

1.2. MARKET RISKS

As already mentioned in the Introduction, the Intesa Sanpaolo Group policies on financial risk taking are defined by the Parent Company's Management Bodies, with the support of specific Committees, including the Steering Committee, chaired by the Managing Director and CEO and composed of the heads of the main corporate departments, and the Group Financial Risk Committee.

The Steering Committee, a Group body with a decision-making, reporting and consulting role, is also assigned the functions of assisting the Managing Director and CEO in the performance of his duties, strengthening the coordination and cooperation mechanisms between the various business, governance and control areas of the Group, with a view to sharing the main business choices, and helping ensure coordinated and integrated risk management and the safeguarding of business value at Group level, including the correct functioning of the internal control system.

The Group Financial Risk Committee, chaired by the Chief Risk Officer and the Chief Financial Officer, is responsible for setting out the methodological and measurement guidelines for financial risks, establishing the operational limits and assessing the risk profile of the Group and its main operational units. The Committee also sets out the strategies for the management of the banking book to be submitted to the competent Bodies and establishes the guidelines on liquidity, interest rate and foreign exchange risk. The Committee operates on the basis of the operating and functional powers delegated by the Corporate Bodies and coordination of the Steering Committee.

The Group's overall financial risk profile and the eventual necessary changes are examined periodically by the Group Financial Risk Committee.

The Parent Company's Market and Financial Risk Management Head Office Department is responsible for the development of corporate risk measurement and monitoring methodologies as well as for the proposals on the Group's system of operational limits. It is also responsible in outsourcing for the risk measurement for certain operating units on the basis of specific service contracts.

The table below shows the captions of the consolidated Balance Sheet that are subject to monitoring in relation to the managerial market risks, showing the positions for which managerial VaR is the main risk measurement metric (the managerial VaR is calculated on a wider scope than subject to the Internal Model for market risks. For a more in-depth discussion, refer to the subsequent paragraph), along with those for which risks are monitored with other metrics. The latter mostly include the sensitivity analysis to the different risk factors (interest rate, credit spread, etc.).

	BOOK VALUE (supervisory scope)	MAIN RISK MEASUREMENT METRICS		
		VaR	Other	Risk factors measured using metrics included under Other
(millions of euro)				
Assets subject to market risk	648,332	106,682	541,651	
Financial assets held for trading	38,212	38,212	-	Interest rate risk, credit spread, equity
Financial assets designated at fair value	1	1	-	-
Other financial assets mandatorily measured at fair value	5,375	134	5,242	Interest rate risk, credit spread, equity
Financial assets measured at fair value through other comprehensive income (ifrs 7 par. 8 lett. h))	68,618	67,326	1,292	Interest rate risk, credit spread, equity
Due from banks	32,903	-	32,903	Interest rate risk
Loans to customers	486,697	-	486,697	Interest rate risk
Hedging derivatives	6,980	1,009	5,971	Interest rate risk
Investments in associates and companies subject to joint control	9,546	-	9,546	Equity risk
Liabilities subject to market risk	713,217	65,574	647,643	
Due to banks	92,379	-	92,379	Interest rate risk
Due to customers	442,795	-	442,795	Interest rate risk
Securities issued	108,027	-	108,027	Interest rate risk
Financial liabilities held for trading	43,568	43,568	-	Interest rate risk
Financial liabilities designated at fair value (ifrs 7 par. 8 lett. e))	21,344	21,344	-	-
Hedging derivatives	5,104	662	4,442	Interest rate risk

REGULATORY TRADING BOOK

1.2.1. INTEREST RATE RISK AND PRICE RISK

Qualitative information

General aspects

The regulatory requirements for the trading book are established in Regulation (EU) 876/2019 (CRR2 - Part Three, Title I, Chapter 3, in Articles 102, 103, and 104 respectively). The combined provisions of those articles lay down the set of minimum requirements for the identification of the trading strategies and the measurement and control of the associated risks.

In accordance with the requirements of the applicable regulations, the Intesa Sanpaolo Group has established an internal policy that identifies the trading book based on:

- measurement at fair value through profit or loss of the instruments held for trading;
- the strategies defined;
- the risk-taking centres identified;
- the monitoring, limitation and management of the risks defined in accordance with the internal regulations on market risk.

In particular, the assets classified in the regulatory trading book coincide – apart from some specific exceptions – with the financial assets held for trading (Bank of Italy Circular 262). This association derives from the set of strategies, powers, limits and controls that feed and guarantee the adjacency and consistency between the accounting and prudential portfolios.

Among risks associated with trading activity, i.e. market risks deriving from the effect that changes in market variables may generate on the Group's various assets and liabilities, the latter are generally quantified through daily and periodic analysis designed to determine the vulnerability of the Intesa Sanpaolo Group's trading book. A list of the main risk factors to which the Group's trading book is exposed is set out below:

- generic interest rate risk (including inflation rate risk);
- specific interest rate risk (credit spread variability in relation to trading in credit derivatives, bonds and loans);
- generic equity risk;
- specific equity risk;
- incremental risk of migration and default (incremental risk charge);
- foreign exchange risk;
- risk of implied volatility on optional instruments;
- risk of illiquid factors (correlation, dividends, ABS, OtS loans, hedge funds);
- position risk for units of UCIs;
- commodity position risk.

For some of the risk factors cited above and included in the managerial VaR (Value at Risk) measurements, the Supervisory Authority has validated the internal models for the reporting of the capital requirement of Intesa Sanpaolo. More specifically, concerning market risk, the risk profiles validated are: (i) generic and specific on debt securities and on equities; (ii) position risk on quotas of UCI with daily liquidity and (iii) commodity risk.

Risk management processes and measurement methods

The allocation of capital for trading activities is set by the Parent Company's Board of Directors, through the attribution of operating limits in terms of VaR to the various Group units.

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the basic concepts of hierarchy and interaction.

The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

- **first-level limits (VaR):** the overall limits of the Group as well as those of the IMI C&IB Division and Group Treasury and Finance Department are included in the Group's Risk Appetite Framework (RAF). At the same time, the Board of Directors of the Parent Company defines the operating limits in terms of VaR for other Group companies which hold smaller trading books whose risk is marginal. Following approval, these limits are then allocated to the desks of the individual legal entities, considering the proposals by the business units. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risk Committee and Board of Directors within the framework of the Tableau de Bord of the Group risks;
- **second level limits (sensitivity and greeks):** they have the objective of controlling operations of the various desks on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures;
- **other significant limits:** they have the objective of monitoring particular transactions (e.g. limits of negative maximum exposure of the valuation reserve, ceilings for transactions with issuer risk).

Some of these limits may be covered by the RAF rules. See also the paragraph "The internal control system" for a more detailed representation of the risk framework.

The Parent Company represents the main portion of the Group's market risks, while some other Group subsidiaries hold smaller trading books with a marginal risk (approximately less than 10% of the Group's overall management risk): in particular, the risk factors of the international subsidiaries' trading books are local government bonds, positions in interest rates, and foreign exchange rates relating to linear pay-offs.

A more detailed representation of the market risk metrics monitored in the limit structure is set out below:

Managerial VaR

Definition: Value at Risk is a monetary estimate of risk based on statistical techniques capable of summarising the maximum probable loss, with a certain confidence level, that a financial position or portfolio may suffer in a given period (holding period) in response to changes in the risk factors underlying the measurement models caused by market dynamics.

Method: the mathematical and statistical models that make it possible to calculate VaR can be divided into two general categories: parametric approaches (variance/covariance) and approaches based on simulation techniques, such as that in use at Intesa Sanpaolo.

Specifically, the approach used in Intesa Sanpaolo has the following characteristics:

- historical simulation model based on the mark-to-future platform;
- a 99th percentile confidence interval;
- disposal period of 1 day;
- full revaluation of existing positions.

Historical simulation scenarios are calculated internally on time series of one-year risk factors (250 observations). For management purposes, a non-equal probability of occurrence is associated with each scenario, decreasing exponentially as a function of time, to privilege the informational content of the most recent data. For regulatory purposes, scenarios are equally weighted when calculating the capital requirement.

Please note that, in the first quarter of 2023, on the ordinary annual update of the market risk managerial framework, the Board of Directors (as part of the 2023 Group Risk Appetite Framework) confirmed the specific limit for trading within an overall limit for trading and the hold to collect and sell (HTCS) business model.

Sensitivity and greeks

Definition: sensitivity measures the risk attributable to a change in the theoretical value of a financial position to changes of a defined quantity of risk factors connected thereto. It therefore summarises:

- the extent and direction of the change in the form of multipliers or monetary changes in theoretical value;
- without explicit assumptions on the time horizon;
- without explicit assumptions of correlation between risk factors.

Method: the sensitivity indicator can be constructed using the following techniques:

- calculation of prime and second derivatives of the valuation formulae;
- calculation of the difference between the initial value and that resulting from the application of unidirectional shocks independent of risk factors (delta, gamma, vega, CR01 and PV01).

Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters including a one basis point increase in interest rates.

Level measures

Definition: Level measures, used also as ratios, are indicators supporting synthetic risk metrics which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. In particular, level measures make it possible to monitor the nature of exposures to certain issuers and economic groups.

The main level measure indicators are nominal (or equivalent) position and average duration metrics; level indicators also include the Negative Maximum Exposure of the Valuation Reserve measures characteristic of the HTCS business model.

Method: nominal (or equivalent) position is determined by identifying:

- the notional amount;
- the mark to market;
- the conversion of the position of one or more instruments to that of a given benchmark (equivalent position);
- the FX exposure.

When determining the equivalent position, risk is defined as the value of the various assets, converted into an aggregate position that is "equivalent" in terms of sensitivity to the change in the risk factors investigated.

At Intesa Sanpaolo the approach is characterised by extended use of ceilings in terms of MtM, as representative of the value of the assets as recognised.

Stress tests

Definition: stress tests are conducted periodically to identify and monitor potential vulnerabilities in trading books upon the occurrence of extreme, rare events not fully captured by VaR models.

Method: Stress tests for management purposes are applied periodically to market risk exposures, typically adopting:

- sensitivity analysis, which measures the potential impact on the main risk metrics of a change in a single risk factor or simple multi-risk factors;
- scenario analysis, which measures the potential impact on the main risk metrics of a certain scenario that considers multiple risk factors.

The following stress exercises are included in the Group's Stress Testing Programme:

- multi-risk exercise, based on scenario analysis, which enables the forward-looking assessment of the simultaneous impact on the Group of multiple risk factors, also taking into account the interrelationships between them and, where applicable, the top management's reaction capacity;
- regulatory multi-risk exercise, ordered and coordinated by the supervisor/regulator which defines its general assumptions

- and scenarios, requires the full revaluation of the impacts with the resulting need of contributions from the specialist departments of the Chief Risk Officer and Chief Financial Officer Governance Areas;
- situational exercise, ordered by the top management or by the supervisor/regulator in order to assess the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.) from a forward-looking perspective;
 - a single or specific risk exercise to assess the impact of scenarios (or single or more specific risk factors) on specific risk areas.

Stressed VaR

Definition: the stressed VaR metric is based on the same measurement techniques as VaR. In contrast to the latter, it is calculated by applying market stress conditions recorded over an uninterrupted 12-month historical period.

Method: that period was identified considering the following guidelines:

- the period must represent a stress scenario for the portfolio;
- the period must have a significant impact on the main risk factors for the portfolio of Intesa Sanpaolo;
- the period must allow real time series to be used for all portfolio risk factors.

While using the historical simulation approach for VaR calculation, the latter point is a discriminating condition in the selection of the holding period. Actually, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.

As at the date of preparation of the 2023 Financial Statements, the period for the measurement of Stressed VaR for Intesa Sanpaolo was from 1 April 2022 to 21 March 2023.

For managerial purposes, the stressed VaR metric is calculated on the entire set of the Group's portfolios measured at fair value (trading and FVOCI in the banking scope) and the stressed period is revised at least annually, together with the annual update to the market risk management framework (Risk Appetite Framework).

Incremental Risk Charge (IRC)

Definition: The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure, which is additional to the VaR, is applied to the entire trading book of Intesa Sanpaolo (just as for the other regulatory metrics, it is not applied to the sub-portfolios).

The IRC enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.

This measure applies to all financial products that are sensitive to credit spreads included in the trading book except for the securitisations.

Method: The simulation is based on a Modified Merton Model. The probabilities of transition and default are those observed through the historical matrices of the main rating agencies, applying a probability of default minimum value higher than zero. The asset correlation is inferred from the equity correlation of the issuers. The model is based on the assumption of a constant position with a holding period of one year.

A regular stress program is applied to the model's main parameters (correlation, and transition, default and credit spread matrices).

Quantitative information

Daily managerial VaR evolution

Below is a summary of the daily managerial VaR for the trading book only, which also shows the overall exposure of the main risk-taking centres.

Daily managerial VaR of the trading book

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	(millions of euro) average 1st quarter
Total Group Trading Book (a)	26.4	16.3	43.5	33.7	35.5	27.9
<i>of which: Group Treasury and Finance Department</i>	3.8	3.1	4.7	3.7	4.4	5.1
<i>of which: IMI C&IB Division</i>	23.3	14.3	40.6	31.1	33.7	25.3

Each line in the table shows the historical variability of the daily managerial VaR calculated on the quarterly time series of the Intesa Sanpaolo Group (including the other subsidiaries), the Group Treasury and Finance Department and the IMI C&IB Division respectively. The values calculated on the Group perimeter (average, minimum and maximum) do not correspond to the sum of the values of the individual columns, because they are recalculated on the aggregate time series which also includes the perimeter of the other subsidiaries.

(a) The Group Trading Book figure includes the managerial VaR of the Group Treasury and Finance Department, the IMI C&IB Division (Trading Book perimeter) and the other subsidiaries.

In the fourth quarter of 2023, as shown in the table above, compared to the average of the third quarter of 2023, there was a reduction in the trading managerial risks (26.4 million euro in the fourth quarter of 2023 and 33.7 million euro in the third quarter of 2023) mainly attributable to the management of the exposure to interest rate risk of the trading book and the scenario “rolling effect”.

With regard to the overall performance in 2023, compared to 2022, there was a marginal increase in the trading managerial VaR mainly attributable to a higher exposure to interest rate risk.

Daily managerial VaR of the trading book - Comparison 2023 – 2022

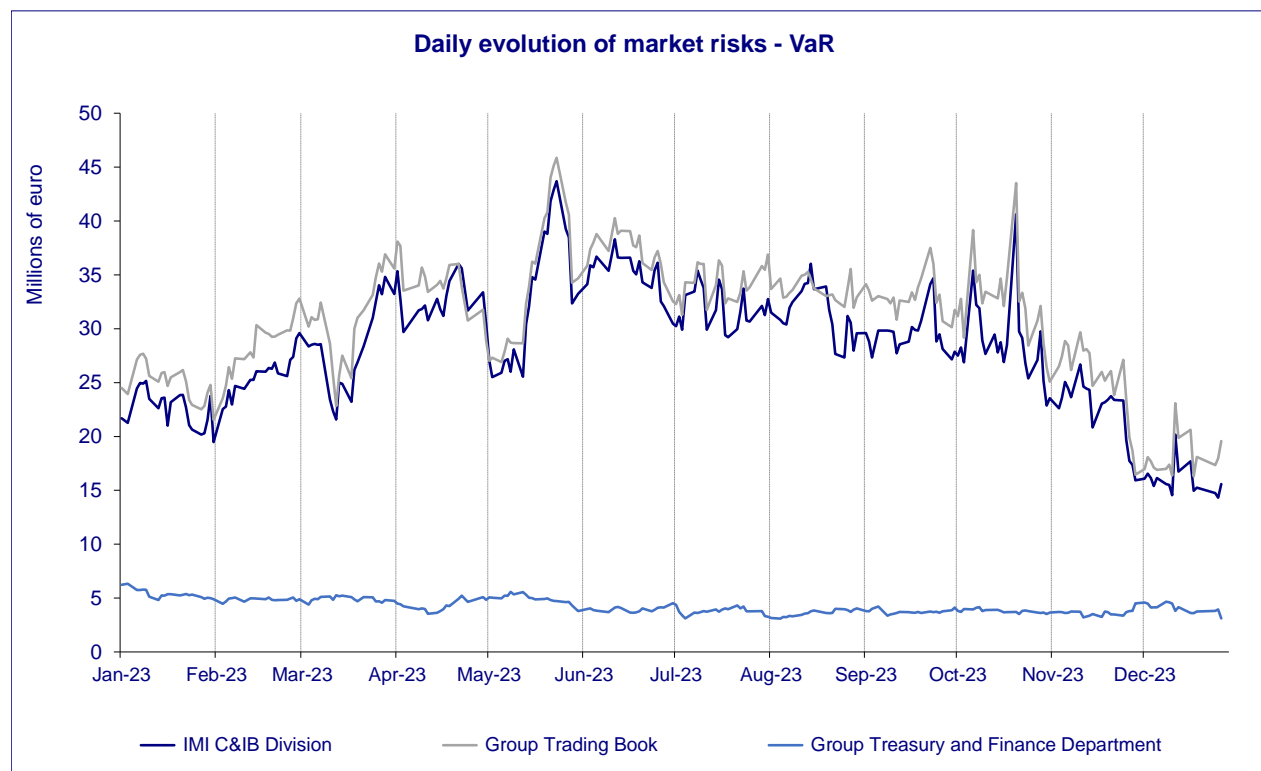
	2023				2022		
	average	minimum	maximum	last day	average	minimum	maximum
Total Group Trading Book (a)	30.8	16.3	45.9	19.6	24.1	15.4	32.5
<i>of which: Group Treasury and Finance Department</i>	4.2	3.1	6.3	3.1	5.9	2.4	9.4
<i>of which: IMI C&IB Division</i>	28.3	14.3	43.7	15.6	22.3	13.9	34.1

Each line in the table shows the historical variability of the daily managerial VaR calculated on the annual time series of the Intesa Sanpaolo Group (including the other subsidiaries), the Group Treasury and Finance Department and the IMI C&IB Division respectively. The values calculated on the Group perimeter (average, minimum and maximum) do not correspond to the sum of the values of the individual columns, because they are recalculated on the aggregate time series which also includes the perimeter of the other subsidiaries.

(a) The Group Trading Book figure includes the managerial VaR of the Group Treasury and Finance Department, the IMI C&IB Division (Trading Book perimeter) and the other subsidiaries.

The trend in the trading VaR in the fourth quarter of 2023 was mainly marked by transactions conducted by the IMI C&IB Division. Specifically, as shown in the chart below, there was a gradual reduction in the managerial market risks mainly related to the management of the exposure to interest rate risk of the trading book and the scenario “rolling effect”.

The movements are shown in the chart below:



The breakdown of the Group's risk profile in the trading book in the fourth quarter of 2023 shows a prevalence of interest rate risk and credit spread risk, accounting for 37% and 33% respectively, of the Group's total managerial VaR. Instead, the single risk-taking centres show a prevalence of exchange rate risk and interest rate risk for the Group Treasury and Finance Department (58% and 33%, respectively) and of interest rate risk and credit spread risk for the IMI C&IB Division (37% and 34%, respectively).

Contribution of risk factors to total managerial VaR

4th quarter 2023	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	6%	33%	3%	58%	0%	0%
IMI C&IB Division	15%	37%	34%	6%	4%	4%
Total	13%	37%	33%	9%	4%	4%

Each line in the table sets out the contribution of risk factors considering 100% the overall capital at risk, calculated as the average of daily estimates in the fourth quarter of 2023, broken down between the Group Treasury and Finance Department and IMI C&IB Division and indicating the distribution of the Group's overall capital at risk.

Risk control with regard to the activity of the Intesa Sanpaolo Group also uses scenario analyses and stress tests. The impact of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads, foreign exchange rates, commodity prices and inflation at the end of December is summarised in the following table:

	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES		INFLATION	
	Crash	Bullish	+40bps	lower rate	-25bps	+25bps	-5%	+5%	Crash	Bullish	Up	Down
Total Trading Book	32	60	-9	8	-18	21	24	13	-4	5	-1	4

In particular:

- for stock market positions, there would not be potential losses either in the case of sudden increases in stock prices or in the case of sharp decreases therein;
- for positions in interest rates, there would be potential losses of -9 million euro in the event of a rise in interest rates;
- for positions in credit spreads, a tightening of credit spreads of 25 basis points would result in an overall loss of 18 million euro;
- for positions in exchange rates, there would be no potential losses either in the event of appreciation or depreciation of the Euro against the other currencies;
- for positions in commodities, there would be a loss of 4 million euro in the event of a fall in prices of commodities other than precious metals.
- lastly, for the inflation-indexed positions, there would be potential losses of 1 million euro in the event of an increase in inflation.

With regard to the use of the overall limit relating to trading and the hold to collect and sell (HTCS) business model, there was an overall reduction in the market managerial VaR in the fourth quarter of 2023 from 159 million euro (average managerial VaR third quarter 2023) to 116 million euro (average managerial VaR fourth quarter 2023).

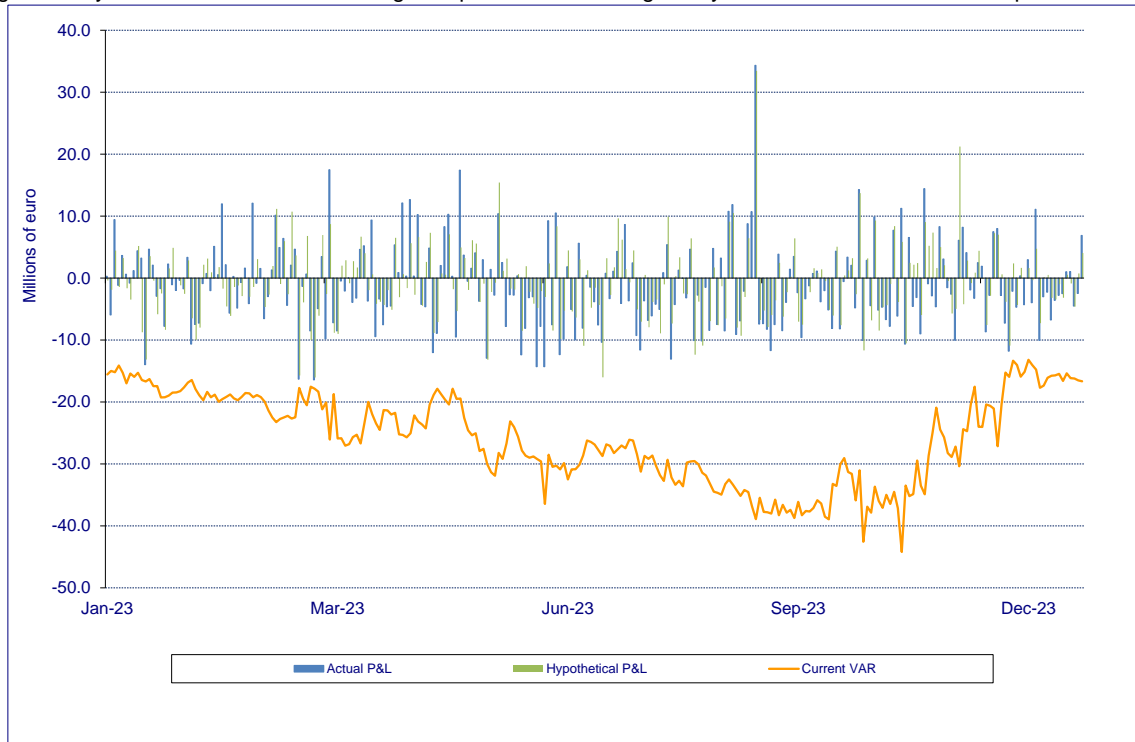
Backtesting

The soundness of the VaR calculation methods must be monitored daily via backtesting which, for the regulatory backtesting, compares:

- the daily estimates of value at risk;
- the daily profits/losses based on backtesting which are determined using actual daily profits and losses achieved by individual desks, net of components which are not considered in backtesting: these include, for example, fees and financial costs of managing the positions that are regularly reported within the managerial area.

Backtesting allows verification of the model’s capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the internal model are represented by situations in which daily profits/losses based on backtesting highlight more than four occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate. Current regulations require that backtesting is performed by taking into consideration both the actual and hypothetical P&L series.

During the last year there were no backtesting exceptions¹⁰⁶ for the regulatory VaR measure for Intesa Sanpaolo.



¹⁰⁶ In the last 250 observations, the Bank has not recorded any Actual P&L exceptions and/or Hypothetical P&L exceptions. For the total calculation, in accordance with the applicable regulations, the maximum between Actual P&L and Hypothetical P&L exceptions is counted.

Issuer risk

Issuer risk in the trading portfolio is analysed through level measures, i.e. in terms of mark to market, with exposures aggregated by rating class and sector, and is monitored through a system of operating limits based on both sector/rating classes and concentration indexes.

Breakdown of exposures by type of issuer

	Total	Of which					
		Corporate	Financial	Emerging	Covered	Government	Securitis.
Group Treasury and Finance Department	0%	0%	0%	0%	0%	0%	0%
IMI C&IB Division	100%	18%	36%	10%	8%	4%	24%
Total	100%	18%	36%	10%	8%	4%	24%

The table sets out in the Total column the contribution of the Group Treasury and Finance Department and the IMI C&IB Division to overall issuer risk exposures, breaking down the exposure by type of issuer. The scope corresponds to the trading portfolio with an issuer ceiling (excluding Italian Government bonds, AAA and own bonds) and including CDS.

The breakdown of the portfolio subject to issuer risk shows an exposure attributable solely to the IMI C&IB Division and mainly in the financial and securitisation segments.

Impacts of the Russia-Ukraine conflict

There were no significant impacts of the Russia-Ukraine conflict on the metrics for measuring market risk in the Group's trading book.

BANKING BOOK

1.2.2 INTEREST RATE RISK AND PRICE RISK

Qualitative information

General aspects, interest rate risk and price risk management processes and measurement methods

The “banking book” is defined as the commercial portfolio consisting of all the on-balance sheet and off-balance sheet items that are part of the Intesa Sanpaolo Group’s lending and deposit collecting activities. Therefore, the interest rate risk of the banking book (hereinafter “interest rate risk” or IRRBB) refers to the current and prospective risk of changes in the economic value and the net interest income of the Group’s banking book due to adverse changes in interest rates.

The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated, mainly held by the Parent Company.

The internal system for measuring interest rate risk assesses and describes the effect of changes in interest rates on the economic value and the net interest income and identifies all significant sources of risk that affect the banking book:

- repricing risk, i.e. the risk associated with lags in maturity dates (for fixed-rate positions) or in the interest rate revision date (for floating-rate positions) of the assets, liabilities and off-balance sheet items;
- yield curve risk, i.e. the risk associated with changes in the inclination and shape of the yield curve;
- basis risk, i.e. the risk arising from imperfect correlation in the adjustment of lending and deposit rates on different instruments, but with otherwise similar repricing characteristics. As interest rates change, these differences can lead to unexpected changes in cash flows and yield spreads between assets, liabilities and off-balance sheet positions having similar maturities or rate revision frequencies;
- optionality risk, i.e. the risk associated with the presence of automatic or behavioural options in the Group’s assets, liabilities and off-balance sheet instruments.

Intesa Sanpaolo’s current measurement system also allows the risk profile to be examined on the basis of two distinct but complementary perspectives:

- **economic value perspective** (EVE – Economic Value of Equity), which considers the impact of interest rate fluctuations and the associated volatility on the present value of all future cash flows;
- **net interest income perspective** (NII - Net Interest Income), which aims to analyse the impact of interest rate fluctuations and their associated volatility on net interest income;

The economic value perspective assesses the medium-to-long term impacts of interest rate fluctuations, while the net interest income perspective provides a short-term assessment.

Interest rate risk is managed by setting limits to both perspectives. Said limits comprise:

- consolidated limits, which are defined in the RAF and approved by the Board of Directors, both in terms of change in EVE (sensitivity of the economic value or Δ EVE) and net interest income sensitivity (Δ NII). The consolidated Δ EVE limits reflect, consistent with the context and regulatory instructions, the average expected exposure of the Group’s EVE. The expected average level is quantified within the RAF and defined as the average exposure that the Group expects to take during the year. The Group’s consolidated sensitivity limits EVE and NII are accompanied by two risk indicators, which constitute an “Early Warning” threshold, approved within the RAF, which make it possible to control exposure to the risk of yield curve twists;
- individual shift sensitivity and net interest income sensitivity limits, which are part of the “cascading” process of the Group’s RAF limit, and are proposed, after being shared with the operating structures, by the Market and Financial Risk Management Head Office Department and approved by the Group Financial Risk Committee (GFRC). These limits take account of the characteristics of the banks’/divisions’ portfolios, with particular reference to intermediated volumes, average durations, the type of instruments traded and the Company’s strategic mission within the Group.

The Market and Financial Risk Management Head Office Department performs monthly checks that the limits and Early Warning level approved in the Risk Appetite Framework (RAF) are observed at the consolidated and individual level. In addition, the Group has adopted a specific internal policy document regarding interest rate risk (the IRRBB Guidelines) subject to approval by the Board of Directors, which governs the Group’s entire interest rate risk management framework and in particular the aspects of governance, methods of use and formulation of scenarios.

The IRRBB Guidelines define the methods for measuring the financial risks generated by the Group’s banking book:

1. Sensitivity of economic value (Δ EVE);
2. Net interest income sensitivity (Δ NII);
3. Credit Spread Risk of the Banking Book (CSRBB);
4. Value at Risk (VaR).

These measures are available for each relevant currency in the banking book.

The **sensitivity of the economic value** measures the change in the economic value of the banking book and is calculated at individual cash flow level for each financial instrument, based on different instantaneous rate shocks and based on historical stress simulations aimed at identifying the worst and best cases. It reflects the changes in the present value of the cash flows of the positions already in the balance sheet for the entire remaining duration until maturity (run-off balance sheet). The cash flows used to determine the present value are developed at the risk-free rate (Euribor/Libor) and discounted according to risk-free discount curves.

To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the sensitivities of the positions in the various currencies by applying a parallel shock of +100 basis points to the interest rate curves in the various currencies. The calculation for non-parallel shocks for the purposes of controlling the exposure and monitoring the early warning level is performed similarly. The sensitivity of the relevant currencies is then

corrected, according to a "currency aggregation" management technique, to take account of the imperfect correlation with the rates of the main currency (the euro).

The **sensitivity of net interest income** focuses the analysis on the impact that changes in interest rates can have on the Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and the impact is assessed on a going concern basis. The change in net interest income is estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions are made regarding customer behaviour (differentiated according to interest rate scenarios) and market behaviour and the response of Group/Bank management to changes in the economy. Thus, the projection of the net interest income and its sensitivity to changes in market factors require a series of modelling assumptions for the development of volumes and rates (fixed/floating), the reference time horizon, the relevant currencies, as well as the behavioural models introduced (prepayment, core deposits, etc.) and the assumptions regarding the evolution of the portfolio (run-off, constant or dynamic balance sheet).

The net interest income sensitivity limits are set on the basis of an instantaneous and parallel interest rate shock of +/-50 basis points, with a reference time horizon of 1 year and assuming a constant balance sheet. The net interest income sensitivity limit is defined as the limit on the loss in the income statement and, therefore, is exclusively negative (limit on the potential reduction in the net interest income): the use of the limit is represented by the sensitivity that generates a greater reduction in net interest income in the two scenarios of a parallel rise and fall in interest rates. The total sensitivity exposure of net interest income is given by the algebraic sum of the exposure of individual currencies.

The **Credit Spread Risk of the Banking Book (CSRBB)** is defined as the risk caused by changes in the market price for credit risk, liquidity and other potential characteristics of credit risk instruments, which is not captured by another existing prudential framework such as the IRRBB or by the expected credit/default risk. The scope of application is all the instruments in the assets and liabilities that have a direct or indirect reference to the market credit spread, the irrespective of their accounting classification. The exposure to the CSRBB is measured in terms of changes in both the economic value and the net interest income.

Value at Risk (VaR) is a probability-based metric that expresses the maximum potential loss of portfolio value that could be incurred within a specific time horizon, at a pre-defined confidence level. VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, also taking into account the benefits of diversification and the correlation between various risk factors and different currencies. This measure is calculated and monitored, for the entire scope, by the Market and Financial Risk Management Head Office Department.

In calculating the above risk measures, Intesa Sanpaolo adopts behavioural models for representing capital items. For mortgages, statistical techniques are used to determine the probability of prepayment, in order to reduce the Group's exposure to interest rate risk (overhedging) and to liquidity risk (overfunding). The prepayment ratios for Retail mortgages are estimated through a Survival Analysis that expresses the repricing portfolio of each single mortgage, based on several fundamental variables:

- macroeconomic variables (consumer price index (CPI) - inflation, trend in market IRS rates, etc.);
- personal details of the counterparty (age, region of location);
- financial variables (original duration, seasoning, type of rate, unpaid instalments, incentive).

For core deposits (customer current accounts), a financial representation model is adopted aimed at reflecting the behavioural features of stability of deposits and partial and delayed reaction to market interest rate fluctuations. The model is continuously monitored and periodically revised to promptly reflect changes in volumes and customer characteristics over time, as well as in the relevant regulatory framework.

In order to measure the Group's vulnerability to market turbulence, the interest rate risk measurement system measures the impacts on the bank's economic value and net interest income produced by strains on the market ("scenario analysis"), i.e. sudden changes in the general level of interest rates, changes in the relationships between fundamental market rates (basis risk), in the slope and shape of the yield curve (yield curve risk), in the liquidity of the main financial markets or in the volatility of market rates.

These analyses are conducted by subjecting the portfolio to various interest rate change scenarios:

- regulatory scenarios produced by the Supervisory Outlier Test (SOT), which introduces an Early Warning referring to changes in economic value of 15% of Tier 1, calculated with reference to the BCBS scenarios (Parallel shock up, Parallel shock down, Steepener shock, Flattener shock, Short rates shock up and Short rates shock down) and changes in net interest income equal to 5% of Tier 1, calculated solely with reference to the parallel scenarios (parallel shock up and parallel shock down);
- shocks diversified by reference curve of the main risk factors and calculated as the difference between the yields of the curves of the individual factors and those of a curve relating to the selected pivot parameter (basis risk);
- stress scenarios in historical simulation.

Stress tests on behavioural models are also carried out to verify the financial impact of alternative assumptions underlying the behavioural parameters estimated in the models. The methodological assumptions underlying the assumptions contained in the stress scenarios are duly described in the detailed methodologies. In addition, within the framework of the dynamic simulation of net interest income, an additional behavioural model is adopted to simulate the effects of potential renegotiations of the contractual conditions of medium/long-term assets. In terms of risks, renegotiations modify the duration of the portfolio of medium/long-term loans and entail a decline in net interest income due to the revision of the contractual rates/spreads to include conditions more advantageous to customers. Specific models have been estimated to ensure a proper representation of the renegotiations phenomenon in terms of the percentages of mortgage loans renegotiated and their financial characteristics.

Impacts of the Russia-Ukraine conflict

There were no significant impacts of the Russia-Ukraine conflict on the metrics for measuring market risk in the Group's banking book.

Quantitative information**Banking book: internal models and other sensitivity analysis methodologies**

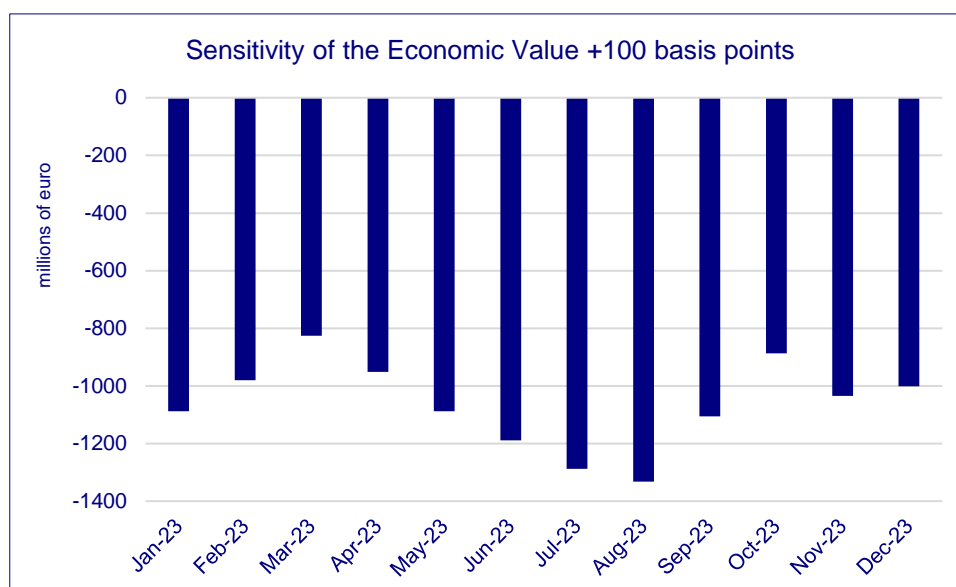
In 2023, the interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity of economic value, averaged -1,064 million euro, with a maximum value of 1,332 million euro reached at the end of August 2023, and a minimum value of -826 million euro, with the latter coinciding with the value at the end of March 2023. The end of December figure amounted to -1,001 million euro, stable compared to figure at the end of December 2022 of -1,016 million euro (+15 million euro).

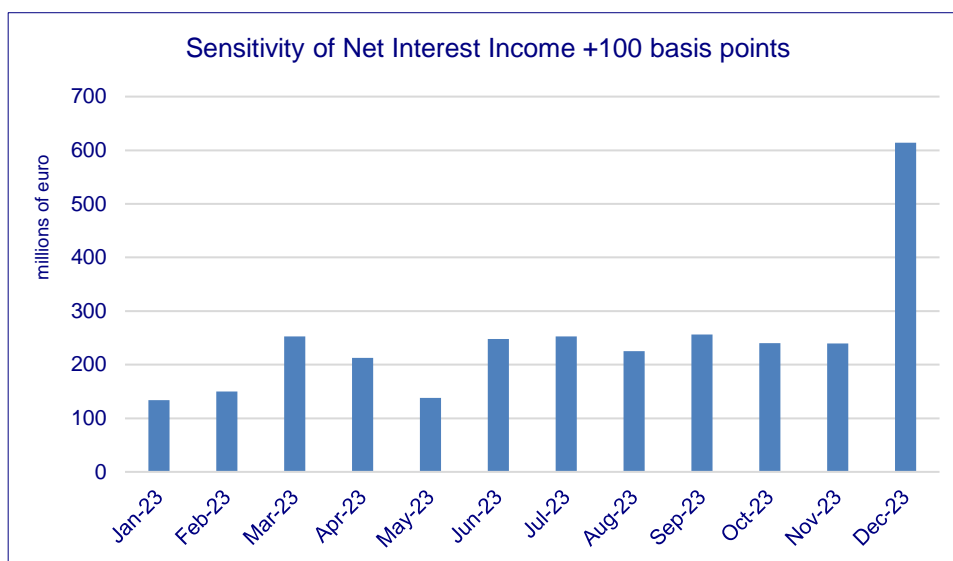
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 350 million euro, -332 million euro and 614 million euro, respectively, at the end of December 2023 based on the new internal reactivity model representing the Bank's best forward-looking estimate of net interest income.

The latter figure was up (+363 million euro) from 251 million euro at the end of 2022, mainly due to the decline in the implicit reactivity of the core deposits from customers, in particular from March. This effect was partly offset by the reduction in volumes of on demand deposits, by new derivatives hedging the core deposits model and by the repricing of floating-rate loans to customers.

The table and charts below provide a representation of the performance of the sensitivity of economic value (or the sensitivity of fair value) and the sensitivity of net interest income.

Risk Measures	2023			31.12.2023	(millions of euro) 31.12.2022
	average	minimum	maximum		
Sensitivity of the Economic Value +100 bp	-1,064	-826	-1,332	-1,001	-1,016
Sensitivity of Net Interest Income -50 bp	-434	-332	-575	-332	-668
Sensitivity of Net Interest Income +50 bp	228	147	495	350	633
Sensitivity of Net Interest Income +100 bp	247	134	614	614	251





Interest rate risk, measured in terms of VaR, averaged 458 million euro in 2023, with a maximum value of 584 million euro, reached at the end of April, and a minimum value of 273 million euro, coinciding with the value at the end of December 2023. The latter figure was down by 169 million euro on 442 million euro at the end of 2022, with the change mainly due to the reduction in the volatility of market interest rates in 2023.

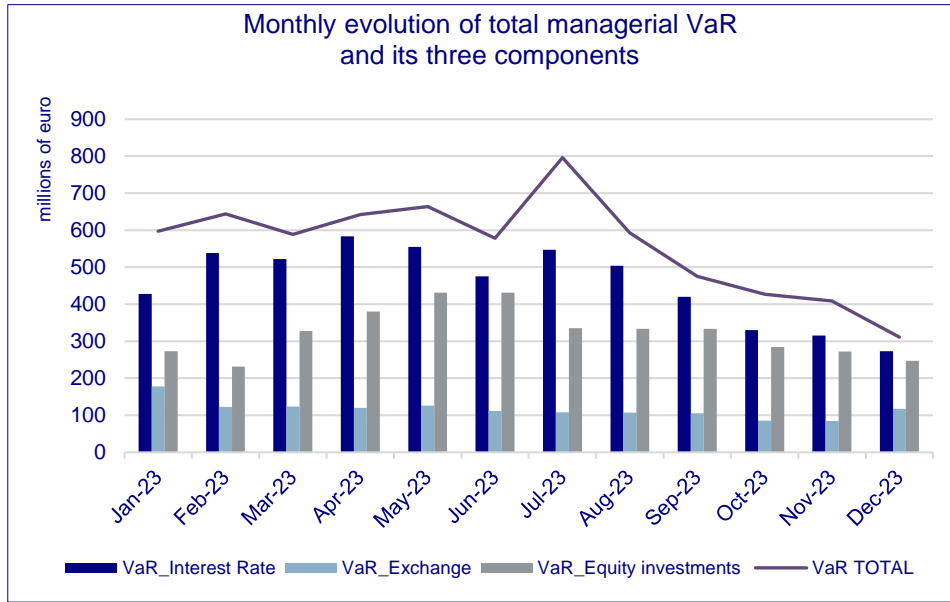
Foreign exchange risk expressed by equity investments in foreign currency (banking book) and measured in terms of VaR averaged 116 million euro in 2023, with a minimum value of 85 million euro and a maximum value of 178 million euro, standing at 118 million euro at the end of December 2023, down by 8 million euro on the value of 126 million euro at the end of December 2022. This change was mainly due to the exit of the Croatian Kuna (HRK) from the scope of structural foreign exchange risk.

Price risk generated by the equity portfolio, measured in terms of VaR, recorded an average level during 2023 of 323 million euro, with maximum and minimum values of 431 million euro and 232 million euro, respectively, and came to 247 million euro at the end of December, down by 87 million euro on 334 million euro at the end of December 2022. This change was mainly due to the reduction in the price volatility of the equity portfolio.

Total VaR, consisting of the three components described above (Interest Rate VaR, Exchange VaR and Equity VaR) averaged 560 million euro in 2023, with a maximum value of 796 million euro and a minimum value of 311 million euro, reaching a figure of 311 million euro at the end of December 2023, down by 328 million euro on the value at the end of December 2022 of 639 million euro. This was due to the increase in the benefit of overall diversification, linked to both the recomposition of the portfolio illustrated with regard to single risks (Interest Rate, Foreign Exchange, and Equity Investment risk), as well as the reduction in market volatility.

The table and chart below provide a representation of the performance of total VaR and its three components (Interest Rate VaR, Exchange VaR and Equity Investments VaR).

	2023			(millions of euro)	
	average	minimum	maximum	31.12.2023	31.12.2022
Value at Risk - Interest Rate	458	273	584	273	442
Value at Risk - Exchange	116	85	178	118	126
Value at Risk - Equity investments	323	232	431	247	334
Total Value at Risk	560	311	796	311	639



Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of $\pm 10\%$ for the portfolio of quoted minority stakes, largely classified to the HTCS category.

Price risk: impact on Shareholders' Equity

		Impact on shareholders' equity at 31.12.2023	Impact on shareholders' equity at 30.09.2023	Impact on shareholders' equity at 30.06.2023	Impact on shareholders' equity at 31.03.2023	(millions of euro) Impact on shareholders' equity at 31.12.2022
Price shock	10%	52	55	58	65	73
Price shock	-10%	-52	-55	-58	-65	-73

1.2.3. FOREIGN EXCHANGE RISK

Qualitative information

A. General aspects, foreign exchange risk management processes and measurement methods

With regard to the positions denominated in currencies other than the domestic currency in which the financial statements are prepared, “Foreign Exchange Risk” is defined as the potential adverse effect resulting from changes in the exchange rate between currencies that could have a negative impact on the valuation of the assets and liabilities in the financial statements and on the earnings and capital ratios. The appreciation or depreciation of a currency affects the capital ratio both through changes in capital (numerator of the ratio) and through changes in the risk weighted assets in foreign currency (denominator of the ratio).

Foreign exchange risks are traditionally divided into:

- *Structural Foreign Exchange Risk*: defined as the potential adverse effect of changes in the exchange rate between currencies that could have a negative impact on the Foreign Exchange Reserves that are part of the consolidated shareholders’ equity, for Equity investments measured at cost (in the individual financial statements), or on the other comprehensive income (OCI) reserve for equity instruments measured at fair value through other comprehensive income (FVTOCI);
- *Transaction Foreign Exchange Risk*: the potential loss resulting from changes in the currencies exchange rate that may have negative impacts both on the valuation of the assets and liabilities in the financial statements when converted into the reporting currency and on the earnings from funding, lending and investment/disinvestment transactions in currencies other than the euro;
- *Transaction Foreign Exchange Risk associated with Structural Foreign Exchange Risk*: the Foreign Exchange Risk related to the approved Dividends of the Investments in associates and companies subject to joint control and the risk related to the management of Foreign Exchange Risk arising from Extraordinary Transactions related to the management of the Investments in associates and companies subject to joint control. It also includes the profits/losses of the international branches;
- *Translation Foreign Exchange Risk*: the foreign exchange risk arising from the translation into Euro (the Group’s reporting currency) of assets and liabilities in foreign currency arising from the consolidation of investments in companies within the Group’s scope of consolidation.

The Market and Financial Risk Management Head Office Department measures and controls the Parent Company and Group’s exposure to Structural Foreign Exchange Risk and performs the management calculation of the optimal position, which represents the open position in foreign currency designed to neutralise the sensitivity of the capital ratio to foreign exchange movements. It also produces sensitivity analyses of the capital ratios for the control and monitoring of the Structural Foreign Exchange Risk, in addition to setting the proposed Transaction Foreign Exchange Risk within the VAR limits for market risks and the RAF limits for Structural Foreign Exchange Risk.

B. Foreign exchange risk hedging activities

The Intesa Sanpaolo Group’s management of the Structural Foreign Exchange Risk assigns the Parent Company the related management and coordination powers in order to achieve a consistent Group strategy.

This choice, which is consistent with the Parent Company’s role as the liaison with the Supervisory Authority, allows the activities to be performed based on the specific responsibilities set out in the prudential supervision regulations, in addition to suitably mitigating and/or managing this type of risk.

The monitoring and management of the Structural Foreign Exchange Risk are carried out at central level by the Group Treasury and Finance Head Office Department of the Parent Company, which manages it with a view to risk/return and to optimising capital requirements.

The monitoring and hedging of the Transaction Foreign Exchange Risk are carried out at central level by the Group Treasury and Finance Head Office Department of the Parent Company and the IMI Corporate & Investment Banking Division for the area of competence, and at local level by the individual treasury functions of the Group companies and banks.

As at the date of preparation of the financial statements, there were transactions hedging the Group shareholders’ equity and operational hedges of the foreign exchange risk of the assets and liabilities in the financial statements.

Impacts of the Russia-Ukraine conflict

The Russia-Ukraine conflict did not generate critical issues in the management of liquidity in Roubles of the Russian Federation.

Even with low liquidity, it was still possible to trade roubles on the international interbank market, subject to the restrictions imposed by the sanctions regime. The movement in the rate curve on the shorter maturities was very high at times and is still showing some volatility. However, due to the small volumes involved, this is not affecting the orderly functioning of the market.

Quantitative information

1. Breakdown by currency of assets and liabilities and of derivatives

(millions of euro)

	CURRENCIES							
	US dollar	GB pound	Hungarian forint	Yen	Australian dollar	Swiss franc	Egyptian pound	Other currencies
A. FINANCIAL ASSETS	42,815	3,596	6,769	2,033	3,588	1,160	4,176	13,239
A.1 Debt securities	18,824	561	1,983	1,785	1,275	-	1,236	2,312
A.2 Equities	363	51	2	-	-	30	4	521
A.3 Loans to banks	4,676	294	1,804	37	557	275	1,423	4,346
A.4 Loans to customers	18,952	2,690	2,980	211	1,756	855	1,513	6,060
A.5 Other financial assets	-	-	-	-	-	-	-	-
B. OTHER ASSETS	5,002	634	236	784	215	819	332	2,296
C. FINANCIAL LIABILITIES	45,477	2,250	5,509	1,275	2,429	1,195	3,510	9,650
C.1 Due to banks	20,637	1,121	838	502	1,452	251	3	1,453
C.2 Due to customers	6,195	607	4,671	78	832	620	3,506	8,075
C.3 Debt securities	18,645	522	-	695	145	324	1	122
C.4 Other financial liabilities	-	-	-	-	-	-	-	-
D. OTHER LIABILITIES	1,618	468	87	38	391	129	306	1,600
E. FINANCIAL DERIVATIVES								
- Options								
<i>long positions</i>	3,036	63	47	404	-	89	-	827
<i>short positions</i>	3,293	109	150	386	26	46	-	832
- Other derivatives								
<i>long positions</i>	62,117	11,186	1,721	2,967	1,635	3,226	-	14,898
<i>short positions</i>	63,486	12,626	2,283	4,372	2,632	3,842	24	16,879
TOTAL ASSETS	112,970	15,479	8,773	6,188	5,438	5,294	4,508	31,260
TOTAL LIABILITIES	113,874	15,453	8,029	6,071	5,478	5,212	3,840	28,961
DIFFERENCE (+/-)	-904	26	744	117	-40	82	668	2,299

As of 31 December 2022, the presentation of the “Breakdown by currency of assets and liabilities and of derivatives” has been aligned with the prudential approach in compliance with the new methodological framework introduced by the EBA Guidelines on the treatment of structural FX under Article 352(2) of Regulation (EU) No 575/2013 (CRR).

2. Internal models and other sensitivity analysis methodologies

As already noted, the management of Transaction Foreign Exchange Risk relating to trading activities is included in the operating procedures and in the estimation methodologies of the managerial VaR.

Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 118 million euro as at 31 December 2023. This potential impact would only be reflected in the Shareholders' Equity.

1.3. DERIVATIVES AND HEDGING POLICIES

Starting from 2014, the Parent Company has been authorised to use EPE (Expected Positive Exposure) internal models to determine the capital requirement for counterparty risk. This approach is applicable to almost the entire derivatives portfolio (as shown in the table below, as at 31 December 2023 approximately 95% of the total EAD of financial and credit derivatives is measured using EPE models). Derivatives whose counterparty risk is measured using approaches other than internal models represent a residual portion of the portfolio (as at 31 December 2023 accounting for approximately 5% of overall EAD) and refer to:

- residual contracts of Intesa Sanpaolo to which EPE is not applied (in compliance with the immateriality thresholds set by the EBA);
- EAD generated by all other banks and companies in the Group which do not report using an internal model.

The table below shows the overall EAD of exposures in financial and credit derivatives, broken down by measurement approach.

Transaction categories	Exposure at default (EAD)			
	31.12.2023		31.12.2022	
	Standardised models	Internal Method (EPE)	Standardised models	Internal Method (EPE)
Derivative contracts	527	10,251	666	12,340

(millions of euro)

The EPE internal model considers the collateral collected to mitigate credit exposure and any excess collateral paid. The value of the guarantees received and included in the calculation of the EAD amounts to approximately 16 billion euro for the Parent Company, while the collateral paid equals 14.6 billion euro (including the initial margins posted in connection with transactions with central counterparties).

1.3.1. Trading derivatives

A. FINANCIAL DERIVATIVES

A.1. Financial trading derivatives: period-end notional amounts

Underlying asset/Type of derivatives	31.12.2023				31.12.2022			
	Over the counter			Organised markets	Over the counter			Organized markets
	Central Counterparties	without central counterparties			Central Counterparts	without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rate	2,964,067	389,604	71,379	90,114	2,301,865	244,096	76,402	109,527
a) Options	-	208,103	10,550	304	-	68,869	7,909	1,004
b) Swaps	2,964,067	181,501	59,965	-	2,301,865	175,227	66,617	-
c) Forwards	-	-	610	-	-	-	1,607	-
d) Futures	-	-	254	89,810	-	-	269	108,523
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indices	-	13,841	25,243	5,445	-	6,570	25,435	5,889
a) Options	-	9,157	25,234	1,963	-	6,101	25,426	3,961
b) Swaps	-	4,684	9	-	-	469	9	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	3,461	-	-	-	1,928
e) Other	-	-	-	21	-	-	-	-
3. Foreign exchange rates and gold	-	131,224	23,938	85	-	163,959	17,532	209
a) Options	-	25,436	2,282	4	-	27,688	1,282	5
b) Swaps	-	33,907	3,747	-	-	37,274	2,952	201
c) Forwards	-	71,559	17,084	-	-	98,710	12,425	-
d) Futures	-	-	-	81	-	-	-	3
e) Other	-	322	825	-	-	287	873	-
4. Commodities	-	3,206	1,449	1,606	-	4,043	1,079	1,640
5. Other	-	-	-	-	-	-	-	-
Total	2,964,067	537,875	122,009	97,250	2,301,865	418,668	120,448	117,265

(millions of euro)

The notional amounts shown as at 31 December 2023 in the column "Over the counter" with central counterparties relate to interest rate derivatives settled through legal clearing for a total of 2,964 billion euro.

A.2. Financial trading derivatives: gross positive and negative fair value – breakdown by product

(millions of euro)

Type of derivative	31.12.2023				31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	2,260	738	114	-	1,580	594	54
b) Interest rate swaps	63,425	9,215	1,834	-	83,520	9,334	1,649	-
c) Cross currency swaps	-	903	214	-	-	1,599	201	-
d) Equity swaps	-	12	-	4	-	21	2	1
e) Forwards	-	1,048	192	-	-	1,886	232	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	333	96	-	-	723	170	-
Total	63,425	13,771	3,074	118	83,520	15,143	2,848	55
2. Negative fair value								
a) Options	-	2,784	7,411	115	-	1,803	6,320	44
b) Interest rate swaps	64,273	8,030	1,998	-	80,573	10,223	3,824	-
c) Cross currency swaps	-	1,539	187	-	-	1,443	878	-
d) Equity swaps	-	16	1	-	-	21	-	1
e) Forwards	-	691	229	-	-	1,323	365	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	339	111	-	-	558	186	-
Total	64,273	13,399	9,937	115	80,573	15,371	11,573	45

This table shows the fair value of all the unmargined contracts, both on regulated markets and with central counterparties.

The amounts shown in the column “Over the counter” with central counterparties relate to the gross fair value of the over-the-counter (OTC) derivatives settled through legal clearing, including LCH Ltd.

A.3. Over the counter financial trading derivatives: notional values, gross positive and negative fair value by counterparty

Underlying asset	(millions of euro)			
	Central Counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	3,160	17,898	50,321
- positive fair value	X	59	538	1,301
- negative fair value	X	-114	-341	-1,852
2) Equities and stock indices				
- notional amount	X	15,221	3,106	6,916
- positive fair value	X	619	65	1
- negative fair value	X	-743	-150	-6,182
3) Foreign exchange rates and gold				
- notional amount	X	3,694	4,166	16,078
- positive fair value	X	27	81	296
- negative fair value	X	-29	-41	-380
4) Commodities				
- notional amount	X	-	217	1,232
- positive fair value	X	-	14	73
- negative fair value	X	-	-2	-103
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included under netting agreements				
1) Debt securities and interest rates				
- notional amount	2,964,067	274,572	102,971	12,061
- positive fair value	63,425	6,881	3,657	311
- negative fair value	-64,273	-7,732	-1,473	-629
2) Equities and stock indices				
- notional amount	-	2,604	11,222	15
- positive fair value	-	186	138	5
- negative fair value	-	-52	-634	-
3) Foreign exchange rates and gold				
- notional amount	-	90,455	29,125	11,644
- positive fair value	-	1,418	549	312
- negative fair value	-	-1,706	-474	-362
4) Commodities				
- notional amount	-	220	1,049	1,937
- positive fair value	-	18	97	199
- negative fair value	-	-25	-77	-235
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4. Residual maturity of over the counter financial derivatives: notional amounts

Underlying/Residual maturity	(millions of euro)			
	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	1,229,915	1,422,620	772,515	3,425,050
A.2 Financial derivatives on equities and stock indices	15,596	20,908	2,580	39,084
A.3 Financial derivatives on foreign exchange rates and gold	108,074	35,869	11,219	155,162
A.4 Financial derivatives on commodities	2,386	2,223	46	4,655
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2023	1,355,971	1,481,620	786,360	3,623,951
Total 31.12.2022	991,333	1,082,166	767,482	2,840,981

B. CREDIT DERIVATIVES**B.1. Credit trading derivatives: period-end notional amounts**

Categories of transactions	(millions of euro)	
	Trading derivatives	
	single counterparty	more counterparties (basket)
1. Protection purchases		
a) Credit default products	6,306	33,306
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2023	6,306	33,306
Total 31.12.2022	7,582	68,356
2. Protection sales		
a) Credit default products	7,679	29,419
b) Credit spread products	-	-
c) Total rate of return swap	3,976	-
d) Other	-	-
Total 31.12.2023	11,655	29,419
Total 31.12.2022	7,890	65,183

As at 31 December 2023, none of the contracts shown in the table above have been included within the structured credit products.

B.2. Credit trading derivatives: gross positive and negative fair value – breakdown by product

Type of derivative	(millions of euro)	
	Total 31.12.2023	Total 31.12.2022
1. Positive fair value		
a) Credit default products	1,073	936
b) Credit spread products	-	-
c) Total rate of return swap	213	-
d) Other	-	-
Total	1,286	936
2. Negative fair value		
a) Credit default products	1,140	943
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	1,140	943

As at 31 December 2023, none of the contracts shown in the table above have been included within the structured credit products.

The Total Rate of Return Swap (TRS) refers to a protection sale operationally correlated with short positions in debt securities represented under Financial liabilities held for trading.

B.3. Over the counter credit trading derivatives: notional values, gross positive and negative fair value by counterparty

	Central counterparties	Banks	Other financial companies	(millions of euro) Other counterparties
Contracts not included under netting agreements				
1) Protection purchases				
- notional amount	X	-	15,083	307
- positive fair value	X	-	2	17
- negative fair value	X	-	-	-583
2) Protection sales				
- notional amount	X	-	13,700	3
- positive fair value	X	-	540	-
- negative fair value	X	-	-2	-3
Contracts included under netting agreements				
1) Protection purchases				
- notional amount	7,915	7,733	8,574	-
- positive fair value	-	46	43	-
- negative fair value	-242	-89	-91	-
2) Protection sales				
- notional amount	6,932	8,745	11,694	-
- positive fair value	213	96	329	-
- negative fair value	-17	-58	-55	-

As at 31 December 2023, none of the contracts shown in the table above have been included within the structured credit products.

B.4. Residual maturity of over the counter credit trading derivatives: notional amounts

Underlying/Residual maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	(millions of euro) Total
1. Protection sales	9,047	31,350	677	41,074
2. Protection purchases	5,283	33,842	487	39,612
Total 31.12.2023	14,330	65,192	1,164	80,686
Total 31.12.2022	15,855	131,556	1,600	149,011

B.5. Credit derivatives associated with the fair value option: annual changes

The Intesa Sanpaolo Group does not hold credit derivatives associated with the fair value option.

1.3.2. Accounting hedges

Qualitative information

On first-time adoption of IFRS 9, the Intesa Sanpaolo Group exercised its option under the standard to continue to fully apply the rules of IAS 39 for all types of hedges (micro and macro hedges). As a result, the provisions of IFRS 9 on hedging do not apply.

A. Fair value hedging

The hedging carried out by the Intesa Sanpaolo Group is aimed at protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve (interest rate risk).

The Group uses both micro fair value hedges and macro fair value hedges.

The micro fair value hedges mainly hedge bonds issued, debt securities under assets and loans to customers.

The macro fair value hedges are used for:

- core deposits, based on the applicable standards in the carved-out version of IAS 39 in accordance with the option provided by IFRS 9 to make use of the possibility of fully applying the provisions of IAS 39 on hedges;
- the already fixed portion of floating-rate loans, in which the macro fair value hedge is used to hedge the interest rate risk inherent in the floating-rate coupons of the loans granted, when the coupon rate is set;
- a portion of fixed-rate loans; for this type, in line with the carved-out version of IAS 39, an open-portfolio macrohedging model has been adopted according to a bottom-layer approach that, in accordance with the interest rate risk measurement method involving modelling of the prepayment phenomenon, is more closely correlated with risk management activity and asset dynamics.

The main types of derivative contracts used are plain and structured interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS), forward sales and options on interest rates stipulated with third parties.

The derivatives are not listed on regulated markets but are traded in OTC (over the counter) circuits. The OTC contracts also include contracts entered into through clearing houses, which account for the majority of derivatives.

B. Cash flow hedging

The hedging carried out by the Intesa Sanpaolo Group is aimed at protecting the Group from the exposure to changes in future cash flows attributable to movements in the interest rate curve, associated with a particular asset/liability, such as variable future interest payments on a debt/loan or a highly probable expected future transaction.

The Group uses both micro cash flow hedges and macro cash flow hedges. The micro cash flow hedges mainly hedge bonds issued.

The macro cash flow hedges are used for:

- floating-rate funding when it is used to finance fixed-rate loans;
- floating-rate loans hedging fixed-rate funding.

The derivatives used are interest rate swaps (IRS) with third parties.

The derivatives are not listed on regulated markets but are traded in OTC (over the counter) circuits. The OTC contracts also include contracts entered into through clearing houses, which account for the majority of derivatives.

C. Hedging of foreign investments

The Group uses hedges, subject to hedge accounting, to neutralise the effects of structural foreign exchange rate fluctuations on positions not exempt for the purposes of calculating capital requirements for foreign exchange risk. These hedging relationships were entered into in respect of structural foreign exchange risk positions capable of generating an impact on the foreign exchange reserves that form part of the Group's consolidated shareholders' equity. In the Parent Company's financial statements these hedging relationships are accounted for as micro fair value hedges, whereas in the consolidated financial statements they are treated as hedges of a net investment in a foreign currency.

D. Hedging instruments

The main causes of ineffectiveness of the model adopted by the Group for verifying the effectiveness of the hedges are attributable to the following:

- misalignment between the notional value of the derivative and the hedged underlying recognised at the time of initial designation or generated subsequently, such as in the case of partial repayments of loans or the repurchase of bonds;
- application of different curves on the hedging derivative and hedged item for the purpose of carrying out the effectiveness test on fair value hedges. The derivatives, normally collateralised or entered into through clearing houses, are discounted on the overnight curves, while the hedged items are discounted on the indexing curve of the hedging instrument;
- inclusion in the effectiveness test of the value of the floating-rate cash flows of the hedging derivative, in the case of fair value hedges.

The ineffectiveness of the hedge is promptly recognised for the purposes of:

- the determination of the effect on the income statement;
- the assessment of the possibility of continuing to apply the hedge accounting rules.

The Group does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

E. Hedged items

The main types of hedged items are:

- debt securities under assets;
- debt securities issued and non-securities funding;
- fixed-rate loans;
- floating-rate loans;
- optional embedded component of floating-rate mortgages;
- already set coupon of floating-rate loans;
- modelled on demand deposits.
- net investments in foreign currency.

E.1 Debt securities under assets

The debt securities under assets are hedged by micro fair value hedges, involving the use of IRS (interest rate swaps), OIS (overnight index swaps) and CCS (cross-currency swaps) as hedging instruments.

The interest rate risk is usually hedged for the entire portfolio holding period of the debt instrument.

The Dollar Offset Method is used to verify the hedge effectiveness. This method is based on the ratio between the cumulative changes (from the inception of the hedge) in the fair value of the hedging instrument, attributable to the hedged risk, and cumulative changes in the fair value of the hedged item (fair value change), net of the accrual component of the earned interest.

Micro fair value hedges also include forward sales on debt securities in the Financial assets at fair value through other comprehensive income (HTCS) portfolio, carried out to hedge fair value risks from movements in credit spreads and interest rate curves. With regard to the forward sale contract, which is a derivative because it is a non-regular way transaction, the spot component is separated from the interest component by designating only the spot component as the hedging instrument in a fair value hedging relationship.

E.2 Debt securities issued and non-securities funding

The Group establishes micro fair value hedges in place on fixed- or structured-rate funding and micro cash flow hedges or macro cash flow hedges on floating-rate funding, using IRS (interest rate swaps), OIS (overnight index swaps) and CCS (cross-currency swaps) as hedging instruments.

The interest rate risk is usually hedged throughout the life of the bond.

For the micro hedges, the hedge effectiveness is verified using the Dollar Offset Method. This method is based on the ratio between the cumulative changes (from the inception of the hedge) in the fair value or the cash flows of the hedging instrument, attributable to the hedged risk, and cumulative changes in the fair value or the cash flows of the hedged item (fair value change), net of the accrual component of the earned interest.

For the macro hedges, the hedge effectiveness is verified by means of a capacity test. This test involves a comparison of the consistency between the hedged items, referring to existing and expected floating-rate funding (so-called highly probable future transactions), and the hedging instruments, which must always be confirmed throughout the life of the hedging relationship and for each time band. In this case, the hedged item is represented by the expected cash flows from funding that will arise over the life of the issues. The estimate of the expected upcoming and highly probable funding is subject to annual approval by the Group Financial Risk Committee.

E.3 Fixed-interest loans

The Group establishes micro fair value hedges for fixed-rate loans and macro fair value hedges for mortgage loans disbursed to retail counterparties, mainly using IRS (interest rate swaps) as hedging instruments.

In a micro fair value hedge, the interest rate risk is hedged throughout the life of the underlying.

For the micro hedges, the hedge effectiveness is verified using the Dollar Offset Method.

For the macro hedges, the loan portfolio hedged is open, i.e. it is dynamically composed of fixed-loans hedged, at aggregate level, through hedging derivatives entered into over time.

The effectiveness of the macro hedges on fixed-rate loans is periodically verified through specific prospective and retrospective tests aimed at demonstrating that the hedged portfolio contains an amount of assets whose sensitivity profile and changes in fair value due to interest rate risk reflect those of the derivatives used for the hedge.

E.4 Floating-rate loans

The Group establishes macro cash flow hedges on floating-rate loans, mainly using interest rates swaps (IRSs) as hedging instruments.

The hedge effectiveness is verified by means of a capacity test. This test involves a comparison of the consistency between the hedged items, referring to the floating-rate loans outstanding, and the hedging instruments, which must always be confirmed throughout the life of the hedging relationship and for each time band. In this case, the hedged item is represented by the expected cash flows originating from the loans that will arise over the life of the assets.

E.5 Optional embedded component of floating-rate mortgages

The Group hedges the optional embedded components (interest rate options) of floating-rate mortgages through micro fair value hedges, using options (cap, floor, collar) as hedging instruments.

The underlying assets may be partially or totally hedged, over time and in terms of amount.

The hedge effectiveness is verified using the Dollar Offset Method.

E.6 Already set coupon of floating-rate loans

The Group establishes macro fair value hedges on coupons already set for floating-rate loans using OIS (overnight index swaps) as hedging instruments.

The purpose of this type of hedge is to neutralise the interest rate risk generated by the coupons already set for floating-rate loans.

The Dollar Offset Method is used to verify the hedge effectiveness, while the actual consistency of the hedged items is verified through a capacity test.

E.7 Modelled on demand deposits.

Modelled on demand deposits are hedged by macro fair value hedges, as required by the “carve out” of IAS 39, using IRS (interest rate swaps) and OIS (overnight index swaps) as hedging instruments.

The purpose of the hedge is to protect net interest income from possible falls in interest rates that reduce the spread generated by the Group’s core deposits.

The model is subject to continuous monitoring and verification by the Market and Financial Risk Management Head Office Department, in order to promptly incorporate changes in the main characteristics of the model (volumes, stability, reactivity) and make the necessary adjustments where appropriate.

The hedge effectiveness is verified using the Dollar Offset Method.

E.8 Foreign investments

The Group establishes hedges of net investments in foreign currency that use outright currency forward contracts as the hedging instruments.

The purpose of the hedging is to protect the Group from the effects of changes in the exchange rate that could have impacts on the foreign exchange reserves that are part of the Group’s consolidated shareholders’ equity.

Of the currency forward derivative contract, only the change relating to the spot exchange rate (spot component) is designated a hedge subject to hedge accounting; this change is separated from the total fair value of the instrument.

In the Parent Company’s financial statements, these hedging relationships are accounted for as micro fair value hedges, whereas in the consolidated financial statements they are treated as hedges of a net investment in a foreign currency.

The Dollar Offset Method is used to verify the hedge effectiveness at the Parent Company level, while at the Group level the actual consistency of the hedged items is verified by a capacity test.

Quantitative information

A. Financial hedging derivatives

A.1 Financial hedging derivatives: period-end notional amounts

Underlying asset/Type of derivative	(millions of euro)							
	31.12.2023				31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparts	Without central counterparties		
With netting agreements		Without netting agreements	With netting agreements	Without netting agreements				
1. Debt securities and interest rates	388,178	24,886	13,724	-	322,529	28,225	8,873	-
a) Options	-	1,072	-	-	-	1,587	-	-
b) Swaps	388,178	23,794	12,421	-	322,529	26,269	8,873	-
c) Forwards	-	-	1,303	-	-	349	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	20	-	-	-	20	-	-
2. Equities and stock indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	-	9,730	363	-	-	9,528	21	316
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	9,392	363	-	-	9,321	21	316
c) Forwards	-	338	-	-	-	207	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
TOTAL	388,178	34,616	14,087	-	322,529	37,753	8,894	316

The average notional amount in the year of the financial hedging derivatives was 392,430 million euro.

The notional amounts shown as at 31 December 2023 in the column “Over the counter” with central counterparties relate to notional amounts of the financial hedging derivatives settled through legal clearing for a total of 388 billion euro.

A.2 Financial hedging derivatives: gross positive and negative fair value – breakdown by product

(millions of euro)

Type of derivative	Positive and negative fair value								Change in value used to calculate hedge effectiveness	
	Total 31.12.2023				Total 31.12.2022				Total 31.12.2023	Total 31.12.2022
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties				
With netting agreements		Without netting agreements	With netting agreements	Without netting agreements						
Positive fair value										
a) Options	-	32	-	-	-	75	-	-	-51	-47
b) Interest rate swap	12,290	1,140	492	-	17,193	1,637	830	-	12,421	18,312
c) Cross currency swap	-	206	-	-	-	325	-	-	49	-92
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	2	-	-	-	-	-	-2	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	12,290	1,378	494	-	17,193	2,037	830	-	12,417	18,173
Negative fair value										
a) Options	-	1	-	-	-	1	-	-	-	1
b) Interest rate swap	9,578	1,556	175	-	12,471	1,631	18	-	10,224	13,360
c) Cross currency swap	-	846	16	-	-	788	8	-	966	1,015
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	10	26	-	-	5	-	-	27	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	6	-	-
Total	9,578	2,413	217	-	12,471	2,425	26	6	11,217	14,376

The amounts shown as at 31 December 2023 in the column “Over the counter” with central counterparties relate to the gross fair value of the over-the-counter (OTC) financial hedging derivatives settled through legal clearing, including LCH Ltd.

A.3 Over the counter financial hedging derivatives: notional amounts, gross positive and negative fair values by counterparty

Underlying asset	(millions of euro)			
	Central counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	7,889	5,835	-
- positive fair value	X	287	207	-
- negative fair value	X	-127	-74	-
2) Equities and stock indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange rates and gold				
- notional amount	X	363	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-16	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included under netting agreements				
1) Debt securities and interest rates				
- notional amount	388,178	23,316	1,570	-
- positive fair value	12,290	1,150	22	-
- negative fair value	-9,578	-1,083	-475	-
2) Equities and stock indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange rates and gold				
- notional amount	-	7,081	2,649	-
- positive fair value	-	159	47	-
- negative fair value	-	-579	-276	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of over the counter financial hedging derivatives: notional amounts

Underlying/Residual maturity	(millions of euro)			
	Up to 1 year	Between 1 and 5 years	Over 5 year	Total
A.1 Financial derivatives on debt securities and interest rates	102,340	177,886	146,562	426,788
A.2 Financial derivatives on equities and stock indices	-	-	-	-
A.3 Financial derivatives on foreign exchange rates and gold	1,999	2,586	5,508	10,093
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31.12.2023	104,339	180,472	152,070	436,881
Total 31.12.2022	84,226	155,517	129,433	369,176

Information on the uncertainty deriving from hedging derivative benchmark indices

As illustrated in Part A – Accounting policies, the Intesa Sanpaolo Group, from the 2019 Financial Statements, has applied Regulation (EU) 34/2020 of 15 January 2020, which adopted the document issued by the IASB in September 2019 on “Interest Rate Benchmark Reform (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)”. This regulation introduced several amendments regarding hedge accounting designed to prevent uncertainties about the amount and timing of the cash flows arising from the rate reform resulting in the discontinuation of existing hedges and difficulties in designating new hedging relationships.

The Intesa Sanpaolo Group’s hedges are mainly index-linked to the Euribor, whose calculation method was revised during 2019 through the adoption of a hybrid calculation method, which fully meets the requirements for critical benchmarks set out in the Benchmark Regulation EU 2016/1011 and the IOSCO principles. Therefore, the Group does not deem there to be uncertainty on the timing or cash flows linked to the Euribor, and the hedges linked to the Euribor are not deemed to be impacted by the reform, in line with the approach already adopted in previous years.

With regard to hedging derivative contracts, as at 31 December 2023 there were no remaining hedges index-linked to benchmarks impacted by the reform. For the hedges indexed-linked to USD LIBOR – which were subject to disposal on 30 June 2023 – the transition was completed in 2023.

Reference should also be made to the Notes to the consolidated financial statements, in the Introduction of Part E – Information on risks and relative hedging policies, for details of how the Group has managed the process of transition to the alternative benchmark rates.

B. Credit hedging derivatives*B.1 Credit hedging derivatives: period-end notional amounts**B.2 Credit hedging derivatives: gross positive and negative fair value - breakdown by product**B.3 Over the counter credit hedging derivatives: notional amounts, gross positive and negative fair values by counterparty**B.4 Residual maturity of over the counter credit hedging derivatives: notional amounts*

The Intesa Sanpaolo Group does not hold credit derivatives classified as hedges in its portfolio.

C. Non-derivative hedging instruments*C.1 Non-derivative hedging instruments: breakdown by accounting portfolio and type of hedge*

The Intesa Sanpaolo Group has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).

For this reason, the Intesa Sanpaolo Group does not hold financial instruments to be shown in table “C.1 Non-derivative hedging instruments: breakdown by accounting portfolio and type of hedge”.

D. Hedged items

The Intesa Sanpaolo Group has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).

D.1 Fair value hedges

		(millions of euro)					
		Micro-hedges: book value	Micro-hedges – net positions: book value of assets and liabilities (prior to netting)	Cumulative fair value changes (hedged instrument)	Micro-hedges Termination of hedging: residual cumulative fair value changes	Changes in value used to assess hedge ineffectiveness	Macro-hedges: book value
A. Assets							
1. Financial assets designated at fair value through other comprehensive income – hedging of:							
		46,655	-	-735	-2,424	-647	82
1.1	Debt securities and interest rates	45,098	-	-739	-2,397	-647	X
1.2	Equities and stock indices	-	-	-	-	-	X
1.3	Foreign exchange rates and gold	-	-	-	-	-	X
1.4	Loans	-	-	-	-	-	X
1.5	Other	1,557	-	4	-27	-	X
2. Financial assets measured at amortised cost - hedging of:							
		43,786	-	-953	-619	-751	107,842
1.1	Debt securities and interest rates	43,107	-	-1,159	-619	-976	X
1.2	Equities and stock indices	-	-	-	-	-	X
1.3	Foreign exchange rates and gold	235	-	-2	-	-	X
1.4	Loans	-	-	-	-	-	X
1.5	Other	444	-	208	-	225	X
	Total 31.12.2023	90,441	-	-1,688	-3,043	-1,398	107,924
	Total 31.12.2022	66,123	-	-7,502	-3,249	-7,111	99,032
B. Liabilities							
1. Financial liabilities measured at amortised cost - hedging of:							
		66,037	-	-1,384	-41	-1,514	146,478
1.1	Debt securities and interest rates	59,440	-	-975	-41	-1,174	X
1.2	Foreign exchange rates and gold	-	-	-	-	-	X
1.3	Other	6,597	-	-409	-	-340	X
	Total 31.12.2023	66,037	-	-1,384	-41	-1,514	146,478
	Total 31.12.2022	55,128	-	-3,589	-370	-3,764	111,035

D.2 Cash flow hedges and hedges of foreign investments

	Change in value used to assess hedge ineffectiveness	Hedging reserves	(millions of euro) Termination of hedging: residual cumulative value of the hedging reserves
A. Cash flow hedge			
1. Assets	330	-221	-
1.1 Debt securities and interest rates	330	-222	-
1.2 Equities and stock indices	-	-	-
1.3 Foreign exchange rates and gold	-	-	-
1.4 Loans	-	1	-
1.5 Other	-	-	-
2. Liabilities	-31	-97	-
1.1 Debt securities and interest rates	-31	-97	-
1.2 Foreign exchange rates and gold	-	-	-
1.3 Other	-	-	-
Total (A) 31.12.2023	299	-318	-
Total (A) 31.12.2022	832	-466	-
B. Hedges of foreign investments			
	X	26	-
Total (A+B) 31.12.2023	299	-292	-
Total (A+B) 31.12.2022	832	-456	-

E. Effects of hedging on shareholders' equity

E.1 Reconciliation of components of shareholders' equity

	Cash flow hedging reserve					Reserve for hedging of foreign investments				
	Debt securities and interest rates	Equities and stock indices	Foreign exchange rates and gold	Loans	Other	Debt securities and interest rates	Equities and stock indices	Foreign exchange rates and gold	Loans	Other
Initial amount	-466	-	-	-	-	-	-	10	-	-
Fair value changes (effective portion)	147	-	-	1	-	-	-	12	-	-
Reclassification to the income statement	-	-	-	-	-	-	-	-	-	-
<i>of which: future transaction not expected</i>	-	-	-	-	-	X	X	X	X	X
Other changes	-	-	-	-	-	-	-	4	-	-
<i>of which: transfer to initial book value</i>	-	-	-	-	-	X	X	X	X	X
Final amount	-319	-	-	1	-	-	-	26	-	-

The category "Hedging instruments (non-designated items)" is not present, because the Intesa Sanpaolo Group has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).

1.3.3. Other information on derivative instruments (trading and hedging)

A. Credit and financial derivatives

A.1 Over the counter credit and financial derivatives: net fair values by counterparty

	Central counterparties	Banks	Other financial companies	(millions of euro) Other counterparties
A. Financial derivatives				
1) Debt securities and interest rates				
- notional amount	2,195,318	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-3,227	-	-	-
2) Equities and stock indices				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
3) Foreign exchange rates and gold				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. Credit derivatives				
1) Protection purchases				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Protection sales				
- notional amount	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

The table shows the values resulting from the offsetting in the balance sheet for the derivatives whose netting agreements meet the criteria set out in IAS 32 paragraph 42.

In particular, the above refers to over-the-counter (OTC) trading and hedging financial and credit in place with the legal clearing agent LCH Ltd., for which the fair values attributable to transactions on own account and transactions on behalf of customers have been offset separately in the financial statements.

The clearing amount, which had a total net negative value of 3,227 million euro (positive fair value of 65,130 million euro and negative fair value of 68,357 million euro), attributable to a negative result of 3,306 million euro from trading derivatives and a positive result of 79 million euro from hedging derivatives, is presented in Part B of the Notes to the financial statements, for operations on behalf of customers (trading derivatives) among Financial assets held for trading for 1,793 million euro and operations on own account (trading derivatives and hedging derivatives) among Financial liabilities held for trading for 5,020 million euro, respectively.