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.

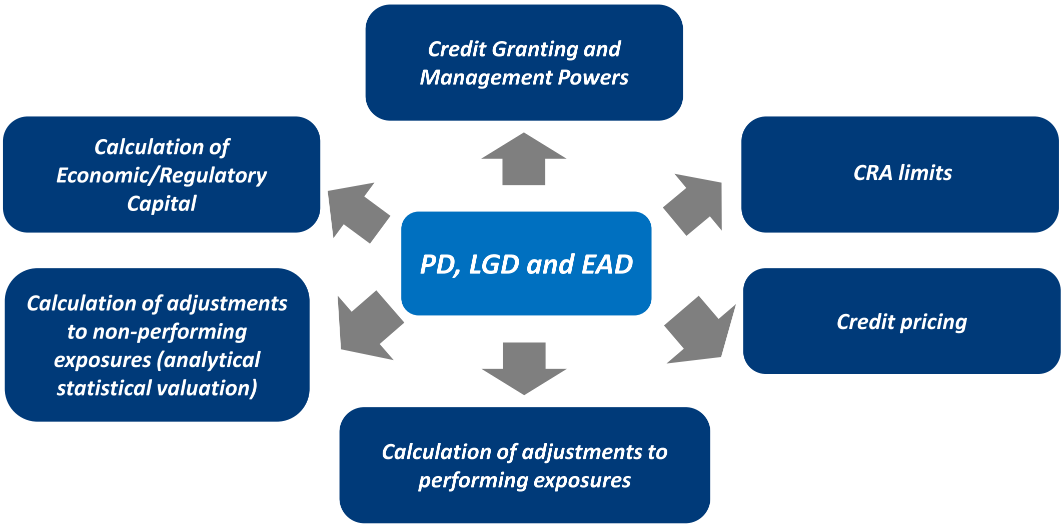
With regard to the credit risk management policies, the Chief Financial Officer Governance Area:
- assists the Corporate Bodies in defining, in accordance with the Group corporate strategies and objectives, the guidelines and policies on administration and tax, planning and management control, treasury 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.

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)

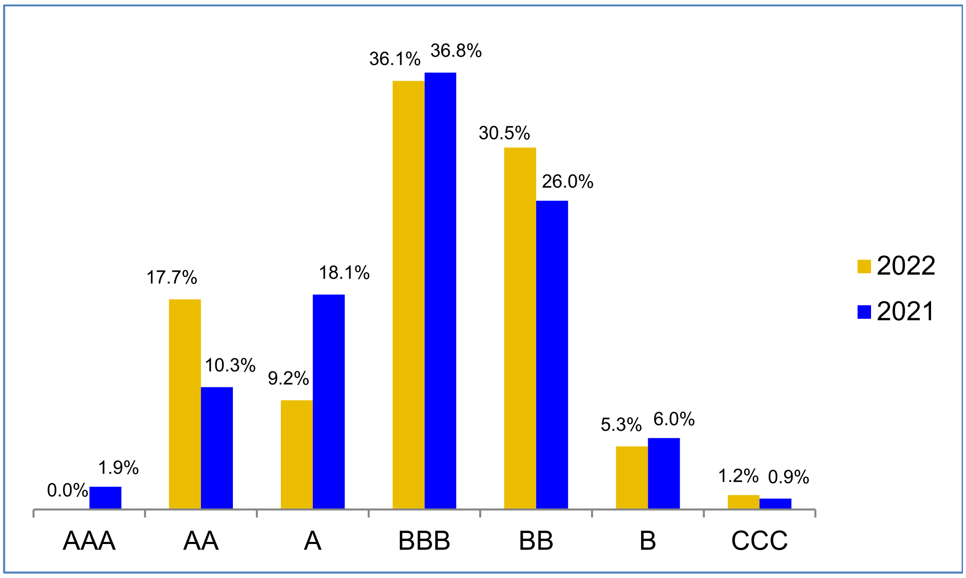
As indicated above in the paragraph entitled “Basel 3 Regulations”, the Intesa Sanpaolo Group has a set of ratings for the various operating segments of the counterparties (Corporate, Retail SME, Retail, Public Sector Entities and Banks).
The breakdown of exposures by internal rating classes shown in 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)

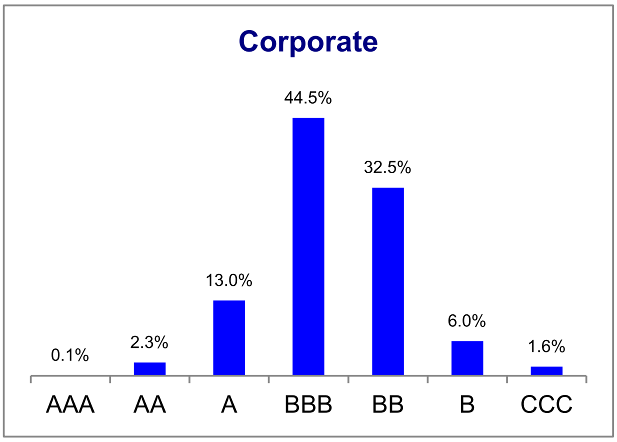
Exposures	Internal rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost	**91,831**	**46,154**	**168,462**	**125,556**	**33,988**	**17,037**	**53,855**	**536,883**
- Stage 1	91,064	45,045	162,091	108,589	22,183	9,367	37,268	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**

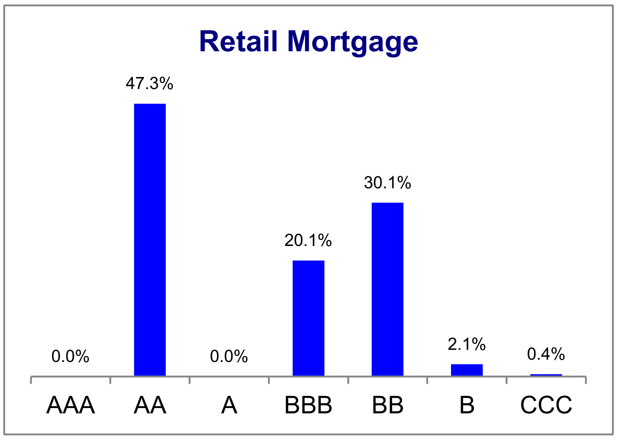
In addition to the tables required by the regulations, the rating allocation for performing loans to customers attributable to the main Group banks is shown below.
As at 31 December 2022, performing loans to customers assigned an individual rating internally or by an external agency accounted for 96% of the loans of the main Group banks.

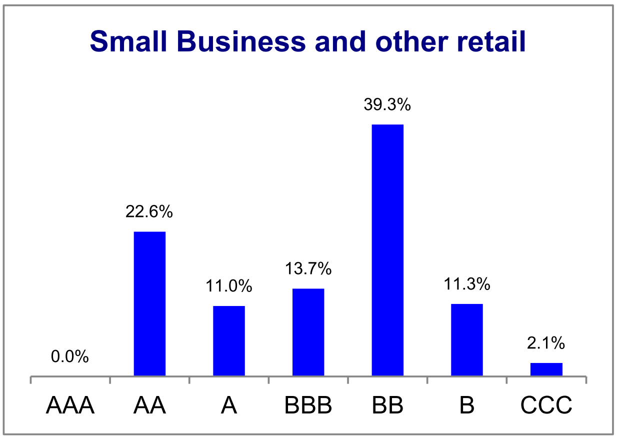


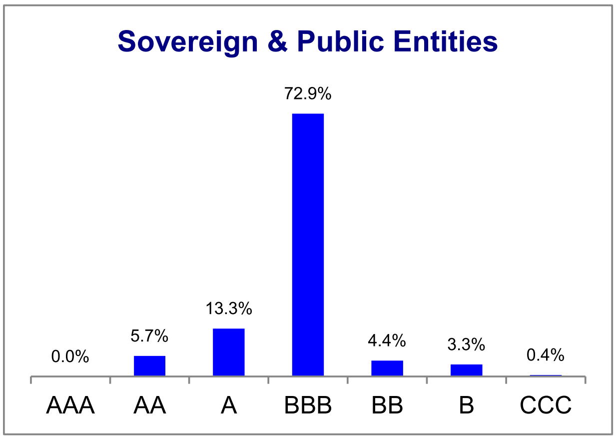
The allocation shows a level of investment grade exposures (from AAA to BBB inclusive), at 63.0%, down on the previous year (67.1%), mainly due to a revision in the master scale for certain types of counterparties rated using internal models. The same percentage calculated on the entire portfolio, net 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				
	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:	**-**	**-**	**-**	**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.