

1.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, liquidity risk management processes and measurement methods

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).

The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.

Intesa Sanpaolo's internal control and management system for liquidity risk is implemented within the Group Risk Appetite Framework and in compliance with the tolerance thresholds for liquidity risk approved in the system, which establish that the Group must maintain an adequate liquidity position in order to cope with periods of strain, including prolonged periods, on the various funding supply markets, also by establishing adequate liquidity reserves consisting of marketable securities and refinancing at Central Banks. To this end, a balance needs to be maintained between incoming and outgoing funds, both in the short and medium-long term. This goal is implemented by the Group Liquidity Risk Management Guidelines approved by the Corporate Bodies of Intesa Sanpaolo, in implementation of the applicable regulatory provisions.

The provisions on liquidity introduced by the European Union in June 2013 and subsequently updated establish that banks must comply with: (i) the short-term liquidity coverage ratio (LCR > 100%) and (ii) the net stable funding ratio (NSFR >100%), as set out in Directive 2019/878/EU, Regulation (EU) No 575/2013, Regulation (EU) No 2019/876 and Delegated Regulation (EU) No 2015/61, as supplemented and amended. The regulatory framework is completed by the "Implementing Technical Standards" developed by the European Banking Authority (EBA) and ECB Guidelines designed to increase regulatory harmonisation of the Union within the framework of the Single Supervisory Mechanism (SSM), which in the area of liquidity also establishes an Internal Liquidity Adequacy Assessment Process (ILAAP), to be conducted with annual frequency for the purposes of the Supervisory Review and Evaluation Process (SREP).

The "Group Liquidity Risk Management Guidelines" of the Intesa Sanpaolo Group – in addition to referring to the Bank of Italy's indications regarding liquidity risk contained in the "Supervisory regulations for banks" – have gradually incorporated all the above regulatory provisions, in implementation of the applicable regulatory provisions.

In this framework, the Group Liquidity Risk Management Guidelines approved by Intesa Sanpaolo's Corporate Bodies illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. To this end, they include procedures for identifying risk factors, measuring risk exposure and verifying observance of limits, conducting stress tests, identifying appropriate risk mitigation initiatives, drawing up emergency plans and submitting informational reports to company bodies.

The key principles guiding the internal control and management system for liquidity risk defined by those Guidelines are as follows:

- the existence of a liquidity management policy approved by senior management and clearly disseminated throughout the Bank;
- the existence of an operating structure that works within set limits and attention thresholds and of a control structure that is independent from the operating structure;
- the constant availability of adequate liquidity reserves in relation to the pre-determined liquidity risk tolerance threshold;
- the assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time and the quantitative and qualitative adequacy of liquidity reserves;
- the adoption of an internal fund transfer pricing system that accurately incorporates the cost/benefit of liquidity, on the basis of the Intesa Sanpaolo Group's funding conditions;
- liquidity management in crisis situations that takes into account the guidelines on the governance of crisis management processes within the Recovery Plan and the Resolution Plan.

The Group Liquidity Risk Management Guidelines set out the task assigned to the Corporate Bodies and allocate several important responsibilities to senior management, including approving measurement indicators, defining the main assumptions underlying the stress scenarios and composing the early warning thresholds used to activate emergency plans.

In order to pursue an integrated, consistent risk management policy, strategic decisions regarding liquidity risk monitoring and management at the Group level fall to the Parent Company's Corporate Bodies. From this standpoint, the Parent Company performs its functions of monitoring and managing liquidity not only in reference to its own organisation, but also by assessing the Group's overall transactions and the liquidity risk to which it is exposed. In order to maximise the coordination and integrated control of liquidity risk, the Group Liquidity Risk Management Guidelines identify the following scopes of companies: (i) the "Eurozone sub-consolidation scope", which comprises the Parent Company with its international branches and all the other Italian and international banks of the Group in the Eurozone for which the transfer of liquidity is not blocked or limited by regulatory constraints and which therefore contribute to the stability of the integrated management in the Eurozone, for which the Central Treasury function is directly responsible, subject to compliance with the limits set for each individual legal entity; and (ii) the "Other Banks/Group Companies" scope, which includes the Group's international subsidiaries, whose liquidity management is carried out by the Treasury/ALM functions of each subsidiary, under the guidance and monitoring of the competent structures of the Parent Company.

The corporate functions of the Parent Company responsible for ensuring the correct application of the Guidelines and the adequacy of the Group's liquidity position are the Group Treasury and Finance Head Office Department and the Planning and Control Department, responsible, within the Chief Financial Officer (CFO) Area, for liquidity management, and the Market and Financial Risk Management Head Office Department, which is directly responsible, within the Chief Risk Officer (CRO) Area, for measuring liquidity risk on a consolidated basis.

The Group's liquidity is managed by the aforesaid structures of the CFO area through thorough monitoring of cash flows and continuous liaison with the Business Units, within the framework of the relevant business plans drawn up in accordance with the following guidelines:

- constant attention to the level of customer loyalty, aimed at maintaining a high stock of stable deposits;
- monitoring of the deposit-lending gap of the Business Units, with respect to plan and budget targets;
- balanced use of the institutional market, with particular attention to diversification of segments and instruments;
- selective use of refinancing operations by Central Banks.

The Market and Financial Risk Management Head Office Department is directly responsible for level two controls and, as an active member of the Managerial Committees, it performs a primary role in the management and dissemination of information on liquidity risk, helping improve the Group's overall awareness of the existing position. In particular, it ensures the measurement of the Group's current and future exposure to liquidity risks under normal and stressed conditions, verifying compliance with the limits and, if those limits are exceeded, implementing the reporting to the competent Corporate Bodies and monitoring the agreed correction actions in the event of any excesses.

The Chief Audit Officer assesses the functioning of the overall structure of the control system monitoring the process for measuring, managing and controlling the Group's exposure to liquidity risk and verifies the adequacy and compliance of the process with the requirements established by the regulations. The results of the controls carried out are submitted to the Corporate Bodies, at least once a year.

The liquidity risk measurement metrics and mitigation tools are formalised by the aforementioned Group Liquidity Risk Management Guidelines which establish the methodology used for both the short-term and structural liquidity indicators.

The short-term liquidity is aimed at providing an adequate, balanced level of cash inflows and outflows the timing of which is certain or estimated to fall within a period of 12 months, while ensuring a sufficient liquidity buffer, available for use as the main mitigation tool for liquidity risk. To that end, and in keeping with the liquidity risk appetite, the system of limits consists of specific short-term indicators, both of a regulatory nature with a holding a period of one month (Liquidity Coverage Ratio - LCR) and internally defined (Survival Period indicators).

The LCR indicator is aimed at strengthening the short-term liquidity risk profile, ensuring that sufficient unencumbered high-quality liquid assets (HQLA) are retained that can be converted easily and immediately into cash on the private markets to satisfy the short-term liquidity requirements (30 days) in an acute liquidity stress scenario. To this end, the Liquidity Coverage Ratio measures the ratio between: (i) the stock of HQLA and (ii) the total net cash outflows calculated according to the scenario parameters defined by Delegated Regulation (EU) 2015/61 and its supplements/amendments.

The Survival Period is an internal indicator designed to measure the first day on which the net liquidity position (calculated as the difference between available liquidity reserves and net outflows) becomes negative, i.e. when additional liquidity is no longer available to cover simulated net outflows. To this end, two different scenario hypotheses are considered, baseline and stressed, designed to measure, respectively: (i) the Group's independence from interbank funding on the financial markets and (ii) the survival period in the event of further tensions of a market and idiosyncratic nature, of medium-high severity, managed without envisaging restrictions on credit activity involving customers. For the Survival Period indicator, in stress conditions it is established that a minimum survival period must be maintained with the purpose of establishing an overall level of reserves covering greater cash outflows during a period of time that is adequate to implement the required operating measures to restore the Group to balanced conditions.

The Intesa Sanpaolo Group's structural Liquidity Policy has adopted the structural requirement provided for by the regulatory provisions - the Net Stable Funding Ratio (NSFR). This indicator is aimed at promoting the increased use of stable funding, to prevent medium/long-term operations from giving rise to excessive imbalances to be financed in the short term. To this end, it sets a minimum "acceptable" amount of funding exceeding one year in relation to the needs originating from the characteristics of liquidity and residual duration of assets and off-balance sheet exposures. In addition, the internal policy on structural liquidity also includes early warning indicators for maturities of more than 1 year, with particular attention to long-term gaps (> 5 years).

The Group Liquidity Risk Management Guidelines also establish methods for management of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

By setting itself the objectives of safeguarding the Group's asset value and also guaranteeing business continuity under conditions of extreme liquidity emergency, the Contingency Liquidity Plan (CLP) ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, also indicating the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indexes, aimed at spotting the signs of a potential liquidity strain, both systematic and specific, are monitored with daily frequency by the Market and Financial Risk Management Head Office Department. Within this framework, the Group Treasury

and Finance Head Office Department was officially entrusted with drawing up the Contingency Funding Plan (CFP), which contains the various lines of actions that can be activated in order to face potential stress situations, specifying the extent of the mitigating effects attainable in the short-term.

The CLP is part of the more general plan of Crisis Management (i.e. it is the first step of the escalation process envisaged in the management of liquidity emergencies) and the instruments envisaged in it represent a selection of recovery actions that are considered to be implementable in the short term and before other more radical measures, which are more extraordinary in nature or extent. To this end, intervention strategies and tools are defined according to the type, duration and intensity of the liquidity emergency, as well as the context in which the emergency is expected to occur.

Group liquidity position

The Group's liquidity position - supported by suitable high-quality liquid assets (HQLA) and the significant contribution from retail stable funding - remained within the risk limits set out in the current Group Liquidity Policy for all of 2022.

Both regulatory indicators, LCR and NSFR, were above the regulatory requirements. In 2022, the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average¹⁰⁵ of 181.9% (184.5% in 2021). The NSFR was also significantly higher than 100%, supported by a solid base of stable deposits from customers, further increased during the year, as well as by adequate wholesale medium/long-term securities funding and the TLTRO funding from the ECB. At 31 December 2022, the Intesa Sanpaolo Group's NSFR, measured in accordance with regulatory instructions, was 126% (127.3% at the end of 2021); this indicator remains well above 100%, even excluding the positive contribution of TLTRO funding.

The surpluses of both regulatory indicators, LCR and NSFR, are mainly originated within the Eurozone sub-consolidation scope. For the purposes of the LCR indicator, individual surpluses recorded at some international subsidiaries are also sterilised on consolidation due to constraints on the circulation of liquidity at those subsidiaries.

At the end of December 2022, the exact value of total unencumbered HQLA reserves at the various Treasury Departments of the Group totalled 172.5 billion euro (187.1 billion euro at the end of 2021), approximately 64% of which consisted of cash as a result of temporary excess liquidity payments in the form of unrestricted deposits held at central banks. Adding the other marketable reserves and/or eligible Central Bank reserves, including retained self-securitisations, the Group's unencumbered liquidity reserves amounted to a total of 177.7 billion euro (192.4 billion euro at the end of 2021).

	(millions of euro)	
	Unencumbered (net of haircut)	
	31.12.2022	31.12.2021
HQLA Liquidity Reserves	172,527	187,066
Cash and Deposits held with Central Banks (HQLA)	109,792	135,061
Highly liquid securities (HQLA)	62,735	52,005
Other eligible and/or marketable reserves	5,222	5,306
Total Group's Liquidity Buffer	177,749	192,372

Regular stress tests are carried out to assess the impact of negative events on the company liquidity position and on the adequacy of liquidity reserves, in relation to the current and prospective situation of the Group, the Bank and the market, to enable the Corporate Bodies to promptly recognise any unexpected vulnerability and to direct the activation of consequent corrective measures.

Considering the high amounts of unencumbered liquidity reserves (liquid or eligible), the stress tests, in a combined scenario of market and specific crises (with significant loss in customer deposits), yielded results in excess of the target threshold for the Intesa Sanpaolo Group, with a liquidity surplus capable of meeting extraordinary cash outflows for a period of more than 3 months.

Intesa Sanpaolo's funding strategy is based on maintaining diversity in terms of customers, products, maturities and currencies. Intesa Sanpaolo's main sources of funding consist of: (i) deposits from the domestic Retail and Corporate market, which represent the stable portion of funding, (ii) short-term funding on wholesale markets, largely consisting of repurchase agreements and CD/CP funding, and (iii) medium/long-term funding, mainly composed of own issues (covered bonds/ABS and other senior debt securities in the euro and US markets, in addition to subordinated securities) and refinancing operations with the Eurosystem (TLTRO).

The Group Liquidity Risk Management Guidelines require the regular monitoring of the concentration analyses for the funding (by counterparty/product) and for the liquidity reserves (by issuer/counterparty).

Adequate and timely information regarding the development of market conditions and the position of the Bank and/or Group was regularly provided to the corporate bodies and internal committees in order to ensure full awareness and manageability of the risk factors. This report includes an assessment of the liquidity risk exposure, also determined based on the adverse scenarios. The Board of Directors of Intesa Sanpaolo is regularly involved in defining the strategy for maintaining an adequate liquidity position at the level of the entire Group.

¹⁰⁵The figure shown refers to the simple average of the last 12 months of monthly observations, as per Regulation (EU) 2021/637.

The corporate assessment on the adequacy of Intesa Sanpaolo's position is reported in the ILAAP (Internal Liquidity Adequacy Assessment Process), which also includes the Group's Funding Plan. Within the annual approval process for this report by the Corporate Bodies of Intesa Sanpaolo, the Liquidity Adequacy Statement (LAS) approved by the Board of Directors, which also presents the main findings from the self-assessment of the adequacy of the liquidity position, taking into account the results and values shown by the main indicators, confirms that the management of the liquidity position is considered to be adequate and deeply rooted in the Group's culture and business processes. It also notes, including from a prospective standpoint, that the current system of rules and procedures appears adequate to ensure a prompt and effective reaction should the risks and challenges actually materialise in severe and adverse stress scenarios.

Impacts from the COVID-19 pandemic

All the necessary preventive management and control measures implemented from the outset of the COVID-19 emergency remain in place to detect any signs of potential exacerbation of liquidity conditions.

Impacts of the Russia-Ukraine conflict

In light of the low exposure to Russian and Ukrainian counterparties, there were no significant impacts on the Group's consolidated liquidity position deriving from the Russia-Ukraine conflict.

QUANTITATIVE INFORMATION**1. Breakdown by contractual residual maturity of financial assets and liabilities**

The breakdown by maturity of financial assets and liabilities is shown in the tables below according to the rules set forth in the financial statement regulations (Bank of Italy Circular 262 and related clarifications issued by the Supervisory Authority), using accounting information organised by contractual residual maturity. Therefore, no operational data was used that would require, for example, the modelling of core deposits and the representation of on-balance sheet items according to their level of liquidity.

Currency of denomination: Euro

Type/Residual maturity	(millions of euro)									
	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
A. Cash assets	150,164	13,534	4,019	17,166	21,843	22,015	35,595	167,586	197,955	4,250
A.1 Government bonds	17	8	155	97	649	1,282	1,250	9,778	43,346	-
A.2 Other debt securities	1,130	1,050	900	4,861	300	450	749	8,695	21,832	-
A.3 Quotas of UCI	3,198	-	-	-	-	-	-	-	-	-
A.4 Loans	145,819	12,476	2,964	12,208	20,894	20,283	33,596	149,113	132,777	4,250
- Banks	103,537	3,769	411	912	988	511	1,622	1,080	380	4,120
- Customers	42,282	8,707	2,553	11,296	19,906	19,772	31,974	148,033	132,397	130
B. Cash liabilities	428,655	2,922	1,670	4,159	13,240	51,096	9,465	92,428	21,562	-
B.1 Deposits and current accounts	395,258	712	1,126	1,681	2,277	1,881	2,756	2,259	816	-
- Banks	2,310	241	111	156	133	143	169	480	308	-
- Customers	392,948	471	1,015	1,525	2,144	1,738	2,587	1,779	508	-
B.2 Debt securities	41	190	543	2,444	6,468	2,224	5,716	40,828	16,951	-
B.3 Other liabilities	33,356	2,020	1	34	4,495	46,991	993	49,341	3,795	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	425	6,820	2,244	8,791	26,476	5,951	7,116	14,707	8,408	-
- Short positions	456	8,536	2,187	8,212	13,420	4,250	6,172	13,096	12,759	-
C.2 Financial derivatives without exchange of capital										
- Long positions	24,138	68	4	118	167	425	869	260	16	-
- Short positions	25,672	30	12	156	322	584	905	261	16	-
C.3 Deposits and loans to be settled										
- Long positions	59,541	-	-	-	-	-	-	-	-	-
- Short positions	5	55,786	99	1,213	2,295	70	-	53	19	-
C.4 Irrevocable commitments to lend funds										
- Long positions	4,135	10,943	7	339	556	723	2,093	17,146	2,266	-
- Short positions	36,478	50	7	42	40	91	162	104	3	-
C.5 Financial guarantees given	1,110	14	13	26	146	103	264	313	136	-
C.6 Financial guarantees received	172	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	20	30	536	686	-
- Short positions	-	-	-	-	-	20	30	536	686	-
C.8 Credit derivatives without exchange of capital										
- Long positions	502	-	-	-	-	-	-	-	-	-
- Short positions	469	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

Type/Residual maturity	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
(millions of euro)										
A. Cash assets	10,524	6,846	2,923	4,420	6,658	4,133	5,676	26,663	18,337	1,322
A.1 Government bonds	5	111	133	354	892	810	1,260	5,323	11,488	-
A.2 Other debt securities	199	28	59	195	359	164	441	4,285	1,667	-
A.3 Quotas of UCI	541	-	-	-	-	-	-	-	-	-
A.4 Loans	9,779	6,707	2,731	3,871	5,407	3,159	3,975	17,055	5,182	1,322
- Banks	7,012	5,788	1,812	1,409	2,025	914	324	408	263	1,309
- Customers	2,767	919	919	2,462	3,382	2,245	3,651	16,647	4,919	13
B. Cash liabilities	26,832	3,598	4,891	6,108	6,196	1,312	2,370	11,864	8,142	-
B.1 Deposits and current accounts	25,077	1,383	1,458	1,974	2,230	808	1,648	1,716	359	-
- Banks	1,588	729	531	666	543	99	260	798	75	-
- Customers	23,489	654	927	1,308	1,687	709	1,388	918	284	-
B.2 Debt securities	132	110	1,227	577	458	201	673	9,049	6,935	-
B.3 Other liabilities	1,623	2,105	2,206	3,557	3,508	303	49	1,099	848	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	142	14,959	5,653	12,622	17,107	8,030	11,320	17,395	10,723	-
- Short positions	254	14,143	5,716	13,676	30,101	9,688	11,985	18,887	6,052	-
C.2 Financial derivatives without exchange of capital										
- Long positions	2,808	5	61	81	43	227	274	2	19	-
- Short positions	5,667	1	53	69	40	201	273	3	20	-
C.3 Deposits and loans to be settled										
- Long positions	2,950	-	-	-	-	-	-	-	-	-
- Short positions	-	199	1,001	659	736	2	-	155	198	-
C.4 Irrevocable commitments to lend funds										
- Long positions	1,563	113	25	157	1,286	724	1,181	11,677	1,142	-
- Short positions	15,810	26	-	-	1	2	10	6	-	-
C.5 Financial guarantees given	839	13	8	48	124	127	245	371	92	-
C.6 Financial guarantees received	96	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	28	47	-	-
- Short positions	-	-	-	-	-	-	28	47	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	432	-	-	-	-	-	-	-	-	-
- Short positions	435	-	-	-	-	-	-	-	-	-

2. Self-securitisations

A brief illustration of the securitisations originated by Intesa Sanpaolo outstanding as at 31 December 2022 is shown below, in which the Bank subscribed all the securities issued by the related vehicle (self-securitisations), and which need not be shown in the tables of Part E, section C “Securitisations” of the Notes to the financial statements.

Brera Sec S.r.l.

In October 2017, a self-securitisation was structured, carried out through the sale of five loan portfolios to the vehicle company Brera Sec S.r.l. and originated by the Parent Company and by four banks of the Group subsequently incorporated into Intesa Sanpaolo (Banco di Napoli, Cassa di Risparmio di Forlì e della Romagna and Cassa di Risparmio del Friuli Venezia Giulia, incorporated in the second half of 2018, and Cassa di Risparmio in Bologna). The underlying consisted of residential mortgage loans held by households and/or family businesses. This transaction was the Group’s first Multi-Originator Residential Mortgage Backed Security (“RMBS”) securitisation.

Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody’s and DBRS Morningstar) and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed pro rata by each individual selling bank based on the sale price of each portfolio, and therefore today they have been fully subscribed by Intesa Sanpaolo.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

The total sale consideration was 7.1 billion euro. The sale price of each portfolio sold was settled through the issuance of securities on 11 December 2017 for a total of 7.1 billion euro.

The senior securities are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating.

As at 31 December 2022, the value of the outstanding subscribed securities was 2,831 million euro for the senior securities and 1,067 million euro for the junior securities.

Brera Sec S.r.l. (SEC 2)

In September 2019, a self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's second Residential Mortgage Backed Security ("RMBS") securitisation.

The transaction involved the issuance on 27 November 2019 by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The total sale consideration was 7.5 billion euro. The sale price of the portfolio was settled through the issuance of securities on 27 November 2019 for a total of 7.5 billion euro.

The senior securities are listed with an Aa3 Moody's and an A (High) DBRS Morningstar rating.

As at 31 December 2022, the value of the outstanding securities was 4,523 million euro for the senior securities and 860 million euro for the junior securities.

Brera Sec S.r.l. (SEC 3)

In October 2021, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's third Residential Mortgage Backed Security ("RMBS") securitisation.

The transaction involved the issuance on 1 December 2021 by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The total sale consideration was 7.7 billion euro. The sale price of the portfolio was settled through the issuance of securities on 1 December 2021 for a total of 7.7 billion euro.

The senior securities are listed with an A1 Moody's and an A (High) DBRS Morningstar rating.

As at 31 December 2022, the value of the outstanding securities was 6,515 million euro for the senior securities and 725 million euro for the junior securities.

Clara Sec S.r.l.

In 2020, a self-securitisation was structured involving receivables arising from performing personal loans within the consumer credit area and disbursed to consumer households.

The securitisation is a revolving transaction and Intesa Sanpaolo will have the option to sell the vehicle further portfolios of loans with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.

The transaction took place with the sale of the portfolio of loans originated by Intesa Sanpaolo to the vehicle company Clara Sec S.r.l.

Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with an entity from outside the Group (Dutch-registered foundation known as a Stichting).

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The transaction involved the issuance by the vehicle company of two tranches of securities on 23 June 2020: a listed senior tranche with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without a rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.

The senior security issued through the transaction was used as collateral for refinancing operations in the Eurosystem.

The total sale consideration was 7.6 billion euro. The sale price of the portfolio was settled through the issuance of securities on 23 June 2020 for a total of 7.2 billion euro.

The senior securities are listed with an A1 Moody's and an A DBRS Morningstar rating.

A sale of 1.4 billion euro was finalised in February 2022, followed by a repurchase of 88 million euro in April and a sale of 1.5 billion euro in October.

As at 31 December 2022, the value of the outstanding securities was 6,350 million euro for the senior securities and 824 million euro for the junior securities.

Giada Sec S.r.l.

In November 2020, a self-securitisation was structured, implemented through the sale of a portfolio of loans, disbursed to companies belonging to the small business, SME and Corporate segment and originated by Intesa Sanpaolo, to the vehicle company Giada Sec S.r.l.

The securitisation is a revolving transaction and Intesa Sanpaolo will have the option to sell the vehicle further portfolios of loans with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.

Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.

The senior security issued through the transaction, with a Moody's A1 and a DBRS Morningstar A rating, was used as collateral for refinancing operations in the Eurosystem.

The total sale consideration was 10.1 billion euro.

The sale price of the portfolio was settled through the issuance of securities on 21 December 2020 for the same amount.

A sale of 1.7 billion euro was finalised in May 2022.

As at 31 December 2022, the value of the outstanding securities was 6,610 million euro for the senior securities and 3,485 million euro for the junior securities.

Giada Sec S.r.l. (Giada BIS)

In October 2022, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo, disbursed to small and medium enterprises ("SMEs"), including sole proprietorships and loans granted to corporate customers not belonging to the "large corporate" segment, to the special-purpose vehicle Giada Sec S.r.l.

The securitisation is a revolving transaction and Intesa Sanpaolo will have the option to sell the vehicle further portfolios of loans with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.

The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and DBRS Morningstar) and an unlisted junior tranche without rating.

Both the senior and junior securities were subscribed by Intesa Sanpaolo.

The senior security issued through the transaction, with a Moody's A1 and a DBRS Morningstar A rating, was used as collateral for refinancing operations in the Eurosystem.

Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.

The total sale consideration was 15.2 billion euro.

The sale price of the portfolio was settled through the issuance of securities on 5 December 2022 for a total of 15.2 billion euro.

As at 31 December 2022, the value of the outstanding securities was 10,250 million euro for the senior securities and 4,940 million euro for the junior securities.

Vehicle	Type of security issued	Type of asset securitised	External rating	(millions of euro) Principal as at 31.12.2022	
BRERA SEC S.r.l.					
<i>of which issued in euro</i>				3,898	
	Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / DBRS Morningstar AH	2,831
	Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	1,067
BRERA SEC S.r.l. (SEC 2)					
<i>of which issued in euro</i>				5,383	
	Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / DBRS Morningstar AH	4,523
	Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	860
BRERA SEC S.r.l. (SEC 3)					
<i>of which issued in euro</i>				7,240	
	Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's A1 / DBRS Morningstar AH	6,515
	Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	725
CLARA SEC S.r.l.					
<i>of which issued in euro</i>				7,174	
	Class A Asset Backed F/R Notes	Senior	Personal loans	Moody's A1 / DBRS Morningstar A	6,350
	Class B Asset Backed F/R Notes	Junior	Personal loans	no rating	824
GIADA SEC S.r.l.					
<i>of which issued in euro</i>				10,095	
	Class A Asset Backed F/R Notes	Senior	Receivables from Small business, SME and corporate customers	Moody's A1 / DBRS Morningstar A	6,610
	Class B Asset Backed F/R Notes	Junior	Receivables from Small business, SME and corporate customers	no rating	3,485
GIADA SEC S.r.l. (GIADA BIS)					
<i>of which issued in euro</i>				15,190	
	Class A Asset Backed F/R Notes	Senior	Receivables from Small business, SME and corporate customers	Moody's A1 / DBRS Morningstar A	10,250
	Class B Asset Backed F/R Notes	Junior	Receivables from Small business, SME and corporate customers	no rating	4,940
TOTAL				48,980	

The Adriano Lease SEC S.r.l. and Brera Sec S.r.l. (SME) self-securitisations were extinguished during 2022. The former UBI Leasing, merged into Intesa Sanpaolo S.p.A. in 2022, had entered into the UBI SPV Lease 2016 securitisation, which was also extinguished in 2022.

OTHER INFORMATION ON FINANCIAL RISKS

SOVEREIGN RISK EXPOSURE BY COUNTRY OF RESIDENCE OF THE COUNTERPARTY

The following table illustrates the details of the exposures of the Intesa Sanpaolo Group to sovereign risk in banking business, based on management data.

	DEBT SECURITIES				(millions of euro)	
	BANKING GROUP			TOTAL ⁽¹⁾	LOANS	
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss			
EU Countries	30,875	24,708	616	56,199	10,128	
Austria	615	160	1	776	-	
Belgium	2,405	1,962	101	4,468	-	
Bulgaria	-	-	3	3	-	
Croatia	151	1,100	72	1,323	1,378	
Cyprus	-	-	-	-	-	
Czech Republic	-	-	-	-	-	
Denmark	-	-	-	-	-	
Estonia	-	-	-	-	-	
Finland	255	13	-	268	-	
France	6,457	2,370	-309	8,518	3	
Germany	262	538	-151	649	-	
Greece	-	-	-8	-8	-	
Hungary	141	787	39	967	313	
Ireland	336	45	26	407	-	
Italy	14,994	11,255	622	26,871	8,019	
Latvia	-	-	-	-	20	
Lithuania	-	-	-	-	-	
Luxembourg	265	392	88	745	-	
Malta	-	-	-	-	-	
The Netherlands	828	19	25	872	-	
Poland	28	65	-	93	-	
Portugal	388	621	-41	968	-	
Romania	66	370	-1	435	4	
Slovakia	-	892	2	894	149	
Slovenia	1	148	2	151	178	
Spain	3,683	3,971	145	7,799	64	
Sweden	-	-	-	-	-	
Non-EU Countries						
Albania	93	489	1	583	1	
Egypt	96	1,145	-	1,241	515	
Japan	-	2,404	-	2,404	-	
Russia	-	31	-	31	-	
Serbia	7	536	-	543	165	
United Kingdom	-	173	19	192	-	
U.S.A.	1,398	6,944	126	8,468	-	

Management accounts

(1) Debt securities from insurance business (excluding securities in which gathered amounts are invested from insurance policies where the total risk is borne by the policyholders) relating to Italy amounted to 45.491 million euro.

As illustrated in the table, the Banking Group's exposure to securities issued by Italian central and local public administration bodies at the end of 2022 totalled approximately 27 billion euro (31 billion euro at 31 December 2021), in addition to around 8 billion euro represented by loans (9 billion euro at the end of 2021).

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products came to 3,303 million euro as at 31 December 2022, a net decrease of 318 million euro compared to the stock of 3,621 million euro as at 31 December 2021. The exposure includes investments in CLOs (Collateralised Loan Obligations) of 1,643 million euro, in ABSs (Asset-Backed Securities) of 1,588 million euro and in CDOs (Collateralised Debt Obligations) of 72 million euro, which continued to be a marginal activity also in 2022.

Accounting categories	31.12.2022				31.12.2021		(millions of euro) Changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%	
Financial assets held for sale	339	478	-	817	1,049	-232	-22.1	
Financial assets mandatorily measured at fair value	-	3	-	3	3	-	-	
Financial assets measured at fair value through other comprehensive income	769	776	-	1,545	1,701	-156	-9.2	
Financial assets measured at amortised cost	535	331	72	938	868	70	8.1	
Total	1,643	1,588	72	3,303	3,621	-318	-8.8	

In this disclosure, structured credit products include debt securities held by the Group divided into tranches upon issue consisting of various degrees of subordination and not issued within the framework of transactions originated by entities of the Intesa Sanpaolo Group or by public entities, in addition to transactions whereby the Group finances its corporate and financial institution customers (operations implemented by the Group through the subsidiary Duomo Funding Plc).

Portfolio performance in 2022, while still focused on taking advantage of market opportunities, reflects more divestments and redemptions than new positions, which involved assets measured at fair value, held for trading, through other comprehensive income or at amortised cost, with a total value that declined by 318 million euro.

Exposures measured at fair value (ABS and CLO debt securities) went from 2,753 million euro in December 2021 to 2,365 million euro in December 2022, a net decrease of 388 million euro, mainly attributable to operations of the IMI Corporate & Investment Banking Division, and to a greater extent in financial assets held for trading and to a lesser extent in financial assets measured at fair value through other comprehensive income.

Exposures classified among assets measured at amortised cost (ABS, CLO and CDO debt securities) amounted to 938 million euro in December 2022, compared with a balance of 868 million euro in December 2021, a net increase of 70 million euro.

From the perspective of the income statement, the overall loss for the year ended 31 December 2022 of -49 million euro is compared with a profit of 10 million euro for the year ended 31 December 2021.

The profits (losses) from assets held for trading, caption 80 of the income statement, amounted to -49 million euro and is attributable to exposures in CLOs and ABS (-27 million euro of unrealised losses and -22 million euro of losses on disposals), as was the impact on the income statement for the year ended 31 December 2021, equal to +9 million euro (+4 million euro of unrealised gains and +5 million euro of gains on disposals).

The profits (losses) from financial assets mandatorily measured at fair value were nil in the year ended 31 December 2022, compared to +1 million euro in the year ended 31 December 2021.

The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded a decrease in fair value of -43 million euro as at 31 December 2022 through a shareholders' equity reserve (from a reserve of -1 million euro in December 2021 to -44 million euro in December 2022). In the current year, there were also impacts from sales on the portfolio of -3 million euro, which were nil in the previous year.

As regards debt securities classified among assets measured at amortised cost, the profit for the year ended 31 December 2022 of 3 million euro (+1 million euro from unrealised gains and +2 million euro from realised gains) is compared with the overall nil impact in the year ended 31 December 2021 (-1 million euro of unrealised losses and +1 million euro of realised gains).

Income statement results broken down by accounting category	31.12.2022				31.12.2021		(millions of euro) Changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%	
Financial assets held for sale	-36	-13	-	-49	9	-58		
Financial assets mandatorily measured at fair value	-	-	-	-	1	-1		
Financial assets measured at fair value through other comprehensive income	-	-3	-	-3	-	3	-	
Financial assets measured at amortised cost	-	1	2	3	-	3	-	
Total	-36	-15	2	-49	10	-59		

INFORMATION ON LEVERAGED TRANSACTIONS

In 2017, the ECB published specific Guidance on Leveraged Transactions, which applies to all the significant entities subject to direct supervision by the ECB. The stated purpose of the guidance is to strengthen company controls over “leveraged” transactions, in view of the global increase in leveraged finance activities and the highly competitive market, characterised by a prolonged period of very low interest rates and the ensuing search for yields.

The scope of the ECB Guidance includes exposures in which the borrower’s level of leverage, measured as the ratio of total financial debt to EBITDA, is greater than 4, as well as exposures where the borrower is owned by one or more financial sponsors. Moreover, counterparties with Investment Grade ratings, private individuals, credit institutions, financial institutions and companies in the financial sector in general, public entities, non-profit entities, as well as counterparties with credit facilities below a certain materiality threshold (5 million euro), Retail SME counterparties and Corporate SME counterparties (the latter if not owned by financial sponsors) are explicitly excluded from the scope of Leveraged Transactions. Specialised lending transactions (project finance, real estate and object financing) and certain other types of credit facilities, such as trade finance transactions, are also excluded.

As at 31 December 2022, for the Intesa Sanpaolo Group, the transactions that meet the definition of Leveraged Transactions as per the ECB Guidance amounted to approximately 26.2 billion euro, relating to 1,864 credit lines (35.3 billion euro as at 31 December 2021). The decline over twelve months was mainly concentrated:

- within the Parent Company for 75%, due to the exclusion from the reporting scope of counterparties with significant amounts, as a result of an improved rating (lifting them into the investment grade area);
- within Intesa Sanpaolo Bank Luxembourg for 23%, due to the reduction of the exposure of a significant counterparty, not offset by new entries.

In accordance with the requirements of the ECB Guidance, as part of the Credit Risk Appetite a specific limit for the outstanding stock of leveraged transactions and limits on new transaction flows were submitted for approval to the Board of Directors, in line with the Bank’s risk appetite on these types of operations.

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Parent Company’s hedge fund portfolio as at 31 December 2022 amounted to 173 million euro for the trading book and 184 million euro for the banking book for a total of 357 million euro, compared to 27 million euro and 200 million euro, respectively, as at 31 December 2021, for a total of 227 million euro.

The investments in the banking book are recognised under financial assets mandatorily measured at fair value and pertain to funds that adopt medium/long-term investment strategies and redemption times that are longer than those of UCITS (Undertakings for Collective Investment Schemes in Transferable Securities) funds.

In 2022 the increase in balances compared to the previous year was 130 million euro. In the previous year, 2021, first-time adoption of the CRR2 regulations, which had entered into force on 30 June 2021, had resulted in significant disinvestments, as a result of the changes to the method of calculating capital absorption associated with investments in funds; in order to restore the previous volume levels, during 2022 greater investments were made, relating as a priority to UCITS hedge funds that best meet capital absorption requirements.

In terms of the income statement effects, in 2022 an overall loss was recorded for -9 million euro, referring solely to the valuation effects of funds held in portfolio among financial assets mandatorily measured at fair value (-7 million euro) and among financial assets held for trading (-2 million euro), compared to an overall impact of +14 million euro in 2021 (-7 million euro from financial assets held for sale and +21 million euro from financial assets mandatorily measured at fair value), of which +9 million euro attributable to valuation effects and +5 million euro to realisation impacts.

In the Intesa Sanpaolo Group, as at 31 December 2022 the portfolio of Eurizon Capital SGR also included hedge funds for 50 million euro, with an impact on the income statement of -3 million euro in the year. Hedge funds are held according to a seeding approach that involves setting up a service portfolio consisting of shares of mutual funds for which marketing has begun in support of the funds.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 31 December 2022, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 3,049 million euro (6,917 million euro as at 31 December 2021). The notional value of these derivatives totalled 29,872 million euro (64,254 million euro as at 31 December 2021).

In particular, the notional value of plain vanilla contracts was 26,826 million euro (59,649 million euro as at 31 December 2021), while that of structured contracts was 3,046 million euro (4,605 million euro as at 31 December 2021).

The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 1,726 million euro (4,416 million euro as at 31 December 2021).

Conversely, the negative fair value referring to total contracts outstanding, determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 6,149 million euro as at 31 December 2022 (2,192 million euro as at 31 December 2021). The notional value of these derivatives totalled 74,174 million euro (34,378 million euro as at 31 December 2021).

In particular, the notional value of plain vanilla contracts was 69,140 million euro (31,493 million euro as at 31 December 2021), while that of structured contracts was 5,034 million euro (2,885 million euro as at 31 December 2021).

The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty (“Bilateral Credit Value Adjustment”). With regard to contracts outstanding as at 31 December 2022, this led to a positive effect of 102 million euro under “Profits (Losses) on trading” in the income statement (positive impact of 97 million euro in 2021).

As regards the methodologies used in determining the fair value of financial instruments, see the specific paragraphs of the section on accounting policies in the Notes to the consolidated financial statements.

Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges agreed by the Group.