bankruptcy Receiver to be carried out.

Isoldi Holding Bankruptcy
The Isoldi Bankruptcy Receiver sued the former UBI Banca (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 Banca) 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.
Intesa Sanpaolo and the former UBI Banca filed regular appearances and the assigned Court, with order dated 1 July 2021, declared that it lacked jurisdiction. The adverse party resumed the proceedings, submitting the same claims before the Court of Turin. The Bank filed an appearance for the hearing scheduled for 3 March 2022. At the hearing of 16 February 2023, the judge reserved the decision on the preliminary objections. The total damages claimed by the adverse party do not seem to be accurately quantifiable as things stand, also taking account of the various conduct of the various banks challenged.

Società Italiana per le Condotte d'Acqua S.p.A. under Extraordinary Administration
By writ of summons of 23 December 2022, Società Italiana per le Condotte d'Acqua S.p.A. (admitted to the "Marzano" proceedings by way of Italian Ministerial Decree of 6 August 2018) asked the Court of Rome to order compensation for damages in the amount of 389.3 million euro (or a different amount that will arise during the proceedings), in addition to monetary revaluation, legal interest and expenses.

The claim has been filed, jointly, against Intesa Sanpaolo (also as the absorbing company of Medio Credito Italiano, Banca IMI and UBI Banca, as well as "the purchaser of" Veneto Banca and Banca Popolare di Vicenza), the members of the Management Board and the Supervisory Board of Condotte and numerous other banks and factoring companies.
The claim is based on the alleged conduct engaged in for various reasons by the defendants, considered a source of harm to the company's assets and its creditors. Specifically, the banks and factoring companies are allegedly liable for having unlawfully granted to and/or maintained credit for Condotte, thereby contributing to the continuation of its business at a loss and the worsening of its default.
The first hearing has been scheduled for September 2023.
As things stand, it is not possible to estimate the risk attributable to Intesa Sanpaolo, also taking account of the different conduct claimed against the numerous defendants.
The Extraordinary Administration has also promoted against Intesa Sanpaolo three bankruptcy revocatory actions before the Court of Rome, with a request to reimburse amounts of around 16 million euro.

Fondazione Cassa di Risparmio di Pesaro
In 2018, Fondazione Cassa di Risparmio di Pesaro brought a compensation claim against the former UBI Banca (as the successor-in-interest to the issuer Banca Marche S.p.A.[112]) 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 the income outlooks 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. After the entry of conclusions, the parties have filed their closing briefs and the ruling is pending.

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.[113]) 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 the income outlooks 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 the former UBI Banca, 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 hearing for the filing of the final briefs was postponed to 9 May 2023.

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.
As the initial attempts to reach a settlement agreement had failed, 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. Conversely, the Alitalia Linee Aeree and Alitalia Express lawsuits were won at first instance. The bankruptcy receivers filed an appeal, which, for Alitalia Express, was concluded in our favour, with the receivers subsequently submitting an appeal to the Court of Cassation.
For Alitalia Airport, which was also won at first instance, the favourable judgment has become final.
The lawsuit brought against the former Cassa di Risparmio di Firenze was also won in the first two instances, with the adverse party filing an appeal to the Court of Cassation.
The entire dispute, following long negotiations which were restarted in the meantime, was settled in November 2022, awarding the amount of 12.8 million euro to the adverse party.

[112] See the previous note.
[113] See the previous note.

Elifani Group

Lawsuit brought in 2009 by Edilizia Immobiliare San Giorgio 89 S.r.l. (now incorporated into Enselfin, 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 Court of Appeal of Milan, quantifying the claim at a total of approximately 100 million euro.

With a ruling of June 2022, the Court of Appeal of Milan, reviewing the case, rejected the claims made by the claimants, ordering them to pay the legal fees. This ruling was also appealed before the Court of Cassation by the adverse parties, with appeal served on 30 November 2022.

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 the former 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 the former UBI Banca, 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.

SIM Bankruptcy

By writ of summons served in October 2022, the receiver to SIM S.p.A. summoned Intesa Sanpaolo (along with another 7 banks) before the Court of Catania, with the first hearing scheduled for 31 March 2023.

This is a compensation claim brought for damages allegedly suffered by the company and its creditors due to conduct by the banks defined by the adverse party as "unlawful", which allegedly resulted in the unlawful granting of credit.

The claim for damages has been quantified at around 47 million euro, requesting that the defendant banks be jointly ruled against.

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. With reference to that appeal, on 16 November 2022, the Regional Administrative Court confirmed the fine and the Bank will appeal to the Council of State.

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 2022, 34 requests were received for around 0.5 million euro. At the end of the year, a total of 6,854 repurchase requests had been received from customers and met by the Bank, for a total value of 116.3 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.

Following the partial transfer of the proceedings to the Court of Rome, for reasons of territorial jurisdiction, in August 2022 the revocation of the preventive seizure ordered in February 2019 regarding the profit from the alleged crime of fraud was served, with full restitution to the Bank of the amount of 11.1 million euro. Now that the Bank's position has been settled, the Public Prosecutor's Office of Milan is expected to request the dismissal against the two operators investigated.

Private banker (Sanpaolo Invest SIM, incorporated into its parent company Fideuram - Intesa Sanpaolo Private Banking)

An inspection conducted by the Audit function identified serious irregularities by a private banker of the former Sanpaolo Invest SIM. 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 62.9 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 55 pending claims, with a present value of approximately 25.5 million euro, following the resolution of 223 positions.

The total amount of 6.4 million euro was recovered from the improperly credited customers (and already returned to the customers harmed) and there are pending attachments of 42 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.

Reyl & Cie (Switzerland) – Proceedings pursuant to Legislative Decree 231/2001 of the Public Prosecutor's Office of the Court of Milan

The Public Prosecutor's Office of Milan initiated criminal proceedings pursuant to Legislative Decree 231/2001 against Reyl & Cie (a Swiss subsidiary of Fideuram – Intesa Sanpaolo Private Banking) for the predicate offence of money laundering, allegedly committed by one of its former employees (dismissed in 2020), and ordered the seizure of securities owned by Reyl for around 1.1 million euro. The proceedings also involve the Swiss bank Cramer & Cie. Neither Fideuram ISPPB nor ISP are currently involved in the proceedings. The circumstances alleged relate to events that took place in 2018, before Reyl & Cie joined the Intesa Sanpaolo Group in May 2021. According to the prosecution, the former employee, together with his brother, an employee of the bank Cramer & Cie, and an external advisor, allegedly engaged in practices aimed at facilitating tax evasion by Italian customers through the transfer of accounts from Switzerland to branches located in the Bahamas, in order to allow those customers to withdraw money from those accounts without the possibility of being traced by the Italian authorities. With regard to the measure notified by the Swiss judicial authorities, the appeal is currently being prepared, whose filing, in any event, will be subject to a separate assessment before it is formalised. Instead, with regard to the criminal proceedings pursuant to Legislative Decree 231/2001 pending in Italy, the possibility is being evaluated of filing a petition for the reduction of the amount thereof. Indeed, an examination of the documents of the proceedings has revealed elements indicating that it may be considered reasonable that such a petition would be upheld. A request for disqualification from operating in Italy has not been made against Reyl & Cie, although investigations are still pending and it is not yet possible to access the related documents.

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.

The lawsuit against the former CR Venezia is now pending on appeal, filed by the Bank, following the order for payment of 2.8 million euro in 2016.

The lawsuit against the former Banco di Napoli is also pending on appeal against the order for payment of approximately 14.5 million euro, plus accessory costs, issued by the Court in 2021. That order was not suspended, and, in October 2022, the Bank paid 15.2 million euro, reserving the right to be refunded in case of favourable outcome of the appeal.

Against the appeal filed by the Bank, the adverse party filed an appearance, initiating a cross-appeal relating to the claim for return of the amount of 28 million euro deriving from a currency adjustment, a claim already rejected in the first instance and which is expected to also be rejected on appeal.

Selarl 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. 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, the Bank filed an appeal before the French Court of Cassation. 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. In November 2021, payment was made to the receivership of the amount ordered. The amounts were temporarily deposited with CARPA (the French Bar Association’s Cash Fund) and would have been unavailable until the Court of Cassation issues its ruling. A hearing was held on 4 October 2022. At the end of November 2022, the Court of Cassation rejected the appeals filed by the Bank and by the receivership. The ruling by the Court of Appeal of Metz thus became final. The amounts already paid by the Bank following that decision were therefore made available to 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.

In July 2022, the Court rejected all the plaintiff company’s claims, finding that it lacked standing. The plaintiff filed an appeal against that decision..

In December 2022, the Court of Appeal partially upheld the adverse party’s appeal, ordering one of the two defendant companies to pay around 9.5 million euro. The relevant subsidiary filed an appeal before the Supreme Court, which suspended the enforcement of the challenged ruling.

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

In line with the situation as at 31 December 2021, as at 31 December 2022 there were no significant cases of labour litigation from either a qualitative or quantitative standpoint. 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 adverse parties 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.
In May 2021, 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.

On 10 January 2023, a hearing was held before the Court of Cassation. After hearing the conclusions from the parties and the report of the General Prosecutor, the Court deferred judgment.

TAX LITIGATION

At Group level, the total value of the claims for tax disputes (taxes, penalties and interest) was equal to 219 million euro as at 31 December 2022, which represents a slight increase compared to 215 million euro as at 31 December 2021.
The Group's tax litigation risks are covered by adequate provisions to the allowances for risks and charges (70 million euro in 2022 compared to 76 million in 2021).
The Parent Company had 473 pending litigation proceedings (628 as at 31 December 2021) for a total amount claimed (taxes, penalties and interest) of 126 million euro (135 million euro as at 31 December 2021), 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 2022 (57 million euro also as at 31 December 2021).
Compared to 31 December 2021, for the Parent Company, the main events that gave rise to significant movements of amount of claims consisted of:

– an increase (around 13.5 million euro), due to: i) new claims of 1.4 million euro relating to municipal property tax (IMU) on properties not repossessed through terminated lease agreements (1 million euro) and income-generating lease agreements (0.4 million euro), net of the positions arising and settled during the year (for a detailed analysis of the disputes in question, refer to the Consolidated financial statements as at 31 December 2021); ii) the assessment on registration tax on transfer of business unit (1.8 million euro); iii) notice of registration tax on the ruling establishing a bankruptcy credit (0.6 million euro); iv) notice of assessment regarding VAT on boat lease transactions for the tax year 2016 (for 1.5 million euro); v) adjustment of the value of the former Sudameris dispute of 6.3 million euro, due to the appreciation of the Brazilian currency against the euro; vi) notices of registration tax for various reasons (0.6 million euro); and vii) interest accrued on the outstanding disputes of around 1 million euro;
– a decrease (around 22.8 million euro), due to: i) the closure of disputes concerning registration tax for 11.8 million euro, mainly relating to the demerger of business unit (including: the Manzoni/Melville case for 8.3 million euro, the case for reclassification of the transfer of the Banca di Trento e Bolzano/Intesa Sanpaolo business line for 1.2 million euro and the case for the value adjustment of the transfer of the Credito Piemontese/Intesa Sanpaolo business line for 1.6 million euro); ii) the closure of disputes concerning municipal property tax (IMU) on properties from leases, both following settlement and cancellation by the municipalities for 4.4 million euro; and iii) 6.6 million euro for various disputes, including the partial cancellation due to internal review of the VAT claim on boat lease transactions of 1.6 million euro relating to the tax year 2014, as well as the settlement of claims regarding IRES and IRAP taxes for 2 million euro.

The main changes in the provisions booked by the Parent Company (which remained substantially unchanged) as at 31 December 2021 are related to:

– an increase (around 7 million euro), due to: i) the adjustment of 1.2 million euro for the former Sudameris dispute relating to the principal and penalty components (assessed as higher risk), due to the appreciation of the Brazilian currency against the euro; ii) claims regarding municipal property tax (IMU) (1 million euro), still pending at the end of the year; iii) the greater provisions on the 2016 VAT claim for boat lease transactions of 1.5 million euro; iv) the penalty and related surcharges (2 million euro) included in a payment notice totalling 10 million euro due to an unfavourable ruling by the Court of Cassation in connection with the dispute on the registration tax for the demerger of a business unit from ISP to State Street Bank (the proceedings on the payment notice for registration tax related to this transaction are still pending); and v) greater provisions of 1.3 million euro on sundry cases, both new and existing (of which 0.8 million euro for disputes regarding registration tax);
– a decrease (around 6.8 million euro), due to: i) the favourable closure of the dispute regarding registration tax referring to the business contribution and subsequent sale of the investment by Banca di Trento e Bolzano to ISP (1.1 million euro); ii) the release relating to the closure of the tax audit report for 2016 of 1.3 million euro, due to the notification of the related notice of assessment on VAT on boat lease transactions. The increases and decreases on this position derive from the exact recognition of the liability initially estimated based on the results of the audit on 2014 and 2015; iii) the municipal property tax (IMU) claims for 3.3 million euro, due to the settlement of the IMU disputes on properties not repossessed through terminated lease agreements, arising in previous years; and iv) 1 million euro for sundry disputes, mainly regarding IRES and IRAP taxes.

During the year, the litigation settled (known as findings closed) totalled 340 proceedings, for a total amount claimed of 24.7 million euro, including the findings arising and settled during the year, with an outlay of 3.6 million euro, mainly referring to claims for municipal property tax (IMU) (2.5 million euro).

With regard to the Italian subsidiaries, tax disputes totalled 85 million euro as at 31 December 2022 (71 million euro as at 31 December 2021), covered by specific provisions amounting to 9 million euro (11 million euro in the 2021 financial statements). Compared to 31 December 2021, the main events that gave rise to significant movements of the total amount of claims (+14 million euro) were as follows:

– +16 million euro in new disputes, mainly referring to: Intesa Sanpaolo Private Banking (10.4 million euro); Cargeas Assicurazioni (4.6 million euro); Provis and other minor disputes (1 million euro);
– -2 million euro in closed disputes referring to Fideuram Vita, Intesa Sanpaolo Vita, Fideuram ISPPB, Siref and UBI Leasing.

The decrease in provisions compared to 31 December 2021, equal to 2 million euro, mainly refers to:

– +1.2 million euro in provisions on new disputes arising;
– -1.5 million euro due to the merger of UBI Leasing;
– -1 million euro with regard to cases closed that were previously covered by provisions.

Tax disputes involving foreign subsidiaries amounted to 8 million euro (9 million euro at the end of 2021), covered by provisions of 4 million euro (8 million euro in 2021).
The changes in the amount claimed and the allowance for risks are mainly due to the settlement of several disputes of Intesa Sanpaolo Bank Albania and Bank of Alexandria and, referring only to the amount claimed, the penalties imposed to UBI Trustee.
In the following paragraphs, information is provided regarding the most important ongoing disputes, and on several orders to file appearances relating to Italian subsidiaries, served in December 2022.

Parent Company

Disputes regarding registration tax, with a total remedy sought of 38 million euro, on the reclassification of business contribution and sale of the investments as sales of businesses and the consequent assessment of a higher business value

These are disputes concerning the recovery of registration tax paid on business contributions and the subsequent sales of the investments, which were reclassified by the tax authorities as sales of business unit, with the consequent assessment of a higher value for the business unit. These disputes were not settled under the tax amnesty pursuant to Article 6 of the tax decree connected to the 2019 Budget Law (Decree-Law 119/2018), either because 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 because there were sound prospects of a favourable outcome to the trials pending before the Court of Cassation.

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 lease companies or banks 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 rather than (already) the lease company/bank 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, the Court of Cassation settled on the view that the lease company/bank 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 7 million euro.

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, merged into Intesa Sanpaolo, concerning tax years 2014 and 2015 for VAT purposes and tax years 2015 and 2017 for direct tax purposes. The audit was concluded on 13 October 2020, contesting: i) the VAT exemption applied, in accordance with Article 8-bis of Presidential Decree 633/72, by the company to boat leases, and ii) the VAT exemption established in Article 7-bis of Presidential Decree 633/72 for the buyback of a vessel referring to 2014.
The Lombardy Regional Tax Office thus served a notice of assessment (with interest and penalties) for 2014, against which an appeal was lodged. On 28 February 2022 the ruling of the Milan Provincial Tax Commission was filed, partially favourable to the Bank, where, in acknowledging the reduction of the VAT claimed due to internal review by the Italian Revenue Agency, the judges recognised that the penalties imposed of 2 million euro (remedy sought of 4 million euro) were not due. 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. However, prudently, the dispute has been covered by provisions for the penalty and interest components. The dispute is pending before the Court of Justice in the second instance.
For the tax year 2015, the notice of assessment regarding one single finding of tax exemption pursuant to Article 8-bis of Presidential Decree no. 633/72, applied by the nautical lease company, 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.

Also for 2016, the Italian Revenue Agency notified the related notice of assessment on 1 June 2022 (remedy sought of 1.5 million euro). The proceedings are pending before the Tax Court of Justice in the first instance.
With regard to tax years 2015 and 2017, the audit was concluded without detecting any irregularities in the field of direct taxes.

* * *

Instead, with regard to the disputes settled during the period, the following is noted:

i) the dispute regarding the transfer by Manzoni S.r.l. to Melville S.r.l. through a partial, non-proportional demerger, of a private equity business line, reclassified by the Italian Revenue Agency as a direct sale of a business pursuant to Article 20 of Presidential Decree no. 131/1986, with a request for registration tax of 6.7 million euro, plus interest. The Bank won both in the first and second instance, and, lastly, also in the Court of Cassation, with a ruling filed during the year. As a result, that claim, quantified in a total of 8.3 million euro (of which interest of 1.6 million euro) was closed. In the previous financial reports, with regard to the dispute concerning the application of the proportional registration tax following the reclassification of a reorganisation consisting of a transfer of a business and a sale of an equity interest into a sale of a business pursuant to Article 20 of Presidential Decree 131/1986, details were provided of the publication of the Constitutional Court's ruling no. 39/2021 of 16 March 2021 whose conclusions confirmed the previous ruling no. 158 of 21 July 2020 by that Court.
In light of this second ruling of the Constitutional Court, the long-standing dispute was considered to have been concluded with favourable outcomes for the Bank in the numerous claims pending before the Court of Cassation. However, it is important to note that, on the grounds that, according to the principle of alternativity between VAT/registration tax, it is essential to arrive at a single definition of the concept of a business for the purposes of both taxes, the Court of Cassation, by Order no. 10283/2022 of 31 March 2022, referred the proceedings to the EU Court of Justice concerning the compatibility of Article 20 of the Consolidated Law on Registration Taxes (according to which the application of registration tax is to be made on the basis of the content of the document submitted for registration, without taking into account any non-directly discernible external elements), with respect to the VAT rules governing the treatment of transfers of businesses (transactions not subject to the tax) and of individual assets (taxable transactions). The Court of Justice of the European Union, with order of 21 December 2022 - Case C-250/22, declared that, "*It is clearly impossible to admit the request for a preliminary ruling lodged by the Supreme Court of Cassation (Italy), with order dated 31 March 2022*"..."*as the referring court has not sufficiently explained under which profile the interpretation of Article 5, paragraph 8 of the Sixth Directive and Article 19 of the VAT Directive is relevant for the purposes of applying Article 20 of the TUR (Consolidated Law on Registration Tax, Ed.)*". The Court also specified that "*the referring court retains the right to lodge a new request for a preliminary ruling, providing the Court with all the elements that make it possible to issue a ruling*". The issue is now being carefully monitored;

ii) the dispute relating to the business contribution and subsequent sale of the investment by Banca di Trento e Bolzano to Intesa Sanpaolo is noted, reclassified by the Italian Revenue Agency as a direct sale of a business (also pursuant to the aforementioned Art. 20 of Italian Presidential Decree no. 131/1986), with a demand for proportionate registration tax (0.8 million euro) plus interest (0.3 million euro), amounts provisioned at the time. Lastly, in a ruling filed during the year, the Court of Cassation found that the reclassification of the deed of contribution of a business line, followed by the sale of the investments in the contributed company is no longer permitted by law (pursuant to Art. 20 of Italian Presidential Decree no. 131/1986) and that the tax nature of the deed requires registration tax, as also observed by the Constitutional Court in the aforementioned ruling no. 158/2020. As a result, the amounts provisioned at the time were released.
With regard to the Intesa Sanpaolo branches located abroad, it should be noted that: a) a VAT audit on the London branch is in progress for the years 2016, 2017 and 2018; to date, no findings have been reported; ii) two tax audits concerning direct taxes of the New York branch are in progress: the first audit, which began in January 2021, is being conducted by the Internal Revenue Service (IRS) with regard to the income tax return filed for the tax period 2018; to date, no claims have been made; the second audit, notified in July 2021, is being conducted by the City of New York, with regard to the tax periods 2018 and 2019; to date, no claims have been made. The previous audits conducted by the State of New York, regarding the tax periods 2015 and 2016, and by the IRS regarding the tax period 2016 were closed with no claims; c) 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, was closed with no liabilities. More specifically, the tax loss reported by the branch for 2016 of 724 thousand euro was adjusted, decreasing it by a total of 722 thousand euro, of which 150 thousand euro due to interest that was not deductible, as it related to debt exceeding the regulatory capital required by Spanish regulations (application of the thin capitalisation rule), and 572 thousand euro due to non-deductible expenses, referring to services provided to the branch by the then Luxembourg parent company (UBI Banca International S.A.), by virtue of Spanish international transfer pricing regulations. The reduction of the tax loss did not generate any taxes or penalties due; e) the VAT audit on the Warsaw branch for the tax periods 2016-2020 on financial services (SWIFT) was closed. The branch paid the amount claimed, equal to 13 thousand euro (including interest and penalties) in full; f) the audit on the Munich branch of the merged company UBI Banca for the years 2015 to 2018, begun in 2021, is under way. The auditors are acquiring the accounting and tax documentation; g) the tax audit on the Madrid branch of ISP regarding the deductibility of intercompany costs amounting to 2.2 million euro for the tax period 2015 was concluded with the charging of 93 thousand euro of tax, plus interest (17 thousand euro) and penalties (20 thousand euro). The branch paid the amount claimed in full.

Group Companies

For Banca Fideuram, as a result of the Bank's appeal, three lawsuits are pending before the Court of Cassation concerning the failure to withhold 27% of 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.
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 for the goodwill arising from the transfers of the private banking business lines 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.
The status of the disputes is as follows:

– <u>year 2011</u>: 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 matter of the lapse of the tax administration's power of assessment: the realignment of 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 Attorney General and a counter-appeal has been prepared by the Bank;
– <u>year 2012</u>: 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 8.4 million euro, of which 3.9 million euro for taxes and 3.9 million euro for penalties). An appeal was lodged with the Court of Cassation;
– <u>year 2013</u>: the favourable rulings of both the Provincial Tax Commission and the Regional Tax Commission (total claim amount of 10.6 million euro, of which 4.9 million euro for taxes and 4.9 million euro for penalties). The Revenue Agency lodged an appeal with the Court of Cassation and the Bank then filed its defence;
– <u>years 2014 and 2015</u>: 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 16.7 million euro (of which tax of 7.9 million euro and penalties of 7.9 million euro), plus interest. The favourable second instance ruling no. 1044 concerning the years 2014 and 2015 was filed on 18 March 2022. The Lombardy Regional Tax Commission rejected the appeal by the Italian Revenue Agency against the first instance ruling that had upheld the (combined) IRES and IRAP tax appeals relating to those tax periods. The Italian Revenue Agency lodged an appeal with the Court of Cassation;
– <u>year 2016</u>: 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); By ruling no. 1962, filed on 6 July 2022, the Milan Provincial Tax Commission rejected the joined appeals of the Parent Company and Intesa Sanpaolo Private Banking, ordering each party to pay its own costs. In addition to rejecting the preliminary matter of the lapse of the Office's power of assessment, based on the well-known ruling no. 8500/2021 of the Joint Sections of the Court of Cassation, the ruling also rejected the appeals on the merits. The term for lodging an appeal expires on 5 February 2023.
– <u>year 2017</u>: the dispute was initiated against the notice of assessment. The amount deducted and disputed for 2017 is the same amount already adjusted for 2016 (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 8.6 million euro). The notice of assessment was challenged through an appeal served on the Lombardy Regional Revenue Directorate on 3 June 2022 and filed with the Milan Provincial Tax Commission on 20 June 2022 (Appeals General Register no. 2683/2022). We are awaiting for the hearing for discussion to be scheduled.

The total amount claimed, including taxes, penalties and interest, amounts to 61 million euro. According to the opinion issued by the firm assisting the bank, 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 salary-backed loans 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 additional support, it should also be considered that the communication of data and information regarding the contracting parties, sent annually to the Tax Register 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 Assicurazioni received notice of assessment no. TMB032S00039/2021 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 Milan Provincial Tax Commission which, by ruling no. 2396 of 1 September 2022, upheld the appeal and cancelled the notice of assessment. The term for the Office's appeal is pending.
During 2022, two rulings of the Milan Provincial Tax Commission were published (no. 343 of 17 January 2022 and no. 1214 of 28 March 2022), which regarded the issue of the "reclassification" of redundancy insurance policies (subject to tax at a rate of 2.5%) in place of those against debtor insolvency risk, i.e. those that cover credit risk (subject to tax at a rate of 12.5%). The outcome was unfavourable to the appealing companies outside the Intesa Sanpaolo Group (even though ruling no. 343 recognised the inapplicability of the penalties due to clear objective uncertainty on the applicability of the rule).
However, 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.
Also as a result of the above audits, on 6 June 2022, Cargeas Assicurazioni received notice of assessment no. TMB032S00216/2022 for 2011, which claimed a higher tax of 1.3 million euro, 0.5 million euro in interest and 2.8 million euro in penalties, equal to 200% of the assessed tax (minimum penalty prescribed by law), for a total of 4.6 million euro.
The grounds set out in the above notice of assessment for 2011 are the same as those indicated for 2010.
The Company deems that a negative outcome for the year 2011 is possible, just as that for the year 2010. Therefore, within the terms set out by law, it will appeal that notice before the competent Court of Justice.
Provis has municipal property tax (IMU) and municipal tax (TASI) claim procedures that are pending or about to commence with a total value of 3.8 million euro. The corresponding provision for risks amounts to 4.2 million euro, inclusive of legal expenses.
On 28 October 2022, Fideuram SGR (as well as ISP as the consolidating entity) received from the Italian Revenue Agency – Lombardy Regional Directorate an order to file an appearance regarding the year 2016 for IRES and IRAP, following the delivery of documentation in response to a questionnaire served on 21 April 2021, in order to establish a cross-examination on the alleged transfer pricing issues arising in relation to the consideration for fees received by Fideuram SGR in delegated manager activities for investment funds performed in favour of the Irish associate Fideuram Asset Management Ireland (principal). With specific regard to those management fees, the Revenue Agency has repeated the same adjustments made for the years 2011 to 2013 (which gave rise to tax settlement proposals for those years) and, as a result, adjusted the taxable income of Fideuram SGR upwards by 560 thousand euro. Fideuram accepted that proposal, signing the settlement proposal on 15 December 2022 and paying the amount due (220 thousand euro) on 20 December 2022. In relation to possible equivalent claims for subsequent years up to 2019, the company determined the possible charge in terms of taxes and interest at 500 thousand euro, allocating provisions to the 2022 income statement. In agreement with the advisor handling the claim, no provisions were made for 2020 and after, as the settlement of the bilateral agreements submitted in 2020 (thus, applicable from that period for 5 years) to the Irish and Italian authorities on the disputed activities seems to be near.
On 22 December 2022, Eurizon Capital SGR (hereinafter, "EC ITA") received from the Italian Revenue Agency – Lombardy Regional Directorate (hereinafter, the "Office") an order to file an appearance for the purposes of IRAP and, jointly with the tax consolidating entity Intesa Sanpaolo (hereinafter, the "Parent Company"), an order to file an appearance for the purposes of IRES for the year 2016.
EC ITA and the Parent Company attended the meeting with the Office on 28 December 2022, thereby launching a cross-examination that will last around four months.
After examining the intragroup transactions implemented by EC ITA with regard to the Luxembourg subsidiary Eurizon Capital S.A. (hereinafter, "EC LUX"), the Office challenged the transfer pricing analysis conducted in the transfer pricing documentation of EC ITA, deeming that it allegedly does not reflect the actual allocation of functions, risks and assets existing between EC ITA and EC LUX. More specifically, the Office deems that the provision of services by EC ITA to EC LUX, though formally divided into numerous separate operations, in terms of substance is "*attributable to wider business operations"* carried out by EC ITA for EC LUX. Therefore, applying a method for determining the arm's length price different from that adopted by EC ITA, the Office determined higher taxable income for IRES and IRAP purposes of 151.1 million euro, to which IRES and IRAP taxes are applied for 50 million euro (41.6 million euro for IRES and 8.4 million euro for IRAP), plus interest totalling 9.6 million euro and penalties totalling 15 million euro.
In the case in point, with regard to the method for determining transfer prices, while EC ITA deemed it correct to use the Comparable Uncontrolled Price (CUP) method to price the value of services, first of all of the management mandate service, provided to EC LUX, aligning the price charged to EC LUX with the prices that EC ITA charges to/pays for mandates received from/granted to third parties, the Office deemed that the most appropriate method was the Transactional Net Margin Method (TNMM), which substantially requires allocating a percentage of the net margin out of production value to the party in question, i.e. EC LUX. In detail, the Office deems that the ratio of net income (loss) before tax/net fee and commission income recognised for EC LUX (38.5%) is too high. As a result of that approach, only around one-fourth of the net income before tax of EC LUX (208.6 million euro) is attributed to Luxembourg and around three-fourths (151.1 million euro) to EC ITA. It is important to note that, according to the Office, the choice of the method and the consequent results of allocating revenues between Luxembourg and Italy is based on the conviction that EC LUX receives an intangible contribution from EC ITA.
As confirmed also by the opinion issued by the advisor assisting EC ITA, the claim made by the Office is unfounded in various aspects: a) the intangible does not influence the intragroup transfer prices; b) in addition, the Office completely ignored the

results of its own analysis, conducted in the previous years regarding the tax periods 2011-2015, which led it to issue tax settlement proposals regarding the adjustment of transfer prices applied in transactions between EC ITA and EC LUX on completely different bases than those now arising in relation to 2016. Moreover, in that context, EC LUX provided the Office with information regarding the intangible and its non-accounting tax amortisation. As part of the tax settlement proposals for the tax periods 2011-2015, the Office acquired and assessed the information regarding that non-accounting amortisation, without, however, deeming that it should have an impact for the purposes of determining the transfer prices between EC ITA and EC LUX. The Office had also deemed the transfer pricing documentation prepared at the time by EC ITA based on the CUP method to be suitable, granting penalty protection to EC ITA; c) the Office also failed to conduct a specific analysis to identify the actual functions performed, risks assumed and assets used by EC LUX during the tax period 2016, but merely classified EC LUX as the "less complex" entity mainly based on the incorrect conviction that the non-accounting tax amortisation attributable to EC LUX was attributable to an "intangible asset" contributed by EC ITA. As a result, also based on the presence of that "single" contribution subject to tax amortisation, it deemed the "traditional" methods for determining the arm's length price, such as the CUP, inapplicable to the case in question; d) the Office ignored the approach it had adopted in the tax settlement proposals issued in 2022 with Fideuram SGR, discussed above, regarding intragroup transactions with the Irish associate FAMI. In this last context, in the presence of intragroup transactions similar to those carried out by EC ITA with EC LUX, the Office deemed that the most appropriate method based on the specific circumstances was the CUP; e) lastly, though the Office acknowledged that on the same intragroup transactions subject to the order, there is currently an ongoing procedure of preventive bilateral agreement to reach an agreement on transfer prices between the competent Italian and Luxembourg authorities, it has not promoted that situation in any way. This, despite the fact that the preventive agreement procedure was launched by EC ITA following the issue of the afore-mentioned tax settlement proposals relating to the tax periods 2011-2015 and, therefore, also including 2016.

Those arguments will all be stated and documented in the cross-examination with the Office, which should be concluded by 30 April 2023.

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

Intesa Sanpaolo Bank Albania is mainly involved in: i) 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 for the years 2003 to 2007 (remedy sought of 1.3 million euro); ii) a former Veneto Banka dispute pending in the second instance regarding mistakes made in the tax return for the tax period 2013 (remedy sought of 33 thousand euro). Instead, the dispute relating to mistakes made in the tax return for the tax period 2011 was settled with the payment of 1 million euro.

Bank of Alexandria has two tax audits under way regarding corporate income tax for the tax period 2018 and stamp duty for 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 2.1 million euro for tax periods 1984 – 2008 (it amounted to 5.8 million euro as at 31 December 2021). The reduction in the amount claimed and the allowance for risks (-3.7 million euro) derives from the settlement of a portion of the disputes, using the related allowance for risks. The tax audit on stamp duty relating to the tax period 2019 was closed with no findings.

The dispute for the years 2014 and 2015 regarding the foreign subsidiary UBI Trustee S.A. (a trust company resident in Luxembourg) was closed without liabilities, as a result of an agreement by the trusts and their beneficial owners with the tax authorities.

Lastly, it is noted that an audit is under way for IMI SEC, conducted by the State of New York, regarding income tax for the years 2015, 2016 and 2017. No findings are noted for the time being.

Another tax audit begun in 2022 regards EXELIA, for the tax periods 2016 and 2017. No findings are noted for the time being.

Lastly, we note 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 charge falls on Intesa Sanpaolo due to the commitments entered into with the seller at the time, which was not established through the Settlement Agreement of 2019 with Banco Santander Brasil. The dispute is known as "Causa PDD1" and is based on the issue of taxes on income and social security contributions for 1995.

During 2021, the first instance judgement was filed by the ordinary civil judge. 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 and the case is now pending in the court of second instance. The remedy sought is 41.6 million euro, at the exchange rate of December 2022 (35 million euro as at 31 December 2021), set as equal to the security deposit paid by the bank to take action in the civil court (216 million Brazilian real) and posted under balance sheet assets.

There were two changes during the year. The first change concerns the issue on 13 June 2022 of an opinion by Prof. Tercio Sampaio Ferraz in which, inter alia, he confirms the argument put forth by Intesa Sanpaolo that the settlement for the year 1995 with the Brazilian tax authorities based on specific local law (Art. 17 of Brazilian Law no. 9799/1999), the subject of an administrative dispute closed in favour of the taxpayer with two decisions of the Administrative Court (CARF), cannot be put under discussion once again as, instead, the Brazilian tax authorities did through the jurisdictional dispute currently pending in the second instance.

According to local advisors, those arguments confirm that a negative ruling in relation to the interest component (approximately 25.6 million euro of the deposit posted under balance sheet assets) is remote. On taxes and penalties (equal to a total of 16 million euro of the deposit) we prudentially confirm the provisions of 50% of that amount, totalling 8 million euro (+1.2 million euro compared to 31 December 2021). The increase is due to the appreciation of the Brazilian currency against the euro, compared to the exchange rate recorded at the end of 2021 for the valuation of the dispute and the related risk. The second change regards the notification in October from the Brazilian tax authorities of a payment order for the alleged failure of the taxpayer to provide a deposit by order of the court to cover the tax debt, which is still being challenged. In that regard, a brief was submitted opposing that order, highlighting that the Brazilian tax authorities incorrectly calculated the value of interest accrued on the deposit by order of the court, which, instead, would more than cover the claim of the tax authorities. The local advisors confirmed that the document does not change the estimates of risk expressed to date with regard to that pending dispute.

* * *

In connection with all the tax disputes outstanding as at 31 December 2022, for a total value, as stated above, of 219 million euro, of which 126 million euro relating to Intesa Sanpaolo, the Group has recognised receivables of 44 million euro in its balance sheet assets to account for amounts paid on a provisional basis due to tax assessments, of which 21 million euro related to the Parent Company.
The portion of the allowance for risks which relates to provisional tax assessments amounts to 32 million euro, of which 26 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 2022.

(millions of euro)

Breakdown of mathematical reserves of life branch: maturity	Mathematical reserve	%
up to 1 year	1,778	1.68
1 to 5 years	4,826	4.57
6 to 10 years	1,934	1.83
11 to 20 years	3,294	3.12
over 20 years	93,787	88.80
TOTAL	**105,619**	**100.00**

(millions of euro)

Breakdown of risk concentration by type of guarantee	Total Reserves	%
Insurance and investment products with guaranteed annual yield		
0% - 1%	52,437	53.86
from 1% to 3%	31,233	32.08
from 3% to 5%	6,125	6.29
Insurance products	**15,824**	**16.25**
Shadow reserve	**-8,270**	**-8.48**
TOTAL	**97,349**	**100.00**

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.

(millions of euro)

Breakdown of financial liabilities by maturity	Within 12 months	Over 12 months	Total as at 31.12.2022	Total as at 31.12.2021
Unit linked	66	70,517	70,583	84,883
Index linked	-	-	-	-
Other payables to insured parties	1,562	-	1,562	-
Subordinated liabilities	-	2,222	2,222	2,220
Total	**1,628**	**72,739**	**74,367**	**87,103**

Non-life business

The typical risks of the non-life insurance portfolio (managed through Intesa Sanpaolo Assicura, Intesa Sanpaolo RBM Salute 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 2022.

(millions of euro)

Development of Claims Reserves	YEAR OF GENERATION/EVENT					TOTAL
	2018	2019	2020	2021	2022	
Reserve amount:						
as at 31/12 generation year N	543	721	588	842	696	
as at 31/12 year N+1	383	396	417	510		
as at 31/12 year N+2	261	311	219			
as at 31/12 year N+3	251	201				
as at 31/12 year N+4	147					
Total claims paid	**521**	**623**	**524**	**862**	**429**	**2,959**
Claims reserve booked as at 31.12.2022	**25**	**37**	**48**	**123**	**403**	**636**
Final claims reserve for previous years						**72**
Total claims reserve booked as at 31.12.2022						**708**

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 2021, the analysis of the Insurance Group's risk exposure was impacted by the economic, social and financial scenario deriving from the COVID-19 pandemic emergency. Weekly and monthly monitoring continued on the situations of solvency and liquidity of the Insurance Group, sent to the Supervisory Authority starting in March 2020. The reinforced monitoring of operational risks also continued, specifically referring to the occurrence of losses due to business continuity and/or depending on cyber risks.

Impacts of the Russia-Ukraine conflict

Following the escalation of the geopolitical tensions between Russia and Ukraine, the Risk Management Department has constantly monitored the evolution of the risks and their effects on the business of the Insurance Group, with a specific focus on exposures to countries directly involved in the conflict. In that area, exposure is residual (less than 0.1% of total assets).

Investment portfolios

The investments of the insurance companies of the Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita and Intesa Sanpaolo RBM Salute) are made with their shareholder fund 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 2022, the investment portfolios of Group companies, recorded at book value, amounted to 174,035 million euro. Of these, a part amounting to 107,620 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 shareholder fund. 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 shareholder fund

In terms of breakdown by asset class, net of derivative financial instruments, 83.06% of assets, i.e. 72,869 million euro, were bonds, whereas assets subject to equity risk represented 2.28% of the total and amounted to 2,001 million euro. The remainder (12,865 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (14.66%).
The carrying value of derivatives came to approximately -73 million euro, almost entirely relating to hedging derivatives, while the portion of effective management derivatives[114] is positive for approximately 84 million euro.
At the end of 2022, investments made with the shareholder fund of Intesa Sanpaolo Vita and Fideuram Vita amounted to around 430 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of around 9 million euro.

[114] 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 10.76% short-term (under 1 year), 27.63% medium-term and 44.67% long-term (over 5 years).

(millions of euro)

Financial assets	Book value	%	Duration
Fixed-rate bonds	**62,464**	**71.20**	**6.11**
up to 1 year	9,078	10.35	
1 to 5 years	21,656	24.68	
over 5 years	31,730	36.17	
Floating rate/indexed bonds	**10,405**	**11.86**	**6.24**
up to 1 year	362	0.41	
1 to 5 years	2,591	2.95	
over 5 years	7,452	8.50	
TOTAL	**72,869**	**83.06**	**-**
Equities or similar capital securities	**2,001**	**2.28**	
UCI, Private Equity, Hedge Fund	**12,865**	**14.66**	
TOTAL AS AT 31.12.2022	**87,735**	**100.00**	

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 4,139 million euro.

(millions of euro)

	Book value	%	Fair value changes due to interest rate fluctuations	
			+100 bps	-100 bps
Fixed-rate bonds	62,464	85.72	-3,553	4,034
Floating rate/indexed bonds	10,405	14.28	-586	702
Interest rate risk hedging effect	-	-	-	-
TOTAL	**72,869**	**100.00**	**-4,139**	**4,736**

Credit risk exposure

The table below sets forth the distribution of the bond portfolio by rating class: AAA/AA bonds represented 6.30% of total investments and A bonds approximately 7.68%. Low investment grade securities (BBB) were 65.89% of the total, while the portion of speculative grade or unrated was minimal (3.19%).
With regard to exposure to BBB rated securities, the majority of the exposure related to bonds issued by the Republic of Italy.

(millions of euro)

Breakdown of financial assets by issuer rating	Book value	%
Bonds	**72,869**	**83.06**
AAA	2,343	2.67
AA	3,182	3.63
A	6,735	7.68
BBB	57,812	65.89
Speculative grade	2,526	2.88
Unrated	271	0.31
Equities or similar capital securities	**2,001**	**2.28**
UCI, Private Equity, Hedge Fund	**12,865**	**14.66**
TOTAL	**87,735**	**100.00**

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 76.78% of the total investments, whereas the securities of corporate issuers contributed around 23.22%.
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 ±100 basis points, as at end of 2022, are shown in the table below.

(millions of euro)

	Book value	%	Fair value changes due to credit spread fluctuations	
			+100 bps	-100 bps
Government bonds	55,952	76.78	-3,651	4,216
Corporate bonds	16,917	23.22	-758	731
TOTAL	**72,869**	**100.00**	**-4,409**	**4,947**

Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to -200 million euro, as shown in the table below.

(millions of euro)

	Book value	%	Fair value changes due to stock price fluctuations
			-10%
Equities - Financial institutions	289	14.44	-29
Equities - Non-financial companies and other counterparties	1,712	85.56	-171
TOTAL	**2,001**	**100.00**	**-200**

Foreign exchange risk exposure

Approximately 97.6% 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 2022.

(millions of euro)

Type of underlying	DEBT SECURITIES/ INTEREST RATES		EQUITIES, EQUITY INDICES, COMMODITIES, EXCHANGE RATES		TOTAL	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Hedging derivatives	-	-157	-	-	-	-157
Effective management derivatives	-	-	49	35	49	35
TOTAL	**-**	**-157**	**49**	**35**	**49**	**-122**

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.
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 2022, the assets of Romulus included 6.8 billion euro in loans to the vehicle Duomo.
Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a carrying amount of 6.8 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 2022 this portfolio mainly consisted of securities of 9.9 billion euro.
The table below shows the information and figures for the above two vehicles as at 31 December 2022.

(millions of euro)

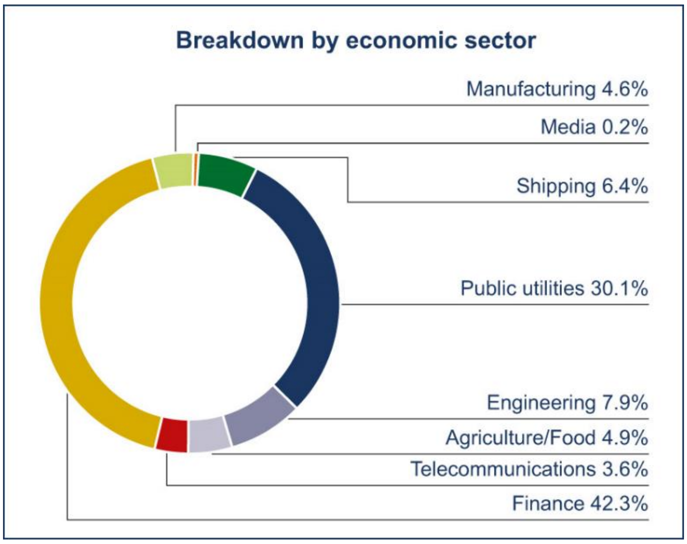
	Vehicle data		Liquidity lines (2)	Guarantees given		Securities issued	*of which: held by the Group*		
	Total assets	Cumulated losses		nature	amount	amount	amount	Accounting classification	Valuation
ROMULUS FUNDING CORP.	6,788	(1)	-	-	-	6,788	6,778	Fin.Ass. at amm. cost	Amortised cost
DUOMO FUNDING PLC	10,341	-	10,117	-	-	-	-		

(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 10,117 million euro is committed out of an amount granted of 15,000 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 54.4% accounted for by trade receivables and the remainder by consumer loans (19.0%), loans deriving from lease contracts (3.1%), factoring contracts (2.6%), mortgage loans (0.1%), loans to SMEs (14.2%), loans/lease contracts to pharmaceutical companies (0.6%) and VAT credits (1.2%). The eligible assets held by the vehicles are mainly expressed in euro (97.6% of the total portfolio). The remainder is broken down into British pounds (2.72%), US dollars (0.11%), Polish zloty (0.006%), Australian dollars (0.01%) and Mexican pesos (0.03%).

The following information is provided concerning the portfolio of eligible assets.



With regard to the rating breakdown of the loan portfolio, 98% does not have a rating and the remaining 2% is rated above "A".

With reference to the geographical distribution of the assets held by the two vehicles, please note that approximately 93% of the debtors are located in Italy.

RISANAMENTO GROUP

Qualitative and quantitative information

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.

Global GDP growth slowed in 2022 across both advanced and emerging economies. The Euro area was particularly hit by the effects of a spike in natural gas prices, a repercussion of the Russian invasion of Ukraine and of the resulting deterioration in political and economic relations between the European Union and Russia.
The recessionary impact of the shock was almost entirely offset by public support measures for households and businesses and the fall in the household saving rate. Accordingly, Euro area GDP increased by 3.5% in 2022, while inflation rose far above the levels expected before the war (annual average of 8.4%).
With regard to the assets held by the Risanamento Group, there are no specific interests in connection with the countries involved in the conflict. Particular attention was devoted to the increase in the prices of commodities and energy sources, which could influence future investments relating to the real estate development initiatives in portfolio. 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 signing of the Urban Planning Agreement is the final 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 conflict and its consequences on the prospective scenario, the phase of completion of the environmental restoration works and the constructions of the works makes it possible to believe that Milano 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 and of the conflict:

– the current scenario has generated doubts regarding future scenarios, and no one can yet forecast with sufficient certainty the impacts of the conflict 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, 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 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 uncertainties. Following that measurement, the main asset of the group (Milano Santa Giulia) saw a decrease in fair value of around 10 million euro, equal to approximately 1.5% compared to the market values observed in the previous year.

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 LendLease, a leading international operator, for the development of the Milano Santa Giulia real estate project, which, as previously mentioned, represents the Group's main asset.
In further detail, negotiations are currently being finalised for a complex transaction, whose structure and procedures are currently being agreed between the parties, aimed at enabling the following, inter alia, as part of a plan to ensure the economic and financial equilibrium of the Risanamento Group pursuant to Article 56 of the Insolvency Code ("IC"): (i) the obtainment by the Risanamento Group of the financial resources necessary to fulfil its commitments made to the public authorities and third parties in relation to the completion of both the reclamation of the area and the execution of the Olympic infrastructure works under the Variant Agreement; and (ii) the transfer of the Milano Santa Giulia area at values in line with its book value to a mutual fund, whose units will be held, among others, by the lending banks or their assignees, with the concurrent novation to the aforementioned fund of the financial debt due to the lending banks (or their assignees) from the Risanamento Group and the payment to Risanamento, under particular terms and conditions, of the additional amount with respect to the values referred to above.

The total carrying amount of the Risanamento Group's real-estate portfolio in Intesa Sanpaolo's consolidated financial statements is 690 million euro. In further detail, the portfolio may be broken down as follows:
- owner-occupied properties: 35 million euro (registered office and place of business - located in the Milano Santa Giulia area);
- real-estate development areas and projects: 614 million euro (Milano Santa Giulia);
- other trading and development properties: 41 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 position 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 2021), 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 3 February 2022, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 March 2022.
The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.95%.
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[115];
– 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 0.19%[116].

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.

[115] 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.
[116] Countercyclical Capital Buffer calculated taking into account the exposure as at 31 December 2022 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 2024, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2022 and for the first quarter of 2023).

As stated in Part E, compared to 31 December 2021, with regard to the scope of application of internal credit risk models, the ECB's authorisation to use the new Retail models for regulatory purposes were implemented starting from September 2022, and the Institutions and Retail SME models starting from June 2021.

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.
Compared to 31 December 2021, it is noted that, starting in the second quarter of 2022, the eligibility rules for securities used as collateral in SFTs were revised, in light of the provisions of art. 271.2 CRR. In order to maintain a suitable level of control over the materiality of transactions previously considered at full risk, a concentration limit was introduced on guarantees that have low levels of liquidity or creditworthiness. A new assessment process was also defined for guarantees comprised of senior securitisation tranches, to make them eligible to mitigate exposures deriving from SFTs.
Starting in the fourth quarter of 2022, in response to the request from the ECB, a process was activated to exclude from the internal counterparty risk model those transactions whose valuation does not comply with the consistency thresholds between the risk and front office systems.

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. As at 31 December 2022, the scope of the Advanced Measurement Approach (AMA) is comprised of Intesa Sanpaolo (including the former Banks and Companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka and Privredna Banka Zagreb.

On 15 December 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 2023.
The overall capital requirement to be met in terms of Common Equity Tier 1 ratio is currently 8.91%.
This is the result of:
- the SREP requirement in terms of Total Capital ratio of 9.72% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.72%, of which 0.97% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020;
- 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 0.19%[117].

The transitional period, which will end with the last reporting date as at 31 December 2022 and is 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, since 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).

Lastly, since 31 December 2020, the Intesa Sanpaolo Group has applied Commission Delegated Regulation (EU) 2020/2176, which entered into force on 23 December 2020 and amends Commission Delegated Regulation (EU) 241/2014 with regard to 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.

[117] See the previous note.

B. Quantitative information

B.1. Consolidated book shareholders' equity: breakdown by type of company

(millions of euro)

Balance sheet captions	Prudential consolidation	Insurance companies	Other companies	Netting and adjustments on consolidation	TOTAL	*of which minority interests*
1. Share capital	**10,435**	**-**	**102**	**-**	**10,537**	**168**
2. Share premium reserves	**28,067**	**-**	**1**	**-**	**28,068**	***15***
3. Reserves	**15,982**	**-2**	**-784**	**715**	**15,911**	***84***
3.5 (Interim dividend)	**-1,400**	**-**	**-**	**-**	**-1,400**	**-**
4. Equity instruments	**7,211**	**-**	**-**	**-**	**7,211**	-
5. (Own shares)	**-124**	**-4**	**-**	**4**	**-124**	-
6. Valuation reserves:	**-2,761**	**-696**	**140**	**558**	**-2,759**	***-124***
- Equities designated at fair value through other comprehensive income	-258	-	-	-	-258	-
- Hedges of equities designated at fair value through other comprehensive income	-	-	-	-	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	-1,774	-	-	-	-1,774	-
- Property and equipment	1,738	-	31	-	1,769	*20*
- Intangible assets	-	-	-	-	-	-
- Hedges of foreign investments	-10	-	-	-	-10	-
- Cash flow hedges	-466	-	-	-	-466	-
- Hedging instruments (non-designated items)	-	-	-	-	-	-
- Foreign exchange differences	-1,463	-	68	8	-1,387	*-140*
- Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-45	-	-	-	-45	-
- Actuarial gains (losses) on defined benefit plans	-242	-	-	-	-242	*-4*
- Share of valuation reserves connected with investments carried at equity	-552	-	41	550	39	-
- Legally-required revaluations	311	-	-	-	311	-
- Share of valuation reserves pertaining to insurance companies	-	-696	-	-	-696	-
7. Parent company's net income (loss) and minority interest (+/-)	**4,380**	**987**	**-53**	**-937**	**4,377**	***23***
Shareholders' equity	**61,790**	**285**	**-594**	**340**	**61,821**	**166**

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	72	-2,612	4	-803	-	-	-4	803	72	-2,612
- of which measured pursuant to IAS 39	*4*	*-803*	*4*	*-803*	-	-	*-4*	*803*	*4*	*-803*
2. Equities	159	-375	44	-2	-	-	-44	2	159	-375
- of which measured pursuant to IAS 39	*44*	*-2*	*44*	*-2*	-	-	*-44*	*2*	*44*	*-2*
2bis. Quotas of UCI (pursuant to IAS 39)	55	-96	55	-96	-	-	-55	96	55	-96
4. Loans	10	-52	-	-	-	-	-	-	10	-52
Total as at 31.12.2022	**296**	**-3,135**	**103**	**-901**	**-**	**-**	**-103**	**901**	**296**	**-3,135**
Total as at 31.12.2021	**1,012**	**-1,008**	**508**	**-39**	**-**	**-**	**-508**	**39**	**1,012**	**-1,008**

The reserve on equities classified as level 1 is negative for about 338 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
1. Opening balance	**51**	***377***	**-100**	***44***	**48**	**5**
2. Increases	**7,299**	***6,746***	**875**	***372***	**666**	**27**
2.1. Fair value increases	6,956	*6,739*	375	*351*	663	5
2.2. Adjustments for credit risk	17	-	X	-	-	13
2.3. Reversal to the income statement of negative reserves from disposal	312	*4*	4	*4*	-	9
2.3bis Reversal to the income statement of negative reserves from impairment (pursuant to IAS39)	-	-	-	-	2	-
2.4. Transfer to other shareholders' equity items (equities)	-	-	439	-	-	-
2.5. Other increases	14	*3*	57	*17*	1	-
3. Decreases	**-9,890**	***-7,922***	**-991**	***-374***	**-755**	**-74**
3.1. Fair value decreases	-9,699	*-7,895*	-906	*-372*	-751	-74
3.2. Recoveries for credit risk	-2	-	-	-	-	-
3.2bis Impairment losses (pursuant to IAS39)	-1	*-1*	-	-	-	-
3.3. Reversal to the income statement of positive reserves from disposal	-171	*-23*	-	-	-2	-
3.4. Transfer to other shareholders' equity items (equities)	-	-	-39	-	-	-
3.5. Other decreases	-17	*-3*	-46	*-2*	-2	-
4. Final balance	**-2,540**	***-799***	**-216**	***42***	**-41**	**-42**

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 of the Parent Company Intesa Sanpaolo:

Ordinary shares:		
Initial number	no.	40,481,556
Purchases	no.	1,035,246,253
of which to be annulled (buyback)	*no.*	*988,632,803*
Sales	no.	-1,019,021,022
of which annulment of shares subject to buyback	*no.*	*-988,632,803*
End-of-year number	no.	56,706,787

B.4. Valuation reserves relating to the defined benefit plans: annual changes

During the year, the reserves at issue recorded an increase of 182 million euro. Therefore, as at 31 December 2022 there was an overall negative reserve equal to approximately 242 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 2022 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

(millions of euro)

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)	Net income / loss recorded as of acquisition date (e)
1. Compagnie de Banque Privée Quilvest S.A	30-Jun-22	184	100	66	9	5
2. VUB Generali Dochodkova Spravcovska Spolocnost A.S.	24-Oct-22	85	50	9	5	2

(a) Date of acquisition of control.

(b) Percentage of voting rights at the Ordinary Shareholders' Meeting plus possible options on minorities' stakes. For VUB Generali, considering the 50% stake previously held by VUB Banka, the total equity investment is 100%.

(c) Net interest and other banking income (Caption 120 of the income statement) referred to full year 2022.

(d) Net income/loss recorded by the subsidiary/business for full year 2022.

(e) Net income/loss recorded by the subsidiary/business after acquisition date and included in the consolidated result of the Intesa Sanpaolo Group.

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:

- sale by Intesa Sanpaolo Vita S.p.A. to Intesa Sanpaolo S.p.A. of 48.99% of the equity investment in Intesa Sanpaolo Smart Care S.r.l.;
- contribution from Intesa Sanpaolo S.p.A. to Acantus S.p.A. of a pledged loans business line against a specific capital increase;
- merger by incorporation of Intesa Sanpaolo Private Bank (Suisse) Morval S.A. into Reyl & CIE S.A.;
- sale of the equity investment in UBI Trustee S.A. by Intesa Sanpaolo S.p.A. to Fideuram Bank Luxembourg S.A.;
- merger by incorporation of VÚB Leasing A.S. into Vseobecna Uverova Banka A.S.;
- partial demerger of a business line of IW Bank S.p.A. to Fideuram - Intesa Sanpaolo Private Banking S.p.A. consisting of banking relationships and banking activities, performing loans and bad loans, advanced trading activities, finance activities, and management of the proprietary securities portfolio;
- partial demerger of assets of Fideuram – Intesa Sanpaolo Private Banking S.p.A. to Intesa Sanpaolo, composed of performing loans that are part of the business line of IW Bank S.p.A. set out in the previous point, and the related funding and personnel;
- sale by Eurizon Capital SGR S.p.A. to Intesa Sanpaolo Vita S.p.A. of 17.7% of the equity investment in Eurizon Capital Real Asset SGR S.p.A.;
- merger by incorporation of UBI Leasing S.p.A. into Intesa Sanpaolo S.p.A.;
- merger by incorporation of PBZ Stambena Stedionica d.d. into Privredna Banka Zagreb d.d;
- merger by incorporation of Cargeas Assicurazioni S.p.A. into Intesa Sanpaolo Assicura S.p.A.;
- merger by incorporation of Intesa Sanpaolo Smart Care S.r.l. into Intesa Sanpaolo S.p.A.;
- merger by incorporation of Intesa Sanpaolo Agents4You S.p.A. into Intesa Sanpaolo S.p.A.;
- merger by incorporation of Obviam AG S.A. into Asteria Investment Managers S.A.;
- merger by incorporation of Sanpaolo Invest Società d'Intermediazione Mobiliare S.p.A. into Fideuram - Intesa Sanpaolo Private Banking S.p.A.

Annual changes in goodwill

	(millions of euro) 31.12.2022
Initial goodwill	**3,574**
Increases	**52**
- Goodwill recorded in the year	42
- Positive foreign exchange differences and other changes	10
Decreases	**-**
- Impairment recorded in the year	-
- Disinvestments	-
- Negative foreign exchange differences and other changes (reclassified to discontinued operations)	-
Final Goodwill	**3,626**

Goodwill

(millions of euro)

CGUs/Goodwill	**31.12.2022**	**31.12.2021**
Banca dei Territori	-	-
IMI Corporate & Investment Banking	56	56
Insurance	976	976
Asset Management	1,059	1,060
Private Banking	1,535	1,482
International Subsidiary Banks	-	-
Bank of Alexandria (Egypt)	-	-
Pravex Bank (Ukraine)	-	-
Total	**3,626**	**3,574**

1.2 Other information

Acquisition of Compagnie de Banque Privée Quilvest S.A.

As part of the process of the strengthening and strategic repositioning of the international operations of the Private Banking Division, set out in the 2018-2021 Business Plan, on 6 and 8 July 2021, respectively, the Boards of Directors of Intesa Sanpaolo and Fideuram – Intesa Sanpaolo Private Banking (hereinafter, "Fideuram") authorised the acquisition by Fideuram Bank Luxembourg (hereinafter, "Fideuram Bank Lux"), 100%-owned by Fideuram, of the entire share capital of Compagnie de Banque Privée Quilvest (hereinafter, "CBPQ"), a Luxembourg private bank wholly owned by the holding company Quilvest Wealth Management.

The acquisition of CBPQ made it possible to create an additional European hub of the Private Banking Division, alongside the one in Switzerland, for European and international customers, enabling the development of private banking activities in areas with promising growth prospects, such as Luxembourg and Belgium.

The sale agreement was finalised by the parties on 17 September 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 30 June 2022 with the acquisition by Fideuram Bank Lux of 100% of the share capital of CBPQ.

The parties agreed a price on the basis of a valuation of 100% of CBPQ equal to 180 million euro. To determine fairness from an economic and financial standpoint, an independent third party was asked to provide a specific fairness opinion, which attested that the price agreed for the acquisition of 100% of the share capital of CBPQ may be considered fair.

The valuation of 180 million euro was subject to a price adjustment to take account of changes in the company's balance sheet between 31 December 2021 and the closing date. That adjustment resulted in an increase in the value of CBPQ of around 4 million euro. Therefore, the final price for the acquisition of 100% of the company came to 184 million euro.

Accounting treatment of the business combination and Purchase Price Allocation (PPA) process

The acquisition of control of CBPQ is a business combination that must be accounted for in accordance with IFRS 3, which requires the application of the acquisition method. Based on that method, it is necessary to:

– 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 fair value at the acquisition date, 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.

Without prejudice to the identification of Fideuram Bank Lux as acquirer, the acquisition date was identified as 30 June 2022, i.e. the date on which the transaction was finalised. It was thus with effect from this date that Fideuram Bank Lux (and thus,

indirectly, the Intesa Sanpaolo Group) acquired control of CBPQ pursuant to IFRS 10, with the consequent obligation to include it within its consolidation scope.
For the purpose of the PPA and the initial consolidation of CBPQ in the consolidated financial statements of the Intesa Sanpaolo Group, reference was made to the balance sheet prepared at 30 June 2022, while the income statement results of the company were included in the consolidated financial statements of Intesa Sanpaolo starting on 1 July 2022.

The purchase price, equal to 184 million euro, was determined on the basis of the consideration transferred on the closing date for 100% of the share capital of CBPQ, equal to 180 million euro, plus, as previously indicated, the price adjustment of around 4 million euro defined based on the increase in the company's shareholders' equity from the closing date to 31 December 2021.

After the purchase price was determined, it was allocated to the equity acquired, after adjusting it to reflect the fair value of the assets acquired and liabilities assumed.
The purchase price allocation was completed for the 2022 financial statements, even though the acquisition date was 30 June 2022, 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.
Therefore, for the purposes of the 2022 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 CBPQ. In particular, the following accounting entries emerged as worthy of attention in terms of potential differences between carrying amounts and fair values:

– the securities portfolio;
– the portfolio of medium-long term loans;
– two specific customer relationship related intangibles with a finite useful life, typical of the Wealth Management sector, previously not recognised in the financial statements of CBPQ. The first is linked to the valuation of the assets acquired (Assets under Management - AuM), and the second to the customer relationship for Core Deposits (CD).

Specifically, with reference to the securities portfolio already stated at fair value in the company's financial statements, as part of the PPA process, in order to verify the portfolio's fair value, the expert referred to the price of each security at the acquisition date, based on data taken from infoproviders, in line with the Fair Value Policy of the Intesa Sanpaolo Group. The valuation process resulted in a total fair value of the securities portfolio in line with that stated in the financial statements of CBPQ.
With regard to the loan portfolio, in order to determine the scope subject to measurement, for exposures with maturity of less than 12 months, as they are short-term transactions, the carrying amount recognised in CBPQ's balance sheet at the acquisition date 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. For the medium/long-term portfolio, the method used by the expert to estimate the fair value of the loan portfolio involved discounting cash flows at a specific discount rate (the Discounted Cash Flow or DCF Model). Specifically, the fair value of each single loan was estimated using a "direct" approach, developed based on the gross expected cash flows (principal and interest), minus the operating costs attributable to managing the portfolio, the cost of risk (Expected Credit Loss – ECL) and the cost deriving from the absorption of regulatory capital. The net cash flows thus determined were discounted at a discount rate composed of a market rate expressing a risk-free investment and a liquidity discount.
The valuation process resulted in a total fair value of the loan portfolio in line with its book value in the financial statements of CBPQ, which was therefore confirmed for the purposes of the PPA process.
Finally, additional analyses were conducted, resulting in the recognition of two specific customer relationship related intangibles, specifically associated with indirect customer deposits (Assets under Management - AuM) and Core Deposits (CD). 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 two intangible assets pursuant to IAS 38 and IFRS 3, only the value of the existing contractual relationships at the acquisition date was considered, as the ability to generate new relationships cannot be separated and transferred to third parties. As a result, the intangible assets recognised were considered as having a finite useful life.
With specific reference to indirect customer deposits, the identified value of one intangible asset is linked to the existing customer relationships for Assets under Management (AuM) and the value that the Bank may obtain over time as a result of those relationships. Instead, with regard to the core deposits, the value of the intangible asset lies in the Bank's ability to benefit from a component of direct deposits of its customers at costs lower than market costs.
The independent expert used the Multi-period Excess Earnings Method (MEEM) to measure the two intangible assets at the acquisition date. This method defines the value of the intangible asset on the basis of the estimated gross cash flows generated by the intangibles subject to valuation, 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 assets; 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 intangibles. Subsequently, the present value of net cash flows attributable to the intangibles subject to valuation was calculated, based on a discount rate representing the cost of capital.
The valuation process resulted in a total fair value of the AuM intangible of 43 million euro, equal to 0.7% of the assets acquired (in line with the previous PPA conducted by the Intesa Sanpaolo Group), while the fair value of Core Deposits came to 30 million euro, equal to 1.8% of the on-demand deposits at the acquisition date. The related tax liabilities were also recognised, as required by IAS 12, based on the nominal tax rate in Luxembourg.
For the purpose of determining the amortisation criteria of the two intangibles, based on the assumption adopted to determine the value of the AuM intangible in reference to the useful lives of the underlying assets, the amortisation period was set at 16 years from the acquisition date. For the CD component, considering that for the specific type of customers, direct deposits are correlated with assets, a residual duration was assumed in line with that of the AuM intangible.

Summary of the purchase price allocation and goodwill calculation process

As required by IFRS 3, 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.

As described above, goodwill was recognised as the difference between the acquisition cost and the company's shareholders' equity measured at its acquisition date fair value.

The total acquisition cost came to 184 million euro, while the IAS/IFRS shareholders' equity of CBPQ, acquired as at 30 June 2022, appropriately revalued at fair value, came to 142 million euro.

The following table contains a summary of the purchase price allocation and final goodwill calculation process.

(millions of euro)

		CBPQ
Final acquisition cost of CBPQ at acquisition date	a	180
Price adjustment	b	4
Final acquisition cost	**c = a + b**	**184**
IAS/IFRS shareholders' equity at acquisition date	**d**	**87**
PPA effects	**e = f + g + h**	**55**
- of which intangible AuM	*f*	*43*
- of which intangible CDs	*g*	*30*
- of which deferred tax liabilities on intangible AuM and CDs	*h*	*-18*
Shareholders' equity at acquisition date fair value	**i = d +e**	**142**
Goodwill recognised	**c - i**	**42**

The comparison between the total acquisition cost and the shareholders' equity of CBPQ at fair value identified a residual difference to allocate of 42 million euro, 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 Intesa Sanpaolo Group, the goodwill and the two intangible assets linked to AuM and core deposits were allocated to the Private Banking CGU.

For the purpose of completeness, the balance sheet of CBPQ at the acquisition date is shown below, with a comparison of the carrying amounts from the company's IAS/IFRS financial statements and the fair values from the PPA process.

(millions of euro)

Assets	**Compagnie de Banque Privée Quilvest S.A**		
	Carrying amount at acquisition date	**Fair value differences**	**Acquisition date fair value**
Cash and cash equivalents	1,255	-	1,255
Financial assets measured at fair value through profit or loss	3	-	3
Financial assets measured at fair value through other comprehensive income	209	-	209
Financial assets measured at amortised cost	601	-	601
a) due from banks	21	-	21
b) loans to customers	580	-	580
Property and equipment	4	-	4
Intangible assets	2	115	117
- of which intangible AuM	*-*	*43*	*43*
- of which intangible Core Deposits - CDs	*-*	*30*	*30*
- of which: goodwill	*-*	*42*	*42*
Tax assets	1	-	1
Other assets	32	-	32
Total assets	**2,107**	**115**	**2,222**

Liabilities and shareholders' equity	**Compagnie de Banque Privée Quilvest S.A**		
	Carrying amount at acquisition date	**Fair value differences**	**Acquisition date fair value**
Financial liabilities measured at amortised cost	1,963	-	1,963
a) due to banks	*20*	-	*20*
b) due to customers	*1,943*	-	*1,943*
Financial liabilities held for trading	4	-	4
Tax liabilities	8	18	26
a) current	*8*	-	*8*
b) deferred	*-*	*18*	*18*
Other liabilities	45	-	45
Shareholders’ equity captions	87	97	184
Total liabilities and shareholders’ equity	**2,107**	**115**	**2,222**

Acquisition of VUB Generali Dochodkova Spravcovska Spolocnost A.S.

Through its subsidiary Vseobecna Uverova Banka A.S. (hereinafter, “VUB”), Intesa Sanpaolo held 50% of the share capital of VUB Generali Dochodkova Spravcovska Spolocnost A.S. (hereinafter, “VUB Generali”), as part of a joint venture established in 2004 with the Generali Group to develop the offer of voluntary contribution pension funds in Slovakia. The company was classified among investments in companies subject to joint control pursuant to IFRS 11 and consolidated using the equity method.

Considering that, over the years, VUB Generali pursued its development mainly through the distribution network of VUB and the associated business generated by the network of agents already partnered with VUB for the dealing in other banking products, it was decided to discontinue the joint venture by acquiring a further interest in VUB Generali from Generali, equal to 5.26% of the share capital, in order to acquire control pursuant to IFRS 10.

In addition to the purchase of a 5.26% interest in the share capital, the transaction was structured with a cross put and call option mechanism between the Intesa Sanpaolo Group and the Generali Group that, if exercised, will allow VUB to increase its interest in the share capital of VUB Generali up to 100%, by acquiring the additional minority interest, equal to 44.74% of the share capital.

The sale agreement and the update to the existing shareholders’ agreement were finalised by the parties on 5 April 2022 with closing conditional on obtaining the necessary authorisations from the Supervisory Authorities. After the conclusion of the authorisation procedure, the transaction was finalised on 24 October 2022 with the acquisition by VUB of 5.26% of the share capital of VUB Generali.

For the acquisition of 5.26% of the capital of VUB Generali, the parties agreed on a price of around 5 million euro, settled in cash, which considers a valuation of 100% of the company at around 85 million euro, whose fairness from an economic and financial standpoint was confirmed by a specific fairness opinion of an independent expert.

At closing, on the basis of the interest held of 55.26%, and the governance rights to which VUB is entitled, VUB, and thus the Intesa Sanpaolo Group, acquired control of the company pursuant to IFRS 10, with the resulting obligation for line-by-line consolidation of the company.

Accounting treatment of the business combination and Purchase Price Allocation (PPA) process
The acquisition of control of VUB Generali, in which, as stated above, the Intesa Sanpaolo Group already held a 50% interest through VUB, was considered, as envisaged by IFRS 3, a business combination achieved in stages, i.e. a combination in which the acquirer gains control of an entity in which it already held an interest immediately prior to the acquisition date. According to IFRS 3, all business combinations must be accounted for using the acquisition method. Based on that method, it is necessary to:
– identify the acquirer and the acquisition date;
– determine the purchase cost, including, for business combinations achieved in stages, restating at fair value the interest previously held in the acquiree;
– 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.

Without prejudice to the identification of VUB as the acquirer, although VUB acquired control of VUB Generali on 24 October 2022, taking due regard of the fact that the company, for the purposes of the contractual agreements, prepared a balance sheet and income statement as at and for the period ended 31 October 2022 and between this date and the closing date there were no extraordinary or material events, the book acquisition date has been taken by convention to be 1 November 2022. Accordingly, reference was made to the IAS/IFRS balance sheet prepared by the company as at 31 October 2022 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. With regard to the recognition of the economic effects in the consolidated financial statements of VUB and of Intesa Sanpaolo, the income statement results of VUB Generali were included from 1 November 2022.

Based on the provisions of IFRS 3, the purchase cost was determined by considering the acquisition-date fair values of the interest previously held, the assets transferred by the acquirer and the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. As previously noted, the standard requires that, in a business combination achieved in stages, as in the case of the acquisition of VUB Generali, the purchase cost must also consider the acquisition-date fair value of the equity interest in the acquiree previously held by the acquirer. Specifically, the acquirer must remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the difference on the previous carrying amount as a profit or loss in its income statement.
To determine the fair value of the interest already held in VUB Generali, reference was made to the valuation - negotiated between the parties and confirmed in the fairness opinion from the accounting expert - of 100% of the company, equal to 85 million euro, considering that, for the acquisition of the 5.26% interest, which granted VUB control over VUB Generali, no control premium was paid, as the price negotiated was merely the pro-rata amount of the valuation of 100% of the company. Based on that value, the fair value of 50% of the share capital previously held by Intesa Sanpaolo, through VUB, came to around 43 million euro. When compared with the carrying amount of the interest at the acquisition date (around 11 million euro), this had a positive effect of around 32 million euro on the consolidated income statement.
In addition to the interest acquired in cash and that previously held, suitably remeasured at fair value, for the purposes of determining the purchase cost, the put and call option mechanism was considered, through which VUB may acquire, within the terms set out in the contractual agreements, the remaining shares of VUB Generali, to reach ownership of 100% of the share capital, in the period from 2025 to 2029.
Given the presence of the put options for the minority shareholder, the result for VUB is an unconditional undertaking to purchase the shares underlying the options, which was 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 VUB's undertaking to purchase the VUB Generali shares held by third parties. With regard to the determination of the acquisition-date fair value of the liability connected with the put option, reference was made, also in this case, to the valuation of 100% of the acquiree negotiated between the parties.
In summary, the total purchase cost pursuant to IFRS 3 amounted to 85 million euro, i.e. the sum of the price paid by VUB to purchase the additional 5.26% interest in the company's share capital (equal to around 5 million euro), the fair value of the interest previously held (43 million euro) and the amount of the financial liability to minority shareholders recognised at the acquisition date, for the commitment underlying the put option agreements (37 million euro).

For the purposes of the 2022 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 VUB Generali.
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 financial statements of VUB Generali and the related fair values.
Finally, specific analyses were conducted, resulting in the recognition of a customer relationship related intangible asset, specifically associated with Assets under Management (AuM) performed by the acquiree.
AuM assets typically include relationships with banking customers relating to dealing in asset management products, i.e. portfolio management schemes, mutual funds and SICAVs, in addition to pension and insurance products. In the case in question, VUB Generali operates in the retirement savings market and is one of the leading pension fund management companies in the Slovak market.
For the valuation of the intangible asset at the acquisition date, a Discounted Cash Flow (DCF) model was used, which entails discounting, at the valuation date, the profitability generated by the assets acquired (gradually deteriorating over time), considering the associated costs and the absorption of regulatory capital. The net cash flows were then discounted at a discount rate expressing the cost of capital.
The valuation process resulted in a total fair value of the AuM intangible of 80 million euro, against which the related deferred tax liabilities were recognised, as required by IAS 12, based on the nominal tax rate in Slovakia.

With reference to the determination of the amortisation criteria of the intangible, based on the assumption adopted for the purposes of determining the value of the intangible in reference to the useful lives of the underlying assets, the amortisation period was set at 28 years from the acquisition date. That value was determined based on the run-off of the assets, considering the current retirement age of customers.

Summary of the purchase price allocation and final goodwill calculation process

As required by IFRS 3, 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, badwill or negative goodwill must be recognised in the acquirer's income statement.

As described above, taking suitable account of the put and call option mechanisms underlying the minority interest, both the total acquisition cost and the IAS/FRS shareholders' equity of the company suitably remeasured at fair value came to 85 million euro. As a result, on conclusion of the PPA, no goodwill caption was recognised.

For more details, see the table below:

(millions of euro)

		VUB Generali
Acquisition cost	**a**	**85**
IAS/IFRS shareholders' equity at acquisition date	**b**	**22**
PPA effects	**c = d + e**	**63**
- of which intangible AuM	***d***	***80***
- of which deferred tax liabilities on intangible AuM	***e***	***-17***
IAS/IFRS shareholders' equity at fair value	**f = b +c**	**85**
Goodwill recognised	**a - f**	**-**

Moreover, according to IAS 36, the 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, the AuM intangible, recognised upon PPA, was allocated to the International Subsidiary Banks CGU.

For the purpose of completeness, the balance sheet of VUB Generali at the acquisition date is shown below, with a comparison of the carrying amounts from the company's IAS/IFRS financial statements and the fair values from the PPA process.

(millions of euro)

Assets	**VUB Generali**		
	Carrying amount at acquisition date	**Fair value differences**	**Acquisition date fair value**
Cash and cash equivalents	1	-	1
Financial assets measured at fair value through other comprehensive income	15	-	15
Intangible assets	6	80	86
- of which intangible AuM	*-*	*80*	*80*
Tax assets	*2*	-	*2*
Total assets	**24**	**80**	**104**

Liabilities and shareholders' equity	**VUB Generali**		
	Carrying amount at acquisition date	**Fair value differences**	**Acquisition date fair value**
Tax liabilities	1	17	18
a) current	*1*	-	*1*
b) deferred	-	*17*	*17*
Other liabilities	1	-	1
Shareholders' equity captions	22	63	85
Total liabilities and shareholders' equity	**24**	**80**	**104**

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 2022.

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

No adjustments are recognised in the current year that relate to business combinations that occurred in previous reporting periods.

Part H – 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 chair 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 2.8 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 Committee for Transactions with Related Parties.

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 2022 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.

	31.12.2022	
	Amount (millions of euro)	**Impact (%)**
Total financial assets [(1)]	6,997	0.8
Total other assets [(2)]	188	0.8
Total financial liabilities [(3)]	5,348	0.7
Total other liabilities [(4)]	882	0.8

(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.

	31.12.2022	
	Amount (millions of euro)	**Impact (%)**
Total interest income	59	0.4
Total interest expense	-31	1
Total fee and commission income	35	0.3
Total fee and commission expense	-52	1.9
Total operating costs [(1)]	-194	1.7

(1) Includes caption 190 of the income statement.

In relation to associates, during the year a total of around 4 million euro of writebacks to loans were recorded.

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 1 billion euro.

(millions of 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 (***)
Cash and cash equivalents	-	-	-	-	-	-	-	*483*	-
Financial assets measured at fair value through profit or loss	-	-	229	-	-	229	-	2,571	-
a) financial assets held for trading	-	-	-	-	-	-	-	*2,526*	-
b) financial assets designated at fair value	-	-	-	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	*229*	-	-	*229*	-	*45*	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	19	-	-
Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	-	-	-	-	-	-	2	15	-
Financial assets measured at amortised cost	-	342	328	19	-	689	47	927	2
a) due from banks	-	-	5	-	-	5	-	741	-
b) loans to customers	-	342	323	19	-	684	47	186	2
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	-	-	-	-	-	-	-	-	-
Other assets	20	-	42	-	-	62	-	126	-
Investments in associates and companies subject to joint control	49	133	1,831	-	-	2,013	-	-	-
Financial liabilities measured at amortised cost	17	257	663	28	198	1,163	171	2,908	5
a) due to banks	-	-	2	-	-	2	-	2,719	-
b) due to customers	17	257	661	28	198	1,161	171	189	5
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	-	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	9	-	-	9	-	1,092	-
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	-	-	-	-	-	-	-	-	-
Other financial liabilities	3	-	24	22	517	566	13	303	-
Guarantees and committments given	37	379	206	7	1	630	15	1,091	-
Guarantees and committments received	-	10	9	7	-	26	1	10	-

(*) 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 of the JP Morgan Group.

(***) 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 chair 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.

The caption Investments in associates and companies subject to joint control does not include the subsidiary Obviam AG as it was absorbed by Asteria with accounting effect from 31 December 2022 (it was previously consolidated at equity)

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, Back2Bonis, FI.NAV Comparto A - Crediti, Equiter S.p.A., Cassa di Risparmio di Fermo S.p.A., Camfin S.p.A., Neva First - FCC, Bancomat S.p.A., Alpian S.A., 1875 Finance Holding AG, Digit'ed Holding S.p.A. and Warrant Hub S.p.A. The main joint ventures include: Mir Capital Sca Sicar, PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management and Mooney Group S.p.A.

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 during the year are those that exceed the threshold of 5% of Own Funds at consolidated level (approximately 2.8 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 year by Intesa Sanpaolo Group companies with related parties are reported below.

Relations between the Intesa Sanpaolo Group and the board members and general managers, key managers, their close family members and entities they have significant investments in 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 regard to the transactions with jointly-controlled subsidiaries or associates, as well as with significant investees due to the presence of important equity and financial ties, mention should be made of:

- the sale, for 23 million euro, by Banca 5 S.p.A. to Mooney Group S.p.A. of the ordinary shares of the electronic money institution Mooney S.p.A. as a result of the contribution of its business line to Mooney S.p.A. and the subsequent signing, with Mooney Group S.p.A., of a commercial agreement;
- the recapitalisation of 10 million euro by Banca 5 S.p.A. in favour of Mooney Group S.p.A., and the revision of the conditions applied to financial instruments in issue for a value of around 262 million euro;
- the signing of a service agreement between Fideuram - Intesa Sanpaolo Private Banking S.p.A. and Alpian S.A. aimed at regulating the conditions for the development and use of the software on an exclusive basis in Italy and Luxembourg. The agreement was signed on 12 May 2022, effective until 2028 and for a maximum value of 5 million euro. This agreement was formalised following the subscription of a direct equity investment of 14.9% by Fideuram - Intesa Sanpaolo Private Banking S.p.A. in the company, which resulted in the Intesa Sanpaolo Group having significant influence over Alpian S.A., taking account of the 12.8% of capital owned by Reyl & CIE S.A.

Lastly, we note the credit facilities and extensions of credit lines in favour of VUB Generali Dochodkova Spravcovska Spolocnost A.S.

Other significant information

With reference to the companies carried at equity, adjustments were recognised in the value of the investments held in Intrum Italy S.p.A., Mir Capital S.C.A. Sicar, Misr Alexandria For Financial Investments Mutual Fund Co. in liquidation, Backtowork24 S.r.l., Gilda S.r.l. and Marketwall 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 2022 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 (1)		OTHER MANAGERS (2)		TOTAL as at 31.12.2022	
	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid
Short-term benefits (3)	18	13	63	51	81	64
Post-employment benefits (4)	-	-	5	5	5	5
Other long-term benefits (5)	1	1	12	1	13	2
Termination benefits (6)	-	-	-	-	-	-
Share-based payments (7)	-	-	25	-	25	-
Total	**19**	**14**	**105**	**57**	**124**	**71**

(1) Figures referring to 448 positions. The table does not include approximately 2,1 million euro relating to 82 positions in the Boards of Directors (or similar bodies), as this was fully transferred to other Group Companies.

(2) Figures referring to 99 positions. The table does not include approximately 5,1 million euro relating to 13 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 and PSP 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, in aggregate form, 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.

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 2017, and in implementation of the Shareholders' Meeting resolution of 27 April 2018, on 12 September 2018 the Group totally purchased - through Banca IMI[118], 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[119], 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;
- with regard to the results for 2021, and in implementation of the Shareholders' Meeting resolution of 29 April 2022, from 12 to 14 September 2022 the Group totally purchased – through its IMI Corporate & Investment Banking Division, in charge of the programme execution – 46,216,652 Intesa Sanpaolo ordinary shares (representing approximately 0.24% of the share capital of the Parent Company[120]) at an average purchase price of 1.8932 euro per share, for a total value of 87,496,321.48 euro. In addition, the purchase programme has been implemented in service of the Privredna Banka Zagreb (PBZ) Group's shared-based payment incentive system in regard to 2021 and the residual portions in financial instruments from previous plans, the Long-Term Incentive Plans reserved for the Financial Advisors of the Networks of the Fideuram - Intesa Sanpaolo Private Banking Group, as well as to grant severance payments upon early termination of employment.

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.

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[118] Merged into Intesa Sanpaolo on 20 July 2020.

[119] Merged into Intesa Sanpaolo on 20 July 2020.

[120] The percentage has been calculated, in compliance with the terms of the resolution approved at the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022, on the 19,430,463,305 ordinary shares without nominal value composing the share capital of 10,084,445,147.92 euro before the execution, on 30 June 2022, of the capital increase under the 2022-2025 LECOIP 3.0 Long-term Incentive Plan based on financial instruments (which raised the share capital to 10,368,870,930.08 euro divided into 19,977,435,963 shares) and, then, the annulment of the own shares purchased in execution of the buyback programme disclosed to the market on 24 June 2022 and launched on 4 July 2022 (the share capital composition changed following the reduction in the number of its constituent shares, while its amount remained unchanged at 10,368,870,930.08 euro). The shares purchased represented around 0.24% of the share capital when considering the 19,267,277,397 constituent shares at the time of purchase.

Long-Term Incentive Plans 2018-2021: POP and LECOIP 2.0 Plans
At the time of launching the 2018-2021 Business Plan, two 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, which ends in March 2023;
- The LECOIP 2.0 Plan targeted at Managers and the remaining personnel, which ended in March 2022.

With reference to the Top Management, Risk Takers and Key Managers, which have a direct impact on the Group's results, an instrument has been adopted that is 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 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 are 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. The estimates were subject to review during the vesting period and until the expiry. The cost of the plan, so defined, was 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 recognised a financial asset (the "transferred receivable" representing the Certificates) as a balancing entry in Shareholders' Equity. In particular, the Certificates entered in the Group's financial statements have been classified, in accordance with the provisions of IFRS 9, under caption 20.c) "Financial assets measured at fair value through profit or loss: Other financial assets mandatorily measured at fair value". At the same time, when the estimate made previously had to be adjusted, the cost of the plan was changed with a corresponding adjustment to Shareholders' Equity.

Long-Term Incentive Plans 2022-2025: Performance Share Plan and LECOIP 3.0 Plan

At the time of launching the 2022-2025 Business Plan, two new long-term incentive plans were launched targeting different clusters of employees:
- Performance Share Plan (PSP) reserved for the Group Management, including the Managing Director and CEO, the remaining Group Top Risk Takers and other Group Risk Takers (in Italy and abroad);
- LECOIP 3.0 Plan reserved for all the Professionals employed by the Group in Italy.

With regard to Management, Intesa Sanpaolo has adopted a plan 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 Business Plan, and which envisages the adoption of Performance Shares as a financial instrument.
In detail, the Performance Share Plan provides for the assignment of new Intesa Sanpaolo ordinary shares deriving from a capital increase without payment, upon achievement of key performance conditions of the Business Plan, subject to the application of de-multipliers based on sustainability targets, as well as subordinated to gateway conditions and individual access (compliance breach).
Any shares accrued will be paid out over a 4/5-year time horizon according to payout schedules established depending on the sub-cluster of the beneficiary, the amount of the total variable remuneration, and its weight compared to the fixed remuneration. The deferred portions are also subject to the verification of malus conditions, defined in a mirrored manner to the gateway conditions.
For Professionals, basically in line with the LECOIP 2.0 Plan, a retention plan called "LECOIP 3.0" has been structured with the aim of continuing the work of strengthening the personnel's identity and sense of belonging, consistently with the Group's inclusive organisational culture.
The LECOIP 3.0 Plan is assigned as certificates issued by JP Morgan, i.e. share-based financial instruments, and envisages:
- the assignment of newly issued ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment (Free Shares) for an amount equivalent to the Variable Result Bonus advance for 2022 (employees may opt to receive the advance in cash and, therefore, not to participate in LECOIP 3.0);
- the assignment, free of charge, of additional shares in exchange for the same share capital increase without payment (Matching Shares) based on the role held and seniority, and the subscription, in set proportions with respect to the free shares received, of newly issued ordinary Intesa Sanpaolo shares deriving from a share capital increase with payment reserved for employees, at a discounted issue price (Discounted Shares) against market value.

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, 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.
In residual cases, the amount will be paid according to specific payout schedules that provide for deferral and payment of part of the bonus in financial instruments. These schedules are differentiated according to the cluster the beneficiaries belong to when the bonus is accrued, as well as the amount of the total variable remuneration, and its weight compared to the fixed remuneration.
The Performance Share Plan and the LECOIP 3.0 Plan were subject to the approval of the ordinary Shareholders' Meeting of 29 April 2022.
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 plans.
On 21 June 2022, ISP's Board of Directors exercised the authority granted to it by the Shareholders' Meeting for capital increases in favour of the Group's employees to service the implementation of the 2022-2025 LECOIP 3.0 Plan.
Both the long-term incentive plans in question (the Performance Share Plan and the LECOIP 3.0) fall within the scope of IFRS 2 and qualify as equity-settled share-based payment plans.

For the Performance Share Plan, the fair value of the equity instruments that are subject to the plan is calculated at the assignment date. The Plan envisages the presence of service and performance conditions, which must be 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 accrual period and until the expiry. Additionally, the determination of the fair value of the plan needs to take into account the presence of “market” performance conditions.
The cost of the plan, so defined, is attributed to the income statement (as labour costs) pro rata temporis along the accrual period 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 plan (performance targets, gateway conditions and the discontinuation of employment) for the employees, if the estimate made previously needs to be adjusted, ISP changes the cost of the plan with a corresponding adjustment to Shareholders’ Equity.
With regard to the LECOIP 3.0 Plan, at the assignment date, the fair value of the equity instruments that are subject to the plan is 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 must be 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 3.0 Certificate (trigger events and the discontinuation of employment) for the employees, Intesa Sanpaolo recognises a financial asset (the “transferred receivable” representing the Certificates) as a balancing entry in Shareholders' Equity. In particular, the Certificates entered in the Group’s financial statements are classified, in accordance with the provisions of IFRS 9, under caption 20.c) “Financial assets measured at fair value through profit or loss: Other financial assets mandatorily measured at fair value”. At the same time, if the estimate made previously needs to be adjusted, the cost of the plan is changed with a corresponding adjustment to Shareholders’ Equity.

B. QUANTITATIVE INFORMATION

Evolution of the annual incentive plans based on financial instruments in 2022

	Number of shares	Average strike price (euro)	Residual life
Financial instruments outstanding as at 31 December 2021	22,529,826	-	2022/2026
Financial instruments granted during the year (a)	29,523,155	-	2022/2027
Financial instruments no longer assignable (b)	154,176	-	
Financial instruments vested during the year and assigned	24,615,984	-	
Financial instruments outstanding as at 31 December 2022	27,282,821	-	2023/2027
of which: vested and assigned as at 31 December 2022	-	-	

(a) Including the shares deriving from corporate transactions.

(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 2022, 512,540 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 November 2022 and October 2026.

Breakdown by residual life

Residual life (a)	**Number of shares**
2023	6,046,025
2024	9,834,313
2025	5,920,481
2026	3,845,713
2027	1,636,289

(a) End of retention period

Evolution of long-term share-based instruments: POP, LECOIP 2.0, Performance Share Plan (PSP) and LECOIP 3.0

	Performance-based Option Plan (POP)										
	POP options at July 2018 (a)		**POP options at 31.12.2021**					**POP options at 31 December 2022**			
	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	Average unit fair value	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
Total beneficiaries (Top Management, Risk Takers and Key Managers)	517,066,285	0.3098	477,580,743	-	370,862,202	0.0819	-39,407	370,822,795	-	370,822,795	-

(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 restructured 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.

	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 31.12.2021**	Changes in the year (c)	**Number of LECOIP Certificates at 31.12.2022**	**Average fair value 31.12.2022**
	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	67,626,889	-2,931,290	-	-

(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 SHARE PLAN (PSP)			
	Number of Performance Share at June 2022 (a)	**Changes in the year (b)**	**Number of Performance Share at 31.12.2022**	**Fair value 31.12.2022**
Total beneficiaries (all the Management, including the Managing Director and CEO, the other Group Top Risk Takers and the remaining Group Risk Takers – both Italian and foreign perimeter)	150,774,451	-1,552,971	149,221,480	0.9979

(a) Number of Performance Share assigned to the beneficiaries (all the Management, including the Managing Director and CEO, the other Group Top Risk Takers and the remaining Group Risk Takers – both Italian and foreign perimeter) on 30 June 2022.

(b) Number of Performance Shares that will not be recognized to employees in the event they fail to meet the condition of continuation of employment or other vesting conditions.

	LECOIP PLAN 3.0												
	Free Shares at June 2022		**Matching Shares at June 2022**		**Discounted Shares at June 2022**		**Sell to cover shares at June 2022 (a)**		**Total number of shares assigned at June 2022**	**Number of LECOIP Certificates at June 2022**	Changes in the year (c)	**Number of LECOIP Certificates at 31.12.2022**	**Average fair value 31.12.2022**
	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	33,745,462	1.7800	39,591,828	1.7800	386,972,658	0.3409	86,662,710	1.7800	546,972,658	73,337,290	-536,380	72,800,910	3.6670

(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.

Part L – Segment reporting

Breakdown by business area: income statement figures[(a)]

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total
Net interest income	3,957	2,132	1,592	419	-	-	1,400	9,500
Net fee and commission income	4,744	1,156	574	1,980	913	3	-451	8,919
Income from insurance business	-	-	-	-	-	1,616	89	1,705
Profits (Losses) on financial assets and liabilities designated at fair value	120	1,047	129	60	-21	-	43	1,378
Other operating income (expenses)	-8	-2	-68	16	70	-12	-28	-32
Operating income	**8,813**	**4,333**	**2,227**	**2,475**	**962**	**1,607**	**1,053**	**21,470**
Personnel expenses	-3,430	-528	-573	-486	-110	-148	-1,467	-6,742
Other administrative expenses	-2,964	-870	-431	-354	-106	-217	2,030	-2,912
Adjustments to property, equipment and intangible assets	-3	-20	-114	-81	-6	-20	-1,036	-1,280
Operating costs	**-6,397**	**-1,418**	**-1,118**	**-921**	**-222**	**-385**	**-473**	**-10,934**
Operating margin	**2,416**	**2,915**	**1,109**	**1,554**	**740**	**1,222**	**580**	**10,536**
Net adjustments to loans	-1,238	-1,564	-345	-12	-	-	46	-3,113
Other net provisions and net impairment losses on other assets	-68	-131	-20	13	-	90	-165	-281
Other income (expenses)	11	-	35	-	-	8	148	202
Income (Loss) from discontinued operations	-	-	-	-	-	-	-	-
Gross income (loss)	**1,121**	**1,220**	**779**	**1,555**	**740**	**1,320**	**609**	**7,344**
Taxes on income	-375	-519	-191	-444	-184	-347	1	-2,059
Charges (net of tax) for integration and exit incentives	-42	-21	-44	-37	-1	-14	19	-140
Effect of purchase price allocation (net of tax)	-32	-	-	-21	-4	-65	-89	-211
Levies and other charges concerning the banking industry (net of tax)	-214	-	-40	-21	-	-	-301	-576
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Minority interests	13	1	-	2	-1	-24	5	-4
Net income (loss) 2022	**471**	**681**	**504**	**1,034**	**550**	**870**	**244**	**4,354**
Net income (loss) 2021	**316**	**2,247**	**463**	**1,076**	**787**	**712**	**-1,416**	**4,185**

(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.

(millions of euro)

Captions (a)	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total
Guarantees given	97	326	45	2	-	-	2	472
Collection and payment services	438	125	197	6	-	-	1	767
Current accounts	1,198	33	145	10	-	-	-	1,386
Credit and debit cards	587	4	263	17	-	-	-	871
Commercial banking activities	**2,320**	**488**	**650**	**35**	**-**	**-**	**3**	**3,496**
Dealing and placement of securities	1,233	220	18	275	337	-	-1,083	1,000
Currency dealing	5	2	4	3	-	-	2	16
Portfolio management	100	2	27	1,883	1,914	-	-271	3,655
Distribution of insurance products	877	-	32	678	-	3	-3	1,587
Other	218	31	11	188	-	-	-13	435
Management, dealing and consultancy activities	**2,433**	**255**	**92**	**3,027**	**2,251**	**3**	**-1,368**	**6,693**
Other net fee and commission income	**328**	**597**	**92**	**25**	**181**	**-**	**42**	**1,265**
Fee and commission income	**5,081**	**1,340**	**834**	**3,087**	**2,432**	**3**	**-1,323**	**11,454**
Fee and commission expense	**-337**	**-184**	**-260**	**-1,107**	**-1,519**	**-**	**872**	**-2,535**
Net fee and commission income 2022	**4,744**	**1,156**	**574**	**1,980**	**913**	**3**	**-451**	**8,919**
Net fee and commission income 2021 (redetermined figures)	**4,809**	**1,135**	**546**	**2,096**	**1,282**	**2**	**-343**	**9,527**

(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[a]

(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								
31.12.2022	247,522	132,927	40,212	15,104	282	-	10,807	446,854
31.12.2021	250,592	152,543	38,970	14,450	783	-	8,533	465,871
Direct deposits from banking business								
31.12.2022	291,089	94,785	54,364	50,447	26	-	54,675	545,386
31.12.2021	291,697	94,844	51,504	55,895	21	-	63,287	557,248

(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: income statement figures[(a)]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Net interest income	7,013	1,806	681	9,500
Net fee and commission income	7,154	1,576	189	8,919
Income from insurance business	1,408	297	-	1,705
Profits (Losses) on financial assets and liabilities designated at fair value	1,233	139	6	1,378
Other operating income (expenses)	-92	1	59	-32
Operating income	**16,716**	**3,819**	**935**	**21,470**
Personnel expenses	-5,848	-720	-174	-6,742
Other administrative expenses	-2,347	-466	-99	-2,912
Adjustments to property, equipment and intangible assets	-1,111	-138	-31	-1,280
Operating costs	**-9,306**	**-1,324**	**-304**	**-10,934**
Operating margin	**7,410**	**2,495**	**631**	**10,536**
Net adjustments to loans	-1,936	-1,097	-80	-3,113
Other net provisions and net impairment losses on other assets	-170	-118	7	-281
Other income (expenses)	173	30	-1	202
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**5,477**	**1,310**	**557**	**7,344**
Taxes on income	-1,599	-338	-122	-2,059
Charges (net of tax) for integration and exit incentives	-88	-52	-	-140
Effect of purchase price allocation (net of tax)	-213	2	-	-211
Levies and other charges concerning the banking industry (net of tax)	-508	-68	-	-576
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	23	-1	-26	-4
Net income (loss) 2022	**3,092**	**853**	**409**	**4,354**
Net income (loss) 2021	**2,023**	**1,714**	**448**	**4,185**

(a) Figures from the reclassified financial statements, as described in the Report on operations.

Breakdown by geographical area is carried out with reference to the location of Group entities.
The International Branches are reported 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.

(millions of euro)

	Italy	Europe	Rest of the world	Total
Fee and commission income				
2022	11,329	3,088	237	14,654
2021 (Redetermined figures)	12,154	3,422	222	15,798
Fee and commission expense				
2022	-4,175	-1,512	-48	-5,735
2021 (Redetermined figures)	-4,410	-1,817	-44	-6,271

(a) Figures from the reclassified financial statements, as described in the Report on operations.

Breakdown by geographical area: balance sheet figures[(a)]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Loans to customers				
31.12.2022	365,428	63,173	18,253	446,854
31.12.2021	383,765	62,328	19,778	465,871
Direct deposits from banking business				
31.12.2022	466,841	71,010	7,535	545,386
31.12.2021	480,993	68,136	8,119	557,248

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.

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 2022, there were 8,622 lease contracts (9,297 as at 31 December 2021), 5,255 of which (5,963 as at 31 December 2021) relating to real estate leases, for a total value of rights of use of 1,495 million euro (1,521 million euro as at 31 December 2021). 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 relate to hardware (54 contracts as at 31 December 2022, 55 as at 31 December 2021) and other residual contracts (229 as at 31 December 2022, 123 as at 31 December 2021) and are of immaterial amounts in relation to total property and equipment leased.
The amounts of the sale or leaseback transactions carried out in 2022 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 1,495 million euro (1,521 million euro as at 31 December 2021), of which 1,219 million euro relating to real estate leases (1,340 million euro as at 31 December 2021).
Lease payables amounted to 1,321 million euro (1,394 million euro as at 31 December 2021). 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.

(millions of euro)

Captions	31.12.2022	31.12.2021
Depreciation charges by asset class	**-**	**-**
Property and equipment used in operations	**307**	**288**
a) buildings	210	236
b) forniture	-	-
c) electronic equipment	22	7
d) other	75	45
Property and equipment for investment	**-**	**-**
a) buildings	-	-
TOTAL	**307**	**288**

As at 31 December 2022, 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 lease transactions, as lessor, primarily through the Parent Company, Intesa Sanpaolo, 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. This item showed no amounts as at 31 December 2022.

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.

(millions of euro)

Time bands	31.12.2022	31.12.2021
	Payments to be received	Payments to be received
Up to 1 year	1,738	2,471
Between 1 and 2 years	1,423	2,064
Between 2 and 3 years	1,222	1,802
Between 3 and 4 years	978	1,537
Between 4 and 5 years	794	1,259
Over 5 years	1,984	3,750
Total lease payments to be received	**8,139**	**12,883**
Reconciliation with loans	-59	-408
Not accrued gains (+)	1,276	2,024
Unguaranteed residual value (-)	-1,335	-2,432
Loans for leases	**8,198**	**13,291**

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.

(millions of euro)

Finance leases	Performing exposures	Non-performing exposures
A. Real estate assets	**5,352**	**364**
B. Operating assets	**1,310**	**19**
C. Movable assets	**1,113**	**30**
- Motor vehicles	747	25
- Aircraft and rolling stock	235	3
- Other	131	2
D. Intangible assets	**10**	**-**
- Trademarks	10	-
- 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
A. Real estate assets	**14**	**4**	**5,698**
B. Operating assets	**-**	**-**	**1,329**
C. Movable assets	**76**	**-**	**1,067**
- Motor vehicles	55	-	717
- Aircraft and rolling stock	1	-	237
- Other	20	-	113
D. Intangible assets	**-**	**-**	**10**
- Trademarks	-	-	10
- Software	-	-	-
- Other	-	-	-
TOTAL	**90**	**4**	**8,104**

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.

(millions of euro)

Time bands	31.12.2022 Payments to be received for leases	31.12.2021 Payments to be received for leases
Up to one year	29	15
Over one year up to 2 years	13	11
Over 2 years up to 3 years	9	10
Over 3 years up to 4 years	9	9
Over 4 years up to 5 years	9	10
For over 5 years	20	19
Total	**89**	**74**

3.2. Other information

There is no other information that needs to be reported in addition to that already contained in this section.

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 2022.

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 2022 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.[121]

3. The undersigned also certify that:

   3.1 The Parent Company's financial statements as at 31 December 2022:
   - 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.

28 February 2023

Carlo Messina
Managing Director and CEO

Fabrizio Dabbene
Manager responsible for preparing
the Company's financial reports

[121] 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.

Independent Auditors’ Report on the Consolidated financial statements

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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 2022, 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 Group as at 31 December 2022 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:

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Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Key Audit Matter	Audit Response
Classification and measurement of loans to customers (loans) at amortised cost	
Loans to customers (loans) recorded in assets measured at amortised cost, line item 40 b), amount to Euro 437,973 million as at 31 December 2022 and represent approximately 44.9% of total assets in the consolidated balance sheet. The breakdown 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 2,563 million for the year ended 31 December 2022; the breakdown of such net impairment losses is included in table 8.1 in Part C, section 8, of the notes to the consolidated financial statements. The disclosure of the changes in the quality of the loans to customers (loans) and the classification and measurement criteria adopted 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 classification in the appropriate stage and measurement of the loans to customers (loans) are relevant for the audit both because the amount of such 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.	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 gaining of an understanding of the policies, valuation models (including the analyses of the model updates made to reflect the mentioned evolution of the macroeconomic scenario), processes and controls applied by the Group in relation to the classification and measurement of loans to customers (loans); ► 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 to test their operational effectiveness; ► the analysis of the changes in the breakdown of loans to customers (loans) compared to the previous year and the discussion of the results with management; ► the performance of substantive procedures to verify, on a sample basis, the correct classification and measurement of credit exposures, also considering the overall financial exposure of the Group in respect of the Countries involved in the conflict; ► the assessment, through the analysis of the supporting documentation, of the accounting for the loans' disposals occurred in the year; ► the assessment of the adequacy of the disclosures provided in the notes to the consolidated financial statements.

The processes for the classification and measurement of loans to customers (loans) involve consideration of specific factors to reflect the current uncertainty on the evolution of the macroeconomic scenario, including the Russian-Ukrainian conflict, the increase in energy costs and the inflationary trend. Such processes consider also the overall financial exposure of the Group towards Countries involved in the war.

For classification purposes, the Directors make analyses, which involve internally developed models, as well as subjective elements, 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 relevant sector or the borrowers' overall exposure to the banking system.

Measuring loans and receivables with customers is a complex activity, which requires the Directors to make estimates with a high degree of uncertainty and subjectivity that consider many quantitative and qualitative factors, including collection histories, expected cash flows and related estimated collection dates, the 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.

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 as level 2 and level 3 of the fair value hierarchy, amount to a total assets balance of Euro 63,116 million and a total liabilities balance of Euro 125,111 million as at 31 December 2022. The breakdown of financial instruments measured at fair value on a recurring basis, classified as 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 as 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, consistent with the prevailing valuation practices, which are fed by inputs directly observable or estimated internally based on qualitative and quantitative assumptions, when not observable in the market.

The measurement of such financial instruments is relevant to the audit because their amount is significant to the financial statements as a whole and because of the multiplicity and complexity of the valuation models and parameters used as well as for the subjective estimation elements considered by the Directors.

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 gaining of an 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 comparative analysis of the portfolios with the previous year and the discussion of the results with management;
- the performance of substantive procedures in order to test fair values on a sample basis, 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, the actions taken to eliminate the relevant risks or the related safeguards applied.

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 as at 31 December 2022, 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 as at 31 December 2022 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.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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 2022, 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 2022 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 2022 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, 23 March 2023

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

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 2021 and adjusted consolidated balance sheet as at 31 December 2021

Reconciliation between published consolidated income statement for 2021 and adjusted consolidated income statement for 2021

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2021 and restated consolidated balance sheet as at 31 December 2021

Reconciliation between published consolidated income statement for 2021 and restated consolidated income statement for 2021

Reconciliation between consolidated income statement for 2022 and restated consolidated income statement for 2022

Restated consolidated financial statements

Consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated 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 2021 and adjusted consolidated balance sheet as at 31 December 2021

The published consolidated balance sheet as at 31 December 2021 did not require any adjustments.

Reconciliation between published consolidated income statement for 2021 and adjusted consolidated income statement for 2021

The published consolidated income statement for 2021 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 2021 and restated consolidated balance sheet as at 31 December 2021

(millions of euro)

Assets		31.12.2021	Changes in the scope of consolidation (a)	31.12.2021 Restated
10.	Cash and cash equivalents	14,756	937	15,693
20.	Financial assets measured at fair value through profit or loss	52,731	2	52,733
	a) financial assets held for trading	*47,181*	*2*	*47,183*
	b) financial assets designated at fair value	*4*	*-*	*4*
	c) other financial assets mandatorily measured at fair value	*5,546*	*-*	*5,546*
30.	Financial assets measured at fair value through other comprehensive income	67,580	217	67,797
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	635	669,501
	a) due from banks	*163,937*	*18*	*163,955*
	b) loans to customers	*504,929*	*617*	*505,546*
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	-	1,652
80.	Technical insurance reserves reassured with third parties	208	-	208
90.	Property and equipment	10,792	4	10,796
100.	Intangible assets	9,342	3	9,345
	of which:			
	- goodwill	*3,574*	*-*	*3,574*
110.	Tax assets	18,808	-	18,808
	a) current	*3,555*	*-*	*3,555*
	b) deferred	*15,253*	*-*	*15,253*
120.	Non-current assets held for sale and discontinued operations	1,422	-	1,422
130.	Other assets	13,837	15	13,852
Total assets		**1,069,003**	**1,813**	**1,070,816**

(a) The restatement refers to the entry of Compagnie de Banque Privée Quilvest.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2021	Changes in the scope of consolidation (a)	31.12.2021 Restated
10.	Financial liabilities measured at amortised cost	710,055	1,699	711,754
	a) due to banks	*165,258*	*12*	*165,270*
	b) due to customers	*458,239*	*1,687*	*459,926*
	c) securities issued	*86,558*	*-*	*86,558*
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	2	56,308
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	7	2,292
	a) current	*363*	*7*	*370*
	b) deferred	*1,922*	*-*	*1,922*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	30	-	30
80.	Other liabilities	15,639	16	15,655
90.	Employee termination indemnities	1,099	-	1,099
100.	Allowances for risks and charges	5,716	1	5,717
	a) commitments and guarantees given	*508*	*-*	*508*
	b) post-employment benefits	*290*	*-*	*290*
	c) other allowances for risks and charges	*4,918*	*1*	*4,919*
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 dividend (-)	-1,399	-	-1,399
160.	Share premium reserve	27,286	-	27,286
170.	Share capital	10,084	-	10,084
180.	Own shares (-)	-136	-	-136
190.	Minority interests (+/-)	291	88	379
200.	Net income (loss) (+/-)	4,185	-	4,185
Total liabilities and shareholders' equity		**1,069,003**	**1,813**	**1,070,816**

(a) The restatement refers to the entry of Compagnie de Banque Privée Quilvest.

Reconciliation between published consolidated income statement for 2021 and restated consolidated income statement for 2021

(millions of euro)

		2021	Change in the scope of consolidation (a)	Contribution of Training Business Line (b)	2021 Restated
10.	Interest and similar income	10,473	19	-	10,492
	of which: interest income calculated using the effective interest rate method	*10,039*	-	-	*10,039*
20.	Interest and similar expense	-2,480	-7	-	-2,487
30.	**Interest margin**	**7,993**	**12**	**-**	**8,005**
40.	Fee and commission income	12,087	72	-	12,159
50.	Fee and commission expense	-2,723	-13	-	-2,736
60.	**Net fee and commission income**	**9,364**	**59**	**-**	**9,423**
70.	Dividend and similar income	161	-	-	161
80.	Profits (Losses) on trading	503	17	-	520
90.	Fair value adjustments in hedge accounting	36	-	-	36
100.	Profits (Losses) on disposal or repurchase of:	758	-	-	758
	a) financial assets measured at amortised cost	*201*	-	-	*201*
	b) financial assets measured at fair value through other comprehensive income	*611*	-	-	*611*
	c) financial liabilities	*-54*	-	-	*-54*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	71	-	-	71
	a) financial assets and liabilities designated at fair value	*-42*	-	-	*-42*
	b) other financial assets mandatorily measured at fair value	*113*	-	-	*113*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	4,754	-	-	4,754
120.	**Net interest and other banking income**	**23,640**	**88**	**-**	**23,728**
130.	Net losses/recoveries for credit risks associated with:	-2,843	-	-	-2,843
	a) financial assets measured at amortised cost	*-2,813*	-	-	*-2,813*
	b) financial assets measured at fair value through other comprehensive income	*-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
150.	**Net income from banking activities**	**20,742**	**88**	**-**	**20,830**
160.	Net insurance premiums	10,557	-	-	10,557
170.	Other net insurance income (expense)	-13,525	-	-	-13,525
180.	**Net income from banking and insurance activities**	**17,774**	**88**	**-**	**17,862**
190.	Administrative expenses:	-12,012	-77	-74	-12,163
	a) personnel expenses	*-7,187*	*-63*	*9*	*-7,241*
	b) other administrative expenses	*-4,825*	*-14*	*-83*	*-4,922*
200.	Net provisions for risks and charges	-374	-	-	-374
	a) commitments and guarantees given	*97*	-	-	*97*
	b) other net provisions	*-471*	-	-	*-471*
210.	Net adjustments to / recoveries on property and equipment	-659	-3	-	-662
220.	Net adjustments to / recoveries on intangible assets	-934	-2	8	-928
230.	Other operating expenses (income)	980	5	-	985
240.	**Operating expenses**	**-12,999**	**-77**	**-66**	**-13,142**
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
290.	**Income (Loss) before tax from continuing operations**	**5,181**	**13**	**-66**	**5,128**
300.	Taxes on income from continuing operations	-1,138	-3	21	-1,120
310.	**Income (Loss) after tax from continuing operations**	**4,043**	**10**	**-45**	**4,008**
320.	Income (Loss) after tax from discontinued operations	-	-	-	-
330.	**Net income (loss)**	**4,043**	**10**	**-45**	**4,008**
340.	Minority interests	142	-10	45	177
350.	**Parent Company's net income (loss)**	**4,185**	**-**	**-**	**4,185**

(a) The restatement refers to the income statement results for the first five months of 2021 of the Reyl Group and the economic results of the twelve months of 2021 of Compagnie de Banque Privée Quilvest.

(b) The restatement refers to the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022.

Reconciliation between consolidated income statement for 2022 and restated consolidated income statement for 2022

(millions of euro)

		2022	Changes in the scope of consolidation (a)	Contribution of Training Business Line (b)	2022 Restated
10.	Interest and similar income	13,232	5	-	13,237
	of which: interest income calculated using the effective interest rate method	*12,708*	-	-	*12,708*
20.	Interest and similar expense	-3,547	-3	-	-3,550
30.	**Interest margin**	**9,685**	**2**	**-**	**9,687**
40.	Fee and commission income	11,285	21	-	11,306
50.	Fee and commission expense	-2,708	-4	-	-2,712
60.	**Net fee and commission income**	**8,577**	**17**	**-**	**8,594**
70.	Dividend and similar income	225	-	-	225
80.	Profits (Losses) on trading	-149	6	-	-143
90.	Fair value adjustments in hedge accounting	33	-	-	33
100.	Profits (Losses) on disposal or repurchase of:	-48	-	-	-48
	a) financial assets measured at amortised cost	*167*	-	-	*167*
	b) financial assets measured at fair value through other comprehensive income	*-243*	-	-	*-243*
	c) financial liabilities	*28*	-	-	*28*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	755	-	-	755
	a) financial assets and liabilities designated at fair value	*957*	-	-	*957*
	b) other financial assets mandatorily measured at fair value	*-202*	-	-	*-202*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	1,234	-	-	1,234
120.	**Net interest and other banking income**	**20,312**	**25**	**-**	**20,337**
130.	Net losses/recoveries for credit risks associated with:	-2,624	-	-	-2,624
	a) financial assets measured at amortised cost	*-2,579*	-	-	*-2,579*
	b) financial assets measured at fair value through other comprehensive income	*-45*	-	-	*-45*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-160	-	-	-160
140.	Profits (Losses) on changes in contracts without derecognition	-5	-	-	-5
150.	**Net income from banking activities**	**17,523**	**25**	**-**	**17,548**
160.	Net insurance premiums	10,358	-	-	10,358
170.	Other net insurance income (expense)	-9,398	-	-	-9,398
180.	**Net income from banking and insurance activities**	**18,483**	**25**	**-**	**18,508**
190.	Administrative expenses:	-11,579	-22	-33	-11,634
	a) personnel expenses	*-6,793*	*-15*	*5*	*-6,803*
	b) other administrative expenses	*-4,786*	*-7*	*-38*	*-4,831*
200.	Net provisions for risks and charges	-349	-	-	-349
	a) commitments and guarantees given	*-209*	-	-	*-209*
	b) other net provisions	*-140*	-	-	*-140*
210.	Net adjustments to / recoveries on property and equipment	-700	-1	-	-701
220.	Net adjustments to / recoveries on intangible assets	-984	-1	2	-983
230.	Other operating expenses (income)	934	2	-	936
240.	**Operating expenses**	**-12,678**	**-22**	**-31**	**-12,731**
250.	Profits (Losses) on investments in associates and companies subject to joint control	232	-	-	232
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-46	-	-	-46
270.	Goodwill impairment	-	-	-	-
280.	Profits (Losses) on disposal of investments	16	-	-	16
290.	**Income (Loss) before tax from continuing operations**	**6,007**	**3**	**-31**	**5,979**
300.	Taxes on income from continuing operations	-1,630	-1	10	-1,621
310.	**Income (Loss) after tax from continuing operations**	**4,377**	**2**	**-21**	**4,358**
320.	Income (Loss) after tax from discontinued operations	-	-	-	-
330.	**Net income (loss)**	**4,377**	**2**	**-21**	**4,358**
340.	Minority interests	-23	-2	21	-4
350.	**Parent Company's net income (loss)**	**4,354**	**-**	**-**	**4,354**

(a) The restatement refers to the income statement results for the first 6 months of 2022 of Compagnie de Banque Privée Quilvest.

(b) The restatement refers to the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022.

Restated consolidated financial statements

Consolidated balance sheet

(millions of euro)

	Assets	31.12.2022	31.12.2021 Restated	Changes amount	Changes %
10.	Cash and cash equivalents	112,924	15,693	97,231	
20.	Financial assets measured at fair value through profit or loss	47,577	52,733	-5,156	-9.8
	a) financial assets held for trading	*42,522*	*47,183*	*-4,661*	*-9.9*
	b) financial assets designated at fair value	*1*	*4*	*-3*	*-75.0*
	c) other financial assets mandatorily measured at fair value	*5,054*	*5,546*	*-492*	*-8.9*
30.	Financial assets measured at fair value through other comprehensive income	49,716	67,797	-18,081	-26.7
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	172,725	206,800	-34,075	-16.5
40.	Financial assets measured at amortised cost	528,078	669,501	-141,423	-21.1
	a) due from banks	*32,884*	*163,955*	*-131,071*	*-79.9*
	b) loans to customers	*495,194*	*505,546*	*-10,352*	*-2.0*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	85	-5	-5.9
50.	Hedging derivatives	10,062	1,732	8,330	
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,752	392	-10,144	
70.	Investments in associates and companies subject to joint control	2,013	1,652	361	21.9
80.	Technical insurance reserves reassured with third parties	163	208	-45	-21.6
90.	Property and equipment	10,505	10,796	-291	-2.7
100.	Intangible assets	9,830	9,345	485	5.2
	of which:				
	- goodwill	*3,626*	*3,574*	*52*	*1.5*
110.	Tax assets	18,273	18,808	-535	-2.8
	a) current	*3,520*	*3,555*	*-35*	*-1.0*
	b) deferred	*14,753*	*15,253*	*-500*	*-3.3*
120.	Non-current assets held for sale and discontinued operations	638	1,422	-784	-55.1
130.	Other assets	22,851	13,852	8,999	65.0
	Total assets	**975,683**	**1,070,816**	**-95,133**	**-8.9**

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2022	31.12.2021 Restated	Changes amount	Changes %
10.	Financial liabilities measured at amortised cost	667,586	711,754	-44,168	-6.2
	a) due to banks	*137,482*	*165,270*	*-27,788*	*-16.8*
	b) due to customers	*454,025*	*459,926*	*-5,901*	*-1.3*
	c) securities issued	*76,079*	*86,558*	*-10,479*	*-12.1*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,550	2,146	404	18.8
20.	Financial liabilities held for trading	46,512	56,308	-9,796	-17.4
30.	Financial liabilities designated at fair value	8,795	3,674	5,121	
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	71,744	84,770	-13,026	-15.4
40.	Hedging derivatives	5,346	4,868	478	9.8
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-8,031	53	-8,084	
60.	Tax liabilities	2,306	2,292	14	0.6
	a) current	*297*	*370*	*-73*	*-19.7*
	b) deferred	*2,009*	*1,922*	*87*	*4.5*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	15	30	-15	-50.0
80.	Other liabilities	11,060	15,655	-4,595	-29.4
90.	Employee termination indemnities	852	1,099	-247	-22.5
100.	Allowances for risks and charges	5,010	5,717	-707	-12.4
	a) commitments and guarantees given	*711*	*508*	*203*	*40.0*
	b) post-employment benefits	*139*	*290*	*-151*	*-52.1*
	c) other allowances for risks and charges	*4,160*	*4,919*	*-759*	*-15.4*
110.	Technical reserves	100,117	118,296	-18,179	-15.4
120.	Valuation reserves	-1,939	-709	1,230	
125.	Valuation reserves pertaining to insurance companies	-696	476	-1,172	
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,211	6,282	929	14.8
150.	Reserves	15,827	17,706	-1,879	-10.6
155.	Interim dividend (-)	-1,400	-1,399	1	
160.	Share premium reserve	28,053	27,286	767	2.8
170.	Share capital	10,369	10,084	285	2.8
180.	Own shares (-)	-124	-136	-12	-8.8
190.	Minority interests (+/-)	166	379	-213	-56.2
200.	Net income (loss) (+/-)	4,354	4,185	169	4.0
Total liabilities and shareholders' equity		**975,683**	**1,070,816**	**-95,133**	**-8.9**

Restated consolidated income statement

(millions of euro)

		2022 Restated	2021 Restated	Changes amount	%
10.	Interest and similar income	13,237	10,492	2,745	26.2
	of which: interest income calculated using the effective interest rate method	*12,708*	*10,039*	*2,669*	*26.6*
20.	Interest and similar expense	-3,550	-2,487	1,063	42.7
30.	**Interest margin**	**9,687**	**8,005**	**1,682**	**21.0**
40.	Fee and commission income	11,306	12,159	-853	-7.0
50.	Fee and commission expense	-2,712	-2,736	-24	-0.9
60.	**Net fee and commission income**	**8,594**	**9,423**	**-829**	**-8.8**
70.	Dividend and similar income	225	161	64	39.8
80.	Profits (Losses) on trading	-143	520	-663	
90.	Fair value adjustments in hedge accounting	33	36	-3	-8.3
100.	Profits (Losses) on disposal or repurchase of:	-48	758	-806	
	a) financial assets measured at amortised cost	*167*	*201*	*-34*	*-16.9*
	b) financial assets measured at fair value through other comprehensive income	*-243*	*611*	*-854*	
	c) financial liabilities	*28*	*-54*	*82*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	755	71	684	
	a) financial assets and liabilities designated at fair value	*957*	*-42*	*999*	
	b) other financial assets mandatorily measured at fair value	*-202*	*113*	*-315*	
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	1,234	4,754	-3,520	-74.0
120.	**Net interest and other banking income**	**20,337**	**23,728**	**-3,391**	**-14.3**
130.	Net losses/recoveries for credit risks associated with:	-2,624	-2,843	-219	-7.7
	a) financial assets measured at amortised cost	*-2,579*	*-2,813*	*-234*	*-8.3*
	b) financial assets measured at fair value through other comprehensive income	*-45*	*-30*	*15*	*50.0*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-160	-26	134	
140.	Profits (Losses) on changes in contracts without derecognition	-5	-29	-24	-82.8
150.	**Net income from banking activities**	**17,548**	**20,830**	**-3,282**	**-15.8**
160.	Net insurance premiums	10,358	10,557	-199	-1.9
170.	Other net insurance income (expense)	-9,398	-13,525	-4,127	-30.5
180.	**Net income from banking and insurance activities**	**18,508**	**17,862**	**646**	**3.6**
190.	Administrative expenses:	-11,634	-12,163	-529	-4.3
	a) personnel expenses	*-6,803*	*-7,241*	*-438*	*-6.0*
	b) other administrative expenses	*-4,831*	*-4,922*	*-91*	*-1.8*
200.	Net provisions for risks and charges	-349	-374	-25	-6.7
	a) commitments and guarantees given	*-209*	*97*	*-306*	
	b) other net provisions	*-140*	*-471*	*-331*	*-70.3*
210.	Net adjustments to / recoveries on property and equipment	-701	-662	39	5.9
220.	Net adjustments to / recoveries on intangible assets	-983	-928	55	5.9
230.	Other operating expenses (income)	936	985	-49	-5.0
240.	**Operating expenses**	**-12,731**	**-13,142**	**-411**	**-3.1**
250.	Profits (Losses) on investments in associates and companies subject to joint control	232	140	92	65.7
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-46	-21	25	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	16	289	-273	-94.5
290.	**Income (Loss) before tax from continuing operations**	**5,979**	**5,128**	**851**	**16.6**
300.	Taxes on income from continuing operations	-1,621	-1,120	501	44.7
310.	**Income (Loss) after tax from continuing operations**	**4,358**	**4,008**	**350**	**8.7**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**4,358**	**4,008**	**350**	**8.7**
340.	Minority interests	-4	177	-181	
350.	**Parent Company's net income (loss)**	**4,354**	**4,185**	**169**	**4.0**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between restated consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Assets		31.12.2022	31.12.2021 Restated
Cash and cash equivalents		**112,924**	**15,693**
Caption 10	Cash and cash equivalents	112,924	15,693
Due from banks		**31,273**	**162,139**
Caption 40a (partial)	Financial assets measured at amortised cost - Due from banks	31,144	162,101
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	29	38
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks	100	-
Loans to customers		**446,854**	**465,871**
Loans to customers measured at amortised cost		***444,244***	***464,075***
Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers	437,973	457,032
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	6,271	7,043
Loans to customers at fair value through other comprehensive income and through profit or loss		***2,610***	***1,796***
Caption 20a (partial)	Financial assets held for trading - Loans to customers	86	19
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	916	1,038
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Loans to customers	1,608	739
Financial assets measured at amortised cost which do not constitute loans		**52,690**	**43,325**
Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (banks)	1,740	1,854
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	50,950	41,471
Financial assets at fair value through profit or loss		**46,546**	**51,638**
Caption 20a (partial)	Financial assets held for trading	42,436	47,164
Caption 20b (partial)	Financial assets designated at fair value - Debt securities	1	4
Caption 20c (partial)	Other financial assets mandatorily measured at fair value	4,109	4,470
Financial assets at fair value through other comprehensive income		**48,008**	**67,058**
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income	48,008	67,058
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39		**172,725**	**206,800**
Caption 35	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	172,725	206,800
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39		**80**	**85**
Caption 45	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	80	85
Investments in associates and companies subject to joint control		**2,013**	**1,652**
Caption 70	Investments in associates and companies subject to joint control	2,013	1,652
Property, equipment and intangible assets		**20,335**	**20,141**
Assets owned		***18,841***	***18,616***
Caption 90 (partial)	Property and equipment	9,011	9,271
Caption 100	Intangible assets	9,830	9,345
Rights of use acquired under leases		***1,494***	***1,525***
Caption 90 (partial)	Property and equipment	1,494	1,525
Tax assets		**18,273**	**18,808**
Caption 110	Tax assets	18,273	18,808
Non-current assets held for sale and discontinued operations		**638**	**1,422**
Caption 120	Non-current assets held for sale and discontinued operations	638	1,422
Other assets		**23,324**	**16,184**
Caption 50	Hedging derivatives	10,062	1,732
Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	-9,752	392
Caption 80	Technical insurance reserves reassured with third parties	163	208
Caption 130	Other assets	22,851	13,852
Total Assets		**975,683**	**1,070,816**

(millions of euro)

Liabilities		31.12.2022	31.12.2021 Restated
Due to banks at amortised cost		**137,476**	**165,262**
Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks	137,482	165,270
- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	-6	-8
Due to customers at amortised cost and securities issued		**528,795**	**545,101**
Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers	454,025	459,926
Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued	76,079	86,558
- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	-1,309	-1,383
Financial liabilities held for trading		**46,512**	**56,308**
Caption 20	Financial liabilities held for trading	46,512	56,308
Financial liabilities designated at fair value		**8,795**	**3,674**
Caption 30	Financial liabilities designated at fair value	8,795	3,674
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39		**2,544**	**2,139**
Caption 15	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,550	2,146
- Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	-6	-7
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39		**71,744**	**84,770**
Caption 35	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	71,744	84,770
Tax liabilities		**2,306**	**2,292**
Caption 60	Tax liabilities	2,306	2,292
Liabilities associated with non-current assets held for sale and discontinued operations		**15**	**30**
Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	15	30
Other liabilities		**9,696**	**21,974**
Caption 40	Hedging derivatives	5,346	4,868
Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	-8,031	53
Caption 80	Other liabilities	11,060	15,655
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	6	8
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	1,309	1,383
Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	6	7
Technical reserves		**100,117**	**118,296**
Caption 110	Technical reserves	100,117	118,296
Allowances for risks and charges		**5,862**	**6,816**
Caption 90	Employee termination indemnities	852	1,099
Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	711	508
Caption 100 b)	Allowances for risks and charges - Post-employment benefits	139	290
Caption 100 c)	Allowances for risks and charges - Other allowances for risks and charges	4,160	4,919
Share capital		**10,369**	**10,084**
Caption 170	Share capital	10,369	10,084
Reserves		**43,756**	**44,856**
Caption 130	Redeemable shares	-	-
Caption 150	Reserves	15,827	17,706
Caption 160	Share premium reserve	28,053	27,286
- Caption 180	Own shares (-)	-124	-136
Valuation reserves		**-1,939**	**-709**
Caption 120	Valuation reserves	-1,939	-709
Valuation reserves pertaining to insurance companies		**-696**	**476**
Caption 125	Valuation reserves pertaining to insurance companies	-696	476
Interim dividend		**-1,400**	**-1,399**
Caption 155	Interim dividend (-)	-1,400	-1,399
Equity instruments		**7,211**	**6,282**
Caption 140	Equity instruments	7,211	6,282
Minority interests		**166**	**379**
Caption 190	Minority interests	166	379
Net income (loss)		**4,354**	**4,185**
Caption 200	Net income (loss) (+/-)	4,354	4,185
Total Liabilities and Shareholders' Equity		**975,683**	**1,070,816**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

		2022 Restated	2021 Restated
Net interest income		**9,500**	**7,971**
Caption 30	Interest margin	9,687	8,005
- Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	-25	-37
- Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	10	8
- Caption 30 (partial)	Interest margin (Economic effect of purchase price allocation)	106	31
+ Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates))	33	40
+ 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)	3	8
+ Caption 80 (partial)	Hedging swap differentials	-294	-70
+ Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-19	-14
+ Caption 190 b) (partial)	Other administrative expenses (Amounts attributed to Net interest income - For Funding initiative)	-1	-
+ Caption 200 (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
Net fee and commission income		**8,919**	**9,621**
Caption 60	Net fee and commission income	8,594	9,423
- Caption 60 (partial)	Net fee and commission income - Insurance business	280	245
- 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 (Periodic fees and commissions on current accounts with positive balances (negative rates))	-33	-40
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	38	55
+ 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)	165	48
+ 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 (Return components of insurance policies taken out for the benefit of financial advisor networks)	-9	5
+ Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	-60	-52
+ Caption 190 b) (partial)	Other administrative expenses (Recovery of expenses)	-59	-66
Income from insurance business		**1,705**	**1,586**
Caption 115	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	1,234	4,754
Caption 160	Net insurance premiums	10,358	10,557
Caption 170	Other net insurance income (expense)	-9,398	-13,525
+ Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	25	37
+ Caption 60 (partial)	Net fee and commission income - Insurance business	-280	-245
+ Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	-77	-78
+ Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	-149	-22
- Caption 160 (partial)	Net premiums (Policies: claims covered with premiums issued)	-192	-
- Caption 160 (partial)	Net premiums (Policies: prospective claims in excess of premiums accruing)	-	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)	184	-
- Caption 170 (partial)	Other net insurance income (expense) (Policies: settled and open claims in excess of premiums)	-	162
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment pertaining to the insurance segment	-	-3

(millions of euro)

		2022 Restated	2021 Restated
Profits (Losses) on financial assets and liabilities designated at fair value		**1,378**	**1,636**
Caption 80	Profits (Losses) on trading	-143	520
Caption 90	Fair value adjustments in hedge accounting	33	36
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	957	-42
Caption 110 b)	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	-202	113
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	-243	611
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	28	-54
+ 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)	225	161
- 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)	-3	-8
- Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	-38	-55
- Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	77	78
- Caption 80 (partial)	Hedging swap differentials	294	70
- 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 - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	349	307
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Economic effect of purchase price allocation)	-	-28
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Charges concerning the banking industry)	3	-
- 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)	-165	-48
- 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 (Return components of insurance policies taken out for the benefit of financial advisor networks)	67	-30
- 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)	15	2
- Caption 110 b) (partial)	Profits (Losses) on financial assets and liabilities designated at fair value (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments on loans)	121	-
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Economic effect of purchase price allocation)	-2	-19
+ 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 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	5	3
Other operating income (expenses)		**-32**	**111**
Caption 70	-	225	161
Caption 230	Other operating expenses (income)	936	985
+ Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	-10	-8
+ Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-3	-3
+ 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 (Return components of insurance policies taken out for the benefit of financial advisor networks)	-19	-
- 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)	-225	-161
- Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-25	-22
- Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	-904	-959
- Caption 230 (partial)	Other operating expenses/(income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	21	39
- Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-	7
- 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)	7	2
- Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-5	-3
+ Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-10	-5
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-56	-30
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-4	-3
+ Caption 250 (partial)	Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	40	111
Operating income		**21,470**	**20,925**

(millions of euro)

		2022 Restated	2021 Restated
Personnel expenses		**-6,742**	**-6,794**
Caption 190 a)	Personnel expenses	-6,803	-7,241
- Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-59	381
- Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	19	14
- Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	60	52
- Caption 190 a) (partial)	Personnel expenses (Donations to personnel)	41	-
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-	-
Administrative expenses		**-2,912**	**-2,987**
Caption 190 b)	Other administrative expenses	-4,831	-4,922
- Caption 190 b) (partial)	Other administrative expenses (Amounts attributed to Net interest income - For Funding initiative)	1	-
- Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	68	109
- Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	816	762
- Caption 190 b) (partial)	Other administrative expenses (Recovery of expenses)	59	66
- Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	10	5
- Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	36	11
- Caption 190 b) (partial)	Other administrative expenses (Derisking charges)	-	1
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	904	959
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	25	22
Adjustments to property, equipment and intangible assets		**-1,280**	**-1,241**
Caption 210	Net adjustments to / recoveries on property and equipment	-701	-662
Caption 220	Net adjustments to / recoveries on intangible assets	-983	-928
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment pertaining to the insurance segment	-	3
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	54	40
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	26	10
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	56	30
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	106	106
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	19	41
- Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Economic effect of purchase price allocation)	139	116
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	4	3
Operating costs		**-10,934**	**-11,022**
Operating margin		**10,536**	**9,903**
Net adjustments to loans		**-3,113**	**-2,772**
Caption 140	Profits/losses from changes in contracts without derecognition	-5	-29
Caption 200 a)	Net provisions for risks and charges for credit risk related to commitments and guarantees given	-209	97
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans	-176	-110
+ 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)	-6	5
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Economic effect of purchase price allocation)	77	123
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities designated at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments on loans)	-121	-
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans	-2,569	-2,828
+ 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)	-5	13
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Loans	-26	-
+ 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)	-73	-42

(millions of euro)

		2022 Restated	2021 Restated
Other net provisions and net impairment losses on other assets		**-281**	**-848**
Caption 135	Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	-160	-26
Caption 260	Valuation differences on property, equipment and intangible assets measured at fair value	-46	-21
Caption 200 b)	Net provisions for risks and charges - Other net provisions	-140	-471
+ 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)	-39	25
+ 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)	-3	4
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks)	-2	-2
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Debt securities	-19	-30
- Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	149	22
+ 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: settled and open claims in excess of premiums)	-	-162
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks) (Charges concerning the banking industry)	2	-
- Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	8	-2
- 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 (Economic effect of purchase price allocation)	-11	-178
- Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	73	42
- 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)	-26	-10
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-19	-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
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-48	-39
Other income (expenses)		**202**	**332**
Caption 250	Profits (Losses) on investments in associates and companies subject to joint control	232	140
Caption 280	Profits (Losses) on disposal of investments	16	289
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	357	306
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks)	-8	-
- 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	-349	-307
+ Caption 160 (partial)	Net premiums (Policies: premiums issued to cover claims - non-recurring profits/(losses) on onerous insurance contract)	192	-
+ Caption 170 (partial)	Other net insurance income (expense) (Policies: settled claims covered by premiums issued - non-recurring profits/(losses) on onerous insurance contract)	-184	-
+ Caption 190 a) (partial)	Personnel expenses (Donations to personnel)	-41	-
+ 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 income/expenses or income/expenses not linked to continuing operations)	-21	-39
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-40	-111
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Economic 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)	48	39
Income (Loss) from discontinued operations		**-**	**-**
Caption 320	-	-	-
+ Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Gross income (loss)		**7,344**	**6,615**

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(millions of euro)

		2022 Restated	2021 Restated
Taxes on income		**-2,059**	**-1,604**
Caption 300	Taxes on income from continuing operations	-1,621	-1,120
+ Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	-36	-11
- Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	-44	-197
- Caption 300 (partial)	Taxes on income from continuing operations (Economic effect of purchase price allocation)	-98	-37
- Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-260	-239
- Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-
- Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Charges (net of tax) for integration and exit incentives		**-140**	**-439**
+ Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	59	-381
+ Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	-68	-109
+ Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-8	2
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-54	-40
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-106	-106
+ Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-7	-2
+ Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	44	197
Economic effect of purchase price allocation (net of tax)		**-211**	**-39**
+ Caption 30 (partial)	Interest margin (Economic effect of purchase price allocation)	-106	-31
+ 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 - Loans (Economic effect of purchase price allocation)	-77	-123
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Economic effect of purchase price allocation)	-	28
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Economic effect of purchase price allocation)	2	19
+ Caption 200 b) (partial)	Net provisions for risks and charges (Economic effect of purchase price allocation)	11	178
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Economic effect of purchase price allocation)	-139	-116
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Economic effect of purchase price allocation)	-	-15
+ Caption 300 (partial)	Taxes on income from continuing operations (Economic effect of purchase price allocation)	98	37
Levies and other charges concerning the banking industry (net of tax)		**-576**	**-525**
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Charges concerning the banking industry)	-3	-
+ Caption 110 b) (partial)	-	-15	-2
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks) (Charges concerning the banking industry)	-2	-
+ Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-816	-762
+ Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	260	239
Impairment (net of tax) of goodwill and other intangible assets		**-**	**-**
Caption 270	Goodwill impairment	-	0
+ Caption 300 (partial)	-	-	-
Minority interests		**-4**	**177**
Caption 340	Minority interests	-4	177
Net income (loss)		**4,354**	**4,185**

Reclassified consolidated income statement – Reconciliation with redetermined figures

Reclassified consolidated income statement – Reconciliation with redetermined figures

(millions of euro)

	2021 Restated	Going concerns object of disposal	Inclusion insurance companies	2021 Redetermined figures
Net interest income	7,971	-66	-	7,905
Net fee and commission income	9,621	-94	-	9,527
Income from insurance business	1,586	-	43	1,629
Profits (Losses) on financial assets and liabilities designated at fair value	1,636	-1	-	1,635
Other operating income (expenses)	111	-	-14	97
Operating income	**20,925**	**-161**	**29**	**20,793**
Personnel expenses	-6,794	65	-14	-6,743
Other administrative expenses	-2,987	13	-20	-2,994
Adjustments to property, equipment and intangible assets	-1,241	-	-2	-1,243
Operating costs	**-11,022**	**78**	**-36**	**-10,980**
Operating margin	**9,903**	**-83**	**-7**	**9,813**
Net adjustments to loans	-2,772	6	-	-2,766
Other net provisions and net impairment losses on other assets	-848	-	-3	-851
Other income (expenses)	332	-	-	332
Income (Loss) from discontinued operations	-	58	-	58
Gross income (loss)	**6,615**	**-19**	**-10**	**6,586**
Taxes on income	-1,604	6	-7	-1,605
Charges (net of tax) for integration and exit incentives	-439	-	-	-439
Effect of purchase price allocation (net of tax)	-39	-	-	-39
Levies and other charges concerning the banking industry (net of tax)	-525	13	-	-512
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	177	-	17	194
Net income (loss)	**4,185**	**-**	**-**	**4,185**

Redetermined figures have been prepared to take into account the reallocation, based on management data, of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as part of the acquisition of the UBI Group, 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.

Other consolidated attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2022

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 (*) - 1491/2022 (*)
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 - 357/2022 (*)
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 - 357/2022 (*)
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 - 1392/2022 (*)
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 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

Report and Parent Company's financial statements

Report on operations

Financial highlights, Alternative Performance Measures and other measures (*)

Income statement figures (millions of euro)	2022	2021 Redetermined figures	**Changes** amount	**Changes** %
Net interest income	7,024	5,980	1,044	17.5
Net fee and commission income	5,485	5,534	-49	-0.9
Profits (Losses) on financial assets and liabilities designated at fair value	1,222	1,424	-202	-14.2
Operating income	16,654	15,490	1,164	7.5
Operating costs	-8,556	-8,608	-52	-0.6
Operating margin	8,098	6,882	1,216	17.7
Net adjustments to loans	-2,061	-2,450	-389	-15.9
Net income (loss)	4,284	3,047	1,237	40.6

The redetermined figures have been prepared to take into account the absorption of UBI Leasing 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.

2022

2021
Redetermined figures

(*) 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 (millions of euro)			Changes amount	Changes %
Loans to customers	385,795	402,739	-16,944	-4.2
Total assets	715,381	773,594	-58,213	-7.5
Direct customer deposits	450,207	458,032	-7,825	-1.7
Indirect customer deposits:	306,741	327,662	-20,921	-6.4
of which: Assets under management	*202,947*	*225,354*	*-22,407*	*-9.9*
Shareholders' equity	54,054	54,391	-337	-0.6
Loans to customers/Direct customer deposits (%) (Loan to deposit ratio)	85.7	87.9		

Figures restated on a consistent basis, where necessary and material, considering the changes in the scope of reference.

31.12.2022
31.12.2021

Capital ratios (%)

Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	12.1	12.8
TIER 1 Capital / Risk-weighted assets	14.4	14.6
Total owns funds / Risk-weighted assets	17.2	17.3
Risk-weighted assets (millions of euro)	306,376	331,732

Profitability ratios (%)

Cost / Income	51.4	55.6
Net income / Shareholders' equity (ROE) [(a)]	10.1	6.8
Net income / Total assets (ROA) [(b)]	0.6	0.4

Figures restated on a consistent basis, where necessary and material, considering the changes in the scope of reference.

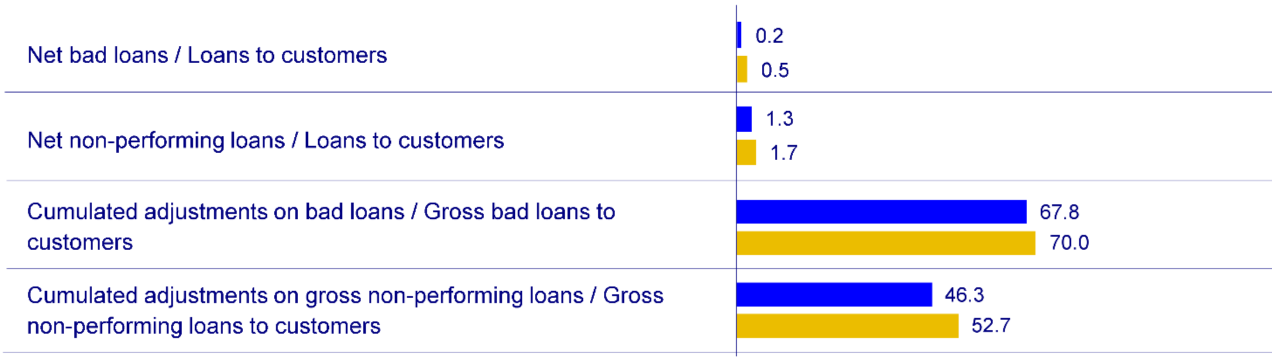
(a) Ratio of net income to shareholders' equity at the end of the period. Shareholders' equity does not take account of AT1 equity instruments and net income for the period.

(b) Ratio of net income to total assets at the end of the period.

2022 (Income statement figures)
31.12.2022 (Balance sheet figures)

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

Risk ratios (%)



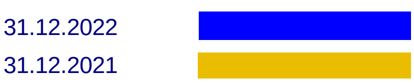
Figures restated on a consistent basis, where necessary and material, considering the changes in the scope of reference.

Operating structure	31.12.2022	31.12.2021	Changes amount
Number of employees (*)	**66,646**	**68,680**	**-2,034**
Italy	65,714	67,798	-2,084
Abroad	932	882	50
Number of branches (c)	**3,365**	**3,484**	**-119**
Italy	3,349	3,469	-120
Abroad	16	15	1

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.

(c) The figure includes Retail/Exclusive Branches, Non-Profit Sector Branches, Agribusiness Branches, SME Branches and Corporate Branches.



The Parent Company Intesa Sanpaolo results

Introduction

Regarding the content of the Report on operations of the Intesa Sanpaolo S.p.A. Separate financial statements 2022, reference is made to the Report of the Consolidated financial statements.

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 2022, accompanied by a brief comment on the income statement results and balance sheet aggregates are presented below.

General aspects on the Reclassified 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. For the 2021 figures, 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, the income statement figures for the previous periods have been redetermined due to the absorption of UBI Leasing S.p.A. (16 May 2022, with accounting and tax effects from 1 January 2022), as well as the contribution by the Parent Company ISP to Intesa Sanpaolo Formazione S.p.A. of the business line concerning specific activities relating to the design and provision of training solutions for the employees of the Group (22 June 2022, with accounting and tax effects from that date), the sale of the entire controlling interest in ISP Formazione to Altaformazione (29 June 2022) and the concurrent signing of specific commercial agreements relating to the new training services provided to ISP by the new company Digit'Ed.

To reduce the volatility of the various income statement captions related to the change in scope due to the sale of the aforementioned business line, the income statement components for 2021 and the first half of 2022 relating to the business line contributed to ISP Formazione have been reclassified from the original captions to Income (Loss) from discontinued operations, together with the higher administrative expenses in relation to the new services provided to ISP as a result of the signing of the above-mentioned commercial agreements with Digit'Ed.

The following components for 2021 have also been reclassified, from 1 January to the effective date of the transaction, relating to:

– the former UBI Banca business line sold to BPER on 22 February 2021 (with accounting and tax effects from that date), consisting of 455 branches and 132 operating points;
– the business line of UBI Sistemi e Servizi S.c.p.A. sold to BPER on 22 February 2021 (with accounting and tax effects from that date);
– the "Top Private" and "Service IW Bank" business lines, which 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 business line 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);
– the business line consisting of 31 branches and 2 operating points of the Parent Company ISP, sold to BPER (21 June 2021, with accounting and tax effects from that date).

Moreover, the income results of the sold/demerged business lines have been determined on the basis of management information.

In addition, 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 for an immaterial amount to reflect the insourcing in 2021 of activities previously outsourced by UBI Sistemi e Servizi S.c.p.A., resulting in the re-hiring of personnel who had been transferred or seconded to external services.

Lastly, with effect from 2022, the charges relating to several incentive systems for employees of the Banca dei Territori Division, where funded by fee and commission income generated on the basis of deterministic quantification criteria correlated to the revenues concerned, have been reclassified from personnel expenses to net fee and commission income, by analogy to the accounting treatment of incentive systems for non-employee financial advisors. To improve the comparability of the comparison periods, the past periods have been restated to align them to this presentation.

As a result of the above, and to enable like-for-like comparisons, the comments below refer to the redetermined values.

Breakdowns of restatements and reclassifications made as compared to the layout established in Bank of Italy Circular 262 – in addition to the above-mentioned redeterminations – 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 involved the following:

- dividends relating to investments carried at equity, as well as those received and paid within the framework of securities lending, 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, which 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;
- the costs of several incentive systems for employees of the Group's distribution networks, where funded by fee and commission income generated by the networks in question on the basis of deterministic quantification criteria correlated to the revenues concerned, which are reclassified from Personnel expenses to fee and commission expense by analogy to the accounting treatment of incentive systems for non-employee financial advisors;
- the costs of a one-off contribution to Intesa Sanpaolo people, excluding those classified as managers or having equivalent remuneration, not related to their work performance but aimed at mitigating the impact of inflation, which were reclassified from Personnel expenses to Other income (expenses);
- Profits (losses) on trading, Fair value adjustments in hedge accounting, Profits (losses) on other 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, except for the amounts relating to adjustments on certain portions of loans mandatorily measured at fair value, which relate to measurements of credit positions and are therefore reported in the caption Net adjustments to loans in order to provide a single presentation of the adjustments relating to the same position;
- 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, which have been subtracted from Other administrative expenses, instead of being included among Other 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 losses/recoveries for credit risk associated with financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets mandatorily measured at fair value, 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 has 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 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, after tax, to Impairment 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, which 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 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, Administrative expenses and other captions of the income statement to a separate caption;
- the Effects of purchase price allocation, net of the tax effect, which are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities as well as property, equipment and intangible assets which are 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;
- Impairment of goodwill, controlling interests and other intangible assets, which are shown, net of tax, in the specific caption.

Reclassified income statement

(millions of euro)

	2022	2021	Changes	
			amount	%
Net interest income	7,024	5,951	1,073	18.0
Net fee and commission income	5,485	5,657	-172	-3.0
Profits (Losses) on financial assets and liabilities designated at fair value	1,222	1,427	-205	-14.4
Other operating income (expenses)	2,923	2,546	377	14.8
Operating income	**16,654**	**15,581**	**1,073**	**6.9**
Personnel expenses	-5,363	-5,453	-90	-1.7
Administrative expenses	-2,141	-2,206	-65	-2.9
Adjustments to property, equipment and intangible assets	-1,052	-1,020	32	3.1
Operating costs	**-8,556**	**-8,679**	**-123**	**-1.4**
Operating margin	**8,098**	**6,902**	**1,196**	**17.3**
Net adjustments to loans	-2,061	-2,487	-426	-17.1
Other net provisions and net impairment losses on other assets	-185	-427	-242	-56.7
Other income (expenses)	146	123	23	18.7
Income (Loss) from discontinued operations	31	66	-35	-53.0
Gross income (loss)	**6,029**	**4,177**	**1,852**	**44.3**
Taxes on income	-862	-303	559	
Charges (net of tax) for integration and exit incentives	-46	-218	-172	-78.9
Effect of purchase price allocation (net of tax)	-111	-48	63	
Levies and other charges concerning the banking industry (net of tax)	-474	-442	32	7.2
Impairment (net of tax) of goodwill, other intangible assets and controlling interests	-252	-218	34	15.6
Net income (loss)	**4,284**	**2,948**	**1,336**	**45.3**

Figures restated, where necessary and material.

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Reclassified income statement – Redetermined figures

(millions of euro)

	2022	2021 Redetermined figures	Changes amount	Changes %
Net interest income	7,024	5,980	1,044	17.5
Net fee and commission income	5,485	5,534	-49	-0.9
Profits (Losses) on financial assets and liabilities designated at fair value	1,222	1,424	-202	-14.2
Other operating income (expenses)	2,923	2,552	371	14.5
Operating income	**16,654**	**15,490**	**1,164**	**7.5**
Personnel expenses	-5,363	-5,399	-36	-0.7
Administrative expenses	-2,141	-2,189	-48	-2.2
Adjustments to property, equipment and intangible assets	-1,052	-1,020	32	3.1
Operating costs	**-8,556**	**-8,608**	**-52**	**-0.6**
Operating margin	**8,098**	**6,882**	**1,216**	**17.7**
Net adjustments to loans	-2,061	-2,450	-389	-15.9
Other net provisions and net impairment losses on other assets	-185	-428	-243	-56.8
Other income (expenses)	146	123	23	18.7
Income (Loss) from discontinued operations	31	139	-108	-77.7
Gross income (loss)	**6,029**	**4,266**	**1,763**	**41.3**
Taxes on income	-862	-332	530	
Charges (net of tax) for integration and exit incentives	-46	-219	-173	-79.0
Effect of purchase price allocation (net of tax)	-111	-21	90	
Levies and other charges concerning the banking industry (net of tax)	-474	-429	45	10.5
Impairment (net of tax) of goodwill, other intangible assets and controlling interests	-252	-218	34	15.6
Net income (loss)	**4,284**	**3,047**	**1,237**	**40.6**

The redetermined figures have been prepared to take into account the absorption of UBI Sistemi e Servizi S.C.p.A., UBI Factor S.p.A. and UBI Leasing 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 the year 2022 posted net income of 4,284 million euro, compared with 3,047 million euro for the previous year (+1,237 million euro; +40.6%), while gross income, amounting to 6,029 million euro, was up by 1,763 million euro (+41.3%) compared to 4,266 million euro in December 2021.
More specifically, the annual change in net income is attributable to:
– an increase in operating income of 1,164 million euro (+7.5%), attributable to the higher contribution from net interest income (+1,044 million euro; +17.5%) and the increase in dividends (+412 million euro; +17.9%), partially offset by the decrease in profits (losses) on financial assets and liabilities designated at fair value (-202 million euro; -14.2%), net fee and commission income (-49 million euro; -0.9%), and other income (expenses) (-41 million euro; -16.8%);
– a decrease in operating costs of 52 million euro (-0.6%), due to the reduction in administrative expenses (-48 million euro; -2.2%) and in personnel expenses (-36 million euro; -0.7%), partially offset by the increase in adjustments to property, equipment and intangible assets (+32 million euro; +3.1%);
– a reduction in net adjustments to loans of 389 million euro (-15.9%);
– a decrease in other net provisions and net impairment losses on other assets of 243 million euro (-56.8%), mainly attributable to a decrease in other net provisions (-182 million euro; -65.9%) and net impairment losses on other assets (-78 million euro; -54.5%), partially offset by higher net adjustments on securities measured at amortised cost and on instruments designated at fair value through other comprehensive income (for 17 million euro);
– an increase in other income (expenses) of 23 million euro (+18.7%);
– a decrease in net income from discontinued operations of 108 million euro (-77.7%); in this regard, you are reminded that the caption contains the income statement components of the sold/demerged business lines, reclassified in order to reduce the volatility of the various original income statement captions, related to the changes in scope;
– the tax effect related to the above changes, in addition to certain tax benefits recognised during the year;
– a decrease in charges for integration (net of tax) of 173 million euro (-79%);
– an increase in charges related to the effect of purchase price allocation (net of tax) of 90 million euro;
– an increase in levies and other charges concerning the banking industry (net of tax) of 45 million euro (+10.5%);
– higher impairment (net of tax) of goodwill, other intangible assets and controlling interests of 34 million euro (+15.6%).

Net interest income, amounting to 7,024 million euro, increased sharply compared to 2021 (+1,044 million euro; +17.5%), mainly due to the increase in interest rates, in line with the market trend, which drove a widening of the spread between lending and funding rates.
Customer dealing contributed 5,578 million euro, up by 902 million euro on December 2021 (+19.3%), of which +1,012 million euro on relations with customers, offset by an increase in interest expense on securities issued of 110 million euro. Interest on financial assets and liabilities amounted to +964 million euro, up 282 million euro (+41.3%), due to the increase in the contribution from financial assets measured at fair value through other comprehensive income (+185 million euro), instruments measured at amortised cost which do not constitute loans (+70 million euro) and other financial assets and liabilities measured at fair value through profit or loss (+27 million euro). The contribution of interbank transactions amounted to +240 million euro, down 331 million euro compared to 571 million euro in 2021 (-58%), due in particular to the lower contribution from the TLTRO III refinancing operations with the ECB (-570 million euro), following the monetary policy decisions taken by the European Central Bank (change in the key interest rates and amendments to the terms conditions applied) and the early repayments in the year of around 31 billion euro. This fall was offset by a positive contribution attributable to the performance of interbank loans and funding, influenced by the increase in official rates and the reuse of excess liquidity in deposits with the ECB, favoured by the return to positive territory of the Deposit Facility Rate (DFR). Lastly, other net interest income was up, at +570 million euro, compared to +506 million euro in December 2021 (+64 million euro; +12.6%). This aggregate includes interest on non-performing assets totalling 388 million euro.
Net fee and commission income amounted to 5,485 million euro, down 49 million euro (-0.9%) on the previous year (5,534 million euro). The performance was driven by the decrease in fee and commission income related to management, dealing and consultancy activities (-193 million euro; -7.1%), partly offset by the positive performance of commercial banking (+116 million euro; +5.6%) and other net fee and commission income (+28 million euro; +3.9%). For the management, dealing and consultancy activities, which were negatively affected by the volatility of the financial markets, there was a lower contribution from the dealing and placement of financial instruments (-202 million euro), only partly offset by the increase in other management and dealing commissions (+16 million euro) and the distribution of insurance products (+15 million euro).
In contrast, in commercial banking there was an increase in fee and commission income on collection and payment services (+51 million euro), on credit and debit cards (+46 million euro), and on guarantees given and received (+42 million euro), while fee and commission income on current accounts decreased (-23 million euro).
Lastly, with regard to other net fee and commission income, the increase was mainly due to fee and commission income on loans.

Profits (Losses) on other financial assets and liabilities designated at fair value amounted to 1,222 million euro, compared to 1,424 million euro for the previous year (-202 million euro; -14.2%). The decrease was attributable, in particular, to the lower contribution from profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost (-336 million euro, -37.4%, mainly due to lower gains on the sale of HTCS debt securities) and profits (losses) on hedges under hedge accounting (-12 million euro, -30.8%).
These negative effects were offset by the higher contribution from profits (losses) on the repurchase of financial liabilities (+99 million euro), thanks to the repurchase of the Bank’s debt securities on the secondary market, the increase in profits (losses) on trading and financial instruments under fair value option (+32 million euro; +8.2%), as well as the increase in profits (losses) on assets mandatorily measured at fair value through profit or loss (+15 million euro; +8.9%).
Other net operating income amounted to 2,923 million euro compared to 2,552 million euro in the previous year, representing an increase of 371 million euro (+14.5%). 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 increased by 412 million euro (+17.9%). In particular, in 2022, dividends were recorded totalling 2,720 million euro, compared to 2,308 million euro in 2021. Sundry operating income, amounting to 203 million euro, decreased by 41 million euro compared to the end of 2021 (-16.8%).

As a result of these changes, operating income amounted to 16,654 million euro, up 1,164 million euro (+7.5%) on 15,490 million euro for the previous year.
Operating costs amounted to 8,556 million euro, down 0.6% on December 2021, due to the reduction in personnel expenses, which went from 5,399 million euro to 5,363 million euro (-36 million euro; -0.7%), and other administrative expenses, which decreased from 2,189 million euro to 2,141 million euro (-48 million euro; -2.2%). In contrast, adjustments to property, equipment and intangible assets increased slightly to 1,052 million euro from 1,020 million euro in December 2021 (+32 million euro; +3.1%).
With regard to personnel expenses in particular, the saving of 36 million euro was due to the reduction in ordinary wages and salaries and related social security contributions, connected to the decrease in the workforce, offset by higher costs for extraordinary and variable components of remuneration, including a one-off contribution to Intesa Sanpaolo people to mitigate the impact of inflation, as per the trade union agreement of 22 November 2022 (for a total of 32.5 million euro), and higher costs for overtime and sundry indemnities.
With regard to other administrative expenses, the decrease was mainly attributable to savings in real estate management expenses, as a result of the continued decrease in space resulting from the merging and streamlining plans, and in IT service expenses and legal and professional fees.
Lastly, the increase of 32 million euro in adjustments to property, equipment and intangible assets, was made up of 44 million euro attributable to intangible assets and a decrease of 12 million euro in property and equipment.
The performance of operating income and costs illustrated above resulted in an operating margin of 8,098 million euro, up 1,216 million euro (+17.7%) compared with 6,882 million euro in the previous year.
The cost/income ratio for 2022 came to 51.4%, down sharply on the 2021 figure (55.6%).
Adjustments to loans amounted to 2,061 million euro, down 389 million euro (-15.9%) on December 2021 (2,450 million euro). The decrease was mainly due to the significant reduction in adjustments to non-performing loans (-1,341 million euro; -45.8%), also associated with the progressive de-risking of the Bank’s loan portfolio. Specifically, there was a decrease in adjustments to bad loans (-1,086 million euro; -71.4%) and unlikely-to-pay loans (-267 million euro; -21.8%), only partially offset by the increase in past-due loans (+12 million euro; +6.6%).
In contrast, net adjustments to loans in Stage 1 and Stage 2 increased (+787 million euro), due to the emergency triggered by the conflict in Ukraine, which had serious geopolitical and macroeconomic impacts, such as the energy crisis and the exceptional inflationary pressure, in an economic environment already severely tested by the COVID-19 pandemic. As at 31 December 2022, the ratio of non-performing loans to total gross loans stood at 2.3%, down from 3.4% at the end of 2021. Based on the EBA methodology, the gross NPL to total loan ratio stood at 1.8% in December 2022. The cost of credit, expressed as the ratio of net adjustments to net loans, stood at 53 basis points in 2022, down by 9 basis points compared with the 62 basis points in December 2021.
At the end of 2022, the average coverage of non-performing loans stood at 46.3%, down 6.4 percentage points from the December 2021 figure (52.7%), attributable to the de-risking carried out during the year. More specifically, the coverage ratio was 67.8% for bad loans, 37.5% for unlikely-to-pay loans, and 20.4% for past-due loans, while the coverage for forborne positions within non-performing assets was 40.2%. Finally, the coverage for performing loans amounted to 0.5%.
Lastly, net provisions for risks and charges for credit risk associated with commitments and financial guarantees given provided a negative contribution of 60 million euro as at 31 December 2022, compared to releases of 144 million euro in December 2021 (-204 million euro).
Other net provisions and net impairment losses on other assets amounted to 185 million euro, compared to 428 million euro in 2021, a decrease of 243 million euro, equal to -56.8%. These related to provisions for legal disputes and other charges (94 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 (26 million euro), and net impairment losses on other assets (65 million euro).
The latter included, in particular, the loss due to the update of the fair value of investment properties and properties subject to change of use (35 million euro), adjustments to property and equipment and intangible assets (22 million euro), and net impairment losses on non-controlling interests (8 million euro).
Other income (expenses) amounted to 146 million euro (123 million euro as at 31 December 2021), including a capital gain of 196 million euro from the disposal of Intesa Sanpaolo Formazione S.p.A. and a one-off contribution of 31 million euro to Intesa Sanpaolo personnel, excluding those classified as managers or having equivalent remuneration, to mitigate the impact of inflation.
Income (Loss) from discontinued operations amounted to 31 million euro, attributable to the restatement of the income effects associated with the business line involving specific activities relating to the design and provision of training solutions for the employees of the Group contributed by the Parent Company ISP to Intesa Sanpaolo Formazione S.p.A. (22 June 2022, with accounting and tax effects from that date) and the subsequent sale of the entire controlling interest in Intesa Sanpaolo Formazione S.p.A. (29 June 2022), together with the increase in administrative expenses related to the new services provided to the Parent Company ISP following the signing of specific commercial agreements with Digit’Ed. In the comparison period this caption showed a profit of 139 million euro and included the restatement of the income effects connected to the above-mentioned business line, as well as the effects relating to the business lines sold by UBI and UBI Sistemi e Servizi to BPER, 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, the business line consisting of 17 bank branches and 9 associated operating points (mini-branches) sold to Banca Popolare di Puglia e Basilicata and the business line of 31 branches and 2 operating points of the Parent Company ISP sold to BPER.
Gross income consequently amounted to 6,029 million euro, up 1,763 million euro (+41.3%) on the previous year (4,266 million euro).
Taxes on income calculated on the components contributing to gross income amounted to -862 million euro, compared to -332 million euro in the previous year.
This caption includes the effect related to the tax realignment, pursuant to Article 15, Paragraph 10 of Law Decree no. 185/2008, of intangible assets recognised in Intesa Sanpaolo’s separate financial statements following the merger of UBI Banca, which resulted in a net benefit of 43 million euro in the income statement.

This caption also includes the benefits, recognised in December for a total of 397 million euro, mainly related to the recognition of DTAs on tax losses carried forward of the former UBI Banca (320 million euro).
In the comparison period, this caption included a net benefit of 453 million euro as a result of the exercise of the option provided for by Article 110, paragraphs 8 and 8-bis, of Law Decree 104/2020 (the "August Decree") in respect of the tax realignment 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.
The charges (net of tax) for integration and exit incentives amounted to 46 million euro and mainly related to adjustments to property, equipment and intangible assets (75 million euro) and administrative expenses (21 million euro), partially offset by the release of the discounting effect of allowances relating to charges for integration and exit incentives for personnel included in personnel expenses (47 million euro) and other operating income (3 million euro). This compares with 219 million euro in December 2021, mainly attributable to personnel expenses related to exit incentives under the trade union agreement of 16 November 2021 (234 million euro), adjustments to property, equipment and intangible assets (74 million euro) and administrative expenses (28 million euro), partially offset by the release of the excess of the allowance for risks and charges (106 million euro).
The effect of purchase price allocation (net of the tax effect) amounted to -111 million euro, compared to -21 million euro in December 2021. 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 474 million euro, up on the 429 million euro recorded at the end of 2021 (+45 million euro; +10.5%). This caption included the amount for the ordinary contribution to the Single Resolution Fund (SRF) of 216 million euro, the contribution to the Deposit Protection Fund (FITD) of 244 million euro, the write-downs of the Atlante Fund and the Italian Recovery Fund of 10 million euro, in addition to around 3 million euro attributable to the Voluntary Scheme of the Deposit Protection Fund.
The Impairment of goodwill, other intangible assets and controlling interests (net of related tax effect), amounted to 252 million euro, and related to the write-down of several controlling interests. Of particular note were the full write-downs of the controlling interests held in Ukraine and Russia, respectively Pravex Bank Joint-Stock Company and Joint Stock Company Banca Intesa, for a total of 116 million euro, as well as the allocation of 71 million euro to cover indirect risks in respect of the interest in Pravex Bank Joint-Stock Company, in connection with the ongoing conflict, in order to capture the negative value of the shareholders' equity contributed by the subsidiary to the Group's financial statements.
As at December 2021, this caption amounted to 218 million euro, mainly related to impairment of controlling interests.

General aspects relating to the Reclassified Balance Sheet

As already stated, to enable like-for-like comparison, the balance sheet figures for the previous period also take account of the changes in the scope of reference.
Specifically, the reclassified balance sheet as at 31 December 2021 has been restated to include the results of the absorption of UBI Leasing S.p.A. (completed on 16 May 2022, with accounting and tax effects from 1 January 2022).

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.

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/Other 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.

In addition, as already occurred in December 2021, the following should be noted:
- in view of the payment of the 2021 interim dividend by the Parent Company, a specific caption was added to the reclassified balance sheet, within the captions of shareholders' equity, for consistency with the corresponding accounting schedule;
- following the update to Bank of Italy Circular 262, which provides that the caption Cash and cash equivalents of the accounting schedule 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.

Reclassified balance sheet

(millions of euro)

Assets	31.12.2022	31.12.2021	Changes	
			amount	%
Cash and cash equivalents	97,071	7,733	89,338	
Due from banks	35,264	158,963	-123,699	-77.8
Loans to customers	385,795	402,739	*-16,944*	*-4.2*
Loans to customers measured at amortised cost	*383,277*	*401,053*	*-17,776*	*-4.4*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*2,518*	*1,686*	*832*	*49.3*
Financial assets measured at amortised cost which do not constitute loans	46,629	38,359	8,270	21.6
Financial assets at fair value through profit or loss	47,523	50,670	*-3,147*	*-6.2*
Financial assets at fair value through other comprehensive income	34,196	51,410	-17,214	-33.5
Equity Investments	23,646	23,382	264	1.1
Property, equipment and intangible assets	12,056	11,943	113	0.9
Assets owned	*11,136*	*10,948*	*188*	*1.7*
Rights of use acquired under leases	*920*	*995*	*-75*	*-7.5*
Tax assets	16,594	17,649	-1,055	-6.0
Non-current assets held for sale and discontinued operations	528	1,328	-800	-60.2
Other assets	16,079	9,418	6,661	70.7
Total Assets	**715,381**	**773,594**	**-58,213**	**-7.5**

Liabilities	31.12.2022	31.12.2021	Changes	
			amount	%
Due to banks at amortised cost	159,956	191,260	-31,304	-16.4
Due to customers at amortised cost and securities issued	433,616	445,884	-12,268	-2.8
Financial liabilities held for trading	48,810	57,227	-8,417	-14.7
Financial liabilities designated at fair value	8,795	3,675	5,120	
Tax liabilities	431	503	-72	-14.3
Liabilities associated with non-current assets held for sale and discontinued operations	15	25	-10	-40.0
Other liabilities	5,241	15,373	-10,132	-65.9
of which lease payables	*943*	*992*	*-49*	*-4.9*
Allowances for risks and charges	4,464	5,256	-792	-15.1
of which allowances for commitments and financial guarantees given	*425*	*367*	*58*	*15.8*
Share capital	10,369	10,084	285	2.8
Reserves	33,531	35,544	-2,013	-5.7
Valuation reserves	81	855	-774	-90.5
Interim dividend	-1,400	-1,399	1	0.1
Equity instruments	7,188	6,260	928	14.8
Net income (loss)	4,284	3,047	1,237	40.6
Total liabilities and shareholders' equity	**715,381**	**773,594**	**-58,213**	**-7.5**

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

Comments are provided below on the main balance sheet aggregates as at 31 December 2022 compared with those as at 31 December 2021, restated on a like-for-like basis.

As at 31 December 2022, loans to customers totalled around 385.8 billion euro, down on 402.7 billion euro for the previous year (-16.9 billion euro; -4.2%). This performance was due to a general fall in trade receivables (-12 billion euro; -3.2%) and repurchase agreements (-2.2 billion euro; -12.6%), as well as loans represented by securities (-0.9 billion euro; -13.7%).
Non-performing loans, also due to the deleveraging carried out by the Bank in the year, amounted to 4.9 billion euro, down 27% on 6.7 billion euro as at 31 December 2021.
The performance of the individual components shows:

– a decrease in bad loans of 53.4% (from 1,972 million euro to 919 million euro);
– a reduction in loans classified as "unlikely to pay", which fell from 4,189 million euro to 3,637 million euro, equal to -13.2%;
– a decrease in past-due loans, which amounted to 329 million euro compared to 533 million euro as at 31 December 2021 (-38.3%).

The non-performing assets percentage of total net loans to customers amounted to 1.27% (1% according to the EBA definition), down on December 2021 (1.7%, 1.2% according to the EBA definition), with a coverage ratio for non-performing loans of 46.3%.
Net performing loans measured at amortised cost (excluding those represented by securities and intragroup loans, of approximately 12.6 billion euro) amounted to 365.9 billion euro, compared to 379 billion euro as at 31 December 2021, representing a decrease of 13.1 billion euro (-3.5%).
The related average coverage was 0.5% (Stage 1 at 0.1% and Stage 2 at 3.9%), in line with 31 December 2021 (0.5%, of which Stage 1 at 0.1% and Stage 2 at 3%).
Financial assets measured at amortised cost which do not constitute loans amounted to 46.6 billion euro, up 8.3 billion euro (+21.6%) compared to the previous year, mainly as a result of the increase in debt securities with governments. HTC debt securities have primarily been classified to Stage 1 (96.13%).
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 together with the financial liabilities held for trading and designated at fair value, net of certificates, already included in the direct deposits. As at 31 December 2022 this aggregate posted a positive amount of 6.5 billion euro, compared to 1.9 billion euro in December 2021, showing a change of 4.6 billion euro. This performance was attributable to the financial assets held for trading, down 3.1 billion euro (-6.2%) due essentially to government debt securities (-12.7 billion euro), partly offset by financial derivatives (+10.4 billion euro), as well as the decrease in financial liabilities held for trading of 7.7 billion euro (-15.9%), which was mainly attributable to amounts due to banks (-18 billion euro) and credit derivatives (-1.4 billion euro), only partly offset by financial derivatives (+8.7 billion euro) and amounts due to customers (+3 billion euro).
Financial assets at fair value through other comprehensive income amounted to 34.2 billion euro. These assets, which consisted of debt securities of 32.9 billion euro and equity investments and private equity interests of 1.3 billion euro, decreased by 17.2 billion euro (-33.5%), primarily due to the debt security segment. HTCS debt securities have been classified almost exclusively to Stage 1 (99.68%).
Direct customer 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 450.2 billion euro, down 7.8 billion euro (-1.7%) compared to 31 December 2021. This performance was mainly due to the decrease in securities funding of around 10.6 billion euro (-11.7%) and non-securities funding of 1.7 billion euro, while the figure for certificates increased by 4.4 billion euro (+36.6%).
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 -124.7 billion euro compared to -31.3 billion euro as at 31 December 2021 (a decrease of -92.3 billion euro). This change was due to the decrease in amounts due from banks of 123.8 billion euro (-77.9%) – mainly due to the use of excess liquidity in deposits with the ECB, which are classified under the caption Cash and cash equivalents – and the decrease in amounts due to banks of 31.3 billion euro (-16.4%), due to the early repayments of TLTRO III refinancing operations with the ECB made during 2022[122]. At the end of December 2022, the outstanding debt to the ECB for TLTRO III operations was 96 billion euro.
Cash and cash equivalents, including "demand" amounts due from banks, amounted to 97.1 billion euro, up 89.3 billion euro compared to 7.7 billion euro as at 31 December 2021. Due to the increase in interest rates, starting in September, excess liquidity is no longer deposited on the account of the Reserve Requirement aggregate under Due from banks, but in on-demand deposits (overnight deposits) that are reported in the caption being discussed. As at 31 December 2022, overnight deposits amounted to 89 billion euro.
Equity investments, which amounted to 23.6 billion euro, included controlling interests in subsidiaries, associates and companies subject to joint control, and were up 0.3 billion (+1.1%) from the end of the previous year.
Property and equipment and intangible assets amounted to 12.1 billion euro, up by 0.1 billion euro (+1%) compared to around 12 billion euro as at 31 December 2021.
Tax assets, net of tax liabilities, amounted to 16.2 billion euro, a decrease of 1 billion euro (-5.7%) on the figure of around 17.2 billion euro as at 31 December 2021.
Allowances for risks and charges amounted to around 4.5 billion euro, down from the end of the previous year (-0.8 billion euro; -15.1%), mainly due to the reduction in Other allowances for risks and charges (-0.5 billion euro, equal to -13.8%).
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 2022, there were assets/groups of assets held for sale totalling 0.5 billion euro, while the figure for associated liabilities was not significant (15 million euro). This caption refers to portfolios of non-performing loans and, for a residual amount, performing loans, totalling

[122] Early repayment of a nominal 17 billion euro obtained by Intesa Sanpaolo in the December 2019 auction with maturity of December 2022, made at the end of the first half of the year, and partial repayment of a nominal 14 billion euro obtained by the Parent Company ISP in the March 2020 auction with maturity of March 2023, made for 10 billion euro in November and for 4 billion euro in December.

368 million euro and forming part of the aforementioned deleveraging initiatives, the investment held in an associate for 120 million euro as well as several single properties for 40 million euro.
Shareholders' equity, including the net income of 4,284 million euro, amounted to 54.1 billion euro compared to 54.4 billion euro as at 31 December 2021.
In addition to the difference in the net income of the two comparison periods (+1.2 billion euro; +40.6%), the most significant changes contributing to the decrease of 0.3 billion euro (-0.6%) were attributable to:
– the increase of 0.9 billion euro (+14.7%) in the figure for Additional Tier 1 capital instruments, mainly as a result of a new issuance of 1 billion euro on 30 March 2022;
– the change in share capital (+0.3 billion euro; +2.8%), resulting from the increases carried out on 30 June 2022 under the new 2022-2025 LECOIP 3.0 Long-Term Investment Plan based on financial instruments;
– the decrease in valuation reserves (-0.8 billion euro; -90.5%);
– the increase in the share premium reserve of 0.8 billion euro, of which 0.6 billion euro due to the reclassification of the reserves servicing the 2018-22 LECOIP Plan;
– the decrease of 2.8 billion euro in reserves, of which 1.7 billion euro due to the use of the extraordinary reserve for the buyback, to the extent finalised as at 31 December 2022.

Own funds amounted to 52.6 billion euro, while the Common Equity Tier 1 ratio, according to the transitional rules in effect for 2022, stood at 12.1%, well above the minimum required.

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 Notes to these Parent Company's financial statements or the Consolidated financial statements and to the related Report on operations, 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 2022" of the Report on operations, summarising, among other things, the sections in the Consolidated financial statements discussing the relevant topics indicated by ESMA in its Public Statement of 28 October 2022, in particular with regard to the Russia-Ukraine conflict and climate risk;
– risks linked to going concern issues and to capital stability, discussed in the above-mentioned paragraph "Overview of 2022" and in the contest of the Report on operations of the consolidated financial statements;
– the certification of compliance, during the year 2022, with the conditions required by Article 15 of the Consob Market Regulation 20249/2017 (as amended) for the listing of shares of companies controlling companies established and regulated under the laws of non-EU countries, provided in Part E - Information on risks and relative hedging policies of the Notes to the consolidated financial statements, in the introductory section on the Manager responsible for preparing the Company's financial reports;
– the illustration of the Alternative Performance Measures used, provided in a specific chapter of the Report on operations of the consolidated financial statements.

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.
The information on the remuneration policy and compensation paid pursuant to Article 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 in a separate report prepared at consolidated level, in accordance with Article 4 of that Decree. The document, entitled "Consolidated Non-financial Statement", can be viewed in the "Sustainability" section of the above-mentioned website.

Forecast for 2023

Intesa Sanpaolo's net income is expected to increase compared to 2022, as a result of the improvement in the operating margin, due in particular to the higher contribution from net interest income, and the decrease in the cost of risk.
A strong value distribution is envisaged:

- a cash payout ratio of 70% of the consolidated net income for each year of the Business Plan;
- distribution to shareholders of 1.7 billion euro through a buyback, launched on 13 February 2023 and due to be concluded by 12 May 2023;
- any additional distribution to be evaluated on a yearly basis.

The Board of Directors

Turin, 28 February 2023

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 2022 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 2022, this amount was 788,081,637.72 euro.

On 4 November 2022, 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 2022 net income, totalling 1,399,608,167.99 euro[123], corresponding to a unit amount of 7.38 euro cents per ordinary share. The dividend was paid out on 23 November 2022 (with coupon presentation on 21 November and record date on 22 November).

Given all the above, it is proposed to allocate the net income for 2022 of Intesa Sanpaolo S.p.A., which amounts to 4,284,455,586.61 euro, as follows:

	(euro)
Net income for the year	4,284,455,586.61
Interim dividend for 2022 of 7.38 euro cents, as approved by the Board of Directors on 4 November 2022 and distributed on 23 November 2022, for each of the 18,964,880,325 ordinary shares outstanding on the record date of 22 November 2022, for a total of	1,399,608,167.99
Assignment to the Legal reserve	60,000,000.00
Allocation of a dividend of 8.68 euro cents(*) per share to the 18,988,803,160 ordinary shares currently constituting the share capital, for a total of	1,648,228,114.29
Assignment to the Allowance for charitable, social and cultural contributions	18,000,000.00
Assignment to the Extraordinary reserve of the residual net income	1,158,619,304.33

Therefore, considering the interim dividend of 1,400 million euro already paid and the remaining dividend of 1,648 million euro yet to be paid, the dividend for the year 2022 would amount to a total of 3,048 million euro, corresponding to a payout ratio of 70% of consolidated net income.

If this proposal is approved, the consolidated capital requirements would show a Common Equity Tier 1 ratio of 13.8% 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 2022 be paid, in compliance with the legal provisions, with effect from 24 May 2023 (payment date), with record date pursuant to Article 83-terdecies of the Consolidated Law on Finance on 23 May 2023 and coupon presentation date on 22 May 2023.
The dividends relating to the shares that will be in the meantime annulled in accordance with Article 5.3 of the Articles of Association will be assigned, on a proportional basis, to the other outstanding shares with dividend entitlement.

Any own shares held by the Bank at the record date of 23 May 2023 will not be entitled to dividends and the related amount will be allocated to the Extraordinary reserve.

[123] It does not include the interim dividend on the 23,922,835 own shares held at the record date, equal to 1,765,505.22 euro.

(*) Note: Calculation of the dividend per share made at the date of approval of these Proposals. The amount of the dividend per share could increase considering the execution of the programme of purchase of own shares for annulment (buyback) of a maximum number of 2,615,384,615 Intesa Sanpaolo shares, in accordance with Article 5.3 of the Articles of Association. The Company will communicate the final amount of the dividend per share at the end of the programme, and in any case by not later than 18 May 2023.

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 82,063,195.09 euro relating to the merger differences arising from the annulment of the shares of the subsidiaries UBI Leasing S.p.A., Intesa Sanpaolo Smart Care S.r.l. and Intesa Sanpaolo Agents4you S.p.A., merged during the year, as well as the effects of the other under common control transactions completed 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 transactions, Suspended tax reserves will be replenished for an amount of 403,504.85 euro), the shareholders' equity of Intesa Sanpaolo S.p.A. will be as shown in the table below.

(millions of euro)

Shareholders' equity	Annual report 2022	Changes	Share capital and reserves of Annual Report 2022 after the Shareholders' Meeting resolutions
Share capital	**10,369**	**-**	**10,369**
Share premium reserve	28,212	-	28,212
Reserves	5,369	1,219	6,588
Valuation reserves	81	-	81
Equity instruments	7,188	-	7,188
Interim dividend	-1,400	1,400	-
Own shares	-50	-	-50
Total reserves	**39,400**	**2,619**	**42,019**
TOTAL	**49,769**	**2,619**	**52,388**

The Board of Directors

Turin, 28 February 2023

Parent Company's financial statements

Financial statements

Balance sheet

(euro)

Assets		31.12.2022	31.12.2021	Changes amount	%
10.	Cash and cash equivalents	97,071,067,306	7,730,324,619	89,340,742,687	
20.	Financial assets measured at fair value through profit or loss	48,461,909,195	51,636,942,275	-3,175,033,080	-6.1
	a) financial assets held for trading	*44,502,099,561*	*47,731,402,557*	*-3,229,302,996*	*-6.8*
	b) financial assets designated at fair value	*1,280,140*	*1,288,582*	*-8,442*	*-0.7*
	c) other financial assets mandatorily measured at fair value	*3,958,529,494*	*3,904,251,136*	*54,278,358*	*1.4*
30.	Financial assets measured at fair value through other comprehensive income	35,904,591,025	52,149,417,207	-16,244,826,182	-31.2
40.	Financial assets measured at amortised cost	465,041,122,226	599,475,570,210	-134,434,447,984	-22.4
	a) due from banks	*36,567,442,597*	*160,488,003,922*	*-123,920,561,325*	*-77.2*
	b) loans to customers	*428,473,679,629*	*438,987,566,288*	*-10,513,886,659*	*-2.4*
50.	Hedging derivatives	8,773,592,120	1,565,785,494	7,207,806,626	
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,472,301,524	392,886,894	-9,865,188,418	
70.	Equity investments	23,645,508,564	23,419,882,011	225,626,553	1.0
80.	Property and equipment	7,719,728,526	7,875,007,061	-155,278,535	-2.0
90.	Intangible assets	4,336,740,491	4,011,615,142	325,125,349	8.1
	of which:				
	- goodwill	*67,487,402*	*67,487,402*	*-*	*-*
100.	Tax assets	16,593,327,601	17,393,927,239	-800,599,638	-4.6
	a) current	*3,347,574,435*	*3,387,103,966*	*-39,529,531*	*-1.2*
	b) deferred	*13,245,753,166*	*14,006,823,273*	*-761,070,107*	*-5.4*
110.	Non-current assets held for sale and discontinued operations	528,409,076	1,325,977,479	-797,568,403	-60.1
120.	Other assets	16,777,182,227	7,262,958,025	9,514,224,202	
Total assets		**715,380,876,833**	**774,240,293,656**	**-58,859,416,823**	**-7.6**

Balance sheet

(euro)

Liabilities and Shareholders' Equity		31.12.2022	31.12.2021	Changes amount	%
10.	Financial liabilities measured at amortised cost	594,514,596,095	638,920,703,828	-44,406,107,733	-7.0
	a) due to banks	*159,961,500,664*	*191,156,632,447*	*-31,195,131,783*	*-16.3*
	b) due to customers	*354,850,700,626*	*357,473,742,383*	*-2,623,041,757*	*-0.7*
	c) securities issued	*79,702,394,805*	*90,290,328,998*	*-10,587,934,193*	*-11.7*
20.	Financial liabilities held for trading	48,809,589,880	57,227,378,379	-8,417,788,499	-14.7
30.	Financial liabilities designated at fair value	8,794,975,803	3,675,534,828	5,119,440,975	
40.	Hedging derivatives	4,652,143,658	3,971,114,708	681,028,950	17.1
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,962,268,554	59,665,441	-8,021,933,995	
60.	Tax liabilities	431,021,092	495,727,310	-64,706,218	-13.1
	a) current	*73,662,880*	*51,794,223*	*21,868,657*	*42.2*
	b) deferred	*357,358,212*	*443,933,087*	*-86,574,875*	*-19.5*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	14,843,926	24,695,000	-9,851,074	-39.9
80.	Other liabilities	7,608,060,587	10,332,132,018	-2,724,071,431	-26.4
90.	Employee termination indemnities	796,940,057	1,026,992,677	-230,052,620	-22.4
100.	Allowances for risks and charges	3,666,674,800	4,207,552,371	-540,877,571	-12.9
	a) commitments and guarantees given	*424,874,288*	*366,761,822*	*58,112,466*	*15.8*
	b) post-employment benefits	*125,089,929*	*245,144,709*	*-120,054,780*	*-49.0*
	c) other allowances for risks and charges	*3,116,710,583*	*3,595,645,840*	*-478,935,257*	*-13.3*
110.	Valuation reserves	80,923,566	854,785,465	-773,861,899	-90.5
120.	Redeemable shares	-	-	-	-
130.	Equity instruments	7,188,205,548	6,259,543,240	928,662,308	14.8
140.	Reserves	5,369,017,514	8,175,062,558	-2,806,045,044	-34.3
145.	Interim dividend (-)	-1,399,608,168	-1,398,728,260	879,908	
150.	Share premium reserve	28,211,982,139	27,444,867,140	767,114,999	2.8
160.	Share capital	10,368,870,930	10,084,445,148	284,425,782	2.8
170.	Treasury shares (-)	-49,547,627	-68,821,143	-19,273,516	-28.0
180.	Net income (loss) (+/-)	4,284,455,587	2,947,642,948	1,336,812,639	45.4
Total liabilities and shareholders' equity		**715,380,876,833**	**774,240,293,656**	**-58,859,416,823**	**-7.6**

Income statement

(euro)

		2022	2021	Changes amount	%
10.	Interest and similar income	10,365,136,143	8,259,333,154	2,105,802,989	25.5
	of which: interest income calculated using the effective interest rate method	*9,842,657,825*	*7,756,271,932*	*2,086,385,893*	*26.9*
20.	Interest and similar expense	-3,161,181,347	-2,322,412,807	838,768,540	36.1
30.	**Interest margin**	**7,203,954,796**	**5,936,920,347**	**1,267,034,449**	**21.3**
40.	Fee and commission income	6,377,764,935	6,602,228,382	-224,463,447	-3.4
50.	Fee and commission expense	-976,911,983	-928,985,951	47,926,032	5.2
60.	**Net fee and commission income**	**5,400,852,952**	**5,673,242,431**	**-272,389,479**	**-4.8**
70.	Dividend and similar income	2,945,495,402	2,453,820,843	491,674,559	20.0
80.	Profits (Losses) on trading	-228,706,400	442,495,813	-671,202,213	
90.	Fair value adjustments in hedge accounting	26,827,205	38,522,691	-11,695,486	-30.4
100.	Profits (Losses) on disposal or repurchase of:	-90,388,675	683,025,705	-773,414,380	
	a) financial assets measured at amortised cost	*149,732,320*	*161,606,635*	*-11,874,315*	*-7.3*
	b) financial assets measured at fair value through other comprehensive income	*-268,521,903*	*575,615,419*	*-844,137,322*	
	c) financial liabilities	*28,400,908*	*-54,196,349*	*82,597,257*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	859,961,688	34,041,626	825,920,062	
	a) financial assets and liabilities designated at fair value	*937,538,269*	*-55,470,089*	*993,008,358*	
	b) other financial assets mandatorily measured at fair value	*-77,576,581*	*89,511,715*	*-167,088,296*	
120.	**Net interest and other banking income**	**16,117,996,968**	**15,262,069,456**	**855,927,512**	**5.6**
130.	Net losses/recoveries for credit risks associated with:	-1,722,281,051	-2,553,217,345	-830,936,294	-32.5
	a) financial assets measured at amortised cost	*-1,673,986,645*	*-2,537,577,790*	*-863,591,145*	*-34.0*
	b) financial assets measured at fair value through other comprehensive income	*-48,294,406*	*-15,639,555*	*32,654,851*	
140.	Profits (Losses) on changes in contracts without derecognition	16,541,453	-23,497,373	40,038,826	
150.	**Net income from banking activities**	**14,412,257,370**	**12,685,354,738**	**1,726,902,632**	**13.6**
160.	Administrative expenses:	-8,827,654,799	-9,339,686,369	-512,031,570	-5.5
	a) personnel expenses	*-5,356,485,820*	*-5,822,468,328*	*-465,982,508*	*-8.0*
	b) other administrative expenses	*-3,471,168,979*	*-3,517,218,041*	*-46,049,062*	*-1.3*
170.	Net provisions for risks and charges	-305,244,956	19,888,561	-325,133,517	
	a) commitments and guarantees given	*-57,377,119*	*142,475,213*	*-199,852,332*	
	b) other net provisions	*-247,867,837*	*-122,586,652*	*125,281,185*	
180.	Net adjustments to / recoveries on property and equipment	-481,192,616	-477,055,665	4,136,951	0.9
190.	Net adjustments to / recoveries on intangible assets	-722,971,759	-726,347,882	-3,376,123	-0.5
200.	Other operating expenses (income)	796,189,328	861,336,393	-65,147,065	-7.6
210.	**Operating expenses**	**-9,540,874,802**	**-9,661,864,962**	**-120,990,160**	**-1.3**
220.	Profits (Losses) on equity investments	5,593,133	-216,531,718	222,124,851	
230.	Valuation differences on property, equipment and intangible assets measured at fair value	-34,634,369	-20,221,780	14,412,589	71.3
240.	Goodwill impairment	-	-	-	-
250.	Profits (Losses) on disposal of investments	1,300,476	89,061,777	-87,761,301	-98.5
260.	**Income (Loss) before tax from continuing operations**	**4,843,641,808**	**2,875,798,055**	**1,967,843,753**	**68.4**
270.	Taxes on income from continuing operations	-559,186,221	71,844,893	-631,031,114	
280.	**Income (Loss) after tax from continuing operations**	**4,284,455,587**	**2,947,642,948**	**1,336,812,639**	**45.4**
290.	Income (Loss) after tax from discontinued operations	-	-	-	-
300.	**Net income (Loss)**	**4,284,455,587**	**2,947,642,948**	**1,336,812,639**	**45.4**

Statement of comprehensive income

(euro)

		2022	2021	Changes	
				amount	%
10.	**NET INCOME (LOSS)**	**4,284,455,587**	**2,947,642,948**	**1,336,812,639**	**45.4**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**266,658,904**	**-20,211,441**	**286,870,345**	
20.	Equity instruments designated at fair value through other comprehensive income	-75,720,259	-27,631,824	48,088,435	
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	32,117,885	22,459,680	9,658,205	43.0
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	176,298,106	-10,912,381	187,210,487	
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	133,963,172	-4,126,916	138,090,088	
80.	Non-current assets classified as held for sale	-	-	-	
90.	Share of valuation reserves connected with investments carried at equity	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**-1,043,683,143**	**-326,337,211**	**717,345,932**	
100.	Hedges of foreign investments	-	-	-	
110.	Foreign exchange differences	-	-	-	
120.	Cash flow hedges	194,362,958	184,593,787	9,769,171	5.3
130.	Hedging instruments (not designated elements)	-	-	-	
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	-1,238,046,101	-510,930,998	727,115,103	
150.	Non-current assets held for sale and discontinued operations	-	-	-	
160.	Share of valuation reserves connected with investments carried at equity	-	-	-	
170.	**Total other comprehensive income (net of tax)**	**-777,024,239**	**-346,548,652**	**430,475,587**	
180.	**TOTAL COMPREHENSIVE INCOME (Captions 10 + 170)**	**3,507,431,348**	**2,601,094,296**	**906,337,052**	**34.8**

Changes in shareholders' equity as at 31 December 2022

(euro)

	31.12.2022										
	Share capital		**Share premium reserve**	**Reserves**		**Valuation reserves**	**Equity instruments**	**Interim Dividend**	**Treasury shares**	**Net income (loss)**	**Shareholders' equity**
	ordinary shares	other shares		retained earnings	other						
AMOUNTS AS AT 31.12.2021	**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**
Changes in opening balances	-	-	-	-	-	-	-	-	-	-	-
AMOUNTS AS AT 1.1.2022	**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**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)											
Reserves	-	-	-	233,016,694	-	-	-	-	-	-233,016,694	-
Dividends and other allocations	-	-	-	-	-	-	-	1,398,728,260	-	-2,714,626,254	-1,315,897,994
CHANGES IN THE PERIOD											
Changes in reserves	**-**	**-**	**595,743,717**	**-2,854,429,338**	**-184,632,400**	**3,162,340**	**-**	**-**	**-**	**-**	**-2,440,155,681**
Operations on shareholders' equity											
Issue of new shares	284,425,782	-	404,536,842	-	-	-	-	-	1,744,035,665	-	2,432,998,289
Purchase of treasury shares	-	-	-	-	-	-	-	-	-1,724,762,149	-	-1,724,762,149
Interim dividend	-	-	-	-	-	-	-	-1,399,608,168	-	-	-1,399,608,168
Dividends	-	-	-233,165,560	-	-	-	-	-	-	-	-233,165,560
Changes in equity instruments	-	-	-	-	-	-	928,662,308	-	-	-	928,662,308
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-777,024,239**	**-**	**-**	**-**	**4,284,455,587**	**3,507,431,348**
SHAREHOLDERS' EQUITY AS AT 31.12.2022	**10,368,870,930**	**-**	**28,211,982,139**	**4,467,082,931**	**901,934,583**	**80,923,566**	**7,188,205,548**	**-1,399,608,168**	**-49,547,627**	**4,284,455,587**	**54,054,299,489**

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company.

Changes in shareholders' equity as at 31 December 2021

(euro)

	31.12.2021										
	Share capital		**Share premium reserve**	**Reserves**		**Valuation reserves**	**Equity instruments**	**Interim Dividend**	**Treasury shares**	**Net income (loss)**	**Shareholders' equity**
	ordinary shares	other shares		retained earnings	other						
AMOUNTS AS AT 31.12.2020	**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	-	-	-	-	-	-	-	-	-	-	-
AMOUNTS AS AT 1.1.2021	**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**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)											
Reserves	-	-	-	129,802,269	-	-	-	-	-	-129,802,269	-
Dividends and other allocations	-	-	-	-	-	-	-	-	-	-548,894,695	-548,894,695
CHANGES IN THE PERIOD											
Changes in reserves	**-**	**-**	**3,250,072**	**2,271,033,703**	**97,201,850**	**25,661,350**	**-**	**-**	**-**	**-**	**2,397,146,975**
Operations on shareholders' equity											
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	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-346,548,652**	**-**	**-**	**-**	**2,947,642,948**	**2,601,094,296**
SHAREHOLDERS' EQUITY AS AT 31.12.2021	**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.

Statement of cash flows

(euro)

	2022	2021
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**7,279,079,556**	**5,950,305,106**
Net income (loss) (+/-)	4,284,455,587	2,947,642,948
Gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit and loss (-/+)	1,305,747,557	-12,822,966
Gains/losses on hedging activities (-/+)	-26,827,205	-38,522,690
Net losses/recoveries for credit risk (+/-)	1,972,200,757	2,977,677,181
Adjustments to/net recoveries on property, equipment and intangible assets (+/-)	1,204,164,375	1,203,403,547
Net provisions for risks and charges and other costs/revenues (+/-)	691,485,285	605,531,697
Taxes, duties and tax credits to be paid/collected(+/-)	511,362,590	-120,764,654
Net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
Other adjustments (+/-)	-2,663,509,390	-1,611,839,957
2. Cash flow from / used in financial assets	**123,331,848,630**	**-20,318,141,158**
Financial assets held for trading	150,100,933	6,689,059,367
Financial assets designated at fair value	-72,093	-91,585
Other financial assets mandatorily measured at fair value	-160,718,351	169,439,361
Financial assets measured at fair value through other comprehensive income	14,313,461,179	-8,609,758,054
Financial assets measured at amortised cost	132,422,769,554	-18,640,652,862
Other assets	-23,393,692,592	73,862,615
3. Cash flow from / used in financial liabilities (*)	**-39,256,909,977**	**20,896,556,412**
Financial liabilities measured at amortised cost	-43,626,014,057	27,997,161,227
Financial liabilities held for trading	-7,524,054,875	-3,141,878,530
Financial liabilities designated at fair value	6,171,927,274	677,413,206
Other liabilities	5,721,231,681	-4,636,139,491
Net cash flow from (used in) operating activities	**91,354,018,209**	**6,528,720,360**
B. INVESTING ACTIVITIES		
1. Cash flow from	**3,047,503,975**	**2,775,473,251**
Sales of investments in associates and companies subject to joint control	290,712,698	419,585,988
Dividends collected on investments in associates and companies subject to joint control	2,720,489,635	2,307,558,643
Sales of property and equipment	36,301,642	36,129,959
Sales of intangible assets	-	12,198,661
Sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-1,655,375,765**	**-2,816,816,415**
Purchases of investments in associates and companies subject to joint control	-249,733,741	-1,405,461,516
Purchases of property and equipment	-328,287,652	-529,396,881
Purchases of intangible assets	-1,077,354,372	-881,958,018
Purchases of subsidiaries and business branches	-	-
Net cash flow from (used in) investing activities	**1,392,128,210**	**-41,343,164**
C. FINANCING ACTIVITIES		
Issues/purchases of treasury shares	-1,074,998,191	21,238,614
Share capital increases	616,311,961	-1,486,098,631
Dividend distribution and other	-2,948,671,722	-4,041,047,300
Net cash flow from (used in) financing activities	**-3,407,357,952**	**-5,505,907,317**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**89,338,788,467**	**981,469,879**
RECONCILIATION		
Financial statement captions		
Cash and cash equivalents at beginning of period	7,730,324,619	6,747,903,240
Net increase (decrease) in cash and cash equivalents	89,338,788,467	981,469,879
Cash and cash equivalents: foreign exchange effect	1,954,220	951,500
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**97,071,067,306**	**7,730,324,619**

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 -39.257 million euro (cash flow from) and comprise -43.626 million euro in cash flows, -1.352 million euro in fair value changes and +5.721 million euro in other changes.

The significant increase in Cash and cash equivalents at the end of the financial year is linked to the different ways in which excess liquidity is used. Due to the rise in interest rates, it is no longer deposited in the Reserve Requirement account reported in the caption "Financial assets measured at amortised cost – Due from banks", but in overnight deposits under "Current accounts and on-demand deposits with Central Banks" in the amount of approximately 89 billion euro.

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) and endorsed by the European Commission as provided for by EC Regulation 1606 of 19 July 2002.
The financial statements as at 31 December 2022 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[*], 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[124].
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 2022 (including the SIC and IFRIC 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 2022.

IFRS endorsed as at 31.12.2022 in force since 2022

Regulation endorsement	Amendments	Effective date
1080/2021	Amendments to IAS 16 Property, Plant and Equipment, IAS 37 Provision, Contingent Liabilities and Contingent Assets, IAS 41 Agricolture, 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

As shown in the table above, starting on 1 January 2022, the provisions of Regulation (EU) 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 are effective.
The amendments relate to:
– IAS 16 – Cost components: the amendments, which are not pertinent to the Bank, introduce a prohibition on deducting from the cost of property, plant and equipment the amounts received from the sale of articles produced while the company was preparing the asset for the intended use. 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 – References to the Conceptual Framework: several references were updated to the new version of the Conceptual Framework of 2018 which, nonetheless, do not entail changes to the 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 Conclusions).

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

(*) 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.
124 The 8th update of 17 November 2022, which amends Circular no. 262 to take account of the new IFRS 17 Insurance Contracts, which will be effective from 1 January 2023, will apply from the financial statements for the periods ending on or after 31 December 2023.

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 Regulation introduces several changes and clarifications of little significance which, therefore, do not have significant impacts on the Bank.

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 2023 – 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 31.12.2022 applicable subsequent to 31.12.2022

Regulation endorsement	Title	Effective date
2036/2021	IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023

Regulation endorsement	Amendments	Effective date
2036/2021	Amendments to IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023
357/2022	Amendments to IAS 1 Presentation of Financial Statements - Disclosures of Accounting Policies	01/01/2023 First financial year starting on or after 01/01/2023
357/2022	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	01/01/2023 First financial year starting on or after 01/01/2023
1392/2022	Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023 First financial year starting on or after 01/01/2023
1491/2022	Amendments to IFRS 17 Insurance Contracts - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	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, Regulation no. 2036/2021 of 19 November 2021 which endorses the new accounting standard IFRS 17 "Insurance Contracts", and the subsequent Regulation no. 1491/2022 of 8 September 2022, adopting the amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, are not applicable to Intesa Sanpaolo, but only to the preparation of the Consolidated financial statements of the Intesa Sanpaolo Group.

Regulation no. 357/2022 and Regulation no. 1392/2022, which will be applicable starting on 1 January 2023, are illustrated below.

Regulation no. 357/2022 of 2 March 2022 – Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
Regulation no. 357/2022 of 2 March 2022 adopts several narrow scope amendments and additional clarifications to support entities in deciding which accounting policy information must be disclosed (amendments to IAS 1) and distinguishing between accounting policies and estimates (amendments to IAS 8). Therefore, it is not expected to have significant impacts on the Bank, even though it could be a useful reference for analyses and for improving financial statement disclosure.
More specifically, the Regulation introduces amendments to the following accounting standards:
- *IAS 1 Presentation of Financial Statements*

These are narrow-scope amendments to IAS 1 Presentation of Financial Statements and to the IFRS Practice Statement 2 "Making Materiality Judgements", which provide guidance to assist companies in deciding which accounting policy information must be disclosed and, thus, improving their disclosure, to make it more useful for investors and other primary users of financial statements.
The amendments to IAS 1 require that companies provide material accounting policy information, replacing the previous term "significant", which is not defined in the IFRS and, therefore, could lack clarity. Accounting policy information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence decisions made by the primary users of financial statements. In other words, accounting policy information is material if it enables users to understand the information reported in the financial statements on material transactions. 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.
In any event, entity-specific information is more useful than standardised information or information that only duplicates or summarises the requirements of the IFRS.
Several amendments were also made to Practice Statement 2, which provides guidance on how to apply the concept of materiality to accounting policy information;
- *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments to IAS 8 aim to provide further clarifications on 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. Nonetheless, in the past, entities had difficulty in distinguishing between the two cases based on the provisions of IAS 8.
In that regard, a definition of accounting estimate was added, which previously was not provided – "accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty" – and other amendments were introduced to provide greater clarifications. The entity may need to change an accounting estimate if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience. By its nature, a change in an estimate does not relate to prior periods and is not the correction of an error. It may only influence the income statement results of current or future periods (for example, following a change in the estimated useful life of a depreciable asset).
Corrections of errors are distinguished from changes in accounting estimates: accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

Regulation no. 1392/2022 - Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
With Regulation no. 1392/2022 of 11 August 2022, the European Commission adopted the amendment to IAS 12 Income Taxes "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction", published by the IASB on 7 May 2021. The amendments clarify how companies have to account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce diversity in the reporting of deferred tax assets and liabilities on those transactions[125]. The cases that could be material for the Bank are related to the accounting for 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 at the time of initial recognition of the assets and the liabilities. The amendments in question specified that, in those cases, entities must recognise any resulting deferred tax liability and asset (therefore, the exemption set out in paragraphs 15 and 24 of IAS 12 - which permits omitting the recognition of deferred tax assets and liabilities in the case of transactions which, on the whole, do not impact profit - does not apply to those cases).
The amendments in question are immaterial, in terms of quantitative impact, for Intesa Sanpaolo, as, under the tax provisions applicable in Italy (in accordance with the "IFRS 16 Tax Decree"), both the right of use and the lease liability are fully relevant for tax purposes (statutory value and tax value are aligned), and the resulting income statement components recognised in the financial statements (depreciation, amortisation and interest) are treated accordingly based on the tax provisions. That approach is valid not only for new leases, following the initial application of IFRS 16, but also for transactions existing at the time of FTA, following the tax realignment implemented, as permitted by the tax decree. Therefore, no taxable or deductible temporary differences arise.

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 31.12.2022

Standard/ Interpretation	Amendments	Date of issue
IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	23/01/2020
IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date	15/07/2020
IAS 1	Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants	31/10/2022
IFRS 16	Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	22/09/2022

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.

[125] According to the definitions in IAS 12, taxable/deductive temporary differences are temporary differences between carrying amounts and tax amounts which, when determining the taxable income (tax loss) of future periods, will result in taxable/deductible amounts in the future when the carrying amount of the asset is recovered or the liability is settled.

- Amendments to IAS 1 "Non-current Liabilities with Covenants"

On 31 October the IASB published an additional narrow-scope amendment to IAS 1 "Presentation of Financial Statements", which aims to improve the information provided by entities on liabilities with covenants and the classification of those liabilities as current or non-current. The IASB expects the amendments to improve the information provided by entities, enabling investors to understand the risk that those liabilities could become repayable early.

IAS 1 requires that an entity may classify a liability as non-current only where the entity has the right at the reporting date to defer settlement of the liability for at least 12 months. Nonetheless, an entity's ability to do so is often subject to compliance with covenants. For example, an entity may have a non-current payable that could become repayable within 12 months if the entity fails to comply with a covenant (for example, a working capital ratio) in the subsequent 12 months.

The amendments to IAS 1 specify that covenants to be met after the reporting date do not influence the classification of the payable as current or non-current at the reporting date. Conversely, the entity is required to provide information on these covenants in the notes to the financial statements.

The amendments take effect for financial years starting on or after 1 January 2024, with early adoption permitted, following endorsement by the European Commission.

Considering the content of the amendments illustrated above, which are immaterial for the financial sector, as well as the obligation to apply the templates prescribed in Bank of Italy Circular 262/05, the proposed narrow-scope amendments to IAS 1 are not specifically significant for the Bank.

- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

With the publication of the narrow-scope amendments "Lease Liability in a Sale and Leaseback" on 22 September 2022, the IASB introduced several narrow-scope amendments to IFRS 16 regarding the recognition of only sale and leaseback transactions by the seller-lessee. Sale and leaseback transactions are transactions in which an entity sells one of its assets and then immediately leases it back from the new owner. In this regard, transactions in which the transfer of the asset meets the requirements of IFRS 15 to be recognised as a sale of an asset are analysed.

This amendment was requested by the IFRIC, which found a regulatory gap in terms of recognition of rights of use and lease liabilities in sale and leaseback transactions in the event of variable lease payments that do not depend on an index or rate, for example, those based on a percentage of sales of the seller-lessee generated by use of the asset.

In this regard, the amendments provide several clarifications and let the individual entities define an accounting policy for the method of measuring the liability arising from the leaseback.

Application of these amendments will be mandatory from 1 January 2024 - following endorsement by the European Commission, and with the possibility of early application – with retrospective application to sale and leaseback transactions entered into following the date of intial application of IFRS 16, i.e. 1 January 2019 for the Group.

In that regard, there have been few, immaterial sale and leaseback transactions entered into by Intesa Sanpaolo since 2019 and, currently, there are no cases covered by the amendments.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The separate 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 Bank'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 and the outbreak of the Russia-Ukraine crisis, issued by European regulatory and supervisory authorities and the standard-setters illustrated in further detail in Section 4 - Other aspects.

The balance sheets and the related details in the Notes present, in accordance with IFRS 5, among components related to discontinued operations, mainly portfolios of non-performing loans that will be subject to sale as part of the Group's de-risking strategies. This caption also includes the reclassification of the equity investment in Zhong Ou Asset Management Co. Ltd., for which the sale is expected to be finalised in the coming months, once the authorisation process has been completed.

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 2021.

The Attachments include the reconciliation statements to the balance sheet and income statement figures originally published in the 2021 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, subcaptions and further detailed information (specified as the "of which" items in the captions and subcaptions).
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 Parent Company's 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 in the Consolidated financial statements.

SECTION 4 - OTHER ASPECTS

RISKS, UNCERTAINTIES AND IMPACTS OF THE RUSSIAN/UKRAINIAN CRISIS AND THE COVID-19 PANDEMIC

Introduction
In terms of risk management, 2022 saw both positive aspects, such as the regression of the impacts deriving from the COVID-19 pandemic and the consequences on customer solvency, and negative aspects, mainly attributable to the Russia-Ukraine conflict and the consequences of that scenario, in terms of hikes in the prices of energy sources, the lack of certain commodities and the resulting increase in prices.

The preparation of the financial statements in accordance with IFRS requires 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 main areas of uncertainty in the estimates made by the management, which are based on historical experience and other assumptions that are deemed reasonable, include those relating to loan losses, the fair value of financial instruments (including derivatives), income taxes, employee benefits, goodwill and intangible assets, impairment of non-financial assets, derecognition of financial assets and liabilities and provisions for risks and charges.

The situation described above 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. Scenarios with significantly new elements that were not found in recent periods are very difficult to capture in the modelling of credit assessments, making it extremely difficult to produce forecasts for specific portfolio risks in such circumstances.

The estimation methodologies set out in the Bank's policies provide that, in certain circumstances – such as the current ones – the need may arise to make temporary adjustments (valuation increases) to the results of the models adopted, as a precaution. That need may arise as a result of external events that are unexpected, which the Bank cannot control and have potential consequences, also on a large scale, on the measurement of the ECL of the Bank's portfolios as a result of elements that are not adequately captured by the IFRS 9 models used. It must be noted that the IFRS 9 estimation methodologies are founded on experience-based assumptions, and are strongly anchored to historical observations, which are considered over a congruous time horizon and in a sufficiently stable backdrop. At the same time, the estimation methodologies must also reflect forward-looking conditions and adopt reasonable, sustainable approaches and forecasts (without undue cost and effort). They must be appropriately assessed in the event of increased uncertainty on the future scenario and on the possible impacts of the events in question.

The guidelines provided by regulators for the COVID-19 pandemic and the conflict in Ukraine (reported in greater detail in the specific sections below) allow/invite intermediaries to adopt a flexible approach and to use their own expert judgment in making decisions in exceptional, unexpected contexts, 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 context of extremely specific events. These considerations supported the Bank's decision to adopt post-model adjustments, increasing the Expected Credit Losses (ECL) on a managerial basis, in order to incorporate a suitable estimate of the uncertainties mentioned above. The Bank therefore used estimates, assumptions and judgments that reflect this uncertainty. In the current situation of uncertainty, the 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.

The current context, in terms of both the macroeconomic profile and the evolution of the Russian-Ukrainian conflict, is thus marked by significant uncertainties, which were considered in drawing up the financial statements. Specifically, the potential direct and indirect risks of that context were taken into consideration in order to measure the Russian and Ukrainian subsidiaries and credit positions, the latter through prudential adjustments to existing exposures by strengthening the coverage for non-performing positions and all performing positions which, while not showing specific impairment, may suffer the consequences of a negative evolution of the macroeconomic context and the Russian-Ukrainian conflict.

Thus, the following is set out below:
- first, several indications on the scenarios used in preparing the financial statements in this specific context, the related sensitivity analyses and the issue of impairment testing of goodwill and deferred taxation;
- subsequently, the issues relating to the Russian-Ukrainian conflict are covered;
- lastly, the issue of COVID-19 is covered[126].

It is noted that a more complete analysis of the approach to measuring credit positions, also with specific regard to describing the modelling used and the management overlays used in this specific context is provided in Part E - Section 2 - Credit risk management policies of the Notes to the Consolidated financial statements. Given the importance of these issues, it is also noted that the Consolidated report on operations contains a section specifically dedicated to "The impact for the Intesa Sanpaolo Group of the military conflict between Russia and Ukraine", which summarises, inter alia, the initiatives of the Intesa Sanpaolo Group in favour of Ukraine, as well as the aspects regarding the framework of sanctions against the Russian Federation and cybersecurity. An equivalent section on the "Impacts of the COVID-19 pandemic" has also been included in the Consolidated report on operations.

Intesa Sanpaolo macroeconomic scenario for the 2022 financial statements

With regard to 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 and considering the lesser uncertainties that characterise the process of estimating the projections (compared to the extremely serious scenario at the start of the pandemic), the Bank decided to return to using the scenarios produced internally by the Parent Company's Research Department as input to the ECL models in December 2021, thus restoring substantial uniformity between the scenarios used in the other measurement/forecasting processes (impairment tests, budgeting, etc.), especially with regard to the Business Plan launched in 2022. This choice, confirmed during 2022, also seems reasonable in light of the convergence between the forecasts produced internally and the forecasts drawn up periodically by the ECB/Bank of Italy.

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.
Instead, the medium-term forecasting scenario of reference to determine the value in use of the CGUs for impairment testing is set out in Part B, Section 10 of the Notes to the Consolidated financial statements.

Sensitivity analysis in the light of alternative scenarios

As in the previous years, and as recommended by the regulators (see, for example, ESMA: "European common enforcement priorities for 2021 annual financial reports" and the ESMA guidelines on the Russian/Ukrainian crisis illustrated in the specific section), in the Notes to the financial statements, the Bank provides the various sensitivity analyses in order to supplement its disclosures. These analyses related to the issues indicated below, to provide users of the financial statements with a greater understanding of the valuation choices in this specific context. Therefore, reference should be made to the following parts of the Notes to the Consolidated financial statements, regarding:

[126] Based on the indications provided in the specific communications from the Bank of Italy: "impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS".

- 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.4.4 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 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 current 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 2022, the effects of the current situation 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 the Notes to the consolidated financial statements, 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 current scenario

As provided for by 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). This test was also conducted in the current situation. For a more detailed illustration, refer to the Notes to the Consolidated financial statements, Part B – Assets: Section 11 Deferred Tax Assets and Liabilities - Probability test on deferred taxation.

RISKS, UNCERTAINTIES AND IMPACTS OF THE RUSSIAN/UKRAINIAN CRISIS

On 24 February 2022, the gradually escalating tension between Russia and Ukraine erupted into a conflict, the intensity and size of which had not been seen in Europe since the end of the Second World War. The extremely serious situation resulting from the conflict was immediately closely monitored and assessed by Intesa Sanpaolo, also in light of the guidance provided by the regulators on the subject, given that the Bank has:

- a presence with two subsidiaries in the warring countries, Pravex Bank Joint-Stock Company (Pravex) and Joint-Stock Company Banca Intesa (Banca Intesa Russia), and is therefore particularly exposed to the consequences of the conflict;
- cross-border exposures stemming from its corporate and investment banking activities.

In its lending activities, the IMI C&IB Division has over time financed counterparties resident in the Russian Federation, both directly through Intesa Sanpaolo and through other companies in the Division. More than two-thirds of the loans to Russian customers disbursed by the Group before the conflict involve leading industrial groups, which have established commercial relationships with customers belonging to the main international supply chains, a significant amount of which derives from commodity exports. At the outbreak of hostilities, loans to Russian customers represented around 1% of the Intesa Sanpaolo Group’s total loans to customers, net of Export Credit Agency - ECA guarantees. Due to the existence of those guarantees, the credit risk on those exposures can be considered as not referring to either Russia or Ukraine.

That being said, in this section we note some information relating to the Russian and Ukrainian subsidiaries:

- Banca Intesa Russia[127]: this is a Moscow-based corporate bank, 47% owned by Intesa Sanpaolo and 53% by Intesa Sanpaolo Holding International, part of the IMI Corporate & Investment Banking Division. It operates with 27 branches and 907 staff;
- Pravex is a small commercial bank, wholly owned by Intesa Sanpaolo and based in Kyiv, part of the International Subsidiary Banks Division. It operates with 43 branches (mainly in the Kyiv region) and 735 staff.

Specific regulations issued by the EU Regulators on the Russian-Ukrainian crisis

As a result of the unexpected evolution of the Russian-Ukrainian crisis, as well as the resulting tensions that arose in relations between the Russian Federation and the EU and NATO countries (including Italy), the main regulators issued a series of specific measures to provide guidance on this issue. The most significant is the public statement issued by ESMA on 13 May 2022, symmetrically adopted also by CONSOB with regard to the priority accounting aspects. This public statement is based, and provides greater details, on the previous document of 14 March 2022 (ESMA PUBLIC STATEMENT: ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets – 14 March 2022). That public statement

[127] In addition to the marginal company OOO Intesa Realty Russia, consolidated at equity, considering its slight materiality.

was additionally confirmed by the "ESMA Enforcement Priorities 2022" of 28 October 2022.

In the context of the Russian-Ukrainian war, as previously for COVID-19, specific recommendations are provided for the financial statement aspects most strongly impacted by the war regarding:

Control and going concern
- assess at Group level the going concern situation. This assessment must take account of all the information available on the future, including expected profitability and any restrictions on immediate access to financial resources;
- assess the continuing control over the subsidiaries located in the regions involved in the conflict;
- consider existing financial restrictions on assets;
- carefully assess whether control was effectively lost in the event of disposal.

Valuation process and classification of positions
- update the valuation based on significant judgements, assumptions about the future and other tools for assessing uncertainty;
- in assessing the impairment of debt securities and loans, as well as of leases and trade receivables and contract assets, consider the effect of the war on whether there has been a significant increase in credit risk (SICR)[128] and on the measurement of expected credit losses (ECL) taking into account forward-looking information;
- when assessing whether recognition of impairment or write-down of assets is necessary, take into account decisions to discontinue, dispose of, or suspend operations, or cancel investments in Ukraine, Russia or Belarus;
- focus on the classification of non-current assets held for sale and/or discontinued operations pursuant to IFRS 5.

Financial reporting
- use caution in presenting the impacts of the conflict separately in the financial statement forms, given its extensiveness. Instead, it would be preferable to provide in the notes the qualitative and quantitative information on significant impacts, the judgements and assumptions applied in recognising, measuring and presenting assets and liabilities, and their related economic effects;
- adjust and potentially expand the level of detail of the information provided in the financial statements. It is also recommended to update the disclosures on sensitivity analyses, both in general and with specific reference to exposures to Russia and Ukraine;
- provide adequate information on the scenarios considered, updating the impairment tests on non-financial assets (such as intangible assets with indefinite life and deferred tax assets).

Specific attention must obviously be paid to the impacts on the financial statements of any significant events occurring after the end of the reporting period, to provide relevant supplementary information.

Control and going concern

Despite the critical situation, particularly for Pravex, the two subsidiaries resident in the warring countries are continuing to operate with the support of Intesa Sanpaolo structures, albeit with the objective limits deriving from the war and the continued high international tensions.

Intesa Sanpaolo's continuing control over the two entities has also been confirmed. This can be identified based on several aspects:
- in accounting/administrative terms, by acquiring the accounts for consolidation purposes. Specifically, for the Russian subsidiary, the accounts as at 31 December 2022 were acquired accurately and in a timely manner, while for Pravex, it was decided to maintain the accounts produced for consolidation as at 30 September 2022, considering the specific operating difficulties of the subsidiary, as well as in light of the substantial immateriality of its balance sheet figures at Group level;
- in terms of statutory regulations. With specific regard to the Russian subsidiary, Intesa Sanpaolo was able to exercise its power to determine, in compliance with Russian regulations, the composition of the corporate bodies and to appoint the body members of Banca Intesa Russia at the Shareholders' Meeting of 8 July 2022. The turnover involving the Board and the Audit Committee was the result of appointments proposed by Intesa Sanpaolo that passed the approval process of the Russian Central Bank;
- in terms of guiding the business, the two entities continue to move ahead with their commercial business following the instructions of Intesa Sanpaolo. Specifically, in its corporate operations, Banca Intesa Russia complied with the instructions received, immediately after the conflict broke out, to gradually reduce its existing credit exposure. In lending, that bank is not subject to external "interference", and follows the instructions of Intesa Sanpaolo also in cases where, due to the slight materiality of the disbursements, based on its existing powers, it would be entitled to make autonomous decisions on its action;
- in terms of coordination and control, as Intesa Sanpaolo's control functions continue to carry out their roles through the regular receipt and analysis of the planned information flows, interacting with the structures of the subsidiaries through the communication channels available, in line with any limitations that may arise over time, also handled using contingency solutions.

Moreover, the conclusions regarding the maintenance of control over Banca Intesa Russia are not invalidated by the limitations currently set by Russian regulations which, substantially, impose restrictions to repayments and payments to parties resident in "unfriendly" countries. Aware of the restrictions imposed by the specific regulatory framework, Banca Intesa Russia credited to specific Russian accounts, as provided by law, the monetary resources for the repayment of intragroup exposures that matured in the meantime.

[128] Where it is difficult to identify the effect at instrument level, it may be necessary to perform the assessment on a collective basis, on groups of financial instruments.

The potential use of the resources credited to those accounts – equal to around 8 million euro at the end of December 2022 – is limited to several specific purposes within Russia. In this context, it must be considered that, also based on specific legal opinions acquired, the current limitations do not constitute the "expropriation" of the amounts in any way (nor are they even indicators of a loss of control over the subsidiary's assets). Rather, they derive from the temporary legal "freezing" of the free availability of amounts which, based on economic rights, would otherwise be available for their owner.

Also with regard to the issue of control over assets, note the two significant de-risking operations for a total of 1.5 billion in loans to leading counterparties in the Russian Federation. Those operations were completed with the collection of the consideration agreed from the acquiring counterparties.

Valuation process and classification of positions
In referring to Part E (Section 2 "Risks of the prudential consolidation") of the Consolidated financial statements for a more complete examination of the aspects of managing and measuring the Group's credit exposures to Russian[129] and Ukrainian counterparties, it is noted that, as a result of the outbreak of the conflict, considering the presence of credit exposures to counterparties exposed to country risk related to the conflict (specifically, resident counterparties or counterparties controlled by residents in the Russian Federation), for the purpose of drawing up the financial reporting, a regulatory analysis was conducted of the international accounting standards to verify any indications or rationales underlying the measurement of the Expected Credit Loss in crisis scenarios such as the current one. The analysis of IFRS 9 "Financial Instruments" and the related Annexes shows no indications or examples aimed at setting out guidelines for the measurement of Expected Credit Losses in contexts of war or determining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. Rather, the standard offers general indications on calculating the ECL within this framework[130].

Therefore, in light of the significant uncertainty about the direct or indirect effects of the conflict and based on the indications provided by the various regulators on the outbreak of the COVID-19 pandemic (see below), which also contained elements of clear unpredictability, it was deemed consistent with the indications of the standard to identify:
- in the collective assessment, the methods for capturing the SICR, specifically if it is not possible to measure a specific level of credit risk for the single counterparties;
- in using management overlays, for the purpose of calculating the ECL, the most suitable method for incorporating provisions linked to country and geopolitical risk relating to the ongoing conflict.

For the purposes of the financial statements as at 31 December 2022, the main choices regarding the staging assignment and calculation of the ECL adopted in the 2022 interim reporting for performing loans to Russian and Ukrainian counterparties were confirmed. In light of that indicated in the previous paragraph, for these loans, it was decided to adopt an approach strongly guided by the emergence of geopolitical risk, thus impacted by the counterparties' country of residence, both to determine the SICR and to calculate the ECL, also by applying management overlays. The Russian companies financed before the outbreak of the conflict all had high ratings and therefore, for most of them, their business outlook does not include any increased risks other than those generated by the geopolitical situation. Consequently, for these companies, the main current risk is transfer risk, i.e. the risk that they will fail to honour their debt repayment commitments, not because of aspects directly related to their business, but because of government-imposed restrictions.

This was considered the most appropriate way to incorporate the provisions for country and geopolitical risk related to the current conflict that would otherwise not be properly captured by the risk measurement systems normally used. For a more detailed examination of the main application methods of those approaches, refer to that illustrated in greater detail in Part E - Information on risks and relative hedging policies[131] of the Notes to the consolidated financial statements.

With regard to the classification of cross-border exposures to Russian and Ukrainian counterparties in the various risk stages set out in IFRS 9, the constant updating of the ratings entailed their classification in Stage 2, just based on the ordinary staging processes, except for a few Russian counterparties whose impairment was established, with their classification under unlikely-to-pay or bad loans.

With regard to the valuation of equity investments, it is specified that:
- with regard to Banca Intesa Russia (equity investment 47%-owned by Intesa Sanpaolo and 53%-owned by Intesa Sanpaolo Holding International), despite the write-downs of loans in the 2022 reporting package (illustrated in greater detail in the Notes to the Consolidated financial statements, Part E, Section 2 "Risks of the prudential consolidation"), due to the positive performance of revenues and the gradual reduction of its risk profile in 2022, its shareholders' equity came to approximately 80 million euro as at 31 December 2022. In any event, in the Consolidated financial statements, this was the subject of allowances for risks and charges of the same amount, for the purpose of nullifying the company's contribution to the Group's consolidated shareholders' equity. As a result, from a prudential perspective and with the goal of keeping the effects between the consolidated financial statements and the financial statements of Intesa Sanpaolo aligned and consistent, in the separate financial statements of Intesa Sanpaolo, the equity investment was fully written down for a total of 68 million euro;
- the significant loss for the period in the reporting package of Pravex (100%-owned) due to the significant write-downs of the loan portfolio (illustrated in greater detail in the Notes to the Consolidated financial statements, Part E, Section 2 "Risks of the prudential consolidation") had a considerable impact on the shareholders' equity contributed by the subsidiary to the Group's consolidated financial statements. As a result, from a prudential perspective and with the goal of keeping the effects between the consolidated financial statements and the financial statements of Intesa Sanpaolo

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

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

[131] Section 2 – Risk of the prudential consolidation 1.1 Credit risk.

aligned and consistent, in the financial statements of the Parent Company Intesa Sanpaolo, the equity investment was eliminated, with a loss of 48 million euro, plus an allowance for risks and charges of 71 million euro, to capture the negative value of the subsidiary's shareholders' equity contributed to the Group's consolidated financial statements. On the whole, the impact recognised in the financial statements of Intesa Sanpaolo with regard to Pravex Bank came to -119 million euro;

- lastly, with regard to the other Group companies with exposures to Russia that are subsidiaries of Intesa Sanpaolo, there was no need to recognise impairment of the values of those equity investments.

With regard to the classification of non-current assets held for sale and/or discontinued operations pursuant to IFRS 5, the Bank did not classify any exposures to Russian or Ukrainian counterparties in that manner, as the conditions under IFRS 5 were not met.

Financial reporting

In line with the approach adopted in the interim statements published during the year, Intesa Sanpaolo presents the impacts of the conflict by providing in the Notes to the consolidated financial statements (in this Section or in the references indicated) qualitative and quantitative information on significant impacts, the judgements and assumptions applied in recognising, measuring and presenting assets and liabilities, and their related economic effects, without opting for separate presentation.

That being said, a summary is provided below of the remaining exposures to counterparties resident in Russia or Ukraine and the related economic impacts, referring, also in this case, to that set out in Part E - Information on risks and relative hedging policies of the Notes to the consolidated financial statements for more detailed analyses.

At the end of the year, the remaining exposures to counterparties resident in Russia (net of the share covered by Export Credit Agency guarantees) amounted, in terms of gross values, to 35 million euro (3 million euro net). These were accompanied by exposures to banks (essentially to Banca Intesa Russia) totalling 352 million euro (335 million euro net) and in securities totalling 31 million euro (14 million euro net), for a total of 418 million euro (352 million euro net). The exposures to customers resident in Ukraine amounted to 23 million euro (22 million euro net). These were accompanied by exposures to banks totalling 6 million euro (6 million euro net). Total exposures to Russia and Ukraine thus amounted to 447 million euro.

The significant de-risking exercise set up during 2022 (for a total of 1,500 million euro in gross value) and the major adjustments to the residual positions contributed to a significant reduction in overall net exposure (customers, banks and securities) as at 31 December 2022 to counterparties resident in Russia and Ukraine, which amounted to 380 million euro, down by 1,493 million euro compared to 31 December 2021 (-79%).

Overall, the valuation processes and the losses associated with the de-risking of the Russian exposures led to the recognition in the year, before tax, of net charges totalling 626 million euro, with 417 million euro relating to adjustments to loans, 22 million euro to securities and 187 million euro to equity investments, including the provision of 71 million euro.

Lastly, reference is also made to the Sections of Part E of the Notes to the Consolidated financial statements dedicated to the single types of risk (market and liquidity, insurance and operational risk) for the information on the relevant aspects resulting from the limited impacts – where present – of the Russian-Ukrainian crisis.

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 the documents published in 2020 and 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. The following table shows the most relevant documents and their scope of application.

			Main topic		
Issuing body	**Date**	**Title**	**Classifications**	**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 were aimed essentially at clarifying the treatment of moratoria, indicating the minimum conditions for clear financial reporting, uniformly guiding the definition of prospective scenarios and allowing flexibility in defining credit assessments.

That being said, during 2022 the health crisis gradually and steadily improved, linked to the increasing immunity reached by the population, both due to the vaccination campaigns and the high number of cases, in addition to decreased seriousness of the variants of the virus in circulation. That trend made it possible to gradually eliminate the restrictive measures, with a resulting recovery in the economic activities that had remained penalised by that context (such as tourism). During 2022 – in line with the developments in the health situation, and with the economic recovery under way – there was a gradual resumption of payments for exposures that had benefited from the support measures such as moratoria. As a result, during 2022, the measures implemented to ensure that credit assessments were consistent with the specific context of the pandemic were reduced.

Loan classification and valuation in the COVID-19 scenario

The COVID-19 pandemic had a significant 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 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, did 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 set out the conditions also regarding the duration and time limit of the concession for the purposes of applying the exemption. Those conditions gradually stopped applying during 2021. With regard to the Italian scenario, the latest regulatory measure in terms of moratoria was the “Sostegni bis” Law Decree, which granted the option to benefit from an additional extension of legislative moratoria expiring as at 30 June 2021 up to 31 December 2021. The suspension from 1 July onwards only related to the principal, while the interest gradually accruing had to be paid. Considering that no additional legislative measures were decided, any further extensions of existing moratoria/granting of new suspensions during 2022 thus followed the ordinary credit processes, assessing whether the measure should be considered as forbearance.

With regard to loan valuation, the Bank adopted a prudent 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, 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 made more sophisticated and consistent over time, by defining management overlays that were gradually refined, reflecting the best perception of the evolution of the crisis. With regard to adjustments to loans, in 2022, the management overlays covering the vulnerability of the moratoria were significantly decreased, given the progressive increase in moratoria that have reached the deadline for resuming payments without displaying any significant problem issues (as at 31 December 2022 the existing moratoria were substantially eliminated).

* * *

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 any 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 "Risks of the prudential consolidation") 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 due to the pandemic, in line with the EBA guidelines, complied with some specific requirements: More specifically, these:

- were offered without distinction to a large group of (performing) borrowers or following legislative provisions;
- did not provide a waiver of contractual interest or principal but solely a deferral/extension of payments.

Since the granted moratoria provided solely a deferral/extension of the period in which payments are due, the application of a moratorium did not 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 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 2022, broken down by significant interest rate benchmark index subject to IBOR Reform. The Bank 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
Referenced to EONIA	-	-	-	-	-
Referenced to LIBOR USD	7,870	1,360	763	412	520,019
of which expiring after 30.06.2023	*7,094*	*1,328*	*651*	*287*	*361,388*
Referenced to LIBOR other currency (all tenors)	-	-	-	-	-
of which: GBP	-	-	-	-	-
of which: JYP	-	-	-	-	-
of which: CHF	-	-	-	-	-
of which: EUR	-	-	-	-	-
Other IBORs	37	59	-	-	-
Total	**7,907**	**1,419**	**763**	**412**	**520,019**

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.
This disclosure on the IBOR Reform presents the instruments linked to the LIBOR in the residual currencies (mainly USD LIBOR). The exposure in debt securities issued by the Bank is attributable to its Fix-to-Float issues currently linked to the floating USD LIBOR (as the period in which these issued provided fixed rate returns has ended). As illustrated in greater detail below, the transition has been completed for the instruments linked to benchmarks that were subject to transition as at 31 December 2021.

Referring to Part E - Information on risks and relative hedging policies of the Notes to 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, nor are any critical issues expected for the future wind-down of the USD LIBOR. 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 reference to the benchmarks being wound down as at 31 December 2021, the transition activities have been successfully completed for all these benchmarks. Specifically, with regard to the remaining derivative contracts still outstanding as at 31 December 2021 with an underlying EONIA benchmark rate (EONIA OIS), as well as the contracts with the EONIA as the collateral benchmark remuneration rate, no positions were open as at 31 December 2022.

It is also noted that the exposures relating to derivative contracts linked to the Libor to be wound down as at 31 December 2021 (mainly in relation to those expressed in GBP, CHF, JPY and EUR) were no longer present from the initial months of 2022. On financial instruments other than derivatives, linked to the GBP LIBOR, the renegotiations were completed according to the main international recommendations published and recognised by market participants. Likewise, actions were also completed for transition to the respective RFRs for loans linked to the JPY LIBOR and CHF LIBOR.

With 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.
In any event, phases similar to those that were implemented for financial instruments linked to other benchmarks wound down as at 31 December 2021, both for on-balance sheet assets and liabilities and for derivative contracts, are expected to follow. Specific analyses relating to debt securities under assets (third-party issues) and liabilities (own issues) of the Bank are still under way, with specific regard to the respective fallback clauses of each bond, also in relation to the reference legislation.
On financial instruments linked to the USD LIBOR, the Bank continues to record a gradual decrease in loans, while for derivative instruments, it has acted to reduce its exposures also through transactions with equal and opposite sensitivity. This resulted in an increase in the number of transactions and in the total notional amount, against a gradual reduction in the exposure to that benchmark in terms of risk measures.

Financial instruments linked to other IBORs, which were of insignificant amount as at 31 December 2022, are represented by loans and debt securities linked to the Canadian Dollar Offered Rate (CDOR), whose transition should be finalised by 28 June 2024 - the date of wind-down of that benchmark. The date on which the CDOR 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.

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.

Set up of a VAT Group

Intesa Sanpaolo and all of the Group companies 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.

"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 - Intesa Sanpaolo Private Banking S.p.A. (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 S.p.A., Fideuram Asset Management SGR, Sanpaolo Invest SIM[132] 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

EY 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 "Growth" 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 2022 for Intesa Sanpaolo.

[132] Sanpaolo Invest SIM was incorporated into Fideuram ISPB on 5 December 2022.

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 2022 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). Those documents 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 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 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:
- 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;
- 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;
- 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;
- 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 between Intesa Sanpaolo and 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 revaluation model) 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 intangible assets, such as software applications, which are amortised on the basis of their expected technological obsolescence and over a maximum period of seven years. An exception is the core banking system platforms, whose useful life is estimated on a case-by-case basis, and, as a result, amortised over longer periods (from 10 to 15 years). Moreover, the costs incurred for the development of software 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, then an independent and specific valuation is made of the intangible on the basis of the fair value certified by the appraisal of an independent expert. If the fair value of the brand name is not higher than its carrying amount, the recoverable amount of the CGU is estimated, calculated based on future cash flows.

It is also noted that, where a CGU which is allocated both goodwill and a brand name has a value in use lower than the carrying amount, by an amount that exceeds the total value of the intangibles with indefinite life allocated, without prejudice to the full write-down of goodwill, an autonomous valuation of the brand name is carried out based on the fair value stated in the specific appraisal.

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, the tax credits connected with the "Cura Italia" and "Rilancio" Law Decrees 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 Liabilities associated with non-current assets held for sale and discontinued operations

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 (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). Additionally, the government once again intervened on the issue through Law Decree no. 50/2022 ("Decreto Aiuti"), mainly by remodulating the base of potential re-assignees.
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 connected with the 'Cura Italia' and 'Rilancio' Law Decrees acquired following the assignment by the direct beneficiaries or previous purchasers" 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 attributes:

- to a Hold to Collect business model the credits that are acquired within the limits of its tax capacity, given the objective of holding them for future offsetting. Those credits are recognised at amortised cost and the profitability is recognised on a *pro-rata* basis under net interest income in the income statement.
- to a Hold to Collect and Sell business model the excess credits acquired in relation to its tax capacity and, therefore, held for subsequent reassignment. Those credits are measured at fair value through other comprehensive income. Given the particular nature of these instruments, their fair value fluctuations are linked to the changes in interest rates to the extent that these reflect on the definition of the purchase prices. The profitability is recognised on a pro-rata basis under net interest income in the income statement.

The accounting framework set out in IFRS 9 for calculating expected credit losses is not deemed applicable to this specific case. The ECL need not be calculated on these tax credits, as no refund is expected from the tax authorities, as the extinction of the instrument is linked to the offsetting of the bearer's tax payables. Moreover, in cases where reassignment is planned, the sale will be finalised by collecting the price of the instrument, without recognising a receivable due from the assignee.

Lastly, considering the operating methods implemented by the Bank, the risk of non-use of the tax credits, i.e. the risk that the Bank lacks the tax capacity to achieve the benefits associated with the asset, can be reasonably deemed as inexistent. Specifically:

- with regard to the Hold to Collect business model, the amounts acquired are consistent with the overall tax capacity, so that the Bank can offset its payables;
- with regard to the Hold to Collect and Sell business model, for the credits acquired, reassignment agreements are gradually entered into for excess volumes, binding on the customer, with multiple counterparties, whose tax capacity is verified in advance.

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. Several of the parameters that characterise these operations, established by the ECB on 6 June 2019, were subsequently recalibrated in several steps, initially improving them for banks in light of the economic effects of the COVID-19 emergency and, recently – on 27 October 2022 – to "normalise" funding costs in order to exert downward pressure on inflation and contribute to restoring price stability over the medium term. 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 (eligible loans). The single tranches could be subscribed on a quarterly basis, from September 2019 up to December 2021, 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), for the special interest rate period from 24 June 2020 to 23 June 2022, when a rate of 50 basis points lower applied. Banks granting net eligible loans above a preset benchmark net lending level can receive an interest rate reduction. Specifically, the favourable rate applied is equal to the average rate on deposits with the central bank (Deposit Facility Rate or DFR) for the entire duration of the respective operation, except for the special interest rate period where an additional reduction of 50 basis points was added. The interest is paid in arrears at the maturity date of each TLTRO III transaction or at the time of early repayment.

As stated, on 27 October 2022, in addition to further increasing interest rates, as part of a trend of interest rate hikes begun in July 2022, the Governing Council of the ECB decided to recalibrate the conditions applicable to TLTRO III financing. Specifically, it maintained the existing interest rate calculation method up to 22 November. This method provided that, in "ordinary" periods (i.e. periods other than special interest rate periods defined above) the applicable interest rate would equal the average of interest rates calculated over the duration of the instrument, entailing an "adjustment" to the interest rate, which would be determined by applying the interest rate in force each time, only in ordinary periods. Starting on 23 November 2022 (up to the date of maturity or early redemption of each existing TLTRO III) the interest rate is indexed to average applicable key ECB interest rates for each operation in that period (equal to the DFR rate for banks that reached the defined benchmarks).
Lacking specific provisions in the reference accounting standards on how to account for this case or clear indications from IFRIC, which had been consulted on the accounting treatment of the TLTRO III, the Bank defined its own accounting policy, applied consistently and with continuity over time, also following the changes made to contractual conditions: the Bank applies to TLTRO operations the accounting treatment defined by IFRS 9 for floating-rate financial instruments – considering the refinancing conditions defined by the ECB as floating market rates as part of the monetary policy measures of the Eurosystem – recognising the interest applicable in each case, to be estimated based on the probability of achieving the net lending targets set.
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 its forecasts on

the lending performance monitored at set dates, approved by an appropriate level of management. These benchmarks – referring in particular to volumes as at 31 March 2021 and 31 December 2021 – were in fact achieved.
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.
According to the Bank's accounting policies, the revision of the conditions of the instrument by the ECB is considered as a change to a floating rate pursuant to par. B5.4.5 of IFRS 9, with a forward-looking adjustment to the interest rate, considering the fact that the ECB has the option to change interest rates at its discretion in defining monetary policy rates (as it did in April and December 2020, introducing the special interest rate periods and, more recently, in October 2022, in the terms illustrated above). 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, thereafter, based on existing conditions, illustrated below) as required by paragraph B5.4.5 of IFRS 9.
Following the increases in interest rates approved by the Governing Council of the ECB starting in July 2022, it was necessary to redetermine the effective interest rate applicable to each operation, starting from the date of recalibration of the interest rates, with the goal of reallocating the benefit resulting from the specific mechanism of the average of interest rates in the reference period of the benefit. Lastly, the recalibration of the conditions applicable to TLTRO III financing defined on 27 October 2022 entailed the recognition of the residual benefit up to the date of the changes to contractual conditions (i.e., up to 22 November 2022). That approach is in line with that adopted in the past for recognising interest during special periods (i.e., recognition of the additional benefit of -50 bps in the period from June 2020 - June 2022), as it was considered as the "monetary policy" floating rate applicable in the reference period. Starting on 23 November 2022, interest on existing TLTRO III financing is recognised based on the DFR in force at each time.

As previously noted in the 2021 Financial Statements, 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.
Therefore, in line with the requests from ESMA and in addition to the disclosure on the accounting policies adopted to recognise the TLTRO III operations, the Bank provides information also on the resulting quantitative impacts of the recognition of interest.

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:
  d) hedging interest-generating assets and liabilities;
  e) 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;
  f) 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" (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.

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 treatment in relation to the regulatory provisions, in order to estimate the accounting LGD, to include in the modelling (in line with the indications of IFRS 9 on using entity-specific information) the estimates of internal recoveries exceeding the regulatory threshold of the Maximum Recovery Period, i.e., the maximum time limit beyond which the Supervisory Authority assumes that nothing will be recovered;
- 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 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);
- Brent price;
- 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, 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 probability of migration to bad loans for positions already in default, the loss rates observed in the pre-bad loans phase for positions migrating to bad loans, and the loss rates observed in the pre-bad loans phase for positions that return to performing status or are extinguished.

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 (Add-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, 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 any 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.
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 bank collateral, is also been accompanied - where applicable and as an alternative recovery strategy - by the scenario of the sale of the loan.
Where company plans and Bank strategies identify disposal objectives 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 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 is identified, the book value of said portfolio is determined by weighting the recoverable amount 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 positions to be sold are specifically identified, 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 accounting positions and, in the following cases, the consequent allocation to loss of the remainder that has not yet been adjusted:

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

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

Impairment of equity investments

At each reporting 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 the 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 2022.

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 Bank to implement and use those 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 and Sustainability 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 and approved by the Group Financial Risk Committee, 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.

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 participants 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). Specifically:

- 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, and derivatives for which prices are available on an active market (for example, exchange traded futures and options).
Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value are not considered level 1 instruments.
When no listing on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.
In the case of instruments classified as level 2, the valuation is based on prices or credit spreads presumed from the official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final measurement.
The following are measured using level 2 input models:

- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- loans whose fair value is determined through the use of an appropriate credit spread which is estimated starting from market data of financial instruments with similar characteristics;
- derivatives (including securitised derivatives) measured through specific models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- structured credit products (ABSs, HY CLOs, CDOs) for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters that can be gathered from the market;
- non-contributed equity instruments measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, or using the "relative" valuation models based on multipliers;

- non-UCITS hedge funds, 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 Market and Financial 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 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 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 and 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 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 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 fair value of a hedge fund 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.
The fair value hierarchy level is Level 2, provided the Level 3 instruments do not exceed a set threshold.

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. The fair value hierarchy level is Level 3.

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.

With regard to closed-end funds resulting from sales of non-performing loans, where an information set is available that makes it possible to conduct an analysis of the business plan of the positions held by the fund, individually or by uniform cluster, to determine the fair value of the units of the fund, in general the Bank uses the support of an independent expert, who, among other duties, carries out a comparison of performance of the business plans of the underlying exposures, and states in its report, that the fair value determined by the expert complies with the indications from the main regulators[133].

Where it is not possible to apply the approach mentioned above, for each fund a comparison is made between the expected return of the fund and a benchmark rate, defined using a model that factors in various elements, such as: i) the fund's valuation policies, verifying whether they are compliant with criteria consistent with the definition of fair value pursuant to IFRS 13, ii) verification that there is an updated business plan and of the performance of the fund compared to the available business plan, iii) the characteristics of the fund's assets, iv) the level of the cost of funding on the market for issuing liquid instruments, v) the completeness and extensiveness of the information provided by the fund, and vi) the fund management methods. Where the expected return of the fund is higher than the defined benchmark rate, the NAV communicated by the asset management company is used as the fair value measure. Where, instead, the benchmark rate is higher than the expected return of the fund, the fair value is determined based on the NAV minus a discount, which takes account of the spread between the benchmark rate and the expected return of the fund and the average residual life of the fund (Weighted Average Life or WAL).

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.

(thousands of euro)

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	Favourable changes in FV	Unfavourable changes in FV
Securities and Loans	Discounting Cash Flows	Credit Spread	-3	6	%	4,005	-8,365
Structured securities and loans	JD model	JD parameters	-37	13	%	134	-192
Structured securities and loans	Two-factor model	Correlation	-45	28	%	390	-85
ABSs	Discounting Cash Flows	Credit Spread	-1	3	%	611	-832
CLOs Cash	Discounting Cash Flows	Credit Spread	-6	6	%	503	-523
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Loss Given Default Rate (LGD)	-	100	%	3,388	-2,315
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Probability of default (PD) based on counterparty's internal rating	CCC	A	Internal rating	44	-78
OTC Derivatives - Equity basket option	Black - Scholes model	Equity basket correlation	-11.16	87.39	%	517	-759
OTC Derivatives - Equity Option	Black - Scholes model	Historical volatility	8.21	76.17	%	967	-1,524
OTC Derivatives - Equity Option	Marshall Olkin Model	Historical correlation	2.44	47.95	%	66	-43
OTC Derivatives - Spread option on swap rates	Bivariate log-normal model	Correlation between swap rates	-71.70	71.04	%	0	-1

133 See Bank of Italy/Consob/Ivass Document no. 8 "Treatment in the financial statements of sales without recourse of unlikely-to-pay loans in exchange for units of investment funds", published in April 2020.

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.

As required by IFRS 13, for the financial assets and liabilities measured at level 3 fair value, the following table lists the effects of a change in one or more significant non-observable parameters used in the valuation techniques adopted to determine the fair value. Note that only the total material effects at the end of the year are shown in the table.

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non-observable parameter
FVTPL and FVTOCI securities and loans	Credit spread	-285	1 bp
FVTPL and FVTOCI securities and loans	JD parameters	-10	1%
FVTPL and FVTOCI securities and loans	Correlation	-19	1%
OTC Derivatives - Equity	Correlation between underlying equity baskets	218	10%
OTC Derivatives - Equity	Historical volatility	-1,076	10%
OTC Derivatives - Equity CPPI	Historical correlation	-24	10%

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 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 and Sustainability 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. Specifically:

- 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.

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 and Sustainability 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.

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[134] 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 2022” 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.

For the purposes of valuation, if necessary and where relevant, the assumptions also include sustainability considerations, connected with climate change and energy efficiency factors, as well as aspects linked to any specific legislation (for example, configuration, accessibility, etc.). To date, the Group has not made substantial adjustments to fair value due to climate change, aside from those already valued by the indicators observable on the reference market.

[134] 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 2021 and took effect on 31 January 2022.

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 2022, investment properties as well as owner-occupied properties which, based on the scenario analysis, recorded changes on the defined threshold, 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 to value the various classes of real estate, represented by the discounted cash flow method. Specifically, taking account of the trend recorded in the various asset classes of the real estate market and the parameters featuring greater volatility/variability, for owner-occupied properties, reference was made to the net capitalisation rate (yield) and the average medium/long-term inflation rate, while for investment properties, to the exit value. In compliance with the estimate assumptions applied to real estate assets, for the purpose of the analysis, variation ranges were used that were consistent with the potential trends in the market at the reporting date. For owner-occupied properties, a change of +/- 25 bps for the net capitalisation rate and a concurrent change of -/+15 bps for the inflation rate were assumed, in relation to which average deviations of fair value of +4.4% and -4.3% were recorded. For investment properties, a change of +/- 5% in the exit value was assumed, in relation to which there were average deviations of fair value of +4.8% and -5.2%.

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.
Based on the rules referred to, in 2022, artworks which, based on the scenario analysis, recorded changes on the defined threshold, were subject to valuation.

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

(millions of euro)

Assets / liabilities at fair value	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	10,184	34,944	3,334	22,553	25,984	3,099
a) Financial assets held for trading	10,062	34,258	182	22,279	25,265	187
of which: Equities	*860*	*-*	*21*	*673*	*-*	*16*
of which: quotas of UCI	*171*	*5*	*21*	*24*	*-*	*25*
b) Financial assets designated at fair value	-	1	-	-	1	-
'c) Other financial assets mandatorily measured at fair value	122	685	3,152	274	718	2,912
of which: Equities	*121*	*106*	*242*	*159*	*107*	*225*
of which: quotas of UCI	*1*	*172*	*2,288*	*115*	*136*	*2,046*
2. Financial assets measured at fair value through other comprehensive income	31,203	4,349	353	47,431	4,335	383
'of which: Equities	*510*	*496*	*321*	*1,512*	*1,297*	*327*
3. Hedging derivatives	-	8,774	-	-	1,566	-
4. Property and equipment	-	-	5,902	-	-	5,964
5. Intangible assets	-	-	-	-	-	-
Total	**41,387**	**48,067**	**9,589**	**69,984**	**31,885**	**9,446**
1. Financial liabilities held for trading	7,285	41,383	142	22,241	34,867	119
2. Financial liabilities designated at fair value	-	8,765	30	6	3,643	26
3. Hedging derivatives	-	4,652	-	-	3,971	-
Total	**7,285**	**54,800**	**172**	**22,247**	**42,481**	**145**

Pursuant to IFRS 13, par. 93(c), during 2022 transfers were carried out from level 1 to level 2 of assets for 239 million euro and of liabilities for 3 million euro, in addition to transfers from level 2 to level 1 of assets for 128 million euro, and of liabilities for 4 million euro. In particular:

– from level 1 to level 2
  - Financial assets held for trading under debt securities of 53 million euro, and under quotas of UCI of 5 million euro;
  - Other financial assets mandatorily measured at fair value under quotas of UCI of 50 million euro;
  - Financial assets measured at fair value through other comprehensive income under debt securities of 131 million euro;
  - Financial liabilities designated at fair value under debt securities of 3 million euro;

– from level 2 to level 1
  - Financial assets held for trading under debt securities of 78 million euro, and under financial derivatives of 3 million euro;
  - Financial assets measured at fair value through other comprehensive income under debt securities of 47 million euro;
  - Financial liabilities held for trading under financial derivatives of 4 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. Specifically with regard to quotas of UCI, the transfers refer to units of hedge funds other than contributed UCITS (mutual funds falling within the scope of application of EU directives). 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 2022, 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 141 million euro in positive fair value and a reduction of 79 million euro in negative fair value.
The impact of the Funding Value Adjustment in reducing the fair value amounted to 63 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 290 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 5,902 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)

(millions of euro)

	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*				
1. Initial amount	**3,099**	**187**	**-**	**2,912**	**383**	**-**	**5,964**	**-**
2. Increases	**1,031**	**93**	**-**	**938**	**99**	**-**	**250**	**-**
2.1. Purchases	375	18	-	357	60	-	37	-
2.2 Gains recognised in:	165	7	-	158	18	-	8	-
2.2.1. Income statement	165	7	-	158	-	-	5	-
- of which capital gains	*152*	*7*	-	*145*	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	18	-	3	-
2.3. Transfers from other levels	38	11	-	27	11	-	-	-
2.4 Other increases	453	57	-	396	10	-	205	-
3. Decreases	**-796**	**-98**	**-**	**-698**	**-129**	**-**	**-312**	**-**
3.1. Sales	-205	-44	-	-161	-36	-	-33	-
3.2 Reimbursements	-	-	-	-	-	-	-	-
3.3 Losses recognized in:	-255	-41	-	-214	-25	-	-143	-
3.3.1. Income statement	-255	-41	-	-214	-4	-	-139	-
- of which capital losses	*-243*	*-35*	-	*-208*	*-1*	-	-	-
3.3.2 Shareholders' equity	-	X	X	X	-21	-	-4	-
3.4. Transfers from other levels	-38	-12	-	-26	-65	-	-	-
3.5 Other decreases	-298	-1	-	-297	-3	-	-136	-
4. Final amount	**3,334**	**182**	**-**	**3,152**	**353**	**-**	**5,902**	**-**

The captions of transfers between levels of Financial assets measured at fair value through profit or loss refer to transfers from level 3, decreasing by 38 million euro and to level 3, increasing by 38 million euro.
The former are transfers of Financial assets held for trading from level 3 to level 2 involving debt securities for 4 million euro, financial derivatives for 4 million euro and loans for 4 million euro, in addition to transfers of Financial assets mandatorily measured at fair value from level 3 to level 2 involving debt securities for 25 million euro and loans for 1 million euro.
The latter are transfers of Financial assets held for trading from level 2 to level 3 involving financial derivatives for 11 million, in addition to transfers of Financial assets mandatorily measured at fair value from level 2 to level 3 involving loans for 15 million euro, in addition to transfers from level 1 to level 3 of quotas of UCI for 12 million euro.
For Financial assets measured at fair value through other comprehensive income, we note increasing transfers from level 2 to level 3 of equities held for 11 million euro, against decreasing transfers from level 3 to level 2 of equities for 24 million euro and loans for 41 million euro.

Transfers between levels of debt securities from level 3 to level 2 occurred as a result of the use in the fair value measurement as at 31 December 2022 of parameters observable on the market, without including discretionary parameters in compliance with the Guidelines and Rules for Valuation of Financial Instruments at Fair Value.
The increasing transfers between levels 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 from level 3 to level 2 refer to 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.
Transfers of quotas of UCI to level 3 occur due to the loss of level 1 assets of 30% of the NAV in the mix of investments in financial instruments by the funds.
The transfers of loans are attributable to the change in observability or the materiality of the input for the valuations. Level 2 fair value was determined using an appropriate credit spread identified starting with market evidence of financial instruments with similar characteristics, while fair value was assigned level 3 if input parameters were used that are not directly observable on the market or if the counterparties are impaired.
Transfers of derivative contracts to and from level 3 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 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 investment property, which is measured at fair value, was updated. Moreover, based on the results of the scenario analysis, owner-occupied properties, including trophy assets, and valuable art assets were appraised, measured using the revaluation model. 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. Caption 3.3 also includes amortisation and depreciation.

The captions Other increases and Other decreases in Financial assets mandatorily measured at fair value refer to quotas of UCIs, and include the payments made and the reimbursements received by the Bank, with no change in the quotas held. With regard to Property and equipment, the captions mainly include transfers of these assets from investment to operations and vice versa.

A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (level 3)

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Initial amount	**119**	**26**	**-**
2. Increases	**101**	**4**	**-**
2.1 Issues	71	-	-
2.2 Losses recognised in:	-	4	-
2.2.1. Income statement	-	4	-
- of which capital losses	*-*	*4*	*-*
2.2.2 Shareholders' equity	X	-	-
2.3 Transfers from other levels	30	-	-
2.4 Other increases	-	-	-
3. Decreases	**-78**	**-**	**-**
3.1 Reimbursements	-	-	-
3.2. Repurchases	-	-	-
3.3 Gains recognised in:	-28	-	-
3.3.1. Income statement	-28	-	-
- of which capital gains	*-28*	*-*	*-*
3.3.2 Shareholders' equity	X	-	-
3.4. Trasferts to other levels	-50	-	-
3.5 Other decreases	-	-	-
4. Final amount	**142**	**30**	**-**

The Final amount of Level 3 Financial liabilities held for trading refer to derivative contracts with a negative fair value for 45 million euro and to certificates with characteristics similar to derivative instruments mainly for market risk for 97 million euro. Transfers from level 3 totalling 50 million euro fully refer to derivative contracts, while transfers to level 3 for a total of 30 million euro fully refer to certificates.
The Final amount of Financial liabilities designated at fair value level 3 refers 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

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2022				31.12.2021			
	Book value	Level 1	Level 2	Level 3	**Book value**	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	465,041	28,056	294,295	124,516	599,476	26,734	449,091	130,093
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	528	-	-	528	1,326	-	-	1,326
Total	**465,569**	**28,056**	**294,295**	**125,044**	**600,802**	**26,734**	**449,091**	**131,419**
1. Financial liabilities measured at amortised cost	594,515	42,622	525,649	25,258	638,920	48,740	560,066	32,392
2. Liabilities associated with non-current assets	15	-	-	15	25	-	-	25
Total	**594,530**	**42,622**	**525,649**	**25,273**	**638,945**	**48,740**	**560,066**	**32,417**

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. For securities issued by Intesa Sanpaolo, 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 normally coincides with the transaction price is usually intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Any differences between the price and the fair value are usually attributable to the so-called commercial margins, which are considered as not falling within the scope of Day One Profit. Therefore, commercial margins are taken to the income statement on the first subsequent measurement of the financial instrument.
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 residual differences, as in the previous case, are usually attributable to the commercial margins.
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, irrespective of whether it is possible to identify commercial margins. 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 unobservable inputs used to estimate the fair value become observable, the residual deferred Day One Profits are recognised in the income statement. Similarly, in the event of "on the book" transactions falling under the investment division's activities, the Day One Profits earned on transactions - included in the above on the book management - are taken to the income statement when transactions are carried out which substantially eliminate the risks linked to unobservable parameters of the instrument which generated the DOP.
At the end of 2022, as at the end of 2021, the amount of the DOP deferred in the balance sheet was immaterial (around 0.1 million euro).

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.

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)

	31.12.2022	31.12.2021
a) Cash	2,216	2,416
b) Current accounts and on demand deposits with Central Banks	93,225	2,956
c) Current accounts and on demand deposits with banks	1,630	2,358
Total	**97,071**	**7,730**

As at 31 December 2022, sub-caption b) Current accounts and on-demand deposits with Central Banks includes overnight deposits, totalling 89,112 million euro, where the excess liquidity is placed, which due to the rise in interest rates is no longer deposited in the Reserve Requirement account reported in the caption 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

(millions of euro)

Captions	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	8,977	1,194	51	21,556	1,312	89
1.1 Structured securities	*1,016*	*74*	*-*	*5*	*1,009*	*42*
1.2 Other debt securities	*7,961*	*1,120*	*51*	*21,551*	*303*	*47*
2. Equities	860	-	21	673	-	16
3. Quotas of UCI	171	5	21	24	-	25
4. Loans	-	32	54	-	14	5
4.1 Repurchase agreements	*-*	*-*	*-*	*-*	*-*	*-*
4.2 Other	*-*	*32*	*54*	*-*	*14*	*5*
Total (A)	**10,008**	**1,231**	**147**	**22,253**	**1,326**	**135**
B. Derivatives						
1. Financial derivatives	54	32,073	35	26	21,691	52
1.1 trading	*54*	*32,073*	*35*	*26*	*21,691*	*52*
1.2 fair value option	*-*	*-*	*-*	*-*	*-*	*-*
1.3 other	*-*	*-*	*-*	*-*	*-*	*-*
2. Credit derivatives	-	954	-	-	2,248	-
2.1 trading	*-*	*954*	*-*	*-*	*2,248*	*-*
2.2 fair value option	*-*	*-*	*-*	*-*	*-*	*-*
2.3 other	*-*	*-*	*-*	*-*	*-*	*-*
Total (B)	**54**	**33,027**	**35**	**26**	**23,939**	**52**
Total (A+B)	**10,062**	**34,258**	**182**	**22,279**	**25,265**	**187**

Structured securities as at 31 December 2022 consist of 1,086 million euro of fixed-rate debt securities indexed to inflation, as an additional component, and 4 million euro of debt securities convertible into shares.

Other debt securities are made up of the securities connected with securitisation transactions for a total amount of 865 million euro (818 million euro Level 1 and 47 million euro Level 2), of which 627 million euro is senior, 230 million euro is mezzanine and 8 million euro is junior.

The amount of Derivatives as at 31 December 2022 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 assets held for trading - Derivatives state the offset positive net fair value of 4,384 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 5,741 million euro and the negative fair value of Financial liabilities held for trading for 1,357 million euro. On the other hand, the gross positive fair value of OTC derivatives implemented with the legal clearing agent LCH Ltd for transactions on own behalf, equal to 70,218 million euro, was subject to offsetting under Financial liabilities held for trading - Derivatives.
The total positive fair value of derivatives gross of on-balance sheet offsetting would amount to 104,691 million euro (Financial derivatives of 103,737 million euro and Credit derivatives of 954 million euro).

2.2 Financial assets held for trading: borrower/issuer breakdown

(millions of euro)

Captions	31.12.2022	31.12.2021
A. Cash Assets		
1. Debt securities	**10,222**	**22,957**
a) Central Banks	78	44
b) Public administration	7,354	20,129
c) Banks	1,186	1,149
d) Other financial companies	1,188	1,250
of which: insurance companies	*98*	*75*
e) Non financial companies	416	385
2. Equities	**881**	**689**
a) Banks	35	70
b) Other financial companies	132	95
of which: insurance companies	*51*	*31*
c) Non financial companies	714	524
d) Other issuers	-	-
3. Quotas of UCI	**197**	**49**
4. Loans	**86**	**19**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	38	-
of which: insurance companies	-	-
e) Non financial companies	48	19
f) Households	-	-
Total A	**11,386**	**23,714**
B. Derivatives		
a) Central counterparties	12,424	1,858
b) Other	20,692	22,159
Total B	**33,116**	**24,017**
TOTAL (A+B)	**44,502**	**47,731**

Quotas of UCI held at the end of the year include hedge funds for 174 million euro, shares of Sicav (open-ended collective investment scheme) funds for 11 million euro, ETFs (exchange traded funds) for 6 million euro, investments in real estate funds for 4 million euro and other types for 2 million euro.

2.3 Financial assets designated at fair value: breakdown

(millions of euro)

Captions	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1.Debt securities	**-**	**1**	**-**	**-**	**1**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	1	-	-	1	-
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Others	-	-	-	-	-	-
Total	**-**	**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

(millions of euro)

Captions	31.12.2022	31.12.2021
1. Debt securities	**1**	**1**
a) Central Banks	-	-
b) Public administration	1	1
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
2. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total	**1**	**1**

2.5 Other financial assets mandatorily measured at fair value: breakdown

(millions of euro)

Captions	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**-**	**44**	**132**	**-**	**42**	**107**
1.1 Structured securities	-	-	5	-	-	5
1.2 Other debt securities	-	44	127	-	42	102
2. Equities	**121**	**106**	**242**	**159**	**107**	**225**
3. Quotas of UCI	**1**	**172**	**2,288**	**115**	**136**	**2,046**
4. Loans	**-**	**363**	**490**	**-**	**433**	**534**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	363	490	-	433	534
Total	**122**	**685**	**3,152**	**274**	**718**	**2,912**

Other debt securities include the securities connected with securitisation transactions for a total amount of 125 million euro (25 million euro Level 1 and 100 million euro Level 2), of which 44 million euro is senior, 65 million euro is mezzanine and 16 million euro is junior.

2.6 Other financial assets mandatorily measured at fair value: borrower/issuer breakdown

(millions of euro)

Captions	31.12.2022	31.12.2021
1. Equities	**469**	**491**
of which: banks	-	-
of which: other financial companies	*117*	*151*
of which: non financial companies	*352*	*339*
2. Debt securities	**176**	**149**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	148	146
of which: insurance companies	-	-
e) Non financial companies	28	3
3. Quotas of UCI	**2,461**	**2,297**
4. Loans	**853**	**967**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	29	38
d) Other financial companies	172	199
of which: insurance companies	*64*	*68*
e) Non financial companies	648	723
f) Households	4	7
Total	**3,959**	**3,904**

Quotas of UCI refer to private equity funds for 771 million euro, private debt funds for 497 million euro, real estate funds for 377 million euro, infrastructure funds for 228 million euro, hedge funds for 184 million euro, venture capital funds for 111 million euro and other equity funds for 3 million euro. The caption also includes 290 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.

Loans include 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

(millions of euro)

Captions	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**30,693**	**2,168**	**9**	**45,919**	**2,352**	**3**
1.1 Structured securities	1,174	-	-	-	587	-
1.2 Other debt securities	29,519	2,168	9	45,919	1,765	3
2. Equities	**510**	**496**	**321**	**1,512**	**1,297**	**327**
3. Loans	**-**	**1,685**	**23**	**-**	**686**	**53**
Total	**31,203**	**4,349**	**353**	**47,431**	**4,335**	**383**

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

Structured securities as at 31 December 2022 consist entirely of fixed-rate debt securities indexed to inflation, as an additional component.
Other debt securities include the securities connected with securitisations for a total amount of 1,543 million euro (entirely Level 2), of which 1,501 million euro is senior and 42 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 368 million euro, amounting to 4.91% of the share capital and lower than the 5% limit, beyond which there is a limitation on the receipt of dividends in compliance with Article 3, paragraph 4 of the Articles of Association of the Bank of Italy. 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 2022. 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 2022. Following the approach taken in the previous years, the use of direct transaction prices as the reference for determining fair value for the 2022 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 19 million euro.

3.2 Financial assets measured at fair value through other comprehensive income: borrower/issuer breakdown

(millions of euro)

Captions	31.12.2022	31.12.2021
1. Debt securities	**32,870**	**48,274**
a) Central Banks	-	-
b) Public administration	26,177	39,958
c) Banks	2,643	3,114
d) Other financial companies	3,059	3,213
of which: insurance companies	-	-
e) Non financial companies	991	1,989
2. Equities	**1,327**	**3,136**
a) Banks	768	1,456
b) Other issuers:	559	1,680
- other financial companies	154	1,168
of which: insurance companies	*3*	*3*
- non financial companies	405	512
- other	-	-
3. Loans	**1,708**	**739**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	100	-
d) Other financial companies	146	61
of which: insurance companies	-	-
e) Non financial companies	1,462	678
f) Household	-	-
Total	**35,905**	**52,149**

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	32,778	*140*	134	36	-	-14	-28	-36	-	-
Loans	1,081	-	654	-	-	-8	-19	-	-	-
Total 31.12.2022	**33,859**	***140***	**788**	**36**	**-**	**-22**	**-47**	**-36**	**-**	**-**
Total 31.12.2021	**48,902**	***438***	**144**	**35**	**-**	**-22**	**-11**	**-35**	**-**	**-**

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 2022 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	31.12.2022						31.12.2021					
	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	**3,335**	**-**	**-**	**-**	**3,335**	**-**	**121,493**	**-**	**-**	**-**	**121,493**	**-**
1. Time deposits	1	-	-	X	X	X	87	-	-	X	X	X
2. Compulsory reserve	3,329	-	-	X	X	X	121,401	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	5	-	-	X	X	X	5	-	-	X	X	X
B. Due from banks	**33,196**	**36**	**-**	**1,115**	**26,395**	**5,520**	**38,942**	**53**	**-**	**1,547**	**30,979**	**6,505**
1. Loans	31,764	36	-	-	26,143	5,520	37,378	53	-	-	30,945	6,505
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Time deposits	9,825	-	-	X	X	X	5,290	-	-	X	X	X
1.3 Other loans:	21,939	36	-	X	X	X	32,088	53	-	X	X	X
- Reverse repurchase agreements	*7,881*	-	-	*X*	*X*	*X*	*12,387*	-	-	*X*	*X*	*X*
- Finance leases	*5*	-	-	*X*	*X*	*X*	*5*	-	-	*X*	*X*	*X*
- Other	*14,053*	*36*	-	*X*	*X*	*X*	*19,696*	*53*	-	*X*	*X*	*X*
2. Debt securities	1,432	-	-	1,115	252	-	1,564	-	-	1,547	34	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	1,432	-	-	1,115	252	-	1,564	-	-	1,547	34	-
Total	**36,531**	**36**	**-**	**1,115**	**29,730**	**5,520**	**160,435**	**53**	**-**	**1,547**	**152,472**	**6,505**

As at 31 December 2022, the change in the sub-caption Reserve Requirement was due to the placement of excess liquidity in overnight deposits reported in the caption Cash and cash equivalents.
The sub-caption Other loans – Other 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 31 million euro (15 million euro as at 31 December 2021). Insignificant value adjustments 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	31.12.2022						31.12.2021					
	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
1. Loans	**372,668**	**4,552**	**257**	**-**	**248,877**	**114,124**	**388,895**	**6,189**	**317**	**-**	**282,600**	**119,487**
1.1.Current accounts	9,741	406	11	X	X	X	9,413	611	21	X	X	X
1.2. Reverse repurchase agreements	15,357	-	-	X	X	X	18,897	-	-	X	X	X
1.3. Mortgages	226,025	2,979	153	X	X	X	235,350	4,077	271	X	X	X
1.4. Credit card loans, personal loans and transfer of one fifth of salaries	12,569	196	1	X	X	X	13,057	214	2	X	X	X
1.5. Finance leases	6,973	301	85	X	X	X	8,428	260	-	X	X	X
1.6. Factoring	10,514	50	-	X	X	X	9,118	63	-	X	X	X
1.7. Other loans	91,489	620	7	X	X	X	94,632	964	23	X	X	X
2. Debt securities	**50,972**	**25**	**-**	**26,941**	**15,688**	**4,872**	**43,559**	**28**	**-**	**25,187**	**14,019**	**4,101**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	50,972	25	-	26,941	15,688	4,872	43,559	28	-	25,187	14,019	4,101
Total	**423,640**	**4,577**	**257**	**26,941**	**264,565**	**118,996**	**432,454**	**6,217**	**317**	**25,187**	**296,619**	**123,588**

Other loans include loans disbursed on public funds under administration for which the Bank holds the risk in the amount of 51 million euro.

Other debt securities include the securities connected with securitisations for a total amount of 8,495 million euro, of which 8,475 million euro is senior and 20 million euro is mezzanine. The senior notes included 910 million euro relating to the vehicles Grogu 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 1,572 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, in addition to 3,197 million euro of notes of the vehicle Teseo SPV S.r.l. and 784 million euro of notes of the vehicle Organa SPV S.r.l., to which leasing receivables

classified respectively as "performing" and as "bad loans" were sold pursuant to Law 130/99 in 2022. The Bank also holds 9 million euro of mezzanine securities of the vehicle Teseo SPV S.r.l.
They also include debt securities of 6,778 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 148 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 608 million euro (631 million euro as at 31 December 2021). Insignificant writebacks 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	31.12.2022			31.12.2021		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired
1. Debt securities	**50,972**	**25**	**-**	**43,559**	**28**	**-**
a) Public administration	30,141	13	-	25,310	15	-
b) Other financial companies	17,827	-	-	14,561	1	-
of which: insurance companies	*1*	-	-	*6*	-	-
c) Non financial companies	3,004	12	-	3,688	12	-
2. Loans:	**372,668**	**4,552**	**257**	**388,895**	**6,189**	**317**
a) Public administration	11,887	211	-	13,175	355	-
b) Other financial companies	46,282	109	1	52,621	260	1
of which: insurance companies	*435*	-	-	*814*	-	-
c) Non financial companies	169,931	2,827	152	182,069	3,422	147
d) Households	144,568	1,405	104	141,030	2,152	169
TOTAL	**423,640**	**4,577**	**257**	**432,454**	**6,217**	**317**

4.4 Financial assets measured at amortised cost: 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		49,896	*6,778*	2,571	75	-	-20	-43	-50	-	**-**
Loans		375,012	*20,198*	34,548	8,667	383	-465	-1,328	-4,079	-126	**2,982**
Total	**31.12.2022**	**424,908**	***26,976***	**37,119**	**8,742**	**383**	**-485**	**-1,371**	**-4,129**	**-126**	**2,982**
Total	**31.12.2021**	**542,415**	***24,787***	**52,497**	**13,609**	**482**	**-520**	**-1,503**	**-7,339**	**-165**	**6,367**

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)

	Gross value					Writedown				
	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	Write off partial total
1. EBA-compliant moratoria loans	-	-	-	-	-	-	-	-	-	-
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	29	-	19	1	-	-	-1	-	-	-
2. Other loans with COVID-19-related forbearance measures	4	-	374	104	-	-	-21	-24	-	-
3. Newly originated loans	28,711	-	3,040	557	1	-34	-29	-170	-	-
Total 31.12.2022	**28,744**	**-**	**3,433**	**662**	**1**	**-34**	**-51**	**-194**	**-**	**-**
Total 31.12.2021	**34,326**	**-**	**8,854**	**486**	**4**	**-40**	**-218**	**-124**	**-**	**-**

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. As at 31 December 2022 such loans were less than 1 million euro and amounted to 412 thousand euro.

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 "Other forborne loans" contains information regarding the loans subject to the COVID-19 support measures that meet the conditions of "forborne exposures" as defined by the current supervisory reports, and have not been included in the category "EBA-compliant moratoria loans" since the date forbearance was granted or since the date on which they no longer comply with the EBA/GL/2020/02.

The row "New loans" represents the exposures for which new liquidity was granted, with the support of government guarantees.

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 31.12.2022			Notional amount 31.12.2022	Fair value 31.12.2021			Notional amount 31.12.2021
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives								
1. Fair Value	-	8,692	-	162,970	-	1,561	-	175,643
2. Cash flows	-	82	-	1,543	-	5	-	3,364
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair Value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**8,774**	**-**	**164,513**	**-**	**1,566**	**-**	**179,007**

The amounts of hedging derivatives as at 31 December 2022 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 9,998 million euro meets the requirements set out for offsetting, it was subject to offsetting under Financial liabilities held for trading - Derivatives. The total positive fair value of hedging derivatives gross of on-balance sheet offsetting would amount to 18,772 million euro (of which 18,687 million euro hedging fair value and 85 million euro hedging cash flows).
The annual increase in the fair value of the Financial hedging derivatives was attributable to the significant increase in interest rates in 2022.

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Transactions / Type of hedge	Fair Value							Cash-flow hedges		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	2,135	-	263	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	2,280	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	3,533	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**4,415**	**-**	**263**	**-**	**-**	**-**	**3,533**	**-**	**-**	**-**
1. Financial liabilities	407	X	60	-	-	-	X	82	X	X
2. Portfolio	X	X	X	X	X	X	14	X	-	X
Total liabilities	**407**	**-**	**60**	**-**	**-**	**-**	**14**	**82**	**-**	**-**
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 continued to refer mainly to micro fair value hedges of debt securities under assets, as well as macro fair value hedges of loans disbursed.

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

(millions of euro)

Fair value change of hedged assets / Amount	31.12.2022	31.12.2021
1. Positive fair value change	**-**	**393**
1.1 of specific portfolios:	-	393
a) financial assets measured at amortised cost	-	*393*
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative fair value change	**-9,472**	**-**
2.1 of specific portfolios:	-9,472	-
a) financial assets measured at amortised cost	*-9,472*	-
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**-9,472**	**393**

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 negative annual variation in the fair value change of financial assets in hedged portfolios from interest rate risk was due to the increase in interest rates in 2022.

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SECTION 7 – EQUITY INVESTMENTS – CAPTION 70

7.1 Equity investments: information on equity interests

	Companies	Registered office	Place of business	% held	% votes available (a)
	A. WHOLLY-OWNED SUBSIDIARIES				
1	ACANTUS S.P.A.	Milano	Milano	100.00	
2	ANTI FINANCIAL CRIME DIGITAL HUB S.C.A.R.L.	Torino	Torino	60.00	
3	BANCA 5 S.P.A.	Milano	Milano	100.00	
4	BANCA COMERCIALA EXIMBANK S.A.	Chisinau	Chisinau	100.00	
5	BANK OF ALEXANDRIA S.A.E. (ALEXBANK)	Cairo	Cairo	80.00	
6	BANKA INTESA SANPAOLO D.D. (b)	Koper	Koper	48.13	
7	CIB BANK LTD	Budapest	Budapest	100.00	
8	COLLINE E OLTRE S.P.A.	Pavia	Pavia	51.00	
9	CONSORZIO STUDI E RICERCHE FISCALI GRUPPO INTESA SANPAOLO	Roma	Roma	80.00	
10	EURIZON CAPITAL SGR S.P.A.	Milano	Milano	100.00	
11	EXETRA S.P.A. (c)	Milano	Milano	85.00	
12	FIDEURAM - INTESA SANPAOLO PRIVATE BANKING S.P.A.	Torino	Roma	100.00	
13	FIDEURAM VITA S.P.A.	Roma	Roma	80.01	
14	IMI INVESTMENTS S.A.	Luxembourg	Luxembourg	100.00	
15	IMMIT - IMMOBILI ITALIANI S.R.L.	Bergamo	Bergamo	100.00	
16	IN.FRA - INVESTIRE NELLE INFRASTRUTTURE S.R.L.	Milano	Milano	100.00	
17	INTESA SANPAOLO (QINGDAO) SERVICE COMPANY LIMITED	Qingdao	Qingdao	100.00	
18	INTESA SANPAOLO BANK ALBANIA SH.A.	Tirana	Tirana	100.00	
19	INTESA SANPAOLO BANK IRELAND PLC	Dublin	Dublin	100.00	
20	INTESA SANPAOLO BRASIL S.A. - BANCO MULTIPLO	Sao Paulo	Sao Paulo	99.90	
21	INTESA SANPAOLO CASA S.P.A.	Milano	Milano	100.00	
22	INTESA SANPAOLO EXPO INSTITUTIONAL CONTACT S.R.L.	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	100.00	
30	INTESA SANPAOLO ROMANIA S.A. COMMERCIAL BANK	Bucharest	Bucharest	99.73	
31	INTESA SANPAOLO VITA S.P.A.	Torino	Milano	99.99	
32	ISP CB IPOTECARIO S.R.L. (d)	Milano	Milano	60.00	
33	ISP CB PUBBLICO S.R.L. (d)	Milano	Milano	60.00	
34	ISP OBG S.R.L. (d)	Milano	Milano	60.00	
35	JOINT STOCK COMPANY BANCA INTESA (e)	Moscow	Moscow	46.98	
36	PORTA NUOVA GIOIA (f)	Milano	Milano	100.00	
37	PRAVEX BANK JOINT-STOCK COMPANY	Kiev	Kiev	100.00	
38	PRESTITALIA S.P.A.	Bergamo	Bergamo	100.00	
39	PRIVATE EQUITY INTERNATIONAL S.A. (g)	Luxembourg	Luxembourg	100.00	
40	QINGDAO YICAI FUND DISTRIBUTION CO. LTD.	Qingdao	Qingdao	100.00	
41	RISANAMENTO S.P.A. (e) (h)	Milano	Milano	48.88	
42	SOCIETA' BENEFIT CIMAROSA 1 S.P.A.	Milano	Milano	100.00	
43	SRM STUDI E RICERCHE PER IL MEZZOGIORNO (i)	Napoli	Napoli	60.00	20,00 (*)
44	UBI FINANCE S.R.L. (d)	Milano	Milano	60.00	
45	INTESA SANPAOLO SERVICOS E EMPRENDIMENTOS LTDA EM LIQUIDACAO	Sao Paulo	Sao Paulo	100.00	
46	OOO INTESA REALTY RUSSIA - IN LIQUIDATION	Moscow	Moscow	100.00	
47	ORO ITALIA TRADING S.P.A. - IN LIQUIDAZIONE	Arezzo	Arezzo	100.00	

	Companies	Registered office	Place of business	% held	% votes available (a)
	B. COMPANIES SUBJECT TO JOINT CONTROL				
1	APSIDE S.P.A.	Torino	Torino	50.00	
2	AUGUSTO S.R.L.	Milano	Milano	5.00	
3	DIOCLEZIANO S.R.L.	Milano	Milano	5.00	
4	IMMOBILIARE NOVOLI S.P.A.	Firenze	Firenze	50.00	
	C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE				
1	ADRIANO LEASE SEC S.R.L. (j)	Conegliano	Conegliano	5.00	5,00 (*); 95,00 (**)
2	BACK2BONIS	Milano	Milano	55.40	35,00 (*)
3	BACKTOWORK24 S.R.L.	Milano	Milano	30.58	
4	BANCOMAT S.P.A.	Roma	Roma	31.55	
5	BERICA ABS 3 S.R.L. (j)	Vicenza	Vicenza	5.00	
6	BRERA SEC S.R.L. (j)	Conegliano	Conegliano	5.00	
7	CAMFIN S.P.A. (k)	Milano	Milano	4.60	8,53 (*)
8	CASSA DI RISPARMIO DI FERMO S.P.A.	Fermo	Fermo	33.33	
9	CENTAI INSTITUTE S.P.A.	Torino	Torino	49.00	
10	CLARA SEC. S.R.L. (j)	Conegliano	Conegliano	5.00	
11	COMPAGNIA AEREA ITALIANA S.P.A.	Roma	Fiumicino	27.49	
12	DESTINATION GUSTO S.R.L.	Milano	Milano	49.00	
13	DIGIT'ED HOLDING S.P.A.	Milano	Milano	20.00	
14	EQUITER S.P.A.	Torino	Torino	32.88	
15	EUROMILANO S.P.A.	Milano	Milano	43.43	
16	EUSEBI HOLDINGS B.V.	Amsterdam	Amsterdam	47.00	
17	FI.NAV. COMPARTO A - CREDITI	Roma	Roma	50.54	
18	FONDO DI RIGENERAZIONE URBANA SICILIA S.R.L. (l)	Palermo	Torino	100.00	
19	FONDO PER LA RICERCA E L'INNOVAZIONE S.R.L. RIF (l)	Torino	Torino	100.00	
20	FONDO SARDEGNA ENERGIA S.R.L. (l)	Cagliari	Torino	100.00	
21	GIADA SEC. S.R.L. (j)	Conegliano	Conegliano	5.00	
22	GILDA S.R.L. (m)	Montesilvano	Montesilvano	13.05	13,05 (*); 1,95 (**)
23	INDACO VENTURE PARTNERS SGR S.P.A.	Milano	Milano	24.50	
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	NEWCO - FONDO TEMATICO PIANI URBANI INTEGRATI S.R.L. (l)	Torino	Torino	100.00	
31	NEWCO - FONDO TEMATICO TURISMO S.R.L. (l)	Torino	Torino	100.00	
32	RCN FINANZIARIA S.P.A.	Mantova	Mantova	23.96	
33	RSCT FUND - COMPARTO CREDITI	Milano	Milano	70.07	
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	10,00 (*); 90,00 (**)
38	VESTA OML LIMITED	London	London	37.51	
39	WARRANT HUB S.P.A.	Correggio	Correggio	12.00	
40	APULIA FINANCE N. 4 S.R.L. - IN LIQUIDAZIONE (j)	Conegliano	Conegliano	10.00	
41	EUROPROGETTI & FINANZA S.R.L. - IN LIQUIDAZIONE	Roma	Roma	15.97	
42	INIZIATIVE IMMOBILIARI INDUSTRIALI S.P.A. - IN LIQUIDAZIONE	Arqua' Polesine	Arquà Polesine	20.00	
43	LEONARDO TECHNOLOGY S.R.L. - IN LIQUIDAZIONE	Torino	Torino	26.60	
44	PIETRA S.R.L. - IN LIQUIDAZIONE	Milano	Milano	22.22	
45	SVILUPPO INDUSTRIALE S.P.A. - IN LIQUIDAZIONE	Pistoia	Pistoia	28.27	

(a) Where different from the % interest held, the actual availability of the votes in the Ordinary Shareholders' Meeting is indicated, distinguishing, where applicable, between the effective and potential voting rights: (*) Effective voting rights (**) Potential voting rights.

(b) Minority shareholders are subject to a legal commitment to purchase the remaining 0.7% of share capital.

(c) In the event of liquidation of the equity investment, the minority shareholder has the right to sell, and Intesa Sanpaolo is required to purchase, the entire minority investment.

(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 did not carry the right to vote in the shareholders' meeting and their return was dependent on the financial performance of certain investments held by Private Equity International S.A. By resolution of the extraordinary shareholders' meeting of PEI on 14 September 2022, subject to the approval of the Parent Company on 24 May 2022, PEI formalised the cancellation of the 60,000 Class C preference shares with a nominal unit value of 100 euro, which were repurchased on 2 September 2022 for a total of 52.5 million euro by NB RENAISSANCE PARTNERS S.A R.L. SICAV-RAIF (NB Sicav-Raif), and were subsequently cancelled with the consequent reduction of the share capital by 6 million euro, corresponding to the nominal value of all the class C preference shares.

(h) Company not subject to the management and coordination activities pursuant to Article 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 S.A.E., Intesa Sanpaolo Rent Foryou S.p.A. and Intesa Sanpaolo Innovation Center S.p.A.).

(j) Vehicles used for securitisation transactions within the Group. The put&call options are exercisable in the half year following the closing date of the securitisation. For Adriano Lease Sec S.r.l. and UBI SPV Lease 2016 S.r.l., the transactions were completed on 27 October 2022 and 3 August 2022 respectively, and the related call option exercise windows will therefore expire in April and February 2023.

(k) 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.

(l) 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.

(m) Intesa Sanpaolo S.p.A. provided a convertible shareholder loan which can be converted up to November 2023.

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 2022 of the only listed equity investment, Risanamento S.p.A., amounted to 98 million euro.

7.2 Individually material equity investments: book value, fair value and dividends received

For the information relating to this paragraph, 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, 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, reference should be made to the relevant section of the Notes to the consolidated financial statements.

7.5 Equity investments: annual changes

(millions of euro)

	31.12.2022	31.12.2021
A. Initial amount	**23,420**	**24,668**
B. Increases	**768**	**6,016**
B.1 purchases	428	3,436
of which business combinations	*-*	*1,978*
B.2 write-backs	5	-
B.3 revaluations	-	-
B.4 other changes	335	2,580
C. Decreases	**-542**	**-7,264**
C.1 sales	-319	-4,701
of which business combinations	-46	-4,315
C.2 impairment losses	-196	-290
C.3 write-downs	-	-
C.4 other changes	-27	-2,273
D. Final amount	**23,646**	**23,420**
E. Total revaluations	**-**	**-**
F. Total impairment losses	**-8,252**	**-8,085**

Sub-caption B.1 Purchases primarily relates to the following transactions:
- increase in the value of the investment in the Back2Bonis closed-end securities fund for 257 million euro, through the contribution of a portfolio of non-performing loans and swaps of the units of the IDEA CCR Comparto Crediti fund, in exchange for units of that fund;
- acquisition of a 12% stake in Warrant HUB S.p.A. for 55 million euro;
- increase in the investment held in FI.NAV Comparto A - Crediti fund for 37 million euro, following the contribution of a portfolio of non-performing loans in exchange for units of the fund;
- acquisition of a 20% stake in Digit'Ed Holding S.p.A. for 22 million euro;
- payment of 16 million euro to the Porta Nuova Gioia fund for the subscription of units;
- acquisition of the remaining 60% of the equity investment in Intesa Sanpaolo Rent Foryou S.p.A. for 14 million euro, obtaining full control of the equity investment;
- subscription of a share capital increase of Intesa Sanpaolo Romania S.A. Commercial Bank for 12 million euro;
- subscription of a share capital increase of Qingdao Yicai Fund Distribution CO Ltd. for 9 million euro;

Sub-caption B.2 Write-backs refers to the investment of 5 million euro held in the fund FI.NAV. Comparto A - Crediti.

Sub-caption B.4 Other changes essentially refers to:
- the profit realised from the sale of Intesa Sanpaolo Formazione S.p.A., amounting to 196 million euro net of transaction charges, preceded by a transfer by the Bank to Intesa Sanpaolo Formazione S.p.A. of the business line dedicated to the design and delivery of training initiatives for the development of the managerial and professional skills of the ISP Group employees for 8 million euro and the capital contribution of 8 million euro;
- the capitalisation of Banca 5 S.p.A. for 96 million euro.

Sub-caption C.1 Sales essentially includes:
- the sale of Intesa Sanpaolo Formazione S.p.A. for 215 million euro;
- the absorptions of UBI Leasing S.p.A. for 38 million euro, Intesa Sanpaolo Agents4you S.p.A. for 6 million euro, and Intesa Sanpaolo Smart Care S.r.l. for 2 million euro, completed during the year;
- the sale of Innolva S.p.A. for 57 million euro.

Sub-caption C.2 Impairment losses refers to the impairment losses on the equity investments in Joint Stock Company Banca Intesa for 68 million euro, Pravex Bank Joint-Stock Company for 48 million euro, Qingdao Yicai Fund Distribution Co. Ltd. for 33 million euro, Risanamento S.p.A. for 24 million euro, RSCT Fund Comparto Crediti for 8 million euro, Intesa Sanpaolo (Qingdao) Service Company Limited for 5 million euro, Intesa Sanpaolo RE.O.CO S.p.A. for 4 million euro and other minority equity investments for 6 million euro.

Sub-caption C.4 Other changes essentially includes:
- the repayment from Fondo Back2Bonis of 14 million euro;
- the partial demerger of the investment in Fideuram – Intesa Sanpaolo Private Banking S.p.A. to the Bank for 9 million euro, as part of the transformation of IW Bank S.p.A. from a bank to a securities firm.

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. If, subsequently, the recoverable amount is higher than the new carrying amount and the reasons for the impairment no longer apply following an event subsequent to the recognition of the impairment, write-backs are recognised, through profit or loss, up to the amount of the adjustment previously 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 RSCT Fund Comparto Crediti (8 million euro), Backtowork24 (2 million euro), Gilda (2 million euro) in other minor investments for 1 million euro. The valuation of investments in associates or companies subject to joint control also led to the recognition of a write-back of 5 million euro of the investment in FI.NAV Comparto A - Crediti.

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 2022 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 Qingdao Yicai Fund Distribution Co. Ltd. for 33 million euro, Risanamento S.p.A. for 24 million euro, Intesa Sanpaolo Qingdao Service Company Limited for 5 million euro, Intesa Sanpaolo Re.O.Co S.p.A. for 4 million euro and other minor equity investments for 1 million euro.

In addition, following the outbreak of the military conflict between Russia and Ukraine, in adopting a valuation approach guided by prudence, which takes into account geopolitical risk, the value of the investments in the capital of the subsidiaries in Russia (Joint Stock Company Banca Intesa) and Ukraine (Pravex Bank Joint-Stock Company) was written off during the year for 68 million euro and 48 million euro, respectively. In the interest of completeness, it should also be noted that an additional provision of 71 million euro has been made for Pravex Bank to capture the negative value of the investee's equity contribution to the Group's consolidated financial statements.

SECTION 8 – PROPERTY AND EQUIPMENT – CAPTION 80

(millions of euro)

Assets/Amounts	31.12.2022	31.12.2021
1. Property and equipment used in operations measured at cost	1.738	1.839
Of which – Property and equipment used in operations – Rights of use acquired under leases	*920*	*995*
2. Investment property measured at cost	-	-
3. Property and equipment used in operations, revalued	5.239	5.358
Of which – Property and equipment used in operations, revalued – Rights of use acquired under leases	-	-
4. Investment property measured at fair value	663	606
Of which – Investment property – Rights of use acquired under leases	-	-
5. Inventories of property and equipment governed by IAS 2	80	72
Total Property and equipment – Caption 80	**7.720**	**7.875**

8.1 Property and equipment used in operations: breakdown of assets measured at cost

(millions of euro)

Assets/Amounts	31.12.2022	31.12.2021
1. Property and equipment owned	**818**	**844**
a) land	-	-
b) buildings	-	-
c) furniture	156	168
d) electronic equipment	660	673
e) other	2	3
2. Rights of use acquired through the lease	**920**	**995**
a) land	1	9
b) buildings	879	957
c) furniture	-	-
d) electronic equipment	21	6
e) other	19	23
Total	**1,738**	**1,839**
of which: resulting from the enforcement of guarantees	-	-

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	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Property and equipment owned	**-**	**-**	**5,239**	**-**	**-**	**5,358**
a) land	-	-	2,199	-	-	2,214
b) buildings	-	-	2,730	-	-	2,833
c) valuable art assets	-	-	310	-	-	311
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. Rights of use acquired through the lease	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**5,239**	**-**	**-**	**5,358**
of which: resulting from the enforcement of guarantees	-	-	-	-	-	-

8.4 Investment property: breakdown of assets measured at fair value

(millions of euro)

Assets/Amounts	31.12.2022			31.12.2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Property and equipment owned	**-**	**-**	**663**	**-**	**-**	**606**
a) land	-	-	244	-	-	225
b) buildings	-	-	419	-	-	381
2. Rights of use acquired through the lease	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**663**	**-**	**-**	**606**
of which: resulting from the enforcement of guarantees	*-*	*-*	*61*	*-*	*-*	*12*

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

(millions of euro)

Assets/Amounts	31.12.2022	31.12.2021
1. Inventories of property and equipment resulting from the enforcement of guarantees	**71**	**64**
a) land	-	-
b) buildings	71	64
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
2. Other inventories of property and equipment	**9**	**8**
Total	**80**	**72**
of which: measured at fair value less cost to sell	*-*	*-*

8.6 Property and equipment used in operations: annual changes

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
A. Gross initial carrying amount	**2,223**	**4,352**	**1,885**	**6,267**	**311**	**112**	**15,150**
A.1 Total net adjustments	-	-562	-1,717	-5,588	-	-86	-7,953
A. Net initial carrying amount	**2,223**	**3,790**	**168**	**679**	**311**	**26**	**7,197**
B. Increases:	**25**	**380**	**22**	**213**	**1**	**11**	**652**
B.1 Purchases	1	63	22	202	-	8	296
of which: business combinations	*1*	*6*	-	-	-	*3*	*10*
B.2 Capitalised improvement costs	-	30	-	-	-	-	30
B.3 Recoveries	-	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	3	-	-	-	-	3
a) net equity	-	*3*	-	-	-	-	*3*
b) income statement	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-
B.6 Transfer from investment property	14	19	X	X	X	X	33
B.7 Other changes	10	265	-	11	1	3	290
C. Decreases:	**-48**	**-561**	**-34**	**-211**	**-2**	**-16**	**-872**
C.1 Sales	-	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-	-
C.2 Depreciation	-	-245	-23	-190	-	-13	-471
C.3 Impairment losses recognised in	-	-	-5	-	-	-1	-6
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	*-5*	-	-	*-1*	*-6*
C.4 Negative fair value differences recognised in	-6	-5	-	-	-2	-	-13
a) shareholders' equity	*-3*	*-1*	-	-	-	-	*-4*
b) income statement	*-3*	*-4*	-	-	*-2*	-	*-9*
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-
C.6 Transfer to:	-34	-60	-	-	-	-	-94
a) investment property	*-34*	*-60*	*X*	*X*	*X*	*X*	*-94*
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-
C.7 Other changes	-8	-251	-6	-21	-	-2	-288
D. Net final carrying amount	**2,200**	**3,609**	**156**	**681**	**310**	**21**	**6,977**
D.1 Total net adjustments	-	-676	-1,744	-5,722	-	-93	**-8,235**
D.2 Gross final carrying amount	**2,200**	**4,285**	**1,900**	**6,403**	**310**	**114**	**15,212**
E. Measurement at cost	**1,490**	**1,936**	**-**	**-**	**112**	**-**	**3,538**

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:

- the properties classified as owner-occupied assets and trophy assets in the real estate portfolio were respectively subject to full valuation at the end of 2020 and the end of 2021, and were therefore subject to scenario analysis for 2022;
- the valuable art assets were subject to scenario analyses for the year 2022, as they had been fully appraised at the end of 2020, through external appraisals, entrusted to qualified independent experts.

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 and early terminations 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.

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)

	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
A. Gross initial carrying amount	9	1,398	-	18	-	42	1,467
A.1 Total net adjustments	-	-441	-	-12	-	-19	-472
A. Net initial carrying amount	**9**	**957**	**-**	**6**	**-**	**23**	**995**
B. Increases:	**-**	**319**	**-**	**42**	**-**	**8**	**369**
B.1 Purchases	-	61	-	33	-	5	99
of which: business combinations	-	*4*	-	-	-	-	*4*
B.2 Capitalised improvement costs	-	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	X	X	X	X	-
B.7 Other changes	-	258	-	9	-	3	270
C. Decreases:	**-8**	**-397**	**-**	**-27**	**-**	**-12**	**-444**
C.1 Sales	-	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-	-
C.2 Depreciation	-	-146	-	-19	-	-11	-176
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	-	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-	-
a) investment property	-	-	*X*	*X*	*X*	*X*	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-
C.7 Other changes	-8	-251	-	-8	-	-1	-268
D. Net final carrying amount	**1**	**879**	**-**	**21**	**-**	**19**	**920**
D.1 Total net adjustments	-	-470	-	-31	-	-25	**-526**
D.2 Gross final carrying amount	**1**	**1,349**	**-**	**52**	**-**	**44**	**1,446**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**

8.7 Investment property: annual changes

(millions of euro)

	Lands	Buildings
A. Initial carrying amount	**225**	**381**
B. Increases	**57**	**106**
B.1 Purchases	19	33
of which: business combinations	*19*	*33*
B.2 Capitalised improvement costs	-	7
B.3 Positive fair value differences	3	2
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfer from property used in operations	34	60
B.7 Other changes	1	4
C. Decreases	**-38**	**-68**
C.1 Sales	-12	-21
of which: business combinations	-	-
C.2 Depreciation	-	-
C.3 Negative fair value differences	-8	-23
C.4 Impairment losses	-	-
C5 Negative foreign exchange differences	-	-
C.6 Transfer to:	-18	-23
a) property used in operations	*-14*	*-19*
b) non-current assets held for sale and discontinued operations	*-4*	*-4*
C.7 Other changes	-	-1
D. Final amount	**244**	**419**
E. Fair value measurement	**-**	**-**

Investment property, comprised of land and buildings, is measured at fair value, in compliance with IAS 40.
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 2022 the appraisals were updated for all the investment properties, whose effects are recognised in the 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

As at 31 December 2022, the amount for Investment property - Rights of use acquired under leases was immaterial.

8.8 Inventories of property and equipment governed by IAS 2: annual changes

(millions of euro)

	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	**-**	**64**	**-**	**-**	**-**	**8**	**72**
B. Increases	**-**	**14**	**-**	**-**	**-**	**1**	**15**
B.1 Purchases	-	-	-	-	-	-	-
- of which: business combinations	-	-	-	-	-	-	-
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	14	-	-	-	1	15
C. Decreases	**-**	**-7**	**-**	**-**	**-**	**-**	**-7**
C.1 Sales	-	-2	-	-	-	-	-2
C.2 Impairment losses	-	-4	-	-	-	-	-4
C.3 Negative foreign exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-	-1	-	-	-	-	-1
D. Final amount	**-**	**71**	**-**	**-**	**-**	**9**	**80**

8.9 Commitments to purchase property and equipment

Commitments to purchase property and equipment in existence as at 31 December 2022 amounted to approximately 9 million euro, mainly relating to efficiency improvement measures implemented on the systems installations in the Group's head office buildings. 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

(millions of euro)

Activities/Values	31.12.2022		31.12.2021	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**67**	**X**	**67**
A.2 Other intangible assets	**2,763**	**1,507**	**2,438**	**1,507**
of which: Software	*2,459*	-	*2,100*	-
A.2.1 Assets measured at cost	2,763	1,507	2,438	1,507
a) internally generated intangible assets	2,270	-	1,972	-
b) other assets	493	1,507	466	1,507
A.2.2 Assets measured at fair value	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**2,763**	**1,574**	**2,438**	**1,574**

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.

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, which were sold in full in 2022. Sub-caption A.2.1 b) 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.

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9.2 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	
A. Initial carrying amount	**7,220**	**7,814**	**-**	**3,033**	**2,009**	**20,076**
A.1 Total net adjustments	-7,153	-5,842	-	-2,567	-502	-16,064
A.2 Net initial carrying amount	**67**	**1,972**	**-**	**466**	**1,507**	**4,012**
B. Increases	**-**	**986**	**-**	**91**	**-**	**1,077**
B.1 Purchases	-	-	-	91	-	91
- of which: business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	986	-	-	-	986
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	-	-	-	-	-	-
C. Decreases	**-**	**-688**	**-**	**-64**	**-**	**-752**
C.1 Sales	-	-	-	-	-	-
- of which: business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-659	-	-64	-	-723
- Amortisation	*X*	*-651*	-	*-63*	-	*-714*
- Write-downs recognised in	-	*-8*	-	*-1*	-	*-9*
+ shareholders' equity	*X*	-	-	-	-	-
+ income statement	-	*-8*	-	*-1*	-	*-9*
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	-	-12	-	-	-	-12
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-17	-	-	-	-17
D. Net final carrying amount	**67**	**2,270**	**-**	**493**	**1,507**	**4,337**
D.1 Total net adjustments	-7,153	-6,439	-	-2,550	-502	-16,644
E. Gross final carrying amount	**7,220**	**8,709**	**-**	**3,043**	**2,009**	**20,981**
F. Measurement at cost	-	-	-	-	-	-

9.3 Intangible assets: other information

As at 31 December 2022, the commitments relating to investments in intangible assets, essentially software, amounted to around 25 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, completed in 2021.

Reference should be made to Part B – Information on the consolidated balance sheet – Assets – Section 10 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 2022.

(millions of euro)

	2021 financial statements	Amortisation	2022 financial statements
BANCA DEI TERRITORI DIVISION	**1,830**	**-20**	**1,810**
- Asset management intangible assets - distribution	201	-14	187
- Insurance intangible assets - distribution	107	-5	102
- Intangible under administration - distribution	15	-1	14
- Brand name intangible	1,507	-	1,507
- Intangible acquiring	-	-	-
- Goodwill	-	-	-
IMI CORPORATE & INVESTMENT BANKING DIVISION	**67**	**-**	**67**
- Intangible brand name	-	-	-
- Goodwill	67	-	67
CGU TOTAL	**1,897**	**-20**	**1,877**
- Asset management intangible assets - distribution	201	-14	187
- Insurance intangible assets - distribution	107	-5	102
- Intangible under administration - distribution	15	-1	14
- Brand name intangible	1,507	-	1,507
- Intangible acquiring	-	-	-
- Goodwill	67	-	67

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.
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 20 million euro.

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.

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, in the event of indicators of impairment, 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 volatility 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 2022 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 IMI 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 2022.

Impairment testing of intangibles

Insurance portfolio

For the 2022 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 5 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 2022 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 monitoring.
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 in compulsory administrative liquidation and Veneto Banca in compulsory administrative liquidation, in 2017 the intangible assets linked to Assets under Administration (AuA) and 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 2018 and 2019 due to the incorporation of Banca Nuova and Banca Apulia, and during 2021 due to the merger by incorporation of UBI Banca into Intesa Sanpaolo. All the 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 2022, no specific 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 should not be limited only to the cash flows deriving from the asset acquired, but should also take 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 previous 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.
Lastly, you are reminded that, 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)

	31.12.2022		31.12.2021	
Corresponding caption in income statement	**IRES (27,5%)**	**IRAP (5,56%)**	**IRES (27.5%)**	**IRAP (5.56%)**
A. Temporary deductible differences				
Adjustment to/Impairment of loans deductible in future years	3,168	416	3,460	461
of which pertaining to countries of foreign branches	*14*	-	*12*	-
Provisions for future charges	592	74	605	74
Higher tax value of equity investments, securities and other assets	188	63	192	61
Extraordinary charges for incentive-driven exit plans	338	67	462	91
Goodwill, trademarks and other intangible assets	3,752	757	4,152	829
Other	2,782	14	2,896	141
of which pertaining to countries of foreign branches	*5*	-	*4*	-
B. Taxable temporary differences offset				
Costs deducted off balance sheet	-	-	-	-
Capital gains in instalments	-	-	-	-
Lower tax value of equity investments, securities and other assets	-99	-1	-87	-1
Other	-	-	-	-
TOTAL (A+B)	**10,721**	**1,390**	**11,680**	**1,656**
Corresponding caption in Shareholders' equity	**IRES (27,5%)**	**IRAP (5,56%)**	**IRES (27.5%)**	**IRAP (5.56%)**
Cash flow hedge	236	47	252	49
Recognition of actuarial gains/losses	93	6	143	10
Financial assets measured at fair value	684	135	193	38
Property and equipment	25	4	25	4
Offset against deferred tax liabilities recorded in equity	-78	-17	-34	-9
TOTAL	**960**	**175**	**579**	**92**
Total deferred tax assets	**11,681**	**1,565**	**12,259**	**1,748**

Deductible temporary differences - “Other” include losses carried forward of 2,277 million euro.

10.2 Deferred tax liabilities: breakdown

(millions of euro)

	31.12.2022		31.12.2021	
Corresponding caption in income statement	**IRES (27,5%)**	**IRAP (5,56%)**	**IRES (27.5%)**	**IRAP (5.56%)**
A. Taxable temporary differences				
Costs deducted off balance sheet	17	4	82	15
Lower tax value of securities and other assets	216	29	215	31
of which pertaining to countries of foreign branches	-	-	-	-
Other	7	-	4	-
B. Deductible temporary differences offset				
Adjustment to/Impairment of loans deductible in future years	-	-	-	-
Higher tax value of securities and other assets	-74	-1	-63	-1
Other	-	-	-	-
TOTAL (A+B)	**166**	**32**	**238**	**45**
Corresponding caption in Shareholders' equity	**IRES (27,5%)**	**IRAP (5,56%)**	**IRES (27.5%)**	**IRAP (5.56%)**
Cash flow hedge	68	13	5	1
Recognition of actuarial gains/losses	-	-	-	-
Financial assets measured at fair value	10	4	30	8
Property and equipment	154	30	154	30
Offset against deferred tax assets recorded in equity	-78	-17	-34	-9
Offset against deferred tax assets (through profit and loss)	-25	-	-24	-
TOTAL	**129**	**30**	**131**	**30**
Total deferred tax liabilities	**295**	**62**	**369**	**75**

10.3 Changes in deferred tax assets (through profit or loss)

(millions of euro)

	31.12.2022	31.12.2021
1. Initial amount	**13,336**	**12,268**
2. Increases	**1,327**	**4,562**
2.1 Deferred tax assets recognised in the period	993	1,226
a) related to previous years	*321*	*22*
b) due to changes in accounting criteria	-	-
c) recoveries	-	-
d) other	*672*	*1,204*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	103	183
2.4 Business combinations	231	3,153
3. Decreases	**-2,552**	**-3,494**
3.1 Deferred tax assets eliminated in the period	-1,330	-2,122
a) reversals	*-1,329*	*-1,954*
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	*-1*	*-168*
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-1,222	-1,372
a) changes into tax credits pursuant to Law no. 214/2011	*-851*	*-1,242*
b) other	*-371*	*-130*
3.4 Business combinations	-	-
4. Final amount	**12,111**	**13,336**

Among Increases, sub-caption a) related to previous years is made up of 320 million euro for the recognition of the deferred tax assets on part of tax losses carried forward of former UBI Banca.
Again, among Increases, sub-caption d) other refers mainly to 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 (421 million euro) and the deductible temporary differences arising during the year, connected to provisions for risks and charges (188 million euro).
Other increases mainly consist of reversal of netting against deferred tax liabilities, applied as at 31 December 2021, amounting to 88 million euro, of which 64 million euro against deferred tax liabilities through profit and loss and 24 million euro against deferred tax liabilities recorded in equity.
Among Decreases, sub-caption a) reversals mainly refer to the elimination of deferred tax assets pursuant to Law no. 214/2011 (860 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 (359 million euro).
Among Other decreases, sub-caption a) changes into tax credits pursuant to Law no. 214/2011 refers to the information set out in Part C, table 19.1.
Again among Other decreases, sub-caption b) other includes 100 million euro relating to the netting with deferred tax liabilities for the year, of which 75 million euro against deferred tax liabilities through profit and loss and 25 million euro against deferred tax liabilities recorded in equity. This sub-caption also includes the use of the deferred tax assets deriving from the former UBI Leasing (104 million euro) and those recognised on the tax loss (IRES 24%) reabsorbed under the Fiscal Consolidation (90 million euro).

10.3bis Changes in deferred tax assets pursuant to Law 214/2011

(millions of euro)

	31.12.2022	31.12.2021
1. Initial amount	**8,737**	**8,330**
2. Increases	**499**	**2,570**
- of which: business combinations	67	1,650
3. Decreases	**-1,711**	**-2,163**
3.1 Reversals	-860	-920
3.2 Changes into tax credits	-851	-1,242
a) from losses for the year	-	-525
b) from fiscal losses	-851	-717
3.3 Other decreases	-	-1
4. Final amount	**7,525**	**8,737**

10.4 Changes in deferred tax liabilities (through profit or loss)

(millions of euro)

	31.12.2022	31.12.2021
1. Initial amount	**283**	**654**
2. Increases	**94**	**282**
2.1 Deferred tax liabilities recognised in the period	13	20
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*13*	*20*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	77	131
2.4 Business combinations	4	131
3. Decreases	**-179**	**-653**
3.1 Deferred tax liabilities eliminated in the period	-96	-558
a) reversals	*-5*	*-9*
b) due to changes in accounting criteria	-	-
c) other	*-91*	*-549*
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-83	-95
3.4 Business combinations	-	-
4. Final amount	**198**	**283**

Among Increases, sub-caption c) other mainly refers to taxable temporary differences arising during the year, in relation to the tax amortisation of the brand name and other intangible assets "realigned" in the previous year in accordance with Article 110, paragraphs 8 and 8-bis of Law Decree no. 104/2020 (10 million euro).
Other increases mainly consist of the write-off of netting against deferred tax assets through profit or loss applied as at 31 December 2021, amounting to 64 million euro.
Among Decreases, sub-caption c) other includes 85 million euro relating to the release of the deferred tax assets recognised as at 31 December 2021 on intangible assets subject to tax realignment during the year, pursuant to Article 15, paragraph 10, of Law Decree no. 185/2008.
Other decreases mainly relate to the netting against deferred tax assets through profit or loss for the year, amounting to 75 million euro.

10.5 Changes in deferred tax assets (recorded in equity)

(millions of euro)

	31.12.2022	31.12.2021
1. Initial amount	**671**	**520**
2. Increases	**1,013**	**377**
2.1 Deferred tax assets recognised in the period	968	234
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*968*	*234*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	45	136
2.4 Business combinations	-	7
3. Decreases	**-549**	**-226**
3.1 Deferred tax assets eliminated in the period	-451	-182
a) reversals	*-451*	*-173*
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	-	*-9*
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-98	-44
3.4 Business combinations	-	-
4. Final amount	**1,135**	**671**

Among Increases, sub-caption c) other mainly refers to deductible temporary differences arising during the year, connected with the results of financial assets measured at fair value through other comprehensive income (766 million euro) and cash flow hedging derivatives (193 million euro).
"Other increases" comprises 43 million euro for the write-off of netting against deferred tax liabilities recorded in equity, applied as at 31 December 2021.
Among Decreases, sub-caption a) reversals mainly refers to the elimination of deferred tax assets previously recorded in relation to the fair value measurement of cash flow hedging derivatives (213 million euro) and financial assets measured at fair value through other comprehensive income (180 million euro) following the adjustment of the valuation effects or the related realisation during the year.
Other decreases include 95 million euro attributable to the netting against deferred tax liabilities recorded in equity.

10.6 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2022	31.12.2021
1. Initial amount	**161**	**165**
2. Increases	**220**	**318**
2.1 Deferred tax liabilities recognised in the period	152	160
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*152*	*160*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	68	158
2.4 Business combinations	-	-
3. Decreases	**-222**	**-322**
3.1 Deferred tax liabilities eliminated in the period	-100	-251
a) reversals	*-100*	-
b) due to changes in accounting criteria	-	-
c) other	-	*-251*
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-122	-71
3.4 Business combinations	-	-
4. Final amount	**159**	**161**

Among Increases, sub-caption c) other refers to taxable temporary differences arising during the year connected with the measurement of financial assets measured at fair value through other comprehensive income (76 million euro) and cash flow hedging derivatives (76 million euro).
Other increases mainly consist of the write-off of netting against deferred tax assets as at 31 December 2021 for 67 million euro, of which 43 million euro refers to deferred tax assets recorded in equity and 24 million euro to deferred tax assets through profit or loss.
Among Decreases, sub-caption a) reversals mainly refers 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 mainly relate to the netting against deferred tax assets recorded in equity (95 million euro) and the netting against deferred tax assets through profit or loss (25 million euro).
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 2022.

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

(millions of euro)

Captions	31.12.2022	31.12.2021
A. Non-current assets held for sale		
A.1 Financial assets	368	1,167
A.2 Investments in associates and companies subject to joint control	120	120
A.3 Property and equipment	40	39
of which: resulting from the enforcement of guarantees	-	-
A.4 Intangible assets	-	-
A.5 Other	-	-
Total A	**528**	**1,326**
of which measured at cost	***520***	***1,312***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***8***	***14***
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	-
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	-	-
of which: resulting from the enforcement of guarantees	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**-**	**-**
of which measured at cost	***-***	***-***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***
C. Liabilities associated with non-current assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other	-15	-25
Total C	**-15**	**-25**
of which measured at cost	***-15***	***-25***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***
D. Liabilities associated with discontinued operations		
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	-	-
Total D	**-**	**-**
of which measured at cost	***-***	***-***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***

The table above contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of.

Caption A.1 Financial assets, amounting to 368 million euro net, consists of non-performing loans (743.9 million euro gross, 358 million euro net) and, for a residual amount (10.2 million euro gross, 10 million euro net), of performing loans, which will be sold under the transactions planned for 2023. 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 23 million euro) and individual properties held for sale (for 17 million euro).

Liabilities associated with assets held for sale are entirely comprised of liabilities associated with the sale of the loans mentioned above.

11.2 Other information

There is no other significant information to note as at 31 December 2022.

SECTION 12 – OTHER ASSETS – CAPTION 120

12.1 Other assets: breakdown

(millions of euro)

Captions		
Amounts to tax authorities		12,588
Amounts to be credited and items under processing		1,222
Invoices to be issued		678
Due from Group companies on fiscal consolidation		426
Bank cheques drawn on third parties to be settled		309
Accruals, prepayments and deferrals to be allocated		175
Cheques and other instruments held		129
Leasehold improvements		65
Other		1,185
TOTAL	**31.12.2022**	**16,777**
TOTAL	**31.12.2021**	**7,263**

The sub-caption Amounts due from tax authorities includes tax credits related to the "Cura Italia" and "Rilancio" Law Decrees acquired as a result of transfer by direct beneficiaries or previous purchasers for a total of approximately 11 billion euro.

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 350 million euro (401 million euro at the end of 2021).

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

(millions of euro)

Transaction type/Amount	31.12.2022				31.12.2021			
	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	**97,660**	**X**	**X**	**X**	**129,197**	**X**	**X**	**X**
2. Due to banks	**62,302**	**X**	**X**	**X**	**61,959**	**X**	**X**	**X**
2.1 Current accounts and on demand deposits	6,773	X	X	X	10,546	X	X	X
2.2 Time deposits	24,250	X	X	X	27,105	X	X	X
2.3 Loans	17,601	X	X	X	19,083	X	X	X
2.3.1 Repurchase agreements	*12,749*	*X*	*X*	*X*	*13,802*	*X*	*X*	*X*
2.3.2 Other	*4,852*	*X*	*X*	*X*	*5,281*	*X*	*X*	*X*
2.4 Debts for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	6	X	X	X	7	X	X	X
2.6 Other debts	13,672	X	X	X	5,218	X	X	X
Total	**159,962**	**-**	**140,141**	**19,540**	**191,156**	**-**	**167,118**	**24,114**

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 96 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 – Sales of the Notes to the financial statements.

1.2 Financial liabilities measured at amortised cost: breakdown of amounts due to customers

(millions of euro)

Transaction type/Amount	31.12.2022				31.12.2021			
	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	**329,990**	**X**	**X**	**X**	**338,265**	**X**	**X**	**X**
2. Time deposits	**5,568**	**X**	**X**	**X**	**4,797**	**X**	**X**	**X**
3. Loans	**4,127**	**X**	**X**	**X**	**5,071**	**X**	**X**	**X**
3.1 Repurchase agreements	*1,275*	*X*	*X*	*X*	2,669	X	X	X
3.2 Other	*2,852*	*X*	*X*	*X*	2,402	X	X	X
4. Debts for commitments to repurchase own equity instruments	**-**	**X**	**X**	**X**	**-**	**X**	**X**	**X**
5. Lease liabilities	**937**	**X**	**X**	**X**	**1,003**	**X**	**X**	**X**
6. Other debts	**14,229**	**X**	**X**	**X**	**8,338**	**X**	**X**	**X**
Total	**354,851**	**-**	**348,693**	**5,686**	**357,474**	**-**	**349,289**	**8,233**

Repurchase agreements related to financial assets sold not derecognised are detailed in Part E – Section E – Sales of the Notes to the financial statements.
Other debts include 18 million euro regarding the Berica ABS 3 S.r.l. securitisation, including those that are part of the K-Equity programme. For additional details, see Part E - Section C – Securitisations 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	31.12.2022				31.12.2021			
	Book value	Fair Value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	79,566	42,622	36,682	29	90,186	48,740	43,558	42
1.1 structured	*1,640*	*397*	*1,197*	*29*	*2,096*	*246*	*1,848*	*42*
1.2 other	*77,926*	*42,225*	*35,485*	*-*	*88,090*	*48,494*	*41,710*	*-*
2. other	136	-	133	3	104	-	101	3
2.1 structured	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
2.2 other	*136*	*-*	*133*	*3*	*104*	*-*	*101*	*3*
Total	**79,702**	**42,622**	**36,815**	**32**	**90,290**	**48,740**	**43,659**	**45**

1.4 Details of subordinated debts/securities

There were no subordinated debts with banks and customers as at 31 December 2022.
At the reporting date, Intesa Sanpaolo has subordinated securities issued for 12,549 million euro.

1.5 Details of structured debts

At the reporting date, Intesa Sanpaolo has structured debts with banks totalling 174 million euro.

1.6 Lease payables

As at 31 December 2022, Intesa Sanpaolo has lease payables of 943 million euro, of which 158 million euro maturing within one year, 448 million euro maturing within 1 to 5 years and 337 million euro maturing in over 5 years.
Lease payables comprise 937 million euro referring to customer counterparties and 6 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

Transaction type/Amount	31.12.2022					31.12.2021				
	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	
A. Cash liabilities										
1. Due to banks	**4,729**	**4,240**	**-**	**-**	**4,240**	**19,827**	**22,222**	**40**	**-**	**22,262**
2. Due to customers	**3,121**	**3,001**	**-**	**-**	**3,001**	**-**	**-**	**-**	**-**	**-**
3. Debt securities	**3,000**	**-**	**2,779**	**-**	**X**	**3,324**	**-**	**3,459**	**-**	**X**
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	*X*	-	-	-	-	*X*
3.1.2 Other bonds	-	-	-	-	*X*	-	-	-	-	*X*
3.2 Other	3,000	-	2,779	-	X	3,324	-	3,459	-	X
3.2.1 Structured	*3,000*	-	*2,779*	-	*X*	*3,324*	-	*3,459*	-	*X*
3.2.2 Other	-	-	-	-	*X*	-	-	-	-	*X*
Total A	**10,850**	**7,241**	**2,779**	**-**	**7,241**	**23,151**	**22,222**	**3,499**	**-**	**22,262**
B. Derivatives										
1. Financial derivatives	**X**	**44**	**37,661**	**142**	**X**	**X**	**19**	**29,028**	**118**	**X**
1.1 Trading	X	44	37,615	138	X	X	19	28,947	105	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	46	4	X	X	-	81	13	X
2. Credit derivatives	**X**	**-**	**943**	**-**	**X**	**X**	**-**	**2,340**	**1**	**X**
2.1 Trading	X	-	943	-	X	X	-	2,340	1	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**44**	**38,604**	**142**	**X**	**X**	**19**	**31,368**	**119**	**X**
Total (A+B)	**10,850**	**7,285**	**41,383**	**142**	**X**	**23,151**	**22,241**	**34,867**	**119**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Amounts due to banks and customers consist entirely of short selling of securities.
Sub-caption 3.2.1 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 5,017 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 229 million euro and related to Derivatives and Debt securities - Other.

The amount of Derivatives as at 31 December 2022 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 include the offset negative net fair value of 3,820 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 70,218 million euro and of Hedging derivatives for 9,998 million euro, and the gross negative fair value of Financial liabilities held for trading for 74,455 million euro and of Hedging derivatives for 9,581 million euro.
On the other hand, the gross negative fair value of OTC derivatives originated by customers and Group companies transferred to the clearing agent LCH Ltd for 1,357 million euro has been subject to offsetting under Financial assets held for trading - Derivatives.
The total negative fair value of OTC derivatives gross of on-balance sheet offsetting would amount to 110,782 million euro (Financial derivatives of 109,839 million euro and Credit derivatives of 943 million euro).

2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

The aggregate Financial liabilities held for trading includes subordinated liabilities represented by Due to banks for 216 million euro and Due to customers for 36 million euro.

2.3 Breakdown of "Financial liabilities held for trading": structured debts

As at 31 December 2022, structured debts classified under Financial liabilities held for trading amounted to 300 million euro due to customers and 57 million euro due to banks, attributable to short selling of fixed-rate bonds indexed to inflation, as an additional component.

SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE – CAPTION 30

3.1 Financial liabilities designated at fair value: breakdown

(millions of euro)

Transaction type/Amount	31.12.2022					31.12.2021				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**1**	**-**	**1**
1.1 Structured	-	-	-	-	X	2	-	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*
2. Due to customers	**5**	**-**	**4**	**-**	**4**	**6**	**-**	**4**	**-**	**4**
2.1 Structured	5	-	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*
3. Debt securities	**9,875**	**-**	**8,761**	**30**	**8,735**	**3,634**	**6**	**3,638**	**26**	**3,566**
3.1 Structured	9,875	-	8,761	30	X	3,634	6	3,638	26	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**9,880**	**-**	**8,765**	**30**	**8,739**	**3,642**	**6**	**3,643**	**26**	**3,571**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date

The Bank has classified the LECOIP 3.0 for the employment agreements, terminated early, of employees of Group companies 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 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 negative by 47 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

(millions of euro)

	31.12.2022				31.12.2021			
	Fair value			Notional value	Fair value			Notional value
	Level 1	Level 2	Level 3	31.12.2022	Level 1	Level 2	Level 3	31.12.2021
A) Financial derivatives	**-**	**4,652**	**-**	**183,791**	**-**	**3,971**	**-**	**97,878**
1) Fair value	-	4,399	-	170,384	-	1,926	-	89,901
2) Cash flows	-	253	-	13,407	-	2,045	-	7,977
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**4,652**	**-**	**183,791**	**-**	**3,971**	**-**	**97,878**

The amounts of hedging derivatives as at 31 December 2022 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 negative fair value of the hedging derivatives liabilities for transactions on own behalf with the legal clearing agent LCH Ltd. for 9,581 million euro meets the requirements set out for offsetting, it was subject to offsetting under Financial liabilities held for trading - Derivatives.
The total negative fair value of hedging derivatives gross of on-balance sheet offsetting would amount to 14,233 million euro (of which 13,289 million euro hedging fair value and 944 million euro hedging cash flows).

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(millions of euro)

Transactions/Type of hedge	Fair Value							Cash flow		Foreign invest.
	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	43	-	1	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	746	X	156	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	2	X	210	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**789**	**-**	**157**	**-**	**-**	**-**	**2**	**-**	**210**	**-**
1. Financial liabilities	206	X	611	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	2,634	X	43	X
Total liabilities	**206**	**-**	**611**	**-**	**-**	**-**	**2,634**	**-**	**43**	**-**
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 still mainly refer to macro fair value hedges of core deposits as well as micro-hedges of liabilities issued and debt securities under assets. 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	31.12.2022	31.12.2021
1. Positive fair value change of financial liabilities	-	60
2. Negative fair value change of financial liabilities	-7,962	-
Total	**-7,962**	**60**

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 took advantage of the option envisaged by IFRS 9 to continue to apply the provisions permitted by the IAS 39 carve out.
The negative annual variation in the fair value change of financial liabilities in hedged portfolios from interest rate risk was due to the increase in interest rates in 2022.

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

(millions of euro)

Captions		
Amounts to be credited and items under processing		3,256
Due to suppliers		1,418
Due to tax authorities		854
Due to Group companies on fiscal consolidation		340
Amounts due to third parties		315
Due to social security entities		194
Accruals, prepayments and deferrals not allocated		189
Personnel charges		150
Other		892
TOTAL	**31.12.2022**	**7,608**
TOTAL	**31.12.2021**	**10,332**

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 111 million euro, while at the end of 2021 they amounted to 117 million euro.

SECTION 9 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 90

9.1 Employee termination indemnities: annual changes

(millions of euro)

	31.12.2022	31.12.2021
A. Initial amount	**1,027**	**927**
B. Increases	**111**	**480**
B.1 Provisions in the year	17	7
B.2 Other	94	473
- of which business combinations	*2*	*205*
C. Decreases	**-341**	**-380**
C.1 Benefits paid	-94	-141
C.2 Other	-247	-239
- of which business combinations	*-2*	*-5*
D. Final amount	**797**	**1,027**
Total	**797**	**1,027**

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

(millions of euro)

Captions/Components	31.12.2022	31.12.2021
1. Allowances for credit risk associated with commitments and financial guarantees given	**425**	**367**
2. Allowances on other commitments and other guarantees given	**-**	**-**
3. Post-employment benefits	**125**	**245**
4. Other allowances for risks and charges	**3,117**	**3,596**
4.1 legal disputes	757	843
4.2 personnel charges	1,952	2,289
4.3 other	408	464
Total	**3,667**	**4,208**

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

(millions of euro)

	Allowances on other commitments and other guarantees given	Post-employment benefits	Other allowances for risks and charges	Total
A. Initial amount	**-**	**245**	**3,596**	**3,841**
B. Increases	**-**	**8**	**860**	**868**
B.1 Provisions in the year	-	5	834	839
B.2 Time value changes	-	3	1	4
B.3 Changes due to discount rate variations	-	-	-	-
B.4 Other	-	-	25	25
- of which business combinations	-	-	*21*	*21*
C. Decreases	**-**	**-128**	**-1,339**	**-1,467**
C.1 Uses in the year	-	-93	-1,195	-1,288
C.2 Changes due to discount rate variations	-	-	-126	-126
C.3 Other	-	-35	-18	-53
- of which business combinations	-	-	-	-
D. Final amount	**-**	**125**	**3,117**	**3,242**

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 248 million euro to caption 170, letter b) of the income statement and net provisions to other income statement captions, for the residual amount.

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	51	52	26	-	129
2. Financial guarantees given	20	74	202	-	296
Total	**71**	**126**	**228**	**-**	**425**

10.4 Allowances on other commitments and other guarantees given

As at 31 December 2022, 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 liability is recognised net of any plan assets and the actuarial gains and losses calculated in the valuation process for the plans are recognised in the statement of comprehensive income and, therefore, in shareholders' equity.

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 Cariplo, Banca Commerciale Italiana 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.

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 – 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 delle Comunicazioni; current and retired employees of 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 the former Banca Popolare dell'Adriatico, formerly enrolled in the Pension fund for the employees of 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 formerly enrolled in the Company supplementary pension fund 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 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; 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; employees and retired employees formerly enrolled in the former UBI Banca internal Funds - which include the Funds relating to the former Centrobanca (former Supplementary Pension Fund for employees of Centrobanca - former Banca Centrale di Credito Popolare S.p.A.), former Banca Regionale Europea (former Fund for the personnel of Banca Regionale Europea from the former Banca del Monte di Lombardia and the former Cassa di Risparmio di Cuneo), former Carime (former Fund of the former Cassa di Risparmio di Calabria e Lucania, Fund of the former Cassa di Risparmio di Puglia, Fund of the former Cassa di Risparmio Salernitana) and former Banca Adriatica (former Retirement Fund for the personnel of the loans business line of the former Cassa di Risparmio di Macerata S.p.A, Retirement Fund for the personnel of the former Banca Ca.Ri.Ma. transferred to Se.Ri.Ma - now Equitalia Servizi di Riscossione S.p.A., Retirement Fund for the personnel of the former Mediocredito Fondiario Centro Italia S.p.A., Retirement Fund for personnel in the tax-collection segment of the former Cassa di Risparmio di Pesaro, Retirement Fund for the personnel of the former Cassa di Risparmio di Jesi, 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.) - transferred to the Fund in question on 1 July 2022; retired employees formerly enrolled in the Pension Fund of the former UBI Banca Group of the former Banca Popolare di Bergamo and its subsidiaries, transferred to the Fund in question on 1 September 2022; and retired employees formerly enrolled in the Pension Fund for the Personnel of the former Banca Popolare di Ancona and its subsidiaries, transferred to the fund in question on 1 September 2022.
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.

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 (which from 1 January 2019 changed its name to the "Fondo pensione a prestazione definita del Gruppo Intesa Sanpaolo"). 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. The subscriptions received over time led to a decrease in the obligation, which, in the current year, amounted to around 6 million euro, partly covered by the Fund's assets (around 3 million euro) and partly through the use of Funds set up specifically for this purpose by the Bank, under the guarantee given (around 3 million euro).
On 7 October 2021, 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, from 1 July 2022, of the pension rights of the Internal Funds of the former UBI Banca into the Intesa Sanpaolo Group Defined-Benefit Fund, which, from that date, has provided the participants with the defined benefit pension rights envisaged by their Rules. 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 first half of 2022, and the subscriptions received led to a decrease in the obligation of around 34 million euro. On 1 July 2022, Intesa Sanpaolo S.p.A. transferred the liability of 38 million euro, remaining after the payments resulting from the above-mentioned subscriptions to the offers, to the Intesa Sanpaolo Group Defined-Benefit Fund.
The streamlining process also involved the external funds of former UBI and, therefore, again on 7 October 2021, 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, from 1 September 2022, of the pension rights of the Pension Fund of the UBI Banca Group of the former Banca Popolare di Bergamo and its subsidiaries and the Pension Fund for the personnel of the former Banca Popolare di Ancona and its subsidiaries into the Intesa Sanpaolo Group Defined-Benefit Fund, which, from that date, has provided the participants with the defined benefit pension rights envisaged by their Rules. 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 July and August 2022 and led to a decrease in the obligation of around 5 million euro.
On 9 June 2022, 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, from 1 January 2023, of the pension rights of the Pension Fund of Cassa di Risparmio di Firenze into the Intesa Sanpaolo Group Defined-Benefit Fund, which, from that date, has provided the participants with the defined benefit pension rights envisaged by their Rules. 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 last four months of 2022, and the subscriptions received led to a decrease in the obligation of around 370 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	31.12.2022			31.12.2021		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	**1,027**	**258**	**1,602**	**927**	**178**	**1,604**
Current service costs	13	2	2	7	2	3
Recognised past service costs	-	-	1	-	-	-
Interest expense	4	3	16	-	3	2
Actuarial losses due to changes in financial assumptions	-	-	-	32	3	73
Actuarial losses due to changes in demographic assumptions	1	-	17	5	-	9
Actuarial losses based on past experience	69	5	44	1	1	28
Positive exchange differences	-	-	2	-	13	2
Increases - business combinations	2	-	-	205	79	9
Participants' contributions	X	-	-	X	-	-
Actuarial profits due to changes in financial assumptions	-199	-72	-215	-	-10	-1
Actuarial profits due to changes in demographic assumptions	-	-1	-	-	-	-5
Actuarial profits based on past experience	-	-	-	-	-	-
Negative exchange differences	-	-10	-	-	-	-
Benefits paid	-94	-10	-118	-141	-11	-117
Decreases - business combinations	-2	-	-	-5	-	-
Curtailments of the fund	X	-	-	X	-	-6
Settlements of the fund	X	-34	-375	X	-	-
Other increases	22	-	41	230	-	1
Other decreases	-46	-38	-13	-234	-	-
Final amount	**797**	**103**	**1,004**	**1,027**	**258**	**1,602**

Liabilities of the defined benefit obligations pension plan	31.12.2022			31.12.2021		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	797	-	-	1,027	76	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	103	1,004	-	182	1,602

The actuarial gains recorded for variations in financial assumptions are mainly due to the increase in the discount rate which was higher than the increase in the inflation rate.

On the basis of actuarial calculations, the present value of the defined benefit obligations, excluding Employee termination indemnities, was as follows.

Internal plans
- as said before, the final amount refers to defined benefit plans at the London branch, entirely contributed by Intesa Sanpaolo S.p.A.

External plans
- 558 million euro referred to the Intesa Sanpaolo Group Defined-Benefit Fund (of which 551 million euro pertaining to Intesa Sanpaolo S.p.A.);
- 390 million euro referred to the Pension fund for employees of Cariplo, entirely contributed by Intesa Sanpaolo S.p.A.;
- 23 million euro referred to defined benefit plans at the New York branch, entirely contributed by Intesa Sanpaolo S.p.A.;
- 33 million euro referred to the Pension Fund of Cassa di Risparmio di Firenze, almost fully contributed by Intesa Sanpaolo S.p.A.

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	31.12.2022		31.12.2021	
	Internal plans	External plans	Internal plans	External plans
Initial amount	**168**	**1,479**	**131**	**1,475**
Return on assets net of interest	-28	-113	19	111
Interest income	3	13	2	2
Positive exchange differences	-	1	9	1
Increases - business combinations	-	-	-	9
Employer contributions	9	8	10	2
Participants' contributions	-	-	-	-
Negative exchange differences	-9	-	-	-
Decreases - business combinations	-	-	-	-
Benefits paid	-6	-118	-3	-117
Curtailments of the fund	-	-	-	-6
Settlements of the fund	-	-375	-	-
Other changes	-	32	-	2
Final amount	**137**	**927**	**168**	**1,479**

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:

- 516 million euro relating to the Intesa Sanpaolo Group Defined-Benefit Fund Pension Fund;
- 381 million euro referred to the Pension fund for employees of Cariplo;
- 20 million euro referred to defined benefit plans at the New York branch;
- 10 million euro referred to the Pension fund of Cassa di Risparmio di Firenze.

(millions of euro)

Plan assets: additional information	31.12.2022				31.12.2021			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	**-**	**-**	**269**	**29.0**	**89**	**53.1**	**414**	**28.0**
- of which level-1 fair value	-		254		89		395	
Mutual funds	**-**	**-**	**80**	**8.7**	**-**	**-**	**137**	**9.3**
- of which level-1 fair value	-		21		-		82	
Debt securities	**126**	**92.0**	**285**	**30.7**	**59**	**35.0**	**432**	**29.2**
- of which level-1 fair value	126		285		59		432	
Real estate assets and investments in real estate companies	**8**	**5.9**	**278**	**30.0**	**10**	**6.0**	**345**	**23.3**
- of which level-1 fair value	-		-		-		-	
Insurance business	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- of which level-1 fair value	-		-		-		-	
Other assets	**3**	**2.1**	**15**	**1.6**	**10**	**5.9**	**151**	**10.2**
- of which level-1 fair value	-		-		-		-	
TOTAL	**137**	**100.0**	**927**	**100.0**	**168**	**100.0**	**1,479**	**100.0**

(millions of euro)

Plan assets: additional information	31.12.2022				31.12.2021			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	**-**	**-**	**269**	**29.0**	**89**	**53.1**	**414**	**28.0**
- of which financial companies	-		51		89		63	
- of which non financial companies	-		218		-		351	
Mutual funds	**-**	**-**	**80**	**8.7**	**-**	**-**	**137**	**9.0**
Debt securities	**126**	**92.0**	**285**	**30.7**	**59**	**35.0**	**432**	**29.0**
Government bonds	89		203		59		273	
- of which investment grade	*89*		*203*		*59*		*273*	
- of which speculative grade	-		-		-		-	
Financial companies	37		28		-		66	
- of which investment grade	*37*		*24*		-		*60*	
- of which speculative grade	-		*4*		-		*6*	
Non Financial companies	-		54		-		93	
- of which investment grade	-		*48*		-		*75*	
- of which speculative grade	-		*6*		-		*18*	
Real estate assets and investments in real estate companies	**8**	**5.9**	**278**	**30.0**	**10**	**6.0**	**345**	**24.0**
Insurance business	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets	**3**	**2.1**	**15**	**1.6**	**10**	**5.9**	**151**	**10.0**
TOTAL ASSETS	**137**	**100.0**	**927**	**100.0**	**168**	**100.0**	**1,479**	**100.0**

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.

4. Description of the main actuarial assumptions

The table below indicates the actuarial assumptions and interest rates used by the various funds.

Actuarial assumptions	31.12.2022				31.12.2021			
	Discount rate	Expected rate of return	Expected rate of wage rises (a)	Annual inflation rate	Discount rate	Expected rate of return	Expected rate of wage rises (a)	Annual inflation rate
EMPLOYEE TERMINATION INDEMNITIES	3.3%	X	3.4%	2.7%	0.4%	X	2.9%	2.2%
INTERNAL PLANS	4.4%	0.0%	2.9%	2.9%	1.1%	0.0%	2.9%	2.6%
EXTERNAL PLANS	3.7%	4.9%	3.5%	2.9%	0.8%	2.9%	2.8%	2.1%

(a) Net of career developments.

The discount rate of external plans for 2022 was 4.75% for the New York branch, and varies from 3.30% to 3.40% for Italian Funds.

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.

Likewise, the Intesa Sanpaolo Group mainly uses the European Zero-Coupon Inflation-Indexed Swap rate curve, weighted on the basis of the ratio of the amount paid for each maturity and the total amount to be paid until the obligation is finally discharged in full, as the inflation rate.

5. Information on amount, timing and uncertainty of cash flows

(millions of euro)

Sensitivity analysis	31.12.2022					
	EMPLOYEE TERMINATION INDEMNITIES		INTERNAL PLANS		EXTERNAL PLANS	
	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Discount rate	740	861	86	126	927	1,094
Rate of wage rises	797	797	116	93	1,015	993
Inflation rate	836	760	110	97	1,074	941

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 +/-100 bps.
The average duration of the defined benefit obligation is 10.39 years for pension funds and 7.78 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 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 May 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 S.p.A.), whose tax collection services were transferred on 1 January 1990 to the former Equitalia Marche S.p.A. (currently Agenzia delle Entrate - Riscossione) which was transferred to the Intesa Sanpaolo Group Defined-Benefit Fund on 1 July 2022. The trade union agreement and agreements between subscribers of the operation sanctioned that the then-parent company Ca.Ri.Ma. (then former Banca Marche S.p.A., then former Nuova Banca Marche S.p.A. and subsequently former Banca Adriatica S.p.A., then merged into former UBI Banca, in turn merged into Intesa Sanpaolo S.p.A.) 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, transferred on 1 September 2022 to the Intesa Sanpaolo Group Defined-Benefit Fund, which provides a guarantee of settlement of the respective shares of the subscribers by Intesa Sanpaolo S.p.A. (former UBI Banca) and Credito Valtellinese.

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

(millions of euro)

Captions/Components	31.12.2022	31.12.2021
Other allowances		
1. legal disputes	757	843
2. personnel charges	1,952	2,289
incentive-driven exit plans	*1,250*	*1,705*
employee seniority bonuses	*90*	*108*
other personnel expenses	*612*	*476*
3. other risks and charges	408	464
Total	**3,117**	**3,596**

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;
- Other risks and charges: these mainly refer to charges for integration of the former Venetian banks, charges connected with the sale of a portfolio of NPLs and other charges relating to sundry obligations. They also include the allocation of 71 million euro to cover indirect risks in respect of the interest in Pravex Bank Joint-Stock Company, in connection with the ongoing conflict, in order to capture the value of the shareholders' equity contributed by the subsidiary to the Group's consolidated financial statements.

SECTION 11 – REDEEMABLE SHARES – CAPTION 120

11.1 Redeemable shares: breakdown
These are not present in 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 2022, the Bank's portfolio amounts to 23,892,236 treasury shares fully paid in. The treasury shares have no par value and represent 0.13% of the share capital.
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
A. Initial number of shares	**19,430,463,305**
-fully paid-in	*19,430,463,305*
- not fully paid-in	-
A.1 Own shares (-)	-30,629,777
A.2 Shares outstanding: initial number	**19,399,833,528**
B. Increases	**566,771,008**
B.1 New issues	546,972,658
- for consideration:	386,972,658
- business combinations	-
- conversion of bonds	-
- exercise of warrants	-
- other	*386,972,658*
- for free:	160,000,000
- in favour of employees	160,000,000
- in favour of directors	-
- other	-
B.2 Sale of own shares	19,798,350
B.3 Other	-
C. Decreases	**-1,001,693,612**
C.1 Annulment	-988,632,803
C.2 Purchase of own shares	-13,060,809
C.3 Disposal of companies	-
C.4 Other	-
D. Shares outstanding: final number	**18,964,910,924**
D.1 Own shares (+)	23,892,236
D.2 Final number of shares	18,988,803,160
-fully paid-in	*18,988,803,160*
- not fully paid-in	-

The caption "Purchase of own shares" includes purchases to service the free incentive plan for personnel. The programme was launched on 12 September 2022 and ended on 14 September 2022, resulting in the purchase of 12,967,930 ordinary shares of the Bank at an average purchase price per share of 1.8938 euro for a total amount of 24,558,315.42 euro. The purchase transactions were executed in compliance with the provisions included in Articles 2357 and following and 2359-bis and following of the Italian Civil Code and within the limits determined in the resolutions passed by the Shareholders' Meeting of Intesa Sanpaolo of 29 April 2022.

12.3 Share capital: other information

The share capital of the Bank as at 31 December 2022 amounted to 10,369 million euro, divided into 18,988,803,160 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 2022, 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 in 2022, the following changes in share capital occurred:

- a free capital increase and an increase with payment, as part of the long-term incentive plan "LECOIP 3.0", for a total of 690 million euro, of which 285 million euro to increase share capital and 405 million euro to increase the share premium reserve, and, specifically:
  - a share capital increase without payment – pursuant to Article 2349, paragraph 1, of the Italian Civil Code – for 83,200,000 euro, through the issue of 160,000,000 ordinary shares;
  - a share capital increase with payment, with the exclusion, pursuant to Article 2441, paragraph 8, of the Italian Civil Code, of the option right in favour of the Intesa Sanpaolo Group's employees, for an amount of 201,225,782.16 euro, through the issue of 386,972,658 shares at a price of 1.5671 euro, of which 0.52 euro to be allocated to share capital and 1.0471 euro to share premium;
- the annulment of 988,632,803 ordinary shares following the purchase of own shares in the period from 4 July to 11 October 2022 in execution of the buyback programme announced to the market on 24 June 2022, the date when the Bank received formal authorisation from the European Central Bank. During that period, a total of 988,632,803 shares with no par value were purchased, equal to around 4.95% of the pre-annulment share capital, at an average purchase price per share of 1.7195 euro, for a total value of 1,699,999,999.44 euro. The annulment of the shares took place on 3 August, 7 September and 14 October 2022 for the own shares purchased during the period from 4 July to 29 July, 1 August to 2 September, and 5 September to 11 October 2022, respectively.
  As a result of the annulments, the share capital changed its composition, due to the reduction in the number of shares constituting it, while its amount remained unchanged at 10,368,870,930.08 euro.

Lastly, you are reminded that the tax suspension restriction already existing on the capital of UBI Leasing S.p.A., in the amount of 2,088,578 euro, will be established on the capital, along with another restriction of 93,872 euro deriving from the demerger of a business line of Fideuram-Intesa Sanpaolo Private Banking S.p.A.

For the purpose of completeness, please note that during the year, the share premium reserve was subject to:

- use of 233,165,559.66 euro for the distribution of reserves approved by the Shareholders' Meeting of 29 April 2022;
- an increase of 405,199,070.19 euro for the share capital increase with payment in favour of Intesa Sanpaolo Group employees pursuant to Article 2441, paragraph 8, of the Italian Civil Code, as part of the above-mentioned long-term incentive plan "LECOIP 3.0";
- a reclassification of the total positive amount of 595,743,716.52 euro of the LECOIP contribution reserve, (named "LECOIP 2.0" and targeted to all employees), set up in relation to the investment plan based on financial instruments (LECOIP Leveraged Employee Co-Investment Plan) for employees, launched in 2018 and concluded in 2022;
- a negative change of 662,227.74 euro due to other effects.

12.4 Reserves: other information

Reserves amounted to 5,369 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 81 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 2022, the following changes in the reserves occurred:

- reduction of the extraordinary reserve of 1,700,034,331 euro resulting from the annulment of the own shares under the buyback programme;
- reclassification of the LECOIP contribution reserve, set up in relation to the investment plan based on financial instruments (named "LECOIP 2.0" and targeted to all employees), launched in 2018 and concluded in 2022, to other reserves of the share premium reserve, for the total negative amount of 595,743,717 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, for a total net negative amount of 402,784,009 euro;
- allocation to other reserves of the total net negative amount of 300,085,408 euro for the coupons paid to subscribers of the Additional Tier 1 instruments, net of the related taxes;
- allocation to the extraordinary reserve of the residual income for 2021, equal to 233,016,694 euro, as per the resolution of the Ordinary Shareholders' Meeting of 29 April 2022;
- transfer to other reserves of the valuation reserves for the gains/losses realised on property and equipment measured at fair value and on defined benefit pension plans, for a total net negative amount of 193,218,558 euro;
- allocation to the extraordinary reserve of the total net positive amount of 82,063,195 euro relating to the merger differences arising from the annulment of the shares of the subsidiaries UBI Leasing S.p.A., Intesa Sanpaolo Smart Care S.r.l., and Intesa Sanpaolo Agents4You S.p.A. merged during the year, as well as to the effects of the other under common control transactions completed during the year. In that regard, it should be noted that, pursuant to Art. 172, paragraph 5, of the Consolidated Law on Income Taxes, suspended tax reserves of 403,505 euro will be reconstituted in relation to the transactions mentioned above;
- transfer from the extraordinary reserve to share capital of the amount of 83,200,000 euro for the free share capital increase – pursuant to Article 2349, paragraph 1, of the Italian Civil Code – as part of the long-term incentive plan "LECOIP 3.0", with the issuance of 160,000,000 Intesa Sanpaolo ordinary shares;
- adjustment of the reserves for the Equity Settled Share Based Payment plans (named "LECOIP 3.0" and targeted to all employees), the Performance Share Plan (known as the PSP and aimed the all of the Group's Management, including the Managing Director and CEO, the remaining Top Risk Takers and the Other Risk Takers of the Group, both in Italy and abroad), 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 144,277,224 euro;
- allocation to other reserves of the total net positive amount of 8,398,908 euro for repurchases of own Additional Tier 1 instruments;
- other effects, for a total net positive amount of 1,264,958 euro.

(millions of euro)

	Amount as at 31.12.2022	Principal	Portion of net income	Portion subject to a suspended tax regime	Portion available (a)	Uses in the past three years
Shareholders' equity						
– Share capital (b)	10,369	7,824	759	1,786	-	-
– Equity instruments	7,188	7,228	-40	-	-	-
– Share premium reserve (c)	28,212	13,089	11,454	3,669	A, B, C	394
– Legal reserve	2,065	520	1,545	-	A(1), B, C(1)	-
– Extraordinary reserve	2,269	317	1,952	-	A, B, C	1,932
– Extraordinary reserve - unavailable share (d)	1,700	-	1,700	-	-	-
– Concentration reserve (Law 218 of 30/7/1990, art. 7, par. 3)	302	-	-	302	A, B(2), C(3)	-
– Concentration reserve (Law 218 of 30/7/1990, art. 7)	366	-	-	366	A, B(2), C(3)	-
– Other reserves, of which:						
Legal Reserve Branches abroad	*14*	-	*14*	-	*A, B, C*	-
Reserve for contribution to LECOIP 2.0/POP incentive plans	*252*	*250*	*2*	-	*A*	-
Reserve for POP incentive plan novation agreement	*-236*	*-236*	-	-	-	-
IFRS 2 reserve for employee incentive scheme	*51*	*51*	-	-	*A*	-
Reserve for AT1 equity instruments coupons	*-1,544*	-	*-1,544*	-	-	-
Suspended tax reserve former UBI Banca	*421*	-	-	*421*	*A, B,C*	-
Unavailable net income reserve pursuant to Article 6 of Legislative Decree 38/2005	*263*	-	*263*	-	*B*	-
Stock option plans reserve	*42*	-	*42*	-	*A*	-
Reserves: other	*-596*	-	*-600*	*4*	-	-
– Valuation reserves						
Revaluation reserve (Law 576 of 2/12/1975)	*4*	-	-	*4*	*A, B(2), C(3)*	-
Revaluation reserve (Law 72 of 19/3/1983)	*146*	-	-	*146*	*A, B(2), C(3)*	-
Revaluation reserve (Law 408 of 29/12/1990)	*9*	-	-	*9*	*A, B(2), C(3)*	-
Revaluation reserve (Law 413 of 30/12/1991)	*380*	-	-	*380*	*A, B(2), C(3)*	-
Revaluation reserve (Law 342 of 22/11/2000)	*460*	-	-	*460*	*A, B(2), C(3)*	-
FVOCI valuation reserve	*-1,892*	-	*-1,892*	-	-	-
Property and equipment and intangible assets valuation reserve	*1,669*	-	*1,669*	-	*(4)*	-
CFH valuation reserve	*-410*	-	*-410*	-	-	-
Defined benefit plans valuation reserve	*-240*	-	*-240*	-	-	-
Financial liabilities designated at fair value through profit or loss valuation reserve	*-45*	-	*-45*	-	-	-
– Own shares	-50	-50	-	-	-	-
– Interim dividend	-1,400	-	-1,400	-	-	-
Total Capital and Reserves	**49,769**	**28,993**	**13,229**	**7,547**	(5)	-
Non-distributable portion (d)	9,096	-	-	-	-	-

(a) A = capital increase; B = loss coverage; C = distribution to shareholders.

(b) The increase of 2 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 Leasing 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 unavailable portion of the extraordinary reserve related to the programme of purchase of own shares for annulment (buyback), approved by the Shareholders' Meeting of 29 April 2022 and authorised by the European Central Bank by notification received on 24 June 2022, for a maximum total outlay of 3.4 billion euro, of which 1.7 billion euro already made.

(e) 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 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, the unavailable portion of the extraordinary reserve earmarked for the above-mentioned share buyback and annulment, as well as the legal reserve 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) If the reserve is used to cover losses, net income cannot be distributed unless the reserve is replenished or correspondingly reduced.

(3) The reserve, if it is not recorded under shareholders' equity, may be reduced only in compliance with the provisions of paragraphs 2 and 3 of Article 2445 of the Italian Civil Code. If it is distributed to shareholders, it contributes to the formation of the taxable income of the company.

(4) The reserve is unavailable pursuant to Article 6 of Legislative Decree 38/2005.

(5) Pursuant to Article 47, paragraph 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.

The proposal for allocation of net income for the year 2022 is reported in the specific separate chapter of these financial statements.

12.5 Equity instruments: breakdowns and annual changes

In 2022, Intesa Sanpaolo launched a new Additional Tier 1 issue of a nominal amount of 1 billion euro, with characteristics in line with the CRD IV regulations. 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 of a nominal value of 750 million euro each. Lastly, 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 2022 to each of the 18,988,803,160 ordinary shares comprising the share capital. The total amount disbursed was 1,399,608,167.99 euro[135], corresponding to a unit dividend of 7.38 euro cents per ordinary share. The dividend was paid out on 23 November 2022 (with coupon presentation on 21 November and record date on 22 November).

OTHER INFORMATION

1. Commitments and financial guarantees given (other than those designated at fair value)

(millions of euro)

	Commitments and financial guarantees given - nominal amount				31.12.2022	31.12.2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
1. Commitments to disburse funds	**289,415**	**19,010**	**809**	**4**	**309,238**	**302,126**
a) Central Banks	1,141	48	-	-	1,189	1,234
b) Public Administration	8,191	2,372	98	-	10,661	10,271
c) Banks	74,223	496	11	-	74,730	76,321
d) Other financial companies	62,017	4,454	12	-	66,483	69,518
e) Non-financial companies	135,210	11,248	653	4	147,115	136,068
f) Households	8,633	392	35	-	9,060	8,714
2. Financial guarantees given	**50,865**	**4,697**	**802**	**-**	**56,364**	**56,799**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	323	4	-	-	327	352
c) Banks	12,764	130	1	-	12,895	12,642
d) Other financial companies	2,351	389	12	-	2,752	2,929
e) Non-financial companies	35,164	4,154	785	-	40,103	40,571
f) Households	263	20	4	-	287	305

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 226,340 million euro in 2022).

2. Other commitments and other guarantees given

These are not present in Intesa Sanpaolo.

[135] It does not include the interim dividend on the 23,922,835 own shares held at the record date, equal to 1,765,505.22 euro.

3. Assets pledged as collateral of liabilities and commitments

(millions of euro)

Portfolios	31.12.2022	31.12.2021
1. Financial assets measured at fair value through profit or loss	2,058	9,266
2. Financial assets measured at fair value through other comprehensive income	8,963	20,803
3. Financial assets measured at amortised cost	181,150	191,633
4. Property and equipment	-	-
of which: property and equipment that constitute inventories	-	-

4. Management and dealing on behalf of third parties

(millions of euro)

Type of service	31.12.2022
1. Trading on behalf of customers	
a) Purchases	394,840
1. settled	394,840
2. to be settled	-
b) Sales	370,727
1. settled	370,727
2. to be settled	-
2. Portfolio management	
a) individual	-
b) collective	-
3. Custody and afministration of securities	
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	588,668
1. securities issued by companies included in the consolidation area	44,980
2. other securities	543,688
c) third party securities deposited with third parties	581,773
d) portfolio securities deposited with third parties	163,375
4. Other	**670,742**

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 31.12.2022 (f=c-d-e)	Net amount 31.12.2021
				Financial instruments (d)	Cash collateral (e)		
1. Derivatives	119,742	-81,574	38,168	23,361	13,694	1,113	662
2. Repurchase agreements	23,289	-	23,289	22,063	632	594	262
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2022	**143,031**	**-81,574**	**61,457**	**45,424**	**14,326**	**1,707**	**X**
TOTAL 31.12.2021	**91,158**	**-41,083**	**50,075**	**46,192**	**2,959**	**X**	**924**

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 31.12.2022 (f=c-d-e)	Net amount 31.12.2021
				Financial instruments (d)	Cash deposits pledged as collateral		
1. Derivatives	113,377	81,574	31,803	23,354	6,833	1,616	529
2. Repurchase agreements	14,075	-	14,075	13,738	-	337	83
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2022	**127,452**	**81,574**	**45,878**	**37,092**	**6,833**	**1,953**	**X**
TOTAL 31.12.2021	**84,402**	**41,083**	**43,319**	**31,052**	**11,655**	**X**	**612**

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), GMRAs (for repurchase agreements) and GMSLAs (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 2022.

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 2022, the collateral of transactions amounted to 84 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

(millions of euro)

Captions/Types	Debt securities	Loans	Other transactions	2022	2021
1. Financial assets measured at fair value through profit or loss	**9**	**32**	**-**	**41**	**48**
1.1 Financial assets held for trading	2	2	-	4	6
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	7	30	-	37	42
2. Financial assets measured at fair value through other comprehensive income	**513**	**51**	**X**	**564**	**340**
3. Financial assets measured at amortised cost	**617**	**8,661**	**X**	**9,278**	**7,416**
3.1 Due from banks	22	889	X	911	180
3.2 Loans to customers	595	7,772	X	8,367	7,236
4. Hedging derivatives	**X**	**X**	**-558**	**-558**	**-1,017**
5. Other assets	**X**	**X**	**249**	**249**	**27**
6. Financial liabilities	**X**	**X**	**X**	**791**	**1,445**
Total	**1,139**	**8,744**	**-309**	**10,365**	**8,259**
of which: interest income on impaired financial assets	*1*	*391*	*-*	*392*	*522*
of which: interest income on financial lease	*X*	*308*	*X*	*308*	*187*

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 154 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 an overall basis, on other TLTROs in the total amount of 592 million euro in 2022. 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 taking into account the achievement of the benchmarks set (referring in particular to the outstanding amounts as at 31 March 2021 and 31 December 2021), the changes in interest rates and lastly the recalibrations of the conditions applicable to TLTRO III loans communicated by the Governing Council of the ECB on 27 October 2022.
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 2022, interest income on foreign currency financial assets amounted to 1,824 million euro.

1.3 Interest and similar expense: breakdown

(millions of euro)

Captions/Types	Debts	Securities	Other transactions	2022	2021
1. Financial liabilities measured at amortised cost	**1,050**	**1,625**	**X**	**2,675**	**1,864**
1.1 Due to Central Banks	64	X	X	64	8
1.2 Due to banks	638	X	X	638	258
1.3 Due to customers	348	X	X	348	132
1.4 Securities issued	X	1,625	X	1,625	1,466
2. Financial liabilities held for trading	**39**	**-**	**-**	**39**	**80**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and allowances	**X**	**X**	**45**	**45**	**35**
5. Hedging derivatives	**X**	**X**	**-143**	**-143**	**-464**
6. Financial assets	**X**	**X**	**X**	**545**	**807**
Total	**1,089**	**1,625**	**-98**	**3,161**	**2,322**
of which: interest expense on lease liabilities	*14*	*X*	*X*	*14*	*18*

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 2022, interest expense on foreign currency financial liabilities amounted to 1,045 million euro.

1.5 Differentials on hedging transactions

(millions of euro)

Captions	2022	2021
A. Positive differentials on hedging transactions	3,497	2,536
B. Negative differentials on hedging transactions	-3,912	-3,089
C. Balance (A-B)	**-415**	**-553**

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

(millions of euro)

Type of service/Amounts	2022	2021
a) Financial instruments	**1,251**	**1,590**
1. Placement of securities	1,091	1,410
1.1 Through underwriting and/or on a firm commitment basis	28	19
1.2 Without firm commitment	1,063	1,391
2. Reception and transmission of orders and execution of orders on behalf of customers	160	179
2.1 Reception and transmission of orders for one or more financial instruments	54	67
2.2 Execution of orders on behalf of customers	106	112
3. Other fee and commission income related to activities connected to financial instruments	-	1
of which: dealing on own account	*-*	*1*
of which: individual portfolio management	*-*	*-*
b) Corporate Finance	**1**	**2**
1. M&A advisory	1	2
2. Treasury services	-	-
3. Other fee and commission income related to corporate finance services	-	-
c) Investment advice	**132**	**106**
d) Clearing and settlement	**-**	**-**
e) Custody and administration	**44**	**71**
1. Depositary bank	-	12
2. Other fee and commission income related to custody and administration services	44	59
f) Central administrative services for collective portfolio management	**-**	**-**
g) Fiduciary services	**-**	**-**
h) Payment services	**2,420**	**2,396**
1. Current accounts	1,249	1,313
2. Credit cards	419	396
3. Debit cards and other payment cards	193	171
4. Credit transfers and other payment orders	276	243
5. Other fee and commission income related to payment services	283	273
i) Distribution of third-party services	**1,051**	**1,060**
1. Collective portfolio management	-	-
2. Insurance products	877	885
3. Other products	174	175
of which: individual portfolio management	*100*	*122*
j) Structured finance	**71**	**69**
k) Servicing related to securitisations	**1**	**-**
l) Commitments to disburse funds	**-**	**-**
m) Financial guarantees given	**438**	**371**
of which: credit derivatives	*-*	*1*
n) Financing transactions	**833**	**784**
of which: for factoring transactions	*81*	*83*
o) Currency dealing	**10**	**14**
p) Commodities	**-**	**-**
q) Other fee and commission income	**126**	**139**
of which: for management of multilateral trading facilities	*-*	*-*
of which: for management of organised trading facilities	*-*	*-*
Total	**6,378**	**6,602**

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

(millions of euro)

Channels/Amounts	2022	2021
a) Group branches	**2,092**	**2,443**
1. portfolio management	-	-
2. placement of securities	1,063	1,393
3. third party services and products	1,029	1,050
b) "Out-of-Branch" offer	**46**	**25**
1. portfolio management	-	-
2. placement of securities	24	15
3. third party services and products	22	10
c) Other distribution channels	**4**	**2**
1. portfolio management	-	-
2. placement of securities	4	2
3. third party services and products	-	-

2.3 Fee and commission expense: breakdown

(millions of euro)

	2022	2021
a) Financial instruments	**95**	**99**
of which: trading in financial instruments	*41*	*55*
of which: placement of financial instruments	*54*	*44*
of which: individual portfolio management	*-*	*-*
- Own portfolio	*-*	*-*
- Third-party portfolio	*-*	*-*
b) Clearing and settlement	**31**	**19**
c) Custody and administration	**51**	**57**
d) Collection and payment services	**373**	**371**
of which: credit cards, debit cards and other payment cards	*277*	*274*
e) Servicing related to securitisations	**-**	**-**
f) Commitments to receive funds	**-**	**-**
g) Financial guarantees received	**246**	**212**
of which: credit derivatives	*27*	*20*
h) "Out-of-branch" offer of financial instruments, products and services	**22**	**20**
i) Currency dealing	**6**	**4**
j) Other fee and commission expense	**153**	**147**
Total	**977**	**929**

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 68 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 6 million euro.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(millions of euro)

Captions/Income	2022		2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	39	-	27	-
B. Other financial assets mandatorily measured at fair value	6	119	5	73
C. Financial assets measured at fair value through other comprehensive income	61	-	42	-
D. Investments in associates and companies subject to joint control	2,719	1	2,307	-
Total	**2,825**	**120**	**2,381**	**73**

Sub-caption B. Other financial assets mandatorily measured at fair value includes 6 million euro of dividends on equities and 119 million euro of income on quotas of closed-end funds.

Sub-caption D. Equity investments includes the dividends and similar income distributed by the subsidiaries and associates:
- Intesa Sanpaolo Vita S.p.A. for 904 million euro;
- Eurizon Capital SGR S.p.A. for 755 million euro;
- Fideuram - Intesa Sanpaolo Private Banking S.p.A. for 501 million euro;
- Intesa Sanpaolo Holding International S.A. for 210 million euro;
- Fideuram Vita S.p.A. for 163 million euro;
- CIB Bank Ltd for 63 million euro;
- Bank of Alexandria S.A.E. (Alexbank) for 56 million euro;
- Intesa Sanpaolo Bank Ireland Plc for 22 million euro;
- Prestitalia S.p.A. for 19 million euro;
- Intrum Italy S.p.A. for 13 million euro;
- Banka Intesa Sanpaolo D.D. for 8 million euro;
- other equity investments for 6 million euro.

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

4.1 Profits (Losses) on trading: breakdown

(millions of euro)

Transactions/Income components	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial trading assets	**217**	**3,045**	**-700**	**-2,296**	**266**
1.1 Debt securities	183	2,975	-652	-2,163	343
1.2 Equities	31	66	-40	-121	-64
1.3 Quotas of UCI	3	4	-6	-12	-11
1.4 Loans	-	-	-2	-	-2
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**901**	**6**	**-7**	**-30**	**870**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	560	-	-5	-	555
2.3 Other	341	6	-2	-30	315
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-1,730**
4. Derivatives	**123,518**	**44,042**	**-126,111**	**-42,558**	**365**
4.1 Financial derivatives:	122,430	41,432	-125,079	-39,898	359
- on debt securities and interest rates	*120,529*	*29,796*	*-121,951*	*-29,791*	*-1,417*
- on equities and stock indexes	*1,005*	*6,242*	*-2,478*	*-4,498*	*271*
- on currencies and gold	*X*	*X*	*X*	*X*	*1,474*
- other	*896*	*5,394*	*-650*	*-5,609*	*31*
4.2 Credit derivatives	1,088	2,610	-1,032	-2,660	6
of which: natural hedging associated with the fair value option	*X*	*X*	*X*	*X*	*-*
Total	**124,636**	**47,093**	**-126,818**	**-44,884**	**-229**

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.

The net result of the exchange differences on Financial assets and liabilities, reported in sub-caption 3, is connected to the result of sub-caption 4.1 relating to Derivatives - Financial derivatives on currencies and gold, which includes the results of the related operational hedges taken out by the Bank on foreign exchange risk using financial trading derivatives. Similarly, the result in Financial derivatives on debt securities and interest rates should be viewed in conjunction with the results of the Financial assets held for trading in Debt securities and Financial liabilities held for trading in Payables (short selling of securities) respectively, as these transactions are operationally linked to each other.

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 Fair value adjustments in hedge accounting: breakdown

(millions of euro)

Income component/Amount	2022	2021
A. Income from:		
A.1 fair value hedge derivatives	23,986	6,406
A.2 financial assets hedged (fair value)	6	141
A.3 financial liabilities hedged (fair value)	12,885	1,851
A.4 cash flow hedge: derivatives	-	-
A.5 currency assets and liabilities	-	-
Total income from hedging (A)	**36,877**	**8,398**
B. Expenses for		
B.1 fair value hedge derivatives	-13,360	-3,657
B.2 financial assets hedged (fair value)	-23,490	-4,609
B.3 financial liabilities hedged (fair value)	-	-93
B.4 cash flow hedge: derivatives	-	-
B.5 currency assets and liabilities	-	-
Total expense from hedging (B)	**-36,850**	**-8,359**
C. Fair value adjustments in hedge accounting (A - B)	**27**	**39**
of which: fair value adjustments in hedge accounting on net positions	-	-

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

(millions of euro)

Captions/Income components	2022			2021		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	419	-269	150	442	-281	161
1.1 Due from banks	*1*	*-9*	*-8*	*-*	*-*	*-*
1.2 Loans to customers	*418*	*-260*	*158*	*442*	*-281*	*161*
2. Financial assets measured at fair value through other comprehensive income	209	-477	-268	639	-63	576
2.1 Debt securities	*208*	*-464*	*-256*	*639*	*-63*	*576*
2.2 Loans	*1*	*-13*	*-12*	*-*	*-*	*-*
Total assets	**628**	**-746**	**-118**	**1,081**	**-344**	**737**
B. Financial liabilities measured at amortised cost						
1. Due to banks	1	-6	-5	1	-3	-2
2. Due to customers	-	-	-	6	-3	3
3. Securities issued	48	-15	33	19	-74	-55
Total liabilities	**49**	**-21**	**28**	**26**	**-80**	**-54**

The Net result on Financial assets measured at amortised cost in sub-caption 1.2 Loans to customers mainly relates 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 Debt securities 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

(millions of euro)

Transactions/Income components	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**1,005**	**8**	**-1**	**-42**	**970**
2.1 Securities issued	1,005	8	-1	-42	970
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-32**
Total	**1,005**	**8**	**-1**	**-42**	**938**

Sub-caption 2.1 Financial liabilities - Securities issued, reports the net result of the 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), issued after 1 January 2020. The Revaluations shown in the table refer to the fair value measurement of these financial instruments, calculated excluding the changes in value due to the change in own credit rating recognised in the Statement of comprehensive income (Shareholders' equity).
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

(millions of euro)

Transactions/Income components	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	**161**	**38**	**-288**	**-22**	**-111**
1.1 Debt securities	9	3	-27	-	-15
1.2 Equities	8	4	-40	-2	-30
1.3 Quotas of UCI	127	6	-76	-12	45
1.4 Loans	17	25	-145	-8	-111
2. Financial assets: foreign exchange differences	**X**	**X**	**X**	**X**	**33**
Total	**161**	**38**	**-288**	**-22**	**-78**

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

(millions of euro)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				2022	2021
	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	**-16**	**-8**	**-**	**-1**	**-**	**-**	**5**	**1**	**1**	**-**	**-18**	**18**
- Loans	-16	-6	-	-1	-	-	5	1	1	-	-16	18
- Debt securities	-	-2	-	-	-	-	-	-	-	-	-2	-
B. Credit to clients	**-245**	**-1,198**	**-75**	**-2,094**	**-10**	**-38**	**205**	**962**	**805**	**32**	**-1,656**	**-2,556**
- Loans	-236	-1,180	-75	-2,094	-10	-38	195	953	803	32	-1,650	-2,582
- Debt securities	-9	-18	-	-	-	-	10	9	2	-	-6	26
Total	**-261**	**-1,206**	**-75**	**-2,095**	**-10**	**-38**	**210**	**963**	**806**	**32**	**-1,674**	**-2,538**

8.1a Net adjustments for credit risk associated with loans measured at amortised cost subject to COVID-19 support measures: breakdown

(millions of euro)

Operation / P&L item	Net Adjustments						2022	2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired			
			Write-off	Others	Write-off	Others		
1. EBA-compliant moratoria loans	-	-	-	-	-	-	**-**	**-12**
2. Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	-	-	-	-	-	-	**-**	**11**
3. Other loans with COVID-19-related forbearance measures	-	-13	-	-6	-	-	**-19**	**-145**
4. Newly originated loans	-12	-8	-	-125	-	-	**-145**	**-94**
Total 2022	**-12**	**-21**	**-**	**-131**	**-**	**-**	**-164**	**-**
Total 2021	**-5**	**-117**	**-**	**-118**	**-**	**-**	**-**	**-240**

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 2 – 1.1 Credit Risk of the Notes to the consolidated financial statements.

Row 1. 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.

Row 2. 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.

Row 3. Other forborne loans contains information regarding the loans subject to the COVID-19 support measures that meet the conditions of "forborne exposures" as defined by the current supervisory reports, and have not been included in the category "EBA-compliant moratoria loans" since the date forbearance was granted or since the date on which they no longer comply with the EBA/GL/2020/02.

Row 4. 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

(millions of euro)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				2022	2021
	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	**-6**	**-18**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**-22**	**-15**
B. Loans	**-13**	**-15**	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**-**	**-26**	**-1**
- to customers	-13	-15	-	-	-	-	1	1	-	-	-26	-1
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-19**	**-33**	**-**	**-**	**-**	**-**	**3**	**1**	**-**	**-**	**-48**	**-16**

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 9 – PROFITS/LOSSES FROM CHANGES IN CONTRACTS WITHOUT DERECOGNITION – CAPTION 140

9.1 Profits (Losses) from changes in contracts: breakdown

Within profits (losses) from changes in contracts without derecognition, profits of 17 million euro were recognised.

SECTION 10 - ADMINISTRATIVE EXPENSES - CAPTION 160

10.1 Personnel expenses: breakdown

(millions of euro)

Type of expense	2022	2021
1) Employees	**5,406**	**5,867**
a) wages and salaries	3,814	3,792
b) social security charges	996	1,021
c) termination indemnities	32	36
d) supplementary benefits	-	-
e) provisions for termination indemnities	17	7
f) provisions for post employment benefits	8	6
- defined contribution plans	*-*	*-*
- defined benefit plans	*8*	*6*
g) payments to external pension funds	324	332
- defined contribution plans	*324*	*332*
- defined benefit plans	*-*	*-*
h) costs from share based payments	129	197
i) other benefits in favour of employees	86	476
2) Other non-retired personnel	**9**	**8**
3) Directors and statutory auditors	**7**	**8**
4) Early retirement costs	**-**	**-**
5) Recovery of expenses for employees seconded to other companies	**-78**	**-79**
6) Reimbursement of expenses for third party employees seconded to the company	**12**	**18**
Total	**5,356**	**5,822**

As at 31 December 2021, sub-caption i) other benefits in favour of employees included 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 80 million euro.

10.2 Average number of employees by categories

	2022	2021
Personnel employed	**61,517**	**63,718**
a) managers	1,004	1,055
b) total officers	26,582	27,461
c) other employees	33,931	35,202
Other personnel	**26**	**23**
TOTAL	**61,543**	**63,741**

The change in the average number of employees was due to the downsizing of the headcount during the year.

10.3 Post-employment defined benefit plans: costs and revenues

(millions of euro)

	2022			2021		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-13	-2	-2	-7	-2	-3
Interest expense	-4	-3	-16	-	-3	-2
Interest income	-	3	13	-	2	2
Reimbursement from third parties	-	-	-	-	-	-
Past service cost	-	-	-1	-	-	-
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

Other benefits in favour of employees as at 31 December 2022 totalled 86 million euro. This amount essentially relates to contributions for health assistance, lunch and restaurant vouchers, as well as adjustments to liabilities due to the agreements on voluntary exit incentives signed with the trade unions and seniority bonuses, mainly due to the increase, during the year, in the discount rate curve used for the discounting.

10.5 Other administrative expenses: breakdown

(millions of euro)

Type of expense/Amount	2022	2021
Expenses for maintenance of information technology and electronic equipment	599	619
Telephonic, teletransmission and transmission expenses	40	44
Information technology expenses	**639**	**663**
Rentals and service charges - real estate	31	29
Security services	26	30
Cleaning of premises	39	42
Expenses for maintenance of real estate assets furniture and equipment	62	72
Energy costs	64	90
Property costs	7	11
Management of real estate assets expenses	**229**	**274**
Printing, stationery and consumables expenses	12	22
Transport and related services expenses (including counting of valuables)	69	68
Information expenses	179	173
Postal and telegraphic expenses	35	39
General structure costs	**295**	**302**
Expenses for consultancy fees	108	111
Legal and judiciary expenses	113	131
Insurance premiums - banks and customers	53	52
Professional and legal expenses	**274**	**294**
Advertising and promotional expenses	**137**	**117**
Services rendered by third parties	**283**	**309**
Indirect personnel costs	**93**	**32**
Other costs	**24**	**20**
Other costs	**98**	**111**
Contributions to resolution funds and deposit guarantee schemes	**683**	**654**
Taxes and duties	**735**	**774**
Recovery of other expenses	**-19**	**-33**
Total	**3,471**	**3,517**

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.

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

(millions of euro)

	Provision	Reallocations	Net provision
Stage1	-27	54	27
Stage2	-106	69	-37
Stage3	-92	45	-47
Total	**-225**	**168**	**-57**

11.2 Net provisions associated with other commitments and other guarantees given: breakdown

This case was not present.

11.3 Net provisions for other risks and charges: breakdown

(millions of euro)

	Provisions	Reallocations	Net provision
Net provisions for legal disputes	-141	65	-76
Net provisions for other personnel charges	-	-	-
Net provisions for risks and charges	-232	60	-172
Total	**-373**	**125**	**-248**

"Net provisions for risks and charges", which amounted to a negative 248 million euro, recorded the provisions attributable to the year relating to legal and tax disputes, as well as 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, in provisions, mainly includes charges connected to the sale of NPL portfolios, as well as the allocation of 71 million euro to cover indirect risks in respect of the interest in Pravex Bank Joint-Stock Company, in connection with the ongoing conflict, in order to capture the negative value of the shareholders' equity contributed by the subsidiary to the Group's financial statements.

SECTION 12 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT - CAPTION 180

12.1 Net adjustments to property and equipment: breakdown

(millions of euro)

Assets/Income components	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Used in operations	-471	-6	-	-477
- Owned	*-295*	*-6*	-	*-301*
- Licenses acquired through lease	*-176*	-	-	*-176*
A.2 Investment property	-	-	-	-
- Owned	-	-	-	-
- Licenses acquired through lease	-	-	-	-
A.3 Inventories	X	-4	-	-4
B. Non-current assets held for sale	X	-	-	-
Total	**-471**	**-10**	**-**	**-481**

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 2022 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	*-691*	*-9*	-	*-700*
A.1 Owned	-714	-9	-	-723
- Internally generated	-651	-8	-	-659
- Others	-63	-1	-	-64
A.2 Rights of use acquired through the lease	-	-	-	-
B. Non-current assets held for sale	**X**	**-**	**-**	**-**
Total	**-714**	**-9**	**-**	**-723**

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	27
Amortisation of leasehold improvements	24
Settlements for legal disputes	9
Other	167
Total 2022	**227**
Total 2021	**337**

"Other" includes losses and write-downs on precious metals and gold of 53 million euro.

14.2 Other operating income: breakdown

(millions of euro)

Type of expense/Amount	
Recovery of insurance costs	7
Recovery of other expenses	24
Income related to consumer credit and leasing	29
Rentals and recovery of expenses on real estate	47
Recovery of services rendered to third parties	223
Recovery of taxes and duties	569
Other	124
Total 2022	**1,023**
Total 2021	**1,198**

"Other" includes profits and revaluations on precious metals and gold of 58 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 17 million euro.

SECTION 15 – PROFITS (LOSSES) ON EQUITY INVESTMENTS - CAPTION 220

15.1 Profits (Losses) on equity investments: breakdown

(millions of euro)

Income component/Amount	2022	2021
A. Revenues	**203**	**76**
1. Revaluations	-	-
2. Profits on disposal	198	76
3. Recoveries	5	-
4. Other	-	-
B. Charges	***-197***	**-293**
1. Write-downs	-	-
2. Impairment losses	-196	-290
3. Losses on disposal	-1	-3
4. Other	-	-
Net result	**6**	**-217**

Sub-caption A.2. Profits on disposal mainly refers to the sale of Intesa Sanpaolo Formazione S.p.A. for 196 million euro and Innolva S.p.A. for 1 million euro.

Sub-caption A.3. Recoveries refers to the investment of 5 million euro held in FI.NAV. Comparto A - Crediti.

Sub-caption B.2. Impairment losses refers to the impairment losses on the equity investments in Joint Stock Company Banca Intesa for 68 million euro, Pravex Bank Joint-Stock Company for 48 million euro, Qingdao Yicai Fund Distribution Co. Ltd. for 33 million euro, Risanamento S.p.A. for 24 million euro, RSCT Fund Comparto Crediti for 8 million euro, Intesa Sanpaolo (Qingdao) Service Company for 5 million euro, Intesa Sanpaolo RE.O.CO S.p.A. for 4 million euro and other minority equity investments for 6 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

(millions of euro)

Assets/Income component	Revalutations	Write-downs	Foreign exchange differences		Net result
			Positive	Negative	
A. Property and equipment	**5**	**-40**	**-**	**-**	**-35**
A.1 Used in operations:	-	-9	-	-	-9
- Owned	*-*	*-9*	-	-	*-9*
- Licenses acquired through lease	*-*	*-*	-	-	*-*
A.2 Investment:	5	-31	-	-	-26
- Owned	*5*	*-31*	-	-	*-26*
- Licenses acquired through lease	*-*	*-*	-	-	*-*
A.3 Inventories	-	-	-	-	-
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned:	-	-	-	-	-
B.1.1 Internally generated	-	-	-	-	-
B.1.2 Other	-	-	-	-	-
B.2 Licenses acquired through lease	-	-	-	-	-
Total	**5**	**-40**	**-**	**-**	**-35**

SECTION 17 – GOODWILL IMPAIRMENT - CAPTION 240

17.1 Goodwill impairment: breakdown

During the year, no impairment of goodwill was recognised. For a description of the impairment testing methods for goodwill, reference should be made to Part B - Assets - Section 9 - Intangible Assets.

SECTION 18 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 250

18.1 Profits (Losses) on disposal of investments: breakdown

(millions of euro)

Income component/Amount	2022	2021
A. Real estate assets	**2**	-
- profits on disposal	4	1
- losses on disposal	-2	-1
B. Other assets	**-1**	89
- profits on disposal	-	99
- losses on disposal	-1	-10
Net result	**1**	**89**

The profits on disposal in sub-caption B. Other assets, recognised in the comparison year, 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

(millions of euro)

Income component/Amount	2022	2021
1. Current taxes (-)	-365	302
2. Changes in current taxes of previous years (+/-)	60	18
3. Reduction in current taxes of the year (+)	-	110
3. bis Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	851	1,242
4. Changes in deferred tax assets (+/-)	-1,188	-2,138
5. Changes in deferred tax liabilities (+/-)	83	538
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**-559**	**72**

The reduction in current taxes for the year, measured at 851 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 the tax loss of Intesa Sanpaolo S.p.A. in relation to 2021. 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)

	2022	2021
Income before tax from continuing operations	4,844	2,876
Income (Loss) before tax from discontinued operations	-	-
Theoretical taxable income	**4,844**	**2,876**

	Taxes (a)	Impact (%) on theoretical taxable income
Income taxes - theoretical tax expense (income) [(b)]	**1,601**	**33.1**
Increases of taxes	**184**	**3.8**
Other non-deductible costs	54	1.1
Loss on investments	61	1.3
Other	69	1.4
Decreases of taxes	**-1,226**	**-25.4**
Lower IRAP taxable income	-34	-0.8
Non-taxed capital gains on equity investments	-55	-1.1
Tax-exempt portion of dividends	-720	-14.9
Net effect of the realignment of the brand name and other intangible assets	-43	-0.9
Other	-374	-7.7
Total change in taxes	**-1,042**	**-21.6**
Total tax expense (income) for the period	**559**	**11.5**
of which: - effective tax expense (income) from continuing operations	**559**	**11.5**
- effective tax expense (income) from discontinued operations	**-**	**-**

(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
As at 31 December 2022, there was no income (loss) after tax from discontinued operations.

20.2 Breakdown of taxes on income from discontinued operations
As at 31 December 2022, there were no taxes on income from discontinued operations.

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	2022	2021
10	**Net income (loss)**	**4,284**	**2,948**
	Other comprehensive income that may not be reclassified to the income statement	**267**	**-21**
20	Equity instruments measured at fair value through other comprehensive income	-84	-30
	a) fair value changes	*-509*	*-34*
	b) transfer to other components of shareholders' equity	*425*	*4*
30	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	32	22
	a) fair value changes	*32*	*22*
	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	176	-14
60	Intangible assets	-	-
70	Defined benefit plans	187	-5
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	-44	6
	Other comprehensive income that may be reclassified to the income statement	**-1,044**	**-326**
110	Hedges of foreign investments:	-	-
	a) fair value changes	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
120	Foreign exchange differences:	-	-
	a) value change	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
130	Cash flow hedges:	289	275
	a) fair value changes	*444*	*488*
	b) reclassification to the income statement	*-155*	*-213*
	c) other changes	-	-
	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	-	-
150	Financial assets (other than equities) measured at fair value through other comprehensive income	-1,847	-761
	a) fair value changes	*-2,160*	*-148*
	b) reclassification to the income statement	*313*	*-561*
	- adjustments for credit risk	*44*	*15*
	- gains/losses on disposals	*269*	*-576*
	c) other changes	-	*-52*
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:	-	-
	a) fair value changes	-	-
	b) reclassification to the income statement	-	-
	- impairment losses	-	-
	- gains/losses on disposals	-	-
	c) other changes	-	-
180	Income taxes associated with other comprehensive income that may be reclassified to the income statement	514	160
190	**Total other comprehensive income**	**-777**	**-347**
200	**Comprehensive income (Captions 10+190)**	**3,507**	**2,601**

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.
Accordingly, please also refer to Part E of the Notes to the consolidated financial statements for a description of the impact of the COVID-19 pandemic on each type of risk, as well as, in relation to credit risk, of the exposures to Russia and Ukraine and the related valuation aspects, with particular regard to the choices made for the calculation of ECLs on cross-border exposures.
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.

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)

(millions of euro)

Portfolios/quality	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	919	3,549	329	2,633	457,611	465,041
2. Financial assets measured at fair value through other comprehensive income	-	-	-	94	34,484	34,578
3. Financial assets designated at fair value	-	-	-	-	1	1
4. Other financial assets mandatorily measured at fair value	-	124	-	125	780	1,029
5. Non-current financial assets held for sale	46	312	-	-	10	368
Total 31.12.2022	**965**	**3,985**	**329**	**2,852**	**492,886**	**501,017**
Total 31.12.2021	**2,346**	**4,902**	**527**	**5,087**	**637,911**	**650,773**

A.1.2 Breakdown of financial assets by portfolio classification and credit quality (gross and net values)

(millions of euro)

Portfolios/quality	NON-PERFORMING ASSETS				PERFORMING ASSETS			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	9,048	-4,251	4,797	2,982	462,104	-1,860	460,244	465,041
2. Financial assets valued to fair value with impact on overall profitability	36	-36	-	-	34,647	-69	34,578	34,578
3. Financial assets designated to fair value	-	-	-	-	X	X	1	1
4. Other financial assets mandatorily valuated to fair value	140	-16	124	-	X	X	905	1,029
5. Financial assets as held for sale	744	-386	358	2	10	-	10	368
Total 31.12.2022	**9,968**	**-4,689**	**5,279**	**2,984**	**496,761**	**-1,929**	**495,738**	**501,017**
Total 31.12.2021	**18,197**	**-10,422**	**7,775**	**7,035**	**644,028**	**-2,058**	**642,998**	**650,773**

(millions of euro)

Portfolios/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-27	21	43,403
2. Hedging derivatives	-	-	8,774
Total 31.12.2022	**-27**	**21**	**52,177**
Total 31.12.2021	**-26**	**21**	**48,538**

A.1.3 Breakdown of financial assets by past-due brackets (book value)

(millions of euro)

Portfolios/risk stages	STAGE 1			STAGE 2			STAGE 3			PURCHASED OR ORIGINATED CREDIT-IMPAIRED		
	Between 1 and 30 days	Between 30 and 90 days	Over 90 days	Between 1 and 30 days	Between 30 and 90 days	Over 90 days	Between 1 and 30 days	Between 30 and 90 days	Over 90 days	Between 1 and 30 days	Between 30 and 90 days	Over 90 days
1. Financial assets measured at amortised cost	1,281	128	245	498	358	119	142	142	2,547	4	3	146
2. Financial assets measured at fair value through other comprehensive income	45	-	49	-	-	-	-	-	-	-	-	-
3. Non-current financial assets held for sale	-	-	-	-	-	-	4	5	277	-	-	10
Total 31.12.2022	**1,326**	**128**	**294**	**498**	**358**	**119**	**146**	**147**	**2,824**	**4**	**3**	**156**
Total 31.12.2021	**1,634**	**194**	**137**	**2,428**	**475**	**169**	**264**	**180**	**5,166**	**3**	**6**	**237**

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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*
Total opening adjustments	**-**	**520**	**22**	**-**	***542***	**-**	**-**	**1,503**	**11**	**-**	***1,514***	**-**
Changes in increase from financial assets acquired or originated	-	218	5	-	*223*	-	-	1	-	-	*1*	-
Cancellations other than write-offs	-	-59	-9	-	*-68*	-	-	-100	-1	-	*-101*	-
Net value adjustments / write-backs for credit risk	2	-206	4	-	*-200*	-	-	-82	37	-	*-45*	-
Contractual changes without cancellations	-	7	-	-	*7*	-	-	15	-	-	*15*	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other variations	-	5	-	-	*5*	-	-	34	-	-	*34*	-
Total closing adjustments	**2**	**485**	**22**	**-**	***509***	**-**	**-**	**1,371**	**47**	**-**	***1,418***	**-**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

(millions of euro)

Reasons/risk stages	**TOTAL ADJUSTMENTS**										
	Stage 3 assets						**Purchased or originated credit-impaired financial assets**				
	On demand due from banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*
Total opening adjustments	**-**	**7,339**	**35**	**2,843**	***10,217***	**-**	**165**	**-**	**26**	***191***	**-**
Changes in increase from financial assets acquired or originated	-	-	-	-	-	-	X	X	X	*X*	*X*
Cancellations other than write-offs	-	-4,058	-	-2,651	*-6,709*	-	-56	-	-26	*-82*	-
Net value adjustments / write-backs for credit risk	-	1,150	1	-	*1,151*	-	6	-	-	*6*	-
Contractual changes without cancellations	-	61	-	-	*61*	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	-435	-	-103	*-538*	-	-35	-	-	*-35*	-
Other variations	-	72	-	289	*361*	-	46	-	8	*54*	-
Total closing adjustments	**-**	**4,129**	**36**	**378**	***4,543***	**-**	**126**	**-**	**8**	***134***	**-**
Recoveries from financial assets subject to write-off	-	38	-	-	*38*	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	-75	-	-	*-75*	-	-10	-	-	*-10*	-

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions – continued –

(millions of euro)

Reasons/risk stages	**TOTAL PROVISIONS ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN**				**TOTAL**
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given impaired purchased or originated	
Total opening adjustments	**97**	**91**	**179**	**-**	**12,831**
Changes in increase from financial assets acquired or originated	4	-	-	-	**228**
Cancellations other than write-offs	-3	-2	-	-	**-6,965**
Net value adjustments / write-backs for credit risk	-27	38	48	-	**971**
Contractual changes without cancellations	-	-	-	-	**83**
Changes in the estimation methodology	-	-	-	-	**-**
Write-offs non recorded directly in the income statement	-	-	-	-	**-573**
Other variations	-	-1	1	-	**454**
Total closing adjustments	**71**	**126**	**228**	**-**	**7,029**
Recoveries from financial assets subject to write-off	-	-	-	-	**38**
Write-offs recorded directly in the income statement	-	-	-	-	**-85**

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)

(millions of euro)

Portfolios/risk stages	**GROSS AMOUNTS/NOMINAL VALUE**					
	Transfers between Stage 1 and Stage 2		**Transfers between Stage 2 and Stage 3**		**Transfers between Stage 1 and Stage 3**	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
1. Financial assets measured at amortised cost	19,877	18,316	1,082	437	1,075	108
2. Financial assets measured at fair value through other comprehensive income	721	-	-	-	-	-
3. Non-current financial assets held for sale	-	-	-	-	-	-
4. Commitments to provide funds and financial guarantees issued	17,593	5,729	280	16	426	12
Total 31.12.2022	**38,191**	**24,045**	**1,362**	**453**	**1,501**	**120**
Total 31.12.2021	**44,715**	**34,444**	**1,144**	**355**	**1,526**	**132**

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
A. Loans measured at amortized cost	**2,162**	**2,884**	**207**	**99**	**315**	**27**
A.1 subject to EBA-compliant moratoria	-	-	-	-	-	-
A.2 Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	2	16	1	-	-	-
A.3 subject to COVID-19-related forbearance measures	190	3	74	89	30	-
A.4 newly originated loans	1,970	2,865	132	10	285	27
B. Loans and advances valued at fair value with an impact on overall profitability	**-**	**-**	**-**	**-**	**-**	**-**
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	-	-	-	-	-	-
Total 31.12.2022	**2,162**	**2,884**	**207**	**99**	**315**	**27**
Total 31.12.2021	**7,691**	**900**	**204**	**13**	**536**	**11**

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 "Other forborne loans" contains information regarding the loans subject to the COVID-19 support measures that meet the conditions of "forborne exposures" as defined by the current supervisory reports, and have not been included in the category "EBA-compliant moratoria loans" since the date forbearance was granted or since the date on which they no longer comply with the 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.1.6 On- and off-balance sheet credit exposures to banks: gross and net values

(millions of euro)

Type of exposure/amounts	**Gross exposure**					**Total adjustments and total provisions for credit risk**					**Net exposure**	**Total partial write-offs**
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE SHEET EXPOSURES												
A.1 ON DEMAND	**94,857**	**94,695**	**162**	**-**	**-**	**-2**	**-2**	**-**	**-**	**-**	**94,855**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	94,857	94,695	162	X	-	-2	-2	-	X	-	94,855	-
A.2 OTHERS	**40,651**	**39,035**	**272**	**52**	**-**	**-48**	**-19**	**-13**	**-16**	**-**	**40,603**	**-**
a) Bad loans	4	X	-	4	-	-4	X	-	-4	-	-	-
- of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	48	X	-	48	-	-12	X	-	-12	-	36	-
- of which: forborne exposures	*48*	*X*	-	*48*	-	*-12*	*X*	-	*-12*	-	*36*	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	40,599	39,035	272	X	-	-32	-19	-13	X	-	40,567	-
- of which: forborne exposures	*3*	-	*3*	*X*	-	-	-	-	*X*	-	*3*	-
TOTAL (A)	**135,508**	**133,730**	**434**	**52**	**-**	**-50**	**-21**	**-13**	**-16**	**-**	**135,458**	**-**
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing	12	X	-	12	-	-	X	-	-	-	12	-
b) Performing	134,930	88,023	675	X	-	-6	-2	-4	X	-	134,924	-
TOTAL (B)	**134,942**	**88,023**	**675**	**12**	**-**	**-6**	**-2**	**-4**	**-**	**-**	**134,936**	**-**
TOTAL (A+B)	**270,450**	**221,753**	**1,109**	**64**	**-**	**-56**	**-23**	**-17**	**-16**	**-**	**270,394**	**-**

A.1.7 On- and off-balance sheet credit exposures to customers: gross and net values

(millions of euro)

Type of exposure/Amounts	Gross exposure					Total adjustments and total provisions for credit risk					Net Exposure	Total partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE SHEET EXPOSURES												
a) Bad loans	3,025	X	-	2,839	186	-2,060	X	-	-1,971	-89	965	2,476
- of which: forborne exposures	*643*	*X*	*-*	*596*	*47*	*-404*	*X*	*-*	*-375*	*-28*	*239*	*217*
b) Unlikely to pay	6,478	X	-	6,200	138	-2,529	X	-	-2,471	-42	3,949	508
- of which: forborne exposures	*2,843*	*X*	*-*	*2,739*	*76*	*-1,020*	*X*	*-*	*-996*	*-17*	*1,823*	*180*
c) Non-performing past due exposures	413	X	-	412	2	-84	X	-	-84	-	329	-
- of which: forborne exposures	*47*	*X*	*-*	*47*	*-*	*-11*	*X*	*-*	*-11*	*-*	*36*	*-*
d) Performing past due exposures	2,944	1,755	1,059	X	5	-92	-8	-84	X	-	2,852	-
- of which: forborne exposures	*465*	*-*	*347*	*X*	*1*	*-49*	*-*	*-49*	*X*	*-*	*416*	*-*
e) Other performing exposures	464,431	417,977	36,585	X	72	-1,804	-480	-1,321	X	-3	462,627	-
- of which: forborne exposures	*6,292*	*-*	*6,138*	*X*	*17*	*-432*	*-*	*-431*	*X*	*-1*	*5,860*	*-*
TOTAL (A)	**477,291**	**419,732**	**37,644**	**9,451**	**403**	**-6,569**	**-488**	**-1,405**	**-4,526**	**-134**	**470,722**	**2,984**
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing	1,603	X	-	1,599	4	-228	X	-	-228	-	1,375	-
b) Performing	347,582	250,953	23,033	X	1	-191	-69	-122	X	-	347,391	-
TOTAL (B)	**349,185**	**250,953**	**23,033**	**1,599**	**5**	**-419**	**-69**	**-122**	**-228**	**-**	**348,766**	**-**
TOTAL (A+B)	**826,476**	**670,685**	**60,677**	**11,050**	**408**	**-6,988**	**-557**	**-1,527**	**-4,754**	**-134**	**819,488**	**2,984**

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

(millions of euro)

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	**79**	**-**	**-**	**79**	**-**	**-55**	**-**	**-**	**-55**	**-**	**24**	**-**
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	2	-	-	2	-	-1	-	-	-1	-	1	-
d) Newly originated loans	77	-	-	77	-	-54	-	-	-54	-	23	-
B. UNLIKELY TO PAY LOANS	**512**	**-**	**-**	**512**	**-**	**-130**	**-**	**-**	**-130**	**-**	**382**	**-**
a) Subject to EBA-compliant moratoria	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	1	-	-	1	-	-	-	-	-	-	1	-
c) Subject to other COVID-19-related forbearance measures	114	-	-	114	-	-27	-	-	-27	-	87	-
d) Newly originated loans	397	-	-	397	-	-103	-	-	-103	-	294	-
C. NON-PERFORMING PAST DUE LOANS	**92**	**-**	**-**	**92**	**-**	**-18**	**-**	**-**	**-18**	**-**	**74**	**-**
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	3	-	-	3	-	-1	-	-	-1	-	2	-
d) Newly originated loans	89	-	-	89	-	-17	-	-	-17	-	72	-
D. OTHER PAST DUE PERFORMING LOANS	**203**	**85**	**118**	**-**	**-**	**-2**	**-**	**-2**	**-**	**-**	**201**	**-**
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	10	-	10	-	-	-1	-	-1	-	-	9	-
d) Newly originated loans	193	85	108	-	-	-1	-	-1	-	-	192	-
E. OTHER PERFORMING LOANS	**31,975**	**28,659**	**3,315**	**-**	**1**	**-83**	**-34**	**-49**	**-**	**-**	**31,892**	**-**
a) Subject to EBA-compliant moratoria	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to outstanding moratorium measures no longer compliant with the GL and not considered forborne	48	29	19	-	-	-1	-	-1	-	-	47	-
c) Subject to other COVID-19-related forbearance measures	368	4	364	-	-	-20	-	-20	-	-	348	-
d) Newly originated loans	31,559	28,626	2,932	-	1	-62	-34	-28	-	-	31,497	-
TOTAL (A+B+C+D+E)	**32,861**	**28,744**	**3,433**	**683**	**1**	**-288**	**-34**	**-51**	**-203**	**-**	**32,573**	**-**

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.
As at 31 December 2022 such loans were less than 1 million euro and amounted to 412 thousand euro.
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 "Other forborne loans" contains information regarding the loans subject to the COVID-19 support measures that meet the conditions of "forborne exposures" as defined by the current supervisory reports, and have not been included in the category "EBA-compliant moratoria loans" since the date forbearance was granted or since the date on which they no longer comply with the 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.1.8 On-balance sheet credit exposures to banks: changes in gross non-performing exposures

(millions of euro)

Reasons/Categories	**Bad loans**	**Unlikely to pay**	**Non-performing past due exposures**
A. Initial gross exposure	**4**	**66**	**-**
- of which: exposures sold not derecognised	-	-	-
B. Increases	**-**	**-**	**-**
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	-	-	-
C. Decreases	**-**	**-18**	**-**
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	-	-	-
C.3 collections	-	-15	-
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	-	-3	-
D. Final gross exposure	**4**	**48**	**-**
- 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

(millions of euro)

Description/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposure	**66**	**9**
- of which: exposures sold not derecognised	-	-
B. Increases	**-**	**1**
B.1 inflows from performing not forborne exposures	-	-
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	-	1
C. Decreases	**-18**	**-7**
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	-15	-7
C.6 profits on disposal	-	-
C.7 losses on disposal	-	-
C.8 other decreases	-3	-
D. Final gross exposure	**48**	**3**
- 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
A. Initial gross exposure	**8,344**	**9,152**	**631**
- of which: exposures sold not derecognised	*196*	*862*	*242*
B. Increases	**1,302**	**3,106**	**547**
B.1 inflows from performing exposures	155	1,805	517
B.2 inflows from purchased or originated credit-impaired financial assets	26	129	8
B.3 transfers from other non-performing exposures categories	764	582	5
B.4 changes in contracts without derecognition	-	8	-
B.5 other increases	357	582	17
C. Decreases	**-6,621**	**-5,780**	**-765**
C.1 outflows to performing exposures	-1	-557	-107
C.2 write-offs	-475	-182	-1
C.3 collections	-435	-973	-81
C.4 profits on disposal	-1,283	-1,082	-
C.5 losses on disposal	-129	-5	-1
C.6 transfers to other non-performing exposure categories	-56	-735	-560
C.7 changes in contracts without derecognition	-	-18	-
C.8 other decreases	-4,242	-2,228	-15
D. Final gross exposure	**3,025**	**6,478**	**413**
- of which: exposures sold not derecognised	*85*	*482*	*159*

"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 163 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
A. Opening balance (gross amount)	**5,630**	**7,634**
- Sold but not derecognised	*573*	*1,767*
B. Increases	**1,545**	**2,366**
B.1 transfers from performing not forborne exposures	218	1,700
B.2.transfers from performing forborne exposures	584	X
B.3. transfers from impaired forborne exposures	X	416
B.4 inflows from forborne non-performing exposures	153	4
B.5 other increases	590	246
C. Decreases	**-3,642**	**-3,243**
C.1 Transfers to performing not forborne exposures	X	-1,364
C.2 Transfers to performing forborne exposures	-416	X
C.3 transfers to impaired exposures not forborne	X	-584
C.4 write-offs	-124	-
C.5 recoveries	-639	-792
C.6 sales proceeds	-816	-394
C.7 losses on disposals	-55	-
C.8 other decreases	-1,592	-109
D. Closing balance (gross amounts)	**3,533**	**6,757**
- Sold but not derecognised	*260*	*1,334*

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 116 million euro (non-performing) and of 222 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 portfolios sold during the year.

A.1.10 On-balance sheet non-performing credit exposures to banks: changes in total adjustments

(millions of euro)

Reasons/Categories	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*
A. Initial total adjustments	**4**	**-**	**13**	***13***	**-**	**-**
- of which: exposures sold not derecognised	-	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
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	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-1**	***-1***	**-**	**-**
C.1 recoveries on impairment losses	-	-	-1	*-1*	-	-
C.2 recoveries on repayments	-	-	-	-	-	-
C.3 profits on disposal	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-	-	-
C.6 changes in contracts without derecognition	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Final total adjustments	**4**	**-**	**12**	***12***	**-**	**-**
- of which: exposures sold not derecognised	-	-	-	-	-	-

A.1.11 On-balance sheet non-performing credit exposures to customers: changes in total adjustments

(millions of euro)

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*
A. Opening balance overall amount of writedowns	**5,998**	***1,202***	**4,303**	***1,410***	**104**	***32***
- Sold but not derecognised	*105*	*28*	*221*	*116*	*35*	*4*
B. Increases	**1,288**	***302***	**1,518**	***678***	**97**	***21***
B.1 impairment losses on acquired or originated assets	3	*X*	11	*X*	1	*X*
B. 2 other value adjustments	694	*159*	1,252	*543*	92	*21*
B.3 losses on disposal	129	*54*	5	*1*	1	-
B.4 transfer from other impaired exposure	348	*85*	129	*49*	3	-
B. 5 contractual changes without cancellations	-	-	77	*76*	-	-
B.6 other increases	114	*4*	44	9	-	-
C. Reductions	**-5,226**	***-1,100***	**-3,292**	***-1,068***	**-117**	***-42***
C.1 write-backs from assessments	-236	*-60*	-322	*-202*	-11	-
C.2 write-backs from recoveries	-77	*-19*	-111	*-78*	-1	-
C.3 gains on disposal	-4	*-1*	-13	*-7*	-	-
C.4 write-offs	-475	*-70*	-182	*-54*	-1	-
C.5 transfers to other impaired exposures	-37	*-8*	-343	*-84*	-100	*-42*
C. 6 contractual changes without cancellations	-	-	-14	*-14*	-	-
C.7 other decreases	-4,397	*-942*	-2,307	*-629*	-4	-
D. Closing overall amount of writedowns	**2,060**	***404***	**2,529**	***1,020***	**84**	***11***
- Sold but not derecognised	*46*	*8*	*106*	*45*	*31*	*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 15 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.

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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 and 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.

(millions of euro)

Exposures	EXTERNAL RATING CLASSES						UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**16,789**	**21,208**	**78,051**	**10,631**	**3,799**	**200**	**340,474**	**471,152**
- Stage 1	16,746	20,282	76,325	10,322	2,669	50	298,514	424,908
- Stage 2	43	926	1,726	307	998	99	33,020	37,119
- Stage 3	-	-	-	-	132	51	8,559	8,742
- Purchased or originated credit-impaired	-	-	-	2	-	-	381	383
B.Financial assets measured at fair value through other comprehensive income	**13,639**	**7,848**	**10,750**	**678**	**333**	**69**	**1,366**	**34,683**
- Stage 1	13,639	7,848	10,700	581	150	47	894	33,859
- Stage 2	-	-	50	97	183	8	450	788
- Stage 3	-	-	-	-	-	14	22	36
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Non-current financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**754**	**754**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	10	10
- Stage 3	-	-	-	-	-	-	726	726
- Purchased or originated credit-impaired	-	-	-	-	-	-	18	18
Total (A+B+C)	**30,428**	**29,056**	**88,801**	**11,309**	**4,132**	**269**	**342,594**	**506,589**
D. Commitments to disburse funds and financial guarantees given								
- Stage 1	10,632	25,618	145,859	13,820	3,192	141	141,018	340,280
- Stage 2	26	211	3,184	2,099	1,586	64	16,537	23,707
- Stage 3	-	-	-	-	26	-	1,585	1,611
- Purchased or originated credit-impaired	-	-	-	-	-	-	4	4
Total (D)	**10,658**	**25,829**	**149,043**	**15,919**	**4,804**	**205**	**159,144**	**365,602**
Total (A+B+C+D)	**41,086**	**54,885**	**237,844**	**27,228**	**8,936**	**474**	**501,738**	**872,191**

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.

(millions of euro)

Exposures	Internal rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost	**87,052**	**42,138**	**170,749**	**114,950**	**20,877**	**11,681**	**23,705**	**471,152**
- Stage 1	86,334	41,061	166,295	99,803	10,813	7,740	12,862	424,908
- Stage 2	717	1,076	4,444	15,114	8,633	1,943	5,192	37,119
- Stage 3	-	-	-	-	1,352	1,947	5,443	8,742
- Purchased or originated credit-impaired	1	1	10	33	79	51	208	383
B. Financial assets measured at fair value through other comprehensive income	**12,987**	**6,729**	**10,354**	**1,541**	**327**	**235**	**2,510**	**34,683**
- Stage 1	12,987	6,729	10,315	928	255	235	2,410	33,859
- Stage 2	-	-	39	613	72	-	64	788
- Stage 3	-	-	-	-	-	-	36	36
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Non-current financial assets held for sale	**-**	**-**	**-**	**7**	**195**	**452**	**100**	**754**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	7	2	1	-	10
- Stage 3	-	-	-	-	188	441	97	726
- Purchased or originated credit-impaired	-	-	-	-	5	10	3	18
Total (A+B+C)	**100,039**	**48,867**	**181,103**	**116,498**	**21,399**	**12,368**	**26,315**	**506,589**
D. Commitments and financial guarantees given								
- Stage 1	20,927	59,009	206,189	42,291	6,653	1,856	3,355	340,280
- Stage 2	73	1,119	6,116	8,000	3,115	882	4,402	23,707
- Stage 3	-	-	-	-	381	149	1,081	1,611
- Purchased or originated credit-impaired	-	-	-	-	-	-	4	4
Total (D)	**21,000**	**60,128**	**212,305**	**50,291**	**10,149**	**2,887**	**8,842**	**365,602**
Total (A+B+C+D)	**121,039**	**108,995**	**393,408**	**166,789**	**31,548**	**15,255**	**35,157**	**872,191**

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

A.3.1 Guaranteed on- and off-balance sheet credit exposures to banks

(millions of euro)

	Gross exposure	Net exposures	Collaterals (*) (1)				Personal guarantees (*) (2)	
							Credit derivatives	
			Real estate assets - mortgages	Real estate assets - finance leases	Securities	Other	CLN	Other derivatives – Central counterparties
1.Guaranteed on-balance sheet credit exposures:	**8,165**	**8,164**	**-**	**5**	**7,589**	**-**	**-**	**-**
1.1 totally guaranteed	7,925	7,924	-	5	7,589	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partly guaranteed	240	240	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**26,382**	**26,382**	**-**	**-**	**1,945**	**11,173**	**-**	**-**
2.1 totally guaranteed	4,937	4,937	-	-	1,945	824	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partly guaranteed	21,445	21,445	-	-	-	10,349	-	-
- of which non-performing	-	-	-	-	-	-	-	-

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

(millions of euro)

	Personal guarantees (*) (2)							Total
	Credit derivatives			Commitments				
	Other derivatives							
	Banks	Other financial companies	Other counterparties	Public Administration	Banks	Other financial companies	Other counterparties	(1)+(2)
1.Guaranteed on-balance sheet credit exposures:	**-**	**-**	**-**	**1**	**23**	**-**	**32**	**7,650**
1.1 totally guaranteed	-	-	-	1	3	-	32	7,630
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partly guaranteed	-	-	-	-	20	-	-	20
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**6**	**39**	**-**	**29**	**13,192**
2.1 totally guaranteed	-	-	-	3	33	-	14	2,819
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partly guaranteed	-	-	-	3	6	-	15	10,373
- 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 (*) (1)**				**Guarantees (*) (2)**	
							Credit derivatives	
			Property, Mortgages	Financial leases	Securities	Other assets	**CLN**	**Other derivatives**
								Central counterparties
1. Guaranteed on-balance sheet credit exposures:	**270,311**	**266,287**	**146,062**	**4,791**	**15,614**	**6,848**	**-**	**-**
1.1 totally guaranteed	212,797	209,633	145,017	4,611	15,426	4,769	-	-
- of which non-performing	*5,418*	*3,403*	*2,276*	*267*	*10*	*79*	-	-
1.2 partly guaranteed	57,514	56,654	1,045	180	188	2,079	-	-
- of which non-performing	*1,311*	*657*	*152*	*65*	*5*	*6*	-	-
2. Guaranteed off-balance sheet credit exposures:	**43,727**	**43,656**	**1,625**	**52**	**3,848**	**3,416**	**-**	**-**
2.1 totally guaranteed	32,381	32,332	1,210	10	3,714	1,318	-	-
- of which non-performing	*260*	*232*	*32*	-	*2*	*7*	-	-
2.2. partly guaranteed	11,346	11,324	415	42	134	2,098	-	-
- of which non-performing	*129*	*114*	*11*	-	-	*25*	-	-

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

(millions of euro)

	Personal guarantees (*) (2)							**Total**
	Credit derivatives			**Commitments**				
	Other derivatives							**(1)+(2)**
	Banks	Other financial companies	Other counterparties	Public administration	Banks	Other financial companies	Other counterparties	
1. Guaranteed on-balance sheet credit exposures	**-**	**-**	**-**	**46,053**	**660**	**1,092**	**24,520**	**245,640**
1.1 totally guaranteed	-	-	-	20,496	485	578	16,960	208,342
- of which non-performing	-	-	-	*355*	-	*26*	*384*	*3,397*
1.2 partly guaranteed	-	-	-	25,557	175	514	7,560	37,298
- of which non-performing	-	-	-	*274*	-	*3*	*47*	*552*
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**1,670**	**389**	**740**	**23,704**	**35,444**
2.1 totally guaranteed	-	-	-	1,002	133	703	19,626	27,716
- of which non-performing	-	-	-	*30*	-	*1*	*160*	*232*
2.2. partly guaranteed	-	-	-	668	256	37	4,078	7,728
- of which non-performing	-	-	-	*7*	-	-	*31*	*74*

(*) 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
A. Property and equipment	**146**	**148**	**-16**	**132**	**13**
A.1 Used in operations	-	-	-	-	-
A.2. Investment	73	65	-4	61	3
A.3 Inventories	73	83	-12	71	10
B. Equities and debt securities	**367**	**367**	**-176**	**191**	**-**
C. Other assets	**-**	**-**	**-**	**-**	**-**
D. Non-current assets held for sale and discontinued operations	**-**	**-**	**-**	**-**	**-**
D.1 Property and equipment	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 31.12.2022	**513**	**515**	**-192**	**323**	**13**
Total 31.12.2021	**450**	**456**	**-156**	**300**	**16**

As at 31 December 2022, 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 61 million euro in investment properties (40 million euro in buildings and 21 million euro in land) and 71 million euro in real estate stock (essentially buildings).

The equities and debt securities, with a book value of 191 million euro (24 million euro as Equity investments, mainly relating to the investment in Risanamento S.p.A. and other minor investments, 117 million euro as Financial assets mandatorily measured at fair value and 50 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

(millions of euro)

Exposures/Counterparties	Public administration		Financial companies		Financial companies (of which: insurance companies)	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures						
A.1 Bad loans	71	-177	6	-22	-	-
- of which: forborne exposures	-	-	*1*	*-1*	-	-
A.2 Unlikely to pay	152	-23	103	-166	-	-
- of wich: forborne exposures	*22*	*-4*	*16*	*-57*	-	-
A.3 Non-performing past due exposures	2	-	1	-	-	-
- of which: forborne exposures	-	-	-	-	-	-
A.4 Performing exposures	75,558	-92	68,862	-103	599	-
- of wich: forborne exposures	*12*	-	*140*	*-4*	-	-
Total (A)	**75,783**	**-292**	**68,972**	**-291**	**599**	**-**
B. Off-balance sheet exposures						
B.1 Non-performing exposures	91	-6	22	-2	-	-
B.2 Performing exposures	26,367	-6	105,607	-27	10,308	-
Total (B)	**26,458**	**-12**	**105,629**	**-29**	**10,308**	**-**
Total (A+B) 31.12.2022	**102,241**	**-304**	**174,601**	**-320**	**10,907**	**-**
Total (A+B) 31.12.2021	**137,304**	**-261**	**169,741**	**-565**	**9,314**	**-**

(millions of euro)

Exposures/Counterparties	Non-financial companies		Households	
	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures				
A.1 Bad loans	612	-1,256	276	-605
- of which: forborne exposures	*174*	*-316*	*64*	*-87*
A.2 Unlikely to pay	2,396	-1,609	1,298	-731
- of which: forborne exposuress	*1,143*	*-750*	*642*	*-209*
A.3 Non-performing past due exposures	124	-35	202	-49
- of which: forborne exposures	*17*	*-5*	*19*	*-6*
A.4 Performing exposures	176,428	-1,107	144,631	-594
- of which: forborne exposures	*4,530*	*-380*	*1,594*	*-97*
Total (A)	**179,560**	**-4,007**	**146,407**	**-1,979**
B. Off-balance sheet exposures				
B.1 Non-performing exposures	1,230	-213	32	-7
B.2 Performing exposures	204,085	-144	10,658	-14
Total (B)	**205,315**	**-357**	**10,690**	**-21**
Total (A+B) 31.12.2022	**384,875**	**-4,364**	**157,097**	**-2,000**
Total (A+B) 31.12.2021	**397,600**	**-9,512**	**152,406**	**-2,471**

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

(millions of euro)

Exposures/Geographical areas		Italy		Other european countries	
		Net exposures	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures					
A.1 Non-performing loans		954	-1,902	1	-59
A.2 Unlikely to pay		3,697	-2,375	72	-44
A.3 Non-performing past due exposures		327	-84	2	-
A.4 Performing exposures		360,122	-1,611	62,769	-214
Total (A)		**365,100**	**-5,972**	**62,844**	**-317**
B. Off-balance sheet exposure					
B.1 Non-performing exposures		1,264	-221	8	-1
B.2 Performing exposures		166,040	-140	99,334	-41
Total (B)		**167,304**	**-361**	**99,342**	**-42**
Total (A+B)	**31.12.2022**	**532,404**	**-6,333**	**162,186**	**-359**
Total (A+B)	**31.12.2021**	**570,270**	**-12,319**	**163,819**	**-246**

(millions of euro)

Exposures/Geographical areas		America		Asia		Rest of the world	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures							
A.1 Non-performing loans		9	-67	1	-32	-	-
A.2 Unlikely to pay		16	-63	43	-29	121	-18
A.3 Non-performing past due exposures		-	-	-	-	-	-
A.4 Performing exposures		25,443	-45	12,446	-19	4,699	-7
Total (A)		**25,468**	**-175**	**12,490**	**-80**	**4,820**	**-25**
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures		1	-	12	-	90	-6
B.2 Performing exposures		68,018	-7	11,089	-2	2,236	-1
Total (B)		**68,019**	**-7**	**11,101**	**-2**	**2,326**	**-7**
Total (A+B)	**31.12.2022**	**93,487**	**-182**	**23,591**	**-82**	**7,146**	**-32**
Total (A+B)	**31.12.2021**	**90,472**	**-148**	**26,639**	**-63**	**5,851**	**-33**

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B.2 bis Breakdown of relations with customers resident in Italy by geographical area

(millions of euro)

Exposures/Geographical areas	North West		North East		Centre		South and islands	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures								
A.1 Bad loans	252	-579	171	-314	236	-386	295	-623
A.2 Unlikely to pay	1,415	-852	517	-408	911	-578	854	-537
A.3 Non-performing past due exposures	98	-26	43	-11	72	-18	114	-29
A.4 Performing exposures	128,429	-676	69,304	-245	106,987	-367	55,402	-323
Total A	**130,194**	**-2,133**	**70,035**	**-978**	**108,206**	**-1,349**	**56,665**	**-1,512**
B. Off-balance sheet exposures								
B.1 Non-performing exposures	418	-52	463	-83	269	-73	114	-13
B.2 Performing exposures	73,224	-100	31,158	-14	48,114	-15	13,544	-11
Total B	**73,642**	**-152**	**31,621**	**-97**	**48,383**	**-88**	**13,658**	**-24**
Total (A+B) 31.12.2022	**203,836**	**-2,285**	**101,656**	**-1,075**	**156,589**	**-1,437**	**70,323**	**-1,536**
Total (A+B) 31.12.2021	**217,651**	**-4,649**	**100,280**	**-2,199**	**183,694**	**-2,862**	**68,645**	**-2,609**

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

(millions of euro)

Exposures / Geographical Areas	Italy		Other european countries	
	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures				
A.1 Bad loans	-	-	-	-1
A.2 Unlikely to pay	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	107,971	-3	18,407	-22
Total (A)	**107,971**	**-3**	**18,407**	**-23**
B. Off-balance sheet exposures				
B.1 Non-performing exposures	-	-	-	-
B.2 Performing exposures	9,251	-	104,267	-5
Total (B)	**9,251**	**-**	**104,267**	**-5**
Total (A+B) 31.12.2022	**117,222**	**-3**	**122,674**	**-28**
Total (A+B) 31.12.2021	**139,351**	**-4**	**119,806**	**-12**

(millions of euro)

Exposures / Geographical Areas	America		Asia		Rest of the world	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures						
A.1 Bad loans	-	-	-	-3	-	-
A.2 Unlikely to pay	35	-12	-	-	1	-
A.3 Non-performing past due exposures	-	-	-	-	-	-
A.4 Performing exposures	5,824	-1	2,331	-1	889	-7
Total (A)	**5,859**	**-13**	**2,331**	**-4**	**890**	**-7**
B. Off-balance sheet exposures						
B.1 Non-performing exposures	2	-	-	-	10	-
B.2 Performing exposures	6,836	-	10,985	-	2,406	-1
Total (B)	**6,838**	**-**	**10,985**	**-**	**2,416**	**-1**
Total (A+B) 31.12.2022	**12,697**	**-13**	**13,316**	**-4**	**3,306**	**-8**
Total (A+B) 31.12.2021	**11,007**	**-13**	**12,615**	**-4**	**3,562**	**-6**

B.3 bis Breakdown of relations with banks resident in Italy by geographical area

(millions of euro)

Exposures/Geographical areas	NORTH WEST		NORTH EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	8,551	-2	2,800	-	96,612	-1	8	-
TOTAL A	**8,551**	**-2**	**2,800**	**-**	**96,612**	**-1**	**8**	**-**
B. Off-balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	6,837	-	749	-	1,660	-	5	-
TOTAL B	**6,837**	**-**	**749**	**-**	**1,660**	**-**	**5**	**-**
TOTAL (A+B) 31.12.2022	**15,388**	**-2**	**3,549**	**-**	**98,272**	**-1**	**13**	**-**
TOTAL (A+B) 31.12.2021	**12,500**	**-3**	**1,258**	**-**	**125,388**	**-1**	**205**	**-**

B.4 Large exposures

Large exposures	
a) Book value (millions of euro)	381,549
b) Weighted value (millions of euro)	26,890
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 125,180 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 111,644 million euro and a weighted value of 1,489 million euro, and exposures to the Bank of Italy for 93,047 million euro and a weighted value of 757 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

(millions of euro)

Type of securitised asset/ Exposure	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**7,401**	**6**	**49**	**-10**	**16**	**-11**
- Loans to businesses (including SMEs) (a)	3,661	7	35	-9	5	-11
- Leases (b)	3,203	-1	13	-	10	-
- Residential mortgage loans (a)	537	-	1	-1	-	-
- Consumer credit	-	-	-	-	1	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**24,824**	**4**	**97**	**7**	**413**	**-3**
- Loans to businesses (including SMEs) (c) (d)	17,457	7	85	7	225	-
- Residential mortgage loans (d)	3,281	-1	12	-	160	-3
- Leases (d)	2,421	-1	-	-	12	-
- Commercial mortgage loans (d)	1,665	-1	-	-	16	-
TOTAL	**32,225**	**10**	**146**	**-3**	**429**	**-14**

(a) The entire amount refers to non-performing financial assets.
Loans to businesses (including SMEs) refer to the Savoy, Kerma, Yoda and Sirio, Grogu and Kerdos securitisations (see the 2018, 2019, 2020 and 2021 Consolidated financial statements, respectively, for details about the transactions) and the Organa transaction (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).
(b) The amounts include the Portland securitisation relating to credit-impaired financial assets for amounts of 6 million euro - senior and 4 million euro - mezzanine, respectively (net of adjustment). See the 2021 Consolidated Financial Statements for a description of the transaction. They also include the Teseo transaction relating to performing financial assets (described in the paragraph on "Qualitative information" in the Note to the consolidated financial statements).
(c) The exposures include non-performing financial assets amounting to 29 million euro in Senior exposures, 53 million euro in Mezzanine exposures and 17 million euro in Junior exposures, respectively (net of adjustments).
(d) The captions also include performing amounts associated with the synthetic securitisations originated by the Bank.

Off-balance sheet

This type of exposure did not exist as at 31 December 2022.

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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)	1,526	-34	120	-7	2	-1
Residential mortgage loans	876	-12	91	-1	-	-
Trade receivables	457	-	4	-	3	-
Consumer credit	213	-2	16	-1	-	-
Securitisations	167	-1	-	-	-	-
Commercial mortgage loans	126	-3	32	-1	-	-
Covered bonds	36	-	16	-1	-	-
Leases	4	-	4	-	2	-
Other assets (a)	10,707	-6	-	-	-	-
TOTAL	**14,112**	**-58**	**283**	**-11**	**7**	**-1**

(a) The amount also includes the Romulus securities for 6.778 million, held by Intesa Sanpaolo, generally represented among third-party securitisations, as well as loans to the vehicle Duomo Funding Plc for 3.541 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)	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(a) With regard to the transactions carried out through Duomo Funding Plc and funded by ABCP, the Bank has granted credit lines (amounting to 6,576 million euro in terms of net exposures and 3 million euro of recoveries) to secure the assets included under Other assets in Table C.2 on-balance sheet exposures.

C.3 Securitisation vehicles

(millions of euro)

	REGISTERED OFFICE	CONSOLIDATION (a)	ASSETS (f)			LIABILITIES (f)		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Augusto S.r.l. (e)	Milano	(b)	-	-	2	13	-	-
Berica ABS 3 S.r.l.	Vicenza	(b)	197	-	13	-	18	115
Brera Sec S.r.l. (d)	Conegliano Veneto (TV)	(b)	16,319	-	594	13,869	-	2,652
Clara Sec S.r.l. (d)	Conegliano Veneto (TV)	(b)	6,442	-	2,378	6,350	-	824
Diocleziano S.r.l. (e)	Milano	(b)	1	-	1	48	-	-
Giada Sec S.r.l. (d)	Conegliano Veneto (TV)	(b)	21,803	-	3,825	16,860	-	8,425
ISP CB Ipotecario S.r.l. (c)	Milano	(b)	16,631	-	4,877	-	18,612	-
ISP CB Pubblico S.r.l. (c)	Milano	(b)	1,943	1,212	823	-	3,897	-
ISP OBG S.r.l. (c)	Milano	(b)	54,200	-	6,533	-	60,537	-
UBI Finance S.r.l. (c)	Milano	(b)	8,574	-	777	-	9,241	-

(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 2021)

(f) The amounts shown under assets and liabilities refer to the total values reported in the financial statements of the special purpose vehicles

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

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

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
Teseo SPV S.r.l. (a)	-	3,644	-	(b)	0%	0%	0%	0%	0%	0%
Total	**-**	**3,644**	**-**	**-**						

(a) Vehicle used for the new traditional securitisation of performing lease receivables. For a description, reference is made to the paragraph on Qualitative information of the Notes to the consolidated financial statements.

(b) Collections of 129 million euro remained with the vehicle, as the first payment date will be in March 2023.

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*
A. Financial assets held for trading	**599**	**-**	***599***	***X***	**615**	**-**	***615***
1. Debt securities	391	-	*391*	*X*	395	-	*395*
2. Equities	208	-	*208*	*X*	220	-	*220*
3. Loans	-	-	-	*X*	-	-	-
4. Derivatives	-	-	-	*X*	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	*X*	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**7,645**	**-**	***7,645***	**-**	**7,739**	**-**	***7,739***
1. Debt securities	7,645	-	*7,645*	-	7,739	-	*7,739*
2. Equities	-	-	-	*X*	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**3,903**	***27***	***3,876***	***3***	**3,685**	***18***	***3,667***
1. Debt securities	3,876	-	*3,876*	-	3,667	-	*3,667*
2. Loans	27	*27*	-	*3*	18	*18*	-
TOTAL 31.12.2022	**12,147**	***27***	***12,120***	***3***	**12,039**	***18***	***12,021***
TOTAL 31.12.2021	**13,794**	***98***	***13,696***	***10***	**13,937**	***67***	***13,870***

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 the 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	31.12.2022	31.12.2021
A. Financial assets held for trading		**599**	**-**	**599**	**656**
1. Debt securities		391	-	391	455
2. Equities		208	-	208	201
3. Loans		-	-	-	-
4. Derivatives		-	-	-	-
B. Other financial assets mandatorily measured at fair value		**-**	**-**	**-**	**-**
1. Debt securities		-	-	-	-
2. Equities		-	-	-	-
3. Loans		-	-	-	-
C. Financial assets designated at fair value		**-**	**-**	**-**	**-**
1. Debt securities		-	-	-	-
2. Loans		-	-	-	-
D. Financial assets measured at fair value through other comprehensive income		**7,645**	**-**	**7,645**	**9,945**
1. Debt securities		7,645	-	7,645	9,945
2. Equities		-	-	-	-
3. Loans		-	-	-	-
E. Financial assets measured at amortised cost (fair value)		**3,351**	**-**	**3,351**	**3,107**
1. Debt securities		3,324	-	3,324	3,009
2. Loans		27	-	27	98
Total financial assets		**11,595**	**-**	**11,595**	**13,708**
Total related financial liabilities		**12,038**	**-**	**12,038**	**13,937**
Net value	**31.12.2022**	**-443**	**-**	**-443**	**X**
Net value	**31.12.2021**	**-229**	**-**	**X**	**-229**

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 2022, 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.

Back2Bonis Fund

In implementation of the derisking envisaged in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, in the third quarter of 2020 the Intesa Sanpaolo Group begun the deconsolidation of a portfolio of credit exposures (including real estate assets and contracts) classified as unlikely to pay with real estate underlying held by the Parent Company, accompanied by their conversion into units of the securities fund called Back2Bonis. The transaction, the closing of which took place at the end of 2020, took the form for the Bank (including the transactions undertaken in 2019 and 2020 by UBI Banca, merged in 2021) of the sale of a portfolio of loans, short-term legal relationships and legal relationships and assets from lease receivables for a total gross amount of 351 million euro and net exposure of 164 million euro, accompanied by the subscription of the units of the Back2Bonis Fund for an amount of 164 million euro, substantially in line with the net value of the loans and receivables sold. The transaction was completed through: (i) the sale to the securitisation vehicle Ampre S.r.l. of the bank receivables and the lease receivables; (ii) the sale to Ampre LeaseCo S.r.l. of the legal relationships and assets arising from the leases; (iii) the sale of the short-term revolving contracts and the related legal relationships and receivables of Intesa Sanpaolo, together with the medium/long-term contracts with residual disbursements and the related legal relationships, other than the lease relationships and assets through the fronting bank provided by Banca Finanziaria Internazionale S.p.A.; (iv) the subscription by the Back2Bonis Fund of all the securities issued by the securitisation vehicle; and (v) the acquisition by Intesa Sanpaolo of the units of the Fund in exchange for the loans and receivables sold.
In 2022, additional loans were sold, for a gross amount of 1 billion euro and net exposure of 216 million euro, accompanied by the subscription of units of the Back2Bonis Fund, for an amount of 216 million euro, with the sale price offset against the subscription price of the Fund's units, without significant effects on the income statement for 2022.
The Back2Bonis fund, established in the form of a closed-end mutual fund whose units can only be subscribed by professional investors, is a multi-originator platform for the management of Real Estate Small & Medium Size loans classified as UTP, deriving from loans and credit lines granted to companies operating in the real estate sector or to real estate funds (including those not fully disbursed/drawn down at the time of sale). Following the completion of the transfer of the loans and receivables to the platform, Intesa Sanpaolo had deconsolidated the loans and receivables and recognised the Fund's units in place of those loans and receivables. The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
- "Production companies" at 79.9%;
- "Construction companies" at 12.9%;
- "Real estate business" at 3.5%;
- "Financial and insurance business" at 2.6%;
- and a residual amount in other business sectors (Services, Transport and Manufacturing Activities).

The assets of the assigned debtors were broken down as follows by geographical area:
- 92.2% North-West;
- 3.5% North-East;
- 3.2% South and Islands.

At 31 December 2022, the Parent Company held a 55.4% stake (with voting rights limited to 35%) in the Back2Bonis Fund, classified among investments subject to significant influence, for a book value of 385 million euro.

FI.NAV. Fund

In pursuit of the de-risking activities provided for in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, in the fourth quarter of 2018 the Intesa Sanpaolo Group had launched the contribution to the FI.NAV. Fund (a closed-end Italian securities umbrella fund) of a portfolio of non-performing secured and unsecured loans attributable to the shipping sector. The Fund, reserved for institutional investors, is managed by the asset management company 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, dedicated to receiving the loans transferred by the Intesa Sanpaolo Group and Unicredit, and FI.NAV. Sub-fund B - New Finance, dedicated to receiving the capital of third-party investors to relaunch the "repossessed" ships. The transaction, formulated in 2018, was closed in 2019 through a sale of receivables without recourse for total gross consideration of 155 million euro and a net exposure of 102 million euro, equal to the sale price, set off against the price of subscription of the Fund units and, therefore, without any effects on the income statement for 2019. In the first quarter of 2020, a further tranche was sold without recourse for a gross amount of 37 million euro and a net value of 34 million euro, in line with the sale price and, therefore, with no impact on the income statement for 2020. Pursuant to IFRS 9, for the Intesa Sanpaolo Group the transaction entailed the derecognition of the loans sold since the Fund has become solely responsible for managing them following the sale; the Intesa Sanpaolo Group had therefore derecognised the

loans concerned, while recognising the corresponding fair value of the units of the Fund assigned. The Group companies involved in the transaction were the Parent Company Intesa Sanpaolo and some of its subsidiaries merged in 2019 and 2020 (Cassa di Risparmio in Bologna and Mediocredito, both merged in 2019, and Banca IMI, merged in 2020). In December 2022 the sale of a loan portfolio was finalised for a gross amount of 74 million euro and net exposure of 37 million euro, accompanied by the subscription of the units of the fund for an amount essentially in line with the value of the exposure sold, without significant effects on the income statement for 2022.
The economic sector of the assigned debtors was mainly concentrated in Transport. The transferred financial assets are primarily in the South and Islands area.
At 31 December 2022, the Parent Company held a 50.54% stake in the FI.NAV. Fund, classified among investments subject to significant influence, for a book value of 155 million euro. The measurement of the FI.NAV. Fund yielded a positive effect, as a writeback during the year, of 5 million euro.

RSCT Fund – Loans Sub-Fund

As part of the derisking envisaged in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, the Intesa Sanpaolo Group had identified the opportunity to transfer assets (loans and securities) relating to non-performing positions to the closed-end RSCT Fund, in exchange for units of the fund. The project was managed by Pillarstone, which had selected a portfolio of industrial and commercial companies with the objective of helping each of them to identify a strategy for maximising the potential for debt recovery, also through injections of new finance. The transaction took place in May 2020 with the transfer of a portfolio of loans with 18 companies originated by the Group (Intesa Sanpaolo and Banca IMI, subsequently merged into Intesa Sanpaolo on 20 July 2020), Unicredit, BPER Banca and Crédit Agricole to the newly established closed-end alternative investment RSCT Fund, managed by 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 (Intesa Sanpaolo and Banca IMI) at a net value of 255 million euro, substantially in line with the sale price. In July 2020, a further sale was completed of a loan position for a gross amount of 6.3 million euro at a value of 4.5 million euro, with the sale price offset against the subscription price of the Fund's units. In February 2021, a sale was completed of a loan position for a gross amount of 21.3 million euro at a value of 13.9 million euro, with the sale price offset against the subscription price of the Fund's units. In March 2021, a sale was completed of a loan position deriving from the absorption of UBI Banca for a gross amount of 3.1 million euro and a net exposure of 1.2 million euro, with the concurrent subscription of units of the RSCT Fund for 1.3 million euro, essentially aligned with the net value of the transferred loans. In June 2021, a further sale was completed of a loan position for a gross amount of 0.4 million euro at a value of 0.1 million euro, with the sale price offset against the subscription price of the Fund's units. By economic sector, the assigned debtors are 72% concentrated in "Companies that install electrical equipment", 18% in "Amusement and theme parks" and 10% in "Retail sale of footwear and accessories". The transferred financial assets are primarily in the North-west area. At 31 December 2022, the Parent Company held a 70.07% stake in the RSCT Fund, classified among investments subject to significant influence, for a book value of 256 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 2021, 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.

In 2022, the investment of the Bank in the IDEA CCR Fund changed due to: i) the inclusion of the stake held by UBI Leasing S.p.A., merged into Intesa Sanpaolo in May 2022, which had sold loan positions to the IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-Fund in 2019 for a total gross amount of 5 million euro and a net exposure of 3 million euro, with the sale price offset against the subscription price, in the same amount, of the Fund units, and ii) the sale of A1 units held by Intesa Sanpaolo in the Fund to Banca Nazionale del Lavoro S.p.A.. The receivable held by Intesa Sanpaolo in relation to the sale was settled by offsetting with the purchase of units of Back2Bonis. The swap generated a profit recognised in the income statement of 4 million euro. As at 31 December 2022, Intesa Sanpaolo held a 19.98% 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 46 million euro. The measurement of the IDEA CCR II Fund yielded a positive effect on the income statement for the year of 4 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 sub-funds: loans, new finance and shipping. Following the merger of UBI Banca, Intesa Sanpaolo also has an interest in the Shipping Sub-Fund, with a stake in the IDEA CCR II Fund - Shipping Sub-Fund. In 2018, UBI Banca, which during 2021 was merged into Intesa Sanpaolo, had sold loans with a total gross amount of 45 million euro and a net exposure of 31 million euro. As at 31 December 2022, 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 11 million euro. The measurement of the IDEA CCR Corporate Credit Recovery II Fund - Shipping Sub-fund yielded a positive effect of 3 million euro during the year.

Clessidra Restructuring Fund

Clessidra Restructuring Fund (CRF Fund) is a closed-ended alternative investment fund reserved for institutional investors, dedicated to investing in loans classified as unlikely to pay to previously identified industrial companies. In September 2019, UBI Banca, which during 2021 was merged into Intesa Sanpaolo, had sold loans to five borrowers with a total gross amount of 17 million euro and a net exposure of 11 million euro, with concurrent subscription of the units of the CRF Fund for an amount essentially in line with the net value of the transferred loans. The economic sector of the assigned debtors was mainly concentrated in "Manufacture of wooden doors and manufacture of furniture". The transferred financial assets are primarily in the North-west area. As at 31 December 2022, Intesa Sanpaolo held a 4.34% stake in the CRF Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 9 million euro. The measurement of the Clessidra Restructuring Fund yielded a positive effect of 1 million euro during the year.

UTP Italia Fund – Loans Sub-Fund

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

- "Production Companies" at 80%;
- "Companies with fewer than 20 workers" at 9.1%;
- and a residual amount in other business sectors (Consumer households, Other financial intermediaries).

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

- 35.0% North-West;
- 18.3% North-East;
- 32.6% South and Islands;
- 14.1% Centre;

As at 31 December 2022, Intesa Sanpaolo held a 27.58% stake in the UTP Italia Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 25 million euro.

Efesto

Efesto is an alternative closed-end Italian securities fund (AIF). In July 2022 the sale of loans was finalised for a gross amount of 17 million euro and net exposure of 9 million euro, accompanied by the subscription of the units of the fund for an amount of 7 million euro, without significant effects on the income statement for 2022. The economic sector of the assigned debtor is "Production Companies". The financial asset sold is located in the North-west area. As at 31 December 2022, Intesa Sanpaolo held a 2.44% stake in the Efesto fund, classified among Financial assets mandatorily measured at fair value, for a book value of 8 million euro. The measurement of the Efesto fund yielded a positive effect of 1 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.
As at 31 December 2022, loans and securities sold to the vehicle had a book value of 3.2 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, 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 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.
During 2022 the tenth series was fully subject to early redemption, for a total nominal amount of 250 million euro, and the twelfth series was partially redeemed for 225 million euro.
Therefore, as at 31 December 2022, a total nominal amount of 3.1 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP CB Pubblico was outstanding, fully subscribed by the Bank.
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 38.4 billion euro (net of retrocessions).
During 2022, the following additional transactions were also finalised:

- in January, repurchases for an amount of 116 million euro;
- in May, a sale for an amount of 2.7 billion euro.

As at 31 December 2022, the loans sold to the vehicle had a book value of 16.6 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 34.9 billion euro (of which a total of 20.6 billion euro subject to early redemption or matured at December 2022).
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.
During 2022, two series matured for an amount of 2.2 billion euro and one series was issued for an amount of 1 billion euro.
Accordingly, as at 31 December 2022, a total nominal amount of 14.3 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 8.4 billion placed with third party investors and 5.9 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 94.4 billion euro (net of exclusions).
In 2022, Intesa Sanpaolo sold mortgages to the vehicle for an original total nominal value of 12 billion euro (net of exclusions). The following sales were carried out:

- in June, sales for an amount of 6.2 billion euro;
- in November, sales for a total of 6.0 billion euro.

In addition, the following loans were repurchased in 2022:

- in January, for an amount of 281 million euro.

As at 31 December 2022, the loans sold to the vehicle by Intesa Sanpaolo had a book value of 54.2 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 rating.
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.
During 2022, the forty-seventh series was issued for 10 million euro.
Accordingly, as at 31 December 2022, a total nominal amount of 45.9 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP OBG was outstanding, fully subscribed by Intesa Sanpaolo.

The fourth programme was launched by the former UBI Banca Group in 2008.
Former UBI Banca, merged into Intesa Sanpaolo S.p.A. during 2021, included two covered bond programmes, run by two special purpose vehicles named UBI Finance S.r.l. and UBI Finance CB2 S.r.l., respectively. The latter was closed in January 2021.
The programme still provides Intesa Sanpaolo with the right to issue securities, targeted to institutional investors, for a maximum amount of 15 billion euro. The Programme includes residential mortgage loans assigned by the UBI Group's network banks. These banks participated in the programme as Originator Banks and Lending Banks.
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.
During 2022, four series matured for a total amount of 1.4 billion euro.
As at 31 December 2022 a total nominal amount of 7.7 billion euro of issues made as part of the covered bond programme of the vehicle UBI Finance was outstanding, of which 7.5 billion placed with third party investors and 0.2 billion retained.
As at 31 December, the bonds under the programme were assigned an Aa3 rating from Moody's and AA from DBRS Morningstar.
In 2022, Intesa Sanpaolo sold mortgages to the vehicle for an original total nominal value of 751 million euro.
The following transactions were carried out:

- in June, a sale for an amount of 823 million euro;
- in February, repurchases for an amount of 72 million euro.

As at 31 December 2022, the loans sold to the vehicle had a book value of 8.6 billion euro.

(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						3,978	21	3,897	-	-		
ISP CB IPOTECARIO						21,508	33	18,612	8,702	8,328	0	
	Intesa Sanpaolo 11/26 5,25%	Residential mortgage loans	17/02/2011	17/02/2026	Moody's Aa3				100	105	Securities issued	Amortised cost
	Intesa Sanpaolo 11/31 5,375%	Residential mortgage loans	17/02/2011	17/02/2031	Moody's Aa3				300	319	Securities issued	Amortised cost
	Intesa Sanpaolo 11/27 5,25%	Residential mortgage loans	16/09/2011	16/09/2027	Moody's Aa3				210	208	Securities issued	Amortised cost
	Intesa Sanpaolo 13/25 3,375%	Residential mortgage loans	24/01/2013	24/01/2025	Moody's Aa3				1,000	989	Securities issued	Amortised cost
	Intesa Sanpaolo 14/26 3,25%	Residential mortgage loans	10/02/2014	10/02/2026	Moody's Aa3				1,250	1,254	Securities issued	Amortised cost
	Intesa Sanpaolo 15/25 1,375%	Residential mortgage loans	18/12/2015	18/12/2025	Moody's Aa3				1,250	1,136	Securities issued	Amortised cost
	Intesa Sanpaolo 16/23 0,625%	Residential mortgage loans	23/03/2016	23/03/2023	Moody's Aa3				1,249	1,251	Securities issued	Amortised cost
	Intesa Sanpaolo 17/27 1,125%	Residential mortgage loans	16/06/2017	16/06/2027	Moody's Aa3				1,000	869	Securities issued	Amortised cost
	Intesa Sanpaolo 07/25 1,125%	Residential mortgage loans	13/07/2018	14/07/2025	Moody's Aa3				1,000	936	Securities issued	Amortised cost
	Intesa Sanpaolo 03/24 0,5%	Residential mortgage loans	05/03/2019	05/03/2024	Moody's Aa3				1,000	961	Securities issued	Amortised cost
	Intesa Sanpaolo 04/30 FRN	Residential mortgage loans	16/02/2018	12/04/2030	Moody's Aa3				343	300	Securities issued	Amortised cost
ISP OBG						60,733	192	60,537	-	-		
UBI FINANCE						9,351	65	9,241	7,497	7,108		
	Intesa Sanpaolo 14/24 3,125%	Residential mortgage loans	05/02/2014	05/02/2024	Moody's Aa3 DBRS Morningstar AA				999	1,023	Securities issued	Amortised cost
	Intesa Sanpaolo 14/25 1,25%	Residential mortgage loans	07/11/2014	07/02/2025	Moody's Aa3 DBRS Morningstar AA				1,000	964	Securities issued	Amortised cost
	Intesa Sanpaolo 15/23 1%	Residential mortgage loans	27/10/2015	27/01/2023	Moody's Aa3 DBRS Morningstar AA				1,249	1,260	Securities issued	Amortised cost
	Intesa Sanpaolo 16/26 0,375%	Residential mortgage loans	14/09/2016	14/09/2026	Moody's Aa3 DBRS Morningstar AA				1,000	893	Securities issued	Amortised cost
	Intesa Sanpaolo 17/27 1,125%	Residential mortgage loans	04/10/2017	04/10/2027	Moody's Aa3 DBRS Morningstar AA				1,250	1,126	Securities issued	Amortised cost
	Intesa Sanpaolo 18/30 1,25%	Residential mortgage loans	15/01/2018	15/01/2030	Moody's Aa3 DBRS Morningstar AA				500	437	Securities issued	Amortised cost
	Intesa Sanpaolo 18/24 0,5%	Residential mortgage loans	15/01/2018	15/07/2024	Moody's Aa3 DBRS Morningstar AA				749	716	Securities issued	Amortised cost
	Intesa Sanpaolo 18/33 1,78%	Residential mortgage loans	23/02/2018	23/02/2033	Moody's Aa3 DBRS Morningstar AA				90	79	Securities issued	Amortised cost
	Intesa Sanpaolo 18/33 1.75%	Residential mortgage loans	26/02/2018	25/02/2033	Moody's Aa3 DBRS Morningstar AA				160	141	Securities issued	Amortised cost
	Intesa Sanpaolo 19/25 1%	Residential mortgage loans	25/02/2019	25/09/2025	Moody's Aa3 DBRS Morningstar AA				500	469	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.

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 0.35%, down on the figure at the end of 2021 (0.40%), as a result of the activities of derisking and improvement in the credit quality recorded in the second half of the year, partly offset by the increased risk from counterparties involved in the Russia-Ukraine conflict.

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 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 449 million euro, -463 million euro and 107 million euro, respectively, at the end of 2022. This latter figure was down compared to the end of 2021, when it was 1,401 million euro. The reduction was impacted by both the change in the rules of indexation of operations with the ECB, made at the end of October, and the rise in short-term market rates, which resulted in increased responsiveness of on demand deposits from customers envisaged by the behavioural model.

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 -1,502 million euro during 2022 and amounted to -871 million euro at year-end (-1,577 million euro at the end of 2021). The reduction in the last few months of 2022 originates from the effect of the increase in interest rates, as well as derivatives to hedge loans and the decrease in the HTCS securities portfolio.

Interest rate risk, measured in terms of VaR (99% confidence level, 10-day holding period), amounted to an average of 589 million euro during 2022, with a maximum value of 797 million euro and a minimum value of 368 million euro, equal to the figure at the end of December 2022.

Price risk generated by minority stakes in listed companies, mostly held in the HTCS Portfolio and measured in terms of VaR, recorded an average level during 2022 of 188 million euro, with maximum and minimum values of 222 million euro and 87 million euro, respectively, amounting to 87 million euro at the end of 2022 (230 million euro at the end of 2021). The deviations in the values were mainly due to volatility in the markets recorded during 2022.

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 above-mentioned quoted assets.

Price risk: impact on Shareholders' Equity

(millions of euro)

		Impact on shareholders' equity at 31.12.2022	Impact on shareholders' equity at 30.09.2022	Impact on shareholders' equity at 30.06.2022	Impact on shareholders' equity at 31.03.2022	Impact on shareholders' equity at 31.12.2021
Price shock	10%	73	147	146	166	177
Price shock	-10%	-73	-147	-146	-166	-177

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	Yen	Swiss franc	Australian dollar	Other currencies
A. FINANCIAL ASSETS	**56,504**	**4,877**	**3,125**	**334**	**4,547**	**5,358**
A.1 Debt securities	7,726	661	2,457	-	854	416
A.2 Equities	776	90	-	34	-	707
A.3 Loans to banks	32,774	1,991	479	124	2,383	3,058
A.4 Loans to customers	15,228	2,135	189	176	1,310	1,177
A.5 Other financial assets	-	-	-	-	-	-
B. OTHER ASSETS	**2,505**	**365**	**24**	**-**	**105**	**781**
C. FINANCIAL LIABILITIES	**57,159**	**3,889**	**1,086**	**404**	**3,110**	**2,822**
C.1 Due to banks	42,516	1,805	446	338	2,927	2,250
C.2 Due to customers	2,026	358	12	66	164	478
C.3 Debt securities	12,617	1,726	628	-	19	94
C.4 Other financial liabilities	-	-	-	-	-	-
D. OTHER LIABILITIES	**1,489**	**679**	**27**	**73**	**50**	**932**
E. FINANCIAL DERIVATIVES						
- Options						
long positions	*5,552*	*133*	*406*	*53*	*65*	*383*
short positions	*5,707*	*195*	*340*	*37*	*69*	*788*
- Other derivatives						
long positions	*61,447*	*11,027*	*3,196*	*5,859*	*1,524*	*12,842*
short positions	*62,319*	*11,571*	*5,291*	*5,745*	*3,075*	*14,099*
TOTAL ASSETS	**126,008**	**16,402**	**6,751**	**6,246**	**6,241**	**19,364**
TOTAL LIABILITIES	**126,674**	**16,334**	**6,744**	**6,259**	**6,304**	**18,641**
DIFFERENCE (+/-)	**-666**	**68**	**7**	**-13**	**-63**	**723**

As of 31 December 2022, the presentation of the "Breakdown by currency of assets and liabilities and of derivatives" has been aligned with the prudential approach in compliance with the new methodological framework introduced by the EBA Guidelines on the treatment of structural FX under Article 352(2) of Regulation (EU) No 575/2013 (CRR).

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 managerial VaR.
Foreign exchange risk expressed by equity investments in foreign currency (banking book) originated a VaR (99% confidence level, 10-day holding period) amounting to 126 million euro as at 31 December 2022. 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 2022 approximately 97% 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 2022 accounting for approximately 3% 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.

(millions of euro)

Transaction categories	Exposure at default (EAD)			
	31.12.2022		31.12.2021	
	Standardised models	Internal Method (EPE)	Standardised models	Internal Method (EPE)
Derivative contracts	327	12,437	332	16,363

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 18 billion euro for Intesa Sanpaolo, while the collateral paid equals approximately 18.5 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

(millions of euro)

Underlying asset/Type of derivatives	31.12.2022				31.12.2021			
	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	**2,301,865**	**286,344**	**81,194**	**109,527**	**1,933,669**	**302,251**	**76,452**	**167,501**
a) Options	-	69,046	7,878	1,004	-	69,216	6,169	6,868
b) Swaps	2,301,865	217,298	71,440	-	1,933,669	233,035	68,777	-
c) Forwards	-	-	1,607	-	-	-	1,469	-
d) Futures	-	-	269	108,523	-	-	37	160,633
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indices	**-**	**6,415**	**25,135**	**5,860**	**-**	**4,799**	**28,198**	**2,480**
a) Options	-	5,946	25,126	3,932	-	4,792	28,189	609
b) Swaps	-	469	9	-	-	7	9	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	1,928	-	-	-	1,871
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	**-**	**158,325**	**15,921**	**7**	**-**	**172,779**	**15,290**	**104**
a) Options	-	27,661	1,274	4	-	22,637	1,181	89
b) Swaps	-	35,971	2,612	-	-	44,252	3,829	-
c) Forwards	-	94,406	11,167	-	-	105,707	9,504	-
d) Futures	-	-	-	3	-	-	-	15
e) Other	-	287	868	-	-	183	776	-
4. Commodities	**-**	**4,042**	**1,077**	**1,640**	**-**	**3,068**	**1,070**	**1,698**
5. Other underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,301,865**	**455,126**	**123,327**	**117,034**	**1,933,669**	**482,897**	**121,010**	**171,783**

The notional amounts shown as at 31 December 2022 in the column "Over the counter" with central counterparties relate to interest rate derivatives settled through legal clearing for a total of 2,302 billion euro.

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A.2 Financial trading derivatives: gross positive and negative fair value – breakdown by product

(millions of euro)

Type of derivative	31.12.2022				31.12.2021			
	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	-	1,575	592	54	-	1,743	789	26
b) Interest rate swaps	83,520	11,050	2,098	-	39,039	10,033	5,337	-
c) Cross currency swaps	-	1,617	201	-	-	1,295	264	-
d) Equity swaps	-	21	2	-	-	-	-	-
e) Forwards	-	1,867	228	-	-	895	100	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	721	170	-	-	752	190	-
Total	**83,520**	**16,851**	**3,291**	**54**	**39,039**	**14,718**	**6,680**	**26**
2. Negative fair value								
a) Options	-	1,810	6,290	44	-	1,842	6,306	19
b) Interest rate swaps	80,573	12,503	3,868	-	39,252	14,130	855	-
c) Cross currency swaps	-	1,458	876	-	-	1,141	859	-
d) Equity swaps	-	21	-	-	-	-	-	-
e) Forwards	-	1,294	360	-	-	1,146	208	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	556	186	-	-	752	417	-
Total	**80,573**	**17,642**	**11,580**	**44**	**39,252**	**19,011**	**8,645**	**19**

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 147 million euro (positive fair value of 75,959 million euro and negative fair value of 75,812 million euro). The difference relates to transactions originated by customers and Group companies for a positive clearing amount of 4,384 million euro (positive fair value of 5,741 million euro and negative fair value of 1,357 million euro), shown under financial assets held for trading, and to transactions on own account for a negative clearing amount of 4,237 million euro (positive fair value of 70,218 million euro and negative fair value of 74,455 million euro), shown in financial liabilities held for trading Financial liabilities held for trading were also affected by the positive result of clearing of hedging derivative contracts for 417 million euro (positive fair value of 9,998 million euro and negative fair value of 9,581 million euro).

A.3 Over the counter financial trading derivatives: notional amounts, gross positive and negative fair value by counterparty

(millions of euro)

Underlying asset	Central Counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	7,108	16,278	57,808
- positive fair value	X	253	608	1,333
- negative fair value	X	-291	-502	-3,543
2) Equities and stock indices				
- notional amount	X	14,141	5,250	5,744
- positive fair value	X	518	41	3
- negative fair value	X	-817	-151	-5,013
3) Foreign exchange rates and gold				
- notional amount	X	1,460	1,421	13,040
- positive fair value	X	34	11	343
- negative fair value	X	-672	-24	-392
4) Commodities				
- notional amount	X	-	114	963
- positive fair value	X	-	8	139
- negative fair value	X	-	-19	-156
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included under netting agreements				
1) Debt securities and interest rates				
- notional amount	2,301,865	214,779	57,603	13,962
- positive fair value	83,520	8,313	3,441	315
- negative fair value	-80,573	-10,941	-1,504	-1,066
2) Equities and stock indices				
- notional amount	-	2,423	3,977	15
- positive fair value	-	129	64	3
- negative fair value	-	-102	-325	-
3) Foreign exchange rates and gold				
- notional amount	-	113,292	34,172	10,861
- positive fair value	-	2,625	867	376
- negative fair value	-	-1,814	-655	-675
4) Commodities				
- notional amount	-	349	1,725	1,968
- positive fair value	-	48	218	452
- negative fair value	-	-38	-189	-333
5) Other				
- 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	854,316	1,048,224	766,863	2,669,403
A.2 Financial derivatives on equities and stock indices	11,116	19,142	1,292	31,550
A.3 Financial derivatives on foreign exchange rates and gold	126,651	35,001	12,594	174,246
A.4 Financial derivatives on commodities	2,632	2,487	-	5,119
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2022	**994,715**	**1,104,854**	**780,749**	**2,880,318**
Total 31.12.2021	**743,576**	**1,035,500**	**758,500**	**2,537,576**

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)
1. Protection purchases		
a) Credit default products	7,582	68,356
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2022	**7,582**	**68,356**
Total 31.12.2021	**7,531**	**67,468**
2. Protection sales		
a) Credit default products	8,090	65,183
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2022	**8,090**	**65,183**
Total 31.12.2021	**8,243**	**63,098**

As at 31 December 2022, 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 31.12.2022	Total 31.12.2021
1. Positive fair value		
a) Credit default products	954	2,248
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**954**	**2,248**
2. Negative fair value		
a) Credit default products	943	2,341
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**943**	**2,341**

As at 31 December 2022, 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

(millions of euro)

	Central counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Protection purchases				
− notional amount	X	-	-	275
− positive fair value	X	-	-	22
− negative fair value	X	-	-	-
2) Protection sales				
− notional amount	X	-	36	8
− positive fair value	X	-	-	-
− negative fair value	X	-	-	-8
Contracts included under netting agreements				
1) Protection purchases				
− notional amount	53,496	11,408	10,759	-
− positive fair value	15	167	147	-
− negative fair value	-421	-77	-83	-
2) Protection sales				
− notional amount	53,235	10,787	9,207	-
− positive fair value	410	80	113	-
− negative fair value	-13	-184	-157	-

As at 31 December 2022, 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

(millions of euro)

Underlying/Residual maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
1. Protection sales	7,767	64,581	925	73,273
2. Protection purchases	8,088	67,174	676	75,938
Total 31.12.2022	**15,855**	**131,755**	**1,601**	**149,211**
Total 31.12.2021	**9,145**	**135,970**	**1,225**	**146,340**

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 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 contracts also include contracts entered into through clearing houses.

C. Hedging of foreign investments

In 2022, 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 "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 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)

Underlying asset/Type of derivative	31.12.2022				31.12.2021			
	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	**322,529**	**12,617**	**4,039**	**-**	**253,223**	**10,980**	**3,262**	**-**
a) Options	-	1,587	-	-	-	1,851	-	-
b) Swaps	322,529	11,030	4,039	-	253,223	9,129	2,514	-
c) Forwards	-	-	-	-	-	-	748	-
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	**-**	**9,119**	**-**	**-**	**-**	**9,420**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	9,119	-	-	-	9,420	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**322,529**	**21,736**	**4,039**	**-**	**253,223**	**20,400**	**3,262**	**-**

The average notional amount in the year of the financial hedging derivatives was 312,086 million euro.
The notional amounts shown as at 31 December 2022 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 323 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 31.12.2022				Total 31.12.2021				Total 31.12.2022	Total 31.12.2021
	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	-	75	-	-	-	26	-	-	-47	-114
b) Interest rate swap	17,193	848	333	-	2,816	580	28	-	18,312	2,505
c) Cross currency swap	-	323	-	-	-	483	-	-	-92	68
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**17,193**	**1,246**	**333**	**-**	**2,816**	**1,089**	**28**	**-**	**18,173**	**2,459**
Negative fair value										
a) Options	-	1	-	-	-	2	-	-	1	2
b) Interest rate swap	12,471	991	2	-	5,238	1,686	10	-	13,360	5,743
c) Cross currency swap	-	768	-	-	-	356	-	-	1,015	378
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	1	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**12,471**	**1,760**	**2**	**-**	**5,238**	**2,044**	**11**	**-**	**14,376**	**6,123**

The amounts shown as at 31 December 2022 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 positive difference of 417 million euro (positive fair value of 9,998 million euro and negative fair value of 9,581 million euro), represented among financial liabilities held for trading.

A.3 Over the counter financial hedging derivatives: notional amounts, gross positive and negative fair values by counterparty

(millions of euro)

Underlying asset	Central counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	-	4,039	-
- positive fair value	X	-	333	-
- negative fair value	X	-	-2	-
2) Equities and stock indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange rates and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included under netting agreements				
1) Debt securities and interest rates				
- notional amount	322,529	10,936	1,681	-
- positive fair value	17,193	880	44	-
- negative fair value	-12,471	-475	-517	-
2) Equities and stock indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange rates and gold				
- notional amount	-	7,544	1,575	-
- positive fair value	-	293	29	-
- negative fair value	-	-444	-324	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- 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	80,899	139,147	119,139	339,185
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on foreign exchange rates and gold	480	3,481	5,158	9,119
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2022	**81,379**	**142,628**	**124,297**	**348,304**
Total 31.12.2021	**54,791**	**115,786**	**106,308**	**276,885**

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.
With reference to the benchmarks being wound down as at 31 December 2021, the transition activities have been successfully completed for all these benchmarks. Specifically, with regard to the remaining hedging derivative contracts still outstanding as at 31 December 2021 with an underlying EONIA benchmark rate (EONIA OIS), as well as the contracts with the EONIA as the collateral benchmark remuneration rate, no positions were open as at 31 December 2022.
It is also noted that the exposures relating to hedging derivative contracts linked to the Libor to be wound down as at 31 December 2021 (mainly in relation to those expressed in GBP, CHF, JPY and EUR) were no longer present from the initial months of 2022.

With regard to hedging derivative contracts linked to the USD LIBOR, the transition must be carried out by 30 June 2023 (the last date of publication of only the one-week and two-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 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.
Specifically, as at 31 December 2022 fair value hedge derivatives indexed to the USD LIBOR amounted to a notional value of 13,218 million euro, accounting for 4% of the Bank's total fair value hedge derivatives. As at 31 December 2021 fair value hedge derivatives indexed to the EONIA amounted to a notional value of 4 million euro, those indexed to the USD LIBOR to a notional value of 16,416 million euro and those indexed to the LIBOR in other currencies to a notional value of 62 million euro, accounting for 6% of the Bank's total fair value hedge derivatives.
The amounts as at 31 December 2022 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 2022. 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 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)	Micro-hedges			Macro-hedges: book value
			Cumulative fair value changes (hedged instrument)	Termination of hedging: residual cumulative fair value changes	Changes in value used to assess hedge ineffectiveness	
A. Assets						
1. Financial assets designated at fair value through other comprehensive income – hedging of:	**27,772**	**-**	**-4,948**	**-2,221**	**-4,575**	**-**
1.1 Debt securities and interest rates	25,576	-	-4,919	-2,214	-4,566	x
1.2 Equities and stock indices	-	-	-	-	-	x
1.3 Foreign exchange rates and gold	-	-	-	-	-	x
1.4 Loans	-	-	-	-	-	x
1.5 Other	2,196	-	-29	-7	-9	x
2. Financial assets measured at amortised cost - hedging of:	**33,694**	**-**	**-2,563**	**-1,028**	**-2,535**	**94,452**
1.1 Debt securities and interest rates	33,273	-	-2,762	-1,028	-2,737	x
1.2 Equities and stock indices	-	-	-	-	-	x
1.3 Foreign exchange rates and gold	-	-	-	-	-	x
1.4 Loans	-	-	-	-	-	x
1.5 Other	421	-	199	-	202	x
Total 31.12.2022	**61,466**	**-**	**-7,511**	**-3,249**	**-7,110**	**94,452**
Total 31.12.2021	**75,148**	**-**	**2,698**	**190**	**2,773**	**71,378**
B. Liabilities						
1. Financial liabilities measured at amortised cost - hedging of:	**51,337**	**-**	**-3,843**	**-370**	**-3,783**	**110,232**
1.1 Debt securities and interest rates	45,671	-	-3,212	-66	-3,199	x
1.2 Foreign exchange rates and gold	-	-	-	-	-	x
1.3 Other	5,666	-	-631	-304	-584	x
Total 31.12.2022	**51,337**	**-**	**-3,843**	**-370**	**-3,783**	**110,232**
Total 31.12.2021	**59,246**	**-**	**650**	**3**	**809**	**59,980**

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
A. Cash flow hedge				
1. Assets		**641**	**-432**	**-**
1.1 Debt securities and interest rates		641	-432	-
1.2 Equities and stock indices		-	-	-
1.3 Foreign exchange rates and gold		-	-	-
1.4 Loans		-	-	-
1.5 Other		-	-	-
2. Liabilities		**192**	**22**	**-**
1.1 Debt securities and interest rates		192	22	-
1.2 Foreign exchange rates and gold		-	-	-
1.3 Other		-	-	-
Total (A)	**31.12.2022**	**833**	**-410**	**-**
Total (A)	**31.12.2021**	**-751**	**-604**	**-**
B. Hedges of foreign investments		X	-	-
Total (A+B)	**31.12.2022**	**833**	**-410**	**-**
Total (A+B)	**31.12.2021**	**-751**	**-604**	**-**

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
Initial amount	**-604**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Fair value changes (effective portion)	194	-	-	-	-	-	-	-	-	-
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*
Final amount	**-410**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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
A. Financial derivatives				
1) Debt securities and interest rates				
- notional amount	1,650,362	-	-	-
- positive net fair value	564	-	-	-
- negative net fair value	-	-	-	-
2) Equities and stock indices				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
3) Foreign exchange rates and gold				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. Credit derivatives				
1) Protection purchases				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Protection sales				
- 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 clearing amount, which had a total net positive value of 564 million euro (positive fair value of 85,957 million euro and negative fair value of 85,393 million euro), attributable to a positive result of 147 million euro from trading derivatives and a positive result of 417 million euro from hedging derivatives, is presented in Part B of the Notes to the financial statements, for operations on behalf of customers and Group companies (trading derivatives) among Financial assets held for trading for 4,384 million euro and operations on own account (trading derivatives and hedging derivatives) among Financial liabilities held for trading for 3,820 million euro, respectively.

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 liquidability.

Currency of denomination: Euro

(millions of euro)

Type/Residual 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	Unspecified maturity
A. Cash assets	**131,154**	**12,504**	**3,719**	**16,687**	**20,416**	**20,843**	**31,366**	**155,164**	**177,149**	**3,383**
A.1 Government bonds	6	8	9	22	516	843	490	7,547	40,607	-
A.2 Other debt securities	1,025	1,050	945	4,820	161	345	470	5,313	18,974	-
A.3 Quotas of UCI	2,120	-	-	-	-	-	-	-	-	-
A.4 Loans	128,003	11,446	2,765	11,845	19,739	19,655	30,406	142,304	117,568	3,383
- Banks	98,772	3,077	467	1,086	1,232	1,889	1,897	7,659	832	3,253
- Customers	29,231	8,369	2,298	10,759	18,507	17,766	28,509	134,645	116,736	130
B. Cash liabilities	**364,479**	**3,124**	**798**	**3,461**	**15,767**	**51,812**	**7,339**	**102,383**	**26,760**	**-**
B.1 Deposits and current accounts	330,821	1,112	771	2,047	8,083	3,952	1,442	5,299	490	-
- Banks	6,142	1,107	755	1,817	7,481	3,401	1,044	4,902	372	-
- Customers	324,679	5	16	230	602	551	398	397	118	-
B.2 Debt securities	26	1	27	1,399	3,221	1,027	5,057	48,022	22,555	-
B.3 Other liabilities	33,632	2,011	-	15	4,463	46,833	840	49,062	3,715	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	425	6,927	2,351	8,596	25,704	5,716	7,116	14,522	8,313	-
- Short positions	455	8,139	2,174	8,252	12,659	4,297	6,242	13,007	12,670	-
C.2 Financial derivatives without exchange of capital										
- Long positions	24,691	67	1	117	171	419	850	-	-	-
- Short positions	26,970	29	11	154	314	539	867	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	59,559	-	-	-	-	-	-	-	-	-
- Short positions	-	55,800	109	1,213	2,295	70	-	53	19	-
C.4 Irrevocable commitments to lend funds										
- Long positions	105	10,950	-	1	459	447	1,304	15,484	770	-
- Short positions	29,482	38	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	30	-	-	-	-	-	-	21	5	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	20	30	736	686	-
- Short positions	-	-	-	-	-	20	30	736	686	-
C.8 Credit derivatives without exchange of capital										
- Long positions	502	-	-	-	-	-	-	-	-	-
- Short positions	469	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(millions of euro)

Type/Residual 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	Unspecified maturity
A. Cash assets	**7,657**	**1,440**	**815**	**2,564**	**4,054**	**2,558**	**2,823**	**18,953**	**14,814**	**89**
A.1 Government bonds	5	-	31	2	89	144	430	4,048	11,294	-
A.2 Other debt securities	131	27	59	194	283	161	228	3,860	1,590	-
A.3 Quotas of UCI	538	-	-	-	-	-	-	-	-	-
A.4 Loans	6,983	1,413	725	2,368	3,682	2,253	2,165	11,045	1,930	89
- Banks	5,275	737	282	536	1,316	893	380	733	48	76
- Customers	1,708	676	443	1,832	2,366	1,360	1,785	10,312	1,882	13
B. Cash liabilities	**8,365**	**3,000**	**4,067**	**5,235**	**5,393**	**858**	**680**	**8,732**	**7,780**	**-**
B.1 Deposits and current accounts	6,746	930	986	1,372	1,765	534	240	458	158	-
- Banks	986	676	438	668	850	219	135	458	158	-
- Customers	5,760	254	548	704	915	315	105	-	-	-
B.2 Debt securities	1	1	1,017	331	120	132	391	7,178	6,777	-
B.3 Other liabilities	1,618	2,069	2,064	3,532	3,508	192	49	1,096	845	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	142	14,461	5,652	12,578	16,315	8,068	11,394	17,232	10,719	-
- Short positions	254	14,146	5,828	13,388	29,297	9,447	11,992	18,616	6,046	-
C.2 Financial derivatives without exchange of capital										
- Long positions	3,063	4	60	81	21	100	249	-	-	-
- Short positions	5,993	-	50	67	39	108	250	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	3,000	-	-	-	-	-	-	-	-	-
- Short positions	-	252	1,005	656	734	-	-	155	198	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	106	23	94	1,059	381	802	10,807	931	-
- Short positions	14,179	23	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	4	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	28	47	-	-
- Short positions	-	-	-	-	-	-	28	47	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	432	-	-	-	-	-	-	-	-	-
- Short positions	435	-	-	-	-	-	-	-	-	-

2. Self-securitisations

A brief illustration of the securitisations originated by Intesa Sanpaolo outstanding as at 31 December 2022 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.

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). 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.
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).
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: 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, and therefore today they have been fully subscribed by Intesa Sanpaolo.
The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

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 are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating.
As at 31 December 2022, the value of the outstanding subscribed securities was 2,831 million euro for the senior securities and 1,067 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 are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating.
As at 31 December 2022, the value of the outstanding securities was 4,523 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.
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 are listed with an A1 Moody's and an A (High) DBRS Morningstar rating.
As at 31 December 2022, the value of the outstanding securities was 6,515 million euro for the senior securities and 725 million euro for the junior securities.

Clara Sec S.r.l.
In 2020, a self-securitisation was structured involving receivables arising from performing personal loans within the consumer credit area and disbursed to consumer households.
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 transaction took place with the sale of the portfolio of loans originated by Intesa Sanpaolo to the vehicle company Clara Sec S.r.l.
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 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.
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 sale of 1.4 billion euro was finalised in February 2022, followed by a repurchase of 88 million euro in April and a sale of 1.5 billion euro in October.
As at 31 December 2022, 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.
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.

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).
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: 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, with a Moody's A1 and a DBRS Morningstar A rating, was used as collateral for refinancing operations in the Eurosystem.
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.
A sale of 1.7 billion euro was finalised in May 2022.
As at 31 December 2022, the value of the outstanding securities was 6,610 million euro for the senior securities and 3,485 million euro for the junior securities.

Giada Sec S.r.l. (Giada BIS)

In October 2022, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo, disbursed to small and medium enterprises ("SMEs"), including sole proprietorships and loans granted to corporate customers not belonging to the large corporate segment, to the special-purpose vehicle Giada Sec S.r.l.
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 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 senior security issued through the transaction, with a Moody's A1 and a DBRS Morningstar A rating, 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 15.2 billion euro.
The sale price of the portfolio was settled through the issuance of securities on 5 December 2022 for a total of 15.2 billion euro.
As at 31 December 2022, the value of the outstanding securities was 10,250 million euro for the senior securities and 4,940 million euro for the junior securities.

(millions of euro)

Vehicle	Type of security issued	Type of asset securitised	External rating	Principal as at 31.12.2022
BRERA SEC S.r.l.				
of which issued in euro				**3,898**
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / DBRS Morningstar AH	2,831
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	1,067
BRERA SEC S.r.l. (SEC 2)				
of which issued in euro				**5,383**
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / DBRS Morningstar AH	4,523
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				**7,240**
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's A1 / DBRS Morningstar AH	6,515
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 F/R 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 Smal business, SME and corporate customers	Moody's A1 / DBRS Morningstar A	6,610
Class B Asset Backed F/R Notes	Junior	Receivables from Smal business, SME and corporate customers	no rating	3,485
GIADA SEC S.r.l. (Giada BIS)				
of which issued in euro				**15,190**
Class A Asset Backed F/R Notes	Senior	Receivables from Smal business, SME and corporate customers	Moody's A1 / DBRS Morningstar A	10,250
Class B Asset Backed F/R Notes	Junior	Receivables from Smal business, SME and corporate customers	no rating	4,940
TOTAL				**48,980**

The Adriano Lease SEC S.r.l. and Brera Sec S.r.l. (SME) self-securitisations were unwound during 2022.
The former UBI Leasing, merged into Intesa Sanpaolo S.p.A. in 2022, had entered into the UBI SPV Lease 2016 S.r.l. securitisation, which was also unwound in 2022.

SECTION 5 – OPERATIONAL RISK

QUALITATIVE INFORMATION

The qualitative information, including legal risk and the tax disputes, 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 1,443 million euro as at 31 December 2022.

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 2022 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 transitional period, which ends with the last reporting date as at 31 December 2022 and is 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 Regulation (EU) 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 the phase-in percentage of 25% in 2022.
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, 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)

Captions/Amounts	31.12.2022	31.12.2021
1. Share capital	10,369	10,084
2. Share premium reserve	28,212	27,445
3. Reserves	5,369	8,175
retained earnings:	4,467	7,088
a) legal reserve	*1,545*	*1,545*
b) statutory reserve	-	-
c) own shares	-	-
d) other	*2,922*	*5,543*
other	902	1,087
3.5 Interim dividend (-)	-1,400	-1,399
4. Equity instruments	7,188	6,260
5. (Own shares)	-50	-69
6. Valuation reserves	81	855
- Equity instruments measured at fair value through other comprehensive income	-259	-183
- 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	-1,633	-395
- Property and equipment	1,669	1,492
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	-410	-604
- 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)	-45	-77
- Actuarial gains (losses) on defined benefit plans	-240	-374
- Share of valuation reserves connected with investments carried at equity	-	-
- Legally-required revaluations	999	996
7. Net income (loss)	4,284	2,948
Total	**54,053**	**54,299**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

(millions of euro)

Assets/values	Total 31.12.2022		Total 31.12.2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	24	-1,616	65	-466
2. Equity securities	113	-372	155	-338
3. Loans	11	-52	7	-1
Total	**148**	**-2,040**	**227**	**-805**

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
1. Opening balance	**-401**	**-183**	**6**
2. Positive changes	**491**	**488**	**28**
2.1. Fair value increases	167	21	6
2.2. Value adjustments for credit risk	16	-	15
2.3. Transfer to the income statement of negative reserves to be realized	308	-	7
2.4. Transfers to other equity (capital securities)	-	439	-
2.5. Other changes	-	28	-
3. Negative changes	**-1,682**	**-564**	**-75**
3.1. Fair value reductions	-1,549	-525	-74
3.2. Write-backs for credit risk	-1	-	-
3.3. Reclassification throught profit or loss of positive reserves: following disposal	-133	-	-1
3.4. Transfers to other equity (capital securities)	-	-37	-
3.5. Other changes	1	-2	-
4. Closing balance	**-1,592**	**-259**	**-41**

B.4 Valuation reserves relating to the defined benefit plans: annual changes

During the year, the reserves in question recorded a positive change in items taken to the statement of comprehensive income of 134 million euro (of which 41 million euro relating to pension funds and 93 million euro to employee termination indemnities). As at 31 December 2022 there was an overall negative reserve equal to 240 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 2022 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:

- sale by Intesa Sanpaolo Vita S.p.A. to Intesa Sanpaolo S.p.A. of 48.99% of the equity investment in Intesa Sanpaolo Smart Care S.r.l.;
- contribution from Intesa Sanpaolo S.p.A. to Acantus S.p.A. of a pledged loans business line against a specific capital increase;
- partial demerger of Fideuram – Intesa Sanpaolo Private Banking S.p.A. to Intesa Sanpaolo S.p.A. of a set of assets consisting of performing loans, the related funding and the personnel of the business line of IW Bank S.p.A. demerged to Fideuram – Intesa Sanpaolo Private Banking S.p.A. consisting of banking relationships and banking activities, performing loans and bad loans, advanced trading activities, finance activities, and management of the proprietary securities portfolio;
- merger by incorporation of UBI Leasing S.p.A. into Intesa Sanpaolo S.p.A.;
- merger by incorporation of Intesa Sanpaolo Smart Care S.r.l. into Intesa Sanpaolo S.p.A.;
- merger by incorporation of Intesa Sanpaolo Agents4You S.p.A. into Intesa Sanpaolo S.p.A.

Annual changes in goodwill

(millions of euro)

	31.12.2022
Initial goodwill	**67**
Increases	**-**
- Goodwill recorded in the year	-
- Intragroup transactions	-
- Other changes	-
Decreases	**-**
- Impairment recorded in the year	-
- Disinvestments	-
- Intragroup transactions	-
- Other changes	-
Final goodwill	**67**

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 2022.

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

No adjustments are recognised in the current year that relate to business combinations that occurred in previous reporting periods.

Part H – 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 chair 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 2.8 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 Committee for Transactions with Related Parties.

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 2022 – 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.

	31.12.2022	
	Amount (millions of euro)	Impact (%)
Total financial assets [(1)]	56,618	8.4
Total other assets [(2)]	927	5.6
Total financial liabilities [(3)]	37,402	5.7
Total other liabilities [(4)]	707	8.1

(1) Including captions 10, 20, 30, 40 and 70 of the Balance sheet assets

(2) Including captions 50, 60, 110 and 120 of the Balance sheet assets

(3) Including captions 10, 20, and 30 of the Balance sheet liabilities

(4) Including captions 40, 50, 70, 80, 90 and 100 of the Balance sheet liabilities

	31.12.2022	
	Amount (millions of euro)	Impact (%)
Total interest income	270	2.6
Total interest expense	-308	9.7
Total fee and commission income	2,119	33.2
Total fee and commission expense	-103	10.5
Total operating costs [(1)]	-180	2.0

(1) Including caption 160 of the Income statement

In relation to associates, during the year a total of around 4 million euro of writebacks to loans were recorded.

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 86 billion euro, of which 85 billion euro to subsidiaries.

(millions of euro)

	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	Shareholders (*)	Companies which the Group has notable investments in and financial links with (**)	Other companies linked to Board Members and General Managers (***)
	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*								
Cash and cash equivalents	18	182	-	200	-	-	-	-	200	-	208	-
Financial assets measured at fair value through profit or loss	816	363	235	1,414	-	229	-	-	1,643	-	2,570	-
a) financial assets held for trading	*816*	*363*	*88*	*1,267*	-	-	-	-	*1,267*	-	*2,525*	-
b) financial assets designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	*147*	*147*	-	*229*	-	-	*376*	-	*45*	-
Financial assets measured at fair value through other comprehensive income	50	-	-	50	-	-	-	-	50	-	-	-
Financial assets measured at amortised cost	14,083	1,832	11,124	27,039	71	323	18	-	27,451	-	848	2
a) due from banks	11,542	1,832	-	13,374	-	-	-	-	13,374	-	662	-
b) loans to customers	2,541	-	11,124	13,665	71	323	18	-	14,077	-	186	2
Other assets	609	34	118	761	-	42	-	-	803	-	124	-
Investments in associates and companies subject to joint control	15,820	969	5,487	22,276	-	1,370	-	-	23,646	-	-	-
Financial liabilities measured at amortised cost	28,135	397	2,158	30,690	78	644	23	46	31,481	168	2,889	5
a) due to banks	*26,674*	*356*	-	*27,030*	-	*3*	-	-	*27,033*	-	*2,705*	-
b) due to customers	*1,461*	*41*	*2,158*	*3,660*	*78*	*641*	*23*	*46*	*4,448*	*168*	*184*	*5*
Financial liabilities held for trading	1,250	490	19	1,759	-	9	-	-	1,768	-	1,091	-
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Other financial liabilities	73	5	296	374	-	21	-	1	396	13	298	-
Guarantees and committments given	90,767	3,773	8,863	103,403	370	158	6	1	103,938	15	881	-
Guarantees and committments received	94	450	11	555	10	9	7	-	581	1	10	-

(*) As a form 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 form 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 of the JP Morgan Group.

(***) As a form 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 chair 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.

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 15.2 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 granted by Intesa Sanpaolo S.p.A. to small and medium enterprises, subsequently sold to the vehicle Giada Sec. S.r.l., was approved by Intesa Sanpaolo S.p.A.'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 during the year are those that exceed the threshold of 5% of Own Funds at consolidated level (approximately 2.8 billion) or of the other indicators defined by the Consob regulation.

Most significant intragroup transactions

With regard to the 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 – during the year there were extensions with an increase in the credit ceiling in favour of the vehicle company Duomo Funding PLC.
The distribution agreement with Intesa Sanpaolo Vita S.p.A. was also renewed for a further ten years, for a total value of 6.2 billion euro.

Other significant transactions

The transactions entered into with related parties generally 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 have been extended as a form of self-regulation), these mainly consisted of ordinary transactions in financial instruments and the signing of supply contracts at market conditions.
These included the following in particular:

- service agreements with BlackRock Advisors (UK) Ltd, and those with BlackRock Investment Management (UK) Ltd, for the use of an IT platform to develop the climate risk management framework;
- transactions in OTC financial instruments carried out as part of ordinary operations with the companies of the JP Morgan Chase & Co and Blackrock Inc. groups;
- the investment in a fund managed by BlackRock Investment Management (UK) Ltd for an amount of 50 million euro.

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:

- lending transactions carried out with the counterparties Cotril S.p.A., Società per l'Aeroporto Civile di Bergamo Orio al Serio S.p.A., ISM Investimenti S.p.A., Santi S.r.l., Altaformazione S.r.l., Intermarine S.p.A., Camfin S.p.A. and Mooney S.p.A.;
- the pro-rata subscription to the capital increase approved by Bank of Qingdao Co. Ltd, in addition to the negotiation for the purchase of a further equity investment up to a maximum share of 19%, for a maximum total outlay of 270 million euro. Following the subscription to the capital increase for 176 million euro, completed in January 2022, new shares were allotted to Intesa Sanpaolo S.p.A., resulting in a total equity investment of 17.5%;
- the transactions carried out with Cassa di Risparmio di Fermo S.p.A., relating to OTC financial instruments and the sale of around 0.0666% of the Bank of Italy's capital (200 stakes at a unit price of 25,000 euro, for a total of 5 million euro);
- as part of the Group's de-risking operations, the transfer of loans by Intesa Sanpaolo S.p.A. to Back2Bonis for a value of around 216 million euro, as well as the sale of non-performing loans and related guarantees to Fondo Finav - Comparto Crediti;
- the signing of supply contracts with Destination Gusto S.r.l. and Mooney S.p.A., in addition to a partnership agreement with Marketwall S.r.l.;
- the signing of several multi-year commercial agreements, for a total value of around 1.4 billion euro, with Digit'Ed S.p.A., under the broader transaction for the sale of Intesa Sanpaolo Formazione S.p.A.;
- the multi-year advisory agreement with Equiter S.p.A., lasting up to the termination of the agreements with the EIB for a total of 20 million euro, as part of the management of funds of the National Recovery and Resilience Plan (NRRP), aimed at the development of sustainable tourism and urban regeneration through the creation of two newcos;
- the early termination of the securitisations related to UBI SPV Lease 2016 S.r.l. (for a value of 2.2 billion euro), Brera Sec S.r.l. (for a value of 1.8 billion euro) and Adriano Lease Sec S.r.l. (for a value of 1.7 billion euro);
- the hedging of a loan to Camfin S.p.A. for a value of 10 million euro;
- the modification of an existing commercial agreement with Forvalue S.p.A.;
- the subscription of a commitment of a closed venture capital fund focused on biotech initiatives, set up by Indaco Venture Partners SGR S.p.A., for a value of 20 million euro;
- the shareholder loan of around 42 million euro granted to ISM Investimenti S.p.A.

Concerning the transactions with subsidiaries carried out in 2022, 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.

Intragroup transactions included:
- the contribution of the pledged loans business line of the former UBI Banca to Acantus S.p.A.;
- the partial demerger from Fideuram - Intesa Sanpaolo Private Banking S.p.A. to Intesa Sanpaolo S.p.A. of a set of performing loans, the related funding and personnel of the former IW Bank S.p.A.;
- the merger by incorporation of UBI Leasing S.p.A. into Intesa Sanpaolo S.p.A.;
- the merger by incorporation of Intesa Sanpaolo Agents4You S.p.A. into Intesa Sanpaolo S.p.A.;
- the merger by incorporation of Intesa Sanpaolo Smart Care S.r.l. into Intesa Sanpaolo S.p.A.;
- the sale to a newco managed by Eurizon Capital Real Asset SGR S.p.A. of the equity investment held in Trasporti Romagna S.p.A., for an amount of 15 million euro, and the subsequent reinvestment of 5 million euro in a minority interest in the capital of the newco;
- the contribution to Intesa Sanpaolo Formazione S.p.A. of the Intesa Sanpaolo S.p.A. business line dedicated to training of the Group's personnel, as well as the capital contribution from shareholders to cover the liabilities acquired with the aforementioned business line;
- the acquisition of the business line of the Amsterdam branch of Intesa Sanpaolo Bank Luxembourg S.A. with consequent opening of a branch of Intesa Sanpaolo S.p.A. in Amsterdam;
- the capitalisation of Banca 5 S.p.A. for an amount of 96 million euro, aimed at increasing its equity investment in Mooney Group S.p.A., as well as the additional capital contribution of up to 10 million euro to Mooney Group S.p.A.;
- the capital strengthening of Intesa Sanpaolo Romania S.A. Commercial Bank for around 12 million euro, of Vseobecna Uverova Banka AS for 100 million euro and of Qingdao Yicai Fund Distribution Co. Ltd for around 14 million euro.

The other types of intragroup transactions included:
- the lease to the company Immit - Immobili Italiani S.r.l. of catering spaces for "Gallerie d'Italia";
- the distribution agreements with Intesa Sanpaolo Casa S.p.A. and Prestitalia S.p.A.;
- the shareholder loan and lending transaction with Risanamento S.p.A.

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.

The operations with pension funds included transactions in OTC financial instruments carried out by Intesa Sanpaolo S.p.A., as part of its ordinary operations, with the Fondo Pensioni per il Personale Cariplo.

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 13 million euro, mainly attributable to RSCT Fund Comparto Crediti for 8 million euro, Backtowork24 S.r.l. for 2 million euro, Gilda S.r.l. for 2 million euro and other minor items for 1 million euro.
For Pension Funds in which Intesa Sanpaolo is co-obliged by virtue of guarantees given, during the year uses were made related to the individual capitalisation offers for the supplementary benefits and the streamlining of the Pension 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.

Other significant subsequent events
The Extraordinary Shareholders' Meeting of the subsidiary Banca 5 S.p.A. of 28 October 2022 resolved to change its company name to Isybank S.p.A. – effective from 1 January 2023 – in line with the objectives of the 2022-2025 Business Plan, which include the transformation of that Company into the new Digital Bank of the Group in 2023.
Also worth noting is the plan for the merger by incorporation of Intesa Sanpaolo Provis S.p.A. into Intesa Sanpaolo S.p.A., which will be completed in April 2023.

B) INFORMATION REGARDING COMPENSATION OF THE MEMBERS OF MANAGEMENT AND CONTROL BODIES AND KEY MANAGERS

In accordance with the provisions of IAS 24, within the current organisational structure of the Parent Company, the following – in addition to the members of the Board of Directors (including the members of the Management Control Committee and the Managing Director and CEO) – are considered "Key Managers": the Manager responsible for preparing the Company's financial reports, the Heads of the Divisions, the Chief Officers responsible for Governance or Control Areas, the Deputy of the Head of the IMI Corporate & Investment Banking Business Division, and the Heads of the Head Office Departments reporting directly to the Managing Director and CEO or the Chair of the Board of Directors.

The following table shows the amounts of the main benefits paid in 2022 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.

(millions of euro)

	MANAGEMENT BODIES/ CONTROL BODIES(1)		OTHER MANAGERS (2)		TOTAL as at 31.12.2022	
	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid
Short-term benefits (3)	7	7	30	24	37	31
Post-employement benefits (4)	-	-	2	2	2	2
Other long-term benefits (5)	-	-	7	-	7	-
Termination benefits (6)	-	-	-	-	-	-
Share-based payments (7)	-	-	18	-	18	-
Total	**7**	**7**	**57**	**26**	**64**	**33**

(1) Includes 19 members.

(2) Includes 19 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 and PSP Plan.

As previously noted in Part H of the Notes to the consolidated financial statements, detailed information on remuneration policies, pursuant to Article 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 the Management and Control Bodies and General Managers and, in aggregate, the other Key Managers, as well as the stock option plans reserved for the Board Members, the General Managers and the 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 the other Key Managers together with the monetary incentive plans in favour of the Managing Director and CEO and the 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.

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 2017, and in implementation of the Shareholders' Meeting resolution of 27 April 2018, on 12 September 2018 the Group totally purchased - through Banca IMI[136], 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[137], 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;
- with regard to the results for 2021, and in implementation of the Shareholders' Meeting resolution of 29 April 2022, from 12 to 14 September 2022 the Group totally purchased – through its IMI Corporate & Investment Banking Division, in charge of the programme execution – 46,216,652 Intesa Sanpaolo ordinary shares (representing approximately 0.24% of the share capital of the Parent Company[138]) at an average purchase price of 1.8932 euro per share, for a total value of 87,496,321.48 euro. In addition, the purchase programme has been implemented in service of the Privredna Banka Zagreb (PBZ) Group's shared-based payment incentive system in regard to 2021 and the residual portions in financial instruments from previous plans, the Long-Term Incentive Plans reserved for the Financial Advisors of the Networks of the Fideuram - Intesa Sanpaolo Private Banking Group, as well as to grant severance payments upon early termination of employment.

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.

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[136] Merged into Intesa Sanpaolo on 20 July 2020.

[137] Merged into Intesa Sanpaolo on 20 July 2020.

[138] The percentage has been calculated, in compliance with the terms of the resolution approved at the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022, on the 19,430,463,305 ordinary shares without nominal value composing the share capital of 10,084,445,147.92 euro before the execution, on 30 June 2022, of the capital increase under the 2022-2025 LECOIP 3.0 Long-term Incentive Plan based on financial instruments (which raised the share capital to 10,368,870,930.08 euro divided into 19,977,435,963 shares) and, then, the annulment of the own shares purchased in execution of the buyback programme disclosed to the market on 24 June 2022 and launched on 4 July 2022 (the share capital composition changed following the reduction in the number of its constituent shares, while its amount remained unchanged at 10,368,870,930.08 euro). The shares purchased represented around 0.24% of the share capital when considering the 19,267,277,397 constituent shares at the time of purchase.

Long-Term Incentive Plans 2018-2021: POP and LECOIP 2.0 Plans
At the time of launching the 2018-2021 Business Plan, two 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, which ends in March 2023;
- The LECOIP 2.0 Plan targeted at Managers and the remaining personnel, which ended in March 2022.

With reference to the Top Management, Risk Takers and Key Managers, which have a direct impact on the Group's results, an instrument has been adopted that is 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 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. The estimates were subject to review during the vesting period and until the expiry. The cost of the plan, so defined, was 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 recognised a financial asset (the "transferred receivable" representing the Certificates) as a balancing entry in Shareholders' Equity. In particular, the Certificates entered in the Group's financial statements were classified, in accordance with the provisions of IFRS 9, under caption 20.c) Financial assets measured at fair value through profit or loss: Other financial assets mandatorily measured at fair value. At the same time, when the estimate made previously had to be adjusted, the cost of the plan was changed with a corresponding adjustment to Shareholders' Equity.

Long-Term Incentive Plans 2022-2025: Performance Share Plan and LECOIP 3.0 Plan
At the time of launching the 2022-2025 Business Plan, two new long-term incentive plans were launched targeting different clusters of employees:
- Performance Share Plan (PSP) reserved for the Group Management, including the Managing Director and CEO, the remaining Group Top Risk Takers and other Group Risk Takers (in Italy and abroad);
- LECOIP 3.0 Plan reserved for all the Professionals employed by the Group in Italy.

With regard to Management, Intesa Sanpaolo has adopted a plan 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 Business Plan, and which envisages the adoption of Performance Shares as a financial instrument.

In detail, the Performance Share Plan provides for the assignment of new Intesa Sanpaolo ordinary shares deriving from a capital increase without payment, upon achievement of key performance conditions of the Business Plan, subject to the application of de-multipliers based on sustainability targets, as well as subordinated to gateway conditions and individual access (compliance breach).
Any shares accrued will be paid out over a 4/5-year time horizon according to payout schedules established depending on the sub-cluster of the beneficiary, the amount of the total variable remuneration, and its weight compared to the fixed remuneration. The deferred portions are also subject to the verification of malus conditions, defined in a mirrored manner to the gateway conditions.
For Professionals, basically in line with the LECOIP 2.0 Plan, a retention plan called "LECOIP 3.0" has been structured with the aim of continuing the work of strengthening the personnel's identity and sense of belonging, consistently with the Group's inclusive organisational culture.
The LECOIP 3.0 Plan is assigned as certificates issued by JP Morgan, i.e. share-based financial instruments, and envisages:
- the assignment of newly issued ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment (Free Shares) for an amount equivalent to the Variable Result Bonus advance for 2022 (employees may opt to receive the advance in cash and, therefore, not to participate in LECOIP 3.0);
- the assignment, free of charge, of additional shares in exchange for the same share capital increase without payment (Matching Shares) based on the role held and seniority, and the subscription, in set proportions with respect to the free shares received, of newly issued ordinary Intesa Sanpaolo shares deriving from a share capital increase with payment reserved for employees, at a discounted issue price (Discounted Shares) against market value.

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, 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.
In residual cases, the amount will be paid according to specific payout schedules that provide for deferral and payment of part of the bonus in financial instruments. These schedules are differentiated according to the cluster the beneficiaries belong to when the bonus is accrued, as well as the amount of the total variable remuneration, and its weight compared to the fixed remuneration.

The Performance Share Plan and the LECOIP 3.0 Plan were subject to the approval of the ordinary Shareholders' Meeting of 29 April 2022.
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 plans.
On 21 June 2022, ISP's Board of Directors exercised the authority granted to it by the Shareholders' Meeting for capital increases in favour of the Group's employees to service the implementation of the 2022-2025 LECOIP 3.0 Plan.
Both the long-term incentive plans in question (the Performance Share Plan and the LECOIP 3.0) fall within the scope of IFRS 2 and qualify as equity-settled share-based payment plans.
For the Performance Share Plan, the fair value of the equity instruments that are subject to the plan is calculated at the assignment date. The Plan envisages the presence of service and performance conditions, which must be 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 accrual period and until the expiry. Additionally, the determination of the fair value of the plan needs to take into account the presence of "market" performance conditions.
The cost of the plan, so defined, is attributed to the income statement (as labour costs) pro rata temporis along the accrual period 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 plan (performance targets, gateway conditions and the discontinuation of employment) for the employees, if the estimate made previously needs to be adjusted, ISP changes the cost of the plan with a corresponding adjustment to Shareholders' Equity.
With regard to the LECOIP 3.0 Plan, at the assignment date, the fair value of the equity instruments that are subject to the plan is 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 must be 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 3.0 Certificate (trigger events and the discontinuation of employment) for the employees, Intesa Sanpaolo recognises a financial asset (the "transferred receivable" representing the Certificates) as a balancing entry in Shareholders' Equity. In particular, the Certificates entered in the Group's financial statements are classified, in accordance with the provisions of IFRS 9, under caption 20.c) Financial assets measured at fair value through profit or loss: Other financial assets mandatorily measured at fair value. At the same time, if the estimate made previously needs to be adjusted, the cost of the plan is changed with a corresponding adjustment to Shareholders' Equity.

B. QUANTITATIVE INFORMATION

Evolution of the annual incentive plans based on financial instruments in 2022

	Number of shares	Average strike price (euro)	Residual life
Financial instruments outstanding as at 31 December 2021	19,101,582	-	2022/2026
Financial instruments granted during the year (a)	18,825,685	-	2022/2027
Financial instruments no longer assignable (b)	132,223	-	-
Financial instruments vested during the year and assigned	17,873,589	-	-
Financial instruments outstanding as at 31 December 2022	19,921,455	-	2023/2027
of which: vested and assigned as at 31 December 2022	-	-	-

(a) Including the shares deriving from corporate transactions.

(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 2022, 512,540 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 November 2022 and October 2026.

Breakdown by residual life

Residual life (a)	**Number of shares**
2023	4,821,451
2024	7,016,650
2025	4,331,380
2026	2,560,500
2027	1,191,474

(a) Fine retention period.

Evolution of long-term share-based instruments: POP, LECOIP 2.0, Performance Share Plan (PSP) and LECOIP 3.0

	Performance-based Option Plan (POP)										
	POP options at July 2018 (a)		**POP options at 31.12.2021**					**POP options at 31 December 2022**			
	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	Average unit fair value	**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
Total beneficiaries (Top Management, Risk Takers and Key Managers)	466,827,626	0.3098	430,726,626	-	334,216,372	0.0819	-39,407	334,176,965	-	334,176,965	-

(a) Number of POP Options and the average fair value assigned to the beneficiaries (Top Management, Risk Takers and Key Managers) on July 11, 2018.

(b) Number of restructured 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.

	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 31.12.2021**	Changes in the year (c)	**Number of LECOIP Certificates at 31.12.2022**	**Average fair value 31.12.2022**
	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	59,276,287	-2,888,813	-	-

(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 SHARE PLAN (PSP)			
	Number of Performance Share at June 2022 (a)	**Changes in the year (b)**	**Number of Performance Share at 31.12.2022**	**Fair value 31.12.2022**
Total beneficiaries (all the Management, including the Managing Director and CEO, the other Group Top Risk Takers and the remaining Group Risk Takers – both Italian and foreign perimeter)	120,420,442	-1,194,749	119,225,693	0.9979

(a) Number of Performance Share assigned to the beneficiaries (all the Management, including the Managing Director and CEO, the other Group Top Risk Takers and the remaining Group Risk Takers – both Italian and foreign perimeter) on 30 June 2022.

(b) Number of Performance Shares that will not be recognized to employees in the event they fail to meet the condition of continuation of employment or other vesting conditions.

	LECOIP PLAN 3.0												
	Free Shares at June 2022		**Matching Shares at June 2022**		**Discounted Shares at June 2022**		**Sell to cover shares at June 2022 (a)**		**Total number of shares assigned at June 2022**	**Number of LECOIP Certificates at June 2022**	Changes in the year (c)	**Number of LECOIP Certificates at 31.12.2022**	**Average fair value 31.12.2022**
	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	30,964,490	1.7800	34,286,674	1.7800	344,304,070	0.3409	75,951,342	1.7800	485,506,576	65,251,164	-401,439	64,849,725	3.6670

(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.

Part L – Segment reporting

Segment reporting is provided in the consolidated financial statements.

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 2022, there were 5,845 lease contracts (6,529 as at 31 December 2021), 3,420 of which (4,036 as at 31 December 2021) relating to real estate leases, for a total value of rights of use of 920 million euro (995 million euro as at 31 December 2021). The decrease in the number of contracts was due to the activities aimed at optimising the use of spaces, which resulted in the termination of several leases.
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 2022.
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 2022 the rights of use acquired through leases amounted to 920 million euro (995 million euro as at 31 December 2021), of which 880 million euro (966 million euro as at 31 December 2021) relating to real estate leases. As at 31 December 2022 lease payables amounted to 943 million euro (1,010 million euro as at 31 December 2021). 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.

(millions of euro)

Captions	31.12.2022	31.12.2021
Depreciation charges by asset class	**-**	**-**
Property and equipment used in operations	**176**	**177**
a) buildings	146	161
b) forniture	-	-
c) electronic equipment	19	4
d) other	11	12
Property and equipment for investment	**-**	**-**
a) buildings	-	-
TOTAL	**176**	**177**

As at 31 December 2022, commitments for lease contracts not yet entered into amounted to approximately 44 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.

(millions of euro)

	31.12.2022	31.12.2021
Time bands	**Payments to be received**	**Payments to be received**
Up to 1 year	1,474	1,537
Between 1 and 2 years	1,223	1,316
Between 2 and 3 years	1,051	1,139
Between 3 and 4 years	856	977
Between 4 and 5 years	687	803
Over 5 years	1,940	2,616
Total lease payments to be received	**7,231**	**8,388**
Reconciliation with loans	-133	-305
Not accrued gains (+)	1,202	1,307
Unguaranteed residual value (-)	-1,335	-1,612
Loans for leases	**7,364**	**8,693**

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.

(millions of euro)

Finance leases	Performing exposures	Non-performing exposures
A. Real estate assets	**5,298**	**361**
B. Operating assets	**1,218**	**17**
C. Movable assets	**452**	**8**
- Motor vehicles	225	5
- Aircraft and rolling stock	227	3
- Other	-	-
D. Intangible assets	**10**	**-**
- Trademarks	10	-
- 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
A. Real estate assets	**10**	**5**	**5,644**
B. Operating assets	**-**	**-**	**1,235**
C. Movable assets	**-**	**-**	**460**
- Motor vehicles	-	-	230
- Aircraft and rolling stock	-	-	230
- Other	-	-	-
D. Intangible assets	**-**	**-**	**10**
- Trademarks	-	-	10
- Software	-	-	-
- Other	-	-	-
TOTAL	**10**	**5**	**7,349**

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	31.12.2022 Payments to be received for leases	31.12.2021 Payments to be received for leases
Up to one year	6	5
Over one year up to 2 years	5	3
Over 2 years up to 3 years	4	3
Over 3 years up to 4 years	3	5
Over 4 years up to 5 years	6	4
For over 5 years	13	11
Total	**37**	**31**

3.2. Other information

There is no other information that needs to be reported in addition to that already contained in this section.

Certification of the Parent Company's financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

4. 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 2022.

5. 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 2022 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.[139]

6. The undersigned also certify that:

   3.1 The Parent Company's financial statements as at 31 December 2022:
   - 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.

28 February 2023

Carlo Messina Managing Director and CEO	Fabrizio Dabbene Manager responsible for preparing the Company's financial reports

[139] 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.

EMARKET SDIR CERTIFIED

Independent Auditors’ Report on the Parent Company’s financial statements

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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 2022, 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 2022 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:

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Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Key Audit Matter	Audit Response
Classification and measurement of loans to customers (loans) at amortised cost	
ILoans to customers (loans) recorded in assets measured at amortised cost, line item 40 b), amount to Euro 377,407 million as at 31 December 2022 and represent approximately 55.2% of total assets in the balance sheet. The breakdown of such loans is included in tables 4.2 and 4.3 in Part B, section 4, of the notes to the 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 income statement, amount to Euro 1,650 million for the year ended 31 December 2022; the breakdown of such net impairment losses is included in table 8.1 in Part C, section 8, of the notes to the financial statements. The disclosure of the changes in the quality of the loans to customers (loans) and the classification and measurement criteria adopted 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 classification in the appropriate stage and measurement of the loans to customers (loans) are relevant for the audit both because the amount of such 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.	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 gaining of an understanding of the policies, valuation models (including the analyses of the model updates made to reflect the mentioned evolution of the macroeconomic scenario), processes and controls applied by the Bank in relation to the classification and measurement of loans to customers (loans); ▶ 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 to test their operational effectiveness; ▶ the analysis of the changes in the breakdown of loans to customers (loans) compared to the previous year and the discussion of the results with management; ▶ the performance of substantive procedures to verify, on a sample basis, the correct classification and measurement of credit exposures, also considering the overall financial exposure of the Bank in respect of the Countries involved in the conflict; ▶ the assessment, through the analysis of the supporting documentation, of the accounting for the loans' disposals occurred in the year; ▶ the assessment of the adequacy of the disclosures provided in the notes to the financial statements.

Building a better working world

The processes for the classification and measurement of loans to customers (loans) involve consideration of specific factors to reflect the current uncertainty on the evolution of the macroeconomic scenario, including the Russian-Ukrainian conflict, the increase in energy costs and the inflationary trend. Such processes consider also the overall financial exposure of the Bank towards Countries involved in the conflict.

For classification purposes, the Directors make analyses, which involve internally developed models, as well as subjective elements, 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 relevant sector or the borrowers' overall exposure to the banking system.

Measuring loans and receivables with customers is a complex activity, which requires the Directors to make estimates with a high degree of uncertainty and subjectivity, that consider many quantitative and qualitative factors, including collection histories, expected cash flows and related estimated collection dates, the 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.

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 as level 2 and level 3 of the fair value hierarchy, amount to a total assets balance of Euro 51,754 million and a total liabilities balance of Euro 54,972 million as at 31 December 2022. The breakdown of financial instruments measured at fair value on a recurring basis, classified as 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 as 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, consistent with the prevailing valuation practices, which are fed by inputs directly observable or estimated internally based on qualitative and quantitative assumptions, when not observable in the market.

The measurement of such financial instruments is relevant to the audit because their amount is significant to the financial statements as a whole and because of the multiplicity and complexity of the valuation models and parameters used as well as for the subjective estimation elements considered by the Directors.

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 gaining of an 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 comparative analysis of the portfolios with the previous year and the discussion of the results with management;
- the performance of substantive procedures in order to test fair values on a sample basis, 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, the actions taken to eliminate the relevant risks or the related safeguards applied.

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 as at 31 December 2022, 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 as at 31 December 2022 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 2022, 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 2022 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 2022 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.

Milan, 23 March 2023

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

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 2021 and the adjusted balance sheet as at 31 December 2021

Reconciliation between published income statement for 2021 and adjusted income statement for 2021

Reconciliation between adjusted/published financial statements and restated financial statements

Reconciliation between the published balance sheet as at 31 December 2021 and the restated balance sheet as at 31 December 2021

Reconciliation between published income statement for 2021 and restated income statement for 2021

Reconciliation between income statement for 2022 and restated income statement for 2022

Restated financial statements

Restated Intesa Sanpaolo balance sheet

Restated 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 restated Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

Reclassified income statement – 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 2021 and the adjusted balance sheet as at 31 December 2021

The published balance sheet as at 31 December 2021 did not require any adjustments.

Reconciliation between published income statement for 2021 and adjusted income statement for 2021

The published income statement for 2021 did not require any adjustments.

Reconciliation between adjusted/published financial statements and restated financial statements

Reconciliation between the published balance sheet as at 31 December 2021 and the restated balance sheet as at 31 December 2021

(millions of euro)

Assets		31.12.2021	Change in the reference scope (a)	31.12.2021 Restated
10.	Cash and cash equivalents	7,730	3	7,733
20.	Financial assets measured at fair value through profit or loss	51,636	19	51,655
	a) financial assets held for trading	*47,731*	*-2*	*47,729*
	b) financial assets designated at fair value	*1*	*-*	*1*
	c) other financial assets mandatorily measured at fair value	*3,904*	*21*	*3,925*
30.	Financial assets measured at fair value through other comprehensive income	52,149	-	52,149
40.	Financial assets measured at amortised cost	599,476	-1,139	598,337
	a) due from banks	*160,488*	*1*	*160,489*
	b) loans to customers	*438,988*	*-1,140*	*437,848*
50.	Hedging derivatives	1,566	-	1,566
60.	Fair value change of financial assets in hedged portfolios (+/-)	393	-	393
70.	Equity investments	23,420	-38	23,382
80.	Property and equipment	7,875	56	7,931
90.	Intangible assets	4,012	-	4,012
	of which:			
	- goodwill	*67*	*-*	*67*
100.	Tax assets	17,394	255	17,649
	a) current	*3,387*	*24*	*3,411*
	b) deferred	*14,007*	*231*	*14,238*
110.	Non-current assets held for sale and discontinued operations	1,326	2	1,328
120.	Other assets	7,263	196	7,459
Total assets		**774,240**	**-646**	**773,594**

(a) Effects connected to the absorption of UBI Leasing S.p.A. (16 May 2022), with accounting and tax effects from 1 January 2022.

(millions of euro)

	Liabilities and Shareholders' Equity	31.12.2021	Change in the reference scope (a)	31.12.2021 Restated
10.	Financial liabilities measured at amortised cost	638,920	-784	638,136
	a) due to banks	*191,156*	*111*	*191,267*
	b) due to customers	*357,474*	*-895*	*356,579*
	c) securities issued	*90,290*	-	*90,290*
20.	Financial liabilities held for trading	57,227	-	57,227
30.	Financial liabilities designated at fair value	3,675	-	3,675
40.	Hedging derivatives	3,971	-	3,971
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	60	-	60
60.	Tax liabilities	496	7	503
	a) current	*52*	*3*	*55*
	b) deferred	*444*	*4*	*448*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	25	-	25
80.	Other liabilities	10,332	18	10,350
90.	Employee termination indemnities	1,027	3	1,030
100.	Allowances for risks and charges	4,208	18	4,226
	a) commitments and guarantees given	*367*	-	*367*
	b) post-employment benefits	*245*	-	*245*
	c) other allowances for risks and charges	*3,596*	*18*	*3,614*
110.	Valuation reserves	855	-	855
120.	Redeemable shares	-	-	-
130.	Equity instruments	6,260	-	6,260
140.	Reserves	8,175	-7	8,168
145.	Interim dividend (-)	-1,399	-	-1,399
150.	Share premium reserve	27,445	-	27,445
160.	Share capital	10,084	-	10,084
170.	Treasury shares (-)	-69	-	-69
180.	Net income (loss) (+/-)	2,948	99	3,047
	Total liabilities and shareholders' equity	**774,240**	**-646**	**773,594**

(a) Effects connected to the absorption of UBI Leasing S.p.A. (16 May 2022), with accounting and tax effects from 1 January 2022.

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Reconciliation between published income statement for 2021 and restated income statement for 2021

(millions of euro)

		2021	Contribution of Training Business Line (a)	2021 Restated
10.	Interest and similar income	8,259	-	8,259
	of which: interest income calculated using the effective interest rate method	*7,756*	-	*7,756*
20.	Interest and similar expense	-2,322	-	-2,322
30.	**Interest margin**	**5,937**	**-**	**5,937**
40.	Fee and commission income	6,602	-	6,602
50.	Fee and commission expense	-929	-	-929
60.	**Net fee and commission income**	**5,673**	**-**	**5,673**
70.	Dividend and similar income	2,454	-	2,454
80.	Profits (Losses) on trading	442	-	442
90.	Fair value adjustments in hedge accounting	39	-	39
100.	Profits (Losses) on disposal or repurchase of:	683	-	683
	a) financial assets measured at amortised cost	*161*	-	*161*
	b) financial assets measured at fair value through other comprehensive income	*576*	-	*576*
	c) financial liabilities	*-54*	-	*-54*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	35	-	35
	a) financial assets and liabilities designated at fair value	*-55*	-	*-55*
	b) other financial assets mandatorily measured at fair value	*90*	-	*90*
120.	**Net interest and other banking income**	**15,263**	**-**	**15,263**
130.	Net losses/recoveries for credit risks associated with:	-2,554	-	*-2,554*
	a) financial assets measured at amortised cost	*-2,538*	-	*-2,538*
	b) financial assets measured at fair value through other comprehensive income	*-16*	-	-16
140.	Profits (Losses) on changes in contracts without derecognition	-23	-	-23
150.	**Net income from banking activities**	**12,686**	**-**	**12,686**
160.	Administrative expenses:	-9,339	-74	*-9,413*
	a) personnel expenses	*-5,822*	*9*	-5,813
	b) other administrative expenses	*-3,517*	*-83*	*-3,600*
170.	Net provisions for risks and charges	19	-	*19*
	a) commitments and guarantees given	*142*	-	142
	b) other net provisions	*-123*	-	-123
180.	Net adjustments to / recoveries on property and equipment	-477	-	-477
190.	Net adjustments to / recoveries on intangible assets	-726	8	**-718**
200.	Other operating expenses (income)	861	-	861
210.	**Operating expenses**	**-9,662**	**-66**	**-9,728**
220.	Profits (Losses) on equity investments	-217	-	-217
230.	Valuation differences on property, equipment and intangible assets measured at fair value	-20	-	-20
240.	Goodwill impairment	-	-	-
250.	Profits (Losses) on disposal of investments	89	-	**89**
260.	**Income (Loss) before tax from continuing operations**	**2,876**	**-66**	**2,810**
270.	Taxes on income from continuing operations	**72**	**21**	93
280.	**Income (Loss) after tax from continuing operations**	**2,948**	**-45**	**2,903**
290.	Income (Loss) after tax from discontinued operations	**-**	**45**	45
300.	**Net income (loss)**	**2,948**	**-**	**2,948**

(a) The restatement refers to the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022.

Reconciliation between income statement for 2022 and restated income statement for 2022

		2022	Contribution of Training Business Line (a)	2022 Restated
10.	Interest and similar income	10,365	-	10,365
	of which: interest income calculated using the effective interest rate method	*9,843*	-	*9,843*
20.	Interest and similar expense	-3,161	-	-3,161
30.	**Interest margin**	**7,204**	**-**	**7,204**
40.	Fee and commission income	6,378	-	6,378
50.	Fee and commission expense	-977	-	-977
60.	**Net fee and commission income**	**5,401**	**-**	**5,401**
70.	Dividend and similar income	2,945	-	2,945
80.	Profits (Losses) on trading	-229	-	-229
90.	Fair value adjustments in hedge accounting	27	-	27
100.	Profits (Losses) on disposal or repurchase of:	-91	-	-91
	a) financial assets measured at amortised cost	*150*	-	*150*
	b) financial assets measured at fair value through other comprehensive income	*-269*	-	*-269*
	c) financial liabilities	*28*	-	*28*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	860	-	860
	a) financial assets and liabilities designated at fair value	*938*	-	*938*
	b) other financial assets mandatorily measured at fair value	*-78*	-	*-78*
120.	**Net interest and other banking income**	**16,117**	**-**	**16,117**
130.	Net losses/recoveries for credit risks associated with:	-1,722	-	*-1,722*
	a) financial assets measured at amortised cost	*-1,674*	-	*-1,674*
	b) financial assets measured at fair value through other comprehensive income	*-48*	-	-48
140.	Profits (Losses) on changes in contracts without derecognition	16	-	16
150.	**Net income from banking activities**	**14,411**	**-**	**14,411**
160.	Administrative expenses:	-8,827	-33	*-8,860*
	a) personnel expenses	*-5,356*	*5*	-5,351
	b) other administrative expenses	*-3,471*	*-38*	*-3,509*
170.	Net provisions for risks and charges	-305	-	*-305*
	a) commitments and guarantees given	*-57*	-	-57
	b) other net provisions	*-248*	-	-248
180.	Net adjustments to / recoveries on property and equipment	-481	-	-481
190.	Net adjustments to / recoveries on intangible assets	-723	2	**-721**
200.	Other operating expenses (income)	796	-	796
210.	**Operating expenses**	**-9,540**	**-31**	**-9,571**
220.	Profits (Losses) on equity investments	6	-	6
230.	Valuation differences on property, equipment and intangible assets measured at fair value	-35	-	-35
240.	Goodwill impairment	-	-	-
250.	Profits (Losses) on disposal of investments	1	-	**1**
260.	**Income (Loss) before tax from continuing operations**	**4,843**	**-31**	**4,812**
270.	Taxes on income from continuing operations	**-559**	**10**	-549
280.	**Income (Loss) after tax from continuing operations**	**4,284**	**-21**	**4,263**
290.	Income (Loss) after tax from discontinued operations	**-**	**21**	21
300.	**Net income (loss)**	**4,284**	**-**	**4,284**

(a) The restatement refers to the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022.

Restated financial statements

Restated Intesa Sanpaolo balance sheet

(millions of euro)

Assets		31.12.2022	31.12.2021 Restated	Changes amount	Changes %
10.	Cash and cash equivalents	97,071	7,733	89,338	
20.	Financial assets measured at fair value through profit or loss	48,462	51,655	-3,193	-6.2
	a) financial assets held for trading	*44,502*	*47,729*	*-3,227*	*-6.8*
	b) financial assets designated at fair value	*1*	*1*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*3,959*	*3,925*	*34*	*0.9*
30.	Financial assets measured at fair value through other comprehensive income	35,904	52,149	-16,245	-31.2
40.	Financial assets measured at amortised cost	465,041	598,337	-133,296	-22.3
	a) due from banks	*36,567*	*160,489*	*-123,922*	*-77.2*
	b) loans to customers	*428,474*	*437,848*	*-9,374*	*-2.1*
50.	Hedging derivatives	8,774	1,566	7,208	
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,472	393	-9,865	
70.	Equity investments	23,646	23,382	264	1.1
80.	Property and equipment	7,720	7,931	-211	-2.7
90.	Intangible assets	4,336	4,012	324	8.1
	of which:				
	- goodwill	*67*	*67*	*-*	*-*
100.	Tax assets	16,594	17,649	-1,055	-6.0
	a) current	*3,348*	*3,411*	*-63*	*-1.8*
	b) deferred	*13,246*	*14,238*	*-992*	*-7.0*
110.	Non-current assets held for sale and discontinued operations	528	1,328	-800	-60.2
120.	Other assets	16,777	7,459	9,318	
Total assets		**715,381**	**773,594**	**-58,213**	**-7.5**

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2022	31.12.2021 Restated	Changes amount	Changes %
10.	Financial liabilities measured at amortised cost	594,515	638,136	-43,621	-6.8
	a) due to banks	*159,962*	*191,267*	*-31,305*	*-16.4*
	b) due to customers	*354,851*	*356,579*	*-1,728*	*-0.5*
	c) securities issued	*79,702*	*90,290*	*-10,588*	*-11.7*
20.	Financial liabilities held for trading	48,810	57,227	-8,417	-14.7
30.	Financial liabilities designated at fair value	8,795	3,675	5,120	
40.	Hedging derivatives	4,652	3,971	681	17.1
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,962	60	-8,022	
60.	Tax liabilities	431	503	-72	-14.3
	a) current	*74*	*55*	*19*	*34.5*
	b) deferred	*357*	*448*	*-91*	*-20.3*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	15	25	-10	-40.0
80.	Other liabilities	7,608	10,350	-2,742	-26.5
90.	Employee termination indemnities	797	1,030	-233	-22.6
100.	Allowances for risks and charges	3,667	4,226	-559	-13.2
	a) commitments and guarantees given	*425*	*367*	*58*	*15.8*
	b) post-employment benefits	*125*	*245*	*-120*	*-49.0*
	c) other allowances for risks and charges	*3,117*	*3,614*	*-497*	*-13.8*
110.	Valuation reserves	81	855	-774	-90.5
120.	Redeemable shares	-	-	-	
130.	Equity instruments	7,188	6,260	928	14.8
140.	Reserves	5,369	8,168	-2,799	-34.3
145.	Interim dividend (-)	-1,400	-1,399	1	0.1
150.	Share premium reserve	28,212	27,445	767	2.8
160.	Share capital	10,369	10,084	285	2.8
170.	Treasury shares (-)	-50	-69	-19	-27.5
180.	Net income (loss) (+/-)	4,284	3,047	1,237	40.6
Total liabilities and shareholders' equity		**715,381**	**773,594**	**-58,213**	**-7.5**

Restated Intesa Sanpaolo income statement

(millions of euro)

		2022 Restated	2021 Restated	Changes amount	%
10.	Interest and similar income	10,365	8,259	2,106	25.5
	of which: interest income calculated using the effective interest rate method	*9,843*	*7,756*	*2,087*	*26.9*
20.	Interest and similar expense	-3,161	-2,322	839	36.1
30.	**Interest margin**	**7,204**	**5,937**	**1,267**	**21.3**
40.	Fee and commission income	6,378	6,602	-224	-3.4
50.	Fee and commission expense	-977	-929	48	5.2
60.	**Net fee and commission income**	**5,401**	**5,673**	**-272**	**-4.8**
70.	Dividend and similar income	2,945	2,454	491	20.0
80.	Profits (Losses) on trading	-229	442	-671	
90.	Fair value adjustments in hedge accounting	27	39	-12	-30.8
100.	Profits (Losses) on disposal or repurchase of:	-91	683	-774	
	a) financial assets measured at amortised cost	*150*	*161*	*-11*	*-6.8*
	b) financial assets measured at fair value through other comprehensive income	*-269*	*576*	*-845*	
	c) financial liabilities	*28*	*-54*	*82*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	860	35	825	
	a) financial assets and liabilities designated at fair value	*938*	*-55*	*993*	
	b) other financial assets mandatorily measured at fair value	*-78*	*90*	*-168*	
120.	**Net interest and other banking income**	**16,117**	**15,263**	**854**	**5.6**
130.	Net losses/recoveries for credit risks associated with:	-1,722	-2,554	-832	-32.6
	a) financial assets measured at amortised cost	*-1,674*	*-2,538*	*-864*	*-34.0*
	b) financial assets measured at fair value through other comprehensive income	*-48*	*-16*	*32*	
140.	Profits (Losses) on changes in contracts without derecognition	16	-23	39	
150.	**Net income from banking activities**	**14,411**	**12,686**	**1,725**	**13.6**
160.	Administrative expenses:	-8,860	-9,413	-553	-5.9
	a) personnel expenses	*-5,351*	*-5,813*	*-462*	*-7.9*
	b) other administrative expenses	*-3,509*	*-3,600*	*-91*	*-2.5*
170.	Net provisions for risks and charges	-305	19	-324	
	a) commitments and guarantees given	*-57*	*142*	*-199*	
	b) other net provisions	*-248*	*-123*	*125*	
180.	Net adjustments to / recoveries on property and equipment	-481	-477	4	0.8
190.	Net adjustments to / recoveries on intangible assets	-721	-718	3	0.4
200.	Other operating expenses (income)	796	861	-65	-7.5
210.	**Operating expenses**	**-9,571**	**-9,728**	**-157**	**-1.6**
220.	Profits (Losses) on equity investments	6	-217	223	
230.	Valuation differences on property, equipment and intangible assets measured at fair value	-35	-20	15	75.0
240.	Goodwill impairment	-	-	-	
250.	Profits (Losses) on disposal of investments	1	89	-88	-98.9
260.	**Income (Loss) before tax from continuing operations**	**4,812**	**2,810**	**2,002**	**71.2**
270.	Taxes on income from continuing operations	-549	93	-642	
280.	**Income (Loss) after tax from continuing operations**	**4,263**	**2,903**	**1,360**	**46.8**
290.	Income (Loss) after tax from discontinued operations	21	45	-24	-53.3
300.	**Net income (loss)**	**4,284**	**2,948**	**1,336**	**45.3**

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			31.12.2022	31.12.2021 Restated
Cash and cash equivalents			**97,071**	**7,733**
	Caption 10	Cash and cash equivalents	97,071	7,733
Due from banks			**35,264**	**158,963**
	Caption 40a (partial)	Financial assets measured at amortised cost - Due from banks	35,135	158,925
	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	29	38
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks	100	-
Loans to customers			**385,795**	**402,739**
Loans to customers measured at amortised cost			***383,277***	***401,053***
	Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers	377,477	394,336
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	5,800	6,717
Loans to customers at fair value through other comprehensive income and through profit or loss			***2,518***	***1,686***
	Caption 20a (partial)	Financial assets held for trading - Non-bank loans	86	19
	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	824	928
	Caption 30 (partial)	Financial assets at fair value through other comprehensive income - Non-bank loans	1,608	739
Financial assets measured at amortised cost which do not constitute loans			**46,629**	**38,359**
	Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (Banks)	1,432	1,564
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	45,197	36,795
Financial assets at fair value through profit or loss			**47,523**	**50,670**
	Caption 20a (partial)	Financial assets held for trading	44,416	47,710
	Caption 20b (partial)	Financial assets designated at fair value - Debt securities	1	1
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value	3,106	2,959
Financial assets at fair value through other comprehensive income			**34,196**	**51,410**
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income	34,196	51,410
Equity investments			**23,646**	**23,382**
	Caption 70	Equity investments	23,646	23,382
Property, equipment and intangible assets			**12,056**	**11,943**
Assets owned			***11,136***	***10,948***
	Caption 80 (partial)	Property and equipment	6,800	6,936
	Caption 90	Intangible assets	4,336	4,012
Rights of use acquired under leases			***920***	***995***
	Caption 80 (partial)	Property and equipment	920	995
Tax assets			**16,594**	**17,649**
	Caption 100	Tax assets	16,594	17,649
Non-current assets held for sale and discontinued operations			**528**	**1,328**
	Caption 110	Non-current assets held for sale and discontinued operations	528	1,328
Other assets			**16,079**	**9,418**
	Caption 50	Hedging derivatives	8,774	1,566
	Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	-9,472	393
	Caption 120	Other assets	16,777	7,459
Total assets			**715,381**	**773,594**

(millions of euro)

Liabilities			31.12.2022	31.12.2021 Restated
Due to banks at amortised cost			**159,956**	**191,260**
	Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks	159,962	191,267
	- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	-6	-7
Due to customers at amortised cost and securities issued			**433,616**	**445,884**
	Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers	354,851	356,579
	Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued	79,702	90,290
	- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	-937	-985
Financial liabilities held for trading			**48,810**	**57,227**
	Caption 20	Financial liabilities held for trading	48,810	57,227
Financial liabilities designated at fair value			**8,795**	**3,675**
	Caption 30	Financial liabilities designated at fair value	8,795	3,675
Tax liabilities			**431**	**503**
	Caption 60	Tax liabilities	431	503
Liabilities associated with non-current assets held for sale and discontinued operations			**15**	**25**
	Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	15	25
Other liabilities			**5,241**	**15,373**
	Caption 40	Hedging derivatives	4,652	3,971
	Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	-7,962	60
	Caption 80	Other liabilities	7,608	10,350
	Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	6	7
	Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	937	985
Allowances for risks and charges			**4,464**	**5,256**
	Caption 90	Employee termination indemnities	797	1,030
	Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	425	367
	Caption 100 b)	Allowances for risks and charges - Post-employment benefits	125	245
	Caption 100 c)	Allowances for risks and charges - Other allowances	3,117	3,614
Share capital			**10,369**	**10,084**
	Caption 160	Share capital	10,369	10,084
Reserves			**33,531**	**35,544**
	Caption 140	Reserves	5,369	8,168
	Caption 150	Share premium reserve	28,212	27,445
	Caption 170	Own shares (-)	-50	-69
Valuation reserves			**81**	**855**
	Caption 110	Valuation reserves	81	855
Interim dividend			**-1,400**	**-1,399**
	Caption 145	Interim dividend (-)	-1,400	-1,399
Equity instruments			**7,188**	**6,260**
	Caption 130	Equity instruments	7,188	6,260
Net income (loss)			**4,284**	**3,047**
	Caption 180	Net income (loss) (+/-)	4,284	3,047
Total Liabilities and Shareholders' Equity			**715,381**	**773,594**

Reconciliation between restated Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

(millions of euro)

		2022 Restated	2021 Restated
Net interest income		**7,024**	**5,951**
Caption 30	Interest margin	7,204	5,937
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	69	17
+ Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates))	50	59
+ 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)	3	9
+ Caption 80 (partial)	Profits (losses) on trading (Components of profits (losses) on trading relating to net interest income)	-294	-70
+ Caption 160 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-7	-1
+ Caption 160 b) (partial)	Other administrative expenses (Amounts attributed to net interest income - For Funding initiative)	-1	-
+ Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Time value allowances for risks and charges)	-	-
Net fee and commission income		**5,485**	**5,657**
Caption 60	Net fee and commission income	5,401	5,673
- Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates))	-50	-59
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	38	55
+ 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)	165	48
+ Caption 160 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	-21	-11
+ Caption 160 b) (partial)	Other administrative expenses (Recovery of other expenses)	-48	-49
Profits (Losses) on financial assets and liabilities designated at fair value		**1,222**	**1,427**
Caption 80	Profits (Losses) on trading	-229	442
Caption 90	Fair value adjustments in hedge accounting	27	39
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	-269	576
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	28	-54
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	938	-55
Caption 110 b)	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 through profit or loss	-78	90
+ 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)	225	146
- 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)	-3	-9
- Caption 80 (partial)	Profits (losses) on trading (Components of profits (losses) on trading relating to net interest income)	294	70
- Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	-38	-55
- 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 - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	349	310
- 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 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Charges concerning the banking industry)	4	-
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	-3	-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)	-165	-48
- 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 through profit or loss (Charges concerning the banking	15	2
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities designated at fair value (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments to loans)	122	-
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions/Releases linked to Profits (losses) on financial assets and liabilities designated at fair value)	-	2
+ Caption 200 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	5	3
Other operating income (expenses)		**2,923**	**2,546**
Caption 70	Dividend and similar income	2,945	2,454
Caption 200	Other operating expenses (income)	796	861
- 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)	-225	-146
- Caption 200 (partial)	Other operating expenses (income) (Recovery of expenses and indirect taxes)	-604	-649
- Caption 200 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-	6
- Caption 200 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-5	-3
- Caption 200 (partial)	Other operating expenses (income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	21	40
- Caption 200 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-5	-17
+ Caption 220 (partial)	Profits (losses) on equity investments (carried at equity)	-	-
Operating income		**16,654**	**15,581**

(millions of euro)

		2022 Restated	2021 Restated
Personnel expenses		**-5,363**	**-5,453**
Caption 160 a)	Personnel expenses	-5,351	-5,813
- Caption 160 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-71	348
- Caption 160 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	7	1
- Caption 160 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	21	11
- Caption 160 a) (partial)	Personnel expenses (Donations to personnel)	31	-
Other administrative expenses		**-2,141**	**-2,206**
Caption 160 b)	-	-3,509	-3,600
- Caption 160 b) (partial)	Other administrative expenses (Charges for integration)	32	41
- Caption 160 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	683	654
- Caption 160 b) (partial)	Other administrative expenses (Recovery of other expenses)	48	49
- Caption 160 b) (partial)	Other administrative expenses (Amounts attributed to net interest income - For Funding initiative)	1	-
- Caption 160 b) (partial)	Other administrative expenses (Derisking charges)	-	1
+ Caption 200 (partial)	Other operating expenses (income) (Recovery of expenses and indirect taxes)	604	649
Adjustments to property, equipment and intangible assets		**-1,052**	**-1,020**
Caption 180	-	-481	-477
Caption 190	Net adjustments to/recoveries on intangible assets	-721	-718
- Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	41	33
- Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	10	3
- Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	69	77
- Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	9	40
- Caption 190 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	21	22
Operating costs		**-8,556**	**-8,679**
Operating margin		**8,098**	**6,902**
Net adjustments to loans		**-2,061**	**-2,487**
Caption 140	Profits/losses from changes in contracts without derecognition	16	-23
Caption 170 a)	Net provisions for risks and charges (a) commitments and guarantees given	-57	142
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans	-193	-154
+ 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)	-6	5
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	78	124
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities designated at fair value (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments to loans)	-122	-
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans	-1,665	-2,563
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Amounts attributed to other net provisions and net impairment losses on other assets)	5	-
+ 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)	-6	18
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Loans	-26	-
+ 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)	-3	1
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions for non-recurring expenses)	-82	-36
Other net provisions and net impairment losses on other assets		**-185**	**-427**
Caption 170 b)	Net provisions for risks and charges (b) other net provisions	-248	-123
Caption 230	Valuation differences on property, equipment and intangible assets measured at fair value	-35	-20
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)	-3	7
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Amounts attributed to other net provisions and net impairment losses on other assets)	-5	-
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (banks) (Charges concerning the banking industry)	2	-
Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Debt securities	-22	-16
+ 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)	3	-1
- 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)	-3	-147
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions/Releases linked to Profits (losses) on financial assets and liabilities designated at fair value)	-	-2
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions for non-recurring expenses)	82	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 (future charges on controlling interests)	71	-
+ Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-10	-3
+ Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-9	-40
+ Voce 200 (parziale)	Altri oneri/proventi di gestione (Effetti valutativi altre attività)	-	-6
+ Caption 220 (partial)	Profits (Losses) on equity investments (Adjustments/Recoveries due to impairment of associates)	-8	-72

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(millions of euro)

		2022 Restated	2021 Restated
Other income (expenses)		**146**	**123**
Caption 220	Profits (Losses) on equity investments	6	-217
Caption 250	Profits (Losses) on disposal of investments	1	89
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	357	310
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks)	-8	-
- 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	-349	-310
+ Caption 160 a) (partial)	Personnel expenses (Donations to personnel)	-31	-
+ Caption 200 (partial)	Other operating expenses (income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	-21	-40
- 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)	8	72
- Caption 220 (partial)	Profits (Losses) on equity investments (impairment of controlling interests)	183	219
Income (Loss) from discontinued operations		**31**	**66**
Caption 290	Income (Loss) after tax from discontinued operations	21	45
- Caption 290 (partial)	Income (Loss) after tax from discontinued operations (Taxes)	10	21
Gross income (loss)		**6,029**	**4,177**
Taxes on income		**-862**	**-303**
Caption 270	Taxes on income from continuing operations	-549	93
+ Caption 290 (partial)	Income (Loss) after tax from discontinued operations (Taxes)	-10	-21
- Caption 270 (partial)	Taxes on income from continuing operations (Charges for integration)	-17	-117
- Caption 270 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-54	-43
- Caption 270 (partial)	Taxes on income from continuing operations (Goodwill impairment)	-	-
- Caption 270 (partial)	Taxes on income from continuing operations (Profits (Losses) on equity investments - Impairment of controlling interests)	-2	-1
- Caption 270 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-223	-213
- Caption 270 (partial)	Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking system)	-7	-1
Charges (net of tax) for integration and exit incentives		**-46**	**-218**
+ Caption 160 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	71	-348
+ Caption 160 b) (partial)	Other administrative expenses (Charges for integration)	-32	-41
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Charges for integration)	3	147
+ Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-41	-33
+ Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-69	-77
+ Caption 200 (partial)	Other operating expenses (income) (Charges/revenues from integration)	5	17
+ Caption 270 (partial)	Taxes on income from continuing operations (Charges for integration)	17	117
Effect of purchase price allocation (net of tax)		**-111**	**-48**
+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-69	-17
+ 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 - Loans (Effect of purchase price allocation)	-78	-124
+ 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)	3	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)	-21	-22
+ Caption 270 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	54	43

(millions of euro)

		2022 Restated	2021 Restated
Levies and other charges concerning the banking industry (net of tax)		**-474**	**-442**
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Charges concerning the banking industry)	-4	-
+ 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 through profit or loss (Charges concerning the banking industry)	-15	-2
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (banks) (Charges concerning the banking industry)	-2	-
+ Caption 160 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-683	-654
+ Caption 270 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	223	213
+ Caption 270 (partial)	Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking industry)	7	1
Impairment (net of tax) of goodwill, other intangible assets and controlling interests		**-252**	**-218**
Caption 240	Goodwill impairment	-	-
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (future charges on controlling interests)	-71	-
+ Caption 220 (partial)	Profits (Losses) on equity investments (impairment of controlling interests)	-183	-219
+ Caption 270 (partial)	Taxes on income from continuing operations (Goodwill impairment)	-	-
+ Caption 270 (partial)	Taxes on income from continuing operations (Profits (Losses) on equity investments - Impairment of controlling interests)	2	1
Net income (loss)		**4,284**	**2,948**

Reclassified income statement – Reconciliation with redetermined figures

Reclassified income statement – Reconciliation with redetermined figures

(millions of euro)

	2021	Inclusion merged companies (a)	Disposal of going concerns (b)	2021 Redetermined figures
Net interest income	5,951	96	-67	5,980
Net fee and commission income	5,657	-	-123	5,534
Profits (Losses) on financial assets and liabilities designated at fair value	1,427	-2	-1	1,424
Other operating income (expenses)	2,546	2	4	2,552
Operating income	**15,581**	**96**	**-187**	**15,490**
Personnel expenses	-5,453	-13	67	-5,399
Other administrative expenses	-2,206	-5	22	-2,189
Adjustments to property, equipment and intangible assets	-1,020	-	-	-1,020
Operating costs	**-8,679**	**-18**	**89**	**-8,608**
Operating margin	**6,902**	**78**	**-98**	**6,882**
Net adjustments to loans	-2,487	33	4	-2,450
Other net provisions and net impairment losses on other assets	-427	-1	-	-428
Other income (expenses)	123	-	-	123
Income (Loss) from discontinued operations	66	-	73	139
Gross income (loss)	**4,177**	**110**	**-21**	**4,266**
Taxes on income	-303	-36	7	-332
Charges (net of tax) for integration and exit incentives	-218	-1	-	-219
Effect of purchase price allocation (net of tax)	-48	26	1	-21
Levies and other charges concerning the banking industry (net of tax)	-442	-	13	-429
Impairment (net of tax) of goodwill, other intangible assets and controlling interests	-218	-	-	-218
Net income (loss)	**2,948**	**99**	**-**	**3,047**

(a) Effect connected to the merger of UBI Leasing S.p.A.

(b) 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.

Other attachments

Fees for auditing and services other than auditing pursuant to Article 149-duodecies of Consob Regulation 11971

(millions of euro)

Type of service	INTESA SANPAOLO		GROUP COMPANIES(*)	
	EY	EY Network	EY	EY Network
Independent audit (**)	9.27	-	9.65	-
Release of attestations (***)	2.62	-	3.93	-
Other services:				
agreed audit procedures	*0.09*	-	*0.41*	-
consolidated non-financial statement	*0.12*	-	-	-
TOTAL	**12.10**	**-**	**13.99**	**-**

(*) Group companies and other consolidated subsidiaries.

(**) Including costs for statutory audit and voluntary audit. Costs for audit of non-consolidated funds for about 9 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.

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
According to international accounting standards, an individual's "close relatives" comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

AMA – Advanced Measurement Approach
An approach introduced by Basel 2 to determine the operational risk capital requirement based on internal estimation and valuation models. AMA internal models normally consist of two components:
(i) a quantitative component based on internal and external loss data;
(ii) a qualitative component based on questionnaires with an ordinal score linked to the perception of the risk level of the loss events.

Arrangement fee
A fee paid for professional consulting and assistance provided in the loan structuring and arranging stage.

Arranger
In the structured finance sector, the arranger is the entity that – albeit in different forms and with different titles (mandated lead arranger, joint lead arranger, sole arranger etc.) – coordinates the organisational aspects of the transaction.

Asset allocation
The distribution of assets in an investment portfolio among different markets, geographical areas, sectors and products.

Asset encumbrance
In legal terms, it represents a real right held by a creditor to an asset owned by another counterparty, which may be the debtor or a third party. It typically takes the form of a mortgage on real property or the creation of collateral in repurchase agreements and loans with the central bank.

Asset management – Wealth management
The various activities relating to the management and administration of different customer assets.

Eligible assets
Assets that may be used as collateral with the ECB to obtain liquidity at subsidised rates. There are three types of eligible assets:
(i) credit claims (bank loans);
(ii) securitisations (see entry) and covered bonds (see entry);
(iii) debt securities
which must meet some minimum quality requirements in terms of:
(i) eligible debtors;
(ii) counterparty rating.
The amount of the liquidity that may be obtained is determined by applying a haircut (reduction) to the nominal value as a function of the quality and type of rate.

AT1 – Additional Tier 1
Additional Tier 1 capital. In general, the AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity) and which meet the regulatory requirements for inclusion in that level of own funds.

Intangible asset
An identifiable, non-monetary asset lacking physical substance.

Discounting
Process of determining the present value of a payment or payment flows to be received in the future.

Audit
In listed companies, it indicates the various examinations of the business activities and bookkeeping of a company, performed by both in-house staff (internal audit) and independent audit firms (external audit).

AVA (Additional Valuation Adjustment)
Additional valuation adjustments necessary to adjust the fair value to the prudent value of the positions. To perform a prudent valuation of the positions measured at fair value, the EBA envisages two approaches for calculating the AVA (the Simplified approach and Core approach). The prudent valuation requirements apply to all positions measured at fair value regardless of whether they are held in the trading book or not, where the term 'positions' refers solely to financial instruments and commodities.

β
The beta coefficient of an issuer or a group of comparable issuers, an expression of the relationship between an equity's actual return and the total return of the market in question.

Back office
The unit of a bank or financial company that processes all the transactions performed by the operational units (front office).

Backtesting
Retrospective analyses performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually referred to securities or financial instruments in general, it identifies the portion of a portfolio dedicated to "proprietary" trading.

Basis swap
Contract providing for the exchange between two parties, of two floating-rate payments linked to a different index.

Best practice
It generally identifies conduct in line with state-of-the-art skills and techniques in a given technical/professional area.

Bid-ask spread
This is the difference between the buying and selling price of a given financial instrument or set of financial instruments.

Brand name
IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand" is used in accounting standards with an extensive meaning and not as a synonym of "logo" or "name". It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

Budget
Forecast of cost and revenue performance of a company over a period of time.

Business combinations
In accordance with IFRS 3, a transaction or other event in which an acquirer obtains control of one or more company assets.

Business model
The business model within which financial assets are managed.
With regard to the business models, IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed: Hold to Collect (HTC), Hold to Collect and Sell (HTCS), Others/Trading.

CAGR (Compound Annual Growth Rate)
Compound annual growth rate of an investment over a specified period of time. If n is the number of years, the CAGR is calculated as follows: (Ending value/Beginning value)^(1/n) -1.

Capital Asset Pricing Model (CAPM)
An economic model for determining the "opportunity cost" i.e. the amount of income for the period necessary to remunerate the cost of capital.

Capital structure
It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:

- 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 is rated AAA.
- Mezzanine Tranche: the tranche with intermediate subordination level between junior and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are typically distinguished by lower ratings than for senior securities.

– Junior 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.

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.

Synthetic securitisations
“Synthetic securitisations” are different from traditional securitisations because, under the latter, the loans are physically transferred to the vehicle company and derecognised from the originator’s financial statements, but in the former, the risk on the loans is simply transferred, through derivative contracts on loans or guarantees, and the loans remain in the originator’s financial statements.

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).

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).

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).

Cybersecurity
A condition in which cyberspace is protected by appropriate physical, logical and procedural security measures, against events of a voluntary or accidental nature, consisting of the improper acquisition or transfer of data, unlawful modification or destruction of such data, or the blocking of information systems. Cybersecurity measures include: security audits, management of security updates (patches), authentication procedures, access management, IT risk analysis, identification and response to cyber incidents and attacks, impact mitigation, recovery of components subject to attack, training and preparation of personnel, and verification and enhancement of the physical security of the premises where information and communications system are located.

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 of the instrument (lifetime ECL) 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 1928-2022) by New York University - Stern School of Business.

ESG
Acronym standing for “environmental, social and governance”, three not strictly economic and financial aspects that are increasingly considered in business management and financial investments.

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
It is 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 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 fund
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: within the Group, for the Italy CGU and countries of 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 – Regulatory Technical Standards
Regulatory technical standards issued by European supervisory authorities to complement or implement European Union legislation on aspects of a strictly technical nature.

RWA – Risk Weighted Assets
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk coefficients, 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 scale).

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.

Swap
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 (Ke-g) (see entry).

Tier 1
Tier 1 Capital consists of Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1).

Tier 1 Capital Ratio
The ratio of Tier 1 capital (see entry) to total risk-weighted assets (RWAs; see entry).

Tier 2
Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to AIRB approaches (see entry).
Specific transitional provisions (grandfathering; see entry) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total capital ratio
Capital ratio referred to regulatory capital components of Own Funds (Tier 1 plus Tier 2; see entries). It is represented by the ratio of own funds to total risk-weighted assets (RWAs; see entry).

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trust
A trust is a legal institution of Anglo-Saxon origin whereby one party's assets are separated to pursue specific interests for certain beneficiaries or to achieve a given purpose. The separated assets are managed by a person (trustee) or professional firm (trust company).

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 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 and 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 2023:	5 May 2023
Approval of the half-yearly report as at 30 June 2023:	28 July 2023
Approval of the Interim Statement as at 30 September 2023:	3 November 2023