

TLTRO III

The TLTRO III (Targeted Longer Term Refinancing Operations) seek to preserve favourable bank lending conditions and support the defined monetary policy stance. Several of the parameters that characterise these operations, established by the ECB on 6 June 2019, were subsequently recalibrated in several steps, initially improving them for banks in light of the economic effects of the COVID-19 emergency and, subsequently – on 27 October 2022 – to “normalise” funding costs in order to exert downward pressure on inflation and contribute to restoring price stability over the medium term. The amount of funding that each bank can obtain depends on the amount of loans granted to non-financial companies and households at particular reporting dates (so-called eligible loans). The single tranches could be subscribed on a quarterly basis, from September 2019 up to December 2021, and each operation has a duration of three years. The interest is paid in arrears at the maturity date or at the time of early repayment.

The interest rate for each operation is set at a level equal to the average interest rate on the Eurosystem’s main refinancing operations (MROs), except for the special interest rate period from 24 June 2020 to 23 June 2022, when a rate of 50 basis points lower is applied. Banks that granted net eligible loans above a preset benchmark net lending level can receive an interest rate reduction. Specifically, the favourable rate applied is equal to the average rate on deposits with the central bank (Deposit Facility Rate or DFR) for the entire duration of the respective operation, except for the special interest rate period where an additional reduction of 50 basis points was added.

As stated, on 27 October 2022, in addition to further increasing interest rates, as part of a trend of interest rate hikes begun in July 2022, the Governing Council of the ECB decided to recalibrate the conditions applicable to TLTRO III financing. Specifically, it maintained the existing interest rate calculation method up to 22 November 2022. This method provided that, in “ordinary” periods (i.e. periods other than special interest rate periods defined above) the applicable interest rate would equal the average of interest rates calculated over the duration of the instrument, entailing an “adjustment” to the interest rate, which would be determined by applying the interest rate in force each time, only in ordinary periods. Starting on 23 November 2022 (up to the date of maturity or early redemption of each existing TLTRO III) the interest rate is indexed to average applicable key ECB interest rates for each operation in that period (equal to the DFR rate for banks that reached the defined benchmarks).

Lacking specific provisions in the reference accounting standards on how to account for this case and clear indications from IFRIC, which had been consulted on the accounting treatment of the TLTRO III, the Intesa Sanpaolo Group defined its own accounting policy, applied consistently and with continuity over time, also following the changes made to contractual conditions: the Group applies to TLTRO operations the accounting treatment defined by IFRS 9 for floating-rate financial instruments - considering the refinancing conditions defined by the ECB as floating market rates as part of the monetary policy measures of the Eurosystem - recognising the interest applicable in each case, to be estimated based on the probability of achieving the net lending targets set.

A requirement for the recognition of the favourable interest rates – in keeping with the approach already adopted for TLTRO II – is a reliable estimate of the achievement of the benchmark net lending, which the Group performs through forecast reports on the lending performance monitored at set dates, approved by an appropriate level of management. These benchmarks – referring in particular to volumes as at 31 March 2021 and 31 December 2021 – were in fact achieved.

In the event of changes to the forecasts on the achievement of those targets, the IFRS 9 provisions on the revision of cash flow estimates apply.

According to the Group’s accounting policies, the revision of the conditions of the instrument by the ECB is considered as a change to a floating rate pursuant to par. B5.4.5 of IFRS 9, with a forward-looking adjustment to the interest rate, considering the fact that the ECB has the option to change interest rates at its discretion in defining monetary policy rates (as it did in April and December 2020, introducing the special interest rate periods and, more recently, in October 2022, in the terms illustrated above). The interest is therefore recognised periodically based on the interest rate of the instrument for each period (-0.5% until 24 June 2020, -1% until 23 June 2022, and, thereafter, based on existing conditions, illustrated below) as required by paragraph B5.4.5 of IFRS 9.

Following the increases in interest rates approved by the Governing Council of the ECB starting in July 2022, it was necessary to redetermine the effective interest rate applicable to each operation, starting from the date of recalibration of the interest rates, with the goal of reallocating the benefit resulting from the specific mechanism of the average of interest rates in the reference period of the benefit. Lastly, the recalibration of the conditions applicable to TLTRO III financing defined on 27 October 2022 entailed the recognition of the residual benefit up to the date of the changes to contractual conditions (i.e., up to 22 November 2022). That approach is in line with that adopted in the past for recognising interest during special periods (i.e., recognition of the additional benefit of -50 basis points in the period from June 2020 - June 2022), as it was considered as the “monetary policy” floating rate applicable in the reference period. Starting on 23 November 2022, interest on existing TLTRO III financing is recognised based on the DFR in force at each time.

Finally, on 6 January 2021, ESMA issued a Public Statement with the aim of promoting transparency in the banks’ IFRS financial reports concerning the accounting treatment of TLTRO III: in light of the significant numerical impacts of the operations in question and of the level of judgment required for defining the accounting policy, ESMA highlighted the importance of providing in the financial statements an adequate level of transparency on the accounting treatment of operations.

Therefore, in line with the requests from ESMA and in addition to the disclosure on the accounting policies adopted to recognise the TLTRO III operations, the Intesa Sanpaolo Group provides information also on the resulting quantitative impacts of the recognition of interest.

Treatment of Irrevocable Payment Commitments (IPC) with the Single Resolution Fund (SRF)

Starting from 2016, the banks from all Eurozone countries joined the Single Resolution Mechanism (SRM) under which the Single Resolution Fund (SRF) was established with the aim of having adequate resources to be used in the event of banking crises. The relevant legislation establishes that the initial target level of the fund - to be achieved over 8 years (2016-2023) – is equal to at least 1% of the covered deposits of all credit institution authorised in the banking union. The contribution, which is determined annually by the Single Resolution Board (SRB) and communicated to the member banks, may be paid in cash and, in part, by entering into Irrevocable Payment Commitments (IPCs), not exceeding 30% of the total contribution and fully backed by collateral of low-risk assets. The use of irrevocable payment commitments is at the discretion of each bank. The Intesa Sanpaolo Group decided to use IPCs - against which off-balance sheet commitments have been recognised - by paying, in this respect, cash collateral in the same amount as a deposit, which is remunerated on the basis of the applicable contractual conditions and consistently applied to all European banks that use the IPC mechanism.

The off-balance sheet commitment - which, for prudential purposes, is fully deducted from CET1 in accordance with the ECB provisions covering the SREP measure - is assessed at each reporting date and/or whenever there is evidence indicating that its enforcement is probable. In this respect, the Group has activated a specific monitoring mechanism, with the support of a leading research company, in order to verify the absence of critical indicators in member banks that would deem SRF intervention probable and therefore the recall of the IPC. Based on the analyses performed, the risk that the IPCs be called as at 31 December 2023 is deemed remote. Furthermore, since its establishment in 2016, the Single Resolution Fund has never called the IPCs entered into by the banks, as it did not take any action that involved the use of the funds raised.

Finally, in relation to the contribution paid in 2023 IPCs were entered into by the Intesa Sanpaolo Group for approximately 87 million euro, in addition to 295 million euro paid in the period 2016-2022, for a total of 382 million euro, against which the Group set up the cash collateral recognised under Financial assets measured at amortised cost.

Recognition of revenues and costs

Revenues are gross flows of economic benefits deriving from the performance of the company's ordinary business and are recognised when control of the goods or services is transferred to the customer, at an amount that represents the amount of consideration that the company considers it is entitled to. In particular, revenues are recognised by applying a model that must meet the following criteria:

- identification of the contract, defined as an agreement in which the parties are committed to perform their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sale prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is satisfied by transferring a promised good or service to a customer.

The transaction price is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services promised. It may include fixed or variable amounts or both. Revenues from variable fees are recognised in the income statement if they can be reliably estimated and only if it is highly likely that all or a significant part of this fee will not need to be reversed from the income statement in future periods. Where there is a high level of uncertainty related to the nature of the consideration, it will be recognised only when this uncertainty is resolved.

Revenues may be recognised:

- at a specific point in time, when the entity satisfies a performance obligation by transferring a promised good or service to the customer, or
- over time, as the entity satisfies a performance obligation by transferring a promised good or service to the customer.

The good is transferred when, or in the period when, the customer acquires control of the good.

In particular:

- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost. Interest income (or interest expense) includes differentials and positive (or negative) margins accrued up to the reporting date, relating to financial derivatives:
 - a) hedging interest-generating assets and liabilities;
 - b) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit or loss (fair value option) in management terms;
 - c) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
- overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement when their distribution is approved, unless this date is not known or the information is not immediately available, in which case they may be recognised when they are collected;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate is recognised under interest;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- profits deriving from insurance contracts recorded pursuant to IFRS 17, posted in the balance sheet caption Contractual Service Margin are released to the income statement for the estimated portion of insurance services rendered during the period;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, or when the performance obligation towards the customer is satisfied.

Costs are recognised in the income statement on an accruals basis. Costs relating to the receipt and performance of contracts with customers are recognised in the income statement in the periods when the related revenues are recognised.

Use of estimates and assumptions in preparing financial reports

The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the contingent assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, also founded on past experience, which are used to formulate reasonable assumptions in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.

If there are greater uncertainties and/or the assets being measured are particularly material, the valuation is supported by specific fairness opinions from external appraisers/experts.

The main cases for which subjective evaluations are required to be made by corporate management include:

- the measurement of impairment losses on loans, investments, and, generally, other financial assets;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the fair value measurement of real estate and valuable art assets;
- the measurement of personnel funds and allowances for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets;
- the demographic (linked to the estimated mortality of the insured people) and financial (deriving from the possible trend in the financial markets) assumptions used to measure the insurance products in accordance with the provisions of IFRS 17.

For some of the types listed above, the main factors subject to estimates by the Group and which determine the carrying value of assets and liabilities in the financial statements can be identified. The following are noted, by way of example:

- to determine the fair value of financial instruments not listed on active markets, if the use of parameters that cannot be obtained from the market is necessary, the main estimates regard, on one hand, development of future cash flows (or even income flows, in the case of equities), possibly conditional on future events and, on the other, the level of specific input parameters not listed on active markets;
- the estimates for the assignment of loans and debt securities classified as Financial assets measured at amortised cost and Financial assets measured at fair value through other comprehensive income to the three credit risk stages required by IFRS 9 and to calculate the related expected credit losses involve:
 - o the determination of the parameters for a significant increase in credit risk, essentially based on models for measuring the probability of default (PD) upon origination of the financial assets and at the reporting date;
 - o the inclusion of forward-looking factors, including macroeconomic factors, for the determination of the PD and LGD;
 - o the determination, where applicable, of the likelihood of sale of impaired financial assets, through the realisation of market positions;
- to determine the future cash flow estimates from non-performing loans, a number of items are considered: the expected recovery times, the presumed realisable value of guarantees and the costs to be sustained for the recovery of credit exposure;
- to determine the value in use of intangible assets with an indefinite life (brand name and goodwill) with regard to the Cash-Generating Units (CGU) comprising the Group, the future cash flows in the forecasting period of the analysis and the flows used to determine the terminal value, generated by the CGU, are subject to estimate, separately and appropriately discounted. Also the cost of capital is among the items subject to estimate;
- to determine the value in use of intangible assets with a finite life with regard to the CGUs comprising the Group, the useful life is subject to estimate, on the one hand, as well as the future cash flows arising from the asset, on the other. The cost of capital is subject to estimate in the case of intangible assets with a finite life as well;
- the fair value measurement of real estate and valuable art assets is based on valuations prepared by qualified independent firms. Lease rentals, selling prices, discount rates and capitalisation rates are estimated in order to conduct the appraisals of the properties, while to conduct the appraisals on the valuable art assets, the estimate of the value is gathered from the performance of the exchanges of similar works (in terms of technique, size, subject) by the same author or regional movements and schools that are close with regard to style and technique;
- to measure post-employment benefits, the present value of the obligations is subject to estimate, taking into account the flows, appropriately discounted, arising from past time-series analyses and the demographic curve;
- to measure allowances for risks and charges, the amount of outflows necessary to fulfil the obligations is estimated, where possible, taking into account the effective probability of having to utilise resources;
- to determine the insurance liabilities, estimates are used to measure the future cash flows for fulfilment of the contracts and to define the technical assumptions on mortality rates and other technical assumptions, and, for example, redemption rates and claims occurred for the measurement of non-life contracts. The assumptions used to determine the discount rates and the methods used to measure the non-financial risk adjustment are of particular importance;
- to determine the value of deferred tax items, the likelihood of an effective future tax burden is estimated (taxable temporary differences) and the level of reasonable certainty – if it exists – of future taxable amounts at the time when the tax deductibility occurs (deductible temporary differences and tax losses carried forward).

The classification drivers for financial assets

The classification of the financial assets into the three categories established by the standard depends on two classification drivers: the business model used to manage the financial instruments and the contractual cash flow characteristics of the financial assets (or SPPI Test).

The classification of the financial assets derives from the combined effect of the two drivers mentioned above, as described below:

- Financial assets measured at amortised cost: assets that pass the SPPI test and come under the Hold to Collect (HTC) business model;
- Financial assets measured at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and come under the Hold to Collect and Sell (HTCS) business model;
- Financial assets measured at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test of the contractual cash flow characteristics (SPPI test not passed).

SPPI test

For a financial asset to be classified as at amortised cost or at FVOCI – in addition to the analysis of the business model – the contractual terms of the asset must also provide, on specified dates, for cash flows that are solely payments of principal and interest (SPPI). This analysis must be carried out for loans and debt securities in particular.

The SPPI test must be carried out on each individual financial instrument at the time of recognition in the balance sheet. After initial recognition, and as long as it is recognised in the balance sheet, the asset is no longer subject to new assessment for the purposes of the SPPI test. If a financial instrument is derecognised and a new financial asset is recognised, the SPPI test must be performed on the new asset.

For the application of the SPPI test, IFRS 9 provides the following definitions:

- Principal: this is the fair value of the financial asset at initial recognition. This value may change over the life of the financial instrument, for example as a result of repayments of part of the principal;
- Interest: this is the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks and costs and a profit margin.

In assessing whether the contractual flows of a financial asset can be defined as SPPI, IFRS 9 refers to the general concept of a 'basic lending arrangement', which is independent of the legal form of the asset. When contract terms introduce exposure to risks or volatility in the contractual cash flows that is inconsistent with the definition of a basic lending arrangement, such as exposure to changes in share or commodity prices, the contractual cash flows do not meet the definition of SPPI. The application of the classification driver based on contractual cash flows sometimes requires a subjective judgement and, consequently, the establishment of internal application policies.

In cases of modified time value of money – for example, when the interest rate of the financial asset is recalculated periodically, but the frequency of the recalculation or the frequency of payment of the coupons does not reflect the nature of the interest rate (such as when the interest rate is recalculated monthly on the basis of a one-year rate) or when the interest rate is recalculated regularly on the basis of an average of particular short or medium-to-long term rates – an entity should assess, using both quantitative and qualitative information, whether the contractual cash flows still meet the definition of SPPI (benchmark cash flows test). If the test shows that the (undiscounted) contractual cash flows are "significantly different" from the (also undiscounted) cash flows of a benchmark instrument (i.e. without the modified time value element), the contractual cash flows cannot be considered to meet the definition of SPPI.

The standard requires specific analyses ("look through test") to be performed and these are therefore also conducted on multiple contractually linked instruments (CLIs) that create concentrations of credit risk for debt repayment and on non-recourse assets, for example in cases where the loan can only be enforced on specified assets of the debtor or on the cash flows from specified assets.

The presence of contractual clauses that may change the frequency or amount of the contractual cash flows must also be considered to determine whether those cash flows meet the requirements to be considered as SPPIs (e.g. prepayment options, the possibility of deferring contractually agreed cash flows, embedded derivative instruments, subordinated instruments, etc.).

However, as envisaged by IFRS 9, a contractual cash flow characteristic does not affect the classification of the financial asset if it could have only a de minimis effect on the contractual cash flows of the financial asset (in each year and cumulatively). Similarly, if a cash flow characteristic is not genuine, i.e. if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur, it does not affect the classification of the financial asset.

For operations in debt securities, the Intesa Sanpaolo Group uses the services offered by well-known info-providers for the performance of the SPPI Tests. This choice, on one hand, provides front office staff who deal in securities with an immediate result for the performance of the test, enabling the streamlining of purchasing processes, and, on the other hand, provides access to market approaches shared by numerous operators and audit firms. Only in cases where the securities are not managed by info-providers, the test is carried out manually using a proprietary tool based on an internally developed methodology (decision-making trees).

A proprietary tool based on an internally developed methodology (decision-making trees) has also been developed for carrying out the SPPI test for the lending processes. In particular, given the significant differences in characteristics, the

procedure differs between products related to a contractual standard (typically the retail loan portfolio) and tailor-made loans (typically the corporate loan portfolio).

For standard products, the SPPI test is carried out during the structuring of the contractual standard, through the “New Product Coordination” process, and the result of the test is applied to all the individual relationships related to the same catalogue product. For tailor-made products, on the other hand, the SPPI test is carried out for each new credit line/relationship submitted to the decision-making body through the use of the proprietary tool.

The decision-making trees – included in the proprietary tool – have been produced internally (both for debt securities and loans) and capture the possible non-SPPI compliant characteristics. They take account of the instructions provided by IFRS 9, as well as the interpretations of the standard made by the Group. The trees are used both for the implementation of the rules of the proprietary tool and for the verification and validation of the methodology adopted by the info-providers.

Business model

With regard to the business models, IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed:

- Hold to Collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the portfolios associated to it. The inclusion of the portfolio of financial assets in this business model does not necessarily result in the inability to sell the instruments, but the frequency, value and timing of sales in prior periods, the reasons for the sales, and the expectations about future sales, need to be considered;
- Hold to Collect and Sell (HTCS): this is a mixed business model whose objective is achieved by collecting the contractual cash flows of the financial assets in portfolio and (also) through the sale of the financial assets, which is an integral part of the strategy. Both activities (collection of contractual flows and sale) are indispensable for achieving the business model's objective. Accordingly, sales are more frequent and significant than for an HTC business model and are an integral part of the strategies pursued;
- Other/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not come under the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured based on fair value.

The business model reflects the way in which financial assets are managed to generate cash flows for the benefit of the entity and is defined by top management with the appropriate involvement of the business structures. It is observed by considering the way in which financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows derive from the collection of contractual flows, from the sale of the financial assets, or from both. This assessment is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as ‘worst case’ or ‘stress case’ scenarios. For example, if an entity expects that it will sell a particular portfolio of financial assets only in a stress case scenario, that scenario does not affect the entity's assessment of the business model for those assets if the entity reasonably expects that such a scenario will not occur.

The business model does not depend on management's intentions regarding an individual financial instrument, but refers to the way in which groups of financial assets are managed in order to achieve a specific business objective.

In summary, the business model:

- reflects the way in which financial assets are managed to generate cash flows;
- is defined by top management, with the appropriate involvement of the business structures;
- must be observable by considering the way the financial assets are managed.

In operational terms, the assessment of the business model is carried out in line with the company's organisation, the specialisation of the business functions, the risk cascading model, and the assignment of delegated powers (limits). All relevant factors available at the date of the assessment are used in the assessment of the business model. The above information includes the strategy, the risks and their management, the remuneration policies, the reporting, and the amount of the sales. In the analysis of the business model, the elements investigated must be consistent with each other and, in particular, must be consistent with the strategy pursued. Evidence of activities not in line with the strategy must be analysed and duly justified.

In this regard, and in relation to the business models under which the financial assets are held, a specific set of “Business Model Rules” (approved by the competent levels of governance) has been drafted for the Parent Company and Banking Group Companies. It defines and sets out the components of the business model in relation to the financial assets included in the portfolios managed as part of the operations of the Intesa Sanpaolo Group's business structures. In further detail, the mapping of the business model adopted by the various structures through which the Group operates, with regard to both loans and receivables and debt securities, takes account of the structure of the division model and the Corporate Centre; this structure has been identified as the relevant level for formulating and representing the various business models applied by the Group's risk-taking centres.

Within the Chief Risk Officer Area, the Market and Financial Risk Management Head Office Department of the Parent Company provides high-level supervision of the procedure required for determining the business model within which a given set of assets is held and verifies the need for any updates (to be incorporated, at least annually, in the Business Model Rules document).

Monitoring of the business model

The monitoring of the reference business model of the various structures through which the Group operates is performed by the Market and Financial Risk Management Head Office Department, which uses indicators intended to verify the consistency of the declared strategy with that pursued within the business models; these indicators, differentiated for the various business models, have been developed in accordance with IFRS 9 and corporate rules and procedures.

For the Hold to Collect portfolios, the Group has set limits for frequent but not significant sales to be considered eligible (individually or in aggregate), or for infrequent sales even if their amount is significant, and the parameters have also been established for identifying sales as being consistent with that business model because they relate to an increase in credit risk or for securities nearing maturity.

More specifically, within an HTC business model, sales are allowed:

- in the event of an increase in credit risk, i.e., if the exposure deteriorates or moves to stage 2 in accordance with the impairment rules under IFRS 9;
- for securities nearing maturity (i.e., according to the Group rules, in the 6 months preceding maturity), provided that the amount collected is close to the current value of the remaining contractual flows;
- when they are frequent but not significant in terms of value or occasional even if significant in terms of value, subject to authorisation assessment by the competent Control bodies. In order to determine these aspects, thresholds of frequency and significance have been set:
 - o frequency is defined as the percentage ratio between the number of positions sold over the year and the number of portfolio positions at the beginning of the period considered;
 - o significance is defined as the percentage ratio between the nominal value of the sales during the current year and the nominal value of the instruments held in the portfolio at the beginning of the period considered.

With regard to the determination of the "Risks" and the "Reporting" for the HTCS and Trading business models, the provisions of the RAF and Market Risk Charter and of internal policies in the area of market risk controls apply in principle, and measures are concurrently established for monitoring the consistency of the HTCS and Other/Trading business models.

With regard to the HTCS business model, IFRS 9 does not provide for the need for limits on the frequency or the value of the sales. However, the Group has established indicators for debt securities only in order to ensure that they are properly assigned to the chosen business model over time. These indicators are:

- The holding period, which measures the time for which a certain instrument has been held in portfolio;
- Turnover rate, which measures the speed with which positions in portfolio turn over during a predefined period of time.

Within the framework of the monitoring of the indicators set out above, limits and early-warning thresholds apply according to the overall strategies pursued by the HTCS portfolio.

Finally, with regard to debt or equity securities held for trading, a measure of the consistency of inclusion in the chosen business model applies, represented by the indicator of "expected average permanence" (so-called Vintage) which measures the observed holding period of all securities in portfolio.

The monitoring measures relating to the various business models are subject to regular reporting through technical committees.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.

The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the present value of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability or for a shorter period when certain conditions recur (for example review of market interest rates).

After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost is different depending on the fact that financial assets/liabilities have fixed or floating rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or floating) over the life of the loan. For financial assets/liabilities with a floating rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate, the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.

Measurement at amortised cost is applied for the financial assets measured at amortised cost and for the financial assets measured at fair value through other comprehensive income, as well as the financial liabilities measured at amortised cost.

Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.

Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the

disposal of a financial instrument which are not debited to the customer. These commissions, which must be directly attributable to the single financial asset or liability, modify the original effective return, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for retrocession, for non-use, for advance termination. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions for services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction (e.g. facility and arrangement fees).

With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation in syndicated loans and lastly, up-front fees correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front fees correlated to loans disbursed at rates below market rates, income for the participation in syndicated loans and brokerage commissions received.

For debt securities not measured at fair value through profit or loss, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since immaterial.

Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and remuneration paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/review expenses for the annual update of prospectuses, the costs for the use of indexes and commissions which originate during the life of the bond issue.

Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective rate of return of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous recognition in the income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, structured liabilities that are not measured at fair value through profit or loss, for which the embedded derivative has been separated from the financial instrument, are also measured at amortised cost.

As specified by IFRS 9, in some cases, a financial asset is considered credit-impaired at initial recognition because the credit risk is very high, and in the case of a purchase it is purchased at a deep discount (with respect to the initial disbursement value). If these financial assets, based on the application of the classification drivers (SPPI Test and business model), are classified as assets measured at amortised cost or at fair value through other comprehensive income, they are classed as Purchased or Originated Credit Impaired (POCI) assets and are subject to special treatment for the impairment process. In addition, for the financial assets classed as POCI, the credit-adjusted effective interest rate is calculated, at the initial recognition date, which requires the inclusion of the initial expected credit losses in the cash flow estimates. This credit-adjusted effective interest rate is used for the application of the amortised cost and the consequent calculation of interest.

For non-performing loans arising from business combinations, the difference between the initial recognition amount (the fair value determined in the PPA) of the POCIs and the previous carrying amount at the acquired entity is split into two components: one related to the lower recoverable cash flows estimated at fair value, which therefore include the expected credit losses over their entire remaining life, and the other related to the discounting of those lower recoverable cash flows. Please note that the reversal of discounting (connected with the estimate of recoverable cash flows attributed to non-performing loans at the moment of the PPA) is recognised, on a pro-rata basis, among interest income so as to supplement the contractual interest rate with the higher return resulting from the lower value attributed to the recoverable cash flows, which, as mentioned above, take into account the expected losses over the entire remaining life of the POCI assets.

The amortised cost measurement criterion is not applied to hedged financial assets/liabilities for which fair value changes related to the risk hedged are recorded through profit or loss. The financial instrument is again measured at amortised cost in the case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraphs relating to financial assets and liabilities measured at amortised cost, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable loans.

Impairment of assets

Impairment of financial assets

At each reporting date, pursuant to IFRS 9, financial assets other than those measured at fair value through profit or loss are subject to an assessment aimed at verifying whether there is any evidence that the carrying value of the assets may not be fully recoverable. A similar analysis is also performed for loan commitments and for guarantees given that must be tested for impairment under IFRS 9.

In preparation for the determination of the impairment losses, at each reporting date the financial instruments must be assigned to the following categories (Stage Assignment or Staging):

- Stage 1: comprising financial instruments for which, from their initial recognition up to the reporting date, there is no evidence of a significant increase in credit risk;
- Stage 2: it comprises financial assets that have had a significant increase in credit risk since initial recognition;

- Stage 3: if there is evidence of impairment, these financial assets – in line with any other assets pertaining to the same counterparty – are considered impaired and are therefore included in Stage 3.

The impaired exposures consist of financial assets classified in the categories of bad loans, unlikely-to-pay (UTP) loans and exposures past due by more than ninety days, defined in Bank of Italy Circular 272/2008.

Impairment of performing financial assets

For financial assets for which there is no evidence of impairment (unimpaired financial instruments), it is necessary to check whether there are indicators that the credit risk of the individual transaction has increased significantly since initial recognition. This check, in terms of classification (or, more precisely, staging) and measurement, has the following consequences:

- where these indicators exist, the financial asset is included in stage 2. In this case, in compliance with international accounting standards and despite the absence of an actual impairment, the measurement consists of the recognition of value adjustments equal to the lifetime expected credit losses of the financial instrument. These adjustments are subject to revision at each subsequent reporting date, both to periodically check their consistency with the continuously updated loss estimates and to take account – if the indicators of “significantly increased” credit risk are no longer present – of the change in the forecast period for the calculation of the expected credit loss;
- where these indicators do not exist, the financial asset is included in stage 1. In this case, in compliance with international accounting standards and despite the absence of an actual impairment, the measurement consists of the recognition of the 12-month expected credit losses for the specific financial instrument. These adjustments are subject to revision at each subsequent reporting date both to periodically check their consistency with the continuously updated loss estimates and to take into account – if there are indicators that the credit risk has “significantly increased” – the change in the forecast period for the calculation of the expected loss.

With regard to the measurement of financial assets and, in particular, the identification of the “significant increase” in credit risk (a necessary and sufficient condition for the classification of the asset being measured as stage 2), the following factors constitute the key elements to be taken into account, in accordance with the standard and its operational implementation by the Intesa Sanpaolo Group:

- the variation (beyond set thresholds) of the lifetime probabilities of default compared to the time of initial recognition of the financial instrument. This is therefore an assessment made on a “relative” basis, which constitutes the main driver;
- the presence of a past due position that – subject to the materiality thresholds identified by the regulations – has been in that status for at least 30 days. If these circumstances apply, the credit risk of the exposure is considered to have “significantly increased” and the exposure is therefore transferred to stage 2 (when the exposure was previously included in stage 1);
- the presence of forbearance measures, which – again on a presumption basis – result in the classification of the exposures under those whose credit risk has “significantly increased” since initial recognition. Activating a forbearance measure implies a minimum probation period of 24 months in stage 2;
- finally, some of the indicators from the credit monitoring systems specifically used within the Group are considered for the purposes of the transfer between “stages”. Specifically, reference is made to the following:
 - with respect to the centralised perimeter (main Italian companies and foreign corporate banks), to early warning systems. Where signals of high risk (“traffic light” results) are identified for at least three consecutive months by such systems, a perimeter of potentially riskier counterparties is defined, to be classified in stage 2.
 - with respect to the banks belonging to the international perimeter (International Subsidiary Banks Division), to the watch lists, i.e. the credit monitoring systems that – based on the current credit quality of the borrower – place performing exposures above a certain level of risk within a particular range.

Focusing on the main trigger out of those referred to above (i.e. the change in the lifetime probability of default), the significant increase in credit risk (“SICR”) is determined by comparing the relative change in the lifetime probability of default recorded between the initial recognition date of the relationship and the observation date (lifetime PD Change) with predetermined significance thresholds. The assignment of a lifetime PD to the individual relationships is carried out by allocating the ratings for each segment according to the masterscale at both the initial recognition date and the observation date. Ratings are determined based on internal models, where available, or on business models. If there are no ratings, the Benchmark PDs are assigned to the type of counterparty being assessed.

The significant deterioration is therefore based on the increase in the lifetime PD caused by downgrades of the position from its origination to the reporting (observation) date, as well as the change in the forecast of the future macroeconomic factors.

The above-mentioned “relative” change in lifetime PD is an indicator of the increase or decrease in credit risk during the reporting period. To establish whether, in accordance with IFRS 9, any increase in credit risk can be considered “significant” (and therefore entail a transition between stages), it is necessary to set specific thresholds. Increases in lifetime PD below these thresholds are not considered significant and, consequently, do not result in the transfer of individual credit lines/tranches of debt securities from stage 1 to stage 2. However, this transfer is required if there are relative increases in PD above these thresholds. The thresholds used have been estimated based on a process of simulations and optimisations of forecast performance, carried out using granular historical portfolio data. Specific thresholds are set for the Corporate, Retail, Large Corporate and Retail SME models and extended to the other models based on methodological affinity. The thresholds differ in terms of residual maturity, annual granularity and rating class.

The determination of the thresholds has been calibrated to find a suitable balance between the performance indicators relating to the ability of the thresholds to:

- detect stage 2 positions before their transition to default;
- identify positions for which a return to stage 1 is due to an actual improvement in credit rating.

To complement the above methodology, a “relative” threshold also exists (tripling of lifetime PD at the observation date compared to the lifetime PD at the initial recognition date), which acts on a residual basis compared to the main methodology. Therefore, if this threshold is exceeded, the position is automatically classified to stage 2. In order to avoid the “sliding” into

stage 2 of particularly high credit quality positions, the threshold is only triggered for non-investment grade loans and securities.

Some specific considerations apply for the “staging” of the debt securities. Unlike loans, for this type of exposure, sales and purchases after initial recognition (made using the same ISIN) may form part of the ordinary management of the positions (with the consequent need to identify methods to be adopted for identifying the sales and repayments in order to determine the remaining quantities of the individual transactions that need to be allocated a credit quality/rating upon origination to be compared with that parameter at the reporting date). In this regard, the use of the “first-in-first-out” or “FIFO” method (for the recognition of the recorded ECL in the income statement, in the event of sales or repayments) was considered to help in providing a more transparent management of the portfolio, also for the front office operators, while also enabling the continued updating of the credit rating based on new purchases.

Once the allocation of the exposures to the various credit risk stages has been established, the expected credit losses (ECL) are determined at individual transaction or securities tranche level, using the IRB/Business models, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate corrections are made to ensure compliance with the specific requirements of IFRS 9.

The following definitions apply for PD, LGD and EAD:

- PD (Probability of Default): likelihood of migrating from performing to non-performing status over the period of one year. In models consistent with supervisory provisions, the PD factor is typically quantified through the rating. In the Intesa Sanpaolo Group, the PD values are derived from internal rating models where available, supplemented by external ratings or segment/portfolio average figures;
- LGD (Loss Given Default): percentage loss in the event of default. In the models consistent with supervisory provisions, it is quantified through the historical experience of discounted recoveries on exposures that have become non-performing;
- EAD (Exposure At Default) or credit equivalent: amount of the exposure at the time of default.

As mentioned above, in order to comply with IFRS 9, specific adjustments had to be made to these factors, including in particular:

- adoption of a Point in Time (PIT) PD compared to the Through the Cycle (TTC) PD used for Basel purposes;
- removal of some additional components from the TTC LGD, such as indirect costs (non-recurring costs) and an additional margin of conservatism specifically introduced for the regulatory models, as well as the component linked to the economic downturn;
- the introduction of specific treatment in relation to the regulatory provisions, in order to estimate the accounting LGD, to include in the modelling (in line with the indications of IFRS 9 on using entity-specific information) the estimates of internal recoveries exceeding the regulatory threshold of the Maximum Recovery Period, i.e., the maximum time limit beyond which the Supervisory Authority assumes that nothing will be recovered;
- the use of PDs and, where necessary, multi-period LGDs, to determine the lifetime expected loss of the financial instrument (stages 2 and 3);
- the use of the effective interest rate of the individual transaction in the discounting of the expected future cash flows, unlike in the regulatory models, where the individual cash flows are discounted using the discounting rates determined in compliance with the prudential regulations.

In relation to the multi-period EAD, in line with IFRS 9 the Intesa Sanpaolo Group refers to the plans at amortised cost for both loans and debt securities, regardless of the measurement method used (amortised cost or fair value through other comprehensive income). For loan commitments (margins), on the other hand, the EAD is assumed to be equal to the nominal amount weighted according to a specific Credit Conversion Factor (CCF).

The measurement of the financial assets also reflects the best estimate of the effects of current and future conditions and in particular the economic conditions that affect the forward-looking PDs and LGDs. IFRS 9, also based on the guidance from the international regulators, gives particular importance to information on future macroeconomic scenarios in which the Bank may find itself and which clearly influence the situation of the debtors, with regard both to the “risk” of migration of exposures to lower quality classes (and therefore concerning the staging) and to the recoverable amounts (and therefore concerning the determination of the expected loss on the exposures). In terms of method, various possible alternative approaches designed to take account of these elements have been analysed. Of the various alternatives considered, the Intesa Sanpaolo Group has decided to adopt the “Most Likely scenario + Add-on” approach. According to this approach, the macroeconomic conditioning of PD and LGD is carried out through a baseline scenario («Most-Likely», in line with the approach used for other business purposes such as, for example, the budget and business plans) and then corrected with an Add-On to include any differences compared to downside and upside scenarios. If the overall impact of the Add-On on the risk parameters is positive, the decision has been made to neutralise the effect for both staging and ECL calculation purposes.

The macroeconomic scenario is determined by the Bank’s Research Department using forecasting models that are disclosed to the market to determine the consensus. Alternative upside and downside scenarios are determined through stress tests of the input variables of the forecasting models.

In particular, the most likely scenario and alternative scenarios are determined using a set of analytical and stand-alone forecasting instruments that determine the forecast path for several blocks of variables, namely:

- national accounts and inflation of the top 6 Eurozone countries, the United States and Japan;
- official rates (ECB, Fed, BoJ), EUR and USD swap rate curves, and several points of the government curves;
- exchange rates for EUR, USD, JPY and GBP;
- stock market indices (DJ Eurostoxx 50 and S&P 500);
- Brent price;
- some specific data for the Italian economy (industrial production, real estate prices, employment, public finance balances).

These forecasts are then processed using the Oxford Economics multi-country structural Global Economic Model, where they replace the forecast paths of the baseline scenario provided by the company with the periodic updating of the database. The model is then solved to derive a consistent global forecasting framework, including variables for which no specific models have been developed, and to obtain a simulation environment that can be used to generate alternative scenarios. This step may require some iterations, particularly if the forecasting framework generated internally is significantly different from the one provided by Oxford Economics. If this is the case, further fine-tuning may be needed for specific secondary variables that the analysts consider to be inconsistent with the forecast scenario or that have an unexplainable quarterly volatility.

The alternative paths are selected using external information. In particular:

- average annual GDP growth rates of several countries: this is the key driver for the simulation and the deviations are determined to replicate the dispersion of the growth estimates published by Consensus Economics in the most recent report available at the date of the simulation, considering the minimum and maximum forecasts (after applying a filter to identify and eliminate possible outliers). If there are outliers, these are discarded and the remaining maximum and minimum values are considered. Since consensus estimates are only available for the first two years of the simulation period, an extrapolation of the deviations identified for the first two years is used for the third year;
- stock market indices (DJ Eurostoxx 50, S&P 500) and US residential real estate prices: the minimum and maximum forecasts of the Thomson Reuters panel are used as a reference;
- Italian residential real estate prices: since no consensus estimates are currently available, the alternative paths are based on the distribution of the historical quarterly changes available from 1980 to the current quarter.

The percentile value identified is used, for the Most Likely scenario, to determine the variations corresponding to a probability gap, calculated through statistical analysis of the historical distribution of the observations. The two (positive and negative) changes with respect to the most-likely scenario are then used to calculate the level of the individual identified indices, reconstructing the two alternative paths (one positive and one negative) for each of them that represent the input for the determination of the Add-On. The probability gap used is identified based on the variability characteristics of the series, to obtain a significant deviation from the most-likely scenario.

In addition to defining the alternative paths, a map of possible additional factors is maintained, i.e., adverse idiosyncratic events or scenarios, not explicitly incorporated in the time series used for the construction of the most-likely scenario or in the alternative paths, which can generate further significant effects on expected losses.

The following is assessed for these events/scenarios:

- the possible time frame;
- the degree of inclusion in the most-likely scenario or the alternative paths;
- the potential impact, assessed in qualitative terms.

The map of additional factors also draws on the list of risk factors contained in the forecast reports of the IMF (World Economic Outlook) and the European Commission and may change over time.

Within the assessment of the time frame for the additional factors, note is made if the factor cannot be placed within a specific time period, which makes its incorporation into the most-likely scenario or alternative paths unfeasible.

The assessments made take account of the fact that the consensus estimates may include forecasts that already incorporate the total or partial realisation of one or more risk factors in their estimates, which means that the alternative paths may already incorporate these additional factors to some extent.

Where there is considerable uncertainty in the national and international macroeconomic forecasts, as well as significant deviations in terms of best-case forecasts with respect to the TTC scenario, prudential factors may be introduced in relation to the deviations in the minimum and maximum values of the variables based on the above-mentioned consensus or historical figures.

The above macroeconomic scenarios (Most Likely and alternative scenarios) are used in internal models to determine the point-in-time (PIT) parameters.

Specifically, the time series of default rates acquired from the Bank of Italy are differentiated over the main economic macro-sectors (e.g. consumer households, family businesses, construction) and, for each of these, specific satellite models establish the relationships with the macroeconomic variables in order to obtain the forecast default rates. In turn, these impact the TTC transition matrices between rating classes and thus provide the PIT transition matrices for each scenario (Most Likely and alternative scenarios). These give rise to the lifetime conditional PD.

In particular, the TTC matrices are calculated using internal default rates for the Corporate, Retail SME and Retail segments, whereas the Bank of Italy system rates are used for the Low Default segments, because the internal time series data for those segments is less extensive. The forward-looking point-in-time matrices, on the other hand, are calculated using the system default rates for all the segments.

A similar process is used to determine the PIT LGD grids.

Taking account of the repayment plans of the individual loans, their conditional PD and LGD, residual maturity and staging, the impairment of performing financial assets is determined.

With reference to the estimation methodologies of impairment of performing financial assets, in certain circumstances, the need may arise to make temporary adjustments (valuation increases) to the results of the models adopted, as a precaution. That need may indicatively arise as a result of external events that are unexpected, which the bank cannot control and have potential consequences, also on a large scale, on the measurement of the ECL of the portfolios as a result of elements that are not adequately captured by the IFRS 9 models used. It must be noted that the IFRS 9 estimation methodologies are founded on experience-based assumptions, and are strongly anchored to historical observations, which are considered over a congruous time horizon and in a sufficiently stable backdrop. Therefore, in order to fully understand the effects of particular conditions of volatility or of possible significant economic deviations from the expected macroeconomic scenarios, also in relation to “emerging risks”, a specific reference framework was identified to take action - duly approved by the competent management bodies - to factor into ECL calculation further elements that are not yet and/or insufficiently covered by the models in use.

Specifically, the measurement of ECL in such situations is adjusted (increasing) via the following two elements:

- a first additional impact on the performing positions as a whole, in the case of specific economic times characterised by risks of significant deviation from the expected scenarios, estimated as part of the output of the model with an impact on the individual risk parameters (PD and LGD), connected with the identification of "extreme" scenarios, characterised by a probability of occurrence considerably contained and typical only of extreme events (therefore outside the consensus ranges) with respect to the long-term macroeconomic scenario;
- an additional impact related to the effects - on "vulnerable" customers and at the same time belonging to subsectors of the loan portfolio, particularly exposed to the consequences of "emerging" risk factors - of the combination of evolving structural risks and new risks. This enhances the information from credit quality monitoring processes. This latter valuation burden is determined for vulnerable customers belonging to higher-risk subsectors, by assigning to Stage 2 the positions not already classified as such, and increasing ECL in relation to the estimated greater risk.

Impairment of non-performing financial assets

Non-performing loans are represented by bad loans, unlikely to pay and past due positions by more than 90 days.

Non-performing loans classified as bad loans are subject to the following measurement methods:

- analytical-statistical measurement, which is used for exposures of less than 2 million euro and is based on the use of specific LGD grids, plus an Add-On to take account of information linked to the evolution of the current conditions related to management variables highly correlated with the loss performance and forward-looking information relating to the impact of expected future macroeconomic scenarios (as described in the previous paragraphs);
- analytical-specific measurement, which is used for customers with exposures exceeding 2 million euro and is based on the impairment percentages allocated by the manager, following specific analysis and measurements, also based on the evolution of the current conditions, plus an Add-On to take account of forward-looking information, and in particular information relating to the impact of future macroeconomic scenarios (except for bad loans backed by mortgage collateral or relating to property leases for which the impact of future scenarios is included through the method used to determine the haircuts to the value of the properties pledged as collateral).

The measurement of unlikely-to-pay loans (UTPs) is also performed based on different approaches:

- analytical-statistical measurement, for exposures of less than 2 million euro, based on the use of specific LGD grids, plus an Add-On to take account of the already mentioned information linked to the current conditions and the impacts of future macroeconomic scenarios, as well as continuation in the risk status, in order to penalise positions with greater vintage or which have no movements and/or recoveries for a particular period of time;
- analytical-specific measurement, for on-balance sheet exposures of more than 2 million euro, based on the impairment percentages allocated by the manager, following specific analyses and assessments also based on the evolution of the current conditions, plus an Add-On to take account, also in this case, of the impacts of future macroeconomic scenarios and of continuation in the risk status.

For Group companies, the threshold value for analytical-statistical measurement is set by the competent bodies of the individual companies, in coordination with the structures of Intesa Sanpaolo, at a level that is not, in any event, higher than that set by the Parent Company.

Regardless of the division of these exposures between those subject to analytical-statistical measurement and those subject to analytical-specific measurement (as identified above), the add-ons envisaged include the sales scenarios for the disposable non-performing loans if the business plan and the NPL reduction plan envisage sales and those sales do not lead to a reclassification pursuant to IFRS 5. The valuation of the disposable non-performing loans therefore considers the possibility of also realising these loans through their sale.

Non-performing loans classified in the past-due loans category, on the other hand, are subject to analytical measurement based on statistics, regardless of the amount of the exposure. However, also in this case, the adjustment determined based on the LGD statistical grids is supplemented to take account of the Add-On attributable to the effect of the evolution of the current conditions and the future macroeconomic scenarios.

Credit exposures must continue to be carried as non-performing for at least three months after they cease to meet the requirements for being classified as such (the "probation period"). Until the conditions are met for reclassification out of the non-performing category, such exposures are retained in their respective risk classes and measured according to an analytical-statistical or an analytical-specific approach taking account of their lower risk level.

A brief description is provided below of the methods used for the analytical-specific and analytical-statistical measurement:

- the analytical-specific measurement of bad loans and unlikely-to-pay loans above 2 million euro is a measurement performed by the managers of the individual positions based on a qualitative and quantitative analysis of the borrower's financial position, the riskiness of the credit relationship, the targets and strategies for reduction of the non-performing loans, and any mitigating factors (collateral), taking into account the financial impact of the estimated recovery time. For bad loans in particular, a series of elements are relevant, which differ according to the characteristics of the positions, and must be thoroughly and prudently assessed, including the following, listed merely as examples:
 - nature of the credit, whether preferential or unsecured;
 - net asset value of the borrowers/third party collateral providers;
 - complexity of existing or potential litigation and/or the underlying legal issues;
 - exposure of the borrowers to the banking system and other creditors;
 - last available financial statements;
 - legal status of the borrowers and any pending insolvency and/or individual proceedings.

In order to determine the estimated realisable value of loans secured by real estate, and to take into account both the time series of recoveries and the forward-looking information in accordance with IFRS 9, an approach is applied focused

on the valuation of real estate based on the expected average auction price and the related reduction in the observed price, with the calculation of average haircuts that differ according to the type of real estate collateral (residential, commercial, industrial and land). Accordingly, to avoid duplications, a macroeconomic Add-On is not used in the analytical-specific measurement for bad mortgage loans, because the forward-looking component is already taken into account through the haircut.

For real-estate bad loans arising from lease contracts, in view of the particular nature of the product (lack of auctions), the haircut is estimated as the depreciation of the asset with respect to the appraised value observed at the time of classification as non-performing and the actual price of sale.

In addition, for unlikely-to-pay loans, the measurement is based on a qualitative and quantitative analysis of the borrower's financial position and on precise assessment of the risk situation.

The calculation of the impairment loss involves the valuation of the future cash flows that the borrower is considered to be able to generate and that will also be used to service the financial debt. This estimate must be made based on two alternative approaches:

- the going concern approach: the operating cash flows of the borrower (or the beneficial owner) continue to be generated and are used to repay the financial debts contracted. The going concern assumption does not rule out the realisation of collateral, but only to the extent that this can take place without affecting the borrower's ability to generate future cash flows. The going concern approach is also used in cases where the recoverability of the exposure is based on the possible sale of assets by the borrower or on extraordinary transactions. Similarly to the case of bad loans, haircuts are also used in measuring real-estate collateral for unlikely-to-pay positions. For going-concern positions, these haircuts are determined on the basis of the haircuts applied in the liquidation process (gone-concern bad loan or UTP position), while applying a calibration factor equal to the probability of migration of the UTP positions to the bad loan category;
 - the gone concern approach: applicable in cases when it is believed that the borrower's cash flows will cease. This is a scenario that can apply to positions that are expected to be classified as bad loans. In this context, assuming that shareholders' interventions and/or extraordinary operations to restructure debt in turnaround situations are not reasonably feasible, recovery of the credit is essentially based on the value of the collateral that secures the Bank's credit claim, net of the application of a haircut (determined as for bad loans) and, alternatively, on the realisable value of the assets, taking into account the liabilities and possible pre-emptive claims;
- the analytical-statistical measurement, performed for bad loans and unlikely-to-pay loans of less than 2 million euro and for past-due loans has specific features according to the type of exposure involved.

With regard to bad loans, the analytical-statistical measurement is based on the Bad Loan LGD grids, where the LGD Defaulted Asset model is mainly characterised by the differentiation of the loss rates that, in addition to the regulatory segment, is based on the continuation in the risk status ("vintage") and the possible activation of legal recovery proceedings. The grids are also differentiated for the other significant analysis axes used in the model estimation (e.g. product type, type of guarantee, geographical area, exposure band, etc.). The recovery time grids are mainly broken down by regulatory segment and by additional significant analysis axes used in the modelling (e.g. recovery procedures, exposure band, product type).

For unlikely-to-pay loans, the measurement is performed using statistical LGD grids estimated specifically for positions classified as unlikely-to-pay loans, in line with the estimated LGD grids for bad loans. The estimation model for the LGD grid for unlikely-to-pay loans is similar to the one described above for bad loans and calculates the expected loss rate of the relationship being valued according to its characteristics. The LGD for unlikely-to-pay loans is obtained by recalibrating the bad loan LGD using the Danger Rate module. The Danger Rate is a multiplying correction factor to apply to the bad loan LGD, in order to take into account the loss rates that can be recorded in the various default statuses (Unlikely-to-Pay and/or past due). The Danger Rate is estimated using the probability of migration to bad loans for positions already in default, the loss rates observed in the pre-bad loans phase for positions migrating to bad loans, and the loss rates observed in the pre-bad loans phase for positions that return to performing status or are extinguished. In addition, for the two subclasses of the "Unlikely-to-Pay Loans" risk status ("Non-Forborne Unlikely-to-Pay Loans" and "Forborne Unlikely-to-Pay Loans"), differentiated grids are estimated to take into account the characteristics of the Forborne loans, which, in addition to having lower average loss levels due to the effect of the Forbearance Measures, are also affected by the regulatory constraints that prevent their return to performing loan status before 12 months from the date of the renegotiation.

For past-due loans, the methods used to determine the grids are the same as those described for the unlikely-to-pay loans (Framework Danger Rate). In this case, the vintage factor is captured by the introduction of a differentiation based on the duration of the past-due period (Past Due at 90 days/180 days) which produces a significant variation in the loss rates of the grids, which are also differentiated according to regulatory segment and additional analysis axes (e.g. product type, type of guarantee, geographical area, exposure band, etc.) common to the other non-performing loan categories.

Also in the LGD estimation models used in the analytical-statistical measurement of non-performing exposures, several additional components specifically included for regulatory models are removed, similar to that illustrated for performing exposures.

With regard to the inclusion of current and forward looking information, it should be noted that, for non-performing exposures, a statistically estimated component (Add-On from macroeconomic scenario) linked to the most-likely and downside scenarios expected over the period of the next three years is also considered, according to the criteria already described.

In fact, as required by IFRS 9, the effects of the forward-looking scenario on LGD estimates must also be considered and the aforementioned component is aimed at capturing the non-linearity of the relationship between the macroeconomic variables

and ECL measurement, by analysing the forecast uncertainty of the variables used for the preparation of the most-likely scenario. It is based on the methodological framework that is used for performing loans, but ignores the upside scenario from a prudential perspective and only considers the average downside and most-likely scenarios over the period of the next three years.

Furthermore, an additional factor is applied to the analytical/statistical measurement firmly based on internal management variables, in particular the level of past and prospective NPL ratio, which, on the basis of long-term observation, is statistically correlated with the loss performance. This factor makes the LGD estimate more sensitive to changes in the current and future economic/management context.

Also in terms of future scenarios, with regard to the unlikely to pay category, which includes positions that are still performing but show signs of difficulty, both for positions with analytical-specific measurement and those with analytical-statistical measurement, when there are no effective forbearance measures, an additional component shall be applied (in addition to the aforementioned add on from the macroeconomic scenario) to reduce the recoverable amount of the positions based on their vintage in the risk status and the absence of movements and/or recoveries in a specific period of time.

With regard to the alternative recovery scenarios, the Intesa Sanpaolo Group, in relation to the objectives of reducing the stock of outstanding non-performing loans, included in its business plans, and the commitments made to the Supervisory Authorities, with specific regard to the NPL Strategy, considers the sale of particular portfolios as the strategy that, in certain conditions, can maximise the cash flow recovery, also considering the recovery times.

Consequently, the “ordinary” scenario, which assumes a recovery strategy based on the collection of credit, typically through legal actions, mandates to credit recovery companies and the realisation of mortgage collateral, is also been accompanied - where applicable and as an alternative recovery strategy - by the scenario of the sale of the loan.

Where company plans and Group strategies identify disposal objectives and, as a result, a portfolio of non-performing loans that may be disposed of, until the disposal objectives are reached, the loans and receivables included in that portfolio shall be measured taking account of both the amount recoverable through operating activities and market valuations (based on external appraisals) and/or sales prices, if already defined.

In particular, where a larger loan portfolio that may be sold represented by Group loans that are disposable (thus, for example, positions that are not involved in disputes, as per precise indication by the management structures and which are not subject to synthetic securitisation), in relation to the sales objectives is identified, the book value of said portfolio is determined by weighting the recoverable amount through operating activities with the amount recoverable through sale.

More specifically, the recoverable amount of disposable non-performing loans is quantified as the average between (i) the value in the event of sale (fair value) and (ii) the collection amount, weighted on the basis of the percentage of the loans eligible for sale - determined as the ratio between the target volume of loans to be sold and the respective non bankruptcy-remote portfolios having the same profile, i.e. as a percentage that reflects the probability of sale of the portfolios whose disposal is considered highly probable. The “collection amount” was determined according to the ordinary methods adopted by the Group for the impairment of non-performing loans, i.e. based on the individual measurement of the exposures exceeding a defined threshold and based on an analytical-statistical measurement for the others. The measurement of the value in the event of sale is carried out by an external expert, based on market valuations.

However, where the positions to be sold are specifically identified, those positions shall be measured exclusively taking account of the market values established by external experts, based on a specific fairness opinion or, if already defined through a binding agreement with the buyer, the sales price. Those loans are also reclassified as assets held for sale.

As already mentioned, the purchased or originated credit-impaired (POCI) financial assets have specific features in terms of impairment. As a result, value adjustments equal to the lifetime ECL must be recognised on these instruments from their initial recognition date and for their entire lifetime. At each subsequent reporting date, the amount of the lifetime ECL must therefore be adjusted, with the recognition through profit or loss of the amount of any change in lifetime expected credit losses as a gain or an impairment loss. In view of the above, POCI financial assets are initially recognised in stage 3, subject to the possibility of being subsequently transferred to the performing loans stage, even if an expected loss equal to the lifetime ECL will continue to be recognised.

Lastly, with regard to non-performing loans, it is highlighted that the Intesa Sanpaolo Group uses the – full or partial – write-off/derecognition of unrecoverable accounting positions and, in the following cases, the consequent allocation to loss of the remainder that has not yet been adjusted:

- uncollectability of the debt, as a result of definite and precise elements (such as, for example, untraceability and indigence of the debtor, lack of recovery from realisation of securities and real estate, negative foreclosures, bankruptcy proceedings closed with no full compensation for the Bank, if there are no further guarantees that can be enforced etc.);
- disposal of the loan;
- waiver of the credit claim, due to the unilateral cancellation of the debt or residual amount as a result of settlement agreements;
- no waiver of the credit claim. With regard to the full or partial write-offs without waiver of the credit claim, in order to avoid maintaining loans on the balance sheet that have a very low possibility of recovery, despite continuing to be managed by the recovery structures, they are fully or partially written off due to uncollectability even if the legal proceedings have not been closed. The write-off can only involve the portion of the loan covered by provisions and, therefore, each loan can only be written off up to the amount of its net book value. Therefore, on a periodic basis, the Group identifies the bad loan portfolios to be subject to total or partial write-offs with the following macro-characteristics:
 - percentage cover of 100% and a vintage (understood as the period of time in “bad loan” status) of >1 year;
 - percentage cover of >95% and a vintage (understood as the period of time in “bad loan” status) of >5 years or >8 years, respectively, for non-mortgage and mortgage loans.

Portfolios to be written off can also be identified that have similar characteristics that are different from those indicated above, but that relate to exposures that have a marginal possibility of recovering the amount of the provision, where the minimum amount of the provision (calculated taking into account the accumulated write-offs on the position, according to the same rule established at prudential level by the calendar provisioning framework) is at least equal to the amount

needed to bring the value of the exposures up to their fair value estimated based on the prices recorded in the latest sales of bad loans made by the Group.

Impairment of investments in associates and companies subject to joint control

At each reporting date the investments in associates and companies subject to joint control are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.

The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative and quantitative indicators.

Qualitative indicators include:

- the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market;
- the announcement/initiation of insolvency proceedings or restructuring plans;
- the downgrading by more than two rating classes;
- failure to discharge payment obligations for debt securities issued fully and in a timely manner;
- use of industrial policy tools aimed at responding to a serious crisis or allowing companies to face restructuring/reorganisation processes.

Quantitative indicators include:

- a reduction in fair value of over 30% below the carrying value or for a period of over 24 months;
- a market capitalisation lower than the company's net book value, in the case of securities listed on active markets, a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill, or distribution by the investee of a dividend that is higher than its total income.

The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.

The recoverable amount consists of the higher of the fair value and the value in use, less costs to sell.

For an illustration of the valuation techniques used to determine fair value, see the specific Section A.4 – Information on fair value.

Value in use is the present value of expected future cash flows from the asset; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, which may affect the appreciation by market participants of expected future cash flows from the asset.

Value in use is determined by discounting future cash flows.

Impairment of non-financial assets

Property, equipment and intangible assets with definite useful life are subject to impairment testing if there is the indication that the book value of the asset may no longer be recovered. The recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use, if determinable and if it is higher than fair value.

For property and equipment other than real estate and valuable art assets and intangible assets (other than those recognised following business combinations) it is assumed that the carrying amount normally corresponds to the value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment in case of damages, exit from the production process or other similar non-recurring circumstances.

As clarified in the discussion of "Property and equipment and intangible assets", the Group measures owner-occupied properties and valuable art assets according to the revaluation model; in this case, any impairment loss on a revalued asset must be treated as a decrease in the revaluation up to the relevant amount, after which any difference is taken to the income statement.

As described in the Information on fair value - Fair value of real estate and valuable art assets, for owner-occupied properties each year a scenario analysis is conducted on trends in the real-estate market to assess whether there are any significant deviations in the value of the assets. If significant changes are identified (+ or - 10%), an updated appraisal is prepared to adjust the fair value of the asset to the valuations of the real estate market. If there are no significant differences, the value is redetermined through a new expert appraisal every two years for "trophy assets" (i.e. particularly prestigious properties used by management functions located in the main cities where the bank is based or properties of particular historical and artistic interest because they are listed by the Ministry for Cultural Heritage and Activities) and every three years for other owner-occupied properties.

For the valuable art assets, the revaluation is carried out by means of a new expert appraisal every three years. However, a scenario analysis is carried out annually to identify any appreciable changes in value in order to bring forward the valuation. If the annual monitoring identifies a possible positive or negative value deviation of more than 15% for individual works of artists in the bank's collections and comparable on the basis of objective criteria (size, technique, period of production, etc.), new appraisals are commissioned.

Intangible assets recognised following a business combination and in application of IFRS 3 are subjected to an impairment test at each reporting date to assess whether there is objective evidence that the asset may have been impaired. Intangible assets with a finite life, represented by the value of the asset management portfolio, core deposits and the value of the insurance portfolio, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.

Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash-Generating Unit (CGU) to which the values are attributed at the time of the business combinations. The amount of any impairment is determined on the basis of the difference between the CGU's book value and its recoverable amount represented by the higher of the fair value, less costs to sell, and the value in use.

The book value of the CGUs must be determined in a manner consistent with the criterion used to determine their recoverable amount. For a banking business, the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these form part of the core business.

In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore the CGUs' book value must include financial assets/liabilities in accordance with the scope of the recoverable amount estimate process. Consequently, these assets and liabilities must be properly allocated to the associated CGUs.

On this basis, the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.

Thus, the carrying amount of the CGUs consisting of companies that belong to a single operating division or consist of a single legal entity (Asset Management, Private Banking, Insurance and International Subsidiary Banks) is determined by summing the individual book values of each company in the consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their net book value, taking into account any goodwill and intangibles recorded upon acquisition (net of subsequent amortisations and any write-downs) and the consolidation entries. With regard to the determination of the carrying value of the other two divisions (Banca dei Territori and IMI Corporate & Investment Banking), given that the Parent Company and other banks contribute to the management of these divisions, and this subdivision is not represented in the accounting information, the overall carrying value of the CGUs cannot be determined on the basis of book values. As a consequence, the use of operational factors is required to make the subdivision following a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting information. The operational driver is identified as the "regulatory capital" determined by the structures of the Market and Financial Risk Management Head Office Department for each operating division: it represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision rules. The resulting book values already take into account the effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.

For an illustration of the valuation techniques used to determine fair value, see Section A.4 – Information on fair value.

The value in use of a CGU is determined by estimating the present value of future cash flows that may be expected to be generated by the CGU. These cash flows are determined by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan or other external information available. The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity, using an appropriate growth rate "g" for the purposes of the so-called Terminal value. The "g" rate is determined by assuming that the growth factor is the lower of the average growth rate for the forecasting period of the analysis and the average rate of increase in the Gross Domestic Product in the countries where the cash flows are generated.

For the determination of the value in use, the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates used incorporate the risk free component and the premiums for the risk associated with the equity component observed over a sufficiently long time period to reflect different market conditions and economic cycles. In addition, given the diverse risks of the respective operating areas, different Beta coefficients are used for each CGU. All the resulting rates have been adjusted to take into account the "Country Risk".

The cash flows produced by the international subsidiaries are estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

With regard to the intangible asset represented by the brand name, if the reference CGU does not have any goodwill allocated and, as a result, it is not possible to test the recoverable amount of the specific intangible as part of the impairment test of the goodwill based on total cash flows at the level of the CGU, then an independent and specific valuation is made on the basis of the fair value certified by the appraisal of an independent expert.

Business combinations

Business combinations are governed by IFRS 3.

The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.

To this end, control is deemed to have transferred when the investor is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns by exercising its power over the investee.

IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity investments, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.

The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange usually coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.

The consideration transferred as part of a business combination is equal to the sum of the fair value, at the exchange date, of the transferred assets, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.

In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the purchase price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred

component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see Section A.4 – Information on fair value and note that, in the case of shares quoted on active markets, fair value is represented by Stock Exchange price at acquisition date or, should that not be available, the last price available.

Purchase price at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.

Acquisition costs refer to the charges incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees as well as debt securities' or equities' registration and issue costs.

Acquisition costs must be recognised as charges when incurred and when the related services are provided, except for the costs relating to the issue of debt securities or equities which must be recognised in accordance with IAS 32.

Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at acquisition date.

Moreover, as specifically required by IFRS 3, for each business combination, any minority interest in the acquired company can be recognised at fair value (therefore increasing the consideration transferred) or in proportion to the minority investment in the net identifiable assets of the acquired companies.

If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying value is taken to income statement.

Excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased, where present, by minority interests (determined as above) as well as the fair value of the stakes already held by the acquirer, and the fair value of acquired assets and liabilities should be recognised as goodwill. Conversely, such difference is taken to the income statement when the latter exceed the sum of the consideration, minority interests and the fair value of the stakes already held.

The accounting for business combination can be determined provisionally by the end of the year in which the combination is realised and must be completed within twelve months of the acquisition date.

In accordance with IFRS 10, acquisitions of further stakes in companies which are already controlled are accounted for as a capital transaction or as a transaction with shareholders acting in their capacity as shareholders. For this reason, the difference between the cost of the acquisition and the book value of the minority stakes acquired is posted to group shareholders' equity; in the same way, the sale of minority stakes without ceding control, does not generate gains or losses in the income statement but is posted to group shareholders' equity.

The following transactions are outside the scope of business combinations: transactions aimed at acquiring control over one or more entities which are not part of the company's business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction, these are accounted for safeguarding the continuing values in the financial statements of the acquirer.

Mergers are examples of combinations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.

Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:

- if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
- if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values.

Criteria for the preparation of segment reporting

The Intesa Sanpaolo Group's segment reporting is based on the elements that the management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.

The Intesa Sanpaolo Group's organisational model is structured according to six business segments with specific operational responsibilities and similar characteristics in terms of the type of products and services offered: Banca dei Territori, IMI Corporate & Investment Banking, International Subsidiary Banks, Asset Management, Private Banking and Insurance. In addition to these operating areas there is the Corporate Centre which is responsible for guidance, coordination and control of the whole Group. The Corporate Centre also includes the following support structures: Treasury, NPE Department and the Strategic Asset & Liability Management (ALM) activities.

For the purposes of preparation of the Segment Reporting, the income statement and balance sheet results attributed to the various business sectors were calculated according to the accounting principles used in the preparation and presentation of the consolidated financial statements. Use of the same accounting standards allows segment data and consolidated data to be effectively reconciled. To represent results more effectively and give a better understanding of the components that generated them, the reclassified income statement for each reporting segment is presented with values that express the contribution made by each segment to the Group's results.

The contribution of the various Divisions and of the Corporate Centre to the Group's overall income statement results is determined according to the methods described below:

- application of the contribution model with Internal Fund Transfer Pricing (FTP), differentiated on the basis of the maturity of the individual transaction, for the correct attribution of net interest income;
- application, by virtue of specific contractual agreements between the Group Banks/Companies, of retrocession rules for economic components relative to transactions which set out the distribution of results between product factories/service units and relationship entities/customer units;
- direct cost debiting to each Business Division and to the Corporate Centre;
- application of the Group business accounting model, for the part within its remit, for the charging of the costs for the services provided by the head-office structures of the Parent Company belonging to the Corporate Centre to the Business Divisions and other Structures of the Corporate Centre, as well as the costs relating to the performance of steering and control activities;
- application of customer portfolio/segmentation logics for the assignment to each Division and to the Corporate Centre of the economic results of operations with customers and of the net adjustments to loans.

Business units' profits are shown net of the tax effect, calculated by applying the main components underlying the effective tax rate, in line with the Group tax policy.

The economic results of the business operational segments are disclosed net of intragroup relations within each segment and gross of intragroup relations between different business operational segments.

For each Division and for the Corporate Centre, the absorbed capital is also calculated on the basis of the Risk Weighted Assets (RWAs) determined in accordance with the applicable regulations and supplemented, where necessary, with management data on "economic" capital to take into account the risks not covered by the regulatory metric.

To complete business operational segment reporting, the most relevant income statement data and balance sheet aggregates referred to the geographical areas in which the Group operates are also given. Geographical areas are defined on the basis of the territorial breakdown of Group activities. Three main geographical areas have been identified, based on the residence of the legal entities making up the Group: Italy, Europe and Rest of the World.

A.3 – INFORMATION ON TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

Following the adoption of IFRS 9, the Intesa Sanpaolo Group did not make changes to its business model for managing its financial assets and, therefore, no transfers occurred between portfolios of financial assets.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. Such changes are expected to be extremely rare and must be decided by the management following significant external or internal changes that can be demonstrated to external parties.

A.3.1 Reclassified financial assets: change in business model, book value and interest income

No disclosure is required since there are no reclassified financial assets recognised under balance sheet assets.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income

No disclosure is required since no transfers were carried out between portfolios of financial assets in 2023.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

No disclosure is required since there are no reclassified financial assets recognised under balance sheet assets.

A.4 – INFORMATION ON FAIR VALUE

FAIR VALUE, INDEPENDENT PRICE VERIFICATION AND PRUDENT VALUE OF FINANCIAL INSTRUMENTS

The framework of financial measurement at fair value is based on three pillars: fair value measurement according to the IAS/IFRS, independent price verification (IPV) and prudent value measurement. The latter two are established by the Capital Requirements Regulation (CRR). The paragraphs below describe the methods applied by the Intesa Sanpaolo Group to implement and use those elements.

General fair value principles

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the “Group Guidelines / Rules for Valuation of Financial Instruments at Fair Value”, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries, including the insurance companies.

The “Guidelines for Valuation of Financial Instruments at Fair Value”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The “Rules for Valuation of Financial Instruments at Fair Value” are reviewed, revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

The “Rules for the Measurement of Unlisted Equity Investments”, drawn up by the Group M&A and Equity Investments Head Office Department and approved by the Group Financial Risk Committee, govern the fair value measurement of unlisted equities and financial instruments with unlisted equities as their underlying.

IFRS 13, which harmonises the measurement rules and the related disclosure, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single Bank. Underlying the definition of fair value is the assumption that the Bank is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.

The Bank measures the fair value of an asset or liability by adopting the assumptions that would be used by market participants when pricing an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible. Measurement at fair value presumes that the asset is sold or the liability transferred:

- a. in the principal active market for the asset or liability;
- b. in the absence of a major market, in the most advantageous active market for the asset or liability.

The Bank is not required to conduct an exhaustive study of all possible markets to identify the major market or, in the absence of the major market, the most advantageous market, but must take into account all the reasonably available information. If there is no evidence to the contrary, the market that the entity normally operates in to sell the asset or transfer the liability is assumed to be the major market or the most advantageous market, if there is no major market. The Intesa Sanpaolo Group considers the principal market of a financial asset or liability to be the market in which the Intesa Sanpaolo Group generally operates.

In accordance with IFRS 13, the Group considers an active market to be a market where transactions in an asset or liability occur with sufficient frequency and volume to provide useful information for determining price on an ongoing basis. More specifically, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In specific cases, governed by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value, and despite being quoted on regulated markets, relevant research is carried out to verify the significance of the official market values. In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit premiums for liquidity risk, widening or increase of the bid-ask spread, reduction or total lack of market for new issuances, limited publicly-available information), analyses of the transactions or of the quoted prices must be carried out. A reduction in the volume or the level of activity alone may not indicate that the price of a transaction or the quoted price does not represent fair value or that the transaction in that market is not ordinary. If an entity determines that a transaction price or quoted price does not represent fair value (e.g., non-ordinary transactions) an adjustment to the transaction prices or listed prices is required if the entity uses those prices as the basis for fair value measurement and that adjustment may be significant with respect to the fair value as a whole.

The fair value of financial instruments

The presence of quoted prices in an active market represents the best evidence of fair value and these prices are therefore the quoted prices to be used on a priority basis for the measurement of financial assets and liabilities. If there is no active market, the fair value is determined using valuation techniques aimed, ultimately, at establishing the price the product would have had, at the measurement date, in an arm's length exchange motivated by normal business considerations.

The choice of the above measurement methods is not optional, because they must be applied in hierarchical order: the availability of a price stated in an active market prevents the use of one of the other measurement approaches.

Inputs of the valuation techniques

The inputs are defined as the assumptions that market participants would have used to determine the price of the asset or the liability, including assumptions regarding risk, such as, for example, the risk relating to a particular valuation technique used to measure fair value or the risk relating to the inputs of the valuation technique. The inputs may be observable or unobservable. Observable inputs are those produced using market data, such as publicly available information on operations or actual events, which reflect the assumptions that market participants would use in determining the price of the asset or the liability. Unobservable inputs are those for which no market information is available and that are produced using the best available information regarding the assumptions that market participants would use to determine the price of the asset or the liability.

Fair value hierarchy

IFRS 13 establishes a fair value hierarchy in which inputs to fair value measurement techniques are divided into three levels. That hierarchy assigns top priority to (unadjusted) quoted prices on active markets for identical assets or liabilities (level 1 data) and the lowest priority to unobservable inputs (level 3 data). Specifically:

- fair value level 1 applies when an instrument is measured directly on the basis of (unadjusted) quoted prices on active markets for identical assets or liabilities to which the entity has access on the measurement date;
- fair value level 2 applies when a price has not been found on an active market and the instrument is measured according to valuation techniques, on the basis of observable market parameters, or of the use of parameters that are not observable but are supported and confirmed by market evidence, such as prices, spreads or other inputs (the comparable approach);
- fair value level 3 applies when fair value is measured using various inputs, not all of which are directly drawn from observable market parameters, and which thus entail estimates and assumptions by the valuator.

If various inputs are used to measure the fair value of an asset or liability, classification in the hierarchy is determined on the basis of the lowest-level input used in measurement. When assigning a level in the fair value hierarchy, priority is given to the inputs of the valuation techniques rather than the valuation techniques themselves.

The attachment "Fair Value Hierarchy Rules" to the "Rules for Valuation of Financial Instruments at Fair Value" defines, with regard to the respective financial instrument valuation models/inputs, the basic rules that market inputs must comply with in order to be classified as Level 2, and the significance thresholds which, when overrun, result in the assignment of Level 3.

For level 1 financial instruments, the current bid price is used for financial assets and the current ask price for financial liabilities, struck on the principal active market at the end of the reference period.

For financial instruments with a scarcely significant bid-ask spread or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.

The following are considered level 1 financial instruments: contributed bonds (i.e. bonds for which the Composite Bloomberg Bond Trader is available from the Information Provider Bloomberg, or, alternatively, a price on the EuroMTS circuit, or at least three prices available from the Information Provider Bloomberg), contributed equities (i.e., quoted on the official market of reference), contributed UCITS funds (covered by EU directives), spot exchange rates, and derivatives for which prices are available on an active market (for example, exchange traded futures and options) and UCITS hedge funds.

Conversely, all other financial instruments that do not belong to the above-described categories or that do not have the contribution level defined by the Guidelines and Rules for Valuation of Financial Instruments at Fair Value are not considered level 1 instruments.

When no listing on an active market exists or the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset is sold or the liability transferred between market participants, as at the measurement date, under current market conditions.

In the case of instruments classified as level 2, the valuation is based on prices or credit spreads presumed from the official listing of instruments which are similar in terms of risk factors, using a given calculation methodology (valuation model). The use of this approach requires the identification of transactions on active markets in relation to instruments that, in terms of risk factors, are comparable with the instrument to be measured. Level 2 calculation methodologies reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretionary parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final measurement.

The following are measured using level 2 input models:

- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- loans whose fair value is determined through the use of an appropriate credit spread which is estimated starting from market data of financial instruments with similar characteristics;
- derivatives measured through specific models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market;
- structured credit products (including, among others, ABSs, HY CLOs, CDOs) for which significant prices are not available and whose fair value is measured using valuation techniques that consider parameters that can be gathered from the market;
- non-contributed equity instruments measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, or using the "relative" valuation models based on multipliers;
- non-UCITS hedge funds, provided the Level 3 instruments do not exceed a set threshold.

In case of instruments classified as level 3, the calculation of the fair value is based on valuation models which consider input parameters not directly observable on the market, therefore implying estimates and assumptions on the part of the valuator. In particular, the valuation of the financial instrument uses a calculation methodology which is based on specific assumptions of:

- the development of future cash flows, which may be affected by future events that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where this is not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The following are measured using this method:

- some transactions in derivatives, bonds, or complex structured credit instruments measured using level 3 inputs;
- hedge funds in which the level 3 assets are above a set limit;
- private equity funds, private debt funds, real estate funds and closed-end funds resulting from sales of non-performing loans valued at NAV, with possible discounts;
- shareholdings and other equities measured using models based on discounted cash flows or using equity methods;
- loans whose fair value is determined through the use of a credit spread that does not meet the criteria to be considered level 2;
- loans with underlying equity risk, whose fair value is calculated based on the discounting of expected contractual flows.

The transfer of fair value levels of financial assets and financial liabilities measured at fair value on a recurring basis occurs, as established by IFRS 13, as follows: the transfer between levels 2 and 3 occurs upon a change in the observability or significance of an input to the measurements; and the transfer between levels 1 and 2 or 3 occurs upon a change in the availability of prices in an active market.

For OTC derivatives, the initial choice of the level of fair value hierarchy depends on the degree of observability and significance of the parameters used to determine the risk-free component. The calculation of the counterparty/issuer default risk component may result in a transfer to level 3 when the current exposure is positive for the bank and the counterparty is in non-performing loan status, or when the determination of default risk requires unobservable inputs and the bilateral credit value adjustment (bCVA) component is significant when compared to the overall fair value of the netting set, or when the counterparty's sensitivity to downgrading is significant when compared to the overall fair value of the netting set.

For non-contributed equity instruments, the change of the level occurs:

- when inputs observable on the market (e.g., prices defined based on comparable transactions on the same instrument between independent and informed counterparties) have become available during the period. In this case, the Intesa Sanpaolo Group reclassifies from level 3 to level 2;
- when the directly or indirectly observable elements used as the basis for the valuation cease to exist, or when they are no longer up to date (e.g., comparable transactions that are no longer recent or multiples that are no longer applicable). In this case, the Intesa Sanpaolo Group uses valuation techniques that use unobservable inputs.

Valuation of financial instruments

The valuation of financial instruments entails the following phases:

- identification of the sources for valuation: for each asset class, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes that are necessary to identify market parameters and the manner according to which such data must be extracted and used;
- validation and processing of input data for periodic valuation: this stage consists of the accurate verification, at each accounting measurement date, of the market parameters used (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means;
- certification of the measurement methods: this phase is aimed at verifying the consistency and the adherence of the various measurement techniques used with current market practice, at highlighting any critical aspects in the measurement models used and at determining any adjustments necessary for measurement;
- monitoring and revision of the measurement methods: the monitoring consists of the ongoing checking of the adherence to the market of the valuation model and enables the timely discovery of any gaps, in order to initiate the necessary checks and measures.

Identification, certification and processing of the input data for the measurements

The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of measurement techniques, highlight the need to establish univocal principles in the determination of market parameters. To this end, the Guidelines and Rules for Valuation of Financial Instruments at Fair Value establish the processes needed to identify the market parameters, the contribution sources considered appropriate and how the data must be received (cut-offs) and used for the measurement of financial instruments held for any purpose in the proprietary portfolios of the Parent Company and its subsidiaries. The same sources are used in measurements carried out for third parties under Service Level Agreements, entered into in advance. The adequacy of the input data for the measurements is guaranteed by the respect of reference requirements, which are based on comparability, availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, measuring the contribution bid-ask, and lastly, for OTC products, verifying the comparability of the contribution sources. The use of all market parameters in Intesa Sanpaolo is subordinated to their certification by the Market and Financial Risk Management Head Office Department, in terms of specific controls (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.

Certification of measurement methods

The measurement methods used by the Intesa Sanpaolo Group are certified by the IMI C&IB Risk Management Head Office Department, with the involvement of all relevant structures. The purpose of the certification is to verify the consistency of the methods with current market practice, to highlight any problems or limitations, and to determine any fair value adjustments, in accordance with the applicable regulations. The certification process considers all aspects of the measurement method (basic assumptions, mathematical derivation, any approximations, numerical algorithms used, inputs and outputs) but also all contextual elements that are relevant to the management, including the characteristics of the associated products (payoffs, early termination clauses, etc.), any ancillary agreements (e.g. netting or collateral agreements), the market where the products are traded, and how they are used by end users (e.g. precision vs. performance, calculation of risk measures, etc.). These aspects are subject to qualitative and quantitative analysis and are duly reported in the internal documentation. The possibility of independent validation issued by high standing financial service companies is also envisaged in highly-complex cases and/or in presence of market turbulence (market dislocation). At the end of the certification process, the measurement method is recorded in the Rules for Valuation of Financial Instruments at Fair Value.

Monitoring and review of measurement methods

As required by the applicable regulations, the measurement methods used are subject to ongoing monitoring of their performance with respect to the evolution of financial instruments, markets and methodological innovations developed by the scientific community, in order to ensure their continuous alignment to the market, promptly highlight any inadequacies and initiate the necessary checks and actions. The Rules for Valuation of Financial Instruments at Fair Value detail all elements considered for the periodic monitoring and revision of the measurement methods. The functions involved in the monitoring process are the same as those involved in the process of certification of the measurement methods mentioned above and in the IPV process governed by the Guidelines and Rules on Independent Price Verification.

Valuation risk: fair value adjustments

The Intesa Sanpaolo Group defines valuation risk as the risk of losses arising from the valuation uncertainty for the fair value exit price of financial instruments, due to any limitations of the measurement techniques used or particular market conditions. The main measure of the valuation risk associated with a financial instrument are the fair value adjustments, which are designed to take into account the valuation uncertainty or the difficulty in the disposal of specific financial positions, and may relate to a single financial instrument or to the net position for a particular risk factor. The adjustments may be calculated as add-ons to the valuation or included directly in the valuation. They are regularly reviewed, also considering market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to significant changes in measurement methods chosen and their implementation. In particular, the Intesa Sanpaolo Group envisages fair value adjustments for the following categories of measurement uncertainty:

- uncertainty of input data: any valuation uncertainty related to the input data for the valuation (whether mid, bid or ask) is measured with respect to temporary or structural conditions on the markets or in relation to the size of the values held (in the case of concentration), and where necessary a fair value adjustment is made, quantifying the consequent impact on the valuations;
- illiquidity of the underlying positions or risk factors: similarly to the case above, the market bid-ask spread is measured and, where necessary, a fair value adjustment is made, quantifying the consequent impact on the valuations;
- model risk: this is based on the identification and use of variants of the same model or alternative models, with which to carry out comparison analyses aimed at quantifying the variability of the valuations (in particular any directionality of the price when the model changes) and the behaviour of the model in various market scenarios (stress tests). The quantification of the fair value adjustment is based, where possible, on easily comprehensible and measurable financial variables (e.g. vega, delta, correlation shift);
- counterparty and funding risk: counterparty and funding risks, collectively referred to as XVA, include Bilateral Credit Value Adjustment (bCVA) and Funding Value Adjustment (FVA). The bCVA takes account of the counterparty risk premium associated with the possibility that the counterparties may not honour their mutual commitments (for example in the event of bankruptcy). This component derives, in turn, from two components: the Credit Value Adjustment (CVA, negative) and the Debt Value Adjustment (DVA, positive), which consider, respectively, the scenarios where the Counterparty goes bankrupt before the Bank (and the Bank has a positive exposure towards the Counterparty), and vice versa the scenarios where the Bank goes bankrupt before the Counterparty (and the Bank has a negative exposure towards the Counterparty). The Funding Value Adjustment (FVA, negative), on the other hand, takes into consideration the funding risk premium, connected to the costs of funding the cash flows (coupons, dividends, collateral, etc.)

generated by the Bank's overall OTC derivatives portfolio. The calculation of the XVAs depends on the overall exposure between the two counterparties, calculated using techniques for simulating the underlying risk factors of the transactions considered, taking into account any counterparty risk mitigation arrangements (in particular netting and collateralisation agreements), as well as any contractual clauses. The calculation of the XVAs also depends on the Loss Given Defaults (LGDs) based on the estimated value of the expected recovery in the event of counterparty default, and the probability of counterparty default (PD). LGDs and PDs are obtained from credit default swap market quotes or are based on internal estimates by sector/rating used for credit risk. In addition, the FVA calculation is based on a funding curve representative of the best market counterparties that the Bank could renegotiate transactions with, in accordance with the most IFRS 13 advantageous market principle, as there is currently no real main market for these transactions.

The management process for fair value adjustments is formalised in the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the Rules for the Valuation of Unlisted Equity Investments with appropriate calculation methodologies on the basis of the different configurations of the points set out above, and is carried out in the most objective, consistent and systematic manner possible by the IMI C&IB Risk Management Head Office Department and the Group M&A and Equity Investments Head Office Department. The introduction and release of the fair value adjustments depend on the factors described above. Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements, valued based on the different configuration over time of the risk factors which generated the adjustments. Thus, the estimates subsequent to initial recognition are always guided by the mitigation or elimination of said risks.

For new products, the decision to apply the adjustments is taken during the new product approval process, upon the proposal of the IMI C&IB Risk Management Head Office Department.

The application of the adjustments is subject to an authorisation procedure that, above a certain warning threshold defined for specific cases, involves both the area of the Chief Risk Officer and the Manager responsible for preparing the Company's financial reports.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The sections below provide a summary of the information, by type of financial instrument (securities, derivatives, structured products, hedge funds, and loans), on the valuation models used.

I. Valuation of non-contributed debt securities

The fair value of non-contributed bonds is measured using the income approach, i.e. by calculating the present value of expected future cash flows using an appropriate risk premium represented by the credit spread, identified on the basis of contributed and liquid financial instruments with similar characteristics. The sources used for this measurement are the following:

- contributed and liquid debt securities of the same issuer;
- credit default swaps on the same reference entity;
- contributed and liquid securities of an issuer with the same rating and belonging to the same sector.

In any case, the different seniority of the security to be priced is considered with regard to the issuer's debt structure.

In the case of Italian public issuers, a rating/maturity matrix is defined on the basis of the spread levels on government issues, to which the spreads among the various rating/maturity classes with respect to public issues (regions, provinces, municipalities, government entities) are applied.

When applying the spread for the pricing of the non-contributed instrument, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.

Also, for bonds that are not quoted on active markets, an extra spread, estimated based on the bid/ask spread recorded on the market, is added to the "fair" credit spread component, to take account of the higher premium demanded by the market compared to similar contributed securities.

Finally, if the instrument includes an optional component, a further adjustment is made to the spread by adding a component designed to capture the hedging costs of the structure and any illiquidity of the underlying assets. This component is calculated based on the type of option, using the corresponding valuation models for derivatives mentioned below.

Similarly, Intesa Sanpaolo's credit spread for the Banking Group's financial liabilities designated at fair value is determined and measured based on the bonds issued by the Parent Company, with regular, periodic coupons, maturity beyond one year and quoted on an active market in compliance with IAS/IFRS. The implicit credit rating is determined on the basis of market prices and subsequently adjusted through interpolation models which generate credit spread curves by type of coupon, maturity and subordination level. Similarly, the issued certificates are measured at fair value by breaking them down into the following two components: an issued bond, measured as described above, and an option component, measured using the corresponding derivative pricing models described below.

Finally, measurement of the financial liabilities designated at fair value of the insurance companies (mainly liabilities associated with unit-linked investment contracts that do not present significant insurance risk) reflects the market value of the underlying assets, which are determined in application of the various methods described herein.

II. Valuation of loans

Loans are measured at fair value through contributions from info providers when available or by calculating the present value of expected future cash flows using an appropriate credit spread, identified starting from the following sources:

- contributed loans on the market;
- sector/rating-specific loan market curves;
- contributed securities of the same issuer;
- credit default swaps on the same reference entity.

In any case, the different seniority of the instrument to be priced is considered with regard to the issuer's debt structure.

When applying the spread for the pricing of the loan, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.

Moreover, where, in determining the credit spread of the loans, reference is made to the curves created through bonds, a Bond – Loan basis must be applied, to capture the different structure of the market, if any, and the different type of loan.

In order to consider the premium required by the market for illiquid and/or structured instruments, several adjustments are applied to the credit spread.

Loans with an underlying unlisted equity risk (which include financial instruments that, pursuant to IAS 32, cannot be classed as equity, e.g. loans convertible into shares) are usually measured by discounting the cash flows provided for by the contract. Since these are debt securities, the cash flows are normally discounted using a rate consisting of the sum of: a risk free rate, a spread deriving from the CDS or measured on listed securities or similar disbursements, and any additional risk premium.

In the case of non-performing loans, the fair value is determined based on the recoverable amount of the position. This estimate is made taking into account the contractual elements that characterise the loan and may involve, for example, the valuation of the cash flows from the sale of the real estate pledged as collateral or the valuation of any capital instruments that may be acquired following the introduction of an equity conversion clause for the position.

III. Valuation of OTC derivatives

Derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are measured through specific measurement methods and input parameters (such as, for example, interest rate, foreign exchange and volatility curves) observed on the market and subject to the certification and monitoring illustrated above.

The fair value of an OTC derivative is calculated considering the risk premium related to the various underlying risk factors. Specifically, there are two relevant cases, according to whether or not the instrument is subject to collateralisation agreements (CSAs) aimed at mitigating the counterparty and funding risk:

- a. for CSA transactions with characteristics that reduce counterparty and funding risk to a negligible level, the fair value is calculated according to the non-arbitrage principle, by including the market risk premium related to the risk factors underlying the contract (e.g. interest rates, volatility, etc.), and, in the most significant cases, using the rate of remuneration for the collateral as the discount rate for the future cash flows;
- b. for transactions without CSAs, or with CSAs with characteristics that do not reduce the counterparty and funding risk to a negligible level (e.g., One Way CSAs, or with non-negligible limits or minimum transfer amounts), the fair value of the instrument may be stated, under appropriate circumstances, as the sum of the reference (or base) value, equal to the price of the corresponding collateralised instrument, and several additional valuation components related to the counterparty and funding risk premium, referred to jointly as XVA (see "Valuation risk: fair value adjustments").

In view of the number and complexity of the OTC derivatives, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used for their measurement.

The table below illustrates the main methods used to measure OTC derivatives based on the category of underlying asset.

Underlying class	Valuation models	Market data and input parameters
Interest rate	Net Present Value, Black-Scholes, SABR, Libor Market Model, Hull-White, Bivariate log-normal, Rendistato, Hagan exact formula for CMS	Interest rate curves (deposits, FRA, Futures, OIS, swap, basis swap, CMS, Rendistato basket), cap/floor/swaption option volatility, correlation between interest rates
Foreign exchange rate	Net present Value FX, Garman-Kohlhagen, Lognormal with Uncertain Volatility (LMUV), Stochastic Local Volatility (SLV), Local Volatility (LV)	Interest rate curves, spot and forward FX curves, FX volatility, "quanto" volatility and correlations
Equity	Accrual, Net present Value Equity, Generalised Black-Scholes, Heston, Local Volatility, Jump Diffusion	Interest rate curves, underlying asset spot rate, expected dividends, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Inflation	Inflation NPV, Inflation SABR, Inflation Jarrow-Yildirim	Nominal and inflation interest rate curves, interest and inflation rate volatility, seasonality ratios of consumer price index, correlation between inflation rates
Commodity	Net present Value Commodity, Generalised Black-Scholes, Independent Forward, Local Volatility, 2-Factors Jump Diffusion	Interest rate curves, spot rate, forwards and futures of underlying assets, underlying asset volatility and correlation between underlying assets, "quanto" volatility and correlations
Loans	Net present Value, CDS Option (or log-normal model), Contingent CDS	Probability of default, Recovery rate, credit index volatility.

As envisaged by IFRS 13, in determining fair value the Intesa Sanpaolo Group also takes into account the effect of non-performance risk. This risk includes changes in the counterparty credit rating and changes in the issuer's own credit risk.

IV. Valuation model for structured credit products

With regard to asset-backed securities (ABSs), if significant prices are not available, valuation techniques are used that take into account parameters that can be gathered from an active market (level 2 inputs) or, where parameters cannot be observed, estimated parameters (level 2 or 3 inputs, where immaterial or material).

In this case, the cash flows are obtained from infoproducers or specialised platforms, where available, or are taken from the business plan of the transaction, supplemented with periodic reporting, such as the case of Non-Performing Loans (NPLs) and Unlikely to Pay (UTP); the spreads are gathered from prices available on the market/market info provider, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures.

In the case of securitised high-yield loans to European corporate borrowers (CLO HY loans), valuation techniques call for calculation of the net present value of the expected cash flows, determined through specialised platforms, discounted using market spreads. When modelling expected future flows, account is taken of all contractual aspects of the HY CLO loans that may influence the waterfall, i.e. the distribution of cash flows from the collateral on the notes.

After this valuation, credit analyses on underlying assets are fine-tuned to incorporate further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the HY CLO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point.

V. Valuation of non-contributed equities

Level 2 equities include:

- equities measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions;
- equities measured using relative methods, based on multipliers: implied multiples in transactions in comparable listed or unlisted companies, within a time frame deemed sufficiently short with respect to the time of measurement and under constant market conditions (M&A multiples) or implicit multiples in the stock market prices of a sample of comparable companies (stock market multiples).

Level 3 equities for which the "relative" models described above are not applicable in significant terms, and, therefore, "absolute" valuation models are used, include:

- equities for which analytical models based on flows are used, which determine the value through estimates of the cash or income flows that the company is expected to generate over time, discounted using an appropriate rate based on the level of risk of the instrument;
- equities measured based on net worth criteria such as NAV or Adjusted Net Asset Value (ANAV), which estimates the fair value of the various components of the assets of the investee.

Any values deemed representative of the fair value of the equity instrument deriving from contractual clauses (for

example, options) are classified in level 2 or 3 of the fair value hierarchy, according to the observability of the inputs used in the valuation. Specifically, if the negotiation of the clause resulted in strike prices or pre-defined algorithms and multiples, the instrument is classified in level 2.

The cost criterion as estimate of fair value is used to a lesser extent, where none of the previous methods are applicable due to lack of sufficient information, and in the cases where there is a wide range of possible fair value measurements and it is not possible to identify the most appropriate value among these.

This case also includes Equity Instruments which, in accordance with IAS 32, have the characteristics to be considered as equities.

VI. The valuation of hedge funds

The fair value of a hedge fund corresponds to the Net Asset Value (NAV) provided by the fund administrator, to which an adjustment can be applied, deriving from a measurement process aimed at capturing the main risk factors that the management of the funds is subject to, which consist of the following two types:

- counterparty (broker) risk, i.e. the risk that the assets of the fund are exposed to when a single service provider is entrusted with prime brokerage or custodian activities, subject to the risk of default;
- illiquidity risk, i.e. the risk that the assets of the fund are illiquid due to the limited prices available or due to a lack of information on the assessment policies used by the fund.

These risks are assessed on the basis of the information contained in the documentation received periodically from the fund managers or administrators.

The fair value hierarchy level is Level 2, provided the Level 3 instruments do not exceed a set threshold.

VII. The valuation of private debt funds

For Private Debt Funds, the investment authorisation process involves an initial due diligence to verify the consistency between each fund's asset valuation policy and the Guidelines and Rules for Valuation of Financial Instruments at Fair Value. The fund is subsequently valued at NAV. The fair value hierarchy level is Level 3.

VIII. Valuation of closed-end private equity funds, real estate funds and closed-end funds resulting from sales of non-performing loans

Closed-end private equity funds are usually valued using the latest Net Asset Value approved by the asset management company (published half yearly or quarterly), adjusted solely to take into account events that have not yet occurred at the reference date of the NAV, such as:

- a material transaction on a portfolio company;
- the bankruptcy or liquidation of a portfolio company;
- the alignment of any listed assets to current prices;
- draw downs and distributions by the fund.

Closed-end real estate funds are valued using the last available Net Asset Value, adjusted for any subsequent call ups or distributions and, where considered necessary, applying a discount calculated using an internal model. Specifically, this model enables the calculation of a discount on the Net Asset Value based on five different factors: (i) the size of the asset management company that manages the fund; (ii) the number of subscribers; (iii) the fund's historical return; (iv) the fund's return for the period; and (v) the level of debt. These factors are calibrated differently based on the business model and the fund's resulting risk profile, distinguishing between core, value added and opportunistic funds.

With regard to closed-end funds resulting from sales of non-performing loans, where an information set is available that makes it possible to conduct an analysis of the business plan of the positions held by the fund, individually or by uniform cluster, to determine the fair value of the units of the fund, in general the Bank uses the support of an independent expert, who, among other duties, carries out a comparison of performance of the business plans of the underlying exposures, and states in its report, that the fair value determined by the expert complies with the indications from the main regulators⁸⁹.

Where it is not possible to apply the approach mentioned above, for each fund a comparison is made between the expected return of the fund and a benchmark rate, defined using a model that factors in various elements, such as: i) the fund's valuation policies, verifying whether they are compliant with criteria consistent with the definition of fair value pursuant to IFRS 13, ii) verification that there is an updated business plan and of the performance of the fund compared to the available business plan, iii) the characteristics of the fund's assets, iv) the level of the cost of funding on the market for issuing liquid instruments, v) the completeness and extensiveness of the information provided by the fund, and vi) the fund management methods. Where the expected return of the fund is higher than the defined benchmark rate, the NAV communicated by the asset management company is used as the fair value measure. Where, instead, the benchmark rate is higher than the expected return of the fund, the fair value is determined based on the NAV minus a discount, which takes account of the spread between the benchmark rate and the expected return of the fund and the average residual life of the fund (Weighted Average Life or WAL).

Valuation of financial assets and liabilities not measured at fair value on a recurring basis

Finally, for asset and liability financial instruments measured at amortised cost, whose fair value is determined solely for the purposes of disclosure in the notes to the financial statements, the following is noted:

- the fair value of the bonds is calculated using the methods described above;
- the fair value measurement of the other medium- and long-term asset and liability financial instruments is performed by discounting future cash flows using the discount rate adjustment approach, which requires credit risk factors to be taken into account in the discount rate for future cash flows;

⁸⁹ See Bank of Italy/Consob/IVASS Document no. 8 "Treatment in the financial statements of sales without recourse of unlikely-to-pay loans in exchange for units of investment funds", published in April 2020.

– for short-term assets and liabilities, the book value is assumed to be a reasonable approximation of fair value. For more information see paragraph A.4.5.4.

As required by IFRS 13, the table below highlights, for financial assets and liabilities measured at level 3 fair value, quantitative information on the significant, unobservable inputs used in the fair value measurement.

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	(thousands of euro)	
						Favourable changes in FV	Unfavourable changes in FV
Securities and loans	Discounting Cash Flows	Credit Spread	-3	4	%	3,152	-3,409
Structured securities and loans	JD model	JD parameters	-43	15	%	279	-651
Structured securities and loans	Two-factor model	Correlation	-29	35	%	14,794	-6,137
ABSs	Discounting Cash Flows	Credit Spread	-3	3	%	580	-626
CLOs Cash	Discounting Cash Flows	Credit Spread	-6	6	%	30	-31
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Loss Given Default Rate (LGD)	-	100	%	794,336	-192,128
OTC derivatives subject to FV adjustment for CVA/DVA	CVA	Probability of default (PD) based on counterparty's internal rating	CCC	A	internal rating	130,215	-243,984
OTC Derivatives - Equity basket option	Black - Scholes model	Equity basket correlation	-11.16	78.83	%	420,680	-541,132
OTC Derivatives - Equity Option	Black - Scholes model	Historical volatility	8.92	76.17	%	736,682	-2,605,058
OTC Derivatives - Equity Option	Marshall Olkin Model	Historical correlation	3.87	47.95	%	38,991	-31,799
OTC Derivatives - Spread option on swap rates	Bivariate log-normal model	Correlation between swap rates	-6.10	63.73	%	104	-170

A.4.2 Valuation processes and sensitivity

For a description of the valuation processes used by the Group for instruments measured at level 3 in a recurring and non-recurring manner, see paragraphs A.4.1 and A.4.5 respectively.

As required by IFRS 13, for the financial assets and liabilities measured at level 3 fair value, the following table lists the effects of a change in one or more significant non-observable parameters used in the valuation techniques adopted to determine the fair value. Note that only the total material effects at the end of the year are shown in the table.

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non-observable parameter
FVTPL and FVTOCI securities and loans	Credit spread	-223	1 bp
FVTPL and FVTOCI securities and loans	JD parameters	-25	1%
FVTPL and FVTOCI securities and loans	Correlation	-144	1%
OTC Derivatives - Equity	Correlation between underlying equity baskets	168	10%
OTC Derivatives - Equity	Historical volatility	1,175	10%
OTC Derivatives - Equity CPPI	Historical correlation	-16	10%

For tax credits held under the Hold to Collect and Sell and Other/Trading business models, which are initially recognised and subsequently measured at fair value, note that the fluctuations in fair value are mainly due to the trends in risk-free rates. Specifically, an increase (decrease) in interest rates of 1 basis point is estimated to correspond to a negative (positive) fluctuation of:

- 510 thousand euro for tax credits classified under the Other/Trading business model;
- 876 thousand euro for tax credits classified under the Hold to Collect and Sell business model.

A.4.3. Fair value hierarchy (transfers between the different levels)

A description of the policy for determining when transfers occur between the different levels of fair value hierarchy (see IFRS 13, par. 95) is provided above (see “Fair value hierarchy”).

A.4.4. Other information

In calculating the bCVA, the Intesa Sanpaolo Group considers the net positions in derivatives of each counterparty (see paragraph A.4.1 above for further details on the measurement of derivatives). For other cases, the Group does not make use of the option provided in paragraph 48 of IFRS 13, which permits an entity “to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions”.

General Independent Price Verification principles

The Intesa Sanpaolo Group governs and defines the independent price verification process through the Group Guidelines and Rules on Independent Price Verification, documents that are coordinated by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries of the Banking Group.

The “Guidelines on Independent Price Verification”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The level I and II “Rules on Independent Price Verification” are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

According to the provisions of Regulation (EU) 575/2013 (Capital Requirement Regulation – CRR), Article 4, par. 1.70 and Article 105, par. 8, the Intesa Sanpaolo Group governs the Independent Price Verification (IPV) process, which consists of the regular verification of the accuracy and independence of market prices or the data input in pricing models, carried out by an organisational unit independent from the business functions, at a frequency commensurate with the trading carried out and the nature of the market.

The Intesa Sanpaolo Group has set up an IPV process with 3 levels of control in line with the provisions of Bank of Italy Circular 285/2013 (Supervisory regulations for banks), incorporated into the Integrated Internal Control System, which requires the risk management processes to be incorporated in the processes and methods for valuing the company activities, also for accounting purposes.

Within the IPV, the level I, II and III control functions have the following main responsibilities:

- the level I control function participates in the definition of the related methodological framework and carries out the level I implementations and controls, reporting the results to the business function and the level II control functions;
- the level II control function defines the methodological and control framework, ensures alignment with current regulations and consistency between the IPV controls, accounting valuations and additional valuation adjustments (AVA) (carried out, respectively, on the basis of the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value) and supervises the level I controls and performs the level II controls;
- the level III control function carries out internal audit controls to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks.

The level I and II IPV controls are qualitative and quantitative controls and are distinguished according to the type of instruments subject to control. They are applied consistently to both the input data underlying the valuations and the valuations themselves, and ensure consistency between the management valuations and the accounting valuations carried out in the various systems. They are characterised by completeness and suitability of application, absence of overlaps, sequentiality and complementarity in execution. The IPV control instruments use, as far as possible, specific applications or IT procedures, which enable extensive data analysis on a daily basis. In particular:

- the level I controls are aimed at ensuring the validation of the market data entered into the systems and are based on an in-depth analysis of the data obtained from external providers. If the level I controls detect that certain thresholds have been exceeded for the data contained in the systems, or the data is not considered correct by the level I control functions, a comparison process (challenge) is activated with the involvement of the business function and the level II control functions, in line with the degree of complexity of the report;
- the level II controls are characterized by sequentiality and complementarity in execution with the level I controls and are designed to ensure alignment between management and accounting valuations, based on an in-depth analysis of consensus or counterparty data and, where these are not available, through the application of pricing models associated with the respective instruments.

The results of the IPV process are analysed, assessed and coordinated by the Financial Measurements Working Group, a technical body set up specifically for this purpose, with the aim of facilitating integration and comparison between the business functions and the control functions.

General prudent value principles

The framework of financial measurements is completed with the prudent valuation of financial instruments measured at fair value, which involves the calculation of additional valuation adjustments for prudential purposes, without impacts on the fair value calculated for accounting purposes in accordance with the IFRS.

The Intesa Sanpaolo Group governs and defines the prudent value measurement of financial instruments through the Group Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all the consolidated subsidiaries of the Banking Group.

The “Guidelines on Prudent Valuation of Financial Instruments”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The “Rules for Prudent Valuation of Financial Instruments” are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.

In accordance with the provisions of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR), prudent valuation entails the calculation of specific additional valuation adjustments (AVAs) for the financial instruments measured at fair value, aimed at capturing different sources of valuation uncertainty and ensuring the achievement of a suitable level of certainty in the measurement of the positions. The total value of the AVAs is deducted from the Common Equity Tier 1 capital, without impacts on accounting fair values.

The Intesa Sanpaolo Group, in line with the criteria indicated in Delegated Regulation (EU) 2016/101, is subject to the application of the core approach for the determination of AVAs both at individual and at consolidated level for all the positions measured at fair value. In particular the following AVAs are considered:

- market price uncertainty: this reflects the uncertainty of the market prices, calculated at valuation exposure level;
- close-out costs: it reflects the uncertainty of the exit price calculated at valuation exposure level;
- model risks: it considers the valuation model risk which arises due to the potential existence of a range of different models or model calibrations, which are used by market participants, and the lack of a firm exit price for the specific product being valued;
- unearned credit spreads: it reflects the valuation uncertainty in the adjustment necessary according to the applicable accounting framework to include the current value of expected losses due to counterparty default on derivative positions;
- investment and funding costs: it represents the valuation uncertainty in the funding costs used when assessing the exit price according to the applicable accounting framework;
- concentrated positions: it reflects the uncertainty relating to the exit price of the positions defined as concentrated;
- future administrative costs: it considers administrative costs and future hedging costs over the expected life of the valuation exposures for which a direct exit price is not applied for the close-out costs AVAs for concentrated positions;
- early termination: it considers the potential losses arising from non-contractual early terminations of customer trades;
- operational risks: it considers the potential losses which may be incurred consequently to the operational risks connected to the valuation processes.

The prudent value corresponds to the exit price from the position with a level of certainty equal to 90%. Where possible, this value is determined on the basis of a distribution of exit prices observed on the market. In all the other cases, an expert-based approach is used, referring to the qualitative and quantitative information available.

The AVA value associated to the single position and to the single source of uncertainty in valuation thus corresponds to the difference between the prudent value and the fair value. The total AVA is obtained by aggregating the single AVAs, taking into account the corresponding weighting ratios.

The “Rules for Prudent Valuation of Financial Instruments” outline, for each AVA, the definition and interpretation, the scope of application, the input data and the detailed calculation method for each class of financial instrument.

FAIR VALUE OF REAL ESTATE AND VALUABLE ART ASSETS

Fair value of real estate assets

As extensively illustrated in the first part regarding the accounting policies, the Group has adopted the revaluation model as the basis of measurement for the owner-occupied properties accounted for according to IAS 16 and fair value for the investment properties accounted for according to IAS 40.

Measurement of real estate assets

The revaluation model applied to owner-occupied properties envisages that property and equipment, whose fair value can be reliably determined, is recorded at a revalued amount, equal to its fair value at the date of the revaluation, net of depreciation and any accumulated impairment losses.

For the properties held for investment, the Intesa Sanpaolo Group has chosen the fair value method, according to which, after initial recognition, all investment properties are measured at fair value.

Valuation approach

IFRS 13 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

The valuation approach has been defined on the basis of the business relevance and plan for the use of the properties, which consists of three main groups:

- “trophy assets”, i.e. particularly prestigious properties used by management functions located in the main cities where the Bank is based or properties of particular historical and artistic interest because they are listed by the Ministry for Culture;
- “owner-occupied properties”;
- “investment properties”.

The properties are valued individually asset-by-asset without considering any discount, or premium, that may be agreed during commercial negotiations if all or part of the portfolio is sold in bulk or in lots.

The Intesa Sanpaolo Group has chosen to assign the valuation activity to professionally qualified external companies with an international structure, able to provide property valuations based on the RICS Valuation standards⁹⁰ which guarantee:

- determination of the value consistent with the fair value configuration indicated in the IAS/IFRS;
- compliance with the professional, ethical and independence requirements for experts, in line with the provisions of international and European standards.

To determine the value of the assets, the following valuation methods are used based on the characteristics of the asset and the conditions of the market of reference; the valuer determines the most suitable method for each individual property:

- The Discounted Cash Flow Method: the discounted cash flow method is based on the discounting (for a variable period based on the rental/occupational situation of the property and its subsequent optimisation) of the future net proceeds from the rental or sale of the property. At the end of this period, the value of the property is assumed to be the sale price obtained by capitalising the income of the last year at a market rate for investments similar to the object of the estimate or through a split sale. This method is used for the valuation of all the owner-occupied properties or real estate leased to third parties, located in Italy.
- Comparative or Market Method: the comparative or market method is based on the comparison between the assets examined and similar assets recently sold/purchased or offered on the same market or in competitive environments. This criterion is based on a comparison with properties that have recently been sold or offered on the open market and, if possible, have the same characteristics. In the absence of observations directly related to the property examined, cases are used that are as similar as possible to the property examined, making the necessary adjustments. This method, which also represents the basis for other valuation methods, can be adopted in particular for non-owner-occupied assets and/or, in any case, for unrestricted and available assets in Italy and abroad.
- Direct capitalisation income approach: the income approach is based on the current value of the potential market income of a property, obtained by capitalising the income at a market rate. This approach is applied mainly to owner-occupied properties abroad, where a prolonged stay within the building is envisaged.
- Investment Value (Worth): the Investment Value (Worth) is defined by the International Valuation Standard as: “the value of an asset to a particular owner or prospective owner for individual investment or operational objectives”. This definition is consistent with the provisions of the latest edition of the “RICS Valuation - Global Standards 2022” of the Royal Institution of Chartered Surveyors of the United Kingdom, where the Investment Value is defined as “the value of an asset to the owner or a prospective owner for individual investment or operational objectives”.

The Investment Value is applicable to properties built by the entity or properties with a strong business relevance subject to significant investments for technological, construction and functional adaptation.

The Investment Value of these properties is determined on the basis of a 12+6 year plan for business use without break options, whose annual rent is determined by applying an appropriate gross rate of return to the amount of direct and indirect costs capitalised by the Owner, including the costs of purchasing the land.

⁹⁰ Standards set out in the Royal Institution of Chartered Surveyors of the United Kingdom document “RICS Valuation – Global Standard” (also known as the “Red Book”); the updated version was issued in November 2021 and took effect on 31 January 2022.

Frequency of valuation

Revaluations must be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

The frequency of revaluations depends upon the changes in fair values of the property and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.

Specifically, based on the market trends, different valuation frequencies have been identified that, according to the characteristics of the assets and their location, are considered capable of capturing the significant changes in the value of the assets.

The following distinction is made for owner-occupied properties:

- for trophy assets, the revaluation is carried out by verifying the value through a scenario analysis (market trend analysis) every year and with a new appraisal every two years;
- for the other owner-occupied properties, the revaluation is carried out through scenario analysis (market trend analysis) every year and through a new appraisal every three years.

If the scenario analysis identifies significant changes (+/- 10%), specific and updated appraisals must be carried out to adjust the fair value of the asset to the valuations of the real estate market.

For investment properties, the value is determined on the basis of new appraisals each year.

Based on the rules on valuation frequencies, at the end of 2023 the appraisals were updated for all the investment properties and owner-occupied properties.

A total of 3,308 appraisals were carried out, of which 1,464 were full/on site appraisals based on a physical inspection of the property by the appraiser for the most significant property units and 1,844 desktop appraisals based on a valuation carried out without a physical inspection for the other property units.

Scenario analysis

As part of the annual update of the fair value of the owner-occupied properties, in the years when a revaluation of the property is not envisaged, a scenario analysis (market trend analysis) is carried out using the best information sources available for the various countries in which the properties are located, in order to identify deviations, using databases, in the market values between the analysis period and the previous period.

In particular, for real estate located in Italy, the changes are defined using at least 3 different sources. The main source is that provided by the Italian Revenue Agency, based on the specific OMI (Real Estate Market Monitor) zones. The second publication source is Nomisma for which, for the related zoning, the same queries are conducted as those for the OMI (main database). Lastly, the third source is based on the analyses of the changes during the year surveyed in terms of the offers present on the real estate market.

Accordingly, the experts identify the annual deviations in rents and/or prices by related asset class for each property.

Real estate located abroad is grouped, for each country, into different clusters based on location and asset class. Specific market analyses are conducted based on local and national knowledge of the particular target real estate market.

The market study also takes account of the following macroeconomic drivers:

- analysis of economic data (unemployment rate, GDP per capita, inflation and consumer price index); these macroeconomic factors constitute the first economic analysis, supporting the real estate market forecasts;
- movement in average yield;
- movement in market rents;
- range of movement in unit values.

The above-mentioned market survey, together with a qualitative weighting of the macroeconomic key drivers is used to determine a range of percentage deviation from the last assessment carried out, which is compared with the target threshold set, identifying a synthetic percentage factor for each individual property, included in a single worksheet.

This activity is carried out close to the end of the year in order to produce a range of deviations within a reference threshold and to enable the timely planning of the updating of the specific appraisals for the properties whose deviation exceeds the threshold.

The permitted variation threshold is +/-10%.

If the deviations identified exceed this threshold, a new valuation will be carried out before the end of the year.

Sensitivity of valuations

Just as for financial instruments, level 3 non-financial assets and liabilities measured at fair value for which, due to the valuation model used to determine the fair value, execution is possible, and whose results are significant, are subject to sensitivity analysis. The analysis essentially concerned the properties of the Parent Company Intesa Sanpaolo, which represent the Core perimeter of the Group's real estate assets.

It is noted that the sensitivity analysis was conducted by identifying the most important variables in the valuation model used to value the various classes of real estate, represented by the discounted cash flow method. Specifically, taking account of the trend recorded in the various asset classes of the real estate market and the parameters featuring greater volatility/variability, for owner-occupied properties, reference was made to the net capitalisation rate (yield) and the average medium/long-term inflation rate, while for investment properties, to the exit value. In compliance with the estimate assumptions applied to real estate assets, for the purpose of the analysis, variation ranges were used that were consistent with the potential trends in the market at the reporting date. For owner-occupied properties, a change of +/- 25 bps for the net capitalisation rate and a concurrent change of +/-20 bps for the inflation rate were assumed, in relation to which average deviations of fair value of +4.2% and -4.0% were recorded. For investment properties, a change of +/- 5% in the exit value was assumed, in relation to which there were average deviations of fair value of +5.4% and -5.3%.

Fair value of valuable art assets

The Bank's valuable art assets are also valued using the revaluation model, which envisages that property and equipment, whose fair value can be reliably determined, is recorded at a revalued amount, equal to its fair value at the date of the revaluation.

Works of art included in the asset class "valuable art assets" are works of particular importance, recognised for their historic and artistic value by experts and in line with the ministerial guidelines, and particularly those set out in Ministerial Decree 537 of 6 December 2017 on the exportation of works of art, such as: the state of preservation, the historical importance of the artist, the importance of the work in terms of art criticism/history, illustrious origin, certain quality and attribution and the declaration of interest by the Italian government.

Valuation approach

The valuation is carried out by determining the value through external appraisals, entrusted to qualified independent experts. These values are obtained from online databases such as Artnet and Artprice, which list over 100 million works of art and monitor the results of leading Italian and international auction houses. These are objective parameters that are compared with the market as a whole, in an analysis that also involves monitoring galleries and art fairs.

In particular, the factors considered for the fair value measurement include objective factors relating to the historical-critical-artistic value of the author, state of preservation, execution technique, size and quality of the artwork, importance of the artwork in the production by the artist, publication of the artwork in specialist catalogues, period of execution of the artwork, international exposure of the artworks by the artist, distinguished provenance, certainty of attribution, guarantee of authenticity of an artwork, as well as other factors (which may change over time, depending on the evolution and tastes of the market), such as the reputation of the museum hosting the artwork by the artist, the prestige of fairs/exhibitions/galleries/auction houses that handle the artwork, the reputation of its critics and collectors, and the quality of the communications concerning the artist's work.

Once these factors have been identified, the fair value is determined comparing them firstly with artworks similar to those examined (in terms of period of production/year, technique, size, type of subject and state of preservation), by the same artist and from the same period, if available (this is more feasible for modern and contemporary works) and, secondly, with works by artists or schools and areas that are close in style, philosophy and importance in the same historical period. Where several similar artworks are available, average values are used to take account of price volatility.

In addition to considering the trends in auction trading, starting from the most recent trading and also including unsold items in the analysis (which are a possible indicator of the loss of market value for the artwork/artist), the valuation also considers the current market interest in an artwork or an artist, measured by the number and quality of temporary exhibitions held in internationally important museum spaces and accompanied by specific publications.

The valuations also take into account any declarations of historical-artistic interest formally expressed by the Italian Ministry of Culture (commonly referred to as "notifications"), which tie part of the artworks in the collection to Italy's heritage and restrict their circulation to the country's territory, reducing the price obtainable on the international market.

The pricing is also influenced by the importance of the buyers/sellers (e.g. prices paid by famous collectors or known investors may be more significant).

The valuation approach is based on the monitoring of the objective market values of the artworks included in the category examined, which follows three methodological approaches:

- prudent basis, analysing the average values of a variety of different information sources, based on robust, updated and statistically representative databases: in a market of "unique" artworks, often without transactions for decades, this approach ensures the periodic identification of any outlier values and avoids following speculative trends;
- comparison, monitoring the transactions that have taken place at a global level in a variety of distribution channels, in order to avoid considering only certain forms of transaction and the related financial values: in a global market with global demand, this approach enables verification of the presence of any geographical arbitrage or specific appreciation/depreciation phenomena with potential impacts;
- recurrence, since it updates and monitors price trends over the shortest period of time that the specific features of the market allow, i.e. the half year: in a market in which there are no public trades monitored daily, the shortness of the measurement period ensures maximum attention and timeliness of any changes.

This approach is applied to all the "valuable art assets".

Frequency of valuation

For valuable art assets, the revaluation is carried out by means of an expert appraisal every three years. However, a scenario analysis is carried out annually to identify any appreciable changes in value in order to bring forward the valuation.

Based on the rules on valuation frequencies, at the end of 2023 the appraisals were updated for valuable art assets of Intesa Sanpaolo that was appraised by an independent expert.

Scenario analysis

In order to identify and determine the changes in the market of the artworks being valued, market trends are monitored to detect signs of significant change that require appraisals to be made in advance with respect to the frequency established.

This monitoring is carried out on a two-fold basis:

- Monitoring of the market prices of the top artworks in terms of value held in Intesa Sanpaolo's collections, which represent 75% of the total value of the artworks included in the "valuable art assets" class, by verifying both the results of the main international auctions (which are based on a calendar of precise seasonal deadlines) and the reports of the two main world databases (Artprice and Artnet), whose analytics provide useful tools for monitoring prices;
- Monitoring the performance of the art market in general, to identify trends and changes with respect to Intesa Sanpaolo's "valuable art assets", verifying both the results of the main international auctions (which are based on a calendar of precise seasonal deadlines), and the reports of the two main world databases (Artprice and Artnet); since the works of many artists in the Intesa Sanpaolo's collection very rarely go up for auction due to the limited number of items left in the market, it is important to monitor the trend of similar artists or works; accordingly, the monitoring is not just limited to the works held and their artists, but also extends to the authors and artworks related to the same area, to take into account trend data.

If the annual monitoring identifies a potential, positive or negative, value deviation of more than 15% for individual artworks/collections of artists in Intesa Sanpaolo's collections and comparable on the basis of objective criteria (such as period of production/year, size, technique, period of production, etc.), the appraisals are commissioned according to the usual internal procedures in order to align the carrying amount.

Quantitative information

A.4.5. Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: fair value by level

Assets / liabilities at fair value	(millions of euro)					
	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	107,488	27,918	9,188	108,649	33,035	8,932
a) Financial assets held for trading	11,546	26,487	130	10,381	32,043	183
of which: equities	1,892	-	23	860	-	22
of which: quotas of UCI	444	-	6	264	5	21
b) Financial assets designated at fair value	-	1	-	-	1	-
c) Other financial assets mandatorily measured at fair value	95,942	1,430	9,058	98,268	991	8,749
of which: equities	5,578	205	210	5,059	107	309
of which: quotas of UCI	83,672	192	7,501	87,284	191	6,655
2. Financial assets measured at fair value through other comprehensive income	130,591	9,489	673	108,301	10,567	640
of which: equities	458	497	344	513	517	325
3. Hedging derivatives	-	7,006	-	-	10,075	-
4. Property and equipment	-	-	7,222	-	-	7,151
5. Intangible assets	-	-	-	-	-	-
Total	238,079	44,413	17,083	216,950	53,677	16,723
1. Financial liabilities held for trading	7,829	35,614	50	7,285	39,085	142
2. Financial liabilities designated at fair value	91	72,660	31	-	62,977	30
3. Hedging derivatives	-	5,188	-	-	5,517	-
Total	7,920	113,462	81	7,285	107,579	172

The table above shows the figures for the entire Group, including the insurance companies, which are applying IFRS 9 Financial Instruments from 2023, for which the application had been deferred under the Deferral Approach. The balance sheet figures are compared with 31 December 2022, adjusted following the retrospective application of the above-mentioned standard.

Looking at the table, with regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, they represent a small portion of the portfolio, with an impact of 5.7% on total assets (5.82% as at 31 December 2022). Level 3 financial assets refer mainly to UCI units under Financial assets mandatorily measured at fair value, and are mainly attributable to equity and bond funds of insurance companies. With regard to the banking segment, the UCI units under Financial assets mandatorily measured at fair value are mainly attributable to the Parent Company and in terms of composition they relate, in order of significance, to private equity funds, real estate funds, private debt funds, infrastructure funds, hedge funds, and venture capital funds. The caption also includes 279 million euro relating to interests held by the bank in the Atlante Fund and in the Italian Recovery Fund (formerly Atlante Fund II), alternative investment funds to support Italian banks in their recapitalisation transactions and in the management of the bad loans in the sector.

Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 42.3% of the balance sheet assets at level 3 fair value.

A total of 79.5% of assets measured at fair value are determined based on market prices (level 1), and therefore without any discretion by the valuator.

A total of 93.4% of the liabilities at fair value are attributable to Level 2, primarily to Financial liabilities designated at fair value.

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: fair value by level (of which: Banking Group and Other corporates)

Assets / liabilities at fair value	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
(millions of euro)						
1. Financial assets measured at fair value through profit or loss	11,703	27,257	3,940	11,311	32,672	3,594
a) Financial assets held for trading	11,521	26,485	130	10,331	32,008	183
of which: equities	1,892	-	23	860	-	22
of which: quotas of UCI	444	-	6	264	5	21
b) Financial assets designated at fair value	-	1	-	-	1	-
c) Other financial assets mandatorily measured at fair value	182	771	3,810	980	663	3,411
of which: equities	137	205	128	122	107	242
of which: quotas of UCI	45	192	3,130	858	191	2,401
2. Financial assets measured at fair value through other comprehensive income	61,003	7,135	480	41,937	7,422	357
of which: equities	458	490	344	513	510	325
3. Hedging derivatives	-	6,982	-	-	10,062	-
4. Property and equipment	-	-	7,214	-	-	7,144
5. Intangible assets	-	-	-	-	-	-
Total	72,706	41,374	11,634	53,248	50,156	11,095
1. Financial liabilities held for trading	7,825	35,611	50	7,285	39,085	142
2. Financial liabilities designated at fair value	91	21,222	31	-	8,765	30
3. Hedging derivatives	-	5,105	-	-	5,346	-
Total	7,916	61,938	81	7,285	53,196	172

With regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio, with an impact of 9.3% on total assets (9.7% as at 31 December 2022).

A total of 57.8% of assets measured at fair value are determined based on market prices (level 1), and therefore without any discretion by the valuator.

Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 62% of the balance sheet assets at level 3 fair value.

88.6% of liabilities are classified in level 2 and the share of level 3 instruments is less than 1% of total liabilities.

As at 31 December 2023, the impact of non-performance risk (Credit Value Adjustment and Debt Value Adjustment) in the determination of the fair value of derivative contracts amounted to a reduction of 110 million euro in positive fair value and a reduction of 33 million euro in negative fair value.

The impact of the Funding Value Adjustment in reducing the fair value amounted to 42 million euro, equal to the cost of funding the cash flows generated by the Bank's overall portfolio of OTC derivatives.

Determining the quantity of those adjustments is irrespective of the effects of the correlated operational hedging strategies, where present.

Lastly, the caption "Other assets", not directly included in the table above, comprised tax credits recognised and measured at fair value for 6.8 billion euro as at 31 December 2023, of which 4.3 billion euro held under the Hold to Collect and Sell business model and 2.5 billion euro held under the Other/Trading business model. The fair value of those credits was determined with reference to the changes in interest rates. Given the specific characteristics of the credits in question, they have been assigned to level 3, also in line with the considerations set out in the clarification note issued by the Bank of Italy on 24 July 2023 ("Clarification Note on credit risk").

In addition to the transfers relating to financial assets and liabilities measured at level 3 as detailed below, please note that the following transfers were made during 2023:

- from level 1 to level 2:
 - o financial assets held for trading for 29 million euro (book value as at 31 December 2023);
 - o financial liabilities held for trading for 1 million euro (book value as at 31 December 2023);
- from level 2 to level 1:
 - o financial assets held for trading for 119 million euro (book value as at 31 December 2023);
 - o financial assets measured at fair value through other comprehensive income for 189 million euro (book value as at 31 December 2023);
 - o financial liabilities held for trading for 18 million euro (book value as at 31 December 2023).

The transfers between fair value levels are determined by the trends in the observability of prices or market data used to measure the instruments and by the materiality of the unobservable inputs.

The transition from level 1 to level 2 is a consequence of the disappearance of an active market for that instrument assessed by analysing the reliability and the reciprocal consistency of the available prices according to the provisions of the Group's Fair Value Policy. Conversely, securities for which a mark-to-model measurement is performed using inputs that can be observed on the market – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: fair value by level (of which: Insurance Companies)

Assets / liabilities at fair value	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	95,785	661	5,248	97,338	363	5,338
a) Financial assets held for trading	25	2	-	50	35	-
of which: equities	-	-	-	-	-	-
of which: quotas of UCI	-	-	-	-	-	-
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	95,760	659	5,248	97,288	328	5,338
of which: equities	5,441	-	82	4,937	-	67
of which: quotas of UCI	83,627	-	4,371	86,426	-	4,254
2. Financial assets measured at fair value through other comprehensive income	69,588	2,354	193	66,364	3,145	283
of which: equities	-	7	-	-	7	-
3. Hedging derivatives	-	24	-	-	13	-
4. Property and equipment	-	-	8	-	-	7
5. Intangible assets	-	-	-	-	-	-
Total	165,373	3,039	5,449	163,702	3,521	5,628
1. Financial liabilities held for trading	4	3	-	-	-	-
2. Financial liabilities designated at fair value	-	51,438	-	-	54,212	-
3. Hedging derivatives	-	83	-	-	171	-
Total	4	51,524	-	-	54,383	-

With regard to assets, level 3 instruments, which allow for more discretion in fair value measurement, account for a limited portion of the portfolio, with an impact of 3.1% on total assets (3.3% as at 31 December 2022).

95.1% of financial assets measured at fair value in the insurance segment are determined based on market prices (level 1), and therefore without any discretion by the valuator.

Liabilities at fair value were almost entirely measured using level 2 inputs and attributable to Financial liabilities designated at fair value.

In addition to the transfers relating to financial assets and liabilities in the insurance segment designated at level 3 as detailed below, please note that the following transfers were made during 2023:

– from level 1 to level 2:

- financial assets mandatorily measured at fair value for 37 million euro (book value as at 31 December 2023);
- financial assets measured at fair value through other comprehensive income for 452 million euro (book value as at 31 December 2023);

– from level 2 to level 1:

- financial assets mandatorily measured at fair value for 2 million euro (book value as at 31 December 2023);
- financial assets measured at fair value through other comprehensive income for 26 million euro (book value as at 31 December 2023);

The transfers between fair value levels are determined by the trends in the observability of prices or market data used to measure the instruments and by the materiality of the unobservable inputs.

The transition from level 1 to level 2 is a consequence of the disappearance of an active market for that instrument assessed by analysing the reliability and the reciprocal consistency of the available prices according to the Group's Guidelines and Rules for Valuation of Financial Instruments at Fair Value. Conversely, securities for which a mark-to-model measurement is performed using inputs that can be observed on the market – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (Level 3)

	Assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	(millions of euro)	
	TOTAL	of which: a) Financial assets held for trading	of which: b) Financial assets designated at fair value	of which: c) Other financial assets mandatorily measured at fair value			Property and equipment	Intangible assets
1. Initial amount	8,932	183	-	8,749	640	-	7,151	-
2. Increases	2,474	66	-	2,408	267	-	607	-
2.1 Purchases	1,731	50	-	1,681	157	-	116	-
2.2 Gains recognised in:	369	15	-	354	9	-	277	-
2.2.1 Income statement	369	15	-	354	-	-	36	-
- of which capital gains	320	13	-	307	-	-	36	-
2.2.2 Shareholders' equity	-	X	X	X	9	-	241	-
2.3 Transfers from other levels	4	1	-	3	70	-	-	-
2.4 Other increases	370	-	-	370	31	-	214	-
3. Decreases	-2,218	-119	-	-2,099	-234	-	-536	-
3.1 Sales	-589	-41	-	-548	-18	-	-40	-
3.2 Reimbursements	-42	-2	-	-40	-4	-	-	-
3.3 Losses recognised in:	-612	-12	-	-600	-110	-	-217	-
3.3.1 Income statement	-612	-12	-	-600	-	-	-180	-
- of which capital losses	-564	-12	-	-552	-	-	-180	-
3.3.2 Shareholders' equity	-	X	X	X	-110	-	-37	-
3.4 Transfers to other levels	-76	-63	-	-13	-18	-	-	-
3.5 Other decreases	-899	-1	-	-898	-84	-	-279	-
4. Final amount	9,188	130	-	9,058	673	-	7,222	-

The captions "Other increases" and "Other decreases" under Financial assets mandatorily measured at fair value mainly refer to UCI units, and partly to loans, both for the banks and for the insurance companies.

The captions of Property and equipment mainly include the year-end valuation effects and the transfers from Investment property to Property and equipment used in operations and vice versa. The latter are represented in the captions "Other increases" and "Other decreases".

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (Level 3) (of which: Banking Group and Other corporates)

	Assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets	(millions of euro)
	TOTAL	of which: a) Financial assets held for trading	of which: b) Financial assets designated at fair value	of which: c) Other financial assets mandatorily measured at fair value					
1. Initial amount	3,594	183	-	3,411	357	-	7,144	-	
2. Increases	1,712	66	-	1,646	255	-	606	-	
2.1 Purchases	1,124	50	-	1,074	157	-	116	-	
2.2 Gains recognised in:	216	15	-	201	9	-	277	-	
2.2.1 Income statement	216	15	-	201	-	-	36	-	
- of which capital gains	167	13	-	154	-	-	36	-	
2.2.2 Shareholders' equity	-	X	X	X	9	-	241	-	
2.3 Transfers from other levels	4	1	-	3	59	-	-	-	
2.4 Other increases	368	-	-	368	30	-	213	-	
3. Decreases	-1,366	-119	-	-1,247	-132	-	-536	-	
3.1 Sales	-206	-41	-	-165	-10	-	-40	-	
3.2 Reimbursements	-42	-2	-	-40	-4	-	-	-	
3.3 Losses recognised in:	-397	-12	-	-385	-107	-	-217	-	
3.3.1 Income statement	-397	-12	-	-385	-	-	-180	-	
- of which capital losses	-349	-12	-	-337	-	-	-180	-	
3.3.2 Shareholders' equity	-	X	X	X	-107	-	-37	-	
3.4 Transfers to other levels	-76	-63	-	-13	-4	-	-	-	
3.5 Other decreases	-645	-1	-	-644	-7	-	-279	-	
4. Final amount	3,940	130	-	3,810	480	-	7,214	-	

During the second half of 2023 Intesa Sanpaolo completed a transaction for the sale of performing on-balance sheet exposures due from the Italian Commercial Real Estate sector. In summary, the transaction involved (i) the transfer of part of the credit exposure to two Real Estate Funds, in exchange for units of the transferee funds, and (ii) the conversion of the remaining exposure into newly issued Equity Instruments (shown in the sub-caption 2.1 Purchases).

The caption "Other increases" under Financial assets mandatorily measured at fair value mainly refers to capital contributions. The caption "Other decrease" under Financial assets mandatorily measured at fair value partly refers to the reclassification of the Efesto fund and UTP Italia Loans Sub-Fund to equity investments and partly to loans.

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (Level 3) (of which: Insurance Companies)

	Assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets	(millions of euro)
	TOTAL	of which: a) Financial assets held for trading	of which: b) Financial assets designated at fair value	of which: c) Other financial assets mandatorily measured at fair value					
1. Initial amount	5,338	-	-	5,338	283	-	7	-	
2. Increases	762	-	-	762	12	-	1	-	
2.1 Purchases	607	-	-	607	-	-	-	-	
2.2 Gains recognised in:	153	-	-	153	-	-	-	-	
2.2.1 Income statement	153	-	-	153	-	-	-	-	
- of which capital gains	153	-	-	153	-	-	-	-	
2.2.2 Shareholders' equity	-	X	X	X	-	-	-	-	
2.3 Transfers from other levels	-	-	-	-	11	-	-	-	
2.4 Other increases	2	-	-	2	1	-	1	-	
3. Decreases	-852	-	-	-852	-102	-	-	-	
3.1 Sales	-383	-	-	-383	-8	-	-	-	
3.2 Reimbursements	-	-	-	-	-	-	-	-	
3.3 Losses recognised in:	-215	-	-	-215	-3	-	-	-	
3.3.1 Income statement	-215	-	-	-215	-	-	-	-	
- of which capital losses	-215	-	-	-215	-	-	-	-	
3.3.2 Shareholders' equity	-	X	X	X	-3	-	-	-	
3.4 Transfers to other levels	-	-	-	-	-14	-	-	-	
3.5 Other decreases	-254	-	-	-254	-77	-	-	-	
4. Final amount	5,248	-	-	5,248	193	-	8	-	

A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (level 3)

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Initial amount	142	30	-
2. Increases	10	1	-
2.1 Issues	-	-	-
2.2 Losses recognised in:	8	1	-
2.2.1 Income statement	8	1	-
- of which capital losses	8	1	-
2.2.2 Shareholders' equity	X	-	-
2.3 Transfers from other levels	2	-	-
2.4 Other increases	-	-	-
3. Decreases	-102	-	-
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-54	-	-
3.3.1 Income statement	-54	-	-
- of which capital gains	-54	-	-
3.3.2 Shareholders' equity	X	-	-
3.4 Transfers to other levels	-48	-	-
3.5 Other decreases	-	-	-
4. Final amount	50	31	-

Financial liabilities held for trading refer to Certificates of Intesa Sanpaolo S.p.A. and the negative change was the result of both the capital gains posted to the income statement and the transfer of these instruments to Level 2. Only one table is presented, because the insurance segment does not have this case.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2023				31.12.2022			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	518,950	38,622	296,383	174,096	528,081	28,958	320,108	161,494
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	264	-	-	264	638	-	-	638
Total	519,214	38,622	296,383	174,360	528,719	28,958	320,108	162,132
1. Financial liabilities measured at amortised cost	642,119	60,128	538,963	43,238	670,127	41,736	594,532	32,960
2. Liabilities associated with non-current assets	2	-	-	2	15	-	-	15
Total	642,121	60,128	538,963	43,240	670,142	41,736	594,532	32,975

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis (of which: Banking Group and Other corporates)

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2023				31.12.2022			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	518,945	38,622	296,378	174,096	528,078	28,958	320,105	161,494
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	214	-	-	214	638	-	-	638
Total	519,159	38,622	296,378	174,310	528,716	28,958	320,105	162,132
1. Financial liabilities measured at amortised cost	639,914	60,128	537,323	42,886	667,585	41,736	592,899	32,271
2. Liabilities associated with non-current assets	2	-	-	2	15	-	-	15
Total	639,916	60,128	537,323	42,888	667,600	41,736	592,899	32,286

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis (of which: Insurance Companies)

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2023				31.12.2022			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	5	-	5	-	3	-	3	-
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	50	-	-	50	-	-	-	-
Total	55	-	5	50	3	-	3	-
1. Financial liabilities measured at amortised cost	2,205	-	1,640	352	2,542	-	1,633	689
2. Liabilities associated with non-current assets	-	-	-	-	-	-	-	-
Total	2,205	-	1,640	352	2,542	-	1,633	689

Financial assets and liabilities

For financial assets and liabilities not measured at fair value (loans and loans represented by securities, amounts due to customers and securities issued), the Group measures fair value by calculating the present value of future cash flows at a rate that incorporates the estimate of the main risks and uncertainties associated with the financial instrument to be measured (discount rate adjustment approach).

In particular, the interest rate used to discount the future cash flows is determined by taking into account the following risk factors:

- interest rate risk, which represents the rate offered by the market for each unit of capital provided to risk-free counterparties;
- credit risk, which is the premium for having provided capital to counterparties with insolvency risk.

For fixed-rate instruments, the cash flows are those envisaged by the contracts. For floating-rate instruments, the future cash flows are determined based on forward rates, implicit in the zero-coupon interest rate curves observed at the various fixing dates and differentiated by indexation type.

The value of the risk premium (credit spread) is determined per individual position, through acquisition of the risk class (LGD) and rating (PD). These amounts, together with the average residual financial life, constitute the guideline for acquisition of the credit spread. For securities issued by Intesa Sanpaolo, the construction of the spread curve follows the rules set out in the Rules for Valuation of Financial Instruments at Fair Value.

The following assumptions were used in determining the fair values indicated in table A.4.5.4:

- for loans represented by securities, the same rules envisaged for the fair value measurement of other categories of securities are used;
- for securities issued, the rules used are the same as those applied to securities under assets;
- the book value is calculated as the reasonable approximation of fair value for:
 - o demand financial items (assets and liabilities) or financial items with an original maturity equal to or shorter than 12 months and residual maturity equal to or shorter than 12 months: in the table, the column corresponding to level 2 of the fair value hierarchy presents the short-term financial items and cash collateral for financial operations, while the column corresponding to level 3 of the fair value hierarchy presents demand loans;
 - o non-performing assets which in the table are included in the column corresponding to level 3 of the fair value hierarchy.

A.5 – INFORMATION ON “DAY ONE PROFIT/LOSS”

Under IFRS 9, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument at initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities. The fact that, upon initial recognition, the fair value of a financial instrument normally coincides with the transaction price is usually intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Any differences between the price and the fair value are usually attributable to the so-called commercial margins, which are considered as not falling within the scope of Day One Profit (DOP). Therefore, commercial margins are taken to the income statement on the first subsequent measurement of the financial instrument. Also in the case of level 2, which is based on quotes that can be derived indirectly from the market (Comparable Approach), the fair value and the price often coincide upon initial recognition. Any residual differences, as in the previous case, are usually attributable to the commercial margins. With respect to level 3 instruments, no definite reference benchmark is available to compare the transaction price with, since there is more discretion in fair value measurement. For the same reason, the calculation of any commercial margin to be taken to the income statement is also difficult. In this event, the instrument is always initially recognised at the transaction cost, irrespective of whether it is possible to identify commercial margins. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (also defined as DOP). This difference shall be recognised in the income statement only when it arises from changes to the factors over which market participants base their valuations when fixing prices (including the time effect). Where unobservable inputs used to estimate the fair value become observable, the residual deferred DOPs are recognised in the income statement. Similarly, in the event of "on the book" transactions falling under the investment division's activities, the DOPs earned on transactions – included in the above on the book management – are taken to the income statement when transactions are carried out which substantially eliminate the risks linked to unobservable parameters of the instrument which generated the DOP.

At the end of 2023, as at the end of 2022, the amount of the DOP deferred in the balance sheet was immaterial (around 0.1 million euro).

Part B - Information on the consolidated balance sheet

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

1.1 Cash and cash equivalents: breakdown

	(millions of euro)	
	31.12.2023	31.12.2022
a) Cash	3,934	3,709
b) Current accounts and on demand deposits with Central Banks	81,582	105,546
c) Current accounts and on demand deposits with banks	3,754	3,669
Total	89,270	112,924

As at 31 December 2023, the aggregate "b) Current accounts and on demand deposits with Central Banks" included overnight deposits, totalling approximately 64 billion euro (89 billion euro as at 31 December 2022), where the excess liquidity is placed.

SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS CAPTION 20

2.1 Financial assets held for trading: breakdown

Captions	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	9,071	1,044	68	9,150	1,194	52
1.1 Structured securities	775	-	-	1,016	74	-
1.2 Other debt securities	8,296	1,044	68	8,134	1,120	52
2. Equities	1,892	-	23	860	-	22
3. Quotas of UCI	444	-	6	264	5	21
4. Loans	-	95	-	-	32	53
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	95	-	-	32	53
Total (A)	11,407	1,139	97	10,274	1,231	148
B. Derivatives						
1. Financial derivatives	139	24,073	33	107	29,876	35
1.1 trading	139	24,057	33	105	29,876	35
1.2 fair value option	-	-	-	-	-	-
1.3 other	-	16	-	2	-	-
2. Credit derivatives	-	1,275	-	-	936	-
2.1 trading	-	1,275	-	-	936	-
2.2 fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	139	25,348	33	107	30,812	35
TOTAL (A+B)	11,546	26,487	130	10,381	32,043	183

The total amount of the Financial assets held for trading as at 31 December 2023 of 38,163 million euro (42,607 million euro as at 31 December 2022) consisted of 38,136 million euro for the "Banking Group" and 27 million euro for the "Insurance Companies"; as at 31 December 2022 these amounts were 42,522 million euro and 85 million euro respectively.

Structured securities as at 31 December 2023 consist of 766 million euro of fixed-rate debt securities indexed to inflation, as an additional component, and 9 million euro of debt securities convertible into shares.

Other debt securities are made up of the securities connected with securitisations for a total amount of 832 million euro (774 million euro Level 2 and 58 million euro Level 3), of which 668 million euro is senior, 158 million euro is mezzanine and 6 million euro is junior.

As the gross positive fair value of the derivative instruments implemented with the legal clearing agent LCH Ltd. meets the requirements set out for offsetting between gross positive and negative balances pursuant to IAS 32, paragraph 42, it was subject to offsetting, with recognition of the net fair value under Financial liabilities held for trading and Financial assets held for trading, respectively.

2.2 Financial assets held for trading: borrower/issuer/counterparty breakdown

Captions	(millions of euro)	
	31.12.2023	31.12.2022
A. Cash assets		
1. Debt securities	10,183	10,394
a) Central Banks	77	77
b) Public administration	5,963	7,541
c) Banks	2,536	1,186
d) Other financial companies	1,274	1,175
<i>of which: insurance companies</i>	125	85
e) Non financial companies	333	415
2. Equities	1,915	882
a) Banks	64	35
b) Other financial companies	243	133
<i>of which: insurance companies</i>	132	51
c) Non financial companies	1,608	714
d) Other issuers	-	-
3. Quotas of UCI	450	290
4. Loans	95	86
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	34	38
<i>of which: insurance companies</i>	-	-
e) Non financial companies	61	48
f) Households	-	-
Total A	12,643	11,652
B. Derivatives		
a) Central counterparties	6,934	11,065
b) Other	18,586	19,890
Total B	25,520	30,955
TOTAL (A+B)	38,163	42,607

Quotas of UCI held at the end of the year mainly included ETFs (Exchange Traded Funds) for 205 million euro and hedge funds for 163 million euro.

2.3 Financial assets designated at fair value: breakdown

Captions	(millions of euro)					
	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	1	-	-	1	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	1	-	-	1	-
2. Loans	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	-	1	-	-	1	-

This caption refers entirely to the "Banking Group".

This category includes debt securities linked to financial instruments measured at fair value through profit and loss, such as financial derivatives. On the basis of the debt securities, no hedges were arranged through credit derivatives or similar instruments to mitigate the relevant credit risk.

The fair value change attributable to the measurement of credit risk of financial assets designated at fair value was insignificant, both during the year and in cumulative terms.

2.4 Financial assets designated at fair value: borrower/issuer breakdown

Captions	(millions of euro)	
	31.12.2023	31.12.2022
1. Debt securities	1	1
a) Central Banks	-	-
b) Public administration	1	1
c) Banks	-	-
d) Other financial companies	-	-
<i>of which: insurance companies</i>	-	-
e) Non financial companies	-	-
2. Loans	-	-
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
<i>of which: insurance companies</i>	-	-
e) Non financial companies	-	-
f) Households	-	-
Total	1	1

2.5 Other financial assets mandatorily measured at fair value: breakdown

Captions	(millions of euro)					
	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	6,692	723	453	5,707	359	516
1.1 Structured securities	-	5	-	-	-	5
1.2 Other debt securities	6,692	718	453	5,707	359	511
2. Equities	5,578	205	210	5,059	107	309
3. Quotas of UCI	83,672	192	7,501	87,284	191	6,655
4. Loans	-	310	894	218	334	1,269
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	310	894	218	334	1,269
Total	95,942	1,430	9,058	98,268	991	8,749

The total amount of the Financial assets mandatorily measured at fair value as at 31 December 2023 of 106,430 million euro (108,008 million euro as at 31 December 2022) consisted of 4,763 million euro for the "Banking Group" and 101,667 million euro for the "Insurance Companies"; as at 31 December 2022, these amounts were 5,054 million euro and 102,954 million euro respectively.

The details for the "Banking Group" and "Insurance Companies" are provided below.

2.5 Other financial assets mandatorily measured at fair value: breakdown (of which: Banking Group)

(millions of euro)

Captions	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	64	83	-	55	133
1.1 Structured securities	-	5	-	-	-	5
1.2 Other debt securities	-	59	83	-	55	128
2. Equities	137	205	128	122	107	242
3. Quotas of UCI	45	192	3,130	858	191	2,401
4. Loans	-	310	469	-	310	635
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	310	469	-	310	635
Total	182	771	3,810	980	663	3,411

Other debt securities include the securities connected with securitisation transactions for a total amount of 105 million euro (21 million euro Level 2 and 84 million euro Level 3), of which 27 million euro is senior, 58 million euro is mezzanine and 20 million euro is junior.

2.5 Other financial assets mandatorily measured at fair value: breakdown (of which: insurance companies)

(millions of euro)

Captions	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	6,692	659	370	5,707	304	383
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	6,692	659	370	5,707	304	383
2. Equities	5,441	-	82	4,937	-	67
3. Quotas of UCI	83,627	-	4,371	86,426	-	4,254
4. Loans	-	-	425	218	24	634
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	425	218	24	634
Total	95,760	659	5,248	97,288	328	5,338

2.6 Other financial assets mandatorily measured at fair value: borrower/issuer breakdown

Captions	31.12.2023	Of which:			(millions of euro)
		Banking group	Insurance companies	Other companies	31.12.2022
1. Equities	5,993	470	5,523	-	5,475
<i>of which: banks</i>	494	-	494	-	420
<i>of which: other financial companies</i>	324	133	191	-	294
<i>of which: non financial companies</i>	5,175	337	4,838	-	4,761
2. Debt securities	7,868	147	7,721	-	6,582
a) Central Banks	77	-	77	-	753
b) Public administration	4,577	-	4,577	-	2,785
c) Banks	1,281	-	1,281	-	1,125
d) Other financial companies	943	144	799	-	897
<i>of which: insurance companies</i>	640	1	639	-	586
e) Non financial companies	990	3	987	-	1,022
3. Quotas of UCI	91,365	3,367	87,998	-	94,130
4. Loans	1,204	779	425	-	1,821
a) Central Banks	-	-	-	-	-
b) Public administration	-	-	-	-	-
c) Banks	467	42	425	-	905
d) Other financial companies	95	95	-	-	119
<i>of which: insurance companies</i>	11	11	-	-	10
e) Non financial companies	324	324	-	-	554
f) Households	318	318	-	-	243
Total	106,430	4,763	101,667	-	108,008

With regard to the Banking Group, the quotas of UCI are mainly attributable to the Parent Company and in terms of composition they relate, in order of significance, to private equity funds, real estate funds, private debt funds, infrastructure funds, hedge funds, and venture capital funds. The caption also includes 279 million euro in interests held by the bank in the Atlante Fund and in the Italian Recovery Fund (formerly Atlante Fund II), as alternative investment funds to support Italian banks in their recapitalisation transactions and in the management of the bad loans in the sector.

With regard to the insurance undertakings, on the other hand, the quotas of UCI are attributable to Intesa Sanpaolo Vita and Fideuram Vita and in terms of composition they relate, in order of significance, to bond, equity, flexible and real estate funds.

In addition, loans include credit exposures classified among financial assets mandatorily measured at fair value as they failed the test on the contractual characteristics of cash flows (SPPI Test) required by IFRS 9.

SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CAPTION 30**3.1 Financial assets measured at fair value through other comprehensive income: breakdown**

(millions of euro)

Captions	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	130,133	8,187	232	107,788	8,365	292
1.1 Structured securities	654	-	-	1,373	-	-
1.2 Other debt securities	129,479	8,187	232	106,415	8,365	292
2. Equities	458	497	344	513	517	325
3. Loans	-	805	97	-	1,685	23
Total	130,591	9,489	673	108,301	10,567	640

The total amount of the Financial assets measured at fair value through other comprehensive income as at 31 December 2023 of 140,753 million euro (119,508 million euro as at 31 December 2022) consisted of 68,618 million euro for the "Banking Group" and 72,135 million euro for the "Insurance Companies"; as at 31 December 2022, these amounts were 49,716 million euro and 69,792 million euro respectively.

The details for the "Banking Group" and "Insurance Companies" are provided below.

3.1 Financial assets measured at fair value through other comprehensive income: breakdown (of which: Banking Group)

(millions of euro)

Captions	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	60,545	5,840	39	41,424	5,227	9
1.1 Structured securities	654	-	-	1,373	-	-
1.2 Other debt securities	59,891	5,840	39	40,051	5,227	9
2. Equities	458	490	344	513	510	325
3. Loans	-	805	97	-	1,685	23
Total	61,003	7,135	480	41,937	7,422	357

Loans included in this caption, as illustrated in Part A - Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

Structured securities as at 31 December 2023 consist entirely of fixed-rate debt securities indexed to inflation, as an additional component.

Other debt securities include the securities connected with securitisations for a total amount of 2,104 million euro (entirely Level 2), of which 2,063 million euro is senior and 41 million euro is mezzanine.

Financial assets measured at fair value through other comprehensive income (caption 2. Equities – Level 2) include the stakes in the capital of the Bank of Italy for an amount of 375 million euro. For the related valuation, as in the previous years, the direct transaction method has been used, considering the purchases made up to last year. Considering that all the main transactions were finalised at nominal value, the use of this approach confirms the recognition value of the stakes held in the financial statements of the Bank.

In addition, the value of the investment was also supported by the use of an alternative method based on the discounting of future dividends deriving from the investment (DDM – "Dividend Discount Model"). Following the approach taken in the previous years, the use of level 2 inputs (direct transaction prices) as the reference for determining fair value for the 2023 financial statements also resulted in the confirmation of level 2 in the fair value hierarchy.

The book value of equity instruments deriving from the recovery of impaired financial assets amounted to 13 million euro.

3.1 Financial assets measured at fair value through other comprehensive income: breakdown
 (of which: insurance companies)

Captions	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	69,588	2,347	193	66,364	3,138	283
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	69,588	2,347	193	66,364	3,138	283
2. Equities	-	7	-	-	7	-
3. Loans	-	-	-	-	-	-
Total	69,588	2,354	193	66,364	3,145	283

3.2 Financial assets measured at fair value through other comprehensive income: borrower/issuer breakdown

Captions	31.12.2023	Of which:			31.12.2022
		Banking group	Insurance companies	Other companies	
1. Debt securities	138,552	66,424	72,128	-	116,445
a) Central Banks	1,103	807	296	-	288
b) Public administration	102,516	46,393	56,123	-	90,630
c) Banks	18,618	11,022	7,596	-	11,614
d) Other financial companies	5,817	4,847	970	-	4,844
of which: Insurance companies	520	10	510	-	466
e) Non financial companies	10,498	3,355	7,143	-	9,069
2. Equities	1,299	1,292	7	-	1,355
a) Banks	618	611	7	-	775
b) Other issuers:	681	681	-	-	580
- other financial companies	256	256	-	-	163
of which: insurance companies	3	3	-	-	3
- non financial companies	414	414	-	-	407
- other	11	11	-	-	10
3. Loans	902	902	-	-	1,708
a) Central Banks	-	-	-	-	-
b) Public administration	-	-	-	-	-
c) Banks	-	-	-	-	100
d) Other financial companies	162	162	-	-	146
of which: insurance companies	-	-	-	-	-
e) Non financial companies	740	740	-	-	1,462
f) Households	-	-	-	-	-
Total	140,753	68,618	72,135	-	119,508

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total adjustments

(millions of euro)

		Gross amount				Purchased or originated credit-impaired	Total adjustments				Total partial write-offs
		Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		135,094	276	3,553	36	-	-47	-48	-36	-	-
Loans		727	-	185	-	-	-2	-8	-	-	-
Total	31.12.2023	135,821	276	3,738	36	-	-49	-56	-36	-	-
Total	31.12.2022	116,633	564	1,614	36	-	-47	-47	-36	-	-

For the approach used to represent the gross value and the total adjustments to impaired financial assets, see the illustration provided in Part A – Accounting policies.

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total adjustments (of which: Banking Group)

(millions of euro)

		Gross amount				Purchased or originated credit-impaired	Total adjustments				Total partial write-offs
		Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		64,766	276	1,725	36	-	-30	-37	-36	-	-
Loans		727	-	185	-	-	-2	-8	-	-	-
Total	31.12.2023	65,493	276	1,910	36	-	-32	-45	-36	-	-
Total	31.12.2022	47,582	564	867	36	-	-34	-47	-36	-	-

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total adjustments (of which: insurance companies)

(millions of euro)

		Gross amount				Purchased or originated credit-impaired	Total adjustments				Total partial write-offs
		Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		70,328	-	1,828	-	-	-17	-11	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	31.12.2023	70,328	-	1,828	-	-	-17	-11	-	-	-
Total	31.12.2022	69,051	-	747	-	-	-13	-	-	-	-

SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTISED COST – CAPTION 40

4.1 Financial assets measured at amortised cost: breakdown of amounts due from banks

(millions of euro)

Transaction type/Amount	31.12.2023						31.12.2022					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3
A. Due from Central Banks	10,923	-	-	-	9,278	1,645	9,712	-	-	-	7,089	2,623
1. Time deposits	1,771	-	-	X	X	X	3,622	-	-	X	X	X
2. Reserve requirement	7,701	-	-	X	X	X	5,427	-	-	X	X	X
3. Repurchase agreements	1,362	-	-	X	X	X	543	-	-	X	X	X
4. Other	89	-	-	X	X	X	120	-	-	X	X	X
B. Due from banks	21,884	92	-	1,569	14,991	5,420	23,136	36	-	1,265	18,791	3,055
1. Loans	20,239	92	-	-	14,971	5,402	21,478	36	-	-	18,465	3,055
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Time deposits	2,173	-	-	X	X	X	2,449	-	-	X	X	X
1.3 Other loans:	18,066	92	-	X	X	X	19,029	36	-	X	X	X
- Reverse repurchase agreements	7,595	-	-	X	X	X	5,397	-	-	X	X	X
- Finance leases	4	-	-	X	X	X	5	-	-	X	X	X
- Other	10,467	92	-	X	X	X	13,627	36	-	X	X	X
2. Debt securities	1,645	-	-	1,569	20	18	1,658	-	-	1,265	326	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	1,645	-	-	1,569	20	18	1,658	-	-	1,265	326	-
TOTAL	32,807	92	-	1,569	24,269	7,065	32,848	36	-	1,265	25,880	5,678

The total amount of the Financial assets measured at amortised cost – Due from banks - relates entirely to the Banking Group.

The sub-caption “Other loans - Other” includes operating loans, i.e. operations connected to the provision of financial activities and services with no credit facilities, for an amount of 101 million euro. Those exposures are essentially performing loans classified in Stage 1 and adjusted based on IFRS 9.

4.2 Financial assets measured at amortised cost: breakdown of loans to customers

(millions of euro)

Transaction type/Amount	31.12.2023						31.12.2022					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3
1. Loans	416,952	4,772	219	-	259,148	155,757	432,450	5,255	271	-	283,351	140,878
1.1. Current accounts	21,486	430	9	X	X	X	22,967	484	12	X	X	X
1.2. Reverse repurchase agreements	16,636	-	-	X	X	X	15,366	-	-	X	X	X
1.3. Mortgages	225,252	2,855	120	X	X	X	242,049	3,083	156	X	X	X
1.4. Credit card loans, personal loans and transfer of one fifth of salaries	19,742	298	2	X	X	X	19,435	339	2	X	X	X
1.5. Finance leases	7,123	252	75	X	X	X	7,780	328	85	X	X	X
1.6. Factoring	10,102	59	-	X	X	X	10,869	52	-	X	X	X
1.7. Other loans	116,611	878	13	X	X	X	113,984	969	16	X	X	X
2. Debt securities	64,067	41	-	37,053	12,966	11,274	57,188	33	-	27,693	10,877	14,938
2.1. Structured securities	4,922	-	-	3,362	321	633	-	-	-	-	-	-
2.2. Other debt securities	59,145	41	-	33,691	12,645	10,641	57,188	33	-	27,693	10,877	14,938
Total	481,019	4,813	219	37,053	272,114	167,031	489,638	5,288	271	27,693	294,228	155,816

The total amount of the Financial assets measured at amortised cost – loans to customers as at 31 December 2023 of 486,051 million euro (495,197 million euro as at 31 December 2022) consisted of 476,230 million euro for the “Banking Group”, 5 million euro for “Insurance Companies”, and 9,816 million euro for “Other companies”; as at 31 December 2022 these amounts were 484,847 million euro, 3 million euro and 10,347 million euro respectively.

The sub-caption “Other loans” includes operating loans, i.e. operations connected to the provision of financial activities and services with no credit facilities, for an amount of 815 million euro. Those exposures are essentially performing loans classified in Stage 1 and adjusted based on IFRS 9.

The amount for Debt Securities - Structured Securities, in sub-caption 2.1, as at 31 December 2022 was 3,439 million euro and was included in sub-caption 2.2 Other Debt Securities. These structured securities as at 31 December 2023 consisted entirely of fixed-rate debt securities indexed to inflation, as an additional component.

Debt securities include the securities connected with securitisations for a total amount of approximately 7,507 million euro, of which 7,490 million euro is senior notes and 17 million euro mezzanine.

4.3 Financial assets measured at amortised cost: breakdown by borrower/issuer of loans to customers

Transaction type/Amount	(millions of euro)					
	31.12.2023			31.12.2022		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired
1. Debt securities	64,067	41	-	57,188	33	-
a) Public administration	40,596	8	-	32,298	13	-
b) Other financial companies	20,383	22	-	21,418	8	-
<i>of which: insurance companies</i>	2	-	-	1	-	-
c) Non financial companies	3,088	11	-	3,472	12	-
2. Loans:	416,952	4,772	219	432,450	5,255	271
a) Public administration	15,987	221	-	15,566	213	-
b) Other financial companies	50,918	153	-	44,784	123	1
<i>of which: insurance companies</i>	173	-	-	39	-	-
c) Non financial companies	176,408	2,838	129	193,579	3,126	150
d) Households	173,639	1,560	90	178,521	1,793	120
TOTAL	481,019	4,813	219	489,638	5,288	271

4.4 Financial assets measured at amortised cost: gross amount and total adjustments

	(millions of euro)										
		Gross amount				Purchased or originated credit-impaired	Total adjustments				Total partial write-offs
		Stage 1	<i>of which: Instruments with low credit risk</i>	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities	58,495	-	7,446	121	-	-24	-125	-80	-	-	
Loans	410,643	15	39,828	9,689	317	-698	-1,739	-4,825	-98	1,795	
Total 31.12.2023	469,138	15	47,274	9,810	317	-722	-1,864	-4,905	-98	1,795	
Total 31.12.2022	474,932	24	50,237	10,437	384	-688	-1,995	-5,113	-113	3,081	

For the approach used to represent the gross value and the total adjustments to impaired financial assets, see the illustration provided in Part A – Accounting policies.

On 16 December 2022, the EBA repealed the Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis, contained in EBA/GL/2020/07, with effect from 1 January 2023, following the change in the scenario related to the pandemic. However, the Bank of Italy, in the communication dated 14 March 2023, requested that certain financial statement disclosures be maintained on loans subject to public guarantees, in free format at the bottom of this table.

In this regard, it should be noted that the gross value of the loans subject to public guarantees issued in response to the COVID-19 situation as at 31 December 2023 amounted to 24,522 million euro, of which 21,263 million euro in stage 1, 2,346 million euro in stage 2, and 913 million euro in stage 3.

The total adjustments amounted to 417 million euro, of which 34 million euro related to stage 1, 34 million euro to stage 2, and 349 million euro to stage 3.

SECTION 5 - HEDGING DERIVATIVES – CAPTION 50

Concerning the objectives and the strategies underlying hedging transactions see the information provided in Part E – Information on risks and relative hedging policies, Section 2 – Market risks.

5.1 Hedging derivatives: breakdown by type of hedge and level

	Fair value 31.12.2023			Notional amount 31.12.2023	Fair value 31.12.2022			Notional amount 31.12.2022
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	(millions of euro)							
A. Financial derivatives								
1. Fair Value	-	6,960	-	209,858	-	10,061	-	177,498
2. Cash flows	-	46	-	2,690	-	14	-	1,093
3. Foreign investments	-	-	-	-	-	-	-	28
B. Credit derivatives								
1. Fair Value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	-	7,006	-	212,548	-	10,075	-	178,619

The total amount of the hedging derivatives as at 31 December 2023 of 7,006 million euro (10,075 million euro as at 31 December 2022) consisted of 6,980 million euro for the "Banking Group", 24 million euro for the "Insurance Companies", and 2 million euro for the "Other companies"; as at 31 December 2022, these amounts were 10,061 million euro, 13 million euro and 1 million euro respectively.

With regard to the Banking Group, because the gross positive fair value of Hedging derivatives implemented with the legal clearing agent LCH Ltd. meets the requirements set out for offsetting between gross positive and negative balances pursuant to IAS 32, paragraph 42, it was subject to offsetting, with recognition of the net fair value under Financial liabilities held for trading.

The annual decrease in the fair value of the financial hedging derivatives was attributable to the reduction in interest rates in the final months of 2023.

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions / Type of hedge	Fair Value							Cash-flow	Foreign investm	
	Specific			Generic						
	debt securities and interest rates	equities and stock indices	foreign exchange rates and gold	credit risk	commodities	other	Specific			Generic
1. Financial assets measured at fair value through other comprehensive income	889	-	120	-	X	X	X	25	X	X
2. Financial assets measured at amortised cost	1,889	X	1	-	X	X	X	21	X	X
3. Portfolio	X	X	X	X	X	X	2,639	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	2,778	-	121	-	-	-	2,639	46	-	-
1. Financial liabilities	525	X	85	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	812	X	-	X
Total liabilities	525	-	85	-	-	-	812	-	-	-
1. Forecast transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.

Considering the values gross of netting in the financial statements, these continued to refer mainly to macro fair value hedges of loans disbursed, as well as micro fair value hedges of debt securities under assets.

The specific cash flow hedges refer to funding through floating-rate securities issued.

SECTION 6 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 60

6.1 Fair value change of hedged assets: breakdown by hedged portfolios

Fair value change of hedged assets / Amount	(millions of euro)	
	31.12.2023	31.12.2022
1. Positive fair value change	16	-
1.1 of specific portfolios:	16	-
a) <i>financial assets measured at amortised cost</i>	16	-
b) <i>financial assets measured at fair value through other comprehensive income</i>	-	-
1.2 overall	-	-
2. Negative fair value change	-5,711	-9,752
2.1 of specific portfolios:	-5,666	-9,752
a) <i>financial assets measured at amortised cost</i>	-5,666	-9,752
b) <i>financial assets measured at fair value through other comprehensive income</i>	-	-
2.2 overall	-45	-
Total	-5,695	-9,752

The balance of the changes in value of assets subject to macrohedging against interest rate risk is recorded in this caption. For the application the Group took advantage of the option envisaged by IFRS 9 to continue to apply the provisions permitted by the IAS 39 carve out.

The lower negative balance compared to 31 December 2022 of the fair value change of financial assets in hedged portfolios from interest rate risk was due to the reduction in interest rates in the final months of 2023.

SECTION 7 – INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – CAPTION 70

7.1 Investments in associates and companies subject to joint control: information on equity interests

Companies	Registered office	Place of business	Type of relationship (a)	INVESTMENT		Votes available % (b)
				Direct ownership	% held	
A. COMPANIES SUBJECT TO JOINT CONTROL						
1 Apside S.p.A. (c) Capital Euro 50,000 in shares of Euro 1	Turin	Turin	7	Intesa Sanpaolo S.p.A.	50.00	
2 Augusto S.r.l. Capital Euro 10,000 in shares of Euro 1	Milan	Milan	7	Intesa Sanpaolo S.p.A.	5.00	
3 Diocleziano S.r.l. Capital Euro 10,000 in shares of Euro 1	Milan	Milan	7	Intesa Sanpaolo S.p.A.	5.00	
4 Mir Capital Management S.A. Capital Euro 31,000 in shares of Euro 1	Luxembourg	Luxembourg	7	Private Equity International S.A.	50.00	
5 Mir Capital S.C.A. SICAR Capital Euro 65,365,000 in shares of Euro 1	Luxembourg	Luxembourg	7	Private Equity International S.A.	50.00	
6 Mooney Group S.p.A. Capital Euro 10,050,000 in shares of Euro 0.20	Milan	Milan	7	Isybank S.p.A.	50.00	
7 PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management Capital Euro 7,432,477.27 in shares of Euro 132.72	Zagreb	Zagreb	7	Privredna Banka Zagreb D.D.	50.00	
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE						
1 1875 Finance Holding AG Capital CHF 500,000 in shares of CHF 1	Sarnen	Sarnen	4	Reyl&Cie S.A.	40.00	
2 Adriano Lease Sec S.r.l. in liquidation (d) Capital Euro 10,000 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	5.00	
3 Alpiant S.A. Capital CHF 27,540,251.94 in shares of CHF 0.01	Geneva	Geneva	4	Fideuram - Intesa Sanpaolo Private Banking S.p.A. Reyl&Cie S.A.	28.13 13.49	
					41.62	
4 Asteria Investment Managers S.A. Capital CHF 7,300,000 in shares of CHF 10	Geneva	Geneva	4	Fideuram - Intesa Sanpaolo Private Banking S.p.A.	49.00	
5 Back2Bonis Capital Euro 1,029,741,200 in shares of Euro 500,000	Milan	Milan	4	Intesa Sanpaolo S.p.A.	43.82	35.00 (*)
6 Bactowork24 S.r.l. (e) Capital Euro 622,820 in quotas without nominal value	Milan	Milan	4	Intesa Sanpaolo S.p.A.	30.58	
7 Bancomat S.p.A. Capital Euro 21,095,726 in shares without nominal value	Rome	Rome	4	Intesa Sanpaolo S.p.A. Isybank S.p.A.	31.55 0.01	
					31.56	
8 Berica ABS 3 S.r.l. in liquidation (d) Capital Euro 10,000 in shares of Euro 1	Vicenza	Vicenza	4	Intesa Sanpaolo S.p.A.	5.00	5.00 (*) 95.00 (**)
9 Brera Sec S.r.l. (d) Capital Euro 10,000 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	5.00	
10 Camfin S.p.A. (f) Capital Euro 110,000,000 in shares of Euro 0.2	Milan	Milan	4	Intesa Sanpaolo S.p.A.	4.60	8.53 (*)
11 Cassa di Risparmio di Fermo S.p.A. Capital Euro 39,241,088 in shares of Euro 51.65	Fermo	Fermo	4	Intesa Sanpaolo S.p.A.	33.33	
12 Clara Sec S.r.l. (d) Capital Euro 10,000 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	5.00	
13 Compagnia Aerea Italiana S.p.A. Capital Euro 3,526,846 in shares of Euro 0.00004	Rome	Fiumicino	4	Intesa Sanpaolo S.p.A.	27.49	
14 Destination Gusto S.r.l. Capital Euro 20,000 in shares of Euro 1	Milan	Milan	4	Intesa Sanpaolo S.p.A.	49.00	
15 Digit'ed Holding S.p.A. Capital Euro 2,179,286 in shares of Euro 1	Milan	Milan	4	Intesa Sanpaolo S.p.A.	19.70	20.00 (*)

Companies	Registered office	Place of business	Type of relationship (a)	INVESTMENT		Votes available % (b)
				Direct ownership	% held	
16 EFESTO Capital Euro 814,526,038 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	31.61	
17 Equiter S.p.A. Capital Euro 150,004,017 in shares of Euro 1	Turin	Turin	4	Intesa Sanpaolo S.p.A.	32.88	
18 Euromilano S.p.A. Capital Euro 1,356,582 in shares of Euro 15.51	Milan	Milan	4	Intesa Sanpaolo S.p.A.	43.43	
19 Europrogetti & Finanza S.r.l. in liquidation Capital Euro 5,636,400 in shares of Euro 1	Rome	Rome	4	Intesa Sanpaolo S.p.A.	15.97	
20 Eusebi Holdings B.V. Capital Euro 100 in shares of Euro 1	Amsterdam	Amsterdam	4	Intesa Sanpaolo S.p.A.	47.00	
21 FI.NAV Sub-Fund A Loans Capital USD 405,821,168 in shares of USD 1	Rome	Rome	4	Intesa Sanpaolo S.p.A.	50.54	
22 Fondo di Rigenerazione Urbana Sicilia S.r.l. (h) Capital Euro 50,000 in shares of Euro 1	Palermo	Turin	4	Intesa Sanpaolo S.p.A.	100.00	
23 Fondo per la ricerca e l'innovazione S.r.l. RIF (h) Capital Euro 25,000 in shares of Euro 1	Turin	Turin	4	Intesa Sanpaolo S.p.A.	100.00	
24 Fondo Sardegna Energia S.r.l. (h) Capital Euro 25,000 in shares of Euro 1	Cagliari	Turin	4	Intesa Sanpaolo S.p.A.	100.00	
25 Fondo Tematico Piani Urbani Integrati S.r.l. (h) Capital Euro 25,000 in shares of Euro 1	Turin	Turin	4	Intesa Sanpaolo S.p.A.	100.00	
26 Fondo Tematico Turismo S.r.l. (h) Capital Euro 25,000 in shares of Euro 1	Turin	Turin	4	Intesa Sanpaolo S.p.A.	100.00	
27 UTP Italia Fund – Loans Sub-Fund Capital Euro 429,648,717 in shares of Euro 1	Milan	Milan	4	Intesa Sanpaolo S.p.A.	44.52	35.00 (*)
28 Giada Sec S.r.l. (d) Capital Euro 10,000 in shares of Euro 1	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	5.00	
29 Indaco Venture Partners SGR S.p.A. Capital Euro 750,000 in shares of Euro 0.50	Milan	Milan	4	Intesa Sanpaolo S.p.A.	24.50	
30 Iniziative Immobiliari Industriali S.p.A. in liquidation Capital Euro 510,000 in shares of Euro 0.51	Arquà Polesine	Arquà Polesine	4	Intesa Sanpaolo S.p.A.	20.00	
31 International Care Company S.p.A. Capital Euro 5,434,089 in shares of Euro 1.14	Monza	Monza	4	Intesa Sanpaolo Vita S.p.A.	10.00	
32 Intrum Italy S.p.A. Capital Euro 600,000 in shares of Euro 0.02	Milan	Milan	4	Intesa Sanpaolo S.p.A.	49.00	
33 Ism Investimenti S.p.A. Capital Euro 6,654,902 in shares of Euro 1	Mantua	Mantua	4	Intesa Sanpaolo S.p.A.	27.36	
34 Lendlease MSG Heartbeat Capital Euro 622,463,381 in shares of Euro 1	Milan	Milan	4	Intesa Sanpaolo S.p.A. Risanamento S.p.A.	60.88 0.02	40.00 (*)
					60.90	40.00 (*)
35 Leonardo Technology S.r.l. in liquidation Capital Euro 242,081 in shares of Euro 1	Turin	Turin	4	Intesa Sanpaolo S.p.A.	26.60	
36 Marketwall S.r.l. Capital Euro 2,380,409 in shares of Euro 1	Milan	Milan	4	Intesa Sanpaolo S.p.A.	33.00	
37 Materias S.r.l. Capital Euro 29,728 in shares of Euro 1	Naples	Naples	4	Intesa Sanpaolo S.p.A.	14.44	
38 Misr Alexandria for Financial Investments Mutual Fund Co. in liquidation Capital EGP 30,708,000 in shares of EGP 1,000	Cairo	Cairo	4	Bank of Alexandria S.A.E.	25.00	
39 Misr International Towers Co. Capital EGP 50,000,000 in shares of EGP 10	Cairo	Cairo	4	Bank of Alexandria S.A.E.	27.86	
40 Monilogi SRO Capital Euro 2,250,000 in shares of Euro 1	Bratislava	Bratislava	4	Vseobecna Uverova Banka A.S.	30.00	

Companies	Registered office	Place of business	Type of relationship (a)	INVESTMENT		Votes available % (b)
				Direct ownership	% held	
41 Montefeltro Sviluppo Soc.cons. A.r.l. Capital Euro 73,000 in shares of Euro 10	Urbania	Urbania	4	Intesa Sanpaolo S.p.A.	26.37	
42 Network Impresa s.p.a under arrangement with creditors Capital Euro 562,342 in shares of Euro 1	Limena	Limena	4	Intesa Sanpaolo S.p.A.	28.95	
43 Neva First - FCC Capital Euro 237,323,232 in shares of Euro 99.80	Turin	Turin	4	Intesa Sanpaolo Innovation Center S.p.A.	42.59	
44 Penghua Fund Management Co. Ltd. Capital CNY 150,000,000 in shares of CNY 1	Shenzhen	Shenzhen	4	Eurizon Capital SGR S.p.A.	49.00	
45 R.C.N. Finanziaria S.p.A. Capital Euro 1,000,000 in shares of Euro 0.50	Mantua	Mantua	4	Intesa Sanpaolo S.p.A.	23.96	
46 Rexer S.p.A. (i) Capital Euro 2,900,000 in shares of Euro 0.01	Monza	Monza	4	Intesa Sanpaolo S.p.A.	48.98	49.17 (*)
47 RSCT FUND - LOANS SUB-FUND Capital Euro 383,363,831 in shares of Euro 1	Milan	Milan	4	Intesa Sanpaolo S.p.A.	70.07	
48 S.F. Consulting S.r.l. Capital Euro 93,600 in shares of Euro 0.52	Bergamo	Bergamo	4	Intesa Sanpaolo S.p.A.	35.00	
49 Sicily Investments S.a.r.l. Capital Euro 12,500 in shares of Euro 25	Luxembourg	Luxembourg	4	Intesa Sanpaolo S.p.A.	25.20	
50 Slovak Banking Credit Bureau S.r.o. Capital Euro 9,958 in shares of Euro 3,319.39	Bratislava	Bratislava	4	Vseobecna Uverova Banka A.S.	33.33	
51 Sviluppo Industriale S.p.A. in liquidation Capital Euro 628,444 in shares of Euro 22.26	Pistoia	Pistoia	4	Intesa Sanpaolo S.p.A.	28.27	
52 Trinacria Capital S.a.r.l. Capital Euro 12,500 in shares of Euro 25	Luxembourg	Luxembourg	4	Intesa Sanpaolo S.p.A.	25.20	
53 UBI SPV LEASE 2016 S.r.l. in liquidation (d) Capital Euro 10,000 in shares of Euro 1	Milan	Milan	4	Intesa Sanpaolo S.p.A.	10.00	
54 Warrant Hub S.p.A. Capital Euro 113,637 in shares of Euro 1	Correggio	Correggio	4	Intesa Sanpaolo S.p.A.	12.00	
55 Yolo Group S.p.A. Capital Euro 87,493 in shares of Euro 0.01	Milan	Milan	4	Intesa Sanpaolo Vita S.p.A.	1.43	

(a) Type of relationship:

- 1 - majority of voting rights at Ordinary Shareholders' Meeting;
- 2 - dominant influence at Ordinary Shareholders' Meeting;
- 3 - agreements with other shareholders;
- 4 - company subject to significant influence;
- 5 - unitary management as defined in Art. 26.1 of "Legislative Decree 87/1992";
- 6 - unitary management as defined in Art. 26.2 of "Legislative Decree 87/1992";
- 7 - joint control;
- 8 - other relationship.

Where different from the % portion, the availability of the votes in the Ordinary Shareholders' Meeting is indicated, distinguishing between the effective (*) and potential (**) voting rights, where applicable.

(c) Intesa Sanpaolo S.p.A. also holds 100% of the Participating Financial Instruments issued by Apside S.p.A.

These are vehicles used for securitisation transactions within the Group. The put&call options are exercisable in the half year following the closing date of the securitisation. For Adriano Lease Sec S.r.l. and UBI SPV Lease 2016 S.r.l., the transactions were completed on 27 October 2022 and 3 August 2022 respectively, and the related call option exercise windows therefore expire in April and February 2023.

(e) Intesa Sanpaolo S.p.A. also holds 83.96% of the Participating Financial Instruments issued by Backtwork24 S.r.l.

(f) The different value between the actual share and the number of votes in the Shareholders' Meeting is linked to the presence of various categories of shares (A and B). Only category A shares (also held by Intesa Sanpaolo) grant rights to vote in the Shareholders' Meeting.

(g) The different value between the actual share and the number of votes in the Shareholders' Meeting is linked to the presence of various categories of shares. The category of the shares held by managers does not attribute the right to vote in the Shareholders' Meeting, but only in the Special Meeting (pursuant to Art. 2766 of the Italian Civil Code).

The interest is included under Companies subject to significant influence because, even though it represents a more complex situation than that typical of an ordinary non-controlling interest, the absence has been confirmed of the conditions for exercise of control envisaged by IFRS 10 on the basis of the corporate governance provisions in the articles of association/regulations.

(i) EIB Funds: the economic effects of the investments in equity and loans underlying the fund's operations will be borne in full by the EIB.

(j) The different value between the actual share and the number of votes in the Shareholders' Meeting is linked to the presence of a category of shares (B) lacking the right to vote in the Shareholders' Meeting.

The illustration of the criteria and the methods for the definition of the scope of consolidation and the reasons which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

7.2 Individually material investments in associates and companies subject to joint control: book value, fair value and dividends received

		(millions of euro)		
		Book value	Fair value	Dividends received (a)
A. COMPANIES SUBJECT TO JOINT CONTROL				
1	Mooney Group S.p.A.	76	-	-
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE				
1	BACK2BONIS	360	-	-
2	Penghua Fund Management Co. Ltd.	329	-	37
3	RSCT FUND - Comparto Crediti	271	-	-
4	Intrum Italy S.p.A.	232	-	17
5	LENDLEASE MSG HEARTBEAT	212	-	-
6	EFESTO	173	-	-
7	FONDO UTP ITALIA COMPARTO CREDITI	155	-	-
8	FI.NAV Comparto A Crediti	141	-	-
9	Equiter S.p.A.	104	-	3
10	NEVA FIRST - FCC	71	-	-
TOTAL		2,124	-	57

a) Dividends are paid by Group companies accounted for using the equity method, and, though they are not included in caption "250 Profits (Losses) on equity investments", as they represent a decrease in caption "70 Investments in associates and companies subject to joint control" under Assets, they are still presented in that table, as envisaged by the reference regulations.

7.3 Individually material investments in associates and companies subject to joint control: financial information

		(millions of euro)														
		Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Interest margin	Adjustments to/write-backs on property, equipment and intangible assets	Income (Loss) before tax from continuing operations	Income (Loss) after tax from continuing operations	Income (Loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Consolidated comprehensive income (3) = (1) + (2)	
A. COMPANIES SUBJECT TO JOINT CONTROL																
	Mooney Group S.p.A.	X	440	912	1,458	274	326	X	X	-61	-48	-	-48	-	-48	
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE																
	BACK2BONIS	X	776	10	44	3	15	X	X	-10	-10	-	-10	-	-10	
	Penghua Fund Management Co. Ltd.	X	827	185	228	228	500	X	X	142	108	-	108	-	108	
	RSCT FUND - Comparto Crediti	X	341	39	-	8	-	X	X	-	-	-	-	-	-	
	Intrum Italy S.p.A.	X	61	67	7	58	140	X	X	20	16	-	16	-	16	
	LENDLEASE MSG HEARTBEAT	X	1	758	136	7	-	X	X	-7	-7	-	-7	-	-7	
	EFESTO	X	564	569	-	2	-	X	X	-	-	-	-	-	-	
	FONDO UTP ITALIA COMPARTO CREDITI	X	378	-	4	1	14	X	X	13	13	-	13	-	13	
	FI.NAV Comparto A Crediti	X	305	1	-	2	-	X	X	-	-	-	-	-	-	
	Equiter S.p.A.	X	297	9	-	4	15	X	X	11	8	-	8	-	8	
	NEVA FIRST - FCC	X	147	-	-	-	7	X	X	4	4	-	4	-	4	

	(millions of euro)				
	Total Shareholders' Equity	Proportionate equity	Goodwill	Other changes	Consolidated book value
A. COMPANIES SUBJECT TO JOINT CONTROL					
Mooney Group S.p.A.	-	-	76	-	76
B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE					
BACK2BONIS	893	391	-	-31	360
Penghua Fund Management Co. Ltd.	556	273	56	-	329
RSCT FUND - Comparto Crediti	387	271	-	-	271
Intrum Italy S.p.A.	63	31	201	-	232
LENDLEASE MSG HEARTBEAT	348	212	-	-	212
EFESTO	546	173	-	-	173
FONDO UTP ITALIA COMPARTO CREDITI	390	173	-	-18	155
FI.NAV Comparto A Crediti	280	141	-	-	141
Equiter S.p.A.	294	97	7	-	104
NEVA FIRST - FCC	177	76	-	-5	71
	3,934	1,838	340	-54	2,124

The figures for these companies are updated to December 2023 for Intrum, Penghua, Rscf Fund and Fi.Nav; 30 September 2023 for Back2bonis, Neva First, Efesto and UTP Italia Fund - Loans Sub-Fund; 30 June 2023 for Lendlease Msg Heartbeat (measured at acquisition cost); and 31 December 2022 for Equiter. For Mooney Group S.p.A., the figures shown above refer to 30 September 2023, even though the figures as at 31 December 2023 were used for the purposes of the Group's consolidated financial statements. The latter will be made public following approval by the company's Shareholders' Meeting.

7.4 Individually immaterial investments in associates and companies subject to joint control: financial information

	(millions of euro)								
	Book value of investments in associates and companies subject to joint control	Total assets	Total liabilities	Total revenues	Income (loss) after tax from continuing operations	Income (Loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Consolidated comprehensive income (3) = (1) + (2)
COMPANIES SUBJECT TO JOINT CONTROL	25	68	3	11	2	-	2	-	2
COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (a)	352	5,041	3,802	394	19	-	19	1	20

(a) This caption includes some subsidiaries excluded from the scope of consolidation as of modest amount.

7.5 Investments in associates and companies subject to joint control: annual changes

	(millions of euro)	
	31.12.2023	31.12.2022
A. Initial amount	2,013	1,652
B. Increases	953	942
B.1 purchases	168	528
<i>of which business combinations</i>	-	-
B.2 recoveries	-	13
B.3 revaluations	129	143
B.4 other changes	656	258
C. Decreases	-465	-581
C.1 sales	-136	-305
C.2 impairment losses	-91	-52
C.3 write-downs	-92	-69
C.4 other changes	-146	-155
D. Final amount	2,501	2,013
E. Total revaluations	355	321
F. Total impairment losses	-291	-183

The sub-caption B.1 purchases mainly comprises the following capital increases:

- Rexer S.p.A (formerly Homepal A Better Place S.P.A.) for 32 million euro;
- Alpian S.A. for 34 million euro;
- Cronos Vita S.p.A. for 49 million euro;
- Digit'Ed Holding S.p.A. for 19 million euro.

The sub-caption B.3 revaluations mainly includes the profits of companies carried at equity (including Penghua Fund Management Co. Ltd. for 54 million euro).

The sub-caption B.4 Increases - Other changes mainly comprises the following transactions:

- reclassifications of the Efesto funds for 211 million euro and UTP Italia Fund - Loans Sub-Fund for 190 million euro previously recognised in the FVTPL portfolio;
- conversion of loans into units of the Lendlease MSG Heartbeat Fund for 212 million euro.

The sub-caption C.1 sales, mainly comprises the redemptions of the Funds carried at equity listed below:

- Efesto for 38 million euro;
- FI.NAV. Sub-fund A – Loans for 27 million euro;
- UTP Italia Fund - Loans Sub-Fund for 17 million euro.

The sub-caption C.2, impairment losses, includes the impairment of the following equity investments:

- Intrum S.p.A. for 65 million euro;
- Alpian S.A. for 25 million euro.

The sub-caption C.3 write-downs, mainly includes the losses of the companies carried at equity listed below:

- Mooney Group S.p.A. for 34 million euro;
- UTP Italia Fund - Loans Sub-Fund for 18 million euro.
- Back2bonis for 16 million euro.

The sub-caption C.4 Decreases - other changes mainly comprises:

- the payment of dividends by Penghua Fund Management Co. Ltd totalling 57 million euro;
- the payment of dividends by Intrum S.p.A. totalling 17 million euro;
- the reclassification of Cronos Vita S.p.A. to assets held for sale for 49 million euro.

7.6 Significant evaluations and assumptions to establish the existence of joint control or significant influence

Entities are considered to be companies subject to joint control if control is contractually shared between the Group and one or more other parties, or where the decisions about the relevant activities require the unanimous consent from all parties sharing control.

Companies are considered subject to significant influence (associates) when the Group holds 20% or more of the voting rights (including "potential" voting rights) or if it – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates. Certain companies in which the Group holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.

7.7 Commitments referred to investments in companies subject to joint control

As at 31 December 2023, there were commitments on capital referring to Mir Capital S.C.A. Sicar for a total of 35.6 million euro; to Mooney Group S.p.A. for a total of 8 million euro; and to Apside S.p.A. for a total of 16 million euro, relating to the subscription of equity instruments issued by the company.

7.8 Commitments referred to investments in companies subject to significant influence

As at 31 December 2023, the following commitments were outstanding: recapitalisation of Bancomat S.p.A. for around 2.7 million euro; the commitment made by Intesa Sanpaolo Innovation Center S.p.A. and Neva SGR S.p.A. to pay the amounts for the call ups of the Neva First FCC Fund for a residual 35.1 million euro; a commitment to pay the amounts relating to any call ups made by the Lendlease MSG Heartbeat Fund for 7.9 million euro; a commitment to subscribe equity instruments issued by the associate Destination Gusto S.r.l. for a maximum of 2.5 million euro; a commitment for the recapitalisation of Bactowork 24 S.p.A. for a maximum of 0.5 million euro; and lastly a residual commitment on Leonardo Technology S.r.l. of a modest amount.

7.9 Significant restrictions

There is nothing to report in terms of significant restrictions.

7.10 Other information

For most of the companies subject to joint control or significant influence, the timing regarding the availability of the financial statements at the end of the year is not compatible with the terms set for the closure of Intesa Sanpaolo's consolidated financial statements; on this point, for the application of the equity method, reference is made to the last accounting reports available that, in most cases, include the interim statement of the first 9 months for the listed associates or the last financial statements or half-yearly report available for the other associates. In any case, when the accounts of the associate or joint venture used in the application of the equity method refer to a date that is different from that of Intesa Sanpaolo's financial statements, adjustments are made to take into account the effects of operations or significant events which took place between that date and the reporting date of Intesa Sanpaolo's financial statements.

Impairment tests of investments in associates and companies subject to joint control

As required under IAS/IFRS, investments in associates and companies subject to joint control are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable. With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative indicators, such as the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start-up of insolvency proceedings or restructuring plans, and the downgrading by more than two classes of the rating; quantitative indicators, represented by a reduction in fair value of over 30% below the carrying value or for a period of over 24 months, by market capitalisation lower than the company's net book value, in the case of securities listed on active markets or by a carrying value of the investment in the Parent Company's financial statements higher than the carrying value in the consolidated financial statements of the investee's net assets and goodwill or by distribution by the latter of a dividend that is higher than its total income. If impairment indicators are detected, the recoverable amount, represented by the higher of the fair value less costs to sell and the value in use, is calculated and if it proves lower than the carrying value, impairment is recognised. If, subsequently, the recoverable amount is higher than the new carrying amount and the reasons for the impairment no longer apply following an event subsequent to the recognition of the impairment, write-backs are recognised, through profit or loss, up to the amount of the adjustment previously recognised.

In particular, where impairment indicators were recorded with respect to investments in associates or companies subject to joint control, analyses were carried out based, as a priority, on market methodologies (direct or comparable transactions and market multiples) or alternatively on "fundamental" analyses mainly based on an estimate of the expected discounted cash flows or on the adjusted net asset value (ANAV).

The results of these assessments led to the need to recognise adjustments, mainly referring to the investments in Intrum Italy (66 million euro), Alpien SA (25 million euro) and other minor investments of 1 million euro.

SECTION 8 – INSURANCE ASSETS – CAPTION 80

From 1 January 2023, insurance assets and liabilities have been recognised in the financial statements in accordance with the new IFRS 17. The figures as at 31 December 2023 are compared with the adjusted figures as at 31 December 2022.

As envisaged by the 8th Update of the Bank of Italy Circular 262/2005, this section contains the tables envisaged by Order no. 121 of 7 June 2022, which updates the provisions issued by IVASS by ISVAP Regulation no. 7 of 13 July 2007 in order to incorporate the changes introduced by IFRS17 on insurance contracts.

Specifically, details are provided of the asset caption 80 b) Insurance assets - reinsurance contracts held that are assets, 401 million euro as at 31 December 2023 (133 million euro as at 31 December 2022), and the liability caption 110 b) Insurance liabilities - reinsurance contracts held that are liabilities, 175 million euro as at 31 December 2023 (14 million euro as at 31 December 2022). The balance of reinsurance contracts held was a positive 226 million euro as at 31 December 2023 (119 million euro as at 31 December 2022).

Reconciliations are presented that show how the net carrying amounts of reinsurance contracts held changed during the period because of cash flows and income and expenses recognised in the statement(s) of financial performance. Specifically, the tables show:

- the changes in the carrying amount of the reinsurance contracts held broken down by basis of aggregation⁹¹ and by measurement model (General Measurement Model - GMM and Premium Allocation Approach - PAA);
- the changes in the carrying amount of the reinsurance contracts held per measurement component (Present Value of Cash Flows, Adjustment for Non-Financial Risks and Contractual Service Margin), broken down by basis of aggregation;
- the changes in contractual service margin of the reinsurance contracts held allocated according to contracts outstanding at the time of transition to IFRS 17 broken down by basis of aggregation;
- measurement components of the reinsurance contracts held recognised during the year broken down by basis of aggregation;
- contractual service margin broken down by expected timing of recognition in the income statement.

For the methodological choices adopted by the Group, see Part A - Accounting Policies.

Below is a summary table of the changes reported in the section below, with the related reconciliation with the financial statement captions.

(millions of euro)

	31.12.2023	31.12.2022
80. INSURANCE ASSETS		
b) Reinsurance contracts held that are assets	401	133
<i>of which 8.1 Changes in the carrying amount of the reinsurance contracts held – GMM – assets for remaining coverage and for incurred claims – Life Segment</i>	57	60
<i>of which 8.1 Changes in the carrying amount of the reinsurance contracts held – GMM – assets for remaining coverage and for incurred claims – Non-Life Segment</i>	6	14
<i>of which 8.2 Changes in the carrying amount of the reinsurance contracts held – PAA – assets for remaining coverage and for incurred claims – Non-Life Segment</i>	338	59
110. INSURANCE LIABILITIES		
b) Reinsurance contracts held that are liabilities	175	14
<i>of which 8.1 Changes in the carrying amount of the reinsurance contracts held – GMM – assets for remaining coverage and for incurred claims – Life Segment</i>	14	14
<i>of which 8.1 Changes in the carrying amount of the reinsurance contracts held – GMM – assets for remaining coverage and for incurred claims – Non-Life Segment</i>	3	-
<i>of which 8.2 Changes in the carrying amount of the reinsurance contracts held – PAA – assets for remaining coverage and for incurred claims – Non-Life Segment</i>	158	-

⁹¹ The bases of aggregation for the reinsurance contracts held consist of the Life Segment and the Non-Life Segment.

8.1 Changes in the carrying amount of the reinsurance contracts held – General Measurement Model (GMM) – assets for remaining coverage and for incurred claims – Life Segment

(millions of euro)

Captions/Breakdown of carrying amount	31.12.2023				31.12.2022			
	Asset for remaining coverage		Asset for incurred claims	Total	Asset for remaining coverage		Asset for incurred claims	Total
	Net of loss-recovery component	Loss-recovery component	Net of loss-recovery component		Loss-recovery component			
A. Opening carrying amount								
1. Reinsurance contracts held that are assets	47	-	13	60	5	-	5	10
2. Reinsurance contracts held that are liabilities	-14	-	-	-14	-	-	-	-
3. Net carrying amount as at 1 January	33	-	13	46	5	-	5	10
B. Economic effect of reinsurance contracts held								
1. Reinsurance expenses	-4	-	-	-4	-1	-	-	-1
2. Claims and other expenses recovered	-	-	4	4	-	-	6	6
3. Changes in the asset for incurred claims	-	-	-1	-1	-	-	8	8
4. Reinsurance contracts held which cover onerous contracts	-	-	-	-	-	-	-	-
4.1 Revenue from the recognition of onerous underlying insurance contracts	-	-	-	-	-	-	-	-
4.2 Reversals of the loss-recovery component other than changes in cash flows from reinsurance contracts held	-	-	-	-	-	-	-	-
4.3 Changes in cash flows from reinsurance contracts held arising from onerous underlying insurance contracts	-	-	-	-	-	-	-	-
5. Effects of the change in the risk of non-performance by reinsurers	-	-	-	-	-	-	-	-
6. Total	-4	-	3	-1	-1	-	14	13
C. Insurance service result (Total B)	-4	-	3	-1	-1	-	14	13
D. Net financial income/expenses								
1. From reinsurance contracts held	-	-	-	-	-	-	-	-
1.1. Recognised in profit or loss	-	-	-	-	-	-	-	-
1.2. Recognised in other comprehensive income	-	-	-	-	-	-	-	-
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-
3. Total	-	-	-	-	-	-	-	-
E. Investment components								
F. Total amount recognised in profit or loss and in other comprehensive income (C+D+E)	-4	-	3	-1	-1	-	14	13
G. Other changes								
H. Cash movements								
1. Premiums paid net of amounts not related to claims recovered from reinsurers	2	-	-	2	29	-	-	29
2. Amount of claims recovered from reinsurers	-	-	-4	-4	-	-	-6	-6
3. Total	2	-	-4	-2	29	-	-6	23
I. Net carrying amount as at 31 December (A.3+F+G+H.3)	31	-	12	43	33	-	13	46
L. Closing carrying amount								
1. Reinsurance contracts held that are assets	45	-	12	57	47	-	13	60
2. Reinsurance contracts held that are liabilities	-14	-	-	-14	-14	-	-	-14
3. Net carrying amount as at 31 December	31	-	12	43	33	-	13	46

8.1 Changes in the carrying amount of the reinsurance contracts held – General Measurement Model (GMM) – assets for remaining coverage and for incurred claims – *Non-Life Segment*

(millions of euro)

Captions/Breakdown of carrying amount	31.12.2023				31.12.2022			
	Asset for remaining coverage		Asset for incurred claims	Total	Asset for remaining coverage		Asset for incurred claims	Total
	Net of loss-recovery component	Loss-recovery component	Net of loss-recovery component		Loss-recovery component			
A. Opening carrying amount								
1. Reinsurance contracts held that are assets	7	-	7	14	6	-	7	13
2. Reinsurance contracts held that are liabilities	-	-	-	-	-	-	-	-
3. Net carrying amount as at 1 January	7	-	7	14	6	-	7	13
B. Economic effect of reinsurance contracts held								
1. Reinsurance expenses	1	-	-	1	-28	-	-	-28
2. Claims and other expenses recovered	-	-	1	1	-	-	8	8
3. Changes in the asset for incurred claims	-	-	-1	-1	-	-	1	1
4. Reinsurance contracts held which cover onerous contracts	-	-	-	-	-	-	-	-
4.1 Revenue from the recognition of onerous underlying insurance contracts	-	-	-	-	-	-	-	-
4.2 Reversals of the loss-recovery component other than changes in cash flows from reinsurance contracts held	-	-	-	-	-	-	-	-
4.3 Changes in cash flows from reinsurance contracts held arising from onerous underlying insurance contracts	-	-	-	-	-	-	-	-
5. Effects of the change in the risk of non-performance by reinsurers	-	-	-	-	-	-	-	-
6. Total	1	-	-	1	-28	-	9	-19
C. Insurance service result (Total B)	1	-	-	1	-28	-	9	-19
D. Net financial income/expenses								
1. From reinsurance contracts held	-	-	-	-	-	-	-	-
1.1. Recognised in profit or loss	-	-	-	-	-	-	-	-
1.2. Recognised in other comprehensive income	-	-	-	-	-	-	-	-
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-
3. Total	-	-	-	-	-	-	-	-
E. Investment components								
F. Total amount recognised in profit or loss and in other comprehensive income (C+D+E)	1	-	-	1	-28	-	9	-19
G. Other changes	-21	-	-	-21	-	-	-	-
H. Cash movements								
1. Premiums paid net of amounts not related to claims recovered from reinsurers	10	-	-	10	29	-	-	29
2. Amount of claims recovered from reinsurers	-	-	-1	-1	-	-	-9	-9
3. Total	10	-	-1	9	29	-	-9	20
I. Net carrying amount as at 31 December (A.3+F+G+H.3)	-3	-	6	3	7	-	7	14
L. Closing carrying amount								
1. Reinsurance contracts held that are assets	-	-	6	6	7	-	7	14
2. Reinsurance contracts held that are liabilities	-3	-	-	-3	-	-	-	-
3. Net carrying amount as at 31 December	-3	-	6	3	7	-	7	14

8.2 Changes in the carrying amount of the reinsurance contracts held – Premium Allocation Approach (PAA) – assets for remaining coverage and for incurred claims – *Non-Life Segment*

(millions of euro)

Captions/Breakdown of carrying amount	31.12.2023				Total	31.12.2022				
	Asset for remaining coverage		Asset for incurred claims			Asset for remaining coverage		Asset for incurred claims		
	Net of loss-recovery component	Loss-recovery component	Present value of cash flows	Adjustment for non-financial risks		Net of loss-recovery component	Loss-recovery component	Present value of cash flows	Adjustment for non-financial risks	
A. Opening carrying amount										
1. Reinsurance contracts held that are assets	25	-	32	2	59	31	-	107	4	142
2. Reinsurance contracts held that are liabilities	-	-	-	-	-	-	-	-	-	-
3. Net carrying amount as at 1 January	25	-	32	2	59	31	-	107	4	142
B. Economic effect of reinsurance contracts held										
1. Reinsurance expenses	-164	-	-	-	-164	-137	-	-	-	-137
2. Claims and other expenses recovered	-	-	105	-	105	-	-	160	-	160
3. Changes in the asset for incurred claims	-	-	67	2	69	-	-	-43	-2	-45
4. Reinsurance contracts held which cover onerous contracts	-	-	-	-	-	-	-	-	-	-
4.1 Revenue from the recognition of onerous underlying insurance contracts	-	-	-	-	-	-	-	-	-	-
4.2 Reversals of the loss-recovery component other than changes in cash flows from reinsurance contracts held	-	-	-	-	-	-	-	-	-	-
4.3 Changes in cash flows from reinsurance contracts held arising from onerous underlying insurance contracts	-	-	-	-	-	-	-	-	-	-
5. Effects of changes in the risk of non-performance by reinsurers	-	-	-	-	-	-	-	-	-	-
6. Total	-164	-	172	2	10	-137	-	117	-2	-22
C. Insurance service result (Total B)	-164	-	172	2	10	-137	-	117	-2	-22
D. Financial income/expenses										
1. From reinsurance contracts held	-	-	1	-	1	-	-	-6	-	-6
1.1. Recognised in profit or loss	-	-	1	-	1	-	-	-	-	-
1.2. Recognised in other comprehensive income	-	-	-	-	-	-	-	-6	-	-6
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-	-	-
3. Total	-	-	1	-	1	-	-	-6	-	-6
E. Investment components										
F. Total amount recognised in profit or loss and in other comprehensive income (C+D+E)	-164	-	173	2	11	-137	-	111	-2	-28
G. Other changes				1	1					
H. Cash movements										
1. Premiums paid net of amounts not related to claims recovered from reinsurers	178	-	-	-	178	131	-	-	-	131
2. Amounts recovered from reinsurers	-	-	-69	-	-69	-	-	-186	-	-186
3. Total	178	-	-69	-	109	131	-	-186	-	-55
I. Net carrying amount as at 31 December (A.3+F+G+H.3)	39	-	136	5	180	25	-	32	2	59
L. Closing carrying amount										
1. Reinsurance contracts held that are assets	197	-	136	5	338	25	-	32	2	59
2. Reinsurance contracts held that are liabilities	-158	-	-	-	-158	-	-	-	-	-
3. Net carrying amount as at 31 December	39	-	136	5	180	25	-	32	2	59

In accordance with the requirements of paragraph 97 of IFRS 17, the ISP Group has used the Premium Allocation Approach (PAA) for types of insurance contracts that have a duration of 12 months or less and for which the measurement of the liability using the PAA generates results in line with those obtained from the application of the General Model (GM). In addition, no adjustment to reflect the time value of money and financial risk has been considered in the measurement of the liability, because the financing component is considered to be not significant. For the recognition of the acquisition costs, it was decided not to use the option provided for annual contracts in paragraph 59(a) of IFRS 17. These costs have been recognised on an accrual basis in accordance with paragraph B.125 of the Standard.

8.3 Changes in the carrying amount of reinsurance contracts held per measurement component – Life Segment (1/2)

(millions of euro)

Captions/Measurement components	31.12.2023				31.12.2022			
	Measurement components of the carrying amount of reinsurance contracts held				Measurement components of the carrying amount of reinsurance contracts held			
	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total
A. Opening carrying amount								
1. Reinsurance contracts held that are assets	33	3	24	60	-1	1	10	10
2. Reinsurance contracts held that are liabilities	-14	-	-	-14	-	-	-	-
3. Net carrying amount as at 1 January	19	3	24	46	-1	1	10	10
B. Changes that relate to current service								
1. Contractual service margin recognised in profit or loss	-	-	-	-	-	-	-1	-1
2. Change in risk adjustment for non-financial risk for risk expired	-	-1	-	-1	-	-	-	-
3. Experience adjustments	4	-	-	4	6	-	-	6
4. Total	4	-1	-	3	6	-	-1	5
C. Changes that relate to future service								
1. Changes in estimates that adjust the contractual service margin	12	1	-16	-3	-17	2	15	-
2. Effects of contracts initially recognised in the period	-	-	-	-	-	-	-	-
3. Adjustment of the contractual service margin connected to recoveries related to the initial recognition of onerous underlying insurance contracts	-	-	-	-	-	-	-	-
4. Reversals of the loss-recovery component other than changes in cash flows from reinsurance contracts held	-	-	-	-	-	-	-	-
5. Changes in cash flows from reinsurance contracts held arising from onerous underlying insurance contracts	-	-	-	-	-	-	-	-
6. Total	12	1	-16	-3	-17	2	15	-
D. Changes that relate to past service	-1	-	-	-1	8	-	-	8
1. adjustments to the asset for incurred claims	-1	-	-	-1	8	-	-	8
E. Effects of changes in the risk of non-performance by reinsurers	-	-	-	-	-	-	-	-
F. Insurance service result (B+C+D+E)	15	-	-16	-1	-3	2	14	13
G. Financial income/expenses								
1. From reinsurance contracts held	-	-	-	-	-	-	-	-
1.1 Recognised in profit or loss	-	-	-	-	-	-	-	-
1.2. Recognised in other comprehensive income	-	-	-	-	-	-	-	-
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-
3. Total	-	-	-	-	-	-	-	-
H. Total amount recognised in profit or loss and in other comprehensive income (F+ G)	15	-	-16	-1	-3	2	14	13
I. Other changes	-1	1	-	-	-	-	-	-

8.3 Changes in the carrying amount of reinsurance contracts held per measurement component – Life Segment (2/2)

(millions of euro)

Captions/Measurement components	31.12.2023				31.12.2022			
	Measurement components of the carrying amount of reinsurance contracts held				Measurement components of the carrying amount of reinsurance contracts held			
	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total
L. Cash movements	-	-	-	-	-	-	-	-
1. Premiums paid net of amounts not related to claims recovered from reinsurers	2	-	-	2	29	-	-	29
2. Amounts recovered from reinsurers	-4	-	-	-4	-6	-	-	-6
3. Total	-2	-	-	-2	23	-	-	23
M. Net carrying amount as at 31 December (A.3+H+I+L.3)	31	4	8	43	19	3	24	46
N. Closing carrying amount	-	-	-	-	-	-	-	-
1. Reinsurance contracts held that are assets	45	4	8	57	33	3	24	60
2. Reinsurance contracts held that are liabilities	-14	-	-	-14	-14	-	-	-14
3. Net carrying amount as at 31 December	31	4	8	43	19	3	24	46

8.3 Changes in the carrying amount of reinsurance contracts held per measurement component – *Non-Life Segment* (1/2)

(millions of euro)

Captions/Measurement components	31.12.2023				31.12.2022			
	Measurement components of the carrying amount of reinsurance contracts held				Measurement components of the carrying amount of reinsurance contracts held			
	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total
A. Opening carrying amount								
1. Reinsurance contracts held that are assets	5	1	8	14	5	1	7	13
2. Reinsurance contracts held that are liabilities	-	-	-	-	-	-	-	-
3. Net carrying amount as at 1 January	5	1	8	14	5	1	7	13
B. Changes that relate to current service								
1. Contractual service margin recognised in profit or loss	-	-	-3	-3	-	-	-1	-1
2. Change in risk adjustment for non-financial risk for risk expired	-	-	-	-	-	-	-	-
3. Experience adjustments	5	-	-	5	-20	-	-	-20
4. Total	5	-	-3	2	-20	-	-1	-21
C. Changes that relate to future service								
1. Changes in estimates that adjust the contractual service margin	-2	-	2	-	-	-	1	1
2. Effects of contracts initially recognised in the period	-3	-	3	-	-1	-	1	-
3. Adjustment of the contractual service margin connected to recoveries related to the initial recognition of onerous underlying insurance contracts	-	-	-	-	-	-	-	-
4. Reversals of the loss-recovery component other than changes in cash flows from reinsurance contracts held	-	-	-	-	-	-	-	-
5. Changes in cash flows from reinsurance contracts held arising from onerous underlying insurance contracts	-	-	-	-	-	-	-	-
6. Total	-5	-	5	-	-1	-	2	1
D. Changes that relate to past service								
1. adjustments to the asset for incurred claims	-1	-	-	-1	1	-	-	1
E. Effects of changes in the risk of non-performance by reinsurers								
	-	-	-	-	-	-	-	-
F. Insurance service result (B+C+D+E)	-1	-	2	1	-20	-	1	-19
G. Financial income/expenses								
1. From reinsurance contracts held	-	-	-	-	-	-	-	-
1.1 Recognised in profit or loss	-	-	-	-	-	-	-	-
1.2. Recognised in other comprehensive income	-	-	-	-	-	-	-	-
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-
3. Total	-	-	-	-	-	-	-	-
H. Total amount recognised in profit or loss and in other comprehensive income (F+ G)	-1	-	2	1	-20	-	1	-19
I. Other changes	-21	-	-	-21	-	-	-	-

8.3 Changes in the carrying amount of reinsurance contracts held per measurement component – *Non-Life Segment* (2/2)

(millions of euro)

Captions/Measurement components	31.12.2023				31.12.2022			
	Measurement components of the carrying amount of reinsurance contracts held				Measurement components of the carrying amount of reinsurance contracts held			
	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total
L. Cash movements	-	-	-	-	-	-	-	-
1. Premiums paid net of amounts not related to claims recovered from reinsurers	10	-	-	10	29	-	-	29
2. Amounts recovered from reinsurers	-1	-	-	-1	-9	-	-	-9
3. Total	9	-	-	9	20	-	-	20
M. Net carrying amount as at 31 December (A.3+H+I+L.3)	-8	1	10	3	5	1	8	14
N. Closing carrying amount	-	-	-	-	-	-	-	-
1. Reinsurance contracts held that are assets	-5	1	10	6	5	1	8	14
2. Reinsurance contracts held that are liabilities	-3	-	-	-3	-	-	-	-
3. Net carrying amount as at 31 December	-8	1	10	3	5	1	8	14

8.4 Changes in the contractual service margin of the reinsurance contracts held broken down by contracts outstanding at the time of transition to IFRS 17 – Life Segment

(millions of euro)

	31.12.2023					31.12.2022				
	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured at fair value at the transition date	Contracts subject to carve-out	Total	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured at fair value at the transition date	Contracts subject to carve-out	Total
Contractual service margin - Opening balance	6	-	18	-	24	7	-	3	-	10
Changes that relate to current service	-	-	-	-	-	-1	-	-	-	-1
- Contractual service margin recognised in profit or loss to reflect services received	-	-	-	-	-	-1	-	-	-	-1
Changes that relate to future service	-2	-	-14	-	-16	-	-	15	-	15
- Changes in estimates that adjust the contractual service margin	-2	-	-14	-	-16	-	-	15	-	15
- Effects of contracts initially recognised in the reference year	-	-	-	-	-	-	-	-	-	-
Financial income/expenses										
1. From reinsurance contracts held	-	-	-	-	-	-	-	-	-	-
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-	-	-
3. Total	-	-	-	-	-	-	-	-	-	-
Total changes recognised in profit or loss and in other comprehensive income	-2	-	-14	-	-16	-1	-	15	-	14
Contractual service margin – Closing balance	4	-	4	-	8	6	-	18	-	24

8.4 Changes in the contractual service margin of the reinsurance contracts held broken down by contracts outstanding at the time of transition to IFRS 17 – *Non-Life Segment*

(millions of euro)

	31.12.2023					31.12.2022				
	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured at fair value at the transition date	Contracts subject to carve-out	Total	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured at fair value at the transition date	Contracts subject to carve-out	Total
Contractual service margin - Opening balance	5	-	3	-	8	6	-	1	-	7
Changes that relate to current service	-3	-	-	-	-3	-1	-	-	-	-1
- Contractual service margin recognised in profit or loss to reflect services received	-3	-	-	-	-3	-1	-	-	-	-1
Changes that relate to future service	6	-	-1	-	5	-	-	2	-	2
- Changes in estimates that adjust the contractual service margin	3	-	-1	-	2	-1	-	2	-	1
- Effects of contracts initially recognised in the reference year	3	-	-	-	3	1	-	-	-	1
Financial income/expenses										
1. From reinsurance contracts held	-	-	-	-	-	-	-	-	-	-
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-	-	-
3. Total	-	-	-	-	-	-	-	-	-	-
Total changes recognised in profit or loss and in other comprehensive income	3	-	-1	-	2	-1	-	2	-	1
Contractual service margin – Closing balance	8	-	2	-	10	5	-	3	-	8

8.5 Measurement components of reinsurance contracts held recognised during the year – Life Segment

This case is not significant for the Group.

8.5 Measurement components of reinsurance contracts held recognised during the year – Non-Life Segment

(millions of euro)

31.12.2023	Originated contracts			Contracts acquired in business combinations			Contracts Transferred by Third Parties		
	Contracts without a loss recovery component	Contracts with a loss recovery component	Total	Contracts without a loss recovery component	Contracts with a loss recovery component	Total	Contracts without a loss recovery component	Contracts with a loss recovery component	Total
A. Estimated present value of future cash outflows of which: Cash flows associated with the acquisition of insurance contracts	-7	-	-7	-	-	-	-	-	-
'of which: Cash flows associated with the acquisition of insurance contracts	-	-	-	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	-4	-	-4	-	-	-	-	-	-
C. Estimate of the net present value of future cash flows (A-B)	-3	-	-3	-	-	-	-	-	-
D. Estimate adjustment for non-financial risks	-	-	-	-	-	-	-	-	-
E. Derecognition of cash flows already booked	-	-	-	-	-	-	-	-	-
F. Contractual service margin	3	-	3	-	-	-	-	-	-
G. Increase in reinsurance cessions recorded during the year due to the recognition of new contracts (C+D+E+F)	-	-	-	-	-	-	-	-	-

(millions of euro)

31.12.2022	Originated contracts			Contracts acquired in business combinations			Contracts Transferred by Third Parties		
	Contracts without a loss recovery component	Contracts with a loss recovery component	Total	Contracts without a loss recovery component	Contracts with a loss recovery component	Total	Contracts without a loss recovery component	Contracts with a loss recovery component	Total
A. Estimated present value of future cash outflows of which: Cash flows associated with the acquisition of insurance contracts	-4	-	-4	-	-	-	-	-	-
of which: Cash flows associated with the acquisition of insurance contracts	-	-	-	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	-3	21	18	-	-	-	-	-	-
C. Estimate of the net present value of future cash flows (A-B)	-1	-21	-22	-	-	-	-	-	-
D. Estimate adjustment for non-financial risks	-	-	-	-	-	-	-	-	-
E. Derecognition of cash flows already booked	-	-	-	-	-	-	-	-	-
F. Contractual service margin	1	-	1	-	-	-	-	-	-
G. Increase in reinsurance cessions recorded during the year due to the recognition of new contracts (C+D+E+F)	-	-21	-21	-	-	-	-	-	-

8.6 Reinsurance contracts held – Contractual Service Margin (CSM) broken down by expected timing of recognition in the income statement

(millions of euro)

Breakdown of CSM release pattern	31.12.2023			Total
	up to 3 years	4 to 5 years	over 5 years	
Reinsurance contracts				
Life	3	1	4	8
Non-life	5	3	2	10
Total	8	4	6	18

The table above, as required by IFRS 17, shows the breakdown of the CSM by time bands.

Other information

There is no other information to be noted in addition to the above.

SECTION 9 – PROPERTY AND EQUIPMENT – CAPTION 90

	(millions of euro)	
Assets/Amounts	31.12.2023	31.12.2022
1. Property and equipment used in operations measured at cost	2,317	2,483
<i>Of which - Property and equipment used in operations - Rights of use acquired under leases</i>	1,372	1,495
2. Investment property measured at cost	-	-
3. Property and equipment used in operations, revalued	6,335	6,381
<i>Of which - Property and equipment used in operations, revalued - Rights of use acquired under leases</i>	-	-
4. Investment property measured at fair value	887	770
<i>Of which - Investment property - Rights of use acquired under leases</i>	-	-
5. Inventories of property and equipment governed by IAS 2	286	871
Total Property and equipment caption 90	9,825	10,505

9.1 Property and equipment used in operations: breakdown of assets measured at cost

	(millions of euro)	
	31.12.2023	31.12.2022
1. Property and equipment owned	945	988
a) land	-	-
b) buildings	-	-
c) furniture	212	194
d) electronic equipment	682	748
e) other	51	46
2. Rights of use acquired through the lease	1,372	1,495
a) land	1	1
b) buildings	1,120	1,218
c) furniture	-	-
d) electronic equipment	23	36
e) other	228	240
Total	2,317	2,483
<i>of which: resulting from the enforcement of guarantees</i>	1	1

9.2 Investment property: breakdown of assets measured at cost

There was no investment property measured at cost in the Intesa Sanpaolo Group.

9.3 Property and equipment used in operations: breakdown of revalued assets

	(millions of euro)					
	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Property and equipment owned	-	-	6,335	-	-	6,381
a) land	-	-	2,634	-	-	2,641
b) buildings	-	-	3,399	-	-	3,429
c) valuable art assets	-	-	302	-	-	311
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. Rights of use acquired through the lease	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
TOTAL	-	-	6,335	-	-	6,381
<i>of which: resulting from the enforcement of guarantees</i>	-	-	1	-	-	-

9.4 Investment property: breakdown of assets measured at fair value

	(millions of euro)					
	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Property and equipment owned	-	-	887	-	-	770
a) land	-	-	309	-	-	271
b) buildings	-	-	578	-	-	499
2. Rights of use acquired through the lease	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
TOTAL	-	-	887	-	-	770
<i>of which: resulting from the enforcement of guarantees</i>	-	-	100	-	-	114

With regard to the provisions of IAS 40, paragraph 75, letters c), g) and h), there was no information worth mentioning.

9.5 Inventories of property and equipment governed by IAS 2: breakdown

	31.12.2023	Of which:			(millions of euro)
		Banking group	Insurance companies	Other companies	31.12.2022
1. Inventories of property and equipment resulting from the enforcement of guarantees	161	161	-	-	192
a) land	7	7	-	-	13
b) buildings	154	154	-	-	179
c) furniture	-	-	-	-	-
d) electronic equipment	-	-	-	-	-
e) other	-	-	-	-	-
2. Other inventories of property and equipment	125	26	-	99	679
Total	286	187	-	99	871
<i>of which: measured at fair value less cost to sell</i>	4	4	-	-	6

9.6 Property and equipment used in operations: annual changes

	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
	(millions of euro)						
A. Gross initial carrying amount	2,642	5,614	2,096	6,796	311	459	17,918
A.1 Total net adjustments	-	-967	-1,902	-6,012	-	-173	-9,054
A.2 Net initial carrying amount	2,642	4,647	194	784	311	286	8,864
B. Increases	100	577	57	161	11	106	1,012
B.1 Purchases	6	54	55	160	1	25	301
<i>of which business combinations</i>	-	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	91	-	1	-	-	92
B.3 Recoveries	-	1	-	-	-	-	1
B.4 Positive fair value differences recognised in:	87	174	-	-	1	-	262
<i>a) shareholders' equity</i>	77	165	-	-	-	-	242
<i>b) income statement</i>	10	9	-	-	1	-	20
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-
B.6 Transfer from investment property	1	2	X	X	X	X	3
B.7 Other changes	6	255	2	-	9	81	353
C. Decreases	-107	-705	-39	-240	-20	-113	-1,224
C.1 Sales	-1	-3	-1	-3	-	-2	-10
<i>of which business combinations</i>	-	-	-	-	-	-	-
C.2 Depreciation	-	-313	-32	-217	-	-93	-655
C.3 Impairment losses recognised in:	-	-3	-1	-8	-	-10	-22
<i>a) shareholders' equity</i>	-	-2	-	-	-	-	-2
<i>b) income statement</i>	-	-1	-1	-8	-	-10	-20
C.4 Negative fair value differences recognised in:	-36	-37	-	-	-14	-	-87
<i>a) shareholders' equity</i>	-23	-8	-	-	-4	-	-35
<i>b) income statement</i>	-13	-29	-	-	-10	-	-52
C.5 Negative foreign exchange differences	-9	-18	-1	-1	-	-1	-30
C.6 Transfer to:	-61	-126	-	-	-	-	-187
<i>a) investment</i>	-58	-120	X	X	X	X	-178
<i>b) non-current assets held for sale and discontinued operations</i>	-3	-6	-	-	-	-	-9
C.7 Other changes	-	-205	-4	-11	-6	-7	-233
D. Net final carrying amount	2,635	4,519	212	705	302	279	8,652
D.1 Total net adjustments	-	-929	-1,927	-5,993	-	-179	-9,028
D.2 Gross final carrying amount	2,635	5,448	2,139	6,698	302	458	17,680
E. Measurement at cost	1,775	2,303	-	-	114	-	4,192

The table above shows the values of owned assets, as well as the rights of use acquired under leases.

As explained in Part A – Fair value of real estate and valuable art assets, in accordance with the rules on valuation frequencies, the properties classified as owner-occupied assets, including trophy assets, included in the real estate portfolio, and the valuable art assets were fully valued during the year, through external appraisals, entrusted to qualified and independent experts.

Sub-captions B.4 and C.4 respectively report the positive and negative changes in fair value relating to owner-occupied real estate (land and buildings) and valuable art assets, for which the Bank applies the revaluation model.

The Other changes, both increases and decreases, refer mainly to renegotiations and early terminations during the year of leases (IFRS 16) and, only regarding decreases, to amortisation and depreciation recorded during the year on assets deriving from the acquisition of business lines of the former Venetian banks, covered using the allowance for risks and charges specifically allocated at the time.

Sub-caption E. Measurement at cost only contains property and equipment measured according to the revaluation model, in compliance with the instructions set out in Circular 262 of the Bank of Italy.

9.6 Of which - Property and equipment used in operations - Rights of use acquired under leases: annual changes

	(millions of euro)						
	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
A. Gross initial carrying amount	1	1,936	-	75	-	274	2,286
A.1 Total net adjustments	-	-718	-	-39	-	-34	-791
A.2 Net initial carrying amount	1	1,218	-	36	-	240	1,495
B. Increases	-	289	-	12	-	80	381
B.1 Purchases	-	37	-	9	-	19	65
<i>of which business combinations</i>	-	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-	-
B.4 Positive fair value differences recognised in:	-	-	-	-	-	-	-
a) <i>shareholders' equity</i>	-	-	-	-	-	-	-
b) <i>income statement</i>	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	X	X	X	X	-
B.7 Other changes	-	252	-	3	-	61	316
C. Decreases	-	-387	-	-25	-	-92	-504
C.1 Sales	-	-1	-	-1	-	-	-2
<i>of which business combinations</i>	-	-	-	-	-	-	-
C.2 Depreciation	-	-202	-	-20	-	-84	-306
C.3 Impairment losses recognised in:	-	-	-	-	-	-	-
a) <i>shareholders' equity</i>	-	-	-	-	-	-	-
b) <i>income statement</i>	-	-	-	-	-	-	-
C.4 Negative fair value differences recognised in:	-	-	-	-	-	-	-
a) <i>shareholders' equity</i>	-	-	-	-	-	-	-
b) <i>income statement</i>	-	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-1	-	-	-	-1	-2
C.6 Transfer to:	-	-	-	-	-	-	-
a) <i>investment</i>	-	-	X	X	X	X	-
b) <i>non-current assets held for sale and discontinued operations</i>	-	-	-	-	-	-	-
C.7 Other changes	-	-183	-	-4	-	-7	-194
D. Net final carrying amount	1	1,120	-	23	-	228	1,372
D.1 Total net adjustments	-	-842	-	-19	-	-37	-898
D.2 Gross final carrying amount	1	1,962	-	42	-	265	2,270
E. Measurement at cost	-	-	-	-	-	-	-

The Other changes, both increases and decreases, refer mainly to renegotiations and early terminations during the year of leases (IFRS 16).

9.7 Investment property: annual changes

	(millions of euro)	
	TOTAL	
	Land	Buildings
A. Initial carrying amount	271	499
B. Increases	72	144
B.1 Purchases	-	-
<i>of which business combinations</i>	-	-
B.2 Capitalised improvement costs	-	7
B.3 Positive fair value differences	6	8
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	1
B.6 Transfer from investment property	58	120
B.7 Other changes	8	8
C. Decreases	-34	-65
C.1 Sales	-10	-27
<i>of which business combinations</i>	-	-
C.2 Depreciation	-	-
C.3 Negative fair value differences	-7	-8
C.4 Impairment losses	-	-
C.5 Negative foreign exchange differences	-	-
C.6 Transfer to	-15	-27
a) <i>property used in operations</i>	-1	-2
b) <i>non-current assets held for sale and discontinued operations</i>	-14	-25
C.7 Other changes	-2	-3
D. Final carrying amount	309	578
E. Fair value measurement	-	-

The table above shows the values of owned assets, as well as the rights of use acquired under leases.

Investment property, comprised of land and buildings, is measured at fair value, in compliance with IAS 40.

Sub-captions B.3 Positive fair value differences and C.3 Negative fair value differences reflect the recognition of the effects of the update of the appraisals for the investment properties. See Part A - Information on fair value - Fair value of real estate and valuable art assets for more information on the measurement criteria.

9.7 Of which - Investment property - Rights of use acquired under leases: annual changes

As at 31 December 2023, the amount for Investment property - Rights of use acquired under leases was immaterial.

9.8 Inventories of property and equipment governed by IAS 2: annual changes

Assets/Amounts	Inventories of property and equipment resulting from the enforcement of guarantees					Other inventories of property and equipment	TOTAL
	Land	Buildings	Furniture	Electronic equipment	Other		
	(millions of euro)						
A. Initial carrying amount	13	179	-	-	-	679	871
B. Increases	11	5	-	-	4	7	27
B.1 Purchases	-	-	-	-	4	-	4
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	1	-	-	-	-	-	1
B.4 Other changes	10	5	-	-	-	7	22
C. Decreases	-17	-30	-	-	-4	-561	-612
C.1 Sales	-5	-21	-	-	-4	-559	-589
C.2 Impairment losses	-	-7	-	-	-	-2	-9
C.3 Negative foreign exchange differences	-1	-	-	-	-	-	-1
C.4 Other changes	-11	-2	-	-	-	-	-13
D. Final carrying amount	7	154	-	-	-	125	286

The sub-caption C.1 mainly relates to other companies (Risanamento S.p.A.).

9.8 Inventories of property and equipment governed by IAS 2: annual changes (of which: Banking Group)

Assets/Amounts	Inventories of property and equipment resulting from the enforcement of guarantees					Other inventories of property and equipment	TOTAL
	Land	Buildings	Furniture	Electronic equipment	Other		
	(millions of euro)						
A. Initial carrying amount	3	178	-	-	-	24	205
B. Increases	11	5	-	-	4	6	26
B.1 Purchases	-	-	-	-	4	-	4
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	1	-	-	-	-	-	1
B.4 Other changes	10	5	-	-	-	6	21
C. Decreases	-7	-29	-	-	-4	-4	-44
C.1 Sales	-5	-20	-	-	-4	-4	-33
C.2 Impairment losses	-	-7	-	-	-	-	-7
C.3 Negative foreign exchange differences	-1	-	-	-	-	-	-1
C.4 Other changes	-1	-2	-	-	-	-	-3
D. Final carrying amount	7	154	-	-	-	26	187

9.8 Inventories of property and equipment governed by IAS 2: annual changes (of which: insurance companies)

There were no inventories of property and equipment governed by IAS 2 pertaining to insurance companies of the Intesa Sanpaolo Group.

9.8 Inventories of property and equipment governed by IAS 2: annual changes (of which: other companies)

Assets/Amounts	Inventories of property and equipment resulting from the enforcement of guarantees					Other inventories of property and equipment	TOTAL
	Land	Buildings	Furniture	Electronic equipment	Other		
	(millions of euro)						
A. Initial carrying amount	10	1	-	-	-	655	666
B. Increases	-	-	-	-	-	1	1
B.1 Purchases	-	-	-	-	-	-	-
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	1	1
C. Decreases	-10	-1	-	-	-	-557	-568
C.1 Sales	-	-1	-	-	-	-555	-556
C.2 Impairment losses	-	-	-	-	-	-2	-2
C.3 Negative foreign exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-10	-	-	-	-	-	-10
D. Final carrying amount	-	-	-	-	-	99	99

9.9 Commitments to purchase property and equipment

Commitments to purchase property and equipment in existence as at 31 December 2023 amounted to approximately 4 million euro, mainly relating to efficiency improvement measures implemented on the systems installations in the Group's head office buildings. Any commitments relating to lease agreements are illustrated in Part M.

SECTION 10 - INTANGIBLE ASSETS - CAPTION 100**10.1 Intangible assets: breakdown by type of asset**

	31.12.2023		(millions of euro)							
			Banking group		Of which: Insurance companies		Other companies		31.12.2022	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	X	3,672	X	2,665	X	1,007	X	-	X	3,626
A.1.1 Group	x	3,672	x	2,665	x	1,007	x	-	x	3,626
A.1.2 Minority interests	x	-	x	-	x	-	x	-	x	-
A.2 Other intangible assets	3,970	1,882	3,783	1,882	172	-	15	-	3,729	1,882
<i>of which: software</i>	3,307	-	3,178	-	129	-	-	-	3,013	-
A.2.1 Assets measured at cost	3,970	1,882	3,783	1,882	172	-	15	-	3,729	1,882
a) Internally generated intangible assets	2,308	-	2,212	-	96	-	-	-	2,386	-
b) Other assets	1,662	1,882	1,571	1,882	76	-	15	-	1,343	1,882
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	3,970	5,554	3,783	4,547	172	1,007	15	-	3,729	5,508

As at 31 December 2023, the amount for software was 3,307 million euro, of which 2,306 million euro produced internally and 1,001 million euro purchased externally.

The allocation of goodwill between "Cash Generating Units" is reported in the following table.

CGUs/Goodwill	(millions of euro)	
	31.12.2023	31.12.2022
Banca dei Territori	-	-
IMI Corporate & Investment Banking	56	56
Insurance	1,007	976
Asset Management	1,060	1,059
Private Banking	1,549	1,535
International Subsidiary Banks	-	-
Bank of Alexandria (Egypt)	-	-
Pravex Bank (Ukraine)	-	-
GROUP TOTAL	3,672	3,626

For a breakdown of the CGUs, see the next chapter "Information on intangible assets and goodwill".

10.2 Intangible assets: annual changes

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	20,824	8,388	-	10,997	2,386	42,595
A.1 Total net adjustments	-17,198	-6,002	-	-9,654	-504	-33,358
A.2 Net initial carrying amount	3,626	2,386	-	1,343	1,882	9,237
B. Increases	46	768	-	649	-	1,463
B.1 Purchases	31	84	-	554	-	669
<i>of which business combinations</i>	31	-	-	15	-	46
B.2 Increases of internally generated intangible assets	X	652	-	-	-	652
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	15	-	-	3	-	18
B.6 Other changes	-	32	-	92	-	124
C. Decreases	-	-846	-	-330	-	-1,176
C.1 Sales	-	-50	-	-23	-	-73
<i>of which business combinations</i>	-	-	-	-	-	-
C.2 Impairment losses	-	-704	-	-269	-	-973
- Amortisation	X	-697	-	-260	-	-957
- Write-downs recognised in	-	-7	-	-9	-	-16
<i>shareholders' equity</i>	X	-	-	-	-	-
<i>income statement</i>	-	-7	-	-9	-	-16
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-92	-	-38	-	-130
D. Net final carrying amount	3,672	2,308	-	1,662	1,882	9,524
D.1 Total net adjustments	-17,198	-6,706	-	-9,923	-504	-34,331
E. Gross final carrying amount	20,870	9,014	-	11,585	2,386	43,855
F. Measurement at cost	-	-	-	-	-	-

Sub-caption B.1 includes the increase due to Goodwill arising from the acquisition of the Blue Assistance business line in 2023.

10.2 Intangible assets: annual changes (of which: Banking Group)

	(millions of euro)					
	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	19,094	8,320	-	9,322	2,386	39,122
A.1 Total net adjustments	-16,444	-5,954	-	-8,081	-504	-30,983
A.2 Net initial carrying amount	2,650	2,366	-	1,241	1,882	8,139
B. Increases	15	685	-	617	-	1,317
B.1 Purchases	-	33	-	524	-	557
<i>of which business combinations</i>	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	652	-	-	-	652
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	15	-	-	3	-	18
B.6 Other changes	-	-	-	90	-	90
C. Decreases	-	-839	-	-287	-	-1,126
C.1 Sales	-	-50	-	-23	-	-73
<i>of which business combinations</i>	-	-	-	-	-	-
C.2 Impairment losses	-	-697	-	-248	-	-945
- Amortisation	X	-690	-	-239	-	-929
- Write-downs recognised in	-	-7	-	-9	-	-16
<i>shareholders' equity</i>	X	-	-	-	-	-
<i>income statement</i>	-	-7	-	-9	-	-16
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-92	-	-16	-	-108
D. Net final carrying amount	2,665	2,212	-	1,571	1,882	8,330
D.1 Total net adjustments	-16,444	-6,651	-	-8,329	-504	-31,928
E. Gross final carrying amount	19,109	8,863	-	9,900	2,386	40,258
F. Measurement at cost	-	-	-	-	-	-

10.2 Intangible assets: annual changes (of which: Insurance companies)

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	1,712	68	-	1,565	-	3,345
A.1 Total net adjustments	-736	-48	-	-1,481	-	-2,265
A.2 Net initial carrying amount	976	20	-	84	-	1,080
B. Increases	31	83	-	30	-	144
B.1 Purchases	31	51	-	30	-	112
<i>of which business combinations</i>	31	-	-	15	-	46
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	32	-	-	-	32
C. Decreases	-	-7	-	-38	-	-45
C.1 Sales	-	-	-	-	-	-
<i>of which business combinations</i>	-	-	-	-	-	-
C.2 Impairment losses	-	-7	-	-16	-	-23
- Amortisation	X	-7	-	-16	-	-23
- Write-downs recognised in	-	-	-	-	-	-
<i>shareholders' equity</i>	X	-	-	-	-	-
<i>income statement</i>	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-22	-	-22
D. Net final carrying amount	1,007	96	-	76	-	1,179
D.1 Total net adjustments	-736	-55	-	-1,497	-	-2,288
E. Gross final carrying amount	1,743	151	-	1,573	-	3,467
F. Measurement at cost	-	-	-	-	-	-

10.2 Intangible assets: annual changes (of which: Other companies)

	(millions of euro)					Total
	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	18	-	-	110	-	128
A.1 Total net adjustments	-18	-	-	-92	-	-110
A.2 Net initial carrying amount	-	-	-	18	-	18
B. Increases	-	-	-	2	-	2
B.1 Purchases	-	-	-	-	-	-
<i>of which business combinations</i>	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	2	-	2
C. Decreases	-	-	-	-5	-	-5
C.1 Sales	-	-	-	-	-	-
<i>of which business combinations</i>	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-5	-	-5
- Amortisation	X	-	-	-5	-	-5
- Write-downs recognised in	-	-	-	-	-	-
<i>shareholders' equity</i>	X	-	-	-	-	-
<i>income statement</i>	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	-	-	-	15	-	15
D.1 Total net adjustments	-18	-	-	-97	-	-115
E. Gross final carrying amount	18	-	-	112	-	130
F. Measurement at cost	-	-	-	-	-	-

10.3 Other information

As at 31 December 2023, there were commitments relating to investments in intangible assets, primarily software, of approximately 54 million euro.

Information on intangible assets and goodwill

The application of IFRS 3 to the accounting of acquisitions may lead to the recognition of new intangible assets and goodwill. In the case of the Intesa Sanpaolo Group, the merger between Banca Intesa and Sanpaolo IMI and the subsequent acquisitions led to the recognition of significant amounts for intangible assets and goodwill.

With regard to movements of intangible assets and goodwill in 2023, during the second quarter an operation regarding a long-term business partnership between Intesa Sanpaolo Vita and Blue Assistance, a company in the Reale Mutua Group specialising in healthcare was finalised, to create a TPA (Third Party Administrator) to provide administrative, settlement and consulting services and to develop a network of affiliated healthcare facilities to support the offering of health insurance services. The structure of the operation entailed the contribution to InSalute Servizi, a subsidiary of Intesa Sanpaolo Vita dedicated to handling claims through affiliated healthcare facilities, of a business line of Blue Assistance mainly comprised of the technology platform and network of affiliated facilities in exchange for a reserved capital increase of InSalute Servizi. The contribution of the business line by Blue Assistance resulted in InSalute Servizi, and thus the Intesa Sanpaolo Group, obtaining control of the line pursuant to IFRS 10, and, as a result, the operation was considered a business combination to be recorded based on the provisions of IFRS 3. As part of the Purchase Price Allocation (PPA) process, goodwill of 31 million euro was recognised, as the difference between the total acquisition cost and the shareholders' equity at fair value of the line at the acquisition date, which was allocated to the Insurance CGU. For more details on the operation, refer to Part G – Business combinations of these Notes to the consolidated financial statements.

Moreover, in the fourth quarter of the year, an adjustment of 5 million euro was recognised relating to intangible assets linked to assets under management, recognised in 2022 following the acquisition of control of VUB Generali, a joint venture launched with the Generali Group in 2004 to develop the offer of voluntary contribution pension funds in Slovakia. That adjustment was the result of a series of bills approved by the new government following the parliamentary elections held on 30 September 2023, including a reduction in the maximum percentage of contribution to pension funds by private individuals, which is the main market of VUB Generali. This had a negative impact on the forward-looking evolution of the amount of assets under management, and thus, the returns from the company's fee and commission income. That factor represented a clear indicator of impairment which, pursuant to IAS 36, required the updated calculation of the recoverable amount of the intangible assets, which showed the need to carry out an adjustment of 5 million euro before tax.

Lastly, on 1 January 2023, the new accounting standard IFRS 17 Insurance Contracts entered into force. Among other things, this standard introduced new capital amounts and different methods for recording insurance products. Specifically, the new standard requires that, on First Time Adoption, any amounts that would not have been recognised in application of IFRS 17 be derecognised, as if the standard had always been applied. Therefore, insurance intangible assets falling within the scope of application of IFRS 17, recognised by Intesa Sanpaolo Group up to 31 December 2022 and linked to the profitability of "product factory" and "distribution" were derecognised on first-time adoption of the standard, through shareholders' equity. Conversely, the intangible assets recognised for insurance products classified as investments falling within the scope of application of IFRS 9 continue to be posted in the Financial Statements and amortised based on the place defined at the time of acquisition.

The table below summarises the values of the intangible assets and goodwill recorded in the consolidated financial statements with the related changes during the period, subdivided by Cash Generating Unit (CGU), which represent the groups of assets subject to impairment testing on intangible assets in order to determine the recoverable amount.

CGU	(millions of euro)						Financial Statements 2023
	Financial Statements 2022	Introduction IFRS 17	Contribution of Blue Assistance to Insalute Servizi	Amortisation	Impairment losses	Other changes (1)	
BANCA DEI TERRITORI DIVISION	1,811	-103	-	-15	-	-	1,693
- Asset management intangibles - distribution	187	-	-	-14	-	-	173
- Insurance intangibles - distribution	103	-103	-	-	-	-	-
- Brand name intangibles	1,507	-	-	-	-	-	1,507
- Intangible asset under administration	14	-	-	-1	-	-	13
- Goodwill	-	-	-	-	-	-	-
DIVISIONE IMI CORPORATE & INVESTMENT BANKING	56	-	-	-	-	-	56
- Goodwill	56	-	-	-	-	-	56
ASSET MANAGEMENT DIVISION	1,159	-	-	-6	-	1	1,154
- Asset management intangibles - prod. and distribut.	100	-	-	-6	-	-	94
- Goodwill	1,059	-	-	-	-	1	1,060
PRIVATE BANKING DIVISION	2,217	-45	-	-18	-	18	2,172
- Asset management intangibles - prod. and distribut.	213	-	-	-15	-	4	202
- Insurance intangibles - distribution	45	-45	-	-	-	-	-
- Intangible Core Deposits	29	-	-	-2	-	-	27
- Brand name intangibles	375	-	-	-	-	-	375
- Intangible asset under administration	20	-	-	-1	-	-	19
- Goodwill	1,535	-	-	-	-	14	1,549
INSURANCE DIVISION	1,473	-444	31	-12	-	-	1,048
- Insurance intangibles - production	497	-444	-	-12	-	-	41
- Goodwill	976	-	31	-	-	-	1,007
DIVISIONE INTERNATIONAL SUBSIDIARY BANKS	79	-	-	-3	-5	-	71
- Intangible asset management - production	79	-	-	-3	-5	-	71
BANK OF ALEXANDRIA (Egypt)	-	-	-	-	-	-	-
PRAVEX BANK (Ukraine)	-	-	-	-	-	-	-
CGU TOTAL	6,795	-592	31	-54	-5	19	6,194
- Asset management intangibles	579	-	-	-38	-5	4	540
- Insurance intangibles	645	-592	-	-12	-	-	41
- Intangible Core Deposits	29	-	-	-2	-	-	27
- Intangible asset under administration	34	-	-	-2	-	-	32
- Brand name intangibles	1,882	-	-	-	-	-	1,882
- Goodwill	3,626	-	31	-	-	15	3,672

(1) Foreign exchange differences on the goodwill attributable to Eurizon Capital SLJ and on the portion of amortisation of intangibles attributable to Reyl & Cie SA.

The intangible assets with finite useful lives recognised refer to customer relationships and relate to the valuation of insurance products (Value of Business Acquired) classified as investments, falling within the scope of application of IFRS 9, Assets Under Administration (AUA), Assets Under Management (AUM) and Core Deposits. For the intangible assets with a finite useful life, the amortisation for the year was recognised to the income statement (under “220. Net adjustments to/recoveries on intangible assets”) for a total of 54 million euro gross of the tax effect.

The brand name, an intangible asset related to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.

Based on IAS 36, both intangible assets with an indefinite useful life and goodwill are submitted to impairment testing on an annual basis to verify recoverability of their value. In addition, intangible assets with a finite useful life must be tested for impairment whenever there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value and the value in use, less costs to sell.

Lastly, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows arising from intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows arising from the asset initially recognised according to IFRS 3 and those relating to the asset outstanding at the impairment test date. This because it would be difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers, contracts, etc., to separate cash flows relating to the original asset from others.

This concept can also be applied in impairment testing of goodwill to calculate the Value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.

Pursuant to IAS 36, the recoverable amount consists of the higher of the fair value and the value in use, less costs to sell. As in previous financial statements, given the volatility of the financial markets and the scenario of uncertainty that marks the values taken from the markets, especially with regard to the Italian and European banking sector, which is still suffering more than other sectors in terms of P/BV and P/E, as well as being far from the values that the market expressed prior to the financial crisis of 2008, to calculate the recoverable amount, the Value in use that represents the present value of net future cash flows from the asset (or business) being valued was used in also the impairment tests for the 2023 Financial Statements. It is also important to consider that the fair value, represented by the stock market price pursuant to IFRS 13, is available for Intesa Sanpaolo as a whole, not by single CGU which, instead, is the level at which the impairment test of intangible assets must be carried out pursuant to IAS 36. The stock market prices are values that refer to the sale of minority shares which, thus, do not include a premium for control, over a short-term investment horizon, contrary to the logics underlying the impairment test.

As a result, for the financial statements as at 31 December 2023, in line with the previous financial statements, the impairment test on goodwill was conducted by applying the DCF (Discounted Cash Flow) model, to which the Dividend Discounted Model (DDM) is added, as a check of the consistency of the results of using the DCF model. Both of these approaches were based on the individual estimates made internally for the 2024-2028 period, which for the years up to 2025 represent the forecasts in the 2022-2025 Business Plan, updated to take account of the changed macroeconomic scenario, whereas the final two years of forecasts were estimated through inertial tracking of the flows for 2025, on the basis of internal forecasts relating to the aforementioned macroeconomic scenario, which extend to 2028. It is noted that the tests mentioned above did not concern the Banca dei Territori, International Subsidiary Banks, Bank of Alexandria or Pravex Bank CGUs in consideration of the absence, as of the date of the test, of goodwill allocated to those CGUs to be subject to impairment test. These tests were also accompanied by an autonomous test, using an independent expert, of the fair value of the component of the brand name attributable to Banca dei Territori, the CGU to which the main portion of that intangible asset is allocated and which did not have any allocated goodwill as at 31 December 2023.

The results of the impairment test as at 31 December 2023 showed no need to recognise any goodwill impairment or adjustments to intangible assets with an indefinite life (brand name) with regard to any of the CGUs in the Intesa Sanpaolo Group.

Lastly, the methods, assumptions and results of the impairment test procedures for intangible assets and goodwill defined by management were approved by the Board of Directors prior to approval of the draft financial statements for 2023.

Impairment testing of intangibles

Insurance portfolio

As mentioned above, the intangible assets related to insurance products falling within the scope of IFRS 17 were derecognised in the consolidated financial statements upon first time adoption (FTA) and therefore no longer need to be tested for impairment.

With regard to the intangible assets related to insurance products falling within the scope of IFRS 9, on the other hand, these continue to be recognised and amortised according to the original amortisation schedule. Given that IAS 36 stipulates impairment testing must not be limited only to the cash flows deriving from the policies acquired, but should take account of all the cash flows linked to the assets of the specific CGU, and considering the immateriality of the contracts underlying the initial valuation of those intangible assets with respect to the total contracts in the Insurance CGU as a whole, it is confirmed that there were no signs of impairment of those intangible assets.

The following table presents a summary of the values of insurance intangibles according to the relevant CGU.

CGU	(millions of euro)			
	Financial statements 2022	FTA IFRS 17	Amortisation	Financial statements 2023
BANCA DEI TERRITORI DIVISION				
Insurance intangibles - distribution	103	-103	-	-
INSURANCE DIVISION				
Insurance intangibles - production	497	-444	-12	41
PRIVATE BANKING DIVISION				
Intangibles asset management - distribution	45	-45	-	-
GROUP TOTAL	645	-592	-12	41

Asset management and administration portfolio

The intangible asset recognised in Intesa Sanpaolo's financial statements is regarded as having a finite useful life. Accordingly, for the purposes of the 2023 Financial Statements, analyses were conducted on the main indicators of the value of this asset, which were also monitored throughout the year (these include trends in assets, redemption rates, and net interest and other banking income net of operating costs and tax effects). Those analyses regarded the component of the intangible assets linked to assets under administration (AUA) and under management (AUM), represented by the capacity of the relationships existing at the acquisition date to generate cash flows over the residual useful life of those relationships, recognised in the financial statements following the acquisitions that were carried out over time.

More specifically, this aspect concerns the asset management portfolios of the former Venetian banks, acquired in 2017, and of the Morval Group, acquired by Fideuram - Intesa Sanpaolo Private Banking in 2018. Subsequently, as part of the acquisition of the UBI Group, during 2020 intangible assets were measured linked to indirect customer deposits and, in particular, the intangible assets pertaining to assets under administration (AUA) and assets under management (AUM), whereas during 2021 the intangible assets relating to the assets under administration and assets under management of Reyl & Cie SA, a Swiss private bank with an international presence, were recognised. Lastly, in 2022 new customer relationships related intangible assets were recognised in connection with the indirect customer deposits of Compagnie de Banque Privée Quilvest (CBPQ) and VUB Generali, amounting to 43 and 80 million euro as at the acquisition date, respectively.

As stated above, IAS 36 provides that impairment testing must not be limited only to the cash flows deriving from the assets acquired, but should take account of all the cash flows linked to the assets of the specific CGU, also including the cash flows generated after initial measurement of the intangible assets. On this regard, it is noted that the volumes of assets underlying the measurement of the intangible assets recognised in the financial statements are negligible if compared with the total assets of the CGUs.

Accordingly, in the light of the above, it can be confirmed that there were no signs of impairment of the intangible assets recognised in the financial statements and pertaining to asset under management and asset under administration relationships.

Lastly, in addition to the above, the analyses conducted on intangible AuM recognised following the acquisition of VUB Generali are noted. In 2022, the Intesa Sanpaolo Group, through its subsidiary Vseobecna Uverova Banka A.S. (VUB), acquired control of VUB Generali, a joint venture launched in 2004 with the Generali Group to develop the offering of voluntary contribution pension funds in Slovakia. As part of the PPA process in accordance with IFRS 3, a specific intangible asset was identified and valued, with the aid of an independent expert, related to the asset management business carried out by the acquired entity. In this particular case, VUB Generali operates in the retirement savings sector, as one of the leading pension fund management companies in the Slovak market. For the valuation of the intangible asset at the acquisition date, the expert estimated the fair value of the intangible asset using a Discounted Cash Flow (DCF) Model, which discounted the cash flows generated by the assets under management at the acquisition date net of operating costs, taxes and the capital requirement, taking into account a projected contribution from the beneficiaries of the fund based on rates consistent with a scenario incorporating the government's legislative measures at the time. Following the parliamentary elections held on 30 September 2023, the new Slovakian government provided for the reduction of the maximum percentage contribution to pension funds by private individuals, which is the company's main market, with a consequent reduction in the percentage contribution. This had a negative impact on the prospective evolution of the assets under management and, consequently, on the fee and commission income for VUB Generali. This is a clear indicator of impairment which, according to IAS 36, requires an updated calculation of the recoverable amount of the intangible asset. As a result, the independent expert was commissioned to update the valuation carried during the PPA, which took into account the prospective cash flows related to the assets under management based on the contribution percentages established by the recent government measure, and which determined a recoverable amount of the intangible asset that was lower than its carrying amount, resulting in the recognition of an adjustment of 5 million euro.

As at 31 December 2023, taking account of the portion amortised in the meantime, the intangible asset linked to AUM was allocated to the Banca dei Territori CGU (173 million euro), to the Private Banking CGU (202 million euro), to the Asset Management CGU (94 million euro) and to the International Subsidiary Banks CGU (71 million euro). Likewise, the intangible asset linked to AUA, taking account of the component of amortisation recorded during the year, was allocated to the Banca dei Territori CGU, for the component distributed by the branches deriving from UBI Banca (13 million euro), and to the Private Banking CGU, for the component distributed to customers of IW Private Investments SIM (19 million euro) as at 31 December 2022.

The following table summarises the values of the intangible AuM and AuA, allocated to the Group's CGUs for the 'production' and 'distribution' components.

CGU	(millions of euro)				
	Financial statements 2022	Amortisation	Other changes (1)	Impairment losses	Financial statements 2023
BANCA DEI TERRITORI DIVISION					
Intangible asset management - distribution	187	-14	-	-	173
Intangible asset under administration	14	-1	-	-	13
PRIVATE BANKING DIVISION					
Intangible asset management - produc. and distribut.	213	-15	4	-	202
Intangible asset under administration	20	-1	-	-	19
ASSET MANAGEMENT DIVISION					
Intangible asset management - produc. and distribut.	100	-6	-	-	94
INTERNATIONAL SUBSIDIARY BANKS DIVISION					
Intangible asset management - distribution	79	-3	-	-5	71
GROUP TOTAL	613	-40	4	-5	572

(1) Foreign exchange differences on intangible assets attributable to REYL & Cie S.A.

Core Deposits

"Core deposits" are "customer-related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the stable and lower funding cost compared to market parameters. Basically, the acquirer may use funding for its lending and investment activities which pays less than the interbank market interest rate. The intangible asset consists of the valuation of this future margin, known as the "deposit premium", which represents an asset the value of which is correlated with the performance of market rates and the assets raised.

This intangible asset was recognised in 2022 as part of the acquisition of Compagnie de Banque Privée Quilvest by Fideuram Bank Luxembourg, for a total amount of 30 million euro.

No impairment indicators were identified for the core deposits, in view of the current interest rates, which are significantly higher than at the date of initial recognition of the intangible asset.

Brand name

IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the Purchase Price Allocation (PPA) process.

For this purpose, please note that the term "brand" is used in accounting standards with an extensive meaning and not as a synonym of "logo" or "name". It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.

With reference to acquisition of the Sanpaolo IMI Group, it was decided to limit the analysis to just two brands: the corporate brand Sanpaolo IMI, intended as an "umbrella" brand to which the brands of the other network banks were also related, and the brand of the subsidiary Fideuram – Intesa Sanpaolo Private Banking (former Banca Fideuram), as an autonomous brand widely recognised on the market for the placement of financial products through a network of financial advisors. Both are considered intangibles with indefinite useful life, since they are deemed to contribute indefinitely to the formation of income flows. Market methods and flow-based methods (and, thus, based on fundamental analyses) were used in the valuation of the two brands. Value was determined as the average of the values obtained using the various methods.

The amount recorded in the 2023 Financial Statements came to 1,882 million euro, of which 1,507 million euro was allocated to the Banca dei Territori CGU and 375 million euro to the Private Banking CGU.

In general, the brand name is considered an intangible asset that has no independent cash flows and, thus, to be subject to impairment testing as part of the verification of the retention of goodwill for the various CGUs. For the purposes of this impairment test, with regard to the brand name allocated to the Banca dei Territori CGU, it was considered that this CGU did not have any goodwill allocated and, in line with that carried out for the previous financial statements, it was decided to conduct a specific, autonomous valuation of the specific intangible based on the fair value resulting from the dedicated appraisal commissioned from Prof. Mauro Bini, Full Professor of Corporate Finance at Bocconi University

Lacking specific transactions on comparable banking brand names, the fair value of the brand name allocated to the Banca dei Territori CGU was estimated using the following methods:

- Royalty Relief;
- the implicit value in estimating brands with comparable PPAs;
- the implicit value in the public estimates of brands provided by independent third parties (Brand Finance);
- Hirese.

Royalty Relief Criterion

The Royalty Relief criterion determines the value of the brand from the present value of income deriving from the brand, estimated as the product of a royalty rate reconstructed on the basis of implicit rates in comparable PPAs and the value of net turnover (operating income, for banks).

The criterion of the implicit value in estimating brands with comparable PPAs

The criterion of the implicit value in estimating brands with comparable PPAs determines the value of the brand based on the "Fair value of the brand/Operating income" multiples recorded on PPA and their fundamental drivers.

The multiple, calculated in relation to net operating income, is taken from the fair value of the brands recognised on PPA of commercial banks from the Markables database.

Criterion of the implicit value in the public estimates of brands provided by independent third parties (Brand Finance)

Brand Finance is a UK company specialising in valuing brands. Each year, Brand Finance publishes the updated estimated value of the brands of the top 500 global banks.

The valuation of brands carried out by Brand Finance is consistent with the relief from royalties criterion, widely used in valuation to estimate the value of brands. According to this criterion, the value of the brand corresponds to the current value of royalty flows saved. The royalty rates are determined based on the trademark license agreements of comparable companies and applied to the specific bank brand based on the strength of the brand estimated and discounted at an opportunity cost of capital in line with the assigned brand rating.

Hirose Criterion

This criterion is based on the comparison of the profitability of the branded company (in this case, the Banca dei Territori CGU) and unbranded competitor companies. The income-based method adopted is attributable to the profit-split criterion.

Based on the analyses conducted, all four methods used returned a value of the Intesa Sanpaolo brand for the Banca dei Territori CGU higher than the book value of that intangible asset, demonstrating the value of the Group's brand and the resulting competitive advantage it continues to provide the Group in relation to its competitors.

Instead, the brand name allocated to the Private Banking CGU was subject to impairment testing as part of the activities regarding the verification of the recoverable amount of the goodwill allocated to that CGU.

Impairment testing of CGUs and goodwill**Definition of Cash Generating Units (CGUs)**

For impairment testing purposes, the estimation of the value in use relating to intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, as per IAS 36, requires the preliminary assignment of such intangible assets to relatively independent business units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them.

In IAS/IFRS terminology, such business units are known as Cash Generating Units (CGUs). The meaning of the impairment test is significant for identification of the CGUs.

IAS 36 indicates the necessity to correlate the level at which the goodwill is tested with the level of internal reporting at which management controls the increases and decreases of such value. Definition of the level closely depends on the organisational models adopted and on the managerial responsibilities governing the operating guidelines and monitoring activity. Organisational models may ignore (and in the case of the Intesa Sanpaolo Group they do ignore) the network of legal entities through which operations are carried out, and are instead very often closely designed around the definition of business operating segments as envisaged by IFRS 8. Furthermore, the identification of CGUs for goodwill impairment test purposes is consistent with the definition of the recoverable amount of an asset - which is in itself the base for impairment tests - according to which the relevant item is the amount that the company expects to recover from that asset, considering any synergies with other assets.

Therefore, in accordance with the criteria applied for the determination of the prices of the business combinations that gave rise to goodwill recognition, the recoverable amount for impairment testing purposes of the CGU to which goodwill is allocated must include not only the value of external (or universal) synergies but also the internal ones, the reason being that the specific acquirer may obtain additional value from the integration of activities obtained through business combinations, according to its business model.

The Intesa Sanpaolo Group's organisational model envisages that:

- management decisions are highly centralised at the level of the heads of the operational segments;
- strategies, identification of new products or services and commercial penetration initiatives are outlined and directed centrally for each operating division;
- planning processes and reporting systems are managed at the operational segment level;
- as a result of this centralisation, income flows are highly dependent on the policies set up at segment level, based on balanced development of the entire division and not of the individual operating areas or legal entities considered individually;
- specialised transversal areas are defined to provide support and develop products benefiting many subsidiaries;
- the management of financial risks is also highly centralised in order to maintain, also as a result of regulatory provisions, a balance between the capital allocation policies and the financial risks in development of the various business lines;
- the divisions operate in homogeneous markets or sectors in terms of economic characteristics and development level.

As a result of this centralisation, income flows are highly dependent on the policies set up at the operational segment level, based on balanced development of the entire division and not of the individual operating areas or legal entities considered individually.

The operating divisions identified in the Intesa Sanpaolo Group are as follows:

- Banca dei Territori;
- IMI Corporate & Investment Banking;
- Insurance;
- Asset Management;
- Private Banking;
- International Subsidiary Banks.

For the foregoing reasons, the operating divisions cited above correspond, in general terms, to the Group's CGUs, while also representing the core business areas considered for segment reporting.

These divisions are considered representative of cash generating units since each constitutes the smallest group of assets generating independent incoming cash flows and, as mentioned above, also the minimum level set by the Parent Company Intesa Sanpaolo for planning and reporting processes. Therefore, this is the minimum level to which goodwill may be allocated and monitored according to non-arbitrary criteria.

The International Subsidiary Banks Division needs specific comments, given the particular structure and conditions under which it operates.

It should firstly be mentioned that the cash flows of the various Group companies forming this business unit are strictly dependent upon policies formulated by the Division Governance Centres and Head Office Departments of the Parent Company.

These policies are defined and implemented in compliance with a management plan designed to develop the entire Division in an organised manner, and not focusing only on the individual companies' strategies. Specifically, the expansion strategies for the various operating units, the identification and development of new credit, savings and service products, limits to the assumption of financial risk, commercial penetration and operations specialisation initiatives are outlined and steered at central level, following a portfolio strategy, and not devolved to the individual subsidiaries. Therefore, there is strong interaction of the flows that, at the same time, requires both single and integrated governance of all companies in the Division, and the central monitoring and control of operations of the overall business activities of the Division.

However, it is important to consider that not all factors affecting the correlation and interdependence of cash flows within the Division can be controlled by the Division's Head Office Departments.

In fact, there are circumstances outside the Group that could have varying levels of impact on the capacity to systematically manage CGU flows and control over their generation. These are circumstances largely determined in the wider sense by the conditions of the environment in which the various entities are located.

Indeed, for Banks operating abroad, the effects of country risk must be considered: i.e. the risk linked to economic, political and institutional events in the country in which the subsidiary and its business activities are based.

In view of the above, if the cash flows that the Parent Company expects from activities generated by a foreign subsidiary are deeply influenced - in terms of extent, quality and trends - by institutional, economic and political circumstances in the country in which the subsidiary is based, this subsidiary cannot be considered an integral part of the single management model for the CGU which it belongs to. The company in such a situation must, therefore, even if only temporarily, be excluded from the CGU, regardless of the Group Management's willingness to keep it within the CGU, due to the above-mentioned factors over which the Bank and Group's management clearly have no influence. The flows of the company, in fact, would be influenced to a greater extent by the country's conditions than by the unitary and centralised management policy adopted by the Division and, therefore, for impairment testing purposes, the company must be subjected to independent valuation until the conditions for the systemic central control of cash flows of the subsidiary are restored.

With regard to the Ukrainian Pravex Bank, for the purposes of the 2008 impairment testing, careful consideration of the economic and institutional events unfolding in Ukraine, which was undergoing a deep economic and currency crisis, and prudent assessment of their impact on the operational variables of the subsidiary in question, especially from the point of view of their interdependence on variables of the entire CGU, resulted in classification of this company as a completely separate CGU, treating it separately from the Group's International Subsidiary Banks Division. Subsequently, Pravex Bank was functionally allocated to Capital Light Bank (now the NPE Head Office Department), to then be moved back to the International Subsidiary Banks Division in 2018.

With regard to the subsidiary Bank of Alexandria, for the purposes of the 2011 impairment testing the bank was separated from the International Subsidiary Banks CGU due to a profound political crisis in Egypt.

For the purposes of the 2023 impairment testing, as no significant elements arose that cast doubt on the decision made for the previous financial statements, and taking account of the continuing military conflict between Russia and Ukraine, it was deemed appropriate to maintain the decisions made for the previous financial statements, and thus to consider Pravex Bank and Bank of Alexandria as autonomous, distinct CGUs in conducting the impairment test for the consolidated financial statements. However, it bears recalling that the goodwill associated with Pravex Bank and Bank of Alexandria were fully written down in conjunction with the impairment tests for the 2008 and 2011 financial statements, respectively, and there is no goodwill even relating to the other International Subsidiary Banks of the Division.

In Pravex Bank's and Bank of Alexandria's cases, the separate assessment of the banks for impairment testing purposes does not affect the Group's intention to support the development of the subsidiaries.

As previously mentioned, the Banca dei Territori, International Subsidiary Banks and Bank of Alexandria and Pravex Bank CGUs, as of the date of the test, did not possess intangible assets with an indefinite life (with the exception of the brand name allocated to the Banca dei Territori CGU, whose recoverable amount, understood as its fair value, was confirmed by a specific valuation drawn up by an independent expert) and, as a result, were not subject to an impairment test.

Book value of the CGUs

The book value of the CGUs must be determined in a manner consistent with the criterion used to estimate their recoverable amount. For a banking business, the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these represent the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore the CGUs' book value must include financial assets/liabilities in accordance with the scope of the recoverable amount estimate process.

Consequently, these assets and liabilities must be properly allocated to the associated CGUs. On this basis (so-called "equity side"), the book value of the Intesa Sanpaolo Group's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.

Accordingly, the carrying amount of the CGUs composed of companies belonging to a single operating division was determined by summing up the individual contributions to the balance sheet.

However, where the Parent Company or other Group companies contribute to multiple CGUs from a management standpoint, and this division is not represented in accounting information, management values must be used. In this specific case, the management driver was identified as each division's "regulatory capital", which represents the capital absorption necessary to handle the types of risk envisaged by the regulatory supervision rules.

The table below provides the book values of the CGUs and the goodwill and brand name allocations to each. The values, determined for impairment testing purposes, include the portion of goodwill attributable to minority interests (included in the last column with minority interests).

(millions of euro)

CGU	Values as at 31.12.2023			
	Book value	of which goodwill Group share	of which brand name	of which minority interests
Banca dei Territori	18,821	-	1,507	13
IMI Corporate & Investment Banking	23,295	56	-	17
Insurance	6,902	1,007	-	1
Asset Management	2,542	1,060	-	6
Private Banking	4,557	1,549	375	1
International Subsidiary Banks	7,391	-	-	-
Bank of Alexandria (Egypt)	631	-	-	126
Pravex Bank (Ukraine)	-	-	-	-
TOTAL	64,139	3,672	1,882	164

Criteria for estimates of CGUs' value in use

The value in use of CGUs is determined by estimating the present value of future cash flows that may be expected to be generated by the CGUs. These cash flows are normally estimated by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan.

The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity (through the use of perpetual return formulae, or, alternatively, temporary return formulae, if it is not realistic to expect the assets subject to measurement to generate positive cash flows over the long term), using an appropriate growth rate "g" for the purposes of the so-called "Terminal Value." The "g" rate is determined by assuming as growth factor the rate of increase in the gross domestic product of the countries in which the cash flows are generated. Alternatively, the Terminal Value could be determined on the basis of a final sale or liquidation value.

For the determination of the value in use, the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates to be used must incorporate the present market values with reference to the risk-free component and the risk premium associated with the equity component observed over a sufficiently long time period to reflect different market conditions and economic cycles.

In addition, given the diverse risks of the respective operating areas, different Beta coefficients must be used for each CGU. All the resulting rates have been adjusted to take into account the "Country Risk".

Cash flow estimates

With regard to the calculation of the value in use of CGUs for impairment testing purposes for the 2023 financial statements, the volatility of financial markets and the uncertainties that still characterise the future macroeconomic environment make the definition of near-term future cash flows from operating activities and the identification of growth rates in order to calculate the Terminal value of CGUs particularly complex.

The medium-term forecasting scenario of reference has been drawn up by the Intesa Sanpaolo Research Department taking account of the forecasts of the main Italian and international organisations and institutions, and underlies the income forecasts throughout the 2024-2028 period.

These forecasts are based on a reference scenario for the global economy characterised by a gradual return of inflation to levels consistent with the definition of price stability by central banks, associated with lower real growth rates than in the years prior to the pandemic crisis and falling nominal and real interest rate levels after the rapid and significant increase in 2022-23.

The reference scenario assumes world GDP growth of 3.1% in 2023. In 2024, growth is expected to slow down further to 2.8%, after which however it is expected to accelerate to between 3% and 3.5%. International trade in goods, which contracted in 2023, is expected to return to growth rates similar to those of world GDP from 2024.

For the Eurozone, GDP growth forecasts have been revised to 0.4% for both 2023 and 2024. High inflation has dampened consumer demand and the rise in rates has started to filter through to the real economy, the effect of which is expected to reach its peak in the first half of 2024. The recovery of real household income and foreign demand will only start supporting the business cycle again from the second half of 2024. Households are benefiting from low average debt levels and the interest paid by households as a ratio of disposable income is expected to increase rapidly but moderately overall. Capital expenditure by companies will hit a low between the end of 2023 and the beginning of 2024, coinciding with the peak of the impact of the monetary tightening. However, the still historically high levels of liquidity of profit margins, especially in some sectors, suggest that the self-financing capacity of companies is higher than in the past. In addition, the objectives of ecological and digital transition, also supported by fiscal policies through the support of the Next Generation EU funds, will favour lower cyclicality of investments, which are expected to slow down further in 2024 with respect to 2023. For now, the impacts of monetary tightening have only been particularly noticeable in construction, the sector most sensitive to interest rate rises, and, in view of the typical delays in the transmission of the effects of monetary tightening to spending, residential investment is expected to be weak on average again in 2024. Net exports are expected to provide a negative contribution to GDP growth until the first half of 2024, but global demand will return to growth from the second half of 2024. In the following years, the easing of the monetary tightening, the growth in real household disposable income and more robust foreign demand should bring the Eurozone growth back to around 1.5%.

In Italy, a phase of substantial stagnation began at the end of 2022, which may also continue in 2024, leaving the annual growth in line with that of 2023 at 0.7%. This has been due to the energy and inflationary shock since the end of 2022, compounded by monetary tightening and less generous construction bonuses. However, several significant recovery factors may materialise during 2024:

- the recovery of household real disposable income;
- the acceleration of expenditure flows funded by the NRRP; and
- an improvement in net exports.

These trends should overcome the obstacles posed by the increase in interest rates and the reduction in construction bonuses from the second half of 2024, laying the foundations for an acceleration in GDP, which will result in stronger average annual growth in 2025 (1.2%).

On the consumption side, spending on services will be affected by the absence of the boost from the use of surplus savings and the post-pandemic normalisation of lifestyles, while spending on durable goods will be impacted by the increase in interest rates.

Investment slowed down sharply already in 2023, due to the rise in interest rates and the squeeze on construction bonuses, and these factors may continue to weigh on the first half of 2024, causing a further year-on-year deceleration to 0.2%. A recovery is expected in 2025, mainly driven by the acceleration of infrastructure work funded by the NRRP. The construction sector is particularly affected not only by the increase in interest rates and less generous construction bonuses, but also by the fact that costs of materials are still at historically high levels.

In 2024-25, the impact of the NRRP will be crucial to sustaining GDP growth. The revision of the NRRP approved by the EU Commission last November, as well as the substantial standstill in spending in 2023, will mean a shift to 2025-26 of the number of conditions to be fulfilled, in the amount of the expected instalments to be paid to Italy by the EU, but also, and above all, in the actual spending.

In 2023, the European Central Bank raised official rates from 2% to 4% (deposit rate), signalling in December that it would keep them at that level for some time. There is no set duration for this period, whose length will depend on the evolution of the data and its implications for the inflation scenario. However, there are clear signals that the ECB Governing Council expects to start cutting official rates in the second half of 2024, as a result of falling inflation and lower growth in demand. The reference scenario includes 50 basis points of rate cuts during 2024. In 2025, rates are expected to be cut by another 75 basis points. And, then, from 2026, official rates should stay at neutral values, with a positive real level of 50 basis points.

The ECB has also begun the progressive discontinuation of unconventional measures. Through an amendment of conditions, it facilitated early repayment of TLTRO III loans. Net purchases of securities under the APP and PEPP programmes were discontinued in June 2022 and March 2022, respectively. From the end of March 2023, the reduction of the APP portfolio began, carried out by reducing and then completely suspending the reinvestment of the principal payments from maturing securities. From July 2024, the PEPP portfolio will also be reduced. In the long term, such measures could exert upwards pressure on risk premiums and on the slope of the government yield curve, enhancing monetary policy direction. The excess liquidity, already drastically reduced during 2023, is expected to keep diminishing in the coming years. The belief is that this draining of excess liquidity may be halted either when thresholds are reached that restore a correlation between market rates and liquidity, or if negative macroeconomic developments trigger the need for expansionary monetary policy.

Estimates for the medium and long-term interest rate curve reflect, on the one hand, the closing of the securities purchase programmes, which reduces the scarcity effect, and, on the other hand, the prospect of a fall in official interest rates. The slope of the interest rate curve should turn back upwards from 2025 due to the reduction in short-term interest rates. The decline in ECB securities portfolios could provide an additional contribution to the increase in long-term interest rates, even if

the boost should be lower than that exercised in the opposite direction by the increase in the securities portfolio of the Central Bank in previous years.

Sovereign risk premiums will be subject to opposing forces. On one side, falling interest rates could help issuers with lower credit ratings, while the removal of the negative credit outlook by Moody's could favour a recovery in net foreign investment flows. Additionally, high interest rates could bolster demand from Italian households. However, there will be a very high number of net issuances by the Italian Treasury in the three-year period 2024-2026 (over 100 billion euro annually in 2024 and 2025, at least 80 billion euro in 2026) and the need for absorption by the market will be increased due to the reduction of ECB portfolios. As a result, the market will have to absorb net issuances averaging more than 150 billion euro annually over the next three years. The reference scenario incorporates a stable risk premium, but with prevailing upside risks. In the medium term, the high level of refinancing needs will make Italian debt more sensitive to the effects of negative shocks.

With regard to the banking scenario, in the credit market in 2023 the moderate contraction continued, in line with the restrictive monetary policy stance and the increase in perceived risks, while on the bank balance sheets side, no supply constraints emerged, with the good liquidity and funding situation maintained, the degree of capitalisation further strengthened and credit quality stable, with no particular signs of deterioration. The restrictive monetary stance, with the steep and rapid rise in interest rates, led to a sharp reduction in the demand for loans from households and businesses.

Lending to businesses was mainly influenced by the significant increase in the cost of credit, the postponement of investment decisions and the reliance on self-financing. As a result of the sharp fall in demand, loans to businesses declined rapidly down to a low in September, with the downward trend slowing in the fourth quarter.

Demand for credit is expected to remain weak in 2024, as interest rates remain high and the decline in loans to businesses, both short- and medium- to long-term, continues. In the following years, lending to businesses is expected to start growing again, up to a rate of around 2%. This growth may be supported by the positive effects on private investment from the NRRP projects. However, as already seen in the period 2022-2023, the financing needs may partly be met by using the considerable cash buffer accumulated by businesses in the period 2020-2021 and deposited with banks, in addition to self-financing and bond issuances, in market conditions that should be favourable, as well as renewed investor interest in bond instruments.

Loans to households were impacted by the tightening of monetary conditions, resulting in a sharp slowdown that led the stock to decline in little more than a year in the second half of 2023. Rising interest rates, lower consumer confidence and a worsening outlook for the residential market led to a significant drop in demand for loans for house purchase. Mortgage loan disbursements fell sharply, in line with the contraction in residential property sales and the slowdown in house prices. Lower disbursements, combined with early repayments of floating rate mortgages, caused the stock of mortgage loans to slow down sharply, from a growth rate of 5% in the middle months of 2022, to a slightly negative change at the end of 2023. This trend is expected to continue in 2024, which is expected to be slightly negative on average for the stock of mortgages, with a possible improvement towards the end of the year, as a result of falling key interest rates and competitive pressure. The weakness of mortgages will reflect a continued decline in real estate transactions in 2024, with a trend in house prices that, while remaining slightly positive, has lost the momentum regained in the pandemic and culminating in 2022 with 5.2% growth in the second quarter. In subsequent years, loans to households are expected to grow at a moderate rate, slightly higher from 2026, driven by a recovery in property sales and house prices. Mortgage loans will continue to play a major role in the residential property market, which, once the restrictive phase of monetary policy has ended and interest rates have been cut, should be buoyed by new housing and labour demand, as well as energy renovations and upgrades, notwithstanding the absence of the exceptional incentives provided in recent years, and the mobilisation of part of the excess savings accumulated by certain groups of households.

The tightening of monetary policy also had a significant impact on direct deposits from banking business, as a result of the reallocation of on-demand deposits towards more remunerative financial instruments and the reduction of refinancing with the Eurosystem. The robust growth of bank deposits that had lasted more than a decade was followed by a decline, which intensified in 2023. This was due to outflows from current accounts, which recorded double-digit declines in the stock, as a result of a combination of several factors, including the use by businesses and households of the considerable cash deposited with banks in previous years and the reallocation of savings towards domestic government bonds. This was accompanied by a strong recovery in time deposits, boosted by the higher interest rates offered. Bank bonds also saw a return to growth, which reached double-digits after more than a decade of contraction.

The 2024 outlook continues to show a significant contraction in bank deposits, particularly in the on-demand and lower yield segments. In the context of considerable net issuances by the Italian Treasury in the three-year period 2024-26, the high yields are expected to continue driving household demand for government bonds. As a result, there will be prolonged decline in current account deposits. Additionally, the internal shift of deposits towards fixed-term forms, encouraged by attractive interest rate policies, will continue. Over the entire scenario horizon, time deposits will continue to perform better than on-demand deposits.

The rises in monetary policy interest rates fed through to the lending and borrowing rates with varying speeds and intensities. The rapid and significant increase in interest rates on new loans to non-financial companies, which had started in the second half of 2022, continued in 2023: in December the average rate on disbursements was 4.3 percentage points higher than two years earlier, at 5.5%, reaching the highs seen at the end of 2008. Interest rates on new home mortgage loans also rose sharply, but less so than those on loans to businesses. As a result of the rate rises on new transactions and on revision of the variable rates on the outstanding loans, the average rate on the stock of loans to households and businesses also increased significantly.

With regard to deposit interest rates, there was a small rise in the rates on current accounts. In contrast, rates on new time deposits were highly reactive, with significant increases. The stickiness of the on-demand rates and the high proportion of overnight deposits within the total deposits influenced the average deposit rate, which grew moderately. The overall cost of funding from customers also reflected the gradual rise in the average rate on bonds. The spread between lending and funding rates widened considerably, reaching an all-time high.

Interest rates on loan stocks are expected to consolidate their gains in the first part of 2024, before beginning to reflect market expectations of cuts by the Eurosystem and competitive pressures. In the subsequent years, the forecast trend in monetary rates will enable a slight retreat in loan interest rates from the levels reached in 2023 - early 2024, which will remain the maximum highs of the scenario horizon. Turning to borrowing rates, in 2024 and subsequent years the stickiness of overnight

deposit rates will persist, while pricing policies will continue to favour time deposits, which will be subject to growing competition. The total cost of funding will also be affected by the shift towards the more expensive forms, with the increase in time deposits and bonds. Based on the profile assumed for monetary and policy rates, there should be a slight fall in rates on deposits between the end of 2024 and 2025 followed by stabilisation.

The considerable increase in the mark-down on on-demand deposits continued in 2023, reaching a record high in the second half of the year, following eleven years below zero and a rapid return to positive territory since September 2022. Given the forecast of falling Euribor rates, the mark-down is expected to decrease from 2024, and then stabilise in 2026-28 at around 2%.

In contrast, the mark-up on short-term lending rates, after having fallen considerably at the end of 2022, substantially settled down over the course of 2023, as increases in key interest rates were passed on to interest rates on loans. A slight recovery in mark-up is expected in 2024-25, followed by substantial stabilisation in the last three years of the scenario horizon.

The rise in interest rates negatively affected the asset management industry, which saw overall net outflows in 2023 for mutual funds, portfolio management schemes, and life insurance. During the year, funds recorded outflows of 22 billion euro, caused by divestments from flexible and balanced funds. As expected, there was a pick-up in bond fund subscriptions, which achieved significant inflows of 24 billion euro. On the other hand, the positive contribution from equity funds gradually faded, leading to moderate outflows in the second half of the year.

Life insurance had a weak year, with net outflows both from traditional policies, which are less appealing than direct investment in securities as interest rates rise, and unit-linked policies, which continued to see a double-digit decline in new business.

Substantial purchases of government bonds by investors supported assets under administration, creating a potential pool for subsequent transformation into assets under management. Significant direct purchases of bonds are also expected in 2024.

With the prospect of the start of official interest rate cuts, a moderate recovery is expected in asset management and life insurance business volumes is expected in 2024. Inflows of investments to these segments may be fuelled by the stock of cash that flowed into bank deposits in previous years, albeit in a scenario that is likely to maintain the attractiveness of direct investment in fixed-income securities. In 2024, the offering of bond funds should support the return to positive net inflows for mutual funds, although to a modest extent overall. In the following years, assets under management are expected to continue see inflows, although at a more moderate level than the significant volumes achieved during the years of low interest rates. Indeed, the scenario for managed assets continues to be affected by the competition from fixed-income securities, especially domestic government bonds.

The table below illustrates the macroeconomic variables expected in the period 2024-2028, only for Italy, as no goodwill was recognised for the CGUs operating in foreign countries.

Italy	2023	(values as a percentage)				
		2024	2025	2026	2027	2028
REAL ECONOMY						
Real GDP Italy	0.7	0.7	1.2	1.0	0.6	0.6
Consumer prices Italy	5.6	1.9	1.9	1.9	1.6	1.6
Period-end ECB rate	4.50	4.00	3.25	3.00	3.00	3.0
3-month Euribor rate	3.43	3.75	2.96	2.53	2.54	2.57
10-year IRS	3.08	3.12	3.41	3.72	3.64	3.59
10-year BTP	4.19	4.09	4.49	5.16	5.29	5.26
Spread vs. Bund (basis points)	171	159	159	169	176	174
BANKING SECTOR						
Loans	-2.5	-1.8	1.0	2.0	2.3	2.3
Direct customer deposits	-2.4	-1.7	0.0	1.1	1.5	1.7
Average customer spread	3.31	3.39	3.05	2.84	2.83	2.84
Mutual funds	0.5	4.7	3.4	3.4	3.8	4.3
Portfolio management	-2.2	5.0	2.5	1.9	3.2	3.6
Life technical reserves	-0.5	2.4	2.5	3.0	3.3	3.5

Scenario produced in December 2023 by the Research Department. Forecast data (estimates for 2023).

The various CGUs' expected cash flows were subject to impairment testing, taking account of the macroeconomic scenario described above, and were estimated by following a two-stage assessment process.

Specifically, with regard to the first forecast period, in line with the choices made for the 2022 Financial Statements, over a timeframe of 5 years has been considered, i.e., the five-year period 2024-2028. For that period, with regard to the years up to 2025, the updated forecasts set out in the 2022-2025 Business Plan, (for 2024 via the 2024 Budget approved by the Board of Directors on 6 February 2024), were considered, to take account of the changed macroeconomic scenario. The flows of the last three years of forecasts (2026, 2027 and 2028) have instead been estimated through the inertial tracking of the flows for 2025, based on the forecasts of the updated macroeconomic scenario, and therefore without considering the effect of additional managerial initiatives;

The net income projected for the forecast years of the long-term plan has been adjusted, in accordance with IAS 36, to consider non-monetary components and the minority-interest share of net income. It also excludes the effects of any reorganisation and restructuring transactions and the capital gains on future sales of company assets. In addition, cash flows include those allocated to the various CGUs deriving from central corporate assets. In accordance with the equity-side approach mentioned above in relation to the determination of the carrying values of CGUs, the cash flows used for impairment testing include the flows correlated with financial assets and liabilities, given that these represent the company's core business.

Among various financial valuation techniques, such as that used for determining the value in use, the value of a company at the end of the flow forecast period, the so-called terminal value, is normally determined by infinite compounding, at an appropriate "g" rate, of the cash flow achievable "at full capacity". This rate, even if subject to time variations, may be assumed to be constant or decreasing (or increasing in rarer circumstances).

As an alternative to the terminal value estimation methodology, doctrine also envisages (i) the exit multiple approach and (ii) the approach based on an estimation of the liquidation value of the company. Specifically, with regard to approach (i) it should be mentioned that an exit multiple estimate has complex (and potentially subjective) elements that become even more marked at times of market uncertainty and volatility such as now. Approach (ii) is valid only for companies due to be wound up on termination of the forecasting period, and therefore not applicable with a view to a business as a going concern.

For the purposes of the Terminal Value, i.e. the second stage of valuation, the cash flow forecast for 2028, the last year of the analytical projections, was used as the cash flow achievable at full capacity.

In line with the impairment tests of the previous years, the "g" rate was determined as the average growth rate of Italy's nominal GDP, observed and forecast in the 2008-2028 period (it should be noted that, in consideration of the impairment made in the previous financial statements, no goodwill is allocated to the Banca dei Territori, International Subsidiary Banks, Bank of Alexandria and Pravex Bank CGUs; consequently, it is not necessary to calculate the "g" rate for the purpose of the goodwill test for the foreign countries where the Group operates). Nominal GDP is the sum of the real GDP growth rate and the inflation rate. Expected real GDP and inflation figures used to calculate the "g" rate were drawn from the forecasts prepared by the Intesa Sanpaolo Research Department described above. Each component has been calculated as the average for the period 2008-2028. The decision made in terms of observation period for the growth rates, considering the current particular macroeconomic situation, calls for specific consideration.

Real GDP dynamics in recent years have often been negative, due mainly to the various economic and financial crises that affected global economies, beginning in particular with the 2008 global financial crisis, followed by the sovereign debt crisis in 2011. In 2015, there was a turnaround with the resumption of a growth, which, however, was abruptly halted in 2020 by the COVID-19 pandemic, and which, after a period of strong recovery, is now exhibiting considerable volatility as a result of the unstable geopolitical situation. In a scenario of uncertainty, also from a forward-looking perspective, in order to consider the various phases of the economic cycle, the growth rate for estimating terminal value has therefore been calculated as the average GDP rates for the 2008-2028 period, inasmuch as this period was deemed sufficiently extensive to include, and thus average, both periods of severe crisis and periods of economic recovery.

Furthermore, with a prudential approach, it was checked that the "g" rate was not higher than Italy's GDP growth rate in 2028 or, for each CGU, the growth rate of the last year of analytical forecasting.

Cash flow discounting rates

For the determination of the value in use, the cash flows must be discounted at a rate that reflects the present market valuations, the time value of money and the asset's specific risks.

In practice, the first characteristic (current market conditions) translates into the calculation of all parameters based on the latest available information as at the reference date of the estimate, so as to best take into account the current market assessments. The second characteristic (consistency between risks/flows and rates) must follow the specificity of flows used for impairment testing of the CGUs. This rate (in its various components) must therefore be decided by observing the specific nature of flows used to assess each CGU, in order to maintain coherence and consistency with the flows. Specifically, consistency becomes important with regard to inflation, country risk and other risk factors that, according to IAS 36, may be expressed in the flows or rate. It is important to point out that a characteristic common to all CGUs recording goodwill (and, in general, intangibles with an indefinite life) is the long-term perspective of flows used to estimate the CGU's value in use. In fact, by its very nature, goodwill has an indefinite useful life, and therefore future cash flows are normally infinitely projectable. This long-term perspective should be reflected in all discounting rate benchmarks by means of the appropriate selection of each, in such a way that they express normalised conditions in the long term.

The discounting rate should normally include the cost of the various sources of funding of the asset to be assessed, in other words the equity cost and debt cost (i.e. WACC, weighted average capital cost).

However, in the case of a banking entity, it is estimated according to an equity-side approach, that is to say by considering only the cost of equity capital (Ke), in a manner consistent with the methods for determining cash flows, which, as stated above, include those deriving from financial assets and liabilities.

The cost of capital is determined using the Capital Asset Pricing Model (CAPM). Based on this model, the cost of capital is calculated as the sum of risk-free rate and a risk premium, in turn dependent on the specific risks implicit in the business activities (i.e. both business segment risk and country risk).

The cost of capital is determined net of taxes, in order to ensure consistency with the discounted cash flows.

As the various CGUs of the Intesa Sanpaolo Group operate in different business segments and with different risk factors, the specific costs of capital of each CGU were identified. It should be noted that, since cash flows were determined in nominal terms, discounting rates were also determined in nominal terms, meaning that they incorporate inflation expectations.

Entering into the details of the various components that contribute to the determination of discounting rates, it may be remarked that:

- with regard to the choice of cash flow discounting rates, and in particular of the risk-free rate and Country Risk Premium (CRP), in view of the structure of interest rates in the current macroeconomic scenario, it was prudentially decided to maintain the approach that involves the use of differentiated discount rates for the discounting of cash flows expected over the explicit forecast horizon and for the terminal value cash flow:
 - concerning the risk-free component included in the cash flow discounting rate of the explicit forecast horizon, a decision was made to use the average monthly return (December 2023) of the 10-year German Government bonds (Bund);
 - concerning the risk-free component included in the cash flow discounting rate of the terminal value (cash flow projectable beyond the explicit forecast period), a decision was made to use the average annual return of 10-year German government bonds (Bund) forecast for 2028, which is the last year of flow forecast period, estimated by the Intesa Sanpaolo Research Department.

In line with the above, also for the Country Risk Premium (CRP) a methodology was considered that envisages the use of differentiated values. In addition, it should be noted that there is no goodwill allocated to CGUs other than those (mainly) operating in Italy - the “country risk” essentially coincides with the “Italy risk”. Therefore, in the methodological choices for the impairment test of goodwill for the purpose of the 2023 Financial Statements, the CRP was calculated as follows:

- concerning the CRP included in the cash flow discounting rate of the explicit forecast horizon, the average BTP-Bund spread of December 2023 was considered;
- concerning the CRP included in the cash flow discounting rate of the terminal value, the average annual BTP-Bund spread estimated for 2028 was considered, based on the medium-term forecast scenario mentioned previously;

The dual discount rate approach is also consistent with the current market situation, which, despite being characterised by high interest rates, still features current rates that are lower than the prospective rates incorporated in the above-mentioned macroeconomic scenario. Specifically, Intesa Sanpaolo’s forecasts on the future yields of Bunds and BTPs take into account the gradual reduction by the ECB of the stocks of government securities of EU countries in its portfolio, purchased as part of the Quantitative Easing programme initiated in 2015. In this regard, the ECB’s new policy is expected to shift the rate curve to steeper inclines, more in line with the trends observed historically. The approach used is therefore based on principles of prudence, also considering the volatility of forecasts relating to the medium/long-term rate scenario;

- the equity risk premium – represented by the difference between stock market yield and the Return on Investment on risk-free securities determined in reference to a sufficiently wide time horizon – was calculated on the basis of historical data, given its higher degree of reliability and visibility and also in the light of the current macroeconomic context, which reflects particularly volatile stock market prices not always representative of economic “fundamentals,” while also creating a framework of uncertainty within which it is difficult to formulate reliable forecasts of results in order to estimate the equity risk premium implicit in stock market quotations. Specifically, the geometric mean for the equity risk premium was used, recorded on the US market for the period 1928-2023, adjusted for the differential between the US inflation rate and the German inflation rate (the market used as the basis for risk-free calculation);
- the Beta coefficient, which measures the specific degree of risk of an individual company or business sector, was calculated by identifying a sample of companies, comparable in business terms, for each CGU, and with reference to this sample the average or median Beta figure used was that recorded on a monthly basis over a five-year period;

Summary of growth rates and discounting rates used

The following table presents a summary, for each CGU subject to impairment test, of the parameters relevant to determining value in use: weighted average 2024-2028 growth rates for the cash flows of the various CGUs, including the allocation of cash flows related to the central corporate assets, the “g” growth rates for terminal value purposes, and the various discounting rates and inflation rates.

RATES/PARAMETERS CGU	Nominal growth rates for impairment test (2024-2028)	NOMINAL DISCOUNTING RATES				LONG-TERM "G" GROWTH RATES		INFLATION RATES
		2023 flows	2023 Terminal Value	2022 flows	2022 Terminal Value	2023	2022	2023
CGU subject to impairment test								
IMI Corporate & Investment Banking	11.35%	10.44%	11.89%	10.57%	11.18%	2.00%	2.06%	1.92%
Insurance	-0.28%	10.12%	11.57%	10.27%	10.88%	2.00%	2.06%	1.92%
Asset Management	3.60%	10.12%	11.58%	10.12%	10.73%	2.00%	2.06%	1.92%
Private Banking	0.36%	9.80%	11.26%	10.14%	10.75%	2.00%	2.06%	1.92%

Impairment testing results

The outcomes of the impairment test showed how the values in use of each of the CGUs to which goodwill was allocated as at 31 December 2023 were higher than the respective carrying amounts. Thus, it was not necessary to proceed to any impairment of the goodwill or brand names allocated to the CGUs.

In addition, it is specified that, for the sake of completeness of the analysis, the Group's total value in use was confirmed to be greater than the sum of the carrying amounts of the individual CGUs.

Verification of the results of impairment testing using an alternative calculation method

As the value of a company or a business line may also be determined by discounting the distributable cash flows, understood as the future cash flows estimated to be generated by the business area (the single CGUs) net of the share of income that must be retained in equity to meet the supervisory requirements, the recoverability of the book value of the goodwill allocated to the CGUs was verified also by discounting the aforementioned cash flows according to the excess capital version of the Dividend Discounted Model (DDM).

With reference to the supervisory requirements, a Common Equity Tier 1 ratio of 10.50% was used, as resulting from the Group Risk Appetite Framework, and significantly higher than the capital requirement communicated by the ECB following the results of the Supervisory Review and Evaluation Process (SREP). For the Insurance CGU, a Solvency Ratio of 170% was taken into account, as per the aforementioned RAF.

Thus, the distributable cash flows were obtained by integrating the expected cash flows determined as illustrated above, factoring in an increase in capital surplus in relation to the above-mentioned minimum limits of capital, or a decrease in the shares of income needed to cover the requirements deriving from the estimated growth trend in risk-weighted assets. These flows, estimated for each CGU, were discounted by applying the same discounting rates and growth rates “g” used in applying the Discounted Cash Flow (DCF) method.

The results of this method confirmed the results based on the calculation made using the DCF method.

Reconciliation of the results of the impairment test with the market valuation

The Intesa Sanpaolo share price rose significantly in 2023 (+27%), underperforming the Italian sector index (FTSE IT All-Shr Banks, around +42.3%) and performing in line with the main benchmark index of Borsa Italiana (FTSE MIB Index, around +28%). The Intesa Sanpaolo share also outperformed the Stoxx 600 banks index, which rose by around 19% year-on-year.

In particular, after an initial phase of the year characterised by discrete share price volatility, the second part of the year witnessed a sustained recovery and increase in the share price, with a growth process, particularly evident in the last quarter of the year, which brought the stock price to EUR 2.64 at the end of December 2023. In January 2024 the Intesa Sanpaolo stock appreciated further, with prices at the end of January of approximately 2.8 euro per share and a market capitalisation of approximately 51 billion euro (with a P/BV multiple of approximately 0.8x).

Valuations and reports by financial analysts produced during 2023 saw a significant upward revision of target prices, with the trend broadly in line with the rise in Intesa Sanpaolo's share price, which increased significantly during the year.

Specifically, the share price at the end of December 2023 (EUR 2.64 p.a.) exactly performed analysts' consensus forecasts for the end of 2022, which priced the 12-month share at the same value.

The upward revisions of target prices by analysts during the year recorded an average value, in the latter part of the year and in the month of January 2023, of around EUR 3.48 per annum.

Analysts underline, among Intesa Sanpaolo's strengths, the solidity of the brand and highly qualified management esteemed by the market, as well as the ability to generate profitability even in a scenario of falling interest rates thanks to the diversification of the business by relying on wealth management and insurance activities. Also appreciated is the solidity of the capital base. Furthermore, in recent years the Group has completed a very successful de-risking strategy that allows it to cope even with a possible deterioration of the macroeconomic scenario. On the other hand, among the main elements from which particular problems and risks could emerge, the analysts reiterate the risk of domestic political instability for Italy, with possible consequences on the BTP-Bund spread, as well as possible outflows of managed assets should tensions re-emerge in the financial markets, and, lastly, with reference to credit positions, the risk of a resurgence of NPL flows as a result of the highly uncertain and volatile macroeconomic scenario.

In any event, it bears observing that valuations expressed by financial analysts have different characteristics from the “fundamental” assessment represented by value in use. The following may be observed regarding those valuations:

- the projected income flows forecast by analysts extend to 2026 and are, at Group level, substantially in line with the estimates produced internally by the Group, while the forecasts used for the impairment test cover a five-year period extending to 2028;
- the cost of the capital used (in not particularly frequent cases where this parameter is explicitly stated) is often determined in overall terms at Group level; the cost of capital of Intesa Sanpaolo, used to discount the terminal value cash flows, is generally lower than the average value shown in the reports by the analysts. The latter tend to use discount rates implicit in stock market values which, being lower than the Value in Use, return higher cost of capital values;
- similarly to the observations made for the impairment test of the 2022 Financial Statements, from the methodological standpoint, multiples (in terms of P/E and P/PTBV) applied to current market prices or expected profitability for the coming years 2024 or 2025 were often used. These are thus methods that provide a fair value, rather than a long-term value in use.

It bears observing that the valuations in question were intended for financial investors and thus aimed to determine prices and values in the short term. These valuations represent the value potentially obtainable from sale on the market of limited amounts of securities, i.e. the disposal of a minority interest, and are therefore closely pegged to prices and to current market conditions.

In brief, the difference in the values from the analysts’ estimates, which reflect on a methodological difference between the fair value and the value in use, may be explained by the following factors:

- different unit of valuation: as stated, the fair value calculated by the analysts represents the price of a single share, different from the Value in Use, which measures the Bank’s entire capital. However, there is a control premium between the two values, which is lacking in the former case, and which is generally valued within a range of 15% to 25%;
- different time horizon of reference considered by the market: the period covered by the estimates of the cash flows, as mentioned, has a considerable impact on the valuation of the Group; given the time horizon considered by analysts, which in general covers a period of 3 years, the average cost of capital of analysts, as stated, higher on average than the cost of capital calculated internally, and deducting the control premium, the Group’s total recoverable amount would be, in terms of value per share, in line with that given by analysts as the target price;
- different value of the cost of capital: the analysts’ estimates, deriving from stock market prices, factor in elements external to the Group’s ability to generate profits for the purpose of remunerating its shareholders.

In addition, it is worth noting again how the current situation in the financial markets and the real economy can lead to significant discrepancies between Fair Value and Value in Use under certain circumstances. In this specific case, both the Italian and European banking sectors are still penalised in terms of P/BV and P/E compared to other sectors, despite the recovery in prices in the last period. Specifically, the market consistently factors in the risks linked to Fintech competition and, still with particular reference to the Italian sector, the extensive presence of government bonds in the portfolio, correlated to a higher perceived country risk compared to other European countries, as well as higher NPL Ratio values compared to the European average, not to mention the risks linked to a regulatory context in constant evolution. In support of these considerations, it should be noted that, after the lows reached in mid-2012, the FTSE MIB general stock market index has significantly recovered, so that at the end of 2023 its value was 21% lower than the values at the end of 2007, i.e. before the outbreak of the financial crisis, while the Intesa Sanpaolo share, although showing similar growth compared to the lows, is still 48% lower than the values at the end of 2007. The penalisation, in terms of stock market value, of the Intesa Sanpaolo stock, and more generally of the Italian banking sector, compared to other sectors is also common to other European banks. On the basis of the prices at the end of January 2023, the Intesa Sanpaolo stock is valued at a P/BV multiple of 0.9x, in line with the average of the main European banks, and at a P/E multiple of 7.4x, also in line with the average of the European sample.

Finally, it is believed that impairment tests must be performed with the awareness of the fact that the current economic situation, influenced by the ECB’s restrictive measures and monetary policy approach, and further penalised by the geopolitical situation, impacts expected short- and medium-term cash flows from operating activities, without however affecting the Intesa Sanpaolo Group’s primary sources of income and competitive edges, as has also been demonstrated by the results of the past few years in which forecast targets have consistently been achieved, and the income dynamics for 2023.

In this regard, it should be noted that in recent years the Group has sold businesses or equity investments that have generated significant gains on disposal (e.g. Setefi, Allfunds Bank, Intrum, the merchant acquiring business, Fund Administration in Luxembourg, the participation in the asset management in China, and the training business), confirming the existence of hidden value within the Group that is not reflected in the carrying amounts but is recognised in transactions with third parties. Moreover, the resilient and well-diversified business model, which focuses on the product factories where a large part of the difference in the values in use with respect to the carrying amounts is concentrated, guarantees a primary source of income for the Group even in adverse conditions solely in relation to the scenario of the banking sector.

Accordingly, in developing the valuation model, the following precautions were adopted:

- the forecast flows include the financial effects of the services rendered by the Corporate Centre. Moreover, the final figures of the last few years were substantially in line with (or as in 2023 significantly higher than) the forecast figures;
- the cost of capital was determined analytically, based on market parameters for each CGU, depending on the different risk of the respective businesses, also considering analytically the various risk factors.
- the “g” growth rate, for the purpose of terminal value for Italy, which represents the area where goodwill is still recognised, was near zero in real terms.

Lastly, the parameters and information used to test the recoverability of intangible assets with indefinite useful life are significantly influenced by the macroeconomic environment and financial market trends, which might undergo changes that cannot be predicted at the present time. If the macroeconomic scenario were to deteriorate in the future with respect to the assumptions, this could lead to impacts on the main assumptions adopted for the determination of the cash flows of the various CGU, which could obviously yield results in the financial statements of the coming years different from those outlined in the Financial Statements as at 31 December 2023. In this regard, it is important to emphasise that the assumptions and hypotheses adopted for the purposes of this impairment test were formulated in a context still characterised by uncertainty, especially with reference to the inflationary framework, which is still threatened by possible supply-side shocks in the energy markets, in view of the current geopolitical context, which could affect consumers and businesses to a greater extent than currently incorporated in the forecast estimates, slowing down the recovery of economic activity. Nonetheless, it must be noted that the business units that still have significant amounts of goodwill (Insurance, Asset Management and Private Banking) have always had, and are expected also in the future to have profitability that largely justifies the values of goodwill recognised.

Sensitivity analyses

Since the value in use is determined by using estimates and assumptions that may contain some level of uncertainty, sensitivity analyses to verify the sensitivity of the results obtained to changes in the parameters and in the underlying hypotheses, referring to the DCF method, were carried out, as required by the IAS/IFRS. These analyses are important in this uncertain forecasting scenario. In this regard, considering alternative scenarios and stress factors in the main valuation and macro-economic variables makes it possible to assess the impacts on the impairment test results related to the specific forecasting scenario.

For CGUs that present residual values of goodwill, the impact on the value in use of an increase of up to 50 basis points in discount rates and a decrease of up to 50 basis points in the growth rate for terminal value purposes was verified. In addition, analyses were conducted of changes in the Value in Use resulting from a decrease in the cash flows used for terminal value purposes. No impairment would emerge in any of the CGUs tested, even in the event of an increase in discounting rates of 50 basis points, and a decrease in the “g” rate of 50 basis points or a decrease in the terminal value cash flow of 10%. The table below illustrates the sensitivity (in percentage terms) of the Value in Use of the CGUs that present goodwill to changes in the “g” rate or discount rate of +/-10 basis points, as well as a reduction in the cash flows used for terminal value purposes of 10%.

Sensitivity	CHANGE IN VALUE IN USE		
	Sensitivity to growth rate "g" - 10 bps	Sensitivity to discount rate + 10 bps	Sensitivity to Terminal value cash flows - 10%
CGU			
IMI Corporate & Investment Banking	-0.68%	-0.95%	-8.96%
Insurance	-0.65%	-0.91%	-5.79%
Asset Management	-0.69%	-0.95%	-6.09%
Private Banking	-0.73%	-1.00%	-6.30%

Based on the table above, changes in the Ke (increasing) or the “g” (decreasing) values within 10 basis points would lead to a general decrease in the values in use ranging between 0.65% and 1%. Regarding the cash flow considered for the purpose of the terminal value, a 10% decrease of the same would lead to reductions in the values in use ranging between 5.79% and 8.96%. In any event, no issues of impairment would arise for any CGU at that amount of sensitivity.

Still considering stress testing, analyses were performed with the aim of determining the limits for the main inputs, beyond which impairment testing of the CGUs would require the recognition of impairment. The following table presents the “g” growth rates and discounting rates for each CGU that would result in a Value in Use in line with its carrying amounts, assuming equal cash flows to be discounted.

CGU	Sensitivity	“g” growth rate	Difference compared to the “g” rate used	TV discounting rate	Difference compared to the Ke discounting rate used
IMI Corporate & Investment Banking		0.22%	-178 bps	13.25%	136 bps
Insurance		-1.67%	-367 bps	14.32%	275 bps
Asset Management		-17.26%	-1926 bps	24.07%	1249 bps
Private Banking		n.s.	n.s.	n.s.	n.s.

(1) For the Private Banking CGU, the discounted cash flows over the explicit forecast horizon are already substantially higher than the carrying amount. As a result, the sensitivity analysis on the parameters that change the discounted value of the terminal value, with the same cash flows, is not applicable in this case, because there would never be a reduction in the terminal value sufficient to bring the CGU's Value in Use back to values close to the carrying amount.

As shown by the data contained in the table, the Values in Use of the CGUs would reduce until the book values, with consequent impairment problems, only in correspondence with the significant worsening of the discounting rates (Ke) and the “g” growth rates.

Finally, within the framework of analysis regarding possible changes in the cash flows of the CGUs on the basis of alternative scenarios to those used for the purposes of this impairment test, account was taken of the impact on forward-looking cash flows of the application of an alternative macroeconomic scenario, consistent with the “adverse” scenario incorporated into the Expected Credit Loss models used to measure loans pursuant to IFRS 9. In that scenario, the performance of the Italian GDP is expected to be weak: a moderate recession is expected in 2024, followed by a modest recovery in 2025-26, while the Eurozone's GDP performance is assumed to be only slightly stronger. GDP is estimated to be stagnant on an annual basis, with modest contractions on a quarterly basis and a consequent faster and deeper decline in inflation, which would allow the ECB to ease monetary policy to the point of being expansionary, instead of neutral as in the reference scenario. The above scenario translates into a reduction in cash flows at Group level of 12% on average over the forecast horizon, with impacts distributed across all CGUs.

Following this analysis, it was found that the reduction in cash flows over the 2024-2028 forecasting horizon, estimated based on an “adverse” scenario, would not entail issues of impairment for any of the Group's CGUs.

SECTION 11 – TAX ASSETS AND LIABILITIES – CAPTION 110 OF ASSETS AND CAPTION 60 OF LIABILITIES**11.1 Deferred tax assets: breakdown**

Deferred tax assets, recognised with regard to deductible temporary differences, totalled 12,601 million euro, of which 11,434 million euro refers to taxes recorded through profit or loss and 1,167 million euro to taxes with a balancing entry under shareholders' equity. The first of these amounts refers to losses brought forward, to the portion of tax benefits not offset in relation to adjustments to loans and provisions for risks and charges deductible in future years, and to the benefit from realignment of the taxable value of goodwill, trademarks and other intangible assets pursuant to Article 15, par. 10, 10-bis and 10-ter of Law Decree 185/2008. Deferred tax assets recorded as a balancing entry under shareholders' equity almost exclusively refer to tax on negative valuation reserves for financial assets measured at fair value through other comprehensive income, to the cash flow hedges and to recognition of actuarial losses on personnel funds.

11.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 1,488 million euro and the balancing entry is in the income statement (1,201 million euro) as well as in shareholders' equity (287 million euro).

11.3 Changes in deferred tax assets (through profit or loss)

	31.12.2023	Of which:			(millions of euro)
		Banking group	Insurance companies	Other companies	31.12.2022
1. Initial amount	12,880	12,350	520	10	14,287
2. Increases	1,407	1,266	127	14	1,447
2.1 Deferred tax assets recognised in the period	1,173	1,153	14	6	1,250
a) related to previous years	375	375	-	-	326
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	-	-	-	-	-
d) other	798	778	14	6	924
2.2 New taxes or tax rate increases	4	4	-	-	2
2.3 Other increases	230	109	113	8	194
2.4 Business combinations	-	-	-	-	1
3. Decreases	-2,853	-2,682	-163	-8	-2,854
3.1 Deferred tax assets eliminated in the period	-2,249	-2,117	-124	-8	-1,543
a) reversals	-2,077	-2,069	-	-8	-1,412
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
d) other	-172	-48	-124	-	-131
3.2 Tax rate reductions	-	-	-	-	-1
3.3 Other decreases	-604	-565	-39	-	-1,310
a) changes into tax credits pursuant to Law no. 214/2011	-391	-391	-	-	-851
b) other	-213	-174	-39	-	-459
3.4 Business combinations	-	-	-	-	-
4. Final amount	11,434	10,934	484	16	12,880

Among Increases, sub-caption a) related to previous years is made up of 352 million euro for the recognition of the deferred tax assets on part of tax losses carried forward of the former UBI Banca, UBI Leasing and UBI Factor.

Again, among Increases, sub-caption d) other refers mainly to the recognition of convertible deferred tax assets on the portion of the tax loss that is attributable to the reversal of accumulated adjustments to loans and goodwill and the deductible temporary differences arising during the year, connected to provisions for risks and charges.

Other increases mainly consist of the write-off of netting against deferred tax liabilities, applied as at 31 December 2022.

Among Decreases, sub-caption 3.1 a) reversals mainly refer to the elimination of deferred tax assets pursuant to Law no. 214/2011 and deferred tax assets previously recorded in relation to provisions for risks and charges, as a result of their use during the year.

Among Other decreases, sub-caption a) changes into tax credits pursuant to Law no. 214/2011 refers to the information set out in Part C, table 21.1.

Again, among Other decreases, sub-caption b) other refers to the netting against deferred tax liabilities for the year.

11.4 Changes in deferred tax assets pursuant to Law 214/2011

(millions of euro)

	31.12.2023	31.12.2022
1. Initial amount	7,495	8,758
2. Increases	506	477
3. Decreases	-1,909	-1,740
3.1 Reversals	-1,488	-865
3.2 Changes into tax credits	-391	-851
a) from losses for the year	-	-
b) from fiscal losses	-391	-851
3.3 Other decreases	-30	-24
4. Final amount	6,092	7,495

11.5 Changes in deferred tax liabilities (through profit or loss)

(millions of euro)

	31.12.2023	Of which:			31.12.2022
		Banking group	Insurance companies	Other companies	
1. Initial amount	1,470	501	944	25	1,337
2. Increases	244	169	74	1	764
2.1 Deferred tax liabilities recognised in the period	139	71	68	-	610
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	139	71	68	-	610
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	105	98	6	1	136
2.4 Business combinations	-	-	-	-	18
3. Decreases	-513	-192	-299	-22	-631
3.1 Deferred tax liabilities eliminated in the period	-303	-97	-184	-22	-327
a) reversals	-55	-32	-1	-22	-75
b) due to changes in accounting criteria	-	-	-	-	-
c) other	-248	-65	-183	-	-252
3.2 Tax rate reductions	-2	-2	-	-	-
3.3 Other decreases	-208	-93	-115	-	-304
3.4 Business combinations	-	-	-	-	-
4. Final amount	1,201	478	719	4	1,470

Among Increases, sub-caption c) other mainly refers to temporary taxable differences which arose during the year in relation to the tax amortisation of the brand name.

Other increases mainly consist of the write-off of netting against deferred tax assets through profit or loss applied as at 31 December 2022.

Other decreases mainly relate to the netting against deferred tax assets through profit or loss for the year.

11.6 Changes in deferred tax assets (recorded in equity)

	31.12.2023	Of which:			(millions of euro) 31.12.2022
		<i>Banking group</i>	<i>Insurance companies</i>	<i>Other companies</i>	
1. Initial amount	1,730	1,351	371	8	966
2. Increases	315	313	2	-	1,436
2.1 Deferred tax assets recognised in the period	217	215	2	-	1,324
<i>a) related to previous years</i>	3	3	-	-	-
<i>b) due to changes in accounting criteria</i>	-	-	-	-	-
<i>c) other</i>	214	212	2	-	1,324
2.2 New taxes or tax rate increases	-	-	-	-	3
2.3 Other increases	98	98	-	-	109
2.4 Business combinations	-	-	-	-	-
3. Decreases	-878	-518	-352	-8	-672
3.1 Deferred tax assets eliminated in the period	-463	-426	-37	-	-555
<i>a) reversals</i>	-370	-370	-	-	-453
<i>b) write-offs</i>	-	-	-	-	-
<i>c) due to changes in accounting criteria</i>	-	-	-	-	-
<i>d) other</i>	-93	-56	-37	-	-102
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-415	-92	-315	-8	-117
3.4 Business combinations	-	-	-	-	-
4. Final amount	1,167	1,146	21	-	1,730

Among Increases, sub-caption c) other mainly refers to deductible temporary differences arising during the year, connected with the results of financial assets measured at fair value through other comprehensive income and cash flow hedging derivatives.

Other increases mainly refer to the write-off of netting against deferred tax liabilities recorded in equity, applied as at 31 December 2022.

Among Decreases, sub-caption a) reversals mainly refers to the elimination of deferred tax assets previously recorded in relation to the fair value measurement of cash flow hedging derivatives and financial assets measured at fair value through other comprehensive income following the adjustment of the valuation effects or the related realisation during the year.

Caption 3.3 Other decreases refers mainly to the netting against deferred tax liabilities recorded in equity.

11.7 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2023	Of which:			31.12.2022
		Banking group	Insurance companies	Other companies	
1. Initial amount	248	205	42	1	585
2. Increases	337	290	47	-	259
2.1 Deferred tax liabilities recognised in the period	176	165	11	-	154
a) related to previous years	1	1	-	-	-
b) due to changes in accounting criteria	11	-	11	-	-
c) other	164	164	-	-	154
2.2 New taxes or tax rate increases	1	1	-	-	-
2.3 Other increases	157	124	33	-	105
2.4 Business combinations	3	-	3	-	-
3. Decreases	-298	-250	-47	-1	-596
3.1 Deferred tax liabilities eliminated in the period	-127	-126	-	-1	-399
a) reversals	-123	-122	-	-1	-103
b) due to changes in accounting criteria	-	-	-	-	-1
c) other	-4	-4	-	-	-295
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-171	-124	-47	-	-197
3.4 Business combinations	-	-	-	-	-
4. Final amount	287	245	42	-	248

Among Increases, sub-caption c) other refers to taxable temporary differences which arose during the year in relation to the measurement of financial assets measured at fair value through other comprehensive income and the fair value measurement of property and equipment.

Other increases mainly consist of the write-off of netting against deferred tax assets applied as at 31 December 2022.

Among Decreases, sub-caption a) reversals refers to the discharge of deferred tax liabilities previously recorded in relation to the valuation of financial assets measured at fair value through other comprehensive income and cash flow hedging derivatives.

Caption 3.3 Other decreases mainly relates to the netting against deferred tax assets recorded in equity and the netting against deferred tax assets through profit or loss.

As indicated in the accounting policies, with regard to current and deferred taxation, no provision is made in the financial statements for reserves subject to latent taxation only in the event of distribution, since the size of the available reserves which have already been taxed leads to the belief that the Bank will not undertake any transactions which may cause taxation of those untaxed reserves.

Probability test on deferred taxation

IAS 12 requires for deferred tax assets and liabilities to be recognised according to the following criteria:

- a deferred tax liability (or DTL) must be recognised, as a general rule, for all taxable temporary differences;
- a deferred tax asset (or DTA) must be recognised for all deductible temporary differences to the extent that it is probable that taxable income will be earned that can offset the deductible temporary differences. Deferred tax assets not recognised in the past - inasmuch as the conditions for their recognition were not met - are recognised during the year in which those conditions arise.

Deferred tax assets are then divided into “eligible” deferred tax assets and “ineligible” deferred tax assets.

For the former, as illustrated in greater detail hereinafter, the regulations set out a specific mechanism for conversion into tax credits which legitimises, in and of itself, their recognition in the financial statements.

Instead, the book value of “ineligible” deferred tax assets must be tested to determine whether it is likely that taxable income will be earned in the future that will ensure their recovery (probability test).

“Eligible” deferred tax assets amounted to 6,092 million euro, while “ineligible” deferred tax assets subjected to the probability test amounted to 6,509 million euro (joined by 1,488 million euro in deferred tax liabilities).

The probability test on the “ineligible” deferred tax assets carried in the 2023 Financial Statements separately regarded, due to the different conditions of use of the underlying temporary differences and similarly to the previous years, the following cases:

- IRES deferred tax assets recognised in relation to previous tax losses. In particular, these were deferred tax assets relating to the tax losses of Intesa Sanpaolo and the merged companies (mainly generated by the former Venetian banks and by the companies in the former UBI Group);
- deferred tax assets recognised for tax losses of the Luxembourg subsidiary Intesa Sanpaolo Holding International (ISPHI);
- other deferred tax assets triggered by deductible temporary differences for IRES tax purposes, arising at the Group companies included in the consolidated financial statements (“Other deferred tax assets - IRES”);
- deferred tax assets triggered by deductible temporary differences for IRAP tax purposes (“Deferred tax assets - IRAP”).

In the 2023 Financial Statements, deferred tax assets relating to previous tax losses of the parent company Intesa Sanpaolo were recognised for a total of 2,638⁹² million euro, of which 2,107 million euro equal to the base IRES tax rate of 24% and 531 million euro to the additional IRES tax rate of 3.5%. Of this amount of deferred tax assets, 352 million euro consists of deferred tax assets at 24% recognised for the first time in the financial statements as at 31 December 2023 as regards the tax losses carried forward of the former UBI Group companies (“new DTAs”; see below).

The probability test on the deferred tax assets relating to the tax losses was conducted considering the individual position of Intesa Sanpaolo.

For the losses of the former Venetian banks, the possibility of use on an exclusively individual basis by Intesa Sanpaolo derives from the regulations that set out the transfer (Art. 7, paragraph 3 of Law Decree no. 99/2017, converted with amendments by Law no. 121/2017, and Art. 15 of Law Decree no. 18/2016) at the time of the purchase of the business lines of Banca Popolare di Vicenza and Veneto Banca (in 2017) and the subsequent merger of their former subsidiaries Banca Nuova and Banca Apulia (effective on 1 January 2018 and 1 January 2019, respectively). For the losses of UBI Banca and the other companies in the former UBI Group merged into Intesa Sanpaolo, the same possibility is triggered by the incorporation of those companies into Intesa Sanpaolo during 2021 and 2022.

For the purposes of the probability test, the income prospects of Intesa Sanpaolo have been estimated in line with the choices made for the 2022 Financial Statements, over a timeframe of 5 years, i.e., the five-year period 2024-2028. For that period, with regard to the years up to 2025, the forecasts set out in the 2022-2025 Business Plan were considered, updated (for 2024 via the 2024 Budget approved by the Board of Directors on 6 February 2024) to take account of the changed macroeconomic scenario. The flows of the last three years of forecasts (2026, 2027 and 2028) have instead been estimated through the inertial extrapolation of the flows for 2025, based on the forecasts of the updated macroeconomic scenario, and therefore without considering the effect of new managerial initiatives; for the years following 2028, it was prudentially assumed that the gross income will remain steady, equal to that estimated for 2028 (thus without considering the effect of the growth rate “g”). Based on the analyses conducted, total absorption of the deferred tax assets in question – and also of the “new DTAs” recognised in the 2023 Financial Statements – could be achieved over a time horizon deemed compatible with the “probability” of recovery required by IAS 12.

In order to achieve a sufficient degree of confidence regarding the recognition of “new DTAs” relating to losses carried forward, the following was also assumed: (i) a baseline scenario with a sensitivity analysis based on a 10% reduction in the tax bases for 2029 and subsequent years, not covered by analytical forecasting and (ii) a scenario consistent with the “adverse” scenario incorporated into the Expected Credit Loss models used for the valuation of loans pursuant to IFRS 9, which essentially provides for the lowest GDP growth forecasts among those reported in the Consensus Economics survey for the main advanced countries (with similar effects on consumption and fixed investments), a general shock also for stock market indices and real estate prices and significantly higher levels of the Btp-Bund spread.

Based on the analyses conducted, also with respect to such downside scenarios, total absorption of the deferred tax assets in question – and also of the “new DTAs” recognised in the 2023 Financial Statements – could be achieved over a time horizon deemed compatible with the “probability” of recovery required by IAS 12.

With particular regard to the “new DTAs” recognised in the 2023 Financial Statements, as at the date of the merger of UBI Banca into Intesa Sanpaolo, UBI Banca had tax losses carried forward, largely relating to the former Good Banks (in turn merged into UBI in 2017 and 2018) against which UBI Banca had not recognised deferred tax assets. During the PPA, and in the 2020 and 2021 Financial Statements, Intesa Sanpaolo had decided to adopt an approach in line with that of UBI Banca, prudently choosing not to recognise the above deferred tax assets. However, it had been decided to reconsider the issue in later years, based on the trend in the Bank’s income performance within the evolution of the external situation.

⁹² That amount is already net of the benefit deriving from the transformation into tax credits of a total of 220 million euro (of which 110 million euro referring to 2020 and 110 million euro referring to 2021) in deferred tax assets relating to tax losses, due to the sales, carried out by 31 December 2020 and 31 December 2021, respectively, of non-performing loans pursuant to Art. 55 of Law Decree no. 18/2020 (“Cura Italia” Decree), and Art 19 of Law Decree no. 73/2021 (“Sostegni bis” Decree).

In 2022: i) the right to full use by Intesa Sanpaolo of the tax losses of UBI Banca (both those for which deferred tax assets had already been recognised and the others) was confirmed by the Italian Revenue Agency in response to a specific ruling request filed by the Parent Company; ii) the Parent Company and the National Resolution Fund (which had sold UBI Banca the equity investments in the former Good Banks) held talks aimed at regulating in the post-merger structure the right granted to the National Resolution Fund, on the basis of the initial agreements, to receive a part of the tax benefit that will be achieved in the future when the tax losses of the former Good Banks are concretely used.

The favourable outcome of the above ruling request, along with several objective elements, mainly relating to the improvement in the Bank's relevant financial performance indicators and income prospects compared to previous estimates, made it possible to reconsider, for the purposes of preparing the 2022 Financial Statements, the extremely conservative attitude taken until then with regard to the recognition of new deferred tax assets on the tax losses of the former UBI Banca.

However, even in such an improving scenario there continued to be circumstances – such as the macroeconomic framework, which is still uncertain, due in part to the Russia-Ukraine conflict, and the wholly preliminary stage of the talks with the National Resolution Fund – that had suggested caution in assessing the recoverability of the tax losses in question and, consequently, in recognising the related deferred tax assets for their total amount.

On the basis of the foregoing, for the purposes of the 2022 Financial Statements, it was decided to quantify the amount of deferred tax assets to be recognised in the 2022 income statement of Intesa Sanpaolo at 320 million euro in relation to the tax losses carried forward of the former UBI Banca.

For the purposes of the 2023 Financial Statements, the conditions for recognising an additional portion of the DTAs (321 million euro) relating to the tax losses of the former UBI Banca, were met as a result of rising interest rates in 2023 and the resulting strengthening in expectations about the Bank's net income growth, even in an adverse scenario such as that described earlier.

The same conditions for recognition were met in relation to deferred tax assets worth 31 million euro relating to tax losses carried forward of the former UBI Leasing and UBI Factor during the option period of the fiscal consolidation regime of the former UBI Group, which were reallocated to the companies upon the termination of the aforementioned regime, following Intesa Sanpaolo's acquisition of the consolidating entity UBI Banca. These DTAs are in addition to those already recognised in previous financial statements based on the forecasts made by the above companies.

The conditions for recognising the residual portion of DTAs relating to tax losses carried forward of the former UBI Banca, which at present are not met, will be reassessed in 2024 based on the above-mentioned discussions with the National Resolution Fund.

In the 2023 Financial Statements, deferred tax assets of 6 million euro are also recognised - and almost entirely absorbed - which derive from previous years' tax losses of the Luxembourg subsidiary Intesa Sanpaolo Holding International (ISPHI). The analyses carried out in relation to the income forecasts of the Luxembourg subsidiary confirm the ability of that company to use the losses against which deferred tax assets are recognised.

In conducting the probability test for the other deferred tax assets for IRES and the deferred tax assets for IRAP carried in the Group's Financial Statements as at 31 December 2023, deferred tax assets arising from temporary deductible differences associated with impairment losses on loans (other than those deriving from the first-time adoption of the IFRS 9; see below), as well as - if recognised within 2014 - from goodwill and other intangible assets with indefinite useful lives⁹³ ("eligible deferred tax assets" and "eligible temporary differences"), were considered separately from others. In this regard, it bears noting that, effective from the tax period ended 31 December 2011, deferred tax assets (for corporate income tax or IRES) recognised to account for tax losses due to the deferred deduction of "eligible" temporary differences are eligible for conversion into tax credits (article 2, paragraph 56-bis, of Law Decree 225 of 29 December 2010, introduced by article 9 of Law Decree 201 of 6 December 2011). Effective from the 2013 tax period, a similar conversion is allowed where the regional business tax (IRAP) return shows a negative net production value also in relation to IRAP deferred tax assets that pertain to "eligible" temporary differences that have contributed to determining the negative net production value (article 2, paragraph 56-bis.1, of Law Decree 225 of 29 December 2010, introduced by Law 147/2013). The above convertibility forms - which are in addition to that already envisaged for cases in which the separate financial statements show a loss for the year (article 2, paragraphs 55 and 56, of Law Decree 225/2010, as most recently amended by Law 147/2013) - provide an additional, supplementary recovery method suited to ensuring the recovery of "eligible" deferred tax assets in all situations, regardless of the company's future profitability. If in a given year there are surplus "eligible" temporary differences with respect to taxable income or net production value, the recovery of deferred tax assets takes the form not of a decrease in current taxes, but of the recognition of deferred tax assets on the tax loss or the negative net production value, convertible into tax credits pursuant to Art. 2, paragraphs 56-bis and 56-bis.1, of Law Decree 225/2010. The convertibility of deferred tax assets on tax losses and negative net production values that result from eligible temporary differences is therefore a suitable and sufficient condition for the recognition of "eligible" deferred tax assets, making it possible to exclude them from the area of application of the probability test.

A limit to the straight convertibility of "eligible" deferred tax assets was introduced by art. 11 of Law Decree 59 of 3 May 2016, amended by Law Decree 237 of 23 December 2016, which subordinated the transformation into tax credits of the eligible deferred tax assets which were not matched by an actual prepayment of taxes (so-called "type 2 DTA") to the payment of an annual fee, equal to 1.5% of their overall value, for the years 2016-2030. Instead, no fee is due for the transformation into tax credits of the "eligible" deferred tax assets which were matched by an actual prepayment of greater taxes ("type 1 DTA"). Considering that the "eligible" deferred tax assets recognised by the Companies that are part of the fiscal consolidation of Intesa Sanpaolo, as well as those included in the Parent Company's financial statements following the acquisition of the business lines of the former Venetian Banks and, most recently, those of the former UBI Group are all "type 1 DTA", the Group is not currently concretely required to pay this fee.

Article 1, paragraphs 1067 and 1068 of the 2019 Budget Act (Law 145 of 30 December 2018) envisage the deductibility (both for IRES and IRAP purposes) over ten tax periods, starting from the one under way as at 31 December 2018, of the adjustments to loans to customers recognised in the financial statements of banks and financial institutions on first-time

⁹³ With art. 17 of Law Decree 83 of 27 June 2015, the convertibility into tax credits was excluded (for any reason provided for by Law Decree 225 of 29 December 2010) of the deferred tax assets relating "to the value of the goodwill and the other intangible assets entered for the first time starting from the financial statements relating to the year underway at the date the provision comes into force", i.e. starting from 2015.

adoption of IFRS 9⁹⁴. According to that clarified in the Explanatory Report on the Measure, deferred tax assets recognised in financial statements in relation to the deferral of said deduction cannot be converted into tax credits based on the aforementioned provisions of Law Decree no. 225/2010. Therefore, those taxes must be subject to probability testing.

Based on the above, the probability test on other deferred tax assets - IRES was carried out as follows:

- identifying the “other deferred tax assets - IRES”, i.e. those not relating to the tax losses of Intesa Sanpaolo or ISPHI, which were subject to a specific test to determine whether they could be recognised in the financial statements (see above);
- identifying “ineligible” deferred tax assets among other deferred tax assets, as they cannot be converted into tax credits (see above);
- analysing such “ineligible” deferred tax assets and deferred tax liabilities carried in the consolidated financial statements, distinguishing them by causal relationship and by foreseeable recovery timing;
- provisionally determining the amount of the Group’s future taxable income in order to verify its ability to recover the “ineligible” “other deferred tax assets - IRES”. The estimate of future taxable income was made, for the years 2024-2028, using the same database used for the impairment test on intangibles in the 2023 Financial Statements (see above). For the subsequent years, an overhang of the forecasts was cautiously assumed, without considering a growth rate “g”.

The analysis conducted indicated an IRES taxable base that was sufficient and adequate to allow recovery of the deferred tax assets relating to IRES carried in the financial statements as at 31 December 2023.

Also for “deferred tax assets - IRAP”, the probability test was conducted analytically, referring only to the “ineligible” deferred tax assets (for those that can be converted into tax credits, as stated, the prospective certain use based on the cases of conversion into tax credits set out in paragraphs 56-bis and 56-bis.1 of Art. 2 of Law Decree 225/2010, effectively constitutes a sufficient prerequisite for recognition in the financial statements, implicitly passing the related probability test). The test was conducted by comparing the estimated forecast taxable income for IRAP purposes of Intesa Sanpaolo, estimated on the basis of the same forecast data assumed in carrying out the probability test on tax losses, with the cancelled ineligible temporary differences found as at 31 December 2023 and resulting in the residual IRAP taxable base for each year.

Considering that, for IRAP purposes, different from that set out for IRES tax losses, there is no carrying forward of tax losses or the possibility of offsetting them as part of tax consolidation, if in one or more years the residual taxable base is negative, for example, the deferred tax assets - IRAP that can be recognised in the financial statements should be limited to only the amounts of the temporary differences that can be recovered in each year considered.

The calculations performed resulted in a positive residual IRAP taxable base in each of the years included in the reference time horizon of the test.

In support of the positive results of the probability test on the DTAs recognised for each of the above categories, please note that:

- Intesa Sanpaolo’s results show a steady improvement. Net of dividends (which are in fact irrelevant for the purposes of recovering tax losses carried forward), both the net interest and other banking income and gross income improved on the previous year, confirming Intesa Sanpaolo’s solid track record in terms of profitability;
- the forecast data from 2024 onwards on which the estimate is based also prudently reflect, as already mentioned, unfavourable scenarios compared to the baseline scenario;
- all scenarios, including the adverse one described earlier, during the period covered by the forecasts, show an improvement in Intesa Sanpaolo’s taxable profit;
- for the purposes of additional prudence, when performing the probability test, the taxable profit for the years where no specific estimate of future profits is available, even when there is a trend of growth in profits, is assumed to be equal (i.e. not increasing with respect) to the taxable profit of the last year covered by the Forecasts;
- in any event, the future earnings estimates used for the probability test are updated at least annually to take account of intervening changes in the market scenarios;
- under the current Italian regulations, tax losses can be carried forward without time limits (Article 84, Combined Tax Regulations);
- the negative taxable income does not derive from a natural “inability” to generate taxable income, but rather from some rules specific to the Italian tax system, which resulted in deferred tax assets whose reversals penalised and will continue to penalise (but only up to 2029) the taxable income (accrual of adjustments to loans not deducted until 2014; accrual of expected losses on loans to customers recognised as a result the IFRS 9 FTA; and repeated deferral of the start and end of the recovery period for goodwill realigned for payment);
- almost all the deferred tax assets on tax losses relate to the entities acquired by Intesa Sanpaolo and arose prior to the acquisition by Intesa Sanpaolo.

Therefore, the prospects for recovery resulting from the estimates are considered to meet the “probability of recovery” requirement of IAS 12.

11.8 Other information

There is no other information to be noted in addition to the above.

⁹⁴ The ten-year instalment period, which should have originally concluded in 2027, was extended by one year by the 2020 Budget Act (Law no. 160 of 27 December 2019).

SECTION 12 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 120 OF ASSETS AND 70 OF LIABILITIES

12.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

Captions	(millions of euro)	
	31.12.2023	31.12.2022
A. Non-current assets held for sale		
A.1 Financial assets	139	368
A.2 Investments in associates and companies subject to joint control	50	145
A.3 Property and equipment	75	87
<i>of which: resulting from the enforcement of guarantees</i>	4	5
A.4 Intangible assets	-	-
A.5 Other	-	38
Total A	264	638
<i>of which measured at cost</i>	<i>213</i>	<i>557</i>
<i>of which Fair value level 1</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 2</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 3</i>	<i>51</i>	<i>81</i>
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- <i>Financial assets held for trading</i>	-	-
- <i>Financial assets designated at fair value</i>	-	-
- <i>Other financial assets mandatorily measured at fair value</i>	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Investments in associates and companies subject to joint control	-	-
B.5 Property and equipment	-	-
<i>of which: resulting from the enforcement of guarantees</i>	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	-	-
<i>of which measured at cost</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 1</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 2</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 3</i>	<i>-</i>	<i>-</i>
C. Liabilities associated with non current assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other	-2	-15
Total C	-2	-15
<i>of which measured at cost</i>	<i>-2</i>	<i>-15</i>
<i>of which Fair value level 1</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 2</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 3</i>	<i>-</i>	<i>-</i>
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Allowances	-	-
D.5 Other	-	-
Total D	-	-
<i>of which measured at cost</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 1</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 2</i>	<i>-</i>	<i>-</i>
<i>of which Fair value level 3</i>	<i>-</i>	<i>-</i>

The table above contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of.

Caption A.1 Financial assets, amounting to 139 million euro net, consists of non-performing loans (163.2 million euro gross, 121.8 million euro net) and, for a residual amount (18 million euro gross, 16.8 million euro net), of performing loans, which will be sold under the transactions planned for 2024.

This amount compares with the 368 million euro recorded as at 31 December 2022, which mainly included: portfolios classified as UTP and, for a residual amount, performing loans that were sold in 2023.

A.2 Equity investments amount to 50 million euro as at 31 December 2023 and refer to the investment in Cronos Vita S.p.A. For more information, see the chapter “Overview of 2023” of the Report on operations. This amount compares with that as at 31 December 2022 which refers to the investment in Zhong Ou Asset Management Co. Ltd. (ZOAM), whose closing took place in 2023.

A.3 Property and equipment comprise properties to be sold to BPER, pending the resolution of the encumbrances in force (for 10 million euro) and individual properties held for sale (for 65 million euro).

As at 31 December 2022, A.5 Other non-current assets related to PBZ Card’s business line dedicated to merchant acquiring which was transferred to the Nexi Group in 2023.

12.2 Other information

There is no other information to be noted in addition to the above.

SECTION 13 – OTHER ASSETS – CAPTION 130

13.1 Other assets: breakdown

Captions		(millions of euro)
	Amounts to tax authorities	24,522
	Amounts to be credited and items under processing	1,388
	Cheques and other instruments held	469
	Leasehold improvements	107
	Transit items	5
	Other	4,741
TOTAL	31.12.2023	31,232
TOTAL	31.12.2022	22,461

The sub-caption “Amounts due from tax authorities” includes tax credits related to the “Cura Italia” and “Rilancio” Law Decrees acquired as a result of transfer by direct beneficiaries or previous purchasers for a total of approximately 20 billion euro, of which 13.3 billion euro held under the Hold to Collect business model, 4.3 billion euro held under the Hold to Collect and Sell business model and 2.5 billion euro held under the Other business model.

The sub-caption “Other” includes the following main components: (i) prepayments and accrued income not reallocated of 409 million euro; (ii) costs incurred to obtain and execute contracts with customers for an amount of 604 million euro, mainly referring to costs for bonuses capitalised by Fideuram – Intesa Sanpaolo Private Banking (and, therefore, subject to amortisation for 73 million euro) and IW Private Investments Sim S.p.A. (and, therefore, subject to amortisation for 7 million euro) as they are strictly related to the acquisition and maintenance of the funding; and (iii) pursuant to paragraphs 116 and following of IFRS 15, operating loans and receivables, i.e. loans for operations connected with the provision of non-financial activities and services, amounting to 118 million euro.

LIABILITIES

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - CAPTION 10

1.1 Financial liabilities measured at amortised cost: breakdown of amounts due to banks

Transaction type/Amount	(millions of euro)									
	31.12.2023					31.12.2022				
	Book value	Fair value			Book value	Fair value				
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3				
1. Due to central banks	48,089	X	X	X	98,444	X	X	X		
2. Due to banks	45,153	X	X	X	39,688	X	X	X		
2.1 Current accounts and on demand deposits	3,526	X	X	X	3,240	X	X	X		
2.2 Time deposits	3,409	X	X	X	3,807	X	X	X		
2.3 Loans	27,817	X	X	X	19,231	X	X	X		
2.3.1 Repurchase agreements	21,911	X	X	X	12,753	X	X	X		
2.3.2 Other	5,906	X	X	X	6,478	X	X	X		
2.4 Debts for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X		
2.5 Lease liabilities	4	X	X	X	6	X	X	X		
2.6 Other debts	10,397	X	X	X	13,404	X	X	X		
Total	93,242	-	78,724	14,351	138,132	-	125,195	12,711		

The illustration of the criteria used to determine the fair value is contained in Part A – Accounting policies.

The total amount of Financial liabilities measured at amortised cost – due to banks as at 31 December 2023 of 93,242 million euro (138,132 million euro as at 31 December 2022) consisted of 92,345 million euro attributable to the “Banking Group”, 741 million euro to the “Insurance Companies”, and 156 million euro to “Other Companies”; as at 31 December 2022 these amounts were 137,203 million euro, 637 million euro and 292 million euro respectively.

The caption “Amounts due to Central Banks” includes the balance of TLTRO refinancing operations for a total of 45 billion euro (96 billion euro as at 31 December 2022), fully attributable to the TLTRO III.

Repurchase agreements related to assets sold not derecognised are detailed in Part E - Section E - Sales of the Notes to the financial statements.

The Group’s repurchase agreements shown in the table include long-term repurchase agreements with a total carrying amount of 200 million euro, attributable to Fideuram – Intesa Sanpaolo Private Banking for de-risking transactions completed in previous years with the twofold aim of both funding the bank’s operations (through repurchase transactions) and reducing the credit risks associated with the portfolio of securities issued (also through the acquisition of financial guarantees). The transactions have a non-replaceable underlying portfolio of Italian government bonds (with maturities from 2031 to 2033) hedged against interest rate risk through interest rate swap contracts and against credit risk through credit default swap contracts, already recorded in the financial statements at the time of execution of the repurchase transactions and recognised under financial assets measured at amortised cost. The nominal value and the maturity date of the repurchase agreements are the same as that of the securities.

For recognition purposes, an assessment was conducted aimed at understanding the purpose underlying the contractual agreements, taking into account the instructions provided by the supervisory authorities in Bank of Italy/Consob/IVASS Document No. 6 of 8 March 2013, “Accounting treatment of ‘long-term structured repurchase agreements’.”

The analysis focused on the structure, cash flows and risks associated with the transactions and was aimed at verifying whether the cases described above were similar to the long-term structured repurchase agreements described in the above Document, and, in order to be compliant with the principle of the prevalence of substance over form, whether the indicators referred in paragraph B.6 of the Guidance on Implementing IFRS 9, according to which the transaction may be considered substantially similar to a credit derivative contract, and, in particular, a credit default swap, were present.

The case described above consists of repurchase agreements that are not concurrent with the purchases of the securities, because they were already present in the portfolio. In addition, buying securities and entering into the related hedging derivatives occurred with market counterparties other than those with which the repurchase agreements were entered into. The credit risk was also closed with financial guarantees.

Consequently, the analysis shows elements of differentiation from the long-term structured repurchase agreements described in the aforementioned Document, supporting the inapplicability of the guidelines provided in paragraph B.6 of the Guidance on Implementing IFRS 9, with the result that the transactions must be recognised in the financial statements with the individual contractual components shown separately.

1.2 Financial liabilities measured at amortised cost: breakdown of amounts due to customers

(millions of euro)

Transaction type/Amount	31.12.2023						31.12.2022		
	Book value	Fair value			Book value	Fair value			
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
1. Current accounts and on demand deposits	364,906	X	X	X	412,667	X	X	X	
2. Time deposits	43,004	X	X	X	20,309	X	X	X	
3. Loans	18,042	X	X	X	5,200	X	X	X	
3.1 Repurchase agreements	13,009	X	X	X	1,284	X	X	X	
3.2 Other	5,033	X	X	X	3,916	X	X	X	
4. Debts for commitments to repurchase own equity instruments	199	X	X	X	541	X	X	X	
5. Lease liabilities	1,213	X	X	X	1,315	X	X	X	
6. Other debts	13,085	X	X	X	14,563	X	X	X	
Total	440,449	-	413,014	27,304	454,595	-	435,909	18,259	

The total amount of the Financial liabilities measured at amortised cost – due to customers as at 31 December 2023 of 440,449 million euro (454,595 million euro as at 31 December 2022) consisted of 440,312 million euro attributable to the “Banking Group”, 137 million euro to the “Insurance Companies”; as at 31 December 2022 these amounts were 454,037 million euro, 557 million euro and 1 million euro for “other companies”, respectively.

Repurchase agreements related to financial assets sold not derecognised are detailed in Part E – Section E Sales of the Notes to the financial statements.

1.3 Financial liabilities measured at amortised cost: breakdown of securities issued

(millions of euro)

Transaction type/Amount	31.12.2023						31.12.2022		
	Book value	Fair value			Book value	Fair value			
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Securities									
1. bonds	91,805	60,128	32,185	-	66,159	41,736	24,148	29	
1.1 structured	1,199	109	1,111	-	1,806	397	1,361	29	
1.2 other	90,606	60,019	31,074	-	64,353	41,339	22,787	-	
2. other	16,623	-	15,040	1,583	11,241	-	9,280	1,961	
2.1 structured	-	-	-	-	-	-	-	-	
2.2 other	16,623	-	15,040	1,583	11,241	-	9,280	1,961	
Total	108,428	60,128	47,225	1,583	77,400	41,736	33,428	1,990	

The total amount of the Financial liabilities measured at amortised cost – securities issued as at 31 December 2023 of 108,428 million euro (77,400 million euro as at 31 December 2022) consisted of 107,092 million euro attributable to the “Banking Group”, 1,327 million euro to the “Insurance Companies”, and 9 million euro to “Other Companies”; as at 31 December 2022 these amounts were 76,056 million euro, 1,334 million euro and 10 million euro respectively.

1.4 Details of subordinated debts/securities

As at 31 December 2023 subordinated debts amounted to 608 million euro, entirely attributable to the Insurance Companies, and in particular to Intesa Sanpaolo Vita.

As at the reporting date, subordinated securities issued amounted to 13,485 million euro, of which 12,158 million euro attributable to the Parent Company and 1,327 million euro to the Insurance Companies.

1.5 Details of structured debts

As at 31 December 2023 there were no structured debts.

1.6 Lease payables

As at 31 December 2023 lease payables amounted to 1,217 million euro, of which 239 million euro maturing within one year, 597 million euro maturing within 1 to 5 years and 381 million euro maturing in over 5 years.

Lease payables comprise 1,213 million euro referring to customer counterparties and 4 million euro to bank counterparties.

These derive from the application of the financial reporting standard IFRS 16 relating to Leases, with effect from 1 January 2019.

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 20

2.1 Financial liabilities held for trading: breakdown

(millions of euro)

Transaction type/Amount	31.12.2023					31.12.2022				
	Nominal or notional amount	Fair value			Fair value (*)	Nominal or notional amount	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	5,367	4,569	671	-	5,239	4,729	4,240	-	-	4,239
2. Due to customers	3,513	3,141	333	-	3,474	3,121	3,001	-	-	3,001
3. Debt securities	2,362	-	2,262	-	X	3,000	-	2,779	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other	2,362	-	2,262	-	X	3,000	-	2,779	-	X
3.2.1 Structured	2,362	-	2,262	-	X	3,000	-	2,779	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	11,242	7,710	3,266	-	8,713	10,850	7,241	2,779	-	7,240
B. Derivatives										
1. Financial derivatives	X	119	31,208	50	X	X	44	35,363	142	X
1.1 Trading	X	119	31,191	50	X	X	44	35,343	142	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	17	-	X	X	-	20	-	X
2. Credit derivatives	X	-	1,140	-	X	X	-	943	-	X
2.1 Trading	X	-	1,140	-	X	X	-	943	-	X
2.2 Fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	119	32,348	50	X	X	44	36,306	142	X
Total (A+B)	11,242	7,829	35,614	50	X	10,850	7,285	39,085	142	X

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

The total amount of Financial liabilities held for trading as at 31 December 2023 of 43,493 million euro (46,512 million euro as at 31 December 2022) consisted of 43,486 million euro attributable to the “Banking Group” and 7 million euro to the “Insurance Companies”; as at 31 December 2022 these amounts were attributable solely to the Banking Group.

Amounts due to banks and customers consist entirely of short selling of securities.

The aggregate 3.2.1 Other structured securities consists entirely of securitised derivatives (certificates) which provide for partial or full redemption of the premiums paid on maturity, pursuant to Bank of Italy Communication of 21 October 2014, issued by the Group throughout 2019.

Derivative instruments include 6,324 million euro in certificates with characteristics similar to financial derivative instruments due to the prevalence of market risk in relation to the return of the premiums paid.

The changes in fair value recorded during the year due to the change in its own credit rating were positive by 6 million euro and related to derivatives and Debt securities - Other.

The values of derivative instruments as at 31 December 2023 include the results of the offsetting of accounts between positive and negative gross balances of hedging derivatives undertaken with the legal clearing agent LCH Ltd. as they meet the requirements set out in IAS 32, paragraph 42.

2.2 Breakdown of “Financial liabilities held for trading”: subordinated liabilities

The aggregate Financial liabilities held for trading includes subordinated liabilities represented by Due to banks for 230 million euro and Due to customers for 92 million euro.

2.3 Breakdown of “Financial liabilities held for trading”: structured debts

As at 31 December 2023, structured debts classified under Financial liabilities held for trading amounted to 302 million euro due to customers and 5 million euro due to banks, attributable to 299 million euro of short selling of fixed-rate bonds indexed to inflation, as an additional component, and 8 million euro of short-selling of convertible bonds.

SECTION 3 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE – CAPTION 30**3.1 Financial liabilities designated at fair value: breakdown**

Transaction type/Amount	31.12.2023					31.12.2022				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
<i>of which:</i>										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. Due to customers	51,443	-	51,442	-	51,442	54,217	-	54,216	-	54,216
2.1 Structured	5	-	4	-	X	5	-	4	-	X
2.2 Other	51,438	-	51,438	-	X	54,212	-	54,212	-	X
<i>of which:</i>										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. Debt securities	21,725	91	21,218	31	21,165	9,875	-	8,761	30	8,719
3.1 Structured	21,725	91	21,218	31	X	9,875	-	8,761	30	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	73,168	91	72,660	31	72,607	64,092	-	62,977	30	62,935

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

The total amount of the Financial liabilities designated at fair value as at 31 December 2023 of 72,782 million euro (63,007 million euro as at 31 December 2022) consisted of 21,344 million euro attributable to the “Banking Group” and 51,438 million euro to the “Insurance Companies”; as at 31 December 2022 these amounts were 8,795 million euro and 54,212 million euro respectively.

The Group has classified the LECOIP 3.0 for the employment agreements, terminated early, of employees of Group companies and life policies connected to social initiatives, managed by the Bank based on fair value, under Amounts due to customers.

Sub-caption 3.1 Debt securities - Structured comprised certificates which provide for partial or full redemption of the premiums paid on maturity, pursuant to Bank of Italy Communication of 21 October 2014 (certificates with guaranteed or protected capital). As they were issued after 1 January 2020, these are classified under Financial liabilities designated at fair value (Fair Value Option), as a result of the Bank’s implementation of a business model based on a banking book approach, with the goal of generating stable inflows.

Certificates representing Financial liabilities designated at fair value record the related changes in fair value attributable to changes in own credit risk in the statement of comprehensive income (shareholders’ equity). Changes in the Bank’s own credit rating during the year were negative by 119 million euro.

3.1 Financial liabilities designated at fair value: breakdown (of which: Banking Group)

(millions of euro)

Transaction type/Amount	31.12.2023					31.12.2022				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
<i>of which:</i>										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. Due to customers	5	-	4	-	4	5	-	4	-	4
2.1 Structured	5	-	4	-	X	5	-	4	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
<i>of which:</i>										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. Debt securities	21,725	91	21,218	31	21,165	9,875	-	8,761	30	8,719
3.1 Structured	21,725	91	21,218	31	X	9,875	-	8,761	30	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	21,730	91	21,222	31	21,169	9,880	-	8,765	30	8,723

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

3.1 Financial liabilities designated at fair value: breakdown (of which: Insurance Companies)

(millions of euro)

Transaction type/Amount	31.12.2023					31.12.2022				
	Nominal value	Fair value			Fair value (*)	Nominal value	Fair value			Fair value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
1. Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
<i>of which:</i>										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. Due to customers	51,438	-	51,438	-	51,438	54,212	-	54,212	-	54,212
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	51,438	-	51,438	-	X	54,212	-	54,212	-	X
<i>of which:</i>										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	51,438	-	51,438	-	51,438	54,212	-	54,212	-	54,212

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

3.2 Breakdown of “Financial liabilities designated at fair value”: subordinated liabilities

As at 31 December 2023, the Group did not have any subordinated liabilities classified under Financial liabilities designated at fair value.

SECTION 4 – HEDGING DERIVATIVES – CAPTION 40

4.1 Hedging derivatives: breakdown by type of hedge and level

	31.12.2023			Notional value	31.12.2022			(millions of euro)	
	Fair value				31.12.2023	Fair value			Notional value
	Level 1	Level 2	Level 3	Level 1		Level 2	Level 3		
A) Financial derivatives	-	5,188	-	226,301	-	5,517	-	192,945	
1) Fair value	-	4,978	-	214,267	-	5,093	-	178,117	
2) Cash flows	-	210	-	12,034	-	424	-	14,649	
3) Foreign investments	-	-	-	-	-	-	-	179	
B. Credit derivatives	-	-	-	-	-	-	-	-	
1) Fair value	-	-	-	-	-	-	-	-	
2) Cash flows	-	-	-	-	-	-	-	-	
Total	-	5,188	-	226,301	-	5,517	-	192,945	

As the gross negative fair value of Hedging derivatives implemented with the legal clearing agent LCH Ltd. meets the requirements set out for offsetting between gross positive and negative balances pursuant to IAS 32, paragraph 42, it was subject to offsetting, with recognition of the net fair value under Financial liabilities held for trading.

As at 31 December 2022 the Group had undertaken hedging transactions involving foreign investments, relating to the equity investment in Reyl & Cie SA e RB Participations SA, based in Switzerland.

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	FAIR VALUE							CASH FLOW		FOREIGN INVESTM.
	Specific				Generic			Specific	Generic	
	debt securities and interest rates	equities and stock indices	foreign exchange rates and gold	credit risk	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	615	-	46	-	X	X	X	83	X	X
2. Financial assets measured at amortised cost	1,204	X	185	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	517	X	78	X
4. Other transactions	-	-	10	-	-	-	X	-	X	-
Total assets	1,819	-	241	-	-	-	517	83	78	-
1. Financial liabilities	329	X	631	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	1,441	X	49	X
Total liabilities	329	-	631	-	-	-	1,441	-	49	-
1. Forecast transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

The table indicates negative fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge.

Considering the values gross of netting in the financial statements, these continue to refer mainly to macro fair value hedges of core deposits as well as micro-hedges of liabilities issued and debt securities under assets. Cash flow hedges refer to funding through floating-rate securities issued, and in particular macro hedges, to the extent used to fund fixed-rate investments.

Cash flow hedges refer to funding through floating-rate securities issued used to fund fixed-rate investments.

SECTION 5 – FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS – CAPTION 50**5.1 Fair value change of hedged liabilities**

Fair value change of hedged liabilities/Group members	(millions of euro)	
	31.12.2023	31.12.2022
1. Positive fair value change of financial liabilities	13	-
2. Negative fair value change of financial liabilities	-3,980	-8,031
Total	-3,967	-8,031

The balance of the changes in value of liabilities subject to macrohedging against interest rate risk is recorded in this caption. For the application, the option envisaged by IFRS 9 to continue to apply the provisions permitted by the IAS 39 carve out was applied.

The lower negative balance compared to 31 December 2022 of the fair value change of financial liabilities in macro-hedged portfolios from interest rate risk was due to the reduction in interest rates in 2023.

SECTION 6 – TAX LIABILITIES – CAPTION 60

For information on this section, see Section 11 of Assets.

SECTION 7 – LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 70

For information on this section, see Section 12 of Assets.

SECTION 8 – OTHER LIABILITIES – CAPTION 80**8.1 Other liabilities: breakdown**

Captions		(millions of euro)
Amounts to be credited and items under processing		4,239
Due to tax authorities		1,814
Due to suppliers		1,687
Amounts due to third parties		331
Due to social security entities		275
Personnel charges		270
Other		4,125
TOTAL	31.12.2023	12,741
TOTAL	31.12.2022	10,644

The sub-caption “Other” includes the following main components: (i) unallocated accrued expenses and deferred income of 588 million euro; and (ii) payables to private bankers of 717 million euro.

That sub-caption also includes, as required by paragraph 116 a) of IFRS 15, liabilities arising from contracts with customers of 118 million euro.

SECTION 9 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 90**9.1 Employee termination indemnities: annual changes**

	(millions of euro)	
	31.12.2023	31.12.2022
A. Initial amount	852	1,099
B. Increases	70	117
B.1 Provisions in the year	31	18
B.2 Other	39	99
- of which business combinations	-	-
C. Decreases	-155	-364
C.1 Benefits paid	-100	-101
C.2 Other	-55	-263
- of which business combinations	-	-2
D. Final amount	767	852
Total	767	852

C.1. refers to benefits paid as at 31 December 2023.

For greater detail on actuarial calculations, see Section 10.5 – Post employment defined benefit plans.

9.2 Other information

The present value of employee termination indemnities qualifying as unfunded defined benefit plans totalled 767 million euro as at 31 December 2023, while at the end of 2022 it amounted to 852 million euro.

SECTION 10 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 100**10.1 Allowances for risks and charges: breakdown**

	(millions of euro)	
Captions/Components	31.12.2023	31.12.2022
1. Allowances for credit risk associated with commitments and financial guarantees given	524	711
2. Allowances on other commitments and other guarantees given	-	-
3. Post-employment benefits	98	139
4. Other allowances for risks and charges	3,901	4,110
4.1 legal disputes	882	969
4.2 personnel charges	2,042	2,230
4.3 other	977	911
Total	4,523	4,960

There are no amounts attributable to the caption “2 – Allowances on other commitments and other guarantees given”. The contents of 4 – Other allowances for risks and charges are illustrated in point 10.6 below.

10.2 Allowances for risks and charges: annual changes

Captions	(millions of euro)			
	Allowances on other commitments and other guarantees given	Post-employment benefits	Other allowances for risks and charges	Total
A. Initial amount	-	139	4,110	4,249
B. Increases	-	22	1,336	1,358
B.1 Provisions in the year	-	10	1,248	1,258
B.2 Time value changes	-	4	58	62
B.3 Changes due to discount rate variations	-	-	5	5
B.4 Other	-	8	25	33
- of which business combinations	-	-	-	-
C. Decreases	-	-63	-1,545	-1,608
C.1 Uses in the year	-	-41	-1,447	-1,488
C.2 Changes due to discount rate variations	-	-	-5	-5
C.3 Other	-	-22	-93	-115
- of which business combinations	-	-	-	-
D. Final amount	-	98	3,901	3,999

As specified in the comment to the previous table, there are no amounts attributable to the caption "Allowances on other commitments and other guarantees given".

Other allowances for risks and charges include net provisions of 376 million euro to caption 200, letter b) of the income statement and net provisions to other income statement captions, for the residual amount. Provisions include those for legal and tax disputes (211 million euro) and those for other risks and charges (337 million euro), as well as costs included in the income statement among personnel expenses. Uses refer almost entirely to payments.

10.3 Allowances for credit risk associated with commitments and financial guarantees given

	(millions of euro)				Total
	Allowances for credit risk associated with commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
1. Commitments to disburse funds	66	57	45	-	168
2. Financial guarantees given	73	50	233	-	356
Total	139	107	278	-	524

10.4 Allowances on other commitments and other guarantees given

As at 31 December 2023, there were no allowances on other commitments and guarantees given.

10.5 Post-employment defined benefit plans

1. Illustration of the characteristics of the funds and related risks

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank, according to IAS 19 “Employee Benefits”, is determined via the “projected unit credit method” by an independent actuary. The liability is recognised net of any plan assets and the actuarial gains and losses calculated in the valuation process for the plans are recognised in the statement of comprehensive income and, therefore, in shareholders’ equity.

The defined benefit supplementary pension plans, in which the Intesa Sanpaolo Group companies are co-obliged, can be distinguished in:

- internal funds;
- external funds.

Internal funds include:

- Three defined benefit plans in force for the London branch, relating to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules for the various funds, on the basis of the annual gross wage received in the last year of service;
- post-retirement medical plan and other benefits for employees of Bank of Alexandria (Egypt): defined benefit plans providing health coverage and other benefits to employees, even after retirement. The bank is responsible for the costs and risks related to the disbursement of said benefits;
- defined benefit plans in effect within Banca Intesa Beograd: these are long-term benefits established by the Collective Contract (which refers to provisions of law in the Republic of Serbia) for employees in service to be paid upon termination of employment.

External funds include:

- the Intesa Sanpaolo Group Defined-Benefit Fund “Fondo Pensione a Prestazione definita del Gruppo Intesa Sanpaolo”, the name given to the former Supplementary Pension Fund for the Employees of Banco di Napoli “Fondo Pensione Complementare per il Personale del Banco di Napoli – Sezione A”, identified as a collector of other “defined benefit” forms under the reorganisation and rationalisation of the existing pension schemes within the Intesa Sanpaolo Group, with protection of the rights of the (active and retired) subscribers. To this end, the “Fund” – in the virtually separated sections – has been assigned the asset captions contained in the financial statements of the pre-existing pension schemes, in order to ensure full coverage of the supplementary benefits. The Fund, which is a legal entity with independently managed assets, includes the following: employees enrolled in the plan and other beneficiaries from former Banco di Napoli; retired employees receiving Supplementary Pension Cheques, formerly the Sanpaolo IMI internal fund; retired employees from the former Banca Nazionale delle Comunicazioni; current and retired employees of Cassa di Risparmio in Bologna, formerly enrolled in the Complementary Pension Fund for the employees of said bank, transferred to the Fund in question in 2004; retired employees of the Complementary Pension Fund of the former Fin.Opi, transferred to the Fund in question on 1 June 2005; current and retired employees of the former Banca Popolare dell’Adriatico, formerly enrolled in the Pension fund for the employees of Banca Popolare dell’Adriatico, transferred to the Fund in question on 30 June 2006; retired employees of Cassa di Risparmio di Udine e Pordenone, formerly enrolled in the Complementary Pension Fund for the employees of said bank, transferred to the Fund in 2006; retired employees of Cassa di Risparmio di Forlì, formerly enrolled in the Complementary Pension Fund for the employees of said bank, transferred to the Fund in question on 1 January 2007; retired employees of the former Carive internal Fund, transferred to the Fund in question on 1 January 2008; retired employees of the former CR Firenze FIP internal fund, transferred to the Fund in question on 1 January 2010; retired employees of Cassa di Risparmio di Pistoia e Pescia internal fund, transferred to the Fund in question on 1 September 2012; retired tax-collection personnel of the Supplementary pension fund for tax-collection personnel formerly employed by Cariplo, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the Supplementary Pension Fund for employees of Mediocredito Lombardo S.p.A., transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the Pension Fund for key Managers, former Key Managers and entitled parties of former Comit, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the “Casse del Centro” Pension Funds, in particular those enrolled in the Supplementary INPS benefits fund for the compulsory insurance for invalidity, old-age and survivors for personnel of Cassa di Risparmio di Città di Castello, Supplementary INPS benefits fund for the compulsory insurance for invalidity, old-age and survivors for personnel of Cassa di Risparmio di Foligno, Company supplementary pension AGO fund for employees of Cassa di Risparmio di Spoleto, Supplementary/complementary pension fund for the mandatory pension for employees of Cassa di Risparmio di Rieti, Pension fund for the Employees of Cassa di Risparmio della Provincia di Viterbo and Company supplementary pension fund for employees of Cassa di Risparmio di Ascoli Piceno, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the Company supplementary pension fund of INPS benefits for employees of Cassa di Risparmio di Civitavecchia, transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the supplementary fund of SIL - Società Italiana Leasing S.p.A., transferred to the Fund in question on 1 January 2015; retired employees formerly enrolled in the Supplementary Pension Fund for the personnel of Banca Monte Parma, transferred to the Fund in question on 1 January 2016; employees and retired employees formerly enrolled in the Pension Fund for the personnel of the former Crediop hired before 30 September 1989, transferred to the Fund in question on 1 January 2016; retired employees formerly enrolled in the Supplementary Pension Fund for the personnel of Cassa di Risparmio di Mirandola, transferred to the Fund in

question on 1 April 2016; retired employees formerly enrolled in the Pension Fund for the Personnel of the former Cassa di Risparmio di Prato transferred to the Fund in question on 1 May 2018; retired employees formerly enrolled in the Defined Benefit Plan of the former Cassa di Risparmio di Fabriano e Cupramontana transferred to the Fund in question on 1 May 2018; current and retired employees of the Supplementary pension fund for the personnel of Istituto Bancario Sanpaolo di Torino, transferred to the Fund in question on 1 January 2019; retired employees of the Supplementary pension fund for the personnel of Cassa di Risparmio di Padova e Rovigo, transferred to the Fund in question on 1 July 2019; employees and retired employees formerly enrolled in the former UBI Banca internal Funds - which include the Funds relating to the former Centrobanca (former Supplementary Pension Fund for employees of Centrobanca - former Banca Centrale di Credito Popolare S.p.A.), former Banca Regionale Europea (former Fund for the personnel of Banca Regionale Europea from the former Banca del Monte di Lombardia and the former Cassa di Risparmio di Cuneo), former Carime (former Fund of the former Cassa di Risparmio di Calabria e Lucania, Fund of the former Cassa di Risparmio di Puglia, Fund of the former Cassa di Risparmio Salernitana) and former Banca Adriatica (former Retirement Fund for the personnel of the loans business line of the former Cassa di Risparmio di Macerata S.p.A., Retirement Fund for the personnel of the former Banca Ca.Ri.Ma. transferred to Se.Ri.Ma. - now Equitalia Servizi di Riscossione S.p.A., Retirement Fund for the personnel of the former Mediocredito Fondiario Centro Italia S.p.A., Retirement Fund for personnel in the tax-collection segment of the former Cassa di Risparmio di Pesaro, Retirement Fund for the personnel of the former Cassa di Risparmio di Jesi, Retirement Fund for personnel in the tax-collection segment of the former Cassa di Risparmio di Pesaro S.p.A. transferred to the former SE.RI.T. S.p.A.) - transferred to the fund in question on 1 July 2022; retired employees formerly enrolled in the Pension Fund of the Former UBI Banca Group of the former Banca Popolare di Bergamo and its subsidiaries, transferred to the Fund in question on 1 September 2022; retired employees formerly enrolled in the Pension Fund for Employees of the former Banca Popolare di Ancona and its subsidiaries, transferred to the Fund in question on 1 September 2022; employees and retired employees formerly enrolled in the former Pension Fund of Cassa di Risparmio di Firenze transferred to the Fund in question on 1 January 2023.

It should be clarified that the Articles of Association provide for the immediate settlement by the co-obligated Banks, if sections of the Fund present a technical imbalance determined according to the statutory methodology (without prejudice to provisions to the contrary in trade union agreements). Any outflows to be made over the next year (settlement of the technical imbalance envisaged by the Articles of Association of the Intesa Sanpaolo Group Defined-Benefit Fund "Fondo Pensione a Prestazione Definita del Gruppo Intesa Sanpaolo") shall be determined upon approval of the financial statements of said Fund, which will take place in next May;

- Pension fund for the employees of Cariplo, a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998;
- a defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service at the Bank for at least 5 years. The benefit is considered to be accrued even if the employment relationship ceases in advance. The benefit is calculated based on the highest average wage considering three consecutive years out of the last 10 years of service, or, if the employment relationship ceases before, based on the average wage in the last three years of service. The fund is no longer managed by the New York branch, but has been fully transferred to the Prudential Fund (a defined benefit plan that manages the positions of members);
- an employee pension plan of REYL & Cie S.A.: the plan provides supplementary benefits when the pension is due or in the event of an unfavourable event (disability and death) under the local social security provisions (LPP); the obligations are covered by dedicated assets, managed through a contractual relationship between the company and La Collective de Prévoyance - Copré, Geneva.

On 5 December 2017, Intesa Sanpaolo S.p.A., also in its capacity as Parent Company, signed an agreement with the Trade Unions, as Fund Founders, for the integration of the Supplementary Pension Fund for the Personnel of Istituto Bancario San Paolo di Torino into the former Supplementary Pension Fund for the Personnel of Banco di Napoli (now, as previously indicated, the "Fondo pensione a prestazione definita del Gruppo Intesa Sanpaolo"). This agreement also provided for the formulation of an individual capitalisation offer for the supplementary benefits to be made to the participants, which was carried out in the second half of 2018. The subscriptions received over time led to a decrease in the obligation, which, in the current year, amounted to around 1 million euro, partly covered by the Fund's assets and partly through the use of Funds set up specifically for this purpose by the Bank, under the guarantee given.

On 9 June 2022, Intesa Sanpaolo S.p.A., also in its capacity as Parent Company, signed an agreement with the Trade Unions, as Fund Founders, for the integration, from 1 January 2023, of the pension rights of the Pension Fund of Cassa di Risparmio di Firenze into the Intesa Sanpaolo Group Defined-Benefit Fund, which, from that date, has provided the participants with the defined benefit pension rights envisaged by their Rules. This agreement also provided for the formulation of an individual capitalisation offer for the supplementary benefits to be made to the participants, which was carried out in the last four months of 2022, and the subscriptions received led to a decrease in the obligation of around 370 million euro. On 1 January 2023, the former Pension Fund of the Cassa di Risparmio di Firenze transferred to the Intesa Sanpaolo Group Defined-Benefit Fund its residual assets following the uses arising from the aforementioned subscriptions to the offers (9 million euro).

With regard to the investment and integrated risk management policies, the Funds verify the level of coverage and the possible outcomes under various scenarios. For this purpose, various investment configurations and portfolio mixes and allocations are defined, in order to satisfy the pension and profitability objectives as adequately as possible.

2. Changes in the year of net liabilities (assets) with defined benefits and redemption rights

(millions of euro)

Pension plan liabilities defined benefit obligations	31.12.2023			31.12.2022		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	853	176	1,152	1,099	359	1,763
Current service costs	4	2	7	14	3	10
Recognised past service costs	-	-	-	-	-	1
Interest expense	27	12	35	4	13	17
Actuarial losses due to changes in financial assumptions	-	3	8	-	5	-
Actuarial losses due to changes in demographic assumptions	-	-	21	1	-	16
Actuarial losses based on past experience	2	2	2	70	5	50
Positive exchange differences	-	2	9	-	-	10
Increases - business combinations	-	-	-	-	-	5
Participants' contributions	X	-	13	X	-	13
Actuarial profits due to changes in financial assumptions	-19	-16	-31	-207	-72	-251
Actuarial profits due to changes in demographic assumptions	-1	-	-	-	-1	-
Actuarial profits based on past experience	-8	-3	-1	-1	-6	-
Negative exchange differences	-	-16	-1	-	-42	-
Benefits paid	-100	-8	-115	-101	-15	-136
Decreases - business combinations	-	-	-	-2	-	-
Curtailments of the fund	X	-	-	X	-	-
Settlements of the fund	X	-	-	X	-34	-375
Other increases	36	-	-	28	-	41
Other decreases	-27	-	-10	-52	-39	-12
Final amount	767	154	1,089	853	176	1,152

Pension plan liabilities defined benefit obligations	31.12.2023			31.12.2022		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	767	60	-	853	73	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	94	1,089	-	103	1,152

The actuarial gains recorded for variations in financial assumptions are mainly due to the decline in the inflation rate.

3. Information on the fair value of plan assets

The following tables show the changes in plan assets for certain defined benefit plans and their composition.

Plan assets	31.12.2023		31.12.2022	
	Internal plans	External plans	Internal plans	External plans
Initial amount	137	1,066	168	1,602
Return on assets net of interest	-21	35	-28	-109
Interest income	4	31	3	14
Positive exchange differences	3	8	-	7
Increases - business combinations	-	-	-	5
Employer contributions	3	42	9	15
Participants' contributions	-	13	-	13
Negative exchange differences	-	-	-9	-
Decreases - business combinations	-	-	-	-
Benefits paid	-3	-115	-6	-136
Curtailments of the fund	-	-	-	-
Settlements of the fund	-	-	-	-375
Other changes	1	-5	-	30
Final amount	124	1,075	137	1,066

Plan assets: additional information	31.12.2023				31.12.2022			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	-	-	311	28.9	-	-	314	29.5
- of which level-1 fair value	-	-	282		-	-	300	
Mutual funds	-	-	65	6.0	-	-	80	7.5
- of which level-1 fair value	-	-	17		-	-	21	
Debt securities	121	97.6	271	25.2	126	92.0	300	28.1
- of which level-1 fair value	121		271		126		300	
Real estate assets and investments in real estate companies	-	-	300	27.9	8	5.8	319	29.9
- of which level-1 fair value	-	-	-		-	-	-	
Insurance business	-	-	-	-	-	-	-	-
- of which level-1 fair value	-	-	-		-	-	-	
Other assets	3	2.4	128	12.0	3	2.2	53	5.0
- of which level-1 fair value	-	-	-		-	-	-	
TOTAL ASSETS	124	100.0	1,075	100.0	137	100.0	1,066	100.0

(millions of euro)

Plan assets: additional information	31.12.2023				31.12.2022			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	-	-	311	28.9	-	-	314	29.5
- of which financial companies	-	-	65	-	-	-	56	-
- of which non financial companies	-	-	246	-	-	-	258	-
Mutual funds	-	-	65	6.0	-	-	80	7.5
Debt securities	121	97.6	271	25.2	126	92.0	300	28.1
Government bonds	81	-	168	-	89	-	208	-
- of which investment grade	81	-	168	-	89	-	208	-
- of which speculative grade	-	-	-	-	-	-	-	-
Financial companies	40	-	51	-	37	-	34	-
- of which investment grade	40	-	50	-	37	-	30	-
- of which speculative grade	-	-	1	-	-	-	4	-
Non Financial companies	-	-	52	-	-	-	58	-
- of which investment grade	-	-	44	-	-	-	52	-
- of which speculative grade	-	-	8	-	-	-	6	-
Real estate assets and investments in real estate companies	-	-	300	27.9	8	5.8	319	29.9
Insurance business	-	-	-	-	-	-	-	-
Other assets	3	2.4	128	12.0	3	2.2	53	5.0
TOTAL ASSETS	124	100.0	1,075	100.0	137	100.0	1,066	100.0

The difference between net defined benefit liabilities (see the previous disclosure, Table 10.5, point 2) and the plan assets (see the previous disclosure, Table 10.5, point 3) is recognised under the company post-employment plans and, in some cases, under other allowances for risks and charges.

The plans in place at the London branch are subject to the effect of the limitation of the asset ceiling determined pursuant to IFRIC 14, equal to 30 million euro as at 31 December 2023.

4. Description of the main actuarial assumptions

The table below indicates the actuarial assumptions and interest rates used by the various funds.

Actuarial assumptions	31.12.2023				31.12.2022			
	Discount rate	Expected rate of return	Expected rate of wage rises (a)	Annual inflation rate	Discount rate	Expected rate of return	Expected rate of wage rises (a)	Annual inflation rate
EMPLOYEE TERMINATION INDEMNITIES	from 3.1% to 3.9%	X	from 2.6% to 2.8%	2.1%	from 3.2% to 3.6%	X	from 3.3% to 3.4%	2.7%
INTERNAL PLANS								
- of which Egypt	25.3%	-	14.4%	14.4%	14.7%	-	6.4%	6.4%
- of which England	5.3%	-	2.9%	2.9%	4.4%	-	2.9%	2.9%
- of which Serbia	6.3%	-	7.0%	-	6.8%	-	8.0%	-
EXTERNAL PLANS								
- of which Italy	from 3.1% to 3.4%	5.1%	3.2%	from 2.1% to 2.7%	from 3.3% to 3.4%	5.0%	3.5%	from 2.7% to 3.3%
- of which USA	5.0%	5.0%	-	-	4.8%	4.8%	-	-
- of which Switzerland	1.5%	1.0%	-	1.3%	1.9%	1.0%	-	1.3%

(a) Net of career developments.

The Intesa Sanpaolo Group primarily uses the Eur Composite AA rate as its discounting rate, weighted by the ratio of payments and advances referring to each maturity, on the one hand, and the total amount of payments and advances to be made for the final fulfilment of the entire obligation, on the other. In the case of defined-benefit plans in particular, the rate used is the average rate that reflects the market parameters covered by the plan. The Eur Composite AA curve is obtained daily from the Bloomberg's information provider and refers to a basket of securities issued by investment-grade corporate issuers included in the AA rating class, residing in the Eurozone and belonging to various sectors.

Likewise, the Intesa Sanpaolo Group mainly uses the European Zero-Coupon Inflation-Indexed Swap rate curve, weighted on the basis of the ratio of the amount paid for each maturity and the total amount to be paid until the obligation is finally discharged in full, as the inflation rate.

5. Information on amount, timing and uncertainty of cash flows

(millions of euro)

Sensitivity analysis	31.12.2023					
	EMPLOYEE TERMINATION INDEMNITIES		INTERNAL PLANS		EXTERNAL PLANS	
	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
Discount rate	714	826	136	176	1,001	1,194
Rate of wage rises	767	767	165	145	1,099	1,080
Inflation rate	803	733	164	144	1,153	1,034

The sensitivity analysis is not conducted on the expected rate of return as it has no effect on the calculation of the liabilities.

The sensitivity analysis was carried out on the net defined benefit liabilities (pursuant to the previous disclosure, 10.5, point 2). The absolute values of the data presented indicate the possible amount of net defined benefit liabilities in the event of a change in rate of +/- 100bps.

The average duration of the defined benefit obligation is 10.43 years for pension funds and 7.6 years for employee termination indemnities.

6. Multi-employer plans

The Group has the following defined benefit plans regarding more than one employer:

- Pension Fund for the employees of the former Crediop hired before 30 September 1989, which on 1 January 2016 was transferred to the Supplementary Pension Fund for the Employees of Banco di Napoli (now the Intesa Sanpaolo Group Defined-Benefit Fund "Fondo Pensione a Prestazione Definita del Gruppo Intesa Sanpaolo"). The commitments of Crediop S.p.A. (now Dexia-Crediop) and the former Sanpaolo IMI (now Intesa Sanpaolo S.p.A.) with regard to the Fund are governed by the agreement entered into between the parties on 28 May 1999. Its transfer into the Intesa Sanpaolo Group Defined-Benefit Fund "Fondo Pensione a Prestazione Definita del Gruppo Intesa Sanpaolo" did not modify the guarantees and commitments undertaken by the parties in the past;
- Retirement Fund for former employees of Banca Ca.Ri.Ma., transferred to Se.Ri.Ma. (now Equitalia Servizi di Riscossione S.p.A.), whose tax collection services were transferred on 1 January 1990 to the former Equitalia Marche S.p.A. (currently Agenzia delle Entrate - Riscossione) which was transferred to the Intesa Sanpaolo Group Defined-Benefit Fund on 1 July 2022. The trade union agreement and agreements between subscribers of the operation sanctioned that the then-parent company Ca.Ri.Ma. (then former Banca Marche S.p.A., then former Nuova Banca Marche S.p.A. and subsequently former Banca Adriatica S.p.A., then merged into former UBI Banca, in turn merged into Intesa Sanpaolo S.p.A.) would continue to allocate in its financial statements the mathematical reserves pertaining to personnel hired before the operation was finalised;
- Pension Fund for the Personnel of the former Banca Popolare di Ancona and its subsidiaries, transferred on 1 September 2022 to the Intesa Sanpaolo Group Defined-Benefit Fund, which provides a guarantee of settlement of the respective shares of the subscribers by Intesa Sanpaolo S.p.A. (former UBI Banca) and Credito Valtellinese.

7. Defined benefit plans that share risks among entities under joint control

The Intesa Sanpaolo Group Defined-Benefit Fund is a defined-benefit plan that shares the risks amongst the various Group companies. These Companies issue a joint guarantee for their registered employees and pensioners with respect to the subject pension entities.

The liabilities of each jointly responsible Company are determined by an Independent Actuary through the "projected unit credit method" and are recorded in the financial statements net of the plan assets. Similarly, the current service cost, which represents the average present value at the measurement date of the benefits accrued by workers in service during the year, is calculated for each Company by said Actuary.

10.6 Allowances for risks and charges – Other allowances

Captions/Components	31.12.2023	Of which:			(millions of euro)
		Banking group	Insurance companies	Other companies	31.12.2022
Other allowances					
1. legal disputes	882	867	2	13	969
2. personnel charges	2,042	2,010	32	-	2,230
<i>incentive-driven exit plans</i>	945	944	1	-	1,306
<i>employee seniority bonuses</i>	162	154	8	-	177
<i>other personnel expenses</i>	935	912	23	-	747
3. other risks and charges	977	904	25	48	911
<i>other indemnities due to agents of the distribution network</i>	360	360	-	-	300
<i>other</i>	617	544	25	48	611
Total	3,901	3,781	59	61	4,110

Other allowances refers to:

- Legal and tax disputes: the allowance was set up mainly to cover expected outlay for litigation, revocatory action and tax disputes;
- Personnel charges: the allowance includes charges for incentive-driven exit plans, employee seniority bonuses (calculated on the basis of actuarial assumptions) and provisions for bonuses and other outlays relating to employees;
- Other risks and charges: these mainly refer to provisions to cover private bankers' indemnities, insurance company risks, charges for integration of the former Venetian banks, charges connected with the sale of a portfolio of NPLs and other charges relating to various obligations.

SECTION 11 – INSURANCE LIABILITIES – CAPTION 110

From 1 January 2023, insurance assets and liabilities have been recognised in the financial statements in accordance with the new IFRS 17. The figures as at 31 December 2023 are compared with the adjusted figures as at 31 December 2022.

As envisaged by the 8th Update of the Bank of Italy Circular 262/2005, this section contains the tables envisaged by Order no. 121 of 7 June 2022, which updates the provisions issued by IVASS by ISVAP Regulation no. 7 of 13 July 2007 in order to incorporate the changes introduced by IFRS17 on insurance contracts.

Specifically, details are provided of the asset caption 80 a) Insurance assets - insurance contracts issued that are assets, 412 million euro as at 31 December 2023 (18 million euro as at 31 December 2022), and the liability caption 110 a) Insurance liabilities - insurance contracts issued that are liabilities, 119,674 million euro as at 31 December 2023 (117,561 million euro as at 31 December 2022). The balance of insurance contracts issued is negative at 119,262 million euro as at 31 December 2023 (117,543 million euro as at 31 December 2022).

Reconciliations are presented that show how the net carrying amounts of insurance contracts issued changed during the period because of cash flows and income and expenses recognised in the statement(s) of financial performance. Specifically, the tables show:

- the change in the book value of insurance contracts issued, broken down by bases of aggregation⁹⁵ and measurement model (General Measurement Model - GMM or Variable Fee Approach - VFA and Premium Allocation Approach - PAA);
- the change in the book value of insurance contracts issued, broken down by bases of aggregation and measurement model (General Measurement Model or Variable Fee Approach and Premium Allocation Approach);
- the changes in the carrying amount of the insurance contracts issued per measurement component (Present Value of Cash Flows, Adjustment for Non-Financial Risks and Contractual Service Margin), broken down by basis of aggregation;
- the changes in insurance revenues and contractual service margin of insurance contracts issued allocated according to contracts outstanding at the time of transition to IFRS 17 broken down by basis of aggregation;
- measurement components of insurance contracts issued recognised during the year, broken down by aggregation bases;
- contractual service margin broken down by expected timing of recognition in the income statement;
- development of claims gross and net of reinsurance (Non-Life Segment only).

For the methodological choices adopted by the Group, see Part A - Accounting Policies.

Below is a summary table of the changes reported in the section below, with the related reconciliation with the financial statement captions.

	31.12.2023	31.12.2022
(millions of euro)		
80. INSURANCE ASSETS		
a) Insurance contracts issued that are assets	412	18
<i>of which 11.1 Change in the book value of insurance contracts issued – GMM or VFA – liabilities for remaining coverage and incurred claims – Insurance contracts issued with direct participation features – Life Segment</i>	37	1
<i>of which 11.1 Change in the book value of insurance contracts issued – GMM or VFA – liabilities for remaining coverage and incurred claims – Insurance contracts issued without direct participation features – Life Segment</i>	1	17
<i>of which 11.1 Change in the book value of insurance contracts issued – GMM or VFA – liabilities for remaining coverage and incurred claims – Insurance contracts issued without direct participation features – Non-Life Segment – Non-Motor</i>	128	-
<i>of which 11.2 Change in the book value of insurance contracts issued – PAA – liabilities for remaining coverage and incurred claims – Non-Life Segment – Motor</i>	90	-
<i>of which 11.2 Change in the book value of insurance contracts issued – PAA – liabilities for remaining coverage and incurred claims – Non-Life Segment – Non-Motor</i>	156	-
110. INSURANCE LIABILITIES		
a) Insurance contracts issued that are liabilities	119,674	117,561
<i>of which 11.1 Change in the book value of insurance contracts issued – GMM or VFA – liabilities for remaining coverage and incurred claims – Insurance contracts issued with direct participation features – Life Segment</i>	117,249	115,028
<i>of which 11.1 Change in the book value of insurance contracts issued – GMM or VFA – liabilities for remaining coverage and incurred claims – Insurance contracts issued without direct participation features – Life Segment</i>	758	951
<i>of which 11.1 Change in the book value of insurance contracts issued – GMM or VFA – liabilities for remaining coverage and incurred claims – Insurance contracts issued without direct participation features – Non-Life Segment – Non-Motor</i>	594	632
<i>of which 11.2 Change in the book value of insurance contracts issued – PAA – liabilities for remaining coverage and incurred claims – Non-Life Segment – Motor</i>	171	182
<i>of which 11.2 Change in the book value of insurance contracts issued – PAA – liabilities for remaining coverage and incurred claims – Non-Life Segment – Non-Motor</i>	902	768

⁹⁵ The bases of aggregation for insurance contracts issued consist of (i) Insurance contracts issued with direct participation features - Life Segment; ii) Insurance contracts issued without direct participation features - Life Segment; iii) Investment contracts issued with discretionary participation features - Life Segment; iv) Insurance contracts issued without direct participation features - Non-Life Segment – Motor; and v) Insurance contracts issued without direct participation features - Non-Life Segment – Non-Motor. For the tables in which the opening of the life segment is required for the bases of aggregation i) and iii), the ISP Group has decided, in line with the provisions of ISVAP Regulation no. 7 of 13 July 2007, to also include the "Investment contracts issued with discretionary participation features" in the "Insurance contracts issued with direct participation features - Life segment" basis of aggregation.

11.1 Change in the book value of insurance contracts issued - General Measurement Model (GMM) or Variable Fee Approach (VFA) – liabilities for remaining coverage and incurred claims*Insurance contracts issued with direct participation features - Life Segment*

(millions of euro)

Captions/Liabilities	31.12.2023				31.12.2022			
	Liability for remaining coverage		Liability for incurred claims	Total	Liability for remaining coverage		Liability for incurred claims	Total
	Net of loss	Loss	Net of loss		Loss			
A. Opening carrying amount								
1. Insurance contracts issued that are liabilities	104,048	10,339	641	115,028	121,270	12,293	658	134,221
2. Insurance contracts issued that are assets	-1	-	-	-1	-	-	-	-
3. Net carrying amount as at 1 January	104,047	10,339	641	115,027	121,270	12,293	658	134,221
B. Insurance revenue	-1,250	-385	-	-1,635	-1,759	-77	-	-1,836
C. Insurance service expenses								
1. Incurred claims and other directly attributable expenses	-	-	39	39	-	-	346	346
2. Changes in the liability for incurred claims	-	-	-108	-108	-	-	-16	-16
3. Losses and related recoveries on onerous contracts	12	73	-	85	-1	75	-	74
4. Amortisation of contract acquisition costs	31	10	-	41	19	-	-	19
5. Total	43	83	-69	57	18	75	330	423
D. Insurance service result (B+C)	-1,207	-302	-69	-1,578	-1,741	-2	330	-1,413
E. Net financial expenses/income								
1. Related to insurance contracts issued	9,586	23	-	9,609	-21,188	-45	-	-21,233
1.1 Recognised in profit or loss	5,283	23	-	5,306	-3,624	-45	-	-3,669
1.2 Recognised in other comprehensive income	4,303	-	-	4,303	-17,564	-	-	-17,564
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-
3. Total	9,586	23	-	9,609	-21,188	-45	-	-21,233
F. Investment components	-13,916	-5,192	19,108	-	-6,924	-3,925	10,849	-
G. Total amount recognised in profit or loss and in other comprehensive income (D+E+F)	-5,537	-5,471	19,039	8,031	-29,853	-3,972	11,179	-22,646
H. Other changes	-	-7	12	5	1	-	-11	-10
I. Cash movements								
1. Premiums received	13,184	43	-	13,227	12,629	2,018	-	14,647
2. Payments related to contract acquisition costs	-	-	-	-	-	-	-	-
3. Claims paid and other cash outflows	-	-	-19,078	-19,078	-	-	-11,185	-11,185
4. Total	13,184	43	-19,078	-5,851	12,629	2,018	-11,185	3,462
L. Net carrying amount as at 31 December (A.3+G+H+I.4)	111,694	4,904	614	117,212	104,047	10,339	641	115,027
M. Closing carrying amount								
1. Insurance contracts issued that are liabilities	111,731	4,904	614	117,249	104,048	10,339	641	115,028
2. Insurance contracts issued that are assets	-37	-	-	-37	-1	-	-	-1
3. Net carrying amount as at 31 December	111,694	4,904	614	117,212	104,047	10,339	641	115,027

Insurance contracts issued without direct participation features - Life Segment

(millions of euro)

Captions/Liabilities	31.12.2023				31.12.2022			
	Liability for remaining coverage		Liability for incurred claims	Total	Liability for remaining coverage		Liability for incurred claims	Total
	Net of loss	Loss	Net of loss		Loss			
A. Opening carrying amount								
1. Insurance contracts issued that are liabilities	789	87	75	951	716	81	70	867
2. Insurance contracts issued that are assets	-17	-	-	-17	-	-	-	-
3. Net carrying amount as at 1 January	772	87	75	934	716	81	70	867
B. Insurance revenue	-93	-50	-	-143	-40	-	-	-40
C. Insurance service expenses								
1. Incurred claims and other directly attributable expenses	-	-	125	125	-	-	10	10
2. Changes in the liability for incurred claims	-	-	-14	-14	-	-	-	-
3. Losses and related recoveries on onerous contracts	-	43	-	43	-	1	-	1
4. Amortisation of contract acquisition costs	2	2	-	4	4	-	-	4
5. Total	2	45	111	158	4	1	10	15
D. Insurance service result (B+C)	-91	-5	111	15	-36	1	10	-25
E. Net financial expenses/income								
1. Related to insurance contracts issued	15	17	-	32	-5	-	-	-5
1.1 Recognised in profit or loss	2	-	-	2	-5	-	-	-5
1.2 Recognised in other comprehensive income	13	17	-	30	-	-	-	-
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-
3. Total	15	17	-	32	-5	-	-	-5
F. Investment components	-	-	-	-	-	-	-	-
G. Total amount recognised in profit or loss and in other comprehensive income (D+E+F)	-76	12	111	47	-41	1	10	-30
H. Other changes	-351	-	2	-349	2	-	-	2
I. Cash movements								
1. Premiums received	95	184	-	279	95	5	-	100
2. Payments related to contract acquisition costs	-	-	-	-	-	-	-	-
3. Claims paid and other cash outflows	-	-	-154	-154	-	-	-5	-5
4. Total	95	184	-154	125	95	5	-5	95
L. Net carrying amount as at 31 December (A.3+G+H+I.4)	440	283	34	757	772	87	75	934
M. Closing carrying amount								
1. Insurance contracts issued that are liabilities	441	283	34	758	789	87	75	951
2. Insurance contracts issued that are assets	-1	-	-	-1	-17	-	-	-17
3. Net carrying amount as at 31 December	440	283	34	757	772	87	75	934

Insurance contracts issued without direct participation features – Non-Life Segment – Non-Motor

(millions of euro)

Captions/Liabilities	31.12.2023				31.12.2022			
	Liability for remaining coverage		Liability for incurred claims	Total	Liability for remaining coverage		Liability for incurred claims	Total
	Net of loss	Loss	Net of loss		Loss			
A. Opening carrying amount								
1. Insurance contracts issued that are liabilities	556	17	59	632	626	17	70	713
2. Insurance contracts issued that are assets	-	-	-	-	-	-	-	-
3. Net carrying amount as at 1 January	556	17	59	632	626	17	70	713
B. Insurance revenue	-150	-4	-	-154	-181	-6	-	-187
C. Insurance service expenses								
1. Incurred claims and other directly attributable expenses	-	-	34	34	-	-	80	80
2. Changes in the liability for incurred claims	-	-	-11	-11	-	-	4	4
3. Losses and related recoveries on onerous contracts	97	-98	-	-1	-	3	-	3
4. Amortisation of contract acquisition costs	2	-	-	2	9	-	-	9
5. Total	99	-98	23	24	9	3	84	96
D. Insurance service result (B+C)	-51	-102	23	-130	-172	-3	84	-91
E. Net financial expenses/income								
1. Related to insurance contracts issued	28	-	1	29	36	1	-	37
1.1 Recognised in profit or loss	8	-	-	8	-2	-	-	-2
1.2 Recognised in other comprehensive income	20	-	1	21	38	1	-	39
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-
3. Total	28	-	1	29	36	1	-	37
F. Investment components	-	-	-	-	-	-	-	-
G. Total amount recognised in profit or loss and in other comprehensive income (D+E+F)	-23	-102	24	-101	-136	-2	84	-54
H. Other changes	-3	-40	-	-43	-	-	-	-
I. Cash movements								
1. Premiums received	1	20	-	21	66	2	-	68
2. Payments related to contract acquisition costs	-	-	-	-	-	-	-	-
3. Claims paid and other cash outflows	-	-	-43	-43	-	-	-95	-95
4. Total	1	20	-43	-22	66	2	-95	-27
L. Net carrying amount as at 31 December (A.3+G+H+I.4)	531	-105	40	466	556	17	59	632
M. Closing carrying amount								
1. Insurance contracts issued that are liabilities	659	-105	40	594	556	17	59	632
2. Insurance contracts issued that are assets	-128	-	-	-128	-	-	-	-
3. Net carrying amount as at 31 December	531	-105	40	466	556	17	59	632

11.2 Change in the book value of insurance contracts issued - Premium Allocation Approach (PAA) – liabilities for remaining coverage and incurred claims – Non-Life Segment – Motor

(millions of euro)

Captions/Liabilities	31.12.2023										31.12.2022									
	Liability for remaining coverage		Liability for incurred claims				Total	Liability for remaining coverage		Liability for incurred claims				Total						
	Net of loss	Loss	Present value of cash flows	Adjustment for non-financial risks	Net of loss	Loss		Present value of cash flows	Adjustment for non-financial risks											
A. Opening carrying amount																				
1. Insurance contracts issued that are liabilities	37	-	141	4	182	47	-	161	4	212										
2. Insurance contracts issued that are assets	-	-	-	-	-	-	-	-	-	-										
3. Net carrying amount as at 1 January	37	-	141	4	182	47	-	161	4	212										
B. Insurance revenue	-92	-	-	-	-92	-54	-	-	-	-54										
C. Insurance service expenses																				
1. Incurred claims and other directly attributable expenses	-	-	81	-	81	-	-	5	-	5										
2. Changes in the liability for incurred claims	-	-	-23	-1	-24	-	-	2	-	2										
3. Losses and related recoveries on onerous contracts	-	-	-	-	-	-	-	-	-	-										
4. Amortisation of contract acquisition costs	-	-	-	-	-	-	-	-	-	-										
5. Total	-	-	58	-1	57	-	-	7	-	7										
D. Insurance service result (B+C)	-92	-	58	-1	-35	-54	-	7	-	-47										
E. Financial expenses/income																				
1. Related to insurance contracts issued	-	-	3	-	3	-	-	-14	-	-14										
1.1 Recognised in profit or loss	-	-	1	-	1	-	-	-6	-	-6										
1.2 Recognised in other comprehensive income	-	-	2	-	2	-	-	-8	-	-8										
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-	-	-										
3. Total	-	-	3	-	3	-	-	-14	-	-14										
F. Investment components	-	-	-	-	-	-	-	-	-	-										
G. Total amount of changes recognised in profit or loss and in other comprehensive income (D+E+F)	-92	-	61	-1	-32	-54	-	-7	-	-61										
H. Other changes	-	-	-	-	-	-	-	-	-	-										
I. Cash movements																				
1. Premiums received	3	-	-	-	3	44	-	-	-	44										
2. Payments related to contract acquisition costs	-	-	-	-	-	-	-	-	-	-										
3. Claims paid and other cash outflows	-	-	-72	-	-72	-	-	-13	-	-13										
4. Total	3	-	-72	-	-69	44	-	-13	-	31										
L. Net carrying amount as at 31 December (A.3+G+H+I.4)	-52	-	130	3	81	37	-	141	4	182										
M. Closing carrying amount																				
1. Insurance contracts issued that are liabilities	38	-	130	3	171	37	-	141	4	182										
2. Insurance contracts issued that are assets	-90	-	-	-	-90	-	-	-	-	-										
3. Net carrying amount as at 31 December	-52	-	130	3	81	37	-	141	4	182										

11.2 Change in the book value of insurance contracts issued - Premium Allocation Approach (PAA) – liabilities for remaining coverage and incurred claims – Non-Life Segment – Non-Motor

(millions of euro)

Captions/Liabilities	31.12.2023					31.12.2022				
	Liability for remaining coverage		Liability for incurred claims		Total	Liability for remaining coverage		Liability for incurred claims		Total
	Net of loss	Loss	Present value of cash flows	Adjustment for non-financial risks		Net of loss	Loss	Present value of cash flows	Adjustment for non-financial risks	
A. Opening carrying amount										
1. Insurance contracts issued that are liabilities	285	76	392	15	768	242	136	398	18	794
2. Insurance contracts issued that are assets	-	-	-	-	-	-	-	-	-	-
3. Net carrying amount as at 1 January	285	76	392	15	768	242	136	398	18	794
B. Insurance revenue	-1,094	-	-	-	1,094	-1,078	-	-	-	1,078
C. Insurance service expenses										
1. Incurred claims and other directly attributable expenses	-	-	714	-	714	-	-	772	-	772
2. Changes in the liability for incurred claims	-	-	116	2	118	-	-	19	-2	17
3. Losses and related recoveries on onerous contracts	-	-75	-	-	-75	-	-125	-	-	-125
4. Amortisation of contract acquisition costs	37	-	-	-	37	-	-	-	-	-
5. Total	37	-75	830	2	794	-	-125	791	-2	664
D. Insurance service result (B+C)	-1,057	-75	830	2	-300	-1,078	-125	791	-2	-414
E. Financial expenses/income										
1. Related to insurance contracts issued	-	-	2	-	2	-	-	-25	-1	-26
1.1 Recognised in profit or loss	-	-	2	-	2	-	-	-9	-	-9
1.2 Recognised in other comprehensive income	-	-	-	-	-	-	-	-16	-1	-17
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-	-	-
3. Total	-	-	2	-	2	-	-	-25	-1	-26
F. Investment components	-	-	-	-	-	-	-	-	-	-
G. Total amount of changes recognised in profit or loss and in other comprehensive income (D+E+F)	-1,057	-75	832	2	-298	-1,078	-125	766	-3	-440
H. Other changes	-	-	-	-	-	-	-	-	-	-
I. Cash movements										
1. Premiums received	971	-	-	-	971	1,121	65	-	-	1,186
2. Payments related to contract acquisition costs	-	-	-	-	-	-	-	-	-	-
3. Claims paid and other cash outflows	-	-	-695	-	-695	-	-	-772	-	-772
4. Total	971	-	-695	-	276	1,121	65	-772	-	414
L. Net carrying amount as at 31 December (A.3+G+H+I.4)	199	1	529	17	746	285	76	392	15	768
M. Closing carrying amount										
1. Insurance contracts issued that are liabilities	355	1	529	17	902	285	76	392	15	768
2. Insurance contracts issued that are assets	-156	-	-	-	-156	-	-	-	-	-
3. Net carrying amount as at 31 December	199	1	529	17	746	285	76	392	15	768

In accordance with the requirements of paragraph 97 of IFRS 17, the ISP Group has used the Premium Allocation Approach (PAA) for types of insurance contracts that have a duration of 12 months or less and for which the measurement of the liability using the PAA generates results in line with those obtained from the application of the General Model (GM). In addition, no adjustment to reflect the time value of money and financial risk has been considered in the measurement of the liability, because the financing component is considered to be not significant. For the recognition of the acquisition costs, it was decided not to use the option provided for annual contracts in paragraph 59(a) of IFRS 17. These costs have been recognised on an accrual basis in accordance with paragraph B.125 of the Standard.

11.3 Change in the book value of insurance contracts issued broken down by measurement component

Insurance contracts issued with direct participation features - Life Segment

(millions of euro)

Captions/Measurement components	Measurement components of the carrying amount of the insurance contracts issued							
	31.12.2023				31.12.2022			
	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total
A. Opening carrying amount								
1. Insurance contracts issued that are liabilities	106,416	246	8,366	115,028	125,516	201	8,504	134,221
2. Insurance contracts issued that are assets	-1	-	-	-1	-	-	-	-
3. Net carrying amount as at 1 January	106,415	246	8,366	115,027	125,516	201	8,504	134,221
B. Changes that relate to current service								
1. Contractual service margin recognised in profit or loss	-	-	-1,105	-1,105	-	-	-1,275	-1,275
2. Change in risk adjustment for non-financial risk for risk expired	-	-27	-	-27	-	-21	-	-21
3. Experience adjustments	3,236	-	-	3,236	-279	-	-	-279
4. Total	3,236	-27	-1,105	2,104	-279	-21	-1,275	-1,575
C. Changes that relate to future service								
1. Changes in the contractual service margin	-2,243	87	-1,503	-3,659	-2,354	-4	2,462	104
2. Losses on groups of onerous contracts and related recoveries	-906	3	1,000	97	528	3	-	531
3. Effects of contracts initially recognised in the reference year	-1,224	26	1,186	-12	-1,093	21	615	-457
4. Total	-4,373	116	683	-3,574	-2,919	20	3,077	178
D. Changes that relate to past service								
1. Adjustments to the liability for incurred claims	-108	-	-	-108	-16	-	-	-16
2. Experience adjustments	-	-	-	-	-	-	-	-
3. Total	-108	-	-	-108	-16	-	-	-16
E. Insurance service result (B+C+D)	-1,245	89	-422	-1,578	-3,214	-1	1,802	-1,413
F. Financial expenses/income								
1. Related to insurance contracts issued	9,298	24	287	9,609	-19,349	56	-1,940	-21,233
1.1 Recognised in profit or loss	5,007	12	287	5,306	-1,726	-3	-1,940	-3,669
1.2 Recognised in other comprehensive income	4,291	12	-	4,303	-17,623	59	-	-17,564
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-
3. Total	9,298	24	287	9,609	-19,349	56	-1,940	-21,233
G. Total amount of changes recognised in profit or loss and in other comprehensive income (E+F)	8,053	113	-135	8,031	-22,563	55	-138	-22,646
H. Other changes	-4	9	-	5	-	-10	-	-10
I. Cash movements								
1. Premiums received	13,227	-	-	13,227	14,647	-	-	14,647
2. Payments related to contract acquisition costs	-	-	-	-	-	-	-	-
3. Claims paid and other cash outflows	-19,078	-	-	-19,078	-11,185	-	-	-11,185
4. Total	-5,851	-	-	-5,851	3,462	-	-	3,462
L. Net carrying amount as at 31 December (A.3+G+H+I.4)	108,613	368	8,231	117,212	106,415	246	8,366	115,027
M. Closing carrying amount								
1. Insurance contracts issued that are liabilities	108,650	368	8,231	117,249	106,416	246	8,366	115,028
2. Insurance contracts issued that are assets	-37	-	-	-37	-1	-	-	-1
3. Net carrying amount as at 31 December	108,613	368	8,231	117,212	106,415	246	8,366	115,027

Insurance contracts issued without direct participation features - Life Segment

(millions of euro)

Captions/Measurement components	Measurement components of the carrying amount of the insurance contracts issued							
	31.12.2023				31.12.2022			
	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total
A. Opening carrying amount								
1. Insurance contracts issued that are liabilities	553	12	386	951	421	9	437	867
2. Insurance contracts issued that are assets	-17	-	-	-17	-	-	-	-
3. Net carrying amount as at 1 January	536	12	386	934	421	9	437	867
B. Changes that relate to current service								
1. Contractual service margin recognised in profit or loss	-	-	-47	-47	-	-	-26	-26
2. Change in risk adjustment for non-financial risk for risk expired	-	-2	-	-2	-	-	-	-
3. Experience adjustments	40	-	-	40	58	-	-	58
4. Total	40	-2	-47	-9	58	-	-26	32
C. Changes that relate to future service								
1. Changes in the contractual service margin	65	3	-73	-5	18	2	-78	-58
2. Losses on groups of onerous contracts and related recoveries	70	4	-31	43	1	-	-	1
3. Effects of contracts initially recognised in the reference year	-16	-	16	-	-54	1	53	-
4. Total	119	7	-88	38	-35	3	-25	-57
D. Changes that relate to past service								
1. Adjustments to the liability for incurred claims	-14	-	-	-14	-	-	-	-
2. Experience adjustments	-	-	-	-	-	-	-	-
3. Total	-14	-	-	-14	-	-	-	-
E. Insurance service result (B+C+D)	145	5	-135	15	23	3	-51	-25
F. Financial expenses/income								
1. Related to insurance contracts issued	28	2	2	32	-5	-	-	-5
1.1 Recognised in profit or loss	-	-	2	2	-5	-	-	-5
1.2 Recognised in other comprehensive income	28	2	-	30	-	-	-	-
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-
3. Total	28	2	2	32	-5	-	-	-5
G. Total amount of changes recognised in profit or loss and in other comprehensive income (E+F)	173	7	-133	47	18	3	-51	-30
H. Other changes	-349	-	-	-349	2	-	-	2
I. Cash movements								
1. Premiums received	279	-	-	279	100	-	-	100
2. Payments related to contract acquisition costs	-	-	-	-	-	-	-	-
3. Claims paid and other cash outflows	-154	-	-	-154	-5	-	-	-5
4. Total	125	-	-	125	95	-	-	95
L. Net carrying amount as at 31 December (A.3+G+H+I.4)	485	19	253	757	536	12	386	934
M. Closing carrying amount								
1. Insurance contracts issued that are liabilities	486	19	253	758	553	12	386	951
2. Insurance contracts issued that are assets	-1	-	-	-1	-17	-	-	-17
3. Net carrying amount as at 31 December	485	19	253	757	536	12	386	934

Insurance contracts issued without direct participation features – Non-Life Segment – Non-Motor

(millions of euro)

Captions/Measurement components	Measurement components of the carrying amount of the insurance contracts issued							
	31.12.2023				31.12.2022			
	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total	Present value of cash flows	Adjustment for non-financial risks	Contractual service margin	Total
A. Opening carrying amount								
1. Insurance contracts issued that are liabilities	269	17	346	632	356	24	333	713
2. Insurance contracts issued that are assets	-	-	-	-	-	-	-	-
3. Net carrying amount as at 1 January	269	17	346	632	356	24	333	713
B. Changes that relate to current service								
1. Contractual service margin recognised in profit or loss	-	-	-74	-74	-	-	-53	-53
2. Change in risk adjustment for non-financial risk for risk expired	-	-3	-	-3	-	-4	-	-4
3. Experience adjustments	-29	-	-	-29	-41	-	-	-41
4. Total	-29	-3	-74	-106	-41	-4	-53	-98
C. Changes that relate to future service								
1. Changes in the contractual service margin	-38	1	25	-12	6	-7	1	-
2. Losses on groups of onerous contracts and related recoveries	-1	-	-	-1	2	-	-	2
3. Effects of contracts initially recognised in the reference year	-38	2	36	-	-65	2	64	1
4. Total	-77	3	61	-13	-57	-5	65	3
D. Changes that relate to past service								
1. Adjustments to the liability for incurred claims	-9	-2	-	-11	4	-	-	4
2. Experience adjustments	-	-	-	-	-	-	-	-
3. Total	-9	-2	-	-11	4	-	-	4
E. Insurance service result (B+C+D)	-115	-2	-13	-130	-94	-9	12	-91
F. Financial expenses/income								
1. Related to insurance contracts issued	25	2	2	29	35	2	-	37
1.1 Recognised in profit or loss	5	1	2	8	-2	-	-	-2
1.2 Recognised in other comprehensive income	20	1	-	21	37	2	-	39
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-
3. Total	25	2	2	29	35	2	-	37
G. Total amount of changes recognised in profit or loss and in other comprehensive income (E+F)	-90	-	-11	-101	-59	-7	12	-54
H. Other changes	-44	-	1	-43	-1	-	1	-
I. Cash movements								
1. Premiums received	21	-	-	21	68	-	-	68
2. Payments related to contract acquisition costs	-	-	-	-	-	-	-	-
3. Claims paid and other cash outflows	-43	-	-	-43	-95	-	-	-95
4. Total	-22	-	-	-22	-27	-	-	-27
L. Net carrying amount as at 31 December (A.3+G+H+I.4)	113	17	336	466	269	17	346	632
M. Closing carrying amount								
1. Insurance contracts issued that are liabilities	241	17	336	594	269	17	346	632
2. Insurance contracts issued that are assets	-128	-	-	-128	-	-	-	-
3. Net carrying amount as at 31 December	113	17	336	466	269	17	346	632

11.4 Change in insurance revenues and contractual service margin of insurance contracts issued allocated according to contracts outstanding at the time of transition to IFRS 17

Insurance contracts issued with direct participation features - Life Segment

(millions of euro)

	31.12.2023					31.12.2022				
	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured at fair value at the transition date	Carve-out contracts	Total	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured at fair value at the transition date	Carve-out contracts	Total
Insurance revenue	650	171	803	11	1,635	130	188	750	768	1,836
Contractual service margin - Opening balance	861	606	3,912	2,987	8,366	907	686	3,729	3,182	8,504
Changes that relate to current service	-171	-80	-518	-336	1,105	-86	-141	-477	-571	1,275
- Contractual service margin recognised in profit or loss to reflect services provided	-171	-80	-518	-336	1,105	-86	-141	-477	-571	1,275
Changes that relate to future service	344	35	175	129	683	371	-299	1,801	1,204	3,077
- Changes in estimates that adjust the contractual service margin	44	-40	-322	-185	-503	116	-299	1,801	844	2,462
- Effects of contracts initially recognised in the reference year	300	75	497	314	1,186	255	-	-	360	615
Financial income/expenses										
1. Related to insurance contracts issued	116	10	100	61	287	-331	360	-1,141	-828	1,940
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-	-	-
3. Total	116	10	100	61	287	-331	360	-1,141	-828	1,940
Total changes recognised in profit or loss and in other comprehensive income	289	-35	-243	-146	-135	-46	-80	183	-195	-138
Contractual service margin – Closing balance	1,150	571	3,669	2,841	8,231	861	606	3,912	2,987	8,366

Insurance contracts issued without direct participation features - Life Segment

(millions of euro)

	31.12.2023					31.12.2022				
	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured at fair value at the transition date	Carve-out contracts	Total	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured at fair value at the transition date	Carve-out contracts	Total
Insurance revenue	98	-	45	-	143	25	-	15	-	40
Contractual service margin - Opening balance	358	-	28	-	386	387	-	50	-	437
Changes that relate to current service	-47	-	-	-	-47	-16	-	-10	-	-26
- Contractual service margin recognised in profit or loss to reflect services provided	-47	-	-	-	-47	-16	-	-10	-	-26
Changes that relate to future service	-50	-	-38	-	-88	-13	-	-12	-	-25
- Changes in estimates that adjust the contractual service margin	-65	-	-39	-	-104	-66	-	-12	-	-78
- Effects of contracts initially recognised in the reference year	15	-	1	-	16	53	-	-	-	53
Financial income/expenses										
1. Related to insurance contracts issued	2	-	-	-	2	-	-	-	-	-
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-	-	-
3. Total	2	-	-	-	2	-	-	-	-	-
Total changes recognised in profit or loss and in other comprehensive income	-95	-	-38	-	-133	-29	-	-22	-	-51
Contractual service margin – Closing balance	263	-	-10	-	253	358	-	28	-	386

Insurance contracts issued without direct participation features – Non-Life Segment – Non-Motor

(millions of euro)

	31.12.2023					31.12.2022				
	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured at fair value at the transition date	Carve-out contracts	Total	New contracts and contracts measured using the full retrospective approach at the transition date	Contracts measured using the modified retrospective approach at the transition date	Contracts measured at fair value at the transition date	Carve-out contracts	Total
Insurance revenue	81	5	68	-	154	125	51	11	-	187
Contractual service margin - Opening balance	230	81	35	-	346	224	90	19	-	333
Changes that relate to current service	-54	-8	-12	-	-74	-32	-16	-5	-	-53
- Contractual service margin recognised in profit or loss to reflect services provided	-54	-8	-12	-	-74	-32	-16	-5	-	-53
Changes that relate to future service	46	8	8	-	62	38	7	21	-	66
- Changes in estimates that adjust the contractual service margin	10	8	8	-	26	-26	7	21	-	2
- Effects of contracts initially recognised in the reference year	36	-	-	-	36	64	-	-	-	64
Financial income/expenses										
1. Related to insurance contracts issued	2	-	-	-	2	-	-	-	-	-
2. Effects of exchange rate changes	-	-	-	-	-	-	-	-	-	-
3. Total	2	-	-	-	2	-	-	-	-	-
Total changes recognised in profit or loss and in other comprehensive income	-6	-	-4	-	-10	6	-9	16	-	13
Contractual service margin – Closing balance	224	81	31	-	336	230	81	35	-	346

In accordance with the requirements of paragraph 116 of IFRS 17, a reconciliation from the opening to the closing balance of the cumulative amounts included in other comprehensive income for financial assets measured at fair value through other comprehensive income related to the groups of insurance contracts is provided below.

Valuation reserve of financial assets measured at fair value through other comprehensive income related to Variable Fee Approach (VFA) insurance contracts that were measured at transition using the modified retrospective approach and the fair value approach

(millions of euro)

	31.12.2023			31.12.2022		
	Contracts measured at fair value at the transition date	Contracts measured using the modified retrospective approach at the transition date	Total	Contracts measured at fair value at the transition date	Contracts measured using the modified retrospective approach at the transition date	Total
OCI reserve for VFA products - Beginning of year amounts (before tax)	-6,672	-549	-7,221	4,967	392	5,359
Gains/losses recognised in OCI during the year	2,878	266	3,144	-11,424	-924	-12,348
Reclassification to the income statement	515	55	569	-215	-17	-232
OCI reserve for VFA products - End of year amounts (before tax)	-3,279	-228	-3,508	-6,672	-549	-7,221

11.5 Measurement components of insurance contracts issued recognised during the year

Insurance contracts issued with direct participation features - Life Segment

Captions/Groups of contracts	Contracts originated			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2023			31.12.2023			31.12.2023		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
(millions of euro)									
A. Estimate of the present value of future cash outflows									
1. Contract acquisition costs	4	367	371	-	-	-	-	-	-
2. Amount of claims and other directly attributable expenses	267	10,218	10,485	-	-	-	-	-	-
3. Total	271	10,585	10,856	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	284	11,796	12,080	-	-	-	-	-	-
C. Estimate of the net present value of future cash flows (A-B)	-13	-1,211	-1,224	-	-	-	-	-	-
D. Estimate of the adjustment for non-financial risks	1	25	26	-	-	-	-	-	-
E. Derecognition of assets already recognised for cash flows related to insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	1,186	1,186	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued in the year (C+D+E+F)	-12	-	-12	-	-	-	-	-	-

Captions/Groups of contracts	Contracts originated			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2022			31.12.2022			31.12.2022		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
(millions of euro)									
A. Estimate of the present value of future cash outflows									
1. Contract acquisition costs	8	123	131	-	-	-	-	-	-
2. Amount of claims and other directly attributable expenses	-71	8,649	8,578	-	-	-	-	-	-
3. Total	-63	8,772	8,709	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	395	9,407	9,802	-	-	-	-	-	-
C. Estimate of the net present value of future cash flows (A-B)	-458	-635	-1,093	-	-	-	-	-	-
D. Estimate of the adjustment for non-financial risks	1	20	21	-	-	-	-	-	-
E. Derecognition of assets already recognised for cash flows related to insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	615	615	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued in the year (C+D+E+F)	-457	-	-457	-	-	-	-	-	-

Insurance contracts issued without direct participation features - Life Segment

Captions/Groups of contracts	Contracts originated			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2023			31.12.2023			31.12.2023		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
(millions of euro)									
A. Estimate of the present value of future cash outflows									
1. Contract acquisition costs	-	5	5	-	-	-	-	-	-
2. Amount of claims and other directly attributable expenses	-	10	10	-	-	-	-	-	-
3. Total	-	15	15	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	-	31	31	-	-	-	-	-	-
C. Estimate of the net present value of future cash flows (A-B)	-	-16	-16	-	-	-	-	-	-
D. Estimate of the adjustment for non-financial risks	-	-	-	-	-	-	-	-	-
E. Derecognition of assets already recognised for cash flows related to insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	16	16	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued in the year (C+D+E+F)	-	-	-	-	-	-	-	-	-

Captions/Groups of contracts	Contracts originated			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2022			31.12.2022			31.12.2022		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
(millions of euro)									
A. Estimate of the present value of future cash outflows									
1. Contract acquisition costs	-	-	-	-	-	-	-	-	-
2. Amount of claims and other directly attributable expenses	-	43	43	-	-	-	-	-	-
3. Total	-	43	43	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	-	97	97	-	-	-	-	-	-
C. Estimate of the net present value of future cash flows (A-B)	-	-54	-54	-	-	-	-	-	-
D. Estimate of the adjustment for non-financial risks	-	1	1	-	-	-	-	-	-
E. Derecognition of assets already recognised for cash flows related to insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	53	53	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued in the year (C+D+E+F)	-	-	-	-	-	-	-	-	-

Insurance contracts issued without direct participation features – Non-Life Segment – Non-Motor

(millions of euro)

Captions/Groups of contracts	Contracts originated			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2023			31.12.2023			31.12.2023		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
A. Estimate of the present value of future cash outflows									
1. Contract acquisition costs	-	36	36	-	-	-	-	-	-
2. Amount of claims and other directly attributable expenses	-	15	15	-	-	-	-	-	-
3. Total	-	51	51	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	-	89	89	-	-	-	-	-	-
C. Estimate of the net present value of future cash flows (A-B)	-	-38	-38	-	-	-	-	-	-
D. Estimate of the adjustment for non-financial risks	-	2	2	-	-	-	-	-	-
E. Derecognition of assets already recognised for cash flows related to insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	36	36	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued in the year (C+D+E+F)	-	-	-	-	-	-	-	-	-

(millions of euro)

Captions/Groups of contracts	Contracts originated			Contracts acquired in business combinations			Contracts transferred from third parties		
	31.12.2022			31.12.2022			31.12.2022		
	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total	Onerous contracts	Non-onerous contracts	Total
A. Estimate of the present value of future cash outflows									
1. Contract acquisition costs	-	3	3	-	-	-	-	-	-
2. Amount of claims and other directly attributable expenses	8	53	61	-	-	-	-	-	-
3. Total	8	56	64	-	-	-	-	-	-
B. Estimate of the present value of future cash inflows	7	122	129	-	-	-	-	-	-
C. Estimate of the net present value of future cash flows (A-B)	1	-66	-65	-	-	-	-	-	-
D. Estimate of the adjustment for non-financial risks	-	2	2	-	-	-	-	-	-
E. Derecognition of assets already recognised for cash flows related to insurance contracts issued	-	-	-	-	-	-	-	-	-
F. Contractual service margin	-	64	64	-	-	-	-	-	-
G. Increase included in the liability for insurance contracts issued in the year (C+D+E+F)	1	-	1	-	-	-	-	-	-

11.6 Insurance contracts issued - Contractual service margin broken down by expected timing of recognition in the income statement

(millions of euro)

Breakdown of CSM release pattern	31.12.2023			Total
	up to 3 years	4 to 5 years	over 5 years	
Insurance contracts				
Life	2,588	1,296	4,600	8,484
Non-life	154	59	123	336
Total	2,742	1,355	4,723	8,820

The table above, as required by IFRS 17, shows the breakdown of the CSM by time bands.

11.7 Insurance contracts issued – Development of claims gross of reinsurance (Non-Life Segment)

(millions of euro)

Claims/Time bands	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Total
	31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023	
A. Cumulative claims paid and other directly attributable expenses paid											
1. At the end of the year of occurrence	242	284	269	277	353	477	334	568	421	378	X
2. One year later	103	108	157	201	201	175	205	314	259	X	X
3. Two years later	26	30	29	34	33	35	35	52	X	X	X
4. Three years later	7	7	10	9	9	11	13	X	X	X	X
5. Four years later	3	4	3	4	6	4	X	X	X	X	X
6. Five years later	2	4	2	2	4	X	X	X	X	X	X
7. Six years later	3	1	1	4	X	X	X	X	X	X	X
8. Seven years later	1	1	3	X	X	X	X	X	X	X	X
9. Eight years later	2	-1	X	X	X	X	X	X	X	X	X
10. Nine years later	1	X	X	X	X	X	X	X	X	X	X
Total cumulative claims paid and other directly attributable expenses paid (Total A)	390	438	474	531	606	702	587	934	680	378	5,720
B. Estimate of the ultimate cumulative claims cost (amount gross of reinsurance contracts held, undiscounted)											
1. At the end of the year of occurrence	242	284	269	277	353	477	334	568	421	871	X
2. One year later	103	108	157	201	201	175	205	314	348	X	X
3. Two years later	26	30	29	34	33	35	35	101	X	X	X
4. Three years later	7	7	10	9	9	11	37	X	X	X	X
5. Four years later	3	4	3	4	6	27	X	X	X	X	X
6. Five years later	2	4	2	2	19	X	X	X	X	X	X
7. Six years later	3	1	1	13	X	X	X	X	X	X	X
8. Seven years later	1	1	8	X	X	X	X	X	X	X	X
9. Eight years later	2	5	X	X	X	X	X	X	X	X	X
10. Nine years later	5	X	X	X	X	X	X	X	X	X	X
Estimate of the undiscounted gross ultimate cumulative claims cost at the reporting date (Total B)	394	444	479	540	621	725	611	983	769	871	6,437
C. Gross undiscounted liability for incurred claims - year of occurrence T to T-9 (Total B - Total A)	4	6	5	9	15	23	24	49	89	493	717
D. Gross undiscounted liability for incurred claims - years prior to T-9	X	X	X	X	X	X	X	X	X	X	-
E. Effect of discounting	X	X	X	X	X	X	X	X	X	X	-29
F. Effect of the adjustment for non-financial risks	X	X	X	X	X	X	X	X	X	X	22
G. Gross liability for incurred claims for insurance contracts issued	X	X	X	X	X	X	X	X	X	X	710

11.8 Insurance contracts issued – Development of claims net of reinsurance (Non-Life Segment)

(millions of euro)

Claims/Time bands	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Total
	31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023	
A. Cumulative claims paid and other directly attributable expenses paid net of reinsurance											
1. At the end of the year of occurrence	158	208	176	177	234	361	268	441	385	325	X
2. One year later	100	100	149	189	197	163	146	213	228	X	X
3. Two years later	25	29	26	33	32	34	34	47	X	X	X
4. Three years later	7	7	10	9	9	10	12	X	X	X	X
5. Four years later	3	4	3	4	6	4	X	X	X	X	X
6. Five years later	2	2	2	2	3	X	X	X	X	X	X
7. Six years later	2	1	1	3	X	X	X	X	X	X	X
8. Seven years later	1	1	2	X	X	X	X	X	X	X	X
9. Eight years later	1	1	X	X	X	X	X	X	X	X	X
10. Nine years later	-	X	X	X	X	X	X	X	X	X	X
Total cumulative claims paid and other directly attributable expenses paid net of reinsurance (Total A)	299	353	369	417	481	572	460	701	613	325	4,590
B. Estimate of the ultimate cumulative claims cost (amount net of reinsurance contracts held, undiscounted)											
1. At the end of the year of occurrence	158	208	176	177	234	361	268	441	385	703	X
2. One year later	100	100	149	189	197	163	146	213	303	X	X
3. Two years later	25	29	26	33	32	34	34	89	X	X	X
4. Three years later	7	7	10	9	9	10	34	X	X	X	X
5. Four years later	3	4	3	4	6	26	X	X	X	X	X
6. Five years later	2	2	2	2	17	X	X	X	X	X	X
7. Six years later	2	1	1	11	X	X	X	X	X	X	X
8. Seven years later	1	1	7	X	X	X	X	X	X	X	X
9. Eight years later	1	6	X	X	X	X	X	X	X	X	X
10. Nine years later	4	X	X	X	X	X	X	X	X	X	X
Estimate of the undiscounted gross ultimate cumulative claims cost at the reporting date (Total B)	303	358	374	425	495	594	482	743	688	703	5,165
C. Net undiscounted liability for incurred claims - year of occurrence T to T-9 (Total B - Total A)											
	4	5	5	8	14	22	22	42	75	378	575
D. Gross undiscounted liability for incurred claims - years prior to T-9											
	X	X	X	X	X	X	X	X	X	X	-
E. Effect of discounting											
	X	X	X	X	X	X	X	X	X	X	-22
F. Effect of the adjustment for non-financial risks											
	X	X	X	X	X	X	X	X	X	X	10
G. Net liability for incurred claims for insurance contracts issued											
	X	X	X	X	X	X	X	X	X	X	563

Other information

There is no other information to be noted in addition to the above.

SECTION 12 – REDEEMABLE SHARES – CAPTION 130

These are not present for the Group.

SECTION 13 – GROUP SHAREHOLDERS' EQUITY – CAPTIONS 120, 130, 140, 150, 160, 170 AND 180**13.1 Share capital and Treasury shares: breakdown**

For information on this section, see point 13.3 below.

13.2 Share capital – Parent Company's number of shares: annual changes

Captions/Type	Ordinary
A. Initial number of shares	18,988,803,160
-fully paid-in	18,988,803,160
- not fully paid-in	-
A.1 Own shares (-)	-23,892,236
A.2 Shares outstanding: initial number	18,964,910,924
B. Increases	18,146,640
B.1 New issues	-
- for consideration:	-
- business combinations	-
- conversion of bonds	-
- exercise of warrants	-
- other	-
- for free:	-
- in favour of employees	-
- in favour of directors	-
- other	-
B.2 Sale of own shares	18,146,640
B.3 Other	-
C. Decreases	-726,204,718
C.1 Annulment	-706,004,171
C.2 Purchase of own shares	-20,200,547
C.3 Disposal of companies	-
C.4 Other	-
D. Shares outstanding: final number	18,256,852,846
D.1 Own shares (+)	25,946,143
D.2 Final number of shares	18,282,798,989
-fully paid-in	18,282,798,989
- not fully paid-in	-

In 2023 capital was affected by the annulment of 706,004,171 ordinary shares following the purchase of own shares in the period from 13 February to 4 April 2023 in execution of the buyback plan announced to the market on 6 February 2023. During that period, a total of 706,004,171 shares with no par value were purchased, equal to around 3.72% of the pre-annulment share capital, at an average purchase price per share of 2.4079 euro, for a total value of 1,699,999,999 euro. The shares were annulled on 2 May. As a result of the annulments, the share capital changed its composition, due to the reduction in the number of shares constituting it, while its amount remained unchanged at 10,368,870,930.08 euro.

The caption "Purchase of own shares" includes purchases to service the free incentive plan for personnel. The programme was launched on 11 September 2023 and ended on 13 September 2023, resulting in the purchase of 32,000,000 ordinary shares of the Bank at an average purchase price per share of 2.4697 euro for a total amount of 79,031,462.67 euro; the Parent Company alone purchased 20,200,547 shares at an average purchase price per share of 2.4683 euro, for a total amount of 49,861,766.11 euro. The purchase transactions were executed in compliance with the provisions included in Articles 2357 and following and 2359-bis and following of the Italian Civil Code and within the limits determined in the resolutions passed by the Shareholders' Meeting of Intesa Sanpaolo of 28 April 2023.

13.3 Share capital: other information

The share capital of Intesa Sanpaolo as at 31 December 2023 amounted to 10,369 million euro, divided into 18,282,798,989 ordinary shares, with no par value. Each ordinary share gives the right to one vote in the Shareholders' Meeting. The share capital is fully paid-in.

As at 31 December 2023, the Group holds treasury shares of Intesa Sanpaolo of 140 million euro, of which approximately 61 million euro attributable to the Parent Company and the remaining 79 million euro to the other Group companies.

13.4 Reserves from retained earnings: other information

Group reserves amounted to 12,068 million euro and included the legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30 July 1990, art. 7, par. 3 and Law 218 of 30 July 1990, art. 7) and other reserves, as well as the consolidation reserve.

The legal reserve, set up as provided for by law, must be at least one fifth of share capital; in the past it was set up by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.

Concentration reserves under Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.

Other reserves included reserves pertaining to international branches and other reserves set up in the past following specific legal provisions.

Consolidation reserves were generated following the elimination of the book value of equity investments against the corresponding portion of the shareholders' equity of each investment.

The valuation reserves amounted to a negative figure of 2,009 million euro and included valuation reserves for assets measured at fair value through other comprehensive income of -1,986 million euro, valuation reserves pertaining to insurance companies of -298 million euro, reserves for cash flow hedges of -318 million euro, exchange rate valuation reserves (relating to fully consolidated equity investments) of -1,248 million euro, reserves relating to the hedging of foreign investments of -24 million euro, reserves for revaluations of property and equipment and legally-required revaluation reserves of 2,174 million euro, valuation reserves relating to financial liabilities designated at fair value through profit or loss (changes in the Group's own credit rating) of -125 million euro, as well as the negative reserve on actuarial profits (losses) from defined benefit pension plans of -186 million euro, in addition to approximately 1 million euro of valuation reserves connected to minority equity investments.

13.5 Equity instruments: breakdowns and annual changes

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early redemption as of	Currency	Original amount in currency	Book value (millions of euro)
Intesa Sanpaolo	7.70% fixed rate	no	17-Sep-2015	perpetual	17-Sep-2025	USD	1,000,000,000	875
Intesa Sanpaolo	7.75% fixed rate	no	11-Jan-2017	perpetual	11-Jan-2027	Eur	1,250,000,000	1,232
Intesa Sanpaolo	6.25% fixed rate	no	16-May-2017	perpetual	16-May-2024	Eur	750,000,000	241
Intesa Sanpaolo	5.875% fixed rate payable semi-annually	no	20-Jan-2020	perpetual	20-Jan-2025	Eur	400,000,000	376
Intesa Sanpaolo	3.75% fixed rate	no	27-Feb-2020	perpetual	27-Feb-2025	Eur	750,000,000	743
Intesa Sanpaolo	4.125% fixed rate	no	27-Feb-2020	perpetual	27-Feb-2030	Eur	750,000,000	743
Intesa Sanpaolo	5.875% fixed rate payable semi-annually	no	01-Sep-2020	perpetual	01-Sep-2031	Eur	750,000,000	741
Intesa Sanpaolo	5.5% fixed rate payable semi-annually	no	01-Sep-2020	perpetual	01-Mar-2028	Eur	750,000,000	744
Intesa Sanpaolo	6.375% fixed rate payable semi-annually	no	30-Mar-2022	perpetual	30-Sep-2028	Eur	1,000,000,000	991
Intesa Sanpaolo	9,125% fixed rate	no	07-Sep-2023	perpetual	07-Mar-2029	Eur	1,250,000,000	1,239
REYL & Cie SA	4.75%	no	30-Nov-2018	perpetual	30-Nov-2023	CHF	12,000,000	10
REYL & Cie SA	4.75%	no	30-Nov-2019	perpetual	30-Nov-2024	CHF	15,000,000	13
Total								7,948

13.6 Other information

Pursuant to Art. 2433-bis, paragraph 4, of the Italian Civil Code, Intesa Sanpaolo distributed an interim dividend for 2023 to each of the 18,282,798,989 ordinary shares comprising the share capital. The total amount disbursed was 2,628,985,341.02 euro⁹⁶, corresponding to a unit dividend of 14.40 euro cents per ordinary share. The dividend was paid out on 22 November 2023 (with coupon presentation on 20 November and record date on 21 November).

⁹⁶ It does not include the interim dividend on the 25,956,343 treasury shares held at the record date, equal to 3,737,713.40 euro, which was allocated to the Extraordinary Reserve.

SECTION 14 - MINORITY INTERESTS – CAPTION 190

For details regarding the breakdown of minority interests, see section F, “Part B.1. Consolidated shareholders’ equity: breakdown by type of company”.

14.1 Breakdown of caption 190 Minority interests

Companies	(millions of euro)	
	31.12.2023	31.12.2022
Investments in consolidated companies with significant minority interests	158	158
1 Bank of Alexandria	126	126
2 Risanamento S.p.A.	26	26
3 Eurizon SLJ Capital Limited	3	3
4 Eurizon Capital Real Asset S.p.A.	3	3
Other investments	6	8
TOTAL	164	166

14.2 Equity instruments: breakdown and annual changes

There were no equity instruments pertaining to minority interests.

OTHER INFORMATION**1. Commitments and financial guarantees given**

	Commitments and financial guarantees given -				(millions of euro)	
	nominal amount				31.12.2023	31.12.2022
	Stage 1	Stage 2	Stage 3	Purchased or originated credit- impaired		
1. Commitments to disburse funds	219,749	17,966	766	1	238,482	239,815
a) Central Banks	1,170	20	-	-	1,190	1,194
b) Public Administration	10,873	990	10	-	11,873	11,845
c) Banks	31,254	580	5	-	31,839	32,258
d) Other financial companies	13,939	8,187	12	-	22,138	20,257
e) Non-financial companies	148,563	7,355	699	1	156,618	157,814
f) Households	13,950	834	40	-	14,824	16,447
2. Financial guarantees given	43,824	3,417	808	-	48,049	48,161
a) Central Banks	-	-	-	-	-	-
b) Public Administration	480	2	-	-	482	444
c) Banks	3,904	82	1	-	3,987	3,558
d) Other financial companies	700	307	2	-	1,009	1,359
e) Non-financial companies	38,259	2,992	800	-	42,051	42,270
f) Households	481	34	5	-	520	530

In this table - in accordance with the instructions of Circular 262 - the Commitments to disburse funds include the commitments that can give rise to credit risk subject to the rules for determining the expected loss in accordance with IFRS 9, including revocable margins available on credit lines granted to customers and banks (for a total amount of 150,726 million euro in 2023).

2. Other commitments and other guarantees given

As at 31 December 2023 there were no exposures of this type.

3. Assets pledged as collateral of liabilities and commitments

Portfolios	(millions of euro)	
	31.12.2023	31.12.2022
1. Financial assets measured at fair value through profit or loss	1,734	2,058
2. Financial assets measured at fair value through other comprehensive income	18,353	10,006
3. Financial assets measured at amortised cost	205,993	187,404
4. Property and equipment	-	-
<i>of which: property and equipment that constitute inventories</i>	-	-

Intragroup deposits of 128 million euro, established to serve securities lending with subjects outside the Group, were netted.

4. Breakdown of investments related to unit-linked and index-linked policies

	(millions of euro)		
	Disbursements connected with pension funds and market indices	Disbursements in connection with pension fund management	31.12.2023
Assets in the balance sheet	-77,177	-8,139	-85,316
Intra-group assets	-201	-49	-250
Total Assets	-77,378	-8,188	-85,566
Financial liabilities in the balance sheet	52,076	-	52,076
Technical reserves in the balance sheet	8,925	7,937	16,862
Intra-group liabilities	-	1	1
Total Liabilities	61,001	7,938	68,939

5. Management and dealing on behalf of third parties

Type of service	(millions of euro)	
	31.12.2023	
1. Trading on behalf of customers		
a) Purchases		362,023
1. settled		362,023
2. to be settled		-
b) Sales		348,341
1. settled		348,341
2. to be settled		-
2. Portfolio management		
a) individual		80,066
b) collective		172,191
3. Custody and administration of securities		
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)		6,662
1. securities issued by companies included in the consolidation area		-
2. other securities		6,662
b) third-party securities held in deposit (excluding portfolio management): other		598,988
1. securities issued by companies included in the consolidation area		28,949
2. other securities		570,039
c) third party securities deposited with third parties		588,423
d) portfolio securities deposited with third parties		336,669
4. Other		751,596

Note regarding contractual clauses of financial payables

In relation to point 3: “IFRS 7 – Contractual clauses of financial payables”, of Bank of Italy/Consob/Isvap document no. 4 of March 2010, the following is specified:

- there were no cases of non-compliance by Intesa Sanpaolo Group companies with the relative contractual clauses set forth in bond issues, medium-/long-term loans received from financial entities and other debt contracts, which involved or which could involve the application of acceleration clauses;
- bond issues, medium-/long-term loans received from Supranational Organisations and other debt contracts of Intesa Sanpaolo Group companies may contain standard negative pledges and covenants based on current practice.

Due to the nature of commitments undertaken, in line with market practices, and the remote probability of default, these clauses may be considered as immaterial.

6. Financial assets subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements

Types	Gross amount of financial assets (a)	Amount of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c = a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount 31.12.2023 (f=c-d-e)	Net amount 31.12.2022	
				Financial instruments (d)	Cash collateral (e)			
1. Derivatives	91,431	63,337	28,094	17,549	9,574	971	1,114	
2. Repurchase agreements	24,532	-	24,532	24,382	16	134	523	
3. Securities lending	-	-	-	-	-	-	-	
4. Other	-	-	-	-	-	-	-	
TOTAL	31.12.2023	115,963	63,337	52,626	41,931	9,590	1,105	X
TOTAL	31.12.2022	139,428	81,574	57,854	41,734	14,483	X	1,637

7. Financial liabilities subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements

Types	Gross amount of financial liabilities (a)	Amount of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c=a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount 31.12.2023 (f=c-d-e)	Net amount 31.12.2022	
				Financial instruments (d)	Cash deposits pledged as collateral (e)			
1. Derivatives	90,002	63,337	26,665	17,336	8,314	1,015	1,583	
2. Repurchase agreements	36,469	-	36,469	36,298	1	170	338	
3. Securities lending	-	-	-	-	-	-	-	
4. Other	-	-	-	-	-	-	-	
TOTAL	31.12.2023	126,471	63,337	63,134	53,634	8,315	1,185	X
TOTAL	31.12.2022	127,752	81,574	46,178	37,839	6,418	X	1,921

IFRS 7, amended in 2013, requires specific disclosure for financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting since they are regulated by “master netting arrangements or similar agreements” that do not respect all of the criteria set forth by IAS 32, paragraph 42.

In this respect, the Intesa Sanpaolo Group has netting arrangements in force that meet the requirements envisaged by IAS 32, paragraph 42, for netting in the financial statements.

In terms of instruments that may be potentially offset upon occurrence of such events and to be presented in Tables 6 and 7, it is noted that the Intesa Sanpaolo Group uses bilateral netting arrangements that allow, in the event of counterparty default, the netting of claims and obligations in relation to financial and credit derivatives, as well as securities financing transactions (SFTs). In particular, there are ISDA agreements (for transactions in derivatives), GMRA (for repurchase agreements) and GMSLAs (for securities lending).

With regard to securities lending transactions, only those transactions that require the payment of a cash guarantee fully available to the lender must also be reported in tables 6 and 7, as this is the only type of transaction recognised in the Balance Sheet. The Intesa Sanpaolo Group did not have any such transactions as at 31 December 2021.

For the purposes of preparing the tables and in compliance with the provisions of IFRS 7 and the new provisions that govern the financial statements of banks, the following are noted:

- the effects of the potential offsetting of the balance sheet values of financial assets and liabilities are indicated under column (d) “Financial instruments”, together with the fair value of financial collateral consisting of securities;
- the effects of the potential offsetting of the exposure with the relative cash collateral are included under column (e) “Cash deposits received/pledged as collateral”;
- repurchase agreement transactions are recognised in the tables based on the amortised cost measurement criterion, while the relative collateral is measured at fair value;
- derivatives transactions are recognised at fair value.

These effects are calculated for each individual counterparty included in a master netting arrangement, to the extent of the exposure indicated in column (c).

Based on the preparation methods indicated above, the netting arrangements between financial instruments and the relative collateral permit a significant reduction in credit/debt exposure to the counterparty, as indicated under column (f) “Net amount”.

8. Securities lending transactions

The securities lending accessory banking service, offered mainly by the Parent Company and by Intesa Sanpaolo Private Banking (ISPB) to their customers (natural persons, legal entities and commercial entities), is worth mentioning. The contract involves transfer of the ownership of a certain quantity of securities of a specific type, with the obligation for ISPPB to return them, paying a consideration amount as remuneration for their availability. The transaction involves government bonds that ISPPB in turn transfers to the Parent Company Intesa Sanpaolo for non-speculative purposes.

As at 31 December 2023, the collateral of transactions mainly referring to ISPPB amounted to 128 million euro.

9. Disclosure on joint-control assets

With regard to the disclosure required in this paragraph, the Intesa Sanpaolo Group holds a stake in Mooney Group S.p.A. as a material jointly controlled entity. For details concerning this entity, please refer to section 7 of Assets.

Part C – Information on the consolidated income statement

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1. Interest and similar income: breakdown

Captions/Types	Debt securities	Loans	Other transactions	(millions of euro)	
				2023	2022
1. Financial assets measured at fair value through profit or loss	180	63	-	243	55
1.1 Financial assets held for trading	161	6	-	167	11
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	19	57	-	76	44
2. Financial assets measured at fair value through other comprehensive income	4,011	88	X	4,099	3,389
3. Financial assets measured at amortised cost	1,845	22,538	X	24,383	11,796
3.1 Due from banks	69	5,254	X	5,323	1,248
3.2 Loans to customers	1,776	17,284	X	19,060	10,548
4. Hedging derivatives	X	X	3,027	3,027	-584
5. Other assets	X	X	772	772	251
6. Financial liabilities	X	X	X	1	802
Total	6,036	22,689	3,799	32,525	15,709
<i>of which: interest income on impaired financial assets</i>	<i>1</i>	<i>501</i>	<i>-</i>	<i>502</i>	<i>445</i>
<i>of which: interest income on financial lease</i>	<i>X</i>	<i>437</i>	<i>X</i>	<i>437</i>	<i>338</i>

Interest and similar income also includes interest income on debt securities relating to repurchase agreements. Interest on impaired financial assets also includes interest due to the passing of time, equal to 172 million euro relating to customers (time value) which came to 161 million euro in 2022. The caption "Hedging derivatives" includes the differentials on hedging transactions, which adjust interest income recognised on hedged financial instruments. "Financial liabilities" include residual interest on funding transactions with negative rates. In that context, in the previous year interest income was recognised, on an overall basis, on other TLTROs for a total of 615 million euro. This amount related to interest accrued on TLTRO III operations. Finally, the caption "Financial assets measured at amortised cost", sub-caption "Due from banks", includes interest on "on demand" loans due from banks and central banks classified in the balance sheet to the caption "Cash and cash equivalents".

The total amount of the Interest and similar income as at 31 December 2023 of 32,525 million euro (15,709 million euro as at 31 December 2022) consisted of 29,652 million euro for the "Banking Group", 2,457 million euro for the "Insurance Companies", and 416 million euro for the "Other companies"; as at 31 December 2022, these amounts were 13,140 million euro, 2,477 million euro and 92 million euro respectively. The details for the "Banking Group" and "Insurance Companies" are provided below.

1.1. Interest and similar income: breakdown (of which: Banking Group)

Captions/Types				(millions of euro)	
	Debt securities	Loans	Other transactions	2023	2022
1. Financial assets measured at fair value through profit or loss	180	63	-	243	55
1.1 Financial assets held for trading	161	6	-	167	11
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	19	57	-	76	44
2. Financial assets measured at fair value through other comprehensive income	1,562	88	X	1,650	912
3. Financial assets measured at amortised cost	1,463	22,523	X	23,986	11,708
3.1 Due from banks	69	5,247	X	5,316	1,248
3.2 Loans to customers	1,394	17,276	X	18,670	10,460
4. Hedging derivatives	X	X	3,006	3,006	-586
5. Other assets	X	X	766	766	249
6. Financial liabilities	X	X	X	1	802
Total	3,205	22,674	3,772	29,652	13,140
<i>of which: interest income on impaired financial assets</i>	<i>1</i>	<i>501</i>	<i>-</i>	<i>502</i>	<i>445</i>
<i>of which: interest income on financial lease</i>	<i>X</i>	<i>437</i>	<i>X</i>	<i>437</i>	<i>338</i>

1.1. Interest and similar income: breakdown (of which: Insurance companies)

Captions/Types				(millions of euro)	
	Debt securities	Loans	Other transactions	2023	2022
1. Financial assets measured at fair value through profit or loss	-	-	-	-	-
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	2,449	-	X	2,449	2,477
3. Financial assets measured at amortised cost	-	6	X	6	-
3.1 Due from banks	-	6	X	6	-
3.2 Loans to customers	-	-	X	-	-
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	2	2	-
6. Financial liabilities	X	X	X	-	-
Total	2,449	6	2	2,457	2,477
<i>of which: interest income on impaired financial assets</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>of which: interest income on financial lease</i>	<i>X</i>	<i>-</i>	<i>X</i>	<i>-</i>	<i>-</i>

1.2. Interest and similar income: other information**1.2.1 Interest income on foreign currency financial assets**

The balance as at 31 December 2023 includes 5,538 million euro relating to financial assets in foreign currency.

1.3 Interest and similar expense: breakdown

Captions/Types	Debts	Securities	Other transactions	(millions of euro)	
				2023	2022
1. Financial liabilities measured at amortised cost	8,121	3,246	X	11,367	3,288
1.1 Due to Central Banks	2,052	X	X	2,052	76
1.2 Due to banks	2,558	X	X	2,558	567
1.3 Due to customers	3,511	X	X	3,511	752
1.4 Securities issued	X	3,246	X	3,246	1,893
2. Financial liabilities held for trading	1	-	-	1	39
3. Financial liabilities designated at fair value	8	1	-	9	20
4. Other liabilities and allowances	X	X	144	144	50
5. Hedging derivatives	X	X	3,742	3,742	-61
6. Financial assets	X	X	X	326	538
Total	8,130	3,247	3,886	15,589	3,874
<i>of which: interest expense on lease liabilities</i>	<i>24</i>	<i>X</i>	<i>X</i>	<i>24</i>	<i>22</i>

“Amounts due to central banks” include interest expense on TLTRO financing operations of 1,958 million euro as at 31 December 2023. For further details, see Part A – Accounting policies of these Notes, in the paragraph “TLTRO III”.

“Due to banks” and “Due to customers” also include interest expense on repurchase agreements, even if the transaction referred to securities recorded under assets.

Lastly, the caption “Hedging derivatives” includes the differentials on hedging transactions, which adjust interest expense recognised on hedged financial instruments.

“Financial assets” include residual interest on lending transactions with negative rates.

The total amount of the Interest expense as at 31 December 2023 of 15,589 million euro (3,874 million euro as at 31 December 2022) consisted of 15,174 million euro for the “Banking Group”, 392 million euro for the “Insurance Companies”, and 23 million euro for the “Other companies”; as at 31 December 2022, these amounts were 3,541 million euro, 324 million euro and 9 million euro respectively.

1.4. Interest and similar expense: other information**1.4.1 Interest expense on foreign currency financial liabilities**

Interest and similar expense in 2023 includes 3,061 million euro relative to financial liabilities in foreign currency.

1.5. Differentials on hedging transactions

Captions	(millions of euro)	
	2023	2022
A. Positive differentials on hedging transactions	8,852	3,626
B. Negative differentials on hedging transactions	-9,567	-4,149
C. Balance (A-B)	-715	-523

These amounts essentially refer to the “Banking Group”.

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

Type of service/Amounts	(millions of euro)	
	2023	2022
a) Financial instruments	1,556	1,584
1. Placement of securities	449	511
1.1 Through underwriting and/or on a firm commitment basis	28	29
1.2 Without firm commitment	421	482
2. Reception and transmission of orders and execution of orders on behalf of customers	255	214
2.1 Reception and transmission of orders for one or more financial instruments	124	107
2.2 Execution of orders on behalf of customers	131	107
3. Other fee and commission income related to activities connected to financial instruments	852	859
<i>of which: dealing on own account</i>	2	2
<i>of which: individual portfolio management</i>	850	857
b) Corporate Finance	6	9
1. M&A advisory	6	9
2. Treasury services	-	-
3. Other fee and commission income related to corporate finance services	-	-
c) Investment advice	285	238
d) Clearing and settlement	-	-
e) Collective portfolio management	2,049	2,180
f) Custody and administration	107	80
1. Depository bank	4	4
2. Other fee and commission income related to custody and administration services	103	76
g) Central administrative services for collective portfolio management	-	-
h) Fiduciary services	9	13
i) Payment services	3,103	3,071
1. Current accounts	1,359	1,410
2. Credit cards	632	611
3. Debit cards and other payment cards	305	284
4. Credit transfers and other payment orders	408	389
5. Other fee and commission income related to payment services	399	377
j) Distribution of third-party services	641	711
1. Collective portfolio management	492	510
2. Insurance products	51	109
3. Other products	98	92
<i>of which: individual portfolio management</i>	36	27
k) Structured finance	24	24
l) Servicing related to securitisations	6	1
m) Commitments to disburse funds	18	15
n) Financial guarantees given	483	473
<i>of which: credit derivatives</i>	1	2
o) Financing transactions	779	922
<i>of which: for factoring transactions</i>	78	84
p) Currency dealing	14	16
q) Commodities	-	-
r) Other fee and commission income	1,448	1,588
<i>of which: for management of multilateral trading facilities</i>	-	-
<i>of which: for management of organised trading facilities</i>	-	-
Total	10,528	10,925

The sub-caption “Other fee and commission income” includes fee and commission income collected from insurance companies of 1,122 million euro.

The total amount of the Fee and commission income as at 31 December 2023 of 10,528 million euro (10,925 million euro as at 31 December 2022) consisted of 9,400 million euro for the “Banking Group”, 1,122 million euro for the “Insurance Companies”, and 6 million euro for the “Other companies”; as at 31 December 2022 these amounts were 9,786 million euro, 1,133 million euro and 6 million euro respectively.

As required by IFRS 15, paragraph 116 b), it is noted that fee and commission income includes the revenues recognised during the year included in the opening balance of liabilities deriving from contracts with customers. In line with paragraph 116 c) of IFRS 15, revenues deriving from performance obligations satisfied in the previous years are included, amounting to 5 million euro.

2.2 Fee and commission expense: breakdown

	(millions of euro)	
	2023	2022
a) Financial instruments	250	306
<i>of which: trading in financial instruments</i>	38	50
<i>of which: placement of financial instruments</i>	202	244
<i>of which: individual portfolio management</i>	10	12
- Own portfolio	10	12
- Third-party portfolio	-	-
b) Clearing and settlement	35	31
c) Collective portfolio management	50	46
- Own portfolio	10	11
- Third-party portfolio	40	35
d) Custody and administration	82	75
e) Collection and payment services	633	601
<i>of which: credit cards, debit cards and other payment cards</i>	494	457
f) Servicing related to securitisations	-	-
g) Commitments to receive funds	-	1
h) Financial guarantees received	351	255
<i>of which: credit derivatives</i>	21	27
i) “Out-of-branch” offer of financial instruments, products and services	941	899
j) Currency dealing	6	7
k) Other fee and commission expense	379	331
Total	2,727	2,552

The sub-caption “Other fee and commission expense” includes 132 million euro on the placement of investment insurance products, 139 million euro on banking services to Italian branches, 66 million euro on banking services to international branches and 42 million euro on other minor services.

The total amount of the Fee and commission expense as at 31 December 2023 of 2,727 million euro (2,552 million euro as at 31 December 2022) consisted of 2,573 million euro for the “Banking Group”, 145 million euro for “Insurance Companies”, and 9 million euro for “Other companies”; as at 31 December 2022 these amounts were 2,438 million euro, 112 million euro and 2 million euro respectively.

As required by IFRS 15, paragraph 116 b), it is noted that fee and commission income includes the revenues recognised during the year included in the opening balance of liabilities deriving from contracts with customers.

In line with paragraph 116 c) of IFRS 15, revenues deriving from performance obligations satisfied in the previous years are included, amounting to 3 million euro.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70**3.1 Dividend and similar income: breakdown**

Captions/Income	(millions of euro)			
	2023		2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	32	-	39	-
B. Other financial assets mandatorily measured at fair value	457	100	425	119
C. Financial assets measured at fair value through other comprehensive income	62	-	62	-
D. Investments in associates and companies subject to joint control	9	-	-	-
Total	560	100	526	119

The total amount of Dividends and similar income as at 31 December 2023 of 660 million euro (645 million euro as at 31 December 2022) consisted of 207 million euro for the “Banking Group” and 453 million euro for the “Insurance Companies”; as at 31 December 2022, these amounts were 225 million euro and 420 million euro respectively.

The “similar income” of 100 million euro related to income on quotas of closed-end funds.

Sub-caption D Investments in associates and companies subject to joint control amounting to 9 million euro represents the dividends of the investee Zhong Ou Asset Management from prior year profits. The company was reclassified to assets held for sale in 2022 and sold in 2023.

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80**4.1 Profits (Losses) on trading: breakdown**

Transactions/Income components	(millions of euro)				
	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	399	612	-77	-421	513
1.1 Debt securities	257	434	-50	-358	283
1.2 Equities	96	153	-26	-56	167
1.3 Quotas of UCI	21	22	-	-6	37
1.4 Loans	1	-	-1	-	-
1.5 Other	24	3	-	-1	26
2. Financial liabilities held for trading	28	17	-434	-40	-429
2.1 Debt securities	-	-	-	-	-
2.2 Payables	16	-	-304	-	-288
2.3 Other	12	17	-130	-40	-141
3. Financial assets and liabilities: foreign exchange differences	X	X	X	X	101
4. Derivatives	43,767	69,326	-45,262	-67,385	328
4.1 Financial derivatives:	42,413	67,791	-44,017	-65,951	118
- on debt securities and interest rates	41,701	57,173	-40,300	-58,247	327
- on equities and stock indexes	279	8,670	-3,135	-5,960	-146
- on currencies and gold	X	X	X	X	-118
- other	433	1,948	-582	-1,744	55
4.2 Credit derivatives	1,354	1,535	-1,245	-1,434	210
of which: natural hedging associated with the fair value option	X	X	X	X	-
Total	44,194	69,955	-45,773	-67,846	513

Profits and losses on Financial assets held for trading are shown for each single purchase or sale, in line with the method of accounting recognition used by the Bank, and include the results of both long and short positions.

“Net result” includes profits, losses, revaluations and write-downs on currency transactions and currency and gold derivatives.

The net result of the exchange differences on Financial assets and liabilities, reported in sub-caption 3, is connected to the result of sub-caption 4.1 relating to Derivatives - Financial derivatives on currencies and gold, which includes the results of the related operational hedges taken out by the Bank on foreign exchange risk using financial trading derivatives. Similarly, the result in Financial derivatives on debt securities and interest rates should be viewed in conjunction with the results of the Financial assets held for trading in Debt securities and Financial liabilities held for trading in Payables (short selling of securities) respectively, as these transactions are operationally linked to each other.

Regarding structured credit products and their impact on the income statement, for detailed information please refer to Part E of these Notes to the consolidated financial statements - Information on risks and relative hedging policies.

Below is the breakdown by “Banking Group” and “Insurance Companies”, which together account for all of this caption.

4.1 Profits (Losses) on trading: breakdown (of which: Banking Group)

Transactions/Income components	(millions of euro)				
	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	399	612	-77	-421	513
1.1 Debt securities	257	434	-50	-358	283
1.2 Equities	96	153	-26	-56	167
1.3 Quotas of UCI	21	22	-	-6	37
1.4 Loans	1	-	-1	-	-
1.5 Other	24	3	-	-1	26
2. Financial liabilities held for trading	28	17	-434	-40	-429
2.1 Debt securities	-	-	-	-	-
2.2 Payables	16	-	-304	-	-288
2.3 Other	12	17	-130	-40	-141
3. Financial assets and liabilities: foreign exchange differences	X	X	X	X	105
4. Derivatives	43,764	69,294	-45,212	-67,315	405
4.1 Financial derivatives:	42,410	67,764	-43,972	-65,888	188
- on debt securities and interest rates	41,701	57,159	-40,300	-58,247	313
- on equities and stock indexes	276	8,657	-3,090	-5,897	-54
- on currencies and gold	X	X	X	X	-126
- other	433	1,948	-582	-1,744	55
4.2 Credit derivatives	1,354	1,530	-1,240	-1,427	217
of which: natural hedging associated with the fair value option	X	X	X	X	-
Total	44,191	69,923	-45,723	-67,776	594

4.1 Profits (Losses) on trading: breakdown (of which: Insurance companies)

Transactions/Income components	(millions of euro)				
	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCI	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	X	X	X	X	-4
4. Derivatives	3	32	-50	-70	-77
4.1 Financial derivatives:	3	27	-45	-63	-70
- on debt securities and interest rates	-	14	-	-	14
- on equities and stock indexes	3	13	-45	-63	-92
- on currencies and gold	X	X	X	X	8
- other	-	-	-	-	-
4.2 Credit derivatives	-	5	-5	-7	-7
of which: natural hedging associated with the fair value option	X	X	X	X	-
Total	3	32	-50	-70	-81

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 Fair value adjustments in hedge accounting: breakdown

Income component/Amount	(millions of euro)	
	2023	2022
A. Income from:		
A.1 fair value hedge derivatives	7,172	25,847
A.2 financial assets hedged (fair value)	7,297	52
A.3 financial liabilities hedged (fair value)	19	13,205
A.4 cash flow hedge: derivatives	-	-
A.5 currency assets and liabilities	8	10
Total income from hedging (A)	14,496	39,114
B. Expenses for		
B.1 fair value hedge derivatives	-8,001	-13,798
B.2 financial assets hedged (fair value)	-115	-25,282
B.3 financial liabilities hedged (fair value)	-6,431	-1
B.4 cash flow hedge: derivatives	-	-
B.5 currency assets and liabilities	-8	-
Total expense from hedging (B)	-14,555	-39,081
C. Fair value adjustments in hedge accounting (A - B)	-59	33
of which: fair value adjustments in hedge accounting on net positions	-	-

This caption refers entirely to the “Banking Group”.

The Group has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges). For this reason, table “5.1 Fair value adjustments in hedge accounting: breakdown”, contains no amounts in the row “of which: profits (losses) on hedges of net positions” envisaged for parties that apply IFRS 9 also to hedges.

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100**6.1 Profits (Losses) on disposal or repurchase: breakdown**

Captions/Income components	2023			(millions of euro) 2022		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	204	-262	-58	439	-272	167
1.1 Due from banks	5	-5	-	1	-9	-8
1.2 Loans to customers	199	-257	-58	438	-263	175
2. Financial assets measured at fair value through other comprehensive income	429	-874	-445	382	-1,051	-669
2.1 Debt securities	429	-838	-409	381	-1,039	-658
2.2 Loans	-	-36	-36	1	-12	-11
Total assets (A)	633	-1,136	-503	821	-1,323	-502
B. Financial liabilities valued at amortized cost						
1. Due to banks	1	-1	-	1	-6	-5
2. Due to customers	-	-	-	-	-	-
3. Securities issued	50	-14	36	48	-15	33
Total liabilities (B)	51	-15	36	49	-21	28

Below is the breakdown by “Banking Group” and “Insurance Companies”, which together account for all of this caption.

6.1 Profits (Losses) on disposal or repurchase: breakdown (of which: Banking Group)

Captions/Income components	2023			(millions of euro) 2022		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	204	-262	-58	439	-272	167
1.1 Due from banks	5	-5	-	1	-9	-8
1.2 Loans to customers	199	-257	-58	438	-263	175
2. Financial assets measured at fair value through other comprehensive income	379	-200	179	357	-600	-243
2.1 Debt securities	379	-164	215	356	-588	-232
2.2 Loans	-	-36	-36	1	-12	-11
Total assets (A)	583	-462	121	796	-872	-76
B. Financial liabilities valued at amortized cost						
1. Due to banks	1	-1	-	1	-6	-5
2. Due to customers	-	-	-	-	-	-
3. Securities issued	50	-14	36	48	-15	33
Total liabilities (B)	51	-15	36	49	-21	28

The Net result on Financial assets measured at amortised cost in sub-caption 1.2 Loans to customers, primarily attributable to the Parent Company, mainly relates to the sale on the market of government debt securities and a portfolio of non-performing loans to an SPV formed pursuant to Law No. 130/99.

The Net result on Financial assets measured at fair value through other comprehensive income in sub-caption 2.1 Debt securities, also primarily attributable to the Parent Company, relates to profits and losses mainly deriving from the sale of government debt securities.

Profits and losses on Financial assets measured at fair value through other comprehensive income, represented by debt securities, are shown for each single purchase or sale.

6.1 Profits (Losses) on disposal or repurchase: breakdown (of which: Insurance companies)

(millions of euro)

Captions/Income components	2023			2022		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	-	-	-	-	-	-
1.1 Due from banks	-	-	-	-	-	-
1.2 Loans to customers	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	50	-674	-624	25	-451	-426
2.1 Debt securities	50	-674	-624	25	-451	-426
2.2 Loans	-	-	-	-	-	-
Total assets (A)	50	-674	-624	25	-451	-426
B. Financial liabilities valued at amortized cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

SECTION 7 – PROFITS (LOSSES) ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - CAPTION 110**7.1 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value**

(millions of euro)

Transactions/Income components	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	158	3	-3,480	-325	-3,644
2.1 Securities issued	157	2	-660	-325	-826
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	1	1	-2,820	-	-2,818
3. Foreign currency financial assets and liabilities: foreign exchange differences	X	X	X	X	25
Total	158	3	-3,480	-325	-3,619

Below is the breakdown by “Banking Group” and “Insurance Companies”, which together account for all of this caption.

7.1 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value (of which: Banking Group)

Transactions/Income components	(millions of euro)				
	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	158	3	-660	-325	-824
2.1 Securities issued	157	2	-660	-325	-826
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	1	1	-	-	2
3. Foreign currency financial assets and liabilities: foreign exchange differences	X	X	X	X	25
Total	158	3	-660	-325	-799

Sub-caption 2.1 Financial liabilities - Securities issued, reports the net result of the certificates which provide for partial or full redemption of the premiums paid on maturity, pursuant to Bank of Italy Communication of 21 October 2014 (certificates with guaranteed or protected capital), issued after 1 January 2020. The revaluations and write-downs shown in the table refer to the fair value measurement of these financial instruments, calculated excluding the changes in value due to the change in own credit rating recognised in the Statement of comprehensive income (Shareholders' equity).

For information on the methods used to determine counterparty risk (credit spread), reference should be made to Part A.4 - Information on fair value of the Notes to the consolidated financial statements.

7.1 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value (of which: Insurance companies)

Transactions/Income components	(millions of euro)				
	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	-	-	-2,820	-	-2,820
2.1 Securities issued	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-2,820	-	-2,820
3. Foreign currency financial assets and liabilities: foreign exchange differences	X	X	X	X	-
Total	-	-	-2,820	-	-2,820

The table above reports the income statement effects of unit-linked insurance or investment contracts, falling within the scope of IFRS 17, issued by the insurance companies.

**7.2 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss:
breakdown of other financial assets mandatorily measured at fair value**

Transactions/Income components	(millions of euro)				
	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	8,562	1,710	-1,989	-2,275	6,008
1.1 Debt securities	407	111	-40	-42	436
1.2 Equities	904	344	-274	-132	842
1.3 Quotas of UCI	7,095	919	-1,468	-793	5,753
1.4 Loans	156	336	-207	-1,308	-1,023
2. Financial assets: foreign exchange differences	X	X	X	X	-22
Total	8,562	1,710	-1,989	-2,275	5,986

Below is the breakdown by “Banking Group” and “Insurance Companies”, which together account for all of this caption.

**7.2 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss:
breakdown of other financial assets mandatorily measured at fair value (of which: Banking Group)**

Transactions/Income components	(millions of euro)				
	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	339	64	-349	-55	-1
1.1 Debt securities	67	19	-9	-	77
1.2 Equities	69	3	-88	-3	-19
1.3 Quotas of UCI	122	22	-70	-7	67
1.4 Loans	81	20	-182	-45	-126
2. Financial assets: foreign exchange differences	X	X	X	X	-22
Total	339	64	-349	-55	-23

**7.2 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss:
breakdown of other financial assets mandatorily measured at fair value (of which: Insurance companies)**

Transactions/Income components	(millions of euro)				
	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	8,223	1,646	-1,640	-2,220	6,009
1.1 Debt securities	340	92	-31	-42	359
1.2 Equities	835	341	-186	-129	861
1.3 Quotas of UCI	6,973	897	-1,398	-786	5,686
1.4 Loans	75	316	-25	-1,263	-897
2. Financial assets: foreign exchange differences	X	X	X	X	-
Total	8,223	1,646	-1,640	-2,220	6,009

SECTION 8 – NET LOSSES/RECOVERIES FOR CREDIT RISK – CAPTION 130

8.1 Net adjustments for credit risk associated with financial assets measured at amortised cost: breakdown

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				(millions of euro)	
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	2023	2022
			Write-off	Other	Write-off	Other						
A. Credit to banks	-24	-6	-	-5	-	-	31	12	5	-	13	-8
- Loans	-16	-6	-	-5	-	-	23	11	5	-	12	-6
- Debt securities	-8	-	-	-	-	-	8	1	-	-	1	-2
B. Credit to clients	-622	-1,170	-66	-2,225	-5	-27	571	1,223	932	17	-1,372	-2,571
- Loans	-607	-1,099	-66	-2,222	-5	-27	554	1,214	932	17	-1,309	-2,563
- Debt securities	-15	-71	-	-3	-	-	17	9	-	-	-63	-8
Total	-646	-1,176	-66	-2,230	-5	-27	602	1,235	937	17	-1,359	-2,579

This caption refers entirely to the “Banking Group”.

8.2 Net adjustments for credit risk associated with financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				(millions of euro)	
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	2023	2022
			Write-off	Other	Write-off	Other						
A. Debt securities	-60	-41	-	-	-	-	23	7	-	-	-71	-32
B. Loans	-1	-8	-	-	-	-	6	17	-	-	14	-25
- to customers	-1	-8	-	-	-	-	6	17	-	-	14	-26
- to banks	-	-	-	-	-	-	-	-	-	-	-	1
Total	-61	-49	-	-	-	-	29	24	-	-	-57	-57

Below is the breakdown by “Banking Group” and “Insurance Companies”, which together account for all of this caption.

8.2 Net adjustments for credit risk associated with financial assets measured at fair value through other comprehensive income: breakdown (of which: Banking Group)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				(millions of euro)	
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	2023	2022
			Write-off	Other	Write-off	Other						
A. Debt securities	-26	-25	-	-	-	-	9	-	-	-	-42	-19
B. Loans	-1	-8	-	-	-	-	6	17	-	-	14	-26
- to customers	-1	-8	-	-	-	-	6	17	-	-	14	-26
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	-27	-33	-	-	-	-	15	17	-	-	-28	-45

8.2 Net adjustments for credit risk associated with financial assets measured at fair value through other comprehensive income: breakdown (of which: Insurance companies)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				(millions of euro)	
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	2023	2022
			Write-off	Other	Write-off	Other						
A. Debt securities	-34	-16	-	-	-	-	14	7	-	-	-29	-13
B. Loans	-	-	-	-	-	-	-	-	-	-	-	1
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	1
Total	-34	-16	-	-	-	-	14	7	-	-	-29	-12

SECTION 9 – PROFITS/LOSSES FROM CHANGES IN CONTRACTS WITHOUT DERECOGNITION – CAPTION 140**9.1 Profits (Losses) from changes in contracts: breakdown**

Within the profits (losses) from changes in contracts without derecognition, losses of 29 million euro were recognised, entirely attributable to the "Banking Group". In 2022, the losses amounted to 5 million euro.

SECTION 10 – INSURANCE SERVICE RESULT - CAPTION 160

Section 10 contains the tables required by the 8th Update of Circular 262/2005, which took into account the similar instructions issued by IVASS for the disclosure required by IFRS 17.

In particular, the tables report the insurance income and expenses attributable to the insurance companies broken down by basis of aggregation.

10.1 Insurance income and expenses from insurance contracts issued - Breakdown

(millions of euro)

Captions/Aggregation bases	31.12.2023					Total
	Basis A1	Basis A2	Basis A3	Basis A4	Basis A5	
A. Insurance revenue from insurance contracts issued measured under the GMM and the VFA						
A.1 Amounts related to changes in the asset for remaining coverage	1,594	139	-	152	-	1,885
1. Incurred claims and other expected insurance service expenses	453	82	-	50	-	585
2. Changes in the adjustment for non-financial risks	27	2	-	3	-	32
3. Contractual service margin recognised in profit or loss for services provided	1,105	47	-	74	-	1,226
4. Other amounts	9	8	-	25	-	42
A.2 Insurance contract acquisition costs recovered	41	4	-	2	-	47
A.3 Total insurance revenue from insurance contracts issued measured under the GMM or the VFA	1,635	143	-	154	-	1,932
A.4 Total insurance revenue from insurance contracts issued measured under the PAA						1,186
- Life Segment	X	X	X	X	X	-
- Non-Life Segment - Motor	X	X	X	X	X	92
- Non-Life Segment - Non-Motor	X	X	X	X	X	1,094
A.5 Total insurance revenue from insurance contracts issued	1,635	143	-	154	-	3,118
B. Insurance service expenses from insurance contracts issued – GMM or VFA						
1. Incurred claims and other directly attributable expenses	-353	-126	-	-14	-	-493
2. Changes in the liability for incurred claims	108	14	-	11	-	133
3. Losses on onerous contracts and recovery of those losses	-85	-43	-	1	-	-127
4. Amortisation of insurance contract acquisition costs	-41	-4	-	-2	-	-47
5. Other amounts	314	1	-	-20	-	295
B.6 Total insurance service expenses from insurance contracts issued – GMM or VFA	-57	-158	-	-24	-	-239
B.7 Total insurance service expenses from insurance contracts issued measured under the PAA						-851
- Life Segment	X	X	X	X	X	-
- Non-Life Segment - Motor	X	X	X	X	X	-57
- Non-Life Segment - Non-Motor	X	X	X	X	X	-794
C. Total net expenses/revenue from insurance contracts issued (A.5+B.6+B.7)	1,578	-15	-	130	-	2,028

Basis A1 (Basis of aggregation 1): Insurance contracts issued with direct participation features - Life Segment
 Basis A2 (Basis of aggregation 2): Insurance contracts issued without direct participation features - Life Segment
 Basis A3 (Basis of aggregation 3): Insurance contracts issued without direct participation features - Non-Life Segment - Motor
 Basis A4 (Basis of aggregation 4): Insurance contracts issued without direct participation features – Non-Life Segment – Non-Motor
 Basis A5 (Basis of aggregation 5): Investment contracts issued with discretionary participation features - Life Segment

GMM - General Measurement Model
 VFA - Variable Fee Approach
 PAA - Premium Allocation Approach

(millions of euro)

Captions/Aggregation bases	31.12.2022					Total
	Basis A1	Basis A2	Basis A3	Basis A4	Basis A5	
A. Insurance revenue from insurance contracts issued measured under the GMM and the VFA						
A.1 Amounts related to changes in the asset for remaining coverage	1,816	36	-	178	-	2,030
1. Incurred claims and other expected insurance service expenses	535	11	-	122	-	668
2. Changes in the adjustment for non-financial risks	21	-	-	4	-	25
3. Contractual service margin recognised in profit or loss for services provided	1,275	26	-	53	-	1,354
4. Other amounts	-15	-1	-	-1	-	-17
A.2 Insurance contract acquisition costs recovered	20	4	-	9	-	33
A.3 Total insurance revenue from insurance contracts issued measured under the GMM or the VFA	1,836	40	-	187	-	2,063
A.4 Total insurance revenue from insurance contracts issued measured under the PAA						1,132
- Life Segment	X	X	X	X	X	-
- Non-Life Segment - Motor	X	X	X	X	X	54
- Non-Life Segment - Non-Motor	X	X	X	X	X	1,078
A.5 Total insurance revenue from insurance contracts issued	1,836	40	-	187	-	3,195
B. Insurance service expenses from insurance contracts issued – GMM or VFA						
1. Incurred claims and other directly attributable expenses	-578	-15	-	-75	-	-668
2. Changes in the liability for incurred claims	16	-	-	-4	-	12
3. Losses on onerous contracts and recovery of those losses	-74	-1	-	-3	-	-78
4. Amortisation of insurance contract acquisition costs	-19	-4	-	-9	-	-32
5. Other amounts	232	5	-	-5	-	232
B.6 Total insurance service expenses from insurance contracts issued – GMM or VFA	-423	-15	-	-96	-	-534
B.7 Total insurance service expenses from insurance contracts issued measured under the PAA						-672
- Life Segment	X	X	X	X	X	-1
- Non-Life Segment - Motor	X	X	X	X	X	-7
- Non-Life Segment - Non-Motor	X	X	X	X	X	-664
C. Total net expenses/revenue from insurance contracts issued (A.5+B.6+B.7)	1,413	25	-	91	-	1,989

Basis A1 (Basis of aggregation 1): Insurance contracts issued with direct participation features - Life Segment

Basis A2 (Basis of aggregation 2): Insurance contracts issued without direct participation features - Life Segment

Basis A3 (Basis of aggregation 3): Insurance contracts issued without direct participation features – Non-Life Segment – Motor

Basis A4 (Basis of aggregation 4): Insurance contracts issued without direct participation features – Non-Life Segment – Non-Motor

Basis A5 (Basis of aggregation 5): Investment contracts issued with discretionary participation features - Life Segment

GMM - General Measurement Model

VFA - Variable Fee Approach

PAA - Premium Allocation Approach

10.2 Insurance expenses and income from reinsurance contracts held - Breakdown

(millions of euro)

Captions/Aggregation bases	31.12.2023			31.12.2022		
	Aggregation basis 1	Aggregation basis 2	Total	Aggregation basis 1	Aggregation basis 2	Total
A. Allocation of premiums paid related to reinsurance contracts held measured under the GMM						
A.1 Amounts related to changes in the asset for remaining coverage						
1. Expected claims and other expected expenses to be recovered	-5	-3	-8	-2	-5	-7
2. Changes in the adjustment for non-financial risks	-1	-	-1	-	-	-
3. Contractual service margin recognised in profit or loss for services received	-	-3	-3	-1	-1	-2
4. Other amounts	2	7	9	2	-22	-20
5. Total	-4	1	-3	-1	-28	-29
A.2 Other expenses directly attributable to reinsurance contracts held	-	-	-	-	-	-
A.3 Allocation of premiums paid related to reinsurance contracts held measured under the PAA	-	-164	-164	-	-137	-137
B. Total expenses from reinsurance contracts held (A.1+A.2+A.3)	-4	-163	-167	-1	-165	-166
C. Effects of changes in the risk of non-performance by reinsurers	-	-	-	-	-	-
D. Amount of claims and other expenses recovered	5	107	112	5	166	171
E. Changes in the asset for incurred claims	-1	68	67	8	-44	-36
F. Other recoveries	-1	-1	-2	1	2	3
G. Total net expenses/revenue from reinsurance contracts held (B+C+D+E+F)	-1	11	10	13	-41	-28

Basis of aggregation 1= Life Segment
Basis of aggregation 2= Non-life segment

GMM - General Measurement Model
PAA - Premium Allocation Approach

10.3 Breakdown of expenses for insurance services and other services

(millions of euro)

Costs/Aggregation bases	31.12.2023						
	Basis A1 - with DPF	Basis A2 - without DPF	Basis A1 + Basis A2	Basis A3	Basis A4	Basis A3 + Basis A4	Other
Insurance contract acquisition costs	-68	-5	-73	-7	-197	-204	X
Other directly attributable expenses	-305	-123	-428	-11	-371	-382	X
Investment management expenses	X	X	-	X	X	-	-34
Other costs	X	X	-	X	X	-	-2
Total	X	X	-501	X	X	-586	-36

(millions of euro)

Costs/Aggregation bases	31.12.2022						
	Basis A1 - with DPF	Basis A2 - without DPF	Basis A1 + Basis A2	Basis A3	Basis A4	Basis A3 + Basis A4	Other
Insurance contract acquisition costs	-140	-3	-143	-5	-203	-208	X
Other directly attributable expenses	-111	-3	-114	-3	-124	-127	X
Investment management expenses	X	X	-	X	X	-	-44
Other costs	X	X	-	X	X	-	-4
Total	X	X	-257	X	X	-335	-48

Basis A1 - with DPF (Direct Participation Features) = Insurance contracts issued with direct participation features - Life Segment
Basis A2 - without DPF (Direct Participation Features) = Insurance contracts issued without direct participation features - Life Segment
Basis A1 + Basis A2 = Life Segment
Basis A3 = Insurance contracts issued without direct participation features - Non-Life Segment - Motor
Basis A4 = Insurance contracts issued without direct participation features - Non-Life Segment - Non-Motor
Basis A3 + Basis A4 = Non-Life Segment

Other information

There is no other information to be noted in addition to the above.

SECTION 11 – BALANCE OF FINANCE INCOME/EXPENSES RELATING TO INSURANCE BUSINESS – CAPTION 170

Section 11 contains the tables required by the 8th Update of Circular 262/2005, which took into account the similar instructions issued by IVASS for the disclosure required by IFRS 17.

In particular, the tables report the finance income and expenses attributable to insurance companies broken down by basis of aggregation.

11.1 Net finance income and expenses from insurance contracts issued

(millions of euro)

Captions/Aggregation bases	31.12.2023				31.12.2022			
	Basis A1	Basis A2	Basis A3	Total	Basis A1	Basis A2	Basis A3	Total
1. Interest accreted	-	-2	-3	-5	-	5	17	22
2. Effects of changes in interest rates and other financial assumptions	-	-	-8	-8	-	-	-	-
3. Changes in fair value of underlying assets of contracts measured under the VFA	-5,306	-	-	-5,306	3,668	-	-	3,668
4. Effects of exchange rate changes	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	1	-	-	1
6. Total financial net income/expenses from insurance contracts issued recognised in profit or loss	-5,306	-2	-11	-5,319	3,669	5	17	3,691

Basis A1= Insurance contracts issued with direct participation features - Life Segment

Basis A2= Insurance contracts issued without direct participation features - Life Segment

Basis A3= Insurance contracts issued without direct participation features - Non-Life Segment

VFA – Variable Fee Approach

The aggregate includes the effect of mirroring, a mechanism introduced by IFRS 17, through which the financial result is allocated to the policyholders. As at 31 December 2023, this aggregate showed financial expenses of 5,319 million euro, compared to financial income of 3,691 million euro recognised as at 31 December 2022. The difference between the two years was attributable to the change in the investment result for the two years due to the different interest rate trends, as described below (Table 11.3 Insurance business - Net investment result broken down by life segment and non-life segment).

11.2 Net finance income and expenses from reinsurance contracts held

(millions of euro)

Captions/Aggregation bases	31.12.2023			31.12.2022		
	Basis A1	Basis A2	Total	Basis A1	Basis A2	Total
1. Interest accreted	-	1	1	-	-	-
2. Effects of changes in interest rates and other financial assumptions	-	-	-	-	-	-
3. Effects of exchange rate changes	-	-	-	-	-	-
4. Other	-	-	-	-	-	-
5. Total net financial income/expenses from reinsurance contracts held	-	1	1	-	-	-

Basis A1= Life Segment

Basis A2= Non-Life Segment

11.3 Insurance business - Net investment result broken down by life segment and non-life segment

(millions of euro)

Captions/Operating segments	31.12.2023			31.12.2022				
	Life Segment	Non-life Segment	Total	Life Segment	Non-life Segment	Total		
	of which: DPF			of which: DPF				
A. NET GAINS/LOSSES ON INVESTMENTS	13,208	6,894	96	13,304	-23,407	-15,648	-135	-23,542
A.1 Interest income on financial assets measured at amortised cost and at fair value through other comprehensive income	2,416	1,329	41	2,457	2,460	1,497	17	2,477
A.2 Net gains/losses on assets measured at fair value through profit or loss	5,926	2,858	2	5,928	-10,954	-8,560	-42	-10,996
A.3 Net losses/recoveries for credit risk	-29	-15	-	-29	-12	-6	-	-12
A.4 Other net income/expenses	445	276	-31	414	690	698	1	691
A.5 Net gains/losses on financial assets measured at fair value through other comprehensive income	4,450	2,446	84	4,534	-15,591	-9,277	-111	-15,702
B. NET CHANGE IN INVESTMENT CONTRACTS ISSUED UNDER IFRS 9	-2,820	-450	-	-2,820	4,909	239	-	4,909
C. TOTAL NET GAINS/LOSSES ON INVESTMENTS	10,388	6,444	96	10,484	-18,498	-15,409	-135	-18,633
of which: recognised in profit or loss	5,938	3,998	12	5,950	-2,907	-6,132	-24	-2,931
of which: recognised in other comprehensive income	4,450	2,446	84	4,534	-15,591	-9,277	-111	-15,702

Of which: DPF (Direct Participation Features) = Insurance contracts issued with direct participation features
Investment contracts issued IFRS 9 = Investment contracts issued without discretionary participation features

The net financial result of the insurance segment was a positive amount of 10,484 million euro as at 31 December 2023, compared to a negative amount of 18,633 million euro as at 31 December 2022. The performance was mainly attributable to the investment components, primarily at fixed-rate, which were affected by the market environment characterised by the steep rise in interest rates in 2022, only partially reabsorbed in 2023.

11.4 Insurance business - Summary of profit and loss results broken down by life segment and non-life segment

(millions of euro)

Summary of results/Operating segments	31.12.2023			31.12.2022		
	Life Segment	Non-life Segment	Total	Life Segment	Non-life Segment	Total
A. Financial results						
A.1 Amounts recognised in profit or loss						
1. Total net gains/losses on investments	5,938	12	5,950	-2,907	-24	-2,931
2. Net financial income/expenses from insurance contracts	-5,308	-10	-5,318	3,674	17	3,691
3. Total	630	2	632	767	-7	760
A.2 Amounts recognised in other comprehensive income						
1. Total net gains/losses on investments	4,450	84	4,534	-15,591	-111	-15,702
2. Net financial income/expenses from insurance contracts	-4,333	-23	-4,356	17,564	-20	17,544
3. Total	117	61	178	1,973	-131	1,842
B. Net insurance result and financial income/expenses						
1. Net insurance service result	1,562	476	2,038	1,450	511	1,961
2. Total net gains/losses on investments	10,388	96	10,484	-18,498	-135	-18,633
3. Net financial income/expenses from insurance contracts	-9,641	-33	-9,674	21,235	-	21,235
4. Total	2,309	539	2,848	4,187	376	4,563

Other information

There is no other information to be noted in addition to the above.

SECTION 12 - ADMINISTRATIVE EXPENSES - CAPTION 190**12.1 Personnel expenses: breakdown**

Type of expense	(millions of euro)	
	2023	2022
1) Employees	6,744	6,424
a) wages and salaries	4,692	4,592
b) social security charges	1,192	1,145
c) termination indemnities	47	35
d) supplementary benefits	10	6
e) provisions for termination indemnities	31	18
f) provisions for post employment benefits	14	16
- defined contribution plans	-	-
- defined benefit plans	14	16
g) payments to external pension funds	361	343
- defined contribution plans	358	341
- defined benefit plans	3	2
h) costs from share based payments	158	133
i) other benefits in favour of employees	239	136
2) Other non-retired personnel	20	15
3) Directors and statutory auditors	17	16
4) Early retirement costs	-	-
Total	6,781	6,455

This caption does not include the expenses for the personnel of the insurance sector and the personnel of the distribution networks dedicated to the distribution of insurance products, which, following the application of the new IFRS 17, are allocated to caption "160. Insurance service result".

It should be specified that sub-caption 3) "Directors and statutory auditors" includes remuneration to members of the Board of Directors of the Parent Company and members of the Board of Directors and the Board of Statutory Auditors of the various Group companies.

12.2 Average number of employees by categories

	2023	2022
Personnel employed	88,500	90,003
a) managers	1,792	1,775
b) total officers	34,315	34,836
c) other employees	52,393	53,392
Other personnel	99	85
TOTAL	88,599	90,088

In 2023, the average number of employees (with part-time employees calculated, per standard practice, at 0.5) decreased on 2022 mainly due to the terminations under agreements over the two years.

12.3 Post-employment defined benefit plans: costs and revenues

(millions of euro)

	2023			2022		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-4	-2	-7	-14	-3	-10
Interest expense	-27	-12	-35	-4	-13	-17
Interest income	-	4	31	-	3	14
Reimbursement from third parties	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-1
Curtailment of the fund	X	-	-	X	-	-
Settlement of the fund	X	-	-	X	-	-

This table illustrates the economic components referred to “Employee termination indemnities” – caption 90 of Balance sheet liabilities and “Allowances for risks and charges - post employment benefits” – caption 100b of Balance sheet liabilities.

12.4 Other benefits in favour of employees

The balance of the caption in 2023 amounts to 239 million euro. The amount relates essentially to contributions for health care, the canteen contribution, including meal vouchers, and adjustments to liabilities to reflect redundancy agreements with personnel belonging to trade unions, mainly resulting from the time value of the discounting.

12.5 Other administrative expenses: breakdown

(millions of euro)

Type of expense/Amount	2023	2022
Expenses for maintenance of information technology and electronic equipment	768	745
Telephonic, teletransmission and transmission expenses	63	66
Information technology expenses	831	811
Rentals and service charges - real estate	45	42
Security services	42	45
Cleaning of premises	47	50
Expenses for maintenance of real estate assets furniture and equipment	68	71
Energy costs	177	86
Property costs	8	11
Management of real estate assets expenses	387	305
Printing, stationery and consumables expenses	24	26
Transport and related services expenses (including counting of valuables)	78	76
Information expenses	247	231
Postal and telegraphic expenses	50	53
General structure costs	399	386
Expenses for consultancy fees	135	149
Legal and judiciary expenses	114	133
Insurance premiums - banks and customers	54	57
Professional and legal expenses	303	339
Advertising and promotional expenses	190	171
Services rendered by third parties	336	370
Indirect personnel costs	170	118
Other costs	230	204
Contributions to resolution funds and deposit guarantee schemes	696	793
Taxes and duties	1,217	1,139
Recovery of taxes and duties	-7	-4
Recovery of other expenses	-28	-29
Total	4,724	4,603

This caption does not include the other administrative expenses of the insurance sector and of the distribution networks attributable to the management and distribution of insurance products, which, following the application of the new IFRS 17, are allocated to caption “160. Insurance service result”.

The amount of the sub-caption Rentals and service charges - real estate relates to contracts with a total lease term of 12 months or less and to contracts with a value of the underlying asset, when new, of 5,000 euro or less (“low value”). In such cases, as allowed by IFRS 16, the lease payments for these lease contracts are recognised as an expense on a straight-line basis for the contract term.

SECTION 13 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 200

13.1 Net provisions for credit risk associated with loan commitments and financial guarantees given: breakdown

	Provision	Reallocations	(millions of euro) Net provision
Stage1	-79	101	22
Stage2	-86	126	40
Stage3	-85	73	-12
Total	-250	300	50

This caption refers entirely to the “Banking Group”.

13.2 Net provisions associated with other commitments and other guarantees given: breakdown

With regard to net provisions associated with other commitments and other guarantees given, there were no amounts as at 31 December 2023.

13.3 Net provisions for other risks and charges: breakdown

	Provisions	Reallocations	(millions of euro) Net provision
Net provisions for legal disputes	-211	115	-96
Net provisions for other personnel charges	-	-	-
Net provisions for risks and charges	-337	57	-280
Total	-548	172	-376

“Net provisions for risks and charges”, which amounted to a negative 376 million euro, recorded the provisions attributable to the year relating to legal and tax disputes and other risks and charges, net of reallocations. This caption consists of 357 million euro for the “Banking Group”, 11 million euro for the “Insurance Companies” and 8 million euro for the “Other Companies”.

The sub-caption “Net provisions for legal disputes” includes provisions for legal disputes, including bankruptcy claw-back actions and other disputes, net of releases for the year.

The caption “Other net provisions for risks and charges” includes 114 million euro for the provision made upon consolidation of the investee Banca Intesa Russia, aimed at eliminating its equity contribution to the Group’s consolidated financial statements.

SECTION 14 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT - CAPTION 210**14.1 Net adjustments to property and equipment: breakdown**

Assets/Income components	Depreciation	Impairment losses	Recoveries	(millions of euro) Net result
A. Property and equipment				
A.1 Used in operations	-655	-20	1	-674
- Owned	-349	-20	1	-368
- Licenses acquired through lease	-306	-	-	-306
A.2 Investment property	-	-	-	-
- Owned	-	-	-	-
- Licenses acquired through lease	-	-	-	-
A.3 Inventories	X	-9	-	-9
B. Non-current assets held for sale	X	-1	-	-1
Total	-655	-30	1	-684

The total amount of the Net adjustments to property and equipment as at 31 December 2023 of 684 million euro consisted of 600 million euro for the “Banking Group”, 2 million euro for the “Insurance Companies”, 82 million euro for the “Other Companies”.

SECTION 15 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 220**15.1 Net adjustments to intangible assets: breakdown**

Assets/Income components	Amortisation	Impairment losses	Recoveries	(millions of euro) Net result
A. Intangible assets				
<i>of which: software</i>	-899	-11	-	-910
A.1 Owned	-957	-16	-	-973
- Internally generated	-697	-7	-	-704
- Others	-260	-9	-	-269
A.2 Rights of use acquired through the lease	-	-	-	-
B. Non-current assets held for sale	X	-	-	-
Total	-957	-16	-	-973

The total amount of the Net adjustments to intangible assets as at 31 December 2023 of 973 million euro consisted of 945 million euro for the “Banking Group”, 23 million euro for the “Insurance Companies”, 5 million euro for the “Other Companies”.

For completeness, please note that the amortisation rates for the assets are periodically reviewed according to their expected useful life. In 2023, for some software assets this process led to a refinement of their expected useful life, with a marginal effect consisting of a reduction in amortisation of around 19 million euro.

With regard to the method of the impairment testing for intangible assets and related impairment recognised to the income statement, see Part B – Section 10 – Intangible Assets in these Notes to the consolidated financial statements.

SECTION 16 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 230**16.1 Other operating expenses: breakdown**

Type of expense/Amount		(millions of euro)
	Amortisation of leasehold improvements	32
	Other expenses for consumer credit and leasing transactions	16
	Other	461
Total	2023	509
Total	2022	441

The sub-caption “Other expenses” comprises 40 million euro for the negative result on gold and precious metals and 11 million euro for expenses for settlements of legal disputes.

16.2 Other operating income: breakdown

Type of expense/Amount		(millions of euro)
	Recovery of other expenses	1,002
	Income related to consumer credit and leasing	30
	Rentals and recovery of expenses on real estate	29
	Recovery of services rendered to third parties	18
	Other	340
Total	2023	1,419
Total	2022	1,375

The sub-caption “Other income” comprises 46 million euro for the positive result on gold and precious metals.

As required by paragraph 116 c) of IFRS 15, it is specified that revenues deriving from performance obligations satisfied in the previous years are included, amounting to 19 million euro.

SECTION 17 – PROFITS (LOSSES) ON INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL - CAPTION 250**17.1 Profits (Losses) on investments in associates and companies subject to joint control: breakdown**

Income components/Sectors	2023	(millions of euro) 2022
1) Companies subject to joint control		
A. Revenues	2	3
1. Revaluations	2	3
2. Profits on disposal	-	-
3. Recoveries	-	-
4. Other	-	-
B. Charges	-35	-37
1. Write-downs	-35	-29
2. Impairment losses	-	-8
3. Losses on disposal	-	-
4. Other	-	-
Net result	-33	-34
2) Investments in associates		
A. Revenues	344	350
1. Revaluations	127	140
2. Profits on disposal	217	197
3. Recoveries	-	13
4. Other	-	-
B. Charges	-148	-84
1. Write-downs	-57	-40
2. Impairment losses	-91	-44
3. Losses on disposal	-	-
4. Other	-	-
Net result	196	266
Total	163	232

The total amount of the Profits (Losses) on investments in associates and companies subject to joint control as at 31 December 2023 of 163 million euro (232 million euro as at 31 December 2022) consisted of 217 million euro for the "Banking Group" and -54 million euro for the "Other Companies"; as at 31 December 2022 these amounted to 236 million euro and -4 million euro respectively).

For companies subject to joint control and significant influence, revenues from recognition at equity of the equity stakes is included under Revaluations, while the charges from the recognition at equity of the equity stakes is recorded under Write-downs.

SECTION 18 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – CAPTION 260**18.1 Valuation differences on property, equipment and intangible assets measured at fair value or estimated realisable value: breakdown**

Assets/Income component	Revaluations	Write-downs	Foreign exchange		Net result
			Positive	Negative	
(millions of euro)					
A. Property and equipment	34	-67	-	-	-33
A.1 Used in operations:	20	-52	-	-	-32
- Owned	20	-52	-	-	-32
- Licenses acquired through lease	-	-	-	-	-
A.2 Investment:	14	-15	-	-	-1
- Owned	14	-15	-	-	-1
- Licenses acquired through lease	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
B. Intangible assets	-	-	-	-	-
B.1 Owned:	-	-	-	-	-
B.1.1 Internally generated	-	-	-	-	-
B.1.2 Other	-	-	-	-	-
B.2 Licenses acquired through lease	-	-	-	-	-
Total	34	-67	-	-	-33

The total amount of the Valuation differences on property, equipment and intangible assets measured at fair value or estimated realisable value as at 31 December 2023 of -33 million euro consisted of -9 million euro for the “Banking Group” and -24 million euro for the “Other Companies”.

Sub-caption A.1 includes 24 million euro, within the write-downs, attributable to other companies.

SECTION 19 – GOODWILL IMPAIRMENT - CAPTION 270**19.1 Goodwill impairment: breakdown**

The results of impairment testing on goodwill recorded in the financial statements did not lead to adjustments in 2023. See Part A – Accounting policies for details on the means of determination of goodwill impairment.

For a description of the impairment testing methods for goodwill, reference should be made to Part B – Section 10 – Intangible Assets in these Notes to the consolidated financial statements.

SECTION 20 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 280**20.1 Profits (Losses) on disposal of investments: breakdown**

Income component/Amount	(millions of euro)	
	2023	2022
A. Real estate assets	51	4
- profits on disposal	65	9
- losses on disposal	-14	-5
B. Other assets (a)	117	12
- profits on disposal	123	18
- losses on disposal	-6	-6
Net result	168	16

(a) Included profits and losses on disposal of subsidiaries.

The total amount of Profits (Losses) on disposal of investments as at 31 December 2023 of 168 million euro (16 million euro as at 31 December 2022) consisted of 128 million euro for the “Banking Group” and 40 million euro for the “Other Companies”. The amount of 16 million euro as at 31 December 2022 related entirely to the “Banking Group”.

The profits on disposal in sub-caption A. Real estate assets were mainly attributable to other companies (Risanamento S.p.A.).

The profits on disposal in sub-caption B. Other assets were mainly attributable to gains of 116 million euro recognised in relation to the sale of the PBZ Card acquiring business to Nexi in the first quarter.

SECTION 21 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 300**21.1 Taxes on income from continuing operations: breakdown**

Income component/Amount	(millions of euro)	
	2023	2022
1. Current taxes (-)	-2,173	-1,194
2. Changes in current taxes of previous years (+/-)	84	15
3. Reduction in current taxes of the year (+)	1	81
3. bis Reduction in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	391	851
4. Changes in deferred tax assets (+/-)	-1,463	-1,143
5. Changes in deferred tax liabilities (+/-)	166	-283
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	-2,994	-1,673

The reduction in current taxes for the year, measured at 391 million euro, as required by the “Roneata” Letter from the Bank of Italy of 7 August 2012, shows the transformation into tax credits of the deferred tax assets pursuant to Law 214/2011 due to the tax loss of Intesa Sanpaolo in relation to 2022. This effect is entirely offset by the corresponding decrease in the caption Changes in deferred tax assets with the ensuing nil impact on the income statement.

21.2 Reconciliation of theoretical tax charge to total income tax expense for the period

	(millions of euro)	
	2023	2022
Income (Loss) before tax from continuing operations	10,746	6,075
Income (Loss) before tax from discontinued operations	-	-
Theoretical taxable income	10,746	6,075

	Taxes (a)	Impact % on theoretical taxable income
Income taxes - theoretical tax charge (b)	3,553	33.1
Increase of taxes	345	3.2
Non-deductible cost	223	2.1
Other	122	1.1
Decrease of taxes	-904	-8.4
Effects of the participation exemption	-80	-0.7
Effects of international companies lower rates	-697	-6.5
Other	-127	-1.2
Total changes in taxes	-559	-5.2
Total income tax expense for the period	2,994	27.9
of which: - total income tax expense from continuing operations	2,994	27.9
- total income tax expense from discontinued operations	-	-

(a) Tax expenses are indicated with a positive sign and tax income with a negative sign.

(b) Includes IRES ordinary tax 24%, IRES additional rate 3.5% and IRAP weighted average rate 5.56%.

SECTION 22 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS CAPTION 320

22.1 Income (Loss) after tax from discontinued operations: breakdown

There was no Income (loss) after tax from discontinued operations in 2023 or 2022.

22.2 Breakdown of taxes on income from discontinued operations

There were no taxes on income from discontinued operations in 2023 or 2022.

SECTION 23 – MINORITY INTERESTS - CAPTION 340

23.1 Breakdown of caption 340 Minority interests

		(millions of euro)	
		31.12.2023	31.12.2022
Investments in consolidated companies with significant minority interests			
1	Bank of Alexandria S.A.E.	-24	-26
2	Intesa Sanpaolo RBM Salute S.p.A.	-2	-24
3	Intesa Sanpaolo Rent for You S.p.A.	-1	-
4	Eurizon SLJ Capital Limited	-	-2
5	Eurizon Capital SGR S.p.A.	-	-1
6	Privredna Banka Zagreb d.d.	-	1
7	Private Equity International S.A.	-	1
8	Vseobecna Uverova Banka a.s.	-	28
Other investments		-1	-
TOTAL		-28	-23

SECTION 24 – OTHER INFORMATION

There is no information further to that already provided in the previous sections.

SECTION 25 – EARNINGS PER SHARE

Earnings per share

	Ordinary shares	
	31.12.2023	31.12.2022
Weighted average number of outstanding shares (*)	18,370,426,095	19,315,541,610
Income attributable to the various categories of shares (millions of euro) (**)	7,724	4,379
Basic EPS (euro)	0.42	0.23
Diluted EPS (euro)	0.42	0.23

(*) The weighted average number of outstanding shares is calculated excluding repurchased own shares.

(**) The attributable result for 2022 differs from that published in the 2022 Annual Report due to the changes to the 2022 comparative information following the retrospective application of the new IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments by the Group's insurance companies from 1 January 2022.

25.1 Average number of ordinary shares (fully diluted)

For further information on this section, see the chapters "Shareholder base" and "Stock price performance" in the Report on operations.

25.2 Other information

There is no other information to be provided.

Part D – Consolidated comprehensive income

(millions of euro)

Statement of comprehensive income	2023	2022
10. Net income (loss)	7,752	4,402
Other comprehensive income that may not be reclassified to the income statement	-133	240
20. Equity instruments measured at fair value through other comprehensive income	-253	-123
a) fair value changes	-248	-542
b) transfer to other components of shareholders' equity	-5	419
30. Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-119	32
a) fair value changes	-119	32
b) transfer to other components of shareholders' equity	-	-
40. Hedging of equity instruments measured at fair value through other comprehensive income	-	-
a) fair value changes (hedged instrument)	-	-
b) fair value changes (hedging instrument)	-	-
50. Property and equipment	161	140
60. Intangible assets	-	-
70. Defined benefit plans	76	236
80. Non-current assets held for sale and discontinued operations	-	-
90. Share of valuation reserves connected with investments carried at equity	-	-
100. Financial revenue and expenses related to insurance contracts issued	-	-
110. Income taxes associated with other comprehensive income that may not be reclassified to the income statement	2	-45
Other comprehensive income that may be reclassified to the income statement:	500	-2,407
120. Hedges of foreign investments:	-14	-10
a) fair value changes	-	-
b) reclassification to the income statement	-	-
c) other changes	-14	-10
130. Foreign exchange differences:	-27	-219
a) value change	-	-
b) reclassification to the income statement	-	-
c) other changes	-27	-219
140. Cash flow hedges:	303	-90
a) fair value changes	287	65
b) reclassification to the income statement	16	-155
c) other changes	-	-
of which: gains (losses) on net positions	-	-
150. Hedging instruments (not designated elements)	-	-
a) value change	-	-
b) reclassification to the income statement	-	-
c) other changes	-	-
160. Financial assets (other than equities) measured at fair value through other comprehensive income	4,870	-17,812
a) fair value changes	4,394	-17,782
b) reclassification to the income statement	466	16
- adjustments for credit risk	4	44
- gains/losses on disposals	462	-28
c) other changes	10	-46
170. Non-current assets held for sale and discontinued operations	-	-
a) fair value changes	-	-
b) reclassification to the income statement	-	-
c) other changes	-	-
180. Share of valuation reserves connected with investments carried at equity:	-38	-14
a) fair value changes	2	-10
b) reclassification to the income statement	-	-
- impairment losses	-	-
- gains/losses on disposals	-	-
c) other changes	-40	-4
190. Financial revenue and expenses related to insurance contracts issued	-4,367	14,915
a) fair value changes	-	-
b) reclassification to the income statement	-	937
c) other changes	-4,367	13,978
200. Financial revenue and expenses related to reinsurance contracts held	11	-3
a) fair value changes	-	-
b) reclassification to the income statement	-	1
c) other changes	11	-4
210. Income taxes associated with other comprehensive income that may be reclassified to the income statement	-238	826
220. Total other comprehensive income	367	-2,167
230. Comprehensive income (Captions 10+220)	8,119	2,235
240. Total consolidated comprehensive income pertaining to minority interests	4	-53
250. Total consolidated comprehensive income pertaining to the Parent Company	8,115	2,288

Part E – Information on risks and relative hedging policies

INTRODUCTION

In this Part E, the qualitative and quantitative disclosure is presented according to the order established by Bank of Italy Circular 262, which specifically regulates not only the format of the tables but also the sequence of the various topics, except for the section relating to market risks in relation to the application of internal models.

As an accompaniment to the disclosure on the control actions and main accounting issues related to the Russia-Ukraine risk contained in the introductory chapter of the Report on Operations – this Part E, within the comments on credit risk, provides a detailed description of the exposures to Russia and Ukraine, together with an examination of the related valuation aspects, with particular regard to the choices made for the calculation of ECLs on cross-border exposures.

Specific information is also provided on the relevant aspects related to the limited impacts, where present, connected to the conflict between Russia and Ukraine, also for the other main types of risk.

Basic principles

The Intesa Sanpaolo Group attaches great importance to risk management and control, as condition to ensure a reliable and sustainable value creation in a context of controlled risk.

The risk management strategy aims to achieve a complete and consistent overview of risks, considering both the macroeconomic scenario and the Group's risk profile, stimulating the growth of the risk culture and enhancing a transparent and accurate representation of the riskiness of the Group's portfolios.

The Risk-taking strategies are summarised in the Group's Risk Appetite Framework (RAF), approved by the Board of Directors. The RAF is established to ensure that risk-taking activities remain in line with shareholders' expectations, taking into account the Group's risk position and the economic situation. The framework defines both the general risk appetite principles and the control of the overall risk profile and the main specific risks.

The general principles that govern the Intesa Sanpaolo Group's risk-taking strategy may be summarised as follows:

- the Group is a Banking Financial Conglomerate focused on a commercial business model where domestic retail activities remain the Group's structural strength, and include not only banking products and investment services, but also insurance and wealth management solutions tailored to the Group's customers;
- the Group's goal is not to eliminate risks, but to understand and manage them in such a way as to guarantee adequate returns on the risks taken and guarantee soundness and business continuity over the long term;
- the Group has a low risk profile in which capital adequacy, profits stability, a sound liquidity position and a strong reputation are the key strengths for maintaining its current and prospective profitability;
- the Group aims for a capitalisation level in line with its main European peers;
- the Group intends to maintain strict control over the risks arising from its activities;
- the Group devotes particular effort to the continuous strengthening of its risk culture as a fundamental instrument to promote sound risk-taking and ensure that risk-taking activities exceeding its risk appetite are recognised, assessed, escalated and addressed in a timely manner;
- to guarantee the sustainability of its operating model over the long-term, the Group attributes particular emphasis to monitoring and controlling non-financial risks, model risk, reputational risks and Environmental, Social and Governance (ESG) and climate change risks. With specific regard to the latter, Intesa Sanpaolo recognises the strategic importance of ESG factors and the urgency of limiting climate change, and is committed to including the impact of these aspects in strategic decision-making processes and to fully integrate them into its risk management framework with the goal of maintaining a low risk profile. This includes controlling how ESG risks and those connected with climate change impact existing risks (credit, operational, reputational, market and liquidity risk) and implementing high ethical and environmental standards in internal processes, products and services offered to customers and in the selection of counterparties and suppliers.

The general principles are applicable at Group level as well as at the individual entity level (business unit/legal entity). In case of an external growth, these general principles will be applied taking into consideration the specific characteristics of the business in which the target is involved and its competitive environment.

The Risk Appetite Framework thus represents the overall framework within which the management of corporate risks is developed, with the establishment of general risk appetite principles and the resulting structuring of the control of:

- the overall risk profile; and
- the Group's main specific risks.

The control of the overall risk profile derives from the definition of general principles and is structured in the form of a framework of limits aimed at ensuring that the Group, even under severe stress conditions, complies with minimum requirements of capital adequacy, liquidity, resolvability capacity and profitability, and also contains the non-financial risks, model risk, as well as reputational risks, ESG and climate change risks within appropriate limits.

In detail, the control of the overall risk profile is aimed at maintaining adequate levels of:

- capitalisation, also in conditions of severe macroeconomic stress, in relation to both Pillar 1 and Pillar 2, by monitoring the Common Equity Ratio, the Total Capital Ratio, the Leverage Ratio, the Risk Bearing Capacity, the Solvency Ratio

- and the Accumulated Other Comprehensive Income (AOCI) reserve;
- liquidity, sufficient to face periods of tension, including extended ones, on the various funding markets, with regard to both the short-term and the structural situation, by monitoring the internal limits of the Liquidity Coverage Ratio, Net Stable Funding Ratio, Loan/Deposit Ratio, Asset Encumbrance and Survival Period in an adverse scenario;
- stability of profits, by monitoring the net profit adjusted and the adjusted operational cost on income, which represent the main potential causes for their instability;
- resolvability capacity (Total and Subordination MREL Ratios) in order to be able to absorb any losses and restore the Group's capital position, continuing to perform its critical economic functions during and after a crisis;
- non-financial risks, in order to minimise the potential impact of negative events that jeopardise the Group's economic stability;
- model risk, with the aim of limiting the financial and reputational impacts of its portfolio of models;
- reputational, ESG and climate change risks, through active management of its image and the aspects connected with ESG factors, including climate change, aiming to prevent and contain any negative effects on its reputation.

In compliance with the applicable regulations and in particular the EBA Guidelines (EBA/GL/2021/11) concerning the "Recovery plan indicators", the Group includes asset quality, market-based and macroeconomic indicators, to ensure consistency with its Recovery Plan.

The control of the main specific risks is implemented by establishing specific limits and mitigation actions to be taken in order to limit the impact of particularly severe future scenarios on the Group. These limits and actions regard the typical risks of the Group's activities, such as credit risk, market risk and interest rate risk, as well as the most significant risk concentrations such as, for example, on single counterparties, sovereign risk and public sector risk, as well as other types of operations deemed worthy of specific attention by the Corporate Bodies (e.g. transactions exposed to valuation risk, exposure to associated entities⁹⁷).

Within the monitoring of the specific risks, the Credit Risk Appetite (CRA) Framework, a specific Risk Appetite Framework (RAF) for credit risk, identifies areas of growth for loans and areas to be monitored, using an approach based on ratings and other predictive statistical indicators, to guide lending growth by optimising the management of risk.

The CRA limits are approved within the RAF and are continuously monitored by the designated structures of the Chief Risk Officer Area.

The limits set in the RAF are divided into two categories, Hard Limits and Soft Limits, which differ in the escalation process triggered by their breach. In particular, with regard to the Group limits, whose governance is established in detail in the Guidelines on the Group Risk Appetite Framework, the responsibility for approving the remediation plan is assigned:

- to the Board of Directors for Hard Limits, typically set for the main metrics used to control overall risk profile (e.g. Common Equity Tier 1 ratio, Liquidity Coverage ratio, etc.);
- to the Managing Director and CEO for Soft Limits, set on the metrics used to control the main specific risks (e.g. single name concentration, concentration towards the Italian public sector, etc.).

In addition to the limits themselves, Early Warning thresholds may be defined, the exceeding of which is promptly discussed in the competent managerial committee⁹⁸.

Defining the Risk Appetite Framework is an articulated process headed by the Chief Risk Officer, which involves close interaction with the Chief Financial Officer and the Heads of the various Divisions, is developed in line with the Internal Capital Adequacy Assessment (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), Recovery Plan, Capital Plan and Liquidity Plan processes, and represents the risk framework in which the Budget and Business Plan are developed. This ensures consistency between the strategy and the risk-taking policy and the Plan and Budget process.

Within the annual RAF update process, it is possible to identify the following phases:

- definition of the scope of RAF risks: risks are identified continuously within the Group to maintain ongoing alignment with the changing internal and external context and to guarantee the adequacy of the controls and limits implemented to safeguard the Group Long term viability. The activity is formalised within the Group's Risk Identification process. The scope of RAF risks is thus defined starting with that process, paying particular attention to the evolution of the risks for which specific limits and/or risk strategy actions are deemed necessary;
- formulation of the limits proposal: in general, the RAF limits are defined according to a prudential approach. However, the criteria adopted to determine the risk limits differ depending on whether related to control of the overall Group risk or to control of the main specific Group risks;
- reconciliation between the RAF, Business Plan/Budget, Recovery Plan and Divisions operations: consistency between the RAF and the Business Plan/Budget and other processes is sought in all phases of the related preparation procedures through a process of mutual consultation and dialogue that lasts for several months, involving not only the structures of the Chief Risk Officer Governance Area and the Chief Financial Officer Governance Area but also the Business Divisions/Structures;

⁹⁷ With regard to "Associated Entities", see the "Group Procedures regulating the conduct of transactions with Related Parties of Intesa Sanpaolo S.p.A. and Associated Entities of the Group", which set out the rules on relationships with parties with special elements of "proximity" to the decision-making centres of the Bank and the Banking Group, classified as Associated Entities, in compliance with the provisions issued on this matter by the Bank of Italy and in line with the CONSOB requirements. In that context, within the Risk Appetite Framework, at least once a year specific plafonds of Group exposure are proposed to the Board of Directors by involving the Parent Company structures concerned. Those plafonds, defined in line with the applicable limits, are broken down into sub-limits of exposure, divided among the Parent Company structures concerned and each Group company, considering the credit, equity and financial components of the market.

⁹⁸ The competent Managerial Committee varies according to the RAF metrics considered:

- for model risk metrics, the responsibility lies with the Credit Risk and Pillar 2 Internal Models Committee;
- for non-financial risks and reputational risk metrics, the responsibility lies with the Group Control Coordination and Non-Financial Risks Committee;
- for the metrics related to liquidity, market, interest rate for banking book, equity participation, structural foreign exchange and insurance risks metrics, the responsibility lies with the Group Financial Risk Committee;
- for the metrics of capital adequacy, resolvability capacity, stability of profits, ESG & climate change, asset quality, credit risk, country risk, wealth management metrics and for all those metrics not explicitly indicated in the points above, the responsibility lies with the Steering Committee.

- approval of the RAF: in line with the provisions of the applicable regulations, the Board of Directors defines and approves the risk objectives, the tolerance threshold (where identified) and the risk governance policies.

The RAF is updated annually in preparation for the Annual Budget and/or the Business Plan. During the year, when significant events occur, such as exceptional changes in the market context in which the Group operates, significant changes in the configuration of the Group and/or its strategy or based on direct instructions from the Board of Directors, also through the Risk and Sustainability Committee, the Chief Risk Officer Governance Area assesses whether the RAF is still adequate and, if necessary, proposes partial or full revisions to the framework.

The definition of the RAF and the consequent operational limits for the main specific risks, the use of risk measurement instruments in credit management and operational risk control processes, the use of capital-at-risk measures for corporate performance reporting and assessment of the internal capital adequacy of the Group represent fundamental milestones in the operational application of the risk strategy defined by the Board of Directors along the Group's entire decision-making chain, down to the single operational units and to the single desks.

The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas, in a comprehensive framework of limits and procedures for governance and control.

As part of correct risk assessment and the development of an adequate system of monitoring and control to mitigate them, the Chief Risk Officer, with the support of the Chief Compliance Officer, where envisaged, conducts a preventive risk assessment of Most Significant Transactions (MSTs) – understood as transactions of particular importance of the proprietary type or with individual customers or counterparties or that could potentially have a significant impact on the overall risk profile and/or on specific risks of the Group, as defined in the RAF – in order to ensure the assumption of a risk level acceptable for the Group and in line with the RAF. The MST governance model also requires the Chief Risk Officer to report every six months to the Corporate Bodies on the activities performed.

The assessment of the Group's capital adequacy and liquidity profiles is conducted annually with the ICAAP and the ILAAP, which represent self-assessment processes according to the Group's internal rules, the results of which are then also discussed and analysed by the Supervisor.

With regard to the ICAAP, in accordance with the ECB requirements, the capital adequacy self-assessment process incorporates two complementary perspectives, both of which are analysed from an actual perspective and, on a prospective basis, in a baseline scenario and a stress scenario:

- regulatory perspective, in which the regulatory metrics for the Pillar 1 risks over the medium term (several years) are represented for both these scenarios;
- financial and operating perspective, in which the management measures and metrics covering all the risks, including the Pillar 2 risks, are presented, with a time horizon of several years in the baseline scenario, and a time horizon of at least two years in the stress scenario.

The scope of analysis also includes the insurance segment to better capture the specific characteristics of the Group's business model (financial conglomerate).

The quantitative reconciliation between regulatory requirements and management estimates of capital adequacy is set out in a specific document attached to the ICAAP, which reports the differences in scope and definition of risks considered in both areas, as well as the differences, where appreciable, between what is considered in the two perspectives in terms of the main parameters (e.g. confidence interval and holding period) and assumptions (such as those relating to the diversification of effects).

The ILAAP is the internal process of self-assessment of the adequacy of the Group's short-term and structural liquidity position. Like the ICAAP, it is based on two complementary pillars – the economic perspective and the regulatory perspective – aimed at supporting a clear assessment of the liquidity risks and their effective governance, based on a management strategy, all aspects of which have been carefully considered, with the establishment of an appropriate system of risk-taking limits.

The Group is required to provide a Recovery Plan according to indications received by Supervisory Authorities. The Recovery Plan is governed by the European Bank Recovery and Resolution Directive – BRRD - 2014/59/EU, transposed into Italian law by Legislative Decrees no. 180 and no. 181 of 16 November 2015 and the Bank Recovery and Resolution Directive – BRRD II - Directive 2019/879/EU, transposed into Italian law by Legislative Decree no. 193 of 8 November 2021, in force from 1 December 2021, and establishes the methods and measures to be used when an institution comes under severe stress and in an early intervention phase, in order to restore financial strength and long-term viability.

Within the annual preparation process for the Group Recovery Plan, the Chief Risk Officer Governance Area identifies the stress scenarios suitable of highlighting the main vulnerabilities of the Group and its business model (e.g. significant exposure to the domestic market), as well as measuring their potential impacts on the Group's risk profile.

For 2023, in accordance with the applicable regulations, the Intesa Sanpaolo Group has developed four stress scenarios, one of which is purely idiosyncratic, with very rapid evolution, while the other three are "combined", as they are based on a macroeconomic scenario that is made more severe by the addition of systemic and idiosyncratic events. Two of the combined scenarios were developed also taking into account the potential economic and financial fallout of the prolonged crisis caused by the Russia-Ukraine conflict.

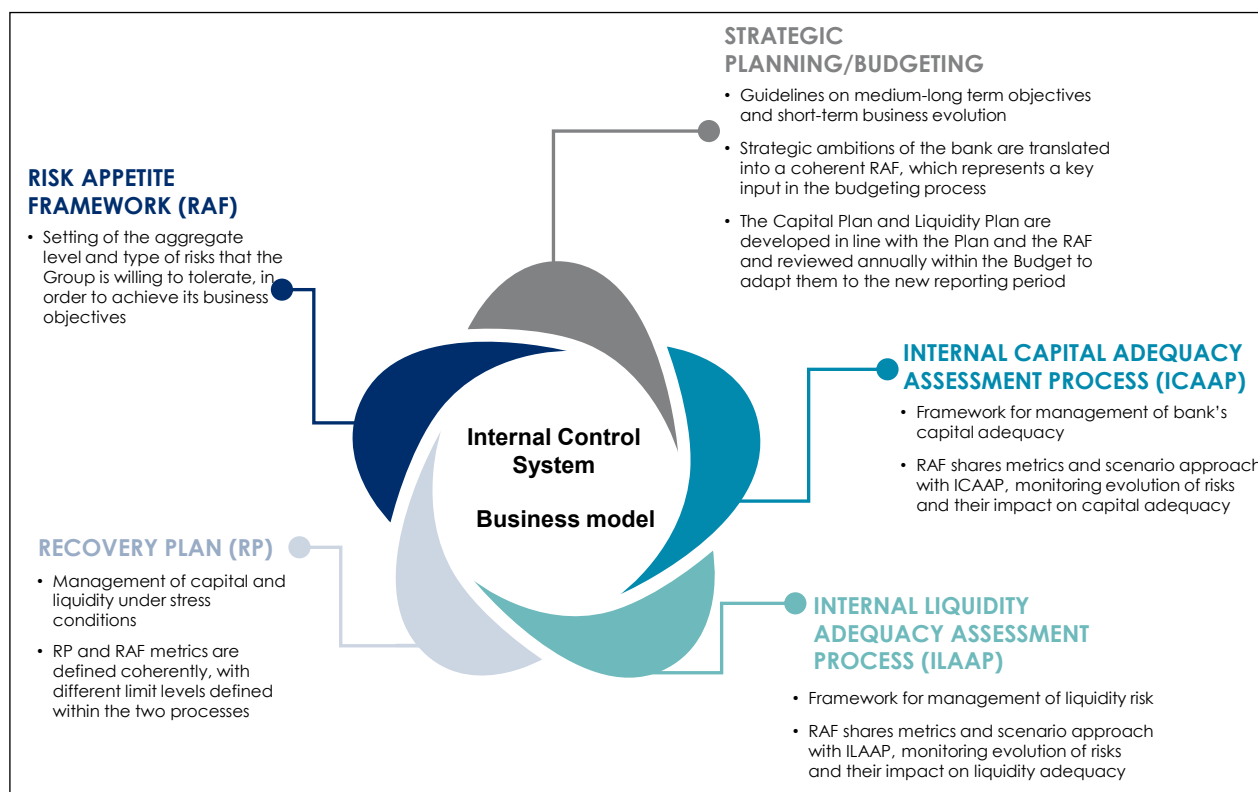
Following the publication of the European Banking Authority's Final Report on Recommendation on the coverage of entities in a group recovery plan (EBA/Rec/2017/02), dated 1 November 2017, Intesa Sanpaolo has adopted specific criteria for the classification of Group companies among:

- Group-relevant;
- Locally relevant;
- Not relevant.

The application of these criteria to the Group scope has led to the Parent Company, as well as Fideuram ISPB Group, VUB Group, Banca Intesa Sanpaolo d.d., Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Bank Luxembourg, CIB Group, PBZ Group, Banca Intesa Beograd and Intesa Sanpaolo Romania, being classified among the Group-relevant entities. The

remaining companies are included in the category of not relevant entities. The above breakdown is consistent with the scope covered by the 2022 Recovery Plan.

The Intesa Sanpaolo Group ensures full consistency of the business model and internal control system with the Business Plan and the Budget, the RAF, the Recovery Plan, the ICAAP and the ILAAP, as illustrated in the diagram below.



Stress Tests

Stress tests are a fundamental risk management tool that enable institutions to adopt a forward-looking perspective in their risk management, strategic and capital planning activities.

The Group regularly carries out stress tests within the main company processes (RAF, ICAAP/ILAAP, Recovery Plan, Budget/Capital Plan, ...) aimed at assessing capital and liquidity adequacy.

In line with the applicable regulations, the Group has a structured stress testing framework that governs the stress testing activities with reference to both the organisational and governance aspects, as well as the methodological and data infrastructure related aspects. It is an integral part of the Group's risk management systems, providing fundamental support to the company processes and decisions, the strategic ones in particular, which are linked to the management of capital and liquidity. It also enables a forward-looking assessment of the potential material risks and of the main vulnerabilities which the Group is exposed, also in stress scenarios, using both scenario analyses and sensitivity analyses, depending on the objective of the exercise.

The stress testing framework establishes the:

- roles and responsibilities of the structures involved and of the Corporate Bodies;
- stress testing activities (types of exercises, scope, frequency, objectives and applications);
- macro-process adopted;
- methodological approach;
- data infrastructure;
- Group steering and coordination.

With regard to the *macro-process*, the stress test exercises consist of three fundamental phases:

- selection and approval of scenarios;
- execution of stress tests activities;
- approval of the outcome.

With regard to the *types of exercises*, the Group conducts the following stress exercises:

- **multi-risk exercises:** based on scenario analysis, it allows the assessment, according to a forward-looking approach, of the simultaneous impact on the Group of multiple risk factors, also taking into account the inter-relations and possibly the ability of Top Management to react. This type of exercise, which requires the full revaluation of each impact, is also used as part of the processes of RAF, ICAAP/ILAAP and Recovery Plan;

- **regulatory multi-risk exercises:** requested and coordinated by the Supervisor/Regulator which defines the general assumptions and scenarios, requires the full revaluation of the impacts;
- **situational exercises:** requested by the Top Management or by the Supervisor/Regulator in order to assess, in a forward-looking approach, the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.). Their scope may vary from case to case;
- **single or specific risk exercises:** aimed at assessing the impact of scenarios (or single or more specific risk factors) on specific risk areas;
- **single or specific risk regulatory exercises:** ordered and coordinated by the Supervisor/Regulator which defines its general assumptions and scenarios, to assess the impact on specific risk areas.

The results of the stress exercises, carried out through scenario and/or sensitivity analyses, represent a support for the Group in the:

- overall current and forward-looking assessment of capital and liquidity adequacy within the main strategic processes (ICAAP, ILAAP, Recovery Plan and Budget/Capital Plan);
- assessment of the potential vulnerabilities to which the Group is exposed and possible mitigation actions;
- setting of the limits envisaged in the RAF.

With specific reference to the regulatory multi-risk tests, on 28 July 2023, were published the results of the 2023 EU-Wide Stress Test, conducted by the European Banking Authority (EBA), in collaboration with the Single Supervisory Mechanism (SSM), the Bank of Italy, the European Central Bank (ECB) and the European Systemic Risk Board (ESRB), which also involved the Intesa Sanpaolo Group. The stress test scenario was developed over a three-year time horizon (2023-2025) and carried out applying a static balance sheet assumption as at December 2022, therefore without taking into account future business strategies and management actions. It is not a forecast of Intesa Sanpaolo profits. The Intesa Sanpaolo Group fully loaded CET1 ratio resulting from the stress test for 2025, the final year considered in the exercise, stood at 14.85% under the baseline scenario and 10.85% under the adverse scenario, versus the starting-point figure of 13.53% as of 31 December 2022. The results of the stress tests exercise highlight that Intesa Sanpaolo is able to confirm its solidity even in complex scenarios, thanks to its well-diversified and resilient business model.

In 2024, Intesa Sanpaolo Group will take part in the following regulatory exercises:

- 2024 ECB cyber resilience stress test: an exercise conducted by the ECB in which banks will be required to face, under a common severe and plausible scenario, a cyber attack that succeeds in disrupting the bank's daily business operations. The exercise will assess banks' ability on cyber attack response and recovery;
- EBA one-off fit-for-55 climate risk scenario analysis: exercise promoted by the EBA, aimed at assessing the resilience of the financial sector in line with the Fit-for 55 package and to gain insights into the capacity of the financial system to support the transition to a lower carbon economy under conditions of stress.

For both the exercises described above, the results will be used as input in the Supervisory Review and Evaluation Process (SREP).

Risk Culture

Risk Culture is the subject of increasing attention, as an essential tool to promote solidity as a crucial value, in a rapidly changing economic context. This is two-sided, as it is an expression of the principles guiding the Group (top-down) on one side, and the values and attitudes of its people on the other (bottom-up). Particular attention is paid to the promotion of the guiding principles, also by systematically and carefully updating the reference documents on risk (e.g. Tableau de Bord of Group Risks, ICAAP, RAF) and the information set for the exercise of operational activities. In addition, several initiatives were carried out during 2023 to strengthen risk awareness and responsibility, including:

- workshops/webinars on innovative topics with a high potential impact on the Group's risk profile (e.g. learning market data anomalies, generative artificial intelligence, the dissemination of financial knowledge, the Group's commitments in the fight against climate change, the main megatrends, and emerging risks);
- in line with previous years, the Risk Culture Ambassador initiative entailed the temporary secondment of resources from the Chief Risk Officer Area, receiving the same number of resources from the recipient structures of the Head Office Departments and Divisions.

Risk governance organisation

The policies relating to risk taking and the processes for the management of the risks to which the Group is or could be exposed are approved by the Board of Directors of Intesa Sanpaolo as the Parent Company, with the support of the Risk and Sustainability Committee. The Management Control Committee, which is the body with control functions, supervises the adequacy, efficiency, functionality and reliability of the risk management process and of the Risk Appetite Framework (RAF). The Managing Director and CEO has the power to submit proposals for the adoption of resolutions concerning the risk system and implements all the resolutions of the Board of Directors, with particular reference to the implementation of the strategic guidelines, the RAF and the risk governance policies. In addition, as an Officer performing management functions, he/she is designated as the Anti-Money Laundering Officer.

The Corporate Bodies also benefit from the action of some Managerial Committees on risk management. These Committees operate in compliance with the primary responsibilities of the Corporate Bodies regarding internal control system and the prerogatives of Corporate control functions, and specifically the risk control function. In particular:

- the Steering Committee, chaired by the Managing Director and CEO, is a Group body with a decision-making, consulting and reporting role, which, within the Group Risk Analysis Session, seeks to ensure the control and management of risks and safeguard business value at Group level, including the internal control system, in implementation of the strategic guidelines and management policies established by the Board of Directors. Its various tasks include examining the RAF proposal for the Group, preparatory and instrumental to its approval by the Board of Directors, the analysis of the ICAAP and ILAAP Group packages and of the Tableau de Bord of Group Risks;
- the Group Financial Risk Committee is a technical body with decision-making, reporting and consulting powers, focused both on the risks relating to the banking business (including market risk, banking book financial risks, liquidity risk, financial risks for customer investments, supervision and monitoring of business models, and Active Value Management) and those in the life and non-life insurance business (result exposure to the trend in market variables and technical variables). The functions of said Committee are set out in three sessions:
 - o the Risk Analysis and Valuation Session, chaired by the Chief Risk Officer, responsible for evaluating, inter alia, in advance of approval by the Board of Directors, the guidelines on undertaking and measuring financial risks and the liquidity risk of the Group, with a view to consistency with the RAF, proposals for operational limits for financial operations referring to interest rate risk of the banking, the trading book and valuation risk defining, within the scope of the powers received, the distribution thereof amongst the Group's major units. It also periodically analyses the overall financial risk profile and exposure to liquidity risk and interest rate risk of the Group and the single Group banks and companies, verifying any breaches of the limits and monitoring the approved come-back procedures;
 - o the Management Guidelines and Operating Choices Session (ALCO), chaired by the Chief Financial Officer, provides the Group Companies operational guidelines in implementation of the strategic guidelines and risk management policies laid down by the Board of Directors, in respect of management of the banking book, liquidity, interest rate and exchange risk;
 - o the ALCO session – Extended, chaired by the Chief Risk Officer, which analyses the performance of loans and deposits, in current and prospective terms, together with the expected trend in Risk-Weighted Assets (RWA) and financial assets (debt securities and loans) measured at Fair Value through Other Comprehensive Income (FVOCI reserves), in order to monitor and assess their impact on the Group's liquidity and capital profiles.
- the Credit Risk and Pillar 2 Internal Models Committee is a technical body with a decision-making, reporting and advisory role. In particular, with regard to the internal risk measurement systems, the Committee acts as the competent Management Committee for:
 - o the internal models for the measurement and management of credit risk;
 - o the internal models for Pillar 2 risks⁹⁹.
- the Group Control Coordination and Non-Financial Risks Committee is divided into specific and distinct sessions:
 - o the Integrated Internal Control System session, with a reporting and advisory role, whose objective is to reinforce coordination and the interdepartmental cooperation mechanisms within the Group internal control system, thus promoting the integration of the risk management process, in relation to non-financial and reputational risks, to facilitate their effective management;
 - o the Operational and Reputational Risk session, with a decision-making, reporting and advisory role, which has the task of supervising the implementation of operational and reputational risk management guidelines and policies in accordance with indications formulated by the Board of Directors and periodically reviewing the overall non-financial risk profile, monitoring the implementation of the mitigation actions identified in accordance with indications formulated by the Corporate Bodies and/or the Steering Committee;
 - o the Compliance Risk Session, for reporting and consulting purposes, which is tasked with examining the results of the periodic compliance risk assessments.

The sessions of the Committee are attended by, among others, the Heads of Corporate control functions, as well as the Manager responsible for preparing the Company's financial reports as a permanent member. This contributes to fulfilling the assigned legal obligations and the responsibilities established in the Company Regulations on the supervision of the financial reporting process. It also enables the promotion of the inter-functional coordination and integration of control activities, within its area of responsibility;

- the Group Credit Committee is a technical body with a decision-making and advisory role that has the task of ensuring the coordinated management of issues relating to credit risk, and is organised in two separate sessions (Performing Loans Session and Non-Performing Loans Session). Among other duties, the Committee resolves on the granting, renewal and confirmation of loans within the scope of the powers assigned to it;
- lastly, the Hold To Collect and Sell (HTCS) Sign-Off Committee is tasked with proposing the assumption of market risks

⁹⁹ The scope does not include the Pillar 2 models for the measurement and quantification of financial risks in the banking book, which already come under the scope of the Group Financial Risk Committee and the Pillar 2 models for the measurement and quantification of operational and reputational risks, which, instead, come under the scope of the Group Control Coordination and Non-Financial Risks Committee. However, it does include the models used for stress testing and forward-looking income statement valuations.

put forward by the business structures of the Parent Company or the subsidiaries, on the HTCS shares required for Originate to Share (“OtS”) transactions. These transactions consist of loans originated with the intention of being distributed to third-party operators on the primary or post-primary/secondary market and which upon origination have a holding period that varies according to the counterparty’s rating class and product type.

The Chief Risk Officer Governance Area, directly reporting to the Managing Director and CEO, in which the risk management functions are concentrated, including the controls on the risk management and internal validation process, represents a relevant component of the “second line of defence” of the internal control system that is separate and independent from the business supporting functions.

This Area is responsible for governing the macro process of definition, approval, control and implementation of the Group’s Risk Appetite Framework with the support of the other corporate functions involved, as well as assisting the Corporate Bodies in setting and implementing the Group’s risk management guidelines and policies, in accordance with the company’s strategies and objectives, and coordinates and verifies their implementation by the responsible units of the Group, also within the various corporate areas, guaranteeing the measurement and control of the Group’s exposure to various types of risk, implementing the II level controls on credit and other risks, in addition to ensuring the validation of risk measurement and management internal systems.

To that end, the Chief Risk Officer Governance Area is broken down into the following Organisational Units:

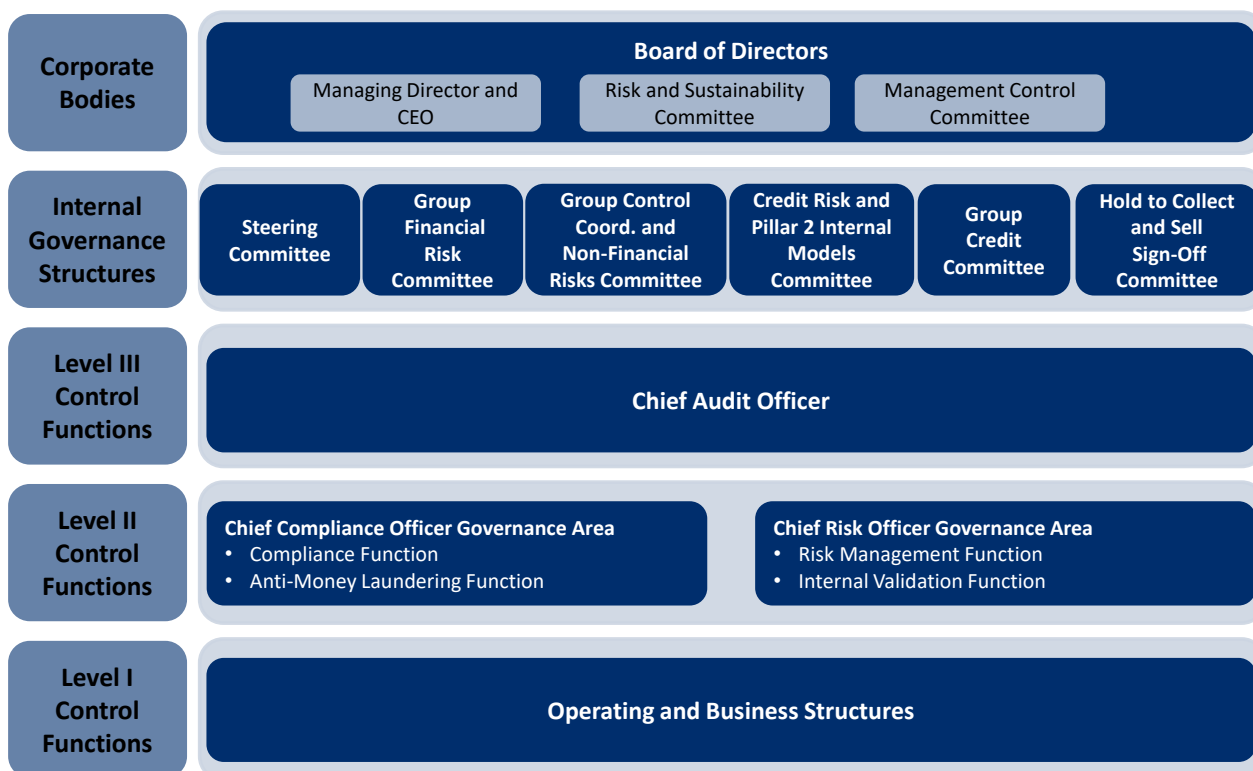
- Market, Financial and C&IB Risks Coordination Area;
 - Market and Financial Risk Management Head Office Department;
 - IMI C&IB Risk Management Head Office Department;
- Internal Validation & Controls Coordination Area:
 - Internal Validation & Model Risk Management;
 - Credit Controls;
 - Data Quality Controls and Analytics.
- Credit Risk Management Head Office Department;
- Banca dei Territori Risk Management Head Office Department;
- Enterprise Risk Management Head Office Department;
- Operational IT & Cyber Risk Management;
- Foreign Banks Risk Governance;

The Chief Risk Officer Governance Area is responsible for operational implementation of the strategic and management guidelines along the Bank’s entire decision-making chain, down to individual operational units. The risk control functions of subsidiaries with a decentralised management model and any representatives of the Parent Company’s risk control function at subsidiaries with a centralised management model report to it.

The Chief Compliance Officer Governance Area, which reports directly to the Managing Director and CEO, in a position that is independent from operating departments and separate from internal auditing, ensures the monitoring of the Group regulatory compliance risk, including conduct risk. Within the Risk Appetite Framework, the Chief Compliance Officer Governance Area (i) proposes the statements and limits set for compliance risk and (ii) collaborates with the Chief Risk Officer Governance Area in the monitoring and control of non-financial risks for compliance purposes and, if the set limits are exceeded, in the identification/analysis of events attributable to non-compliance with regulations and in the identification of appropriate corrective measures.

The Chief Compliance Officer Governance Area is broken down into the following Organisational Units:

- Regulatory Compliance Retail and Private Banking Head Office Department;
- Regulatory Compliance Corporate and Investment Banking Head Office Department;
- Compliance Governance, Privacy and Controls Head Office Department, which includes the Data Protection Officer function that performs the tasks assigned by data protection legislation;
- Anti Financial Crime Head Office Department, which is tasked, *inter alia*, with the duties and responsibilities of the anti-money laundering function;
- Compliance Digital Transformation.



The Parent Company performs a guidance and coordination role with respect to the Group companies¹⁰⁰, aimed at ensuring effective and efficient risk management at Group level, exercising responsibility in setting the guidelines and methodological rules for the risk management process, and pursuing, in particular, integrated information at Group level to the Corporate Bodies of the Parent Company, with regard to the completeness, adequacy, functioning and reliability of internal control system. For the corporate control functions in particular, there are two different types of models within the Group: (i) the centralised management model based on the centralisation of the activities at the Parent Company and (ii) the decentralised management model that involves the presence of locally established corporate control functions that conduct their activities under the direction and coordination of the same corporate control functions of the Parent Company, to which they report in functional terms.

Irrespective of the control model adopted within their company, the corporate bodies of the Group companies are aware of the choices made by the Parent Company and are responsible for the implementation, within their respective organisations, of the control strategies and policies pursued and promoting their integration within the Group controls.

¹⁰⁰ In this regard, it is specified that Intesa Sanpaolo does not exercise management and coordination over Risanamento S.p.A. or its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

The internal control system

To ensure a sound and prudent management, Intesa Sanpaolo combines business profitability with an attentive risk-acceptance activity and an operating conduct based on fairness.

Therefore, the Bank, in line with legal and supervisory regulations in force and consistently with the Corporate Governance Code for Listed Companies, has adopted an internal control system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.

Intesa Sanpaolo's internal control system is built around a set of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of Company strategies and policies;
- containment of risk within the limits set out in the reference framework for determining the Bank's risk appetite (Risk Appetite Framework – RAF);
- safeguard of asset value and protection from losses;
- effectiveness and efficiency of the Company processes;
- reliability and security of Company information and IT procedures;
- prevention of the risk that the Bank may be involved, including involuntarily involved, in illegal activities (with special regard to those relating to money-laundering, usury and financing of terrorism);
- compliance of business operations with the law and supervisory regulations, as well as internal policies, procedures and regulations.

The internal control system plays a crucial role and involves the entire company organisation (bodies, structures, hierarchical levels, all personnel). In compliance with the provisions of Bank of Italy Circular 285/2013 (First Part, Title IV, Chapter 3) the "Integrated Internal Control System Regulation" was finalised. This aims to define the guidelines of Intesa Sanpaolo's internal control system, in its capacity as Bank and Parent Company of the Banking Group, through the adaptation of the reference principles and the definition of the responsibilities of the Bodies and of the functions with control duties, which contribute, in various ways, to the proper operation of the internal control system, as well as the identification of coordination arrangements and information flows supporting system integration.

The internal control system is made up of a documentation infrastructure (regulatory framework) that provides organised and systematic access to the guidelines, procedures, organisational structures, and risks and controls present in the Company, which incorporate all the company policies and the instructions of the Supervisory Authorities, as well as the provisions of law, including the principles laid down in Legislative Decree 231/2001.

The regulatory framework consists of "Governance Documents", adopted from time to time, that oversee the operation of the Bank (Articles of Association, Code of Ethics, Group Internal Code of Conduct, Group Regulations, Group Committees Regulation, Regulation on Related Party Transactions, Integrated Internal Control System Regulation, Authorities and powers, Guidelines, Function charts of the Organisational Structures, etc.) and more strictly operational regulations that govern business processes, individual operations and the associated controls (Rules, Process Guidelines, Control Sheets, etc.).

More specifically, the corporate rules set out organisational solutions that:

- ensure sufficient separation between the operational and control functions and prevent situations of conflict of interest in the assignment of responsibilities;
- are capable of adequately identifying, measuring and monitoring the main risks assumed in the various operational segments;
- enable the recording of every operational event and, in particular, of each transaction, with an adequate level of detail, ensuring their correct allocation over time;
- guarantee reliable information systems and suitable reporting procedures for the various managerial levels assigned the control functions;
- ensure the prompt notification to the appropriate levels within the business and the swift handling of any anomalies found by the business units, the internal audit department and the other control functions;
- ensure adequate levels of business continuity.

The Company's organisational solutions also include controls at each operational level that enable the uniform and formalised identification of responsibilities, particularly in relation to the tasks of controlling and correcting the irregularities found.

In terms of Corporate Governance, Intesa Sanpaolo adopted the one-tier corporate governance system, pursuant to Articles 2409-sexiesdecies and following of the Italian Civil Code. It therefore conducts its operations through a Board of Directors, certain members of which are also members of the Management Control Committee.

Based on this system:

- the Board of Directors is the body responsible for strategic supervision and performs all the tasks assigned to it by the Articles of Association, the applicable regulations and the Bank's governance documents;
- the Managing Director and CEO performs the tasks assigned by the supervisory regulations to the body responsible for management, as set out in the Bank's governance documents, approved by the Board of Directors, except for the responsibilities assigned to the Board;
- the Management Control Committee performs the control function.

The Board of Directors elects a Managing Director from its members, other than the Chair of the Board, the members of the Management Control Committee or the minimum number of Independent Directors.

The Intesa Sanpaolo Group adopts an internal control system based on three levels, in line with the legal and regulatory provisions in force.

The model has the following types of control:

- Level I: line controls which are aimed at ensuring proper performance of operations (for example, hierarchical, systematic and sample-based controls) and which, to the extent possible, are incorporated in the IT procedures. They are carried out by the same operating and business structures, including through units dedicated exclusively to control duties reporting to the heads of the same structures or performed as part of the back office.
- Level II: risk and compliance controls for the purpose of ensuring, inter alia:
 - correct implementation of the risk management process;
 - compliance with the operational limits assigned to the various functions;

- regulatory compliance of company operations, also in relation to self-regulatory provisions.
- The functions assigned to such controls are separate from the ones in charge of production and contribute to the definition of the risk governance policies and the risk management process. In the Intesa Sanpaolo Group, Level II includes the following Parent Company structures and the equivalent local units of the Group companies, where established:
- Chief Compliance Officer Governance Area, which has the tasks and responsibilities of the “compliance function”, as defined in the applicable regulations, and which includes the “anti-money laundering function”, within the Anti Financial Crime Head Office Department, which has the tasks and responsibilities laid down in the regulations on anti-money laundering, counter-terrorism and monitoring of financial sanctions, and the “data protection officer function”, within the Compliance Governance, Privacy and Controls Head Office Department, which performs the tasks assigned by data protection legislation;
 - Chief Risk Officer Governance Area, which is assigned the role of the risk management function, as defined by the applicable regulations. The Chief Risk Officer Governance Area also includes the Internal Validation & Controls Coordination Area, which is tasked, among other things, with the duties and responsibilities of the “validation function”, as defined by the applicable regulations, as well as Level II controls on credit and data quality;
- Level III: internal audit controls to identify breaches of procedures and regulations, as well as to periodically assess the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the IT system at Group level, at scheduled deadlines in relation to the nature and intensity of the risks.
- In the Intesa Sanpaolo Group, internal auditing is carried out by the Parent Company’s Chief Audit Officer and by the equivalent local units of Group companies, where established.

The Manager responsible for preparing the Company’s financial reports also contributes to the internal control system, who, pursuant to art. 154 bis of the Consolidated Law on Finance, exercises oversight at Group level of the internal control system for the purpose of accounting and financial reporting.

The internal control system is periodically reviewed and adapted in relation to business development and the reference context.

Intesa Sanpaolo has an internal control structure consistent with the indications provided by the Supervisory Authorities.

Compliance

The governance of compliance risk is of strategic importance to the Intesa Sanpaolo Group as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature are founded on trust.

The responsibilities and duties of the compliance function are assigned to the Chief Compliance Officer, who is independent and autonomous in relation to the operating structures, reports directly to the Corporate Bodies and has access to all activities within the Bank, as well as any significant information for the performance of its duties.

The Group’s Compliance Model is set out in the Guidelines approved by Intesa Sanpaolo’s Corporate Bodies, which indicate the responsibilities of the various company structures and macro processes to mitigate compliance risk:

- identifying and assessing compliance risk;
- proposing the functional and organisational measures for mitigation of this risk;
- conducting pre-assessments of the compliance of innovative projects, operations and new products and services;
- providing advice and assistance to the governing bodies and the business units in all areas with significant compliance risk;
- monitoring of ongoing compliance, both through control of compliance with regulations by company structures, and through the use of information provided by the other control functions;
- disseminating a corporate culture founded on the principles of honesty, fairness and respect for the spirit and the letter of the rules, as well as the enhancement of technical and professional skills, including in the area of IT developments;
- managing relations with the Authorities with regard to compliance issues and non-compliance events.

The compliance function also includes the data protection officer function, which performs the tasks assigned by data protection legislation in accordance with the governance model described in the Guidelines on the protection of personal data of natural persons.

The regulatory scope, including Environmental, Social and Governance (ESG) factors, and the procedures for monitoring regulatory areas that present significant risks of non-compliance for the Group are defined in the aforementioned guidelines. The Chief Compliance Officer submits periodic reports to the Corporate Bodies on the adequacy of compliance control, with regard to all regulatory aspects applicable to the Group which show compliance risks. On an annual basis, these reports include an identification and assessment of the primary compliance risks to which the Group is exposed and a schedule of the associated management measures, and on a half-yearly basis they include a description of the activities performed, critical issues noted, and remedies identified. A specific notice is also given when events of particular significance occur.

These models are organised in such a way as to account for the Group’s structure in operational and territorial terms.

In particular:

- for the specifically identified Italian Banks and Companies, whose operations have a high level of integration with the Parent Company, compliance monitoring is centralised at the Parent Company;
- for the other Companies, that have a legal obligation or have been specifically identified based on the business conducted, as well as the International Branches, an internal compliance function is established and a local Compliance Officer is appointed, which are assigned compliance responsibilities. The Compliance/AML Officers of the subsidiaries functionally report to the Chief Compliance Officer Governance Area structures, while those of the International Branches, except where not permitted by local regulations, hierarchically report to the Chief Compliance Officer

Governance Area structures. Functional reporting is also in place for the local Data Protection Officers of Group Companies established in the European Union.

Anti-Money Laundering

The duties and responsibilities of the anti-money laundering function are assigned, as required by the regulations, to the Anti Financial Crime Head Office Department, which reports to the Chief Compliance Officer, and is therefore independent and autonomous in relation to the operating structures, reporting directly to the Corporate Bodies, and has access to all activities within the Bank, as well as to any significant information for the performance of its duties.

Specifically, as envisaged in the Guidelines for combating money laundering and the financing of terrorism and for managing embargoes and the Group Anti-Corruption Guidelines, the Anti Financial Crime Head Office Department ensures monitoring of compliance risk in the area of money laundering, terrorist financing, breach of embargoes, weapons and corruption (Financial Crime), by:

- laying down the general principles to be adopted within the Group for the management of compliance risk;
- identifying and assessing compliance risk;
- conducting ongoing monitoring, with the support of the competent functions, of developments in the national and international context of reference, verifying the adequacy of company processes and procedures with respect to applicable regulations and proposing appropriate organisational and procedural changes;
- providing advice to the corporate functions, as well as establishing adequate training plans;
- preparing appropriate periodic reporting for Corporate Bodies and top management;
- discharging the required specific obligations including, in particular, enhanced customer due diligence, controls of proper management of the data storage Archive and the assessment and monthly submission to the Financial Intelligence Unit of data relating to aggregated anti-money laundering reports, and the assessment of reporting of suspicious transactions received from operating structures for the submission to the Financial Intelligence Unit of reports deemed accurate.

The Anti Financial Crime Head Office Department also performs its role of direction, coordination and control of the Group according to a model similar to the one described for the compliance function.

The Risk Management and Internal Validation Function

The Chief Risk Officer Governance Area is responsible for operational implementation of the strategic and management guidelines for risk along the Bank's entire decision-making chain, down to individual operational units. The tasks and functions are discussed in detail in the subsequent chapters of this Part.

Through the Internal Validation & Controls Coordination Area, the Chief Risk Officer Governance Area carries out the Level II controls on credit and data quality.

The purpose of the credit controls is to verify the proper classification and provisioning and the adequacy of the management and recovery process for individual exposures (so-called single names).

In general, the control activities development includes the credit processes assessment also to verify that suitable Level I controls are in place, including proper execution and traceability. The potential areas of investigation to be examined through Single Name controls also consider the results of the monitoring carried out by the Level I Control Functions within the different credit clusters.

As part of the overall risk management process, the Coordination Area carries out the Level II controls connected with data quality, in line with the internal and external regulations on the matter, with specific focus on the input data used in internal models. In accordance with regulatory developments, the Internal Validation & Controls Coordination Area is also responsible for the development, maintenance and oversight of the framework for the model risk governance, aimed at ensuring the identification, assessment, monitoring and mitigation of the risk for all Internal Systems, including the Pillar 1 and 2 risk measurement systems and the systems that are used for accounting purposes. To that end, the Coordination Area mainly carries out the following activities, in coordination with the Functions concerned: a) defining and developing the model risk governance and methodological framework to identify models, assign the related priorities and assess and mitigate model risk, including the methodology for quantifying the economic capital buffer for model risk; b) defining, managing and upgrading the Group Model Management platform (Group Model Inventory) with the goal of guaranteeing a complete, updated inventory of the models and tracking of the processes connected to the various phases of their life cycles; c) ensuring the periodic identification and assessment of model risk and the economic capital buffer; d) overseeing the process for assigning priorities to models (tiers) in order to efficiently steer their governance, with specific reference to the levels of detail, analysis and frequency of validation and development activities; e) for the model risk component, contributing to the annual proposal to update the Group RAF and periodically monitoring the model risk appetite indicators; and f) providing periodic disclosure on the Model Risk Management Framework and on the results of the model risk assessments to the Head of the Chief Risk Officer Area, the competent managerial committees and the Corporate Bodies.

Moreover, the Internal Validation & Controls Coordination Area is assigned the validation function, aimed at ensuring the validation at Group level of the internal risk measurement systems, used both for the determination of capital requirements and for non-regulatory purposes, in order to assess their compliance with regulatory provisions, operational needs and reference market demands¹⁰¹.

The internal systems adopted by the Group are validated on first adoption (based on the plans of gradual extension made by the Group) or when changes are made to them, in compliance with the development and validation process approved by the Corporate Bodies. The validation function also ensures the periodic review of internal systems in terms of models, processes, data used and implementations in IT, assessing their adequacy, predictive ability and performance, as well as their compliance over time with regulatory provisions, company needs and changes in the reference market.

¹⁰¹ Regulation (EU) 575/2013 (CRR), EBA Guidelines, EU Directive 2013/36 (CRD IV), Bank of Italy Circular 285/2013.

Upon First Adoption, two approaches were developed for the validation of the Pillar 1 internal credit risk models: the Stage Gate Approach and the Waterfall Approach, with the latter corresponding to the validation traditionally carried out at the end of the development of the model. The Stage Gate Approach is a new approach that was introduced with the development of the new Large Corporate model and is only used for the more relevant models. This approach essentially involves a series of intermediate steps in which the Development function releases documentation to the Validation function (Internal Validation and Regulatory Requirements on Internal Risk Systems) at formalized moments (broadly corresponding to the completion of the risk differentiation, risk calibration, and the end of the development), following which the Validation function produces intermediate reports, which include assessments relating both to regulatory compliance and to the Validation controls established (in internal regulations). The Stage Gate approach has been introduced so that the Validation observations can already be factored into the new model, making it more robust.

In addition to overseeing the regulatory aspects of the Pillar 1 credit risk models, in particular by providing regulatory assurance during model changes, the tasks of the Regulatory Requirements function include advisory assessments on broader regulatory issues and interpretations, in response to requests originating from the Chief Risk Officer Area. In 2023, this activity gave rise to around ten notes concerning specific areas.

The validations are conducted in line with the planning of the function's activities, defined consistently with the internal and external reference regulations and that presented to the competent Corporate Bodies. The relevant criteria that define the type of validation to implement (Standard or Full) and its frequency also include the tier of the model and its use, as attributed in the Model Risk Management Framework.

For Pillar 1 risks, the validation frequency is set, in any event, in line with the external reference regulations.

In order to ensure the periodic reporting on the results of the validation process continuously carried out to the Corporate Bodies and, regarding the internal Pillar 1 risk measurement systems, to the Supervisory Authorities, the Internal Validation Function prepares the Annual Validation Reports regarding the internal Pillar 1 systems and the internal systems used for management purposes. These reports summarise the results of the analyses conducted during the reporting year on the internal systems used at the Parent Company and the Group Companies and the opinion formulated. They also highlight the main areas for improvement identified and the critical level assigned. In addition, the Internal Validation function prepares an update on the internal models in terms of performance and resolution of the issues raised by the validation function, which is submitted to the relevant corporate bodies on a half-yearly basis. In carrying out the validation process at Group level, the function interacts with the Supervisory Authorities, with the relevant Corporate Bodies and the functions responsible for the Level III controls required by the regulations. It adopts a decentralised approach for companies with local validation functions (the main Italian and international companies), coordinating and supervising the activities of those companies, and adopting a centralised approach for the others. The adopted methodologies were developed in implementation of the principles that inspire the Supervisory regulations for banks, EU directives and regulations, general guidelines of international committees and best practices in the area and take the form of documentary, empirical and operating practice analyses.

Internal Auditing

Internal auditing activities are assigned to the Chief Audit Officer, who reports directly to the Board of Directors (and therefore it reports to the Chair), functionally reporting to the Management Control Committee, without prejudice to the appropriate links with the Managing Director and CEO. The Chief Audit Officer has not any direct responsibility on the business.

This function has a structure and a control model which is organised according to the evolution of the organisational structure of Intesa Sanpaolo and of the Group.

The local Internal Auditing structures of the Group's Italian and international companies report to the Chief Audit Officer in terms of functions.

The Internal Auditing Department performs overall level 3 assessment of the internal control system, reporting possible improvements to the corporate bodies, with specific regard to the Risk Appetite Framework (RAF), the risk management process and risk measurement and control instruments. In particular, the Department assesses the completeness, adequacy, functionality and reliability of the components of the internal control system, the risk management process and the corporate processes, also with regard to their ability to identify and prevent errors and irregularities. This includes the verification of the corporate functions for risk control and regulatory compliance, also by participating in projects, in order to create added value and improve the effectiveness of the control processes and the governance of the organisation.

The Head of the Internal Auditing Department do not have direct responsibility for operating areas subject to control and not be directly subordinate to the managers of these areas. The Department has access to all the activities carried out both in the head office structures and in the peripheral structures. In case of outsourcing to third parties of relevant activities for the functioning of the internal control system (e.g. data processing activity), the internal audit function must access to the activities carried out by those parties either.

Within the RAF, the Chief Audit Officer prepares his/her contribution to the Integrated Risk Assessment conducted by the corporate control functions and the Manager responsible for preparing the Company's financial reports.

The Department uses personnel with the appropriate professional skills and expertise and operates in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors (IIA).

As required by the international standards, the department is subject to an external Quality Assurance Review every five years. The most recent review was carried out at the end of 2021, three years after the previous review, in accordance with the frequency agreed with the Management Control Committee, and concluded in the first quarter of 2022, confirming the highest assessment envisaged ("Generally Compliant").

When performing its tasks, the function uses structured risk assessment methodologies to identify the areas of greatest focus and the main new risk factors. Based on the assessments emerging from risk assessment and the resulting priorities, as well as on any specific requests for further enquiry expressed by top management and Corporate Bodies, it prepares and submits an Annual Intervention Plan for prior examination by the Management Control Committee, and subsequent approval by the Board of Directors, on the basis of which it conducts its activities during the year, in addition to a Long-Term Plan.

It supports the Surveillance Body pursuant to Legislative Decree 231/2001 in ensuring constant and independent surveillance of the regular performance of operations and processes, to prevent or detect anomalous and risky actions or situations, and to

monitor compliance with and effectiveness of the rules set out in the 231 Model. The Chief Audit Officer ensures the proper performance of the internal whistleblowing management process.

The Chief Audit Officer coordinates the “Integrated Internal Control System” session of the Group Control Coordination and Non-Financial Risks Committee.

During the year, auditing was performed directly for the Parent Company as well as for other subsidiaries under an outsourcing contract. For the other Group companies having their own internal audit departments, steering and practical coordination of the local departments was performed to guarantee control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both structural and operational profiles. Direct auditing and review activities, in the capacity of Parent Company, were also performed for those companies, as mentioned above.

Any weaknesses identified in the audit activities were systematically reported to the Corporate Functions involved for prompt improvement action, which is, duly followed up by the Chief Audit Officer to verify its effectiveness.

Summary internal control system assessments from the audit activities have been periodically submitted to the Management Control Committee and the Board of Directors.

The results of audit activities with an adverse outcome or highlighting significant shortcomings were sent to the Board of Directors, the Managing Director and CEO and the Management Control Committee, as well as the Boards of Directors and Boards of Statutory Auditors of the subsidiaries concerned.

The main weaknesses identified and their evolution have been included in the Audit Tableau de Bord, with evidence of the ongoing mitigation actions, the parties responsible for implementing them and the relevant deadlines, to ensure systematic follow-up.

Lastly, the Chief Audit Officer ensured constant assessment of its own effectiveness and efficiency in line with the internal “quality assurance and improvement” plan drafted in accordance with the recommendations of International Standards for the Professional Practice of Internal Auditing. In this context, during 2023, the Strategic Audit Innovation Line-up (SAIL) programme for the period 2022-2025 continued in line with the Business Plan.

Manager responsible for preparing the Company’s financial reports

Supervision on the reliability of the Company financial reports and on the financial reporting process is carried out by Intesa Sanpaolo’s Manager responsible for preparing the Company’s financial reports, in compliance with the provisions of Article 154-bis of the Consolidated Law on Finance and the related implementing provisions. This control is also ensured over the subsidiaries governed by the laws of non-EU countries, in accordance with the supervisory rules on management and accounting systems set by Article 15 of Consob Market Regulation 20249/2017 (as subsequently amended and supplemented).

In order to comply with the aforesaid provisions, the Manager responsible for preparing the Company’s financial reports:

- performs a steering and coordination role in Group companies with regard to administrative matters and in the monitoring of the internal control system functional to financial reporting;
- supervises the implementation of legal requirements according to a shared approach at Group level, set out in specific internal regulations.

In particular, the Manager responsible for preparing the Company’s financial reports:

- issues the instructions for the correct and uniform application of the accounting standards and measurement criteria, formalised as part of the Group Accounting Policies, which are subject to regular periodic updates;
- prepares appropriate administrative and accounting procedures for the preparation of the separate and the consolidated financial statements, and updates them to ensure compliance with the corporate disclosure requirements in force;
- verifies the adequacy of the administrative and accounting procedures and the effectiveness of the control system on the financial reporting process;
- oversees the correspondence between the corporate reporting to the market with the accounting records; to this end, it has the right to promptly obtain any information deemed necessary for the performance of his/her duties and coordinates the exchange of information with the independent auditors.

With specific regard to the financial reporting processes, the Manager responsible for preparing the Company’s financial reports:

- maintains a system of contact and information flows with the function of the Parent Company and of the Group Companies, in order to ensure the adequacy of balance sheet, income statement and financial positions and the descriptions of the main types of risks and uncertainties to which the Group may be exposed, monitoring the reliability of the acquisition of relevant data and information;
- oversees the internal control system on the financial reporting process:
 - providing a prior opinion of suitability regarding the changes to the existing organisational structure (new internal regulations) that have an impact on the adequacy of the procedures for financial reporting;
 - preparing audit plans aimed at ensuring the adequacy and effective application of administrative and accounting procedures over the period, also by subsidiaries subject to the laws of non-European Union countries in accordance with Art. 15 of the CONSOB Market Regulation;
- acquires, in relation to the impact on the financial reporting process and the reliability of the corporate information, the results of the activities carried out by the Corporate control functions and, in particular, by the Chief Audit Officer, who is responsible for the overall assurance for the internal control system in accordance with the “Integrated Internal Control System Regulation”;
- acquires any recommendations formulated by the independent auditors at the end of the process of auditing the separate financial statements of the Parent Company and the consolidated financial statements, as well as the related feedback in terms of measures to improve the procedures that have an impact on accounting data, monitoring their implementation and effectiveness;

- periodically reports on the scope and results of the assurance activities performed, to the Management Control Committee and the Board of Directors.

The Manager responsible for preparing the Company's financial reports contributes to supervising the independence of the independent auditors, in accordance with the procedures governed by specific Company Regulations, in line with the provisions of law (Legislative Decree 39/2010 amended by Legislative Decree 135/2016, which transposed Directive 2014/56/EU into the Italian legislation, and EU Regulation 537/2014). The above-mentioned Company Regulations assign to the Manager responsible for preparing the Company's financial reports the role of supervising, overseeing and monitoring the accounting audit engagements and other services entrusted by the Parent Company departments and the Group companies to independent auditors, their networks and their affiliates, in addition to the task of regularly informing the Management Control Committee in this regard.

The Manager responsible for preparing the Company's financial reports also ensures periodic reporting to the Board of Directors regarding the legal and regulatory obligations assigned to the Board for the monitoring of the adequacy of powers and means granted to the Manager responsible for preparing the Company's financial reports and of the effective observance of administrative and accounting procedures. This reporting is discussed beforehand with the Management Control Committee and the other Board Committees, for the aspects under their responsibility.

Attestations as required by Art. 154-bis of the Consolidated Law on Finance

In relation to the supervisory and monitoring functions assigned, the Manager responsible for preparing the Company's financial reports:

- signs, jointly with the Managing Director and CEO, the attestations of the separate and consolidated financial statements required by the Article 154-bis, paragraph 5, of the Consolidated Law on Finance on the adequacy and actual application of administrative and accounting procedures, the compliance with the international accounting standards, the agreement of the financial statements with the supporting documentation, accounting books and records and their suitability to give a true and fair view of the financial and economic position of the Group, as well as a reliable analysis of the performance, operating result and the main risks to which the Group is exposed;
- certifies the correspondence of the documents and announcements disclosed to the market with the records, books and accounting entries, pursuant to Article 154-bis, paragraph 2, of the Consolidated Law on Finance.

The monitoring of the accounting and financial reporting process is based on the review of:

- completeness and consistency of the information provided to the market through a structured reporting system originated from the functions of the Parent Company and the Companies concerning the events deemed significant for accounting/financial disclosure purposes, especially with regard to the main risks and uncertainties to which they are exposed;
- suitability and effective implementation of organisational and IT processes and procedures used for the preparation of accounting documents and other communication of a financial nature deemed relevant pursuant to Art. 154-bis of the Consolidated Law on Finance.

Special attention is paid to monitoring the adequacy of the auditing approach and the proper conduct of the activities required for the financial reporting process; the focus of the controls is represented by the work stages which, within the various business processes, entail the recording, processing, evaluation and presentation of data and information used as input for financial reporting, and the related internal control system.

The IT processes and developments implemented on the reporting systems play a particularly important role in the oversight of the IT architectures and applications used to manage this information.

The organisational model for the supervision of the adequacy of the administration, accounting and financial reporting procedures and the related internal control system is governed by the "Administrative and Financial Governance Guidelines" and the related implementing rules. In particular, the model prescribes assessment methodologies differentiated according to, on one hand, the risk of the processes deemed significant for accounting and financial reporting purposes and, on the other, the need to realise synergies with the control activities carried out by the Internal Audit Department and the other Corporate Control Functions.

To this end, the procedures may be verified by means of in-depth analyses, conducted according to specific methodologies used to verify the correctness of the accounting and financial information, carried out by the structures that support the Manager responsible for preparing the Company's financial reports (analytical approach) and, if present, of the information collected by the Corporate control functions or by external entities such as Independent Auditors, Supervisory Authorities, etc. (synthetic approach).

For the assessment of the adequacy of the relevant processes for the financial reporting, the Manager responsible for preparing the Company's financial reports uses the results of the controls carried out by the structures reporting directly to him, by the Internal Audit Department and the other Corporate control functions. To this end, in the Group Control Coordination and Non-Financial Risks Committee belonging to the Integrated Internal Control System, the Corporate Control Functions and the Manager responsible for preparing the Company's financial reports share their annual verification plans and their findings. Any critical issues arising from inspections conducted by external entities (Independent Auditors, Supervisory Authorities) relating to financial reporting risk are also gathered and assessed.

To conclude the preparation of the Company's financial reports according to the rules and criteria set out in Part A of the Notes to the financial statements, and the supervisory activities conducted on the financial reporting processes, according to the guidelines described herein, the Managing Director and CEO and the Manager responsible for preparing the Company's financial reports sign the attestations required by Art. 154 bis, paragraph 5, of the Consolidated Law on Finance.

These attestations are included in the reporting packages for the separate financial statements of the Parent Company and the consolidated financial statements, and are provided to the public according to the model established by the Consob Regulation.

Report pursuant to article 15 of Consob Market Regulation 20249/2017, as subsequently amended and supplemented

With regard to the protection of savings and the regulation of financial markets, the Italian Securities and Exchange Commission (Consob) has set certain conditions for the listing of companies controlling companies incorporated and subject to the laws of non-EU member states (Article 15 of the Market Regulation). As a result, Intesa Sanpaolo has set up an action plan to ensure the existence of the conditions required for subsidiaries that are of material significance, identified in compliance with the criteria established in the rules of the cited Article 15:

- ensuring the public disclosure of the accounting positions of subsidiaries prepared for the purposes of drafting the consolidated financial statements;
- obtaining details from its subsidiaries of their articles of association, membership and powers of the corporate bodies;
- determining that the subsidiaries: i) provide the independent auditor of the parent company with the information necessary to perform annual and interim audits of the parent company; and ii) enjoy access to an administrative and accounting system appropriate for regular reporting to the management and independent auditor of the parent company of the income statement, balance sheet and cash flow data necessary for the preparation of the consolidated financial statements.

On conclusion of the activities performed and the verifications conducted, compliance is confirmed with the conditions required by Article 15 of Consob Market Regulation 20249/2017 (as subsequently amended and supplemented).

The Management Control Committee and Board of Directors have been informed of compliance with those regulatory provisions governing companies incorporated in and subject to the laws of non-EU Member States, in the aforementioned "Report on the internal control system for the financial reporting process" drafted in order to illustrate the overall governance and control activities performed in accordance with the various provisions of laws and Group regulations governing the supervision of financial reporting, organically coordinated by the Manager responsible for preparing the Company's financial reports.

The scope of risks

The risks identified, covered and incorporated within the Economic Capital are as follows:

- credit and counterparty risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and from uncertainty about credit recovery rates;
- market risk (trading book), including position, settlement and concentration risk on the trading book;
- financial risk of the banking book, mostly represented by interest rate and foreign exchange rate risk;
- operational risks;
- insurance risk;
- strategic risk;
- risk on real estate assets owned for whichever purpose;
- risk on equity investments not subject to line-by-line consolidation;
- risks relating to defined-benefit pension funds;
- model risk.

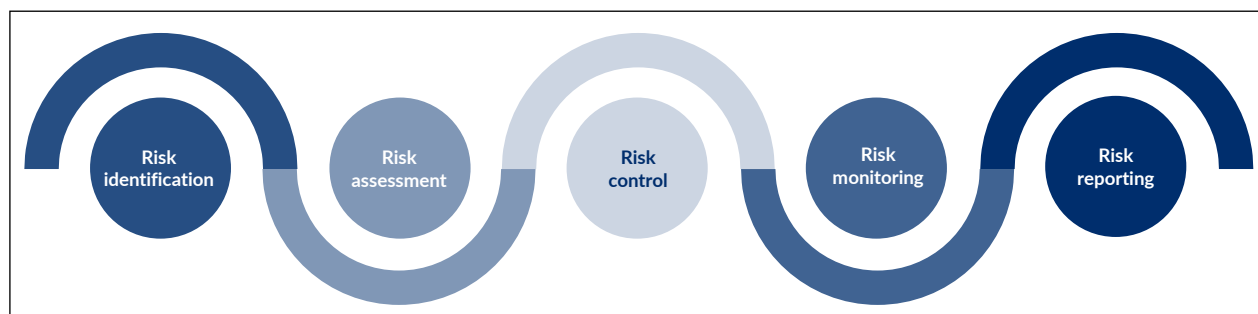
The hedging of risks, both those included and not included in the quantification of the Economic Capital, is based – according to the nature, frequency and potential impact of the risks – on a constant combination of mitigation/hedging actions, control procedures/processes and capital protection measures, including stress tests.

Special attention is dedicated to managing the short-term and structural liquidity position by following specific policies and procedures to ensure full compliance with the limits set at the Group level and operating sub-areas in accordance with international regulations and the risk appetite approved at the Group level.

The Group also attaches great importance to the management of reputational risk, which it pursues not only through organisational units with specific duties of promotion and protection of the company image, but also through dedicated processes for the identification and assessment of reputational risk and the creation of specific reporting flows. In addition, starting in 2018, a specific add-on for economic capital has been introduced for operational risk, determined on the basis of operational losses, to strengthen the protection against possible reputational repercussions.

Lastly, particular attention is also given to the control of environmental, social and governance (ESG) risks associated with the activities of its corporate customers and the economic activities the Group is involved in. In the area of ESG risks, particular attention is given to integrating climate change risk into the overall risk management framework, in line with the regulatory guidance and international best practices.

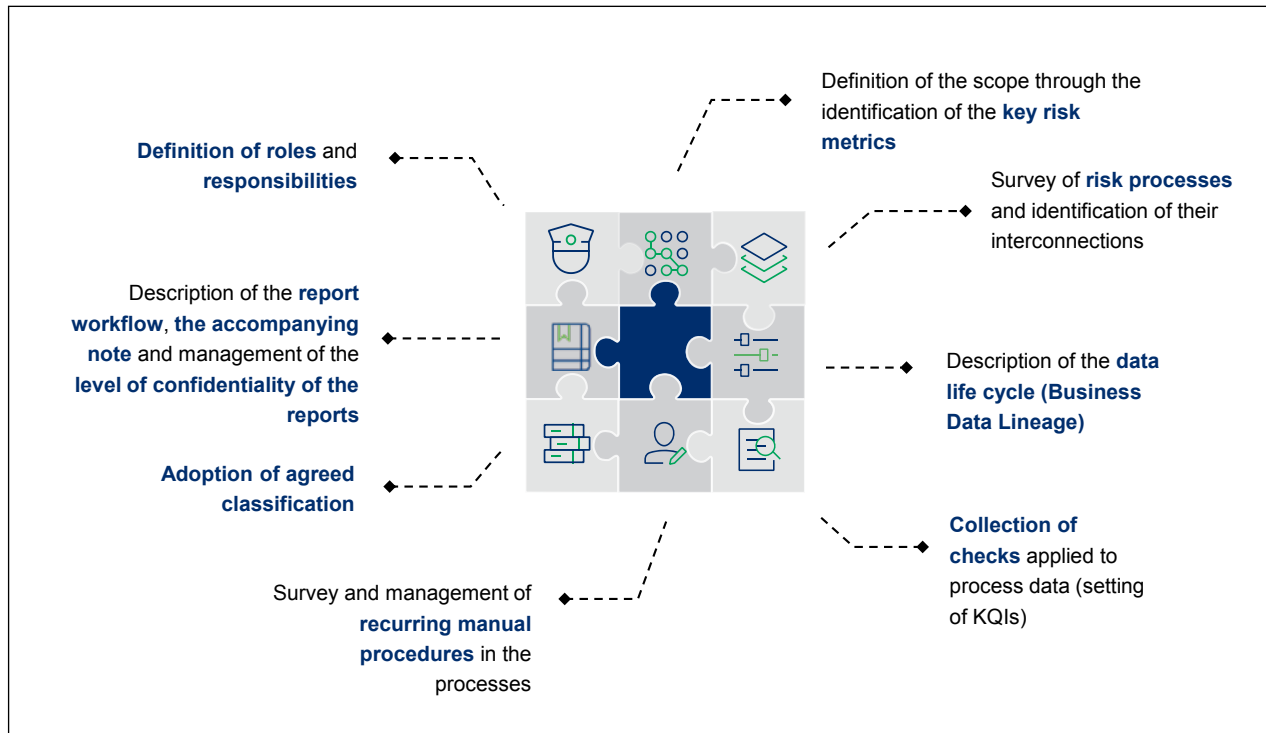
Over the years, the Group has developed and implemented the necessary structural and operational improvements for integrated risk reporting that is as complete, accurate and regular as possible, in order to support senior management.



The risk monitoring processes have undergone a progressive strengthening of the Data & Reporting Governance controls, also in compliance with the applicable regulations (“Principles for effective risk data aggregation and risk reporting - BCBS239”). The target framework, designed and regulated by the Data & Artificial Intelligence Department, ensures the adoption of agreed classifications and uniform practices for describing the life cycle of the data, as well as the adoption of the Data Quality standards for the various Risk Areas designed to increase the accuracy of the Group’s data. Attention is also given to the data aggregation processes to ensure that they are able to meet the regulatory requirements or ad hoc requests, also in the stress/crisis situations. This is done in accordance with the expectations expressed by the Supervisory Authorities.

With regard to the risk data reporting practices, the Group has set up a Reporting Governance framework which has identified that the current risk reporting is accurate, clear and complete, and therefore supports effective decision-making by the corporate bodies.

More generally, the strengthening of Data & Reporting Governance has involved the aspects detailed in the diagram below.



The Group has also strengthened its focus on data quality control, with the establishment of a unit responsible for second level data quality controls within the Chief Risk Officer Area.

Assessments of each single type of risk for the Group are integrated in a summary figure – the Economic Capital – defined as the maximum “unexpected” loss the Group may incur over a year, at a given confidence level. This is a key measure for determining the Group’s financial structure and its risk tolerance, and guiding operations, ensuring the balance between risks assumed and shareholder return. It is estimated on the basis of the current situation and also at a forecast level, in line with the approved Risk Appetite Framework, based on the budget assumptions and the forecast macroeconomic scenario, and in relation to stress scenarios. The economic capital together with the risk capital calculated on a regulatory basis is a fundamental element in the assessment of the Group’s capital adequacy calculated within the ICAAP.

The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risk and Sustainability Committee and the Board of Directors, as part of the Tableau de Bord of the Group Risks.

In addition to managing the risks described above, Intesa Sanpaolo pays close attention to the identification and monitoring of specific areas of emerging risk, which, in the medium term, could compromise the achievement of the Group’s strategic objectives or significantly influence its financial position and results.

For the purposes described above, the Intesa Sanpaolo Group uses a wide-ranging set of tools and techniques for risk assessment and management, detailed in this Part E of the Notes to the consolidated financial statements, with regard to the types of risk indicated below and in accordance with the procedures established for the qualitative disclosure in Bank of Italy Circular 262. The table below shows the mapping of the risk disclosure using these methods with reference to the Financial Statements, together with the corresponding sections of the Pillar 3 disclosure, where relevant.

	FINANCIAL STATEMENTS		PILLAR 3
	Section/Chapter	Paragraph	Section
RISKS OF THE BANKING GROUP	PART E - SECTION 2		
- Credit risk	Chapter 1.1		Sections 6-7-8-9-10
- Securitisations	Chapter 1.1	Paragraph C	Section 12
- Market risk	Chapter 1.2		Section 13
- Regulatory trading book		Paragraph 1.2.1	
- Banking book		Paragraph 1.2.2	
- Counterparty risk	Chapter 1.3		Section 11
- Financial derivatives		Paragraph 1.3.1	
- Credit derivatives		Paragraph 1.3.1	
- Accounting hedges		Paragraph 1.3.2	
- Liquidity risk	Chapter 1.4		Section 5
- Operational risks	Chapter 1.5		Section 14
RISKS OF INSURANCE COMPANIES	PART E - SECTION 3		
- Insurance Risks	Chapter 3.1		
- Financial Risks	Chapter 3.2		
RISKS OF OTHER COMPANIES	PART E - SECTION 4		

In addition to credit, market trading book, banking book financial, liquidity, operational and insurance risks, discussed in detail in the following paragraphs, the Group has identified and monitors the following other risks.

Strategic risk

The Intesa Sanpaolo Group defines current or prospective strategic risk as risk associated with a potential decline in profits or capital due to changes in the operating context, misguided Company decisions, inadequate implementation of decisions, or an inability to react sufficiently to changes in the competitive scenario.

The Group's response to strategic risk is represented first and foremost by policies and procedures that call for the most important decisions to be deferred to the Board of Directors, supported by a current and forward-looking assessment of risks and capital adequacy. The high degree to which strategic decisions are made at the central level, with the involvement of the top corporate governance bodies and the support of various corporate functions ensures that the component linked to any impacts of incorrect company decisions and low reactivity to changes in the competitive scenario are mitigated.

As regards the component more directly related to business risk, i.e. associated with the risk of a potential decline in profits as a result of the inadequate implementation of decisions, changes in the operating context and unexpected changes in the cost of refinancing, is handled not only by using systems for regulating Company management, but also via specific internal capital, determined according to an approach that simulates the volatility of margins, fees and commissions, operating costs and refinancing costs, anchored to the business mix of the Group and its Business Units.

Strategic risk is also assessed as part of stress tests based on a multiple-factor model that describes the relations between changes in the economic scenario and the business mix resulting from planning hypotheses, with analyses to assess the impacts on both interest income and margins from the performance of net fees and commissions.

Reputational risk

The Intesa Sanpaolo Group attaches great importance to reputational risk, namely the current and prospective risk of a decrease in profits or capital due to a negative perception of the Bank's image by customers, counterparties, shareholders, investors and Supervisory Authorities.

The Intesa Sanpaolo Group actively manages its image in the eyes of all stakeholders, by engaging all its Organisational Units and seeking robust, sustainable growth capable of creating value for all stakeholders. In addition, the Group seeks to minimise possible negative effects on its reputation through rigorous and comprehensive governance, proactive risk management and guidance and control of its activities.

The overall management of reputational risk is pursued primarily through:

- compliance with standards of ethics and conduct and self-governance policies. The Code of Ethics adopted by the Group contains the core values that Intesa Sanpaolo intends to commit itself to and sets out the voluntary principles of conduct for dealings with all stakeholders (customers, employees, suppliers, shareholders, the environment and, more generally, the community) with even broader objectives than those required by current legislation;
- the systematic, independent contribution by the company structures tasked with safeguarding the company reputation, which maintain relations with stakeholders, within their respective areas of responsibility;
- an integrated monitoring system for primary risks, to limit exposure to those risks, and to comply with the related limits contained in the Risk Appetite Framework;
- the Reputational Risk Management processes governed by the Chief Risk Officer Governance Area, which operate transversally across the corporate functions and in synergy with decision-making processes.

Those processes, which involve control, specialist and business functions, for various purposes, specifically include:

- the Reputational Risk Assessment, aimed at identifying the most significant reputational risk scenarios the Intesa Sanpaolo Group is exposed to, in order to determine their probability of occurrence and the Group's exposure to reputational risk. The assessment is carried out annually and gathers the opinion of top management regarding the potential impact of these scenarios on the Group's image, in order to identify appropriate communication strategies and specific mitigation actions, where necessary. To this end, the analysis not only takes into account the business information gathered from the top managers and the Group Business Plan, but also any contributions from external observers. For example, starting from 2022, an analysis has been carried out on the population with knowledge of finance and economics and on opinion leaders (e.g. economic/financial analysts and experts, academics, institutions);
- ESG & Reputational Risk Clearing, which is aimed at the ex-ante identification and assessment of the potential reputational risks associated with the most significant business operations and the selection of the Group's suppliers/partners;
- Reputational Risk Monitoring, aimed at analysing and verifying the evolution of the exposure to reputational risk on an ongoing basis, using specific national and international monitoring (e.g. Web & press monitoring), algorithms aimed at tracking the developments in the company's exposure to reputational risk, and the information provided by the reputational positioning analyses carried out periodically.

The reputational risk governance model also includes an integrated compliance risk management system, as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature are founded on trust.

In performing the Investment Service for customers, the Groups is exposed to a series of potential risks linked to the activity, such as reputational, legal, strategic and operational risks.

To minimise the above risk dimensions, also in compliance with the applicable regulations, the Group has long had appropriate processes in place to capture their key aspects. These include the following processes in particular:

- Product Governance Risk Clearing, which is assigned the objective of pre-emptive assessment, together with the other competent control functions and the business owner, of the suitability of the products being sold/distributed to customers, analysing all potential risk factors;
- Risk Profile Annual Review of the adequacy of the portfolio risk "limit" associated with each customer segment identified;
- Investment Adequacy Framework, covering the subscription of financial investments and the execution of transactions in unlisted derivatives.

The sale of financial products is therefore governed by specific preventive risk assessment from the standpoint of both the Bank (along with risks, such as credit, financial and operational risks, that directly affect the owner) and the customer (portfolio risk, complexity and frequency of transactions, concentration on issuers or on foreign currency, consistency with objectives and risk tolerance profiles, and knowledge and awareness of the products and services offered), in order to correctly identify and mitigate any potential source of risk inherent to the activity.

ESG (Environmental, Social and Governance) risks and climate change risk

Sustainability, a term referring to the ability to avoid harming the environment and communities, in order to support a medium/long-term economic, social and environmental balance, is a factor of significant, increasing importance for society as a whole. The management of ESG issues therefore requires considering not only the impacts of the related risks on the Bank's organisation, but also the potential impact on stakeholders and the risks that the Bank exposes its stakeholders and the environment to through its operations. The Intesa Sanpaolo Group is aware of the importance of fair, responsible allocation of the resources and the influence that a banking group can have in terms of sustainability in both the short and long term and pays particular attention to managing ESG risks, both regarding its operations and relating to the activities of its corporate customers and the sectors considered sensitive, i.e. with a significant ESG risk profile.

ESG risks are therefore included in the overall risk management framework as they represent potential negative impacts that an organisation or activity may have on the environment, people and communities, including risks related to the corporate conduct (corporate governance), earnings, reputational profile and credit quality with possible legal consequences. Within the ESG risks, particular importance is given to climate risk, namely the financial risk arising from exposure to the physical and transition risk related to climate change. The risks and opportunities related to climate change are identified and analysed in a coordinated manner by the various corporate functions, in order to include them in the ordinary processes of risk identification, assessment and monitoring, in the Group's credit strategies and commercial offering.

The Group is therefore committed to incorporating the impact of climate-related aspects into its strategic decision-making processes, in order to fully integrate them into the risk management framework with the aim of maintaining a limited risk profile. This includes the monitoring and management of ESG risks, including risks arising from climate change (credit, operational, reputational, market and liquidity risks) and the implementation of ethical and environmental standards in the internal processes, products and services offered to customers, and selection of counterparties and suppliers.

The Risk Appetite Framework (RAF), which represents the general framework used for the management of enterprise risk, includes a specific section dedicated to ESG, climate change and reputational risks. This section includes qualitative and quantitative information. Specifically, with regard to ESG & Climate risks, the Group recognises the strategic importance of ESG factors and the urgent need to curb climate change.

Climate change risks can be divided into physical and transitional risks.

Physical risks represent the negative financial impact from climate change, including more frequent extreme weather events and gradual climate change, as well as environmental degradation, i.e. air, water and soil pollution, water stress, biodiversity loss, and deforestation. These risks – which can usually arise in both the short/medium and long term – can be broken down into acute and chronic risks:

- **acute physical risks**, which refer to specific events that have the potential to create significant physical damage (e.g. flooding of rivers and oceans, tropical storms). These events are occurring more frequently, on both a regional and global basis;
- **chronic physical risks**, which involve a series of physical impacts of considerably longer duration than those posed by acute risks. They are identifiable as processes of change rather than single events. In most cases, the impacts are localised (e.g., drought) but chronic risks are likely to become more significant in the long term.

Transition risks are the negative financial impacts that an institution may incur, directly or indirectly, as a result of the process of adjustment to a low-carbon and more environmentally sustainable economy, arising from:

- **public policy and legal risks**: this category includes policies that attempt to limit actions that contribute to the negative effects of climate change or political actions that seek to promote adaptation to climate change and the legal risk arising from the inability of organisations to mitigate/adapt to climate change;
- **technological developments**: these include innovations that support the transition to a low-carbon and energy-efficient economic system;
- **consumer preferences**: changes in the demand and supply of certain goods, products and services that are more sustainable;
- **reputational risk**: arising from changes in customer or community perceptions of an organisation's contribution to the transition to a low-carbon economy.

The integration of ESG risks, and in particular climate change risk, into the risk management framework comprises:

- a materiality analysis (Climate/ESG Materiality Assessment);
- establishment of specific controls within the Risk Appetite Framework (RAF);
- execution of a Climate Scenario Analysis;
- monitoring of ESG risks divided according to the different risk categories (e.g. credit, market, liquidity), with a particular focus, within the environmental risks, on climate change risk.

Climate/ESG Materiality Assessment

The Climate/ESG Materiality Assessment is aimed at identifying business sectors, geographic areas and portfolios (e.g. corporates, households and sovereigns) with higher vulnerability to climate change and ESG risks based on qualitative and quantitative approaches, in order to prioritise the risk controls to be implemented. The results of the Materiality Assessment provide the basis for:

- updating the mapping of the various climate and ESG risk factors, their transmission channels and the impact on other risk categories;
- setting the limits and Key Risk Indicators (KRIs) within the Risk Appetite Framework;
- calibrating and performing stress tests on specific climate and ESG risk factors;
- guiding the sectoral credit policies and strategies (ESG Sectoral Color Coding) and establishing specific actions aimed at mitigating ESG risks.

Risk Appetite Framework (RAF)

The RAF integrates and translates what has been defined in terms of strategic guidelines, Climate/ESG Materiality Assessment, and ESG Sectoral Color Coding into specific controls, identifying, on an annual basis, limits, key risk indicators (KRIs) and specific actions aimed at containing the ESG risks, with particular regard to the sectors most exposed to those risks. This also includes specific actions related, for example, to the Group's strategic choices, such as subscribing to the Net-Zero targets. Specifically, intermediate sector targets for 2030 have been set within the Business Plan for the most emission-intensive sectors, subject to a transition plan for mitigating the potential future risk, in accordance with the recommendations of the Net-Zero Banking Alliance (NZBA). In addition to the Oil & Gas, Power Generation and Automotive sectors, which are already covered by targets, the Iron & Steel and Commercial Real Estate sectors have been added, and further sectors will be progressively added in the future, in line with the commitments made in joining the NZBA and with the request for validation by the Science Based Target initiative (SBTi).

The ESG Climate Change and Reputational Risk section of the Group RAF includes:

- specific limits in relation to the exposure to the coal mining and oil & gas sectors; for coal mining in particular, the limit is reviewed annually in line with the target of phasing out lending by 2025;
- specific early warning thresholds/KRIs relating to the emission intensity (CO₂eq) in terms of financed production of the counterparties belonging to the Oil & Gas, Power Generation and Automotive sectors, with the aim of meeting the commitments made within the Net-Zero Banking Alliance and the Science Based Target initiative;
- monitoring of new underwritings broken down by energy performance class (EPC), to improve the quality of the residential properties taken as collateral and consequently reduce the transition risk associated with mortgages;
- an early warning threshold in relation to the Group's exposure has also been introduced for sectors characterised by significant issues, especially with regard to the social dimension, in line with the ESG sectoral strategy of associated credit disincentives.

The development work carried out in 2023 will enable the further strengthening of this section and the expansion of its scope, also in terms of portfolios covered (e.g. Residential Real Estate and Commercial Real Estate, and investment portfolios with financial instruments).

The RAF also identifies the main limitations and exclusions to lending to sectors/counterparties most exposed to ESG risks, which are then integrated into the self-regulatory policy and/or company processes. Specifically, Intesa Sanpaolo has issued the “Rules for lending operations in the coal sector”, the “Rules for lending operations in the unconventional oil&gas sector” and the “Rules governing transactions with subjects active in the armaments sector”, aimed at establishing general and specific criteria for limiting and excluding lending operations to counterparties in those sectors.

Climate Scenario Analysis

Scenario analysis is a key element in integrating the risks and opportunities associated with climate change into the business strategies, also considering the medium- to long-term implications. The Climate Scenario Analysis is used, within the more general framework of the materiality assessment, to explore potential portfolio vulnerabilities, particularly in the credit portfolio, as part of the regulatory stress testing exercises or the Internal Capital Assessment Adequacy Process (ICAAP) and the Internal Liquidity Assessment Adequacy Process (ILAAP).

In conducting the ICAAP process, Intesa Sanpaolo adopts an approach that incorporates specific solutions designed to verify the impact of transition and physical risk on the Non Financial Corporate (NFC) portfolio and the real estate-backed portfolio. With regard to transition risk, the impact is assessed by means of shocks applied to the balance sheets of the individual counterparties and to the energy efficiency level of the residential and commercial properties. The estimate of the impact of physical risk, on the other hand, is determined based on the geolocation of collateral real estate or NFC customer production sites, according to the different types of weather events. Within the ILAAP, particular attention is paid to analysing the impact of climate and environmental risk factors that could compromise the liquidity positions from a forward-looking perspective over medium-term horizons (1-3 years).

December 2023 also saw the start of the “One-off Fit-for-55 climate risk scenario analysis” exercise carried out by the European Banking Authority (EBA) on behalf of the European Commission in cooperation with the European Supervisory Authorities (ESAs), the European Central Bank and the European Systemic Risk Board (ESRB). This exercise involves the application of top-down scenarios to data collected from banks to assess the resilience of the EU financial sector and its ability to support the transition to a low-carbon economy, also under stress conditions.

The results of the impact assessments conducted so far (materiality assessment and climate scenario analysis) have shown that the Group is not exposed to a material extent to climate risks in the short term. Over the medium- to long-term horizon, exposure to these risks could intensify in a limited and concentrated manner in areas already subject to control and monitoring. In particular, with regard to the transition risk on the most emission-intensive sectors of the Banking Book (Oil & Gas, Power Generation and Automotive), intermediate sector targets to 2030 have been set in the Business Plan – aligned to the Net-Zero target by 2050 – subject to a transition plan in accordance with the NZBA guidance, to mitigate the potential future risk. The monitoring will be progressively extended to other sectors, in line with the commitments made upon joining the NZBA and with the request for validation by the SBTi.

Monitoring of ESG/climate risks in the different risk categories

Intesa Sanpaolo’s risk management framework involves the integration of climate and environmental risk factors with the different risk categories impacted. This decision takes into account the fact that the impact of climate and environmental risks may be direct, for example due to lower earnings of companies or the reduction in value of assets, or indirect, for example due to legal actions (legal risk) or reputational damage that arises when the public, counterparties of the institution and/or investors associate the institution with adverse environmental effects (reputational risk).

With regard to **credit risk**, the qualitative component of the models currently validated and used by the Group considers various ESG and Climate-related aspects and elements. For Large Corporates, a specific module has also been incorporated into the model that considers quantitative ESG data provided by external providers, and for the Corporate model (companies or groups with a size of less than 500 million euro), an ad hoc module has been developed – in addition to the qualitative questions that also consider socio-environmental risks, to take account of the counterparty’s exposure to physical risks arising from catastrophic events (e.g. damage to production facilities and/or warehouses) – that statistically identifies potential deteriorations in the Probability of Default, using historic and public information on catastrophic events observed at geographic area level. More specifically, for domestic counterparties, this module provides an assessment of the risk of damage related to natural disasters (floods, fires, earthquakes) to which a company is potentially exposed depending on the region (and/or municipality) where it operates and/or mainly conducts its business. Overall, the weight of these modules in the final rating is limited. Consequently, at present there does not appear to be any appreciable “large-scale” effect attributable to those modules on the ratings expressed by the internal models and, therefore, on the downstream metrics that use them (e.g. ECL).

In managing **market risk**, Intesa Sanpaolo also assesses the effects of climate and environmental factors on its current positions exposed to market risk. Specifically, the Group:

- analyses and monitors market prices and liquidity of financial instruments to identify possible evidence of climate and environmental risk factors;
- analyses the impact of climate and environmental risks on the fair value measurement of financial instruments, focusing in particular on the main asset classes, payoffs and positions explicitly linked to climate and environmental (C&E) risk factors, as well as the future investments proposed by the business structures;
- classifies current positions subject to market risk using the ESG indicators available internally (e.g. ESG Sectoral Assessment and ESG Sectoral Color Coding) and externally (e.g. economic-industrial business sectors, ESG score/rating), also through recognised providers, in order to identify specific risk controls, also considering the materiality of the exposures. These controls consist of the establishment of market risk limits on the investment activity (e.g. allocation of ceiling limits). In principle, the indicators used for assessing the ESG risks associated with the investment activity enable the establishment of negative/positive screening criteria and strategies, taking into account the specific

characteristics of the different asset classes concerned, such as instruments issued by corporate counterparties and instruments issued by government or supranational counterparties.

Within the market risk management model, the assessment of exposure to ESG risks also involves stress tests to investigate the sensitivity of the portfolios to ESG risk factors and estimate the impact that those factors, particularly climate and environmental risks, may have on the actual risk level of the exposures.

With regard to **liquidity risk**, significant climate and environmental risks may lead to an increase in net cash outflows or erode available liquidity reserves. Even though, according to the general consensus in the banking industry, the link between C&E risks and liquidity is mainly indirect and potentially more long term in nature, it is considered important not to underestimate these risks and their potential transmission, and to duly incorporate an assessment of their potential effects on the Group's current and future liquidity position.

To this end, after the prior identification of climate and environmental risk factors that could adversely affect the Group's liquidity positions, specific analyses and monitoring of exposures are carried out to assess the materiality of the risk factors identified, maintaining a close connection with the qualitative assessments adopted:

- by the Bank at sector and sub-sector level (e.g. ESG Sectoral Assessment) for credit risk purposes;
- for the valuation of securities for market risk purposes.

In the assessment of the various scenarios, including stress scenarios, on the timing of inflows and outflows and the quantitative and qualitative adequacy of liquidity buffers, particular attention is also devoted to analysing the impact of climate and environmental risk factors that could compromise the liquidity positions on a forward-looking basis. These analyses are incorporated into the annual report on the Internal Liquidity Adequacy Assessment Process (ILAAP), in line with the analysis horizon for the exercise (1-3 years), and have identified relatively low absorptions of the Group's liquidity reserves.

In managing **operational risks**, Intesa Sanpaolo also considers the possible adverse impact of weather and environmental events on its real estate, business continuity and litigation risk. Specifically, the Group:

- within the loss data collection for operational events, identifies those related to climate and environmental risks, through specific event types;
- during the Operational Risk Assessment process, uses specific risk scenarios dedicated to climate and environmental risks to assess possible losses resulting from property damage, possible disruptions to its operations and potential legal liabilities;
- to protect business continuity, assesses the impact of the physical risks associated with IT centres and sites (including outsourced IT services), identifying alternative locations for disaster recovery.

For the first time in 2023, it used a dedicated scenario to assess the impacts on the Bank of an extreme weather event affecting a key supplier and compromising its ability to provide the service it was engaged for.

In relation to climate/environmental litigation risk, Intesa Sanpaolo has set up monitoring of market disputes (domestic and international), refined its litigation monitoring process, and established a special training initiative for the staff involved.

The operational losses identified in relation to climate and environmental risks, together with the results (in terms of expected loss and VaR) of the Self-Diagnosis of the assessment of the possible impacts of those risks, contribute to the calculation of the capital requirement at individual and consolidated Group level, using an advanced approach, and are included in the operational risk reporting periodically submitted to the Group Control Coordination and Non-Financial Risks Committee.

In managing **reputational risk**, the Group makes prior assessments of the potential ESG and reputational risks associated with the Group's business operations and supplier/partner selection through the ESG & Reputational Risk Clearing process.

With regard to the corporate credit granting process in particular, it is aimed at making a prior assessment of the potential ESG and reputational risks associated with credit transactions involving counterparties operating in sectors sensitive to ESG and/or reputational risks. The ESG & Reputational risk clearing process is applied on a proportional basis and in a differentiated manner according to the complexity of the counterparties/transactions and has escalation mechanisms differentiated according to the ESG/reputational risk class assigned to the transaction/counterparty. The Group also monitors its web and press reputation by integrating specific assessments of events related to environmental risks/climate change (e.g. events resulting from protests or adverse campaigns arising from the Bank's lending activities). Lastly, specific scenarios relating to ESG and climate issues are included in the annual reputational risk assessment by the top management.

In relation to the **risks associated with the Investment Service for Customers**, the Group has set up a series of centralised controls aimed, on one hand, at monitoring the sustainability risk implicit in the size of the ESG score published by a specialised infoprovider at instrument and portfolio level and, on the other hand, at ensuring that sufficient stress is given to Sustainable Development Goal (SDG) factors in the analyses carried out within the Product Governance process for the assets under administration issued by the Parent Company and distributed through the captive networks.

With regard to **direct environmental risks**, in view of the increasing strategic significance of the issue of CO₂ emissions, in 2022 Intesa Sanpaolo drew up a new plan, called the Own Emissions Plan, which sets a Net Zero target for own emissions to 2030 through energy efficiency measures and greater use of energy from renewable sources. Intesa Sanpaolo is also committed to analysing and containing possible risks on its properties, as well as taking swift action to deal with any environmental emergencies that may arise. To this end, in line with the provisions of the Business Plan, in 2023 a specific tool was selected that identifies the degree of exposure of Intesa Sanpaolo's real estate assets to the main geographical and climate change risks, such as floods, hydrogeological risks, drought, forest fires, etc. This platform geolocalises each individual asset in Italy and calculates the exposure index for each risk, based on data from the main national and international certified sources, such as SwissRE, Copernicus, INGV, ISPRA, and the Department of Civil Protection. With regard to hydro-geological risk (floods and landslides), also linked to climate change and the potential occurrence of crisis scenarios in Italy that may affect Intesa Sanpaolo's properties, a series of corporate structures will be activated to manage these aspects. In 2024, the platform will also be made operational for the foreign branches and offices, and a function for the computerised management of emergency events will be developed.



The potential impacts, the related time horizon (short, medium and long-term) and the actions identified for each observed potential risk, which are updated annually, for both indirect and direct risks, are set out in the tables below.

INDIRECT RISKS												
Potential risks	Risk type	Timeframe			Business Area							Potential Impacts
		ST(0-3y)	MT(4-7y)	LT(7-30y)	BdT	CIB	PB	ISB	AuM	INS	CC	
Climate change risk: misalignment of economic actors with actions aimed at reducing their CO2 emissions via: • Policy and Legal Risks • Technology Risks • Consumer preferences • Reputational risks	Credit Risk	🕒	🕒	🕒	○	○	○	○				Non-financial corporation counterparties: Introduction of climate policies and technological shifts can weaken companies' competitiveness, affecting their financial statements through reduction of earnings, alteration of business costs, need for investment, impacting their creditworthiness and solvency. Households and retail customers: Non-compliance with regulations or shifts in preferences towards low-energy housing may affect collateral value or generate stranded assets. Additionally, higher energy prices or policies promoting green mobility could impact families' costs and spending power and, in turn, their creditworthiness and solvency.
	Market risk	🕒	🕒	🕒		○	○	○	○	○	○	Non-financial corporation issuers: Introduction of climate policies and technological shifts can weaken companies' competitiveness, affecting their financial statements through reduction of earnings, alteration of business costs, need for investment, impacting their creditworthiness, solvency and the value of their financial instruments traded on financial markets. Sovereign issuers: Impact on real economy and financial system, coupled with social adjustments to support transition, may lead to higher costs for high-emitting nations, which, in turn could impact their creditworthiness, solvency and the value of the financial instruments traded on the financial markets. Asset Management / Insurance: Consequences of climate change on companies in the portfolio with consequent possible reduction in the value of assets under management or investments.
	Operational risk	🕒				○	○	○	○	○	○	Conduct: Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product or commitments (e.g. greenwashing). Litigation: Litigation and liability costs associated with climate-sensitive investments and businesses.
	Liquidity risk	🕒	🕒			○	○	○	○		○	Credit exposures: Impact of transition risks on customer exposures could affect the liquidity position of the Group (e.g. undrawn committed lines/default of counterparties). Funding: Transition risk factors may affect customers and therefore the Bank's access to stable sources of funding could be reduced. Market exposures: Transition impacts on issuers and their financial instruments might reduce the ability for the Bank to trade or liquidate assets computed in the liquidity reserves.
	Reputational risk	🕒	🕒	🕒		○	○	○	○	○	○	Deterioration of the Group's image due to unmet expectations in climate and environmental risk management or business adaptation • Negative perception from stakeholders and in particular from ESG investors due to nil or inadequate management of such risks • Possible exclusion from sustainability (ESG) indices or a worse ESG position or lower ESG rating

Timeframe: The timeframe indicated below considers the analyses carried out by the Banking Group in various climate-related risks assessment exercises. The analyses are not exhaustive regarding the potential impacts that the Bank could face in the short, medium, and long term, and are not indicative of the materiality of the impacts assessed as detailed in the Risk Management chapter.
Business Areas: BdT = Banca dei Territori; CIB = Corporate & Investment Bank; PB = private banking; ISB = International Subsidiary Banks; AuM = Asset Management; INS = Insurance; CC = Corporate Center. The areas where the possibility of observing climate-related risk impacts are here identified, based on the significance of the business for those areas. This does not exclude the possibility that other areas, not indicated, may also have potential impacts. The details of the analyses conducted on the different business areas are visible in the risk management section.

INDIRECT RISKS														
Potential risks	Risk type	Timeframe			Business Area							Implemented actions	Opportunities	
		ST(0-3y)	MT(4-7y)	LT(7-30y)	BdT	CIB	PB	ISB	AuM	INS	CC			
Climate change risk: misalignment of economic actors with actions aimed at reducing their CO2 emissions via: • Policy and Legal Risks • Technology Risks • Consumer preferences • Reputational risks	Credit Risk	🕒	🕒	🕒		○	○	○				<ul style="list-style-type: none"> Assessment of ESG and climate risks in the lending portfolio through Materiality assessment, scenario analysis, Business Environment Scan exercise and transactions risk assessment process Definition of targets related to the physical intensity of financed counterparties belonging to specific sectors Limits and monitoring thresholds set within the Risk Appetite Framework Identification of environmental (e.g. net zero loans and medium-to-long-term financing with SACE green guarantees), social, governance, and other sustainable products and transactions Implementation of self-regulation policies (credit portfolio) 	<ul style="list-style-type: none"> Sustainable finance: increase customer support to enforce energy transition by offering products and dedicated financial solutions (e.g. Green and Circular Economy products) 	
	Market risk	🕒	🕒	🕒		○	○	○	○	○	○	<ul style="list-style-type: none"> Assessment of ESG and climate risks in the investment portfolio through Materiality assessment, scenario analysis and Business Environment Scan analysis Limits and early warning setting within the Risk Appetite Framework Identification of green, social and sustainable investments Implementation of self-regulation policies (investment portfolio) Rebalancing of portfolios 	<ul style="list-style-type: none"> Increasing and expanding the range of investment products and services 	
	Operational risk	🕒					○	○	○	○	○	<ul style="list-style-type: none"> Assessment of ESG and climate risks through Materiality assessment, scenario analysis, Business Environment Scan analysis, and operational losses monitoring 		
	Liquidity risk	🕒	🕒				○	○	○	○		○	<ul style="list-style-type: none"> Assessment of ESG and climate risks through Materiality assessment and scenario analysis 	<ul style="list-style-type: none"> Increase in Green and ESG bond issuance
	Reputational risk	🕒	🕒	🕒			○	○	○	○	○	○	<ul style="list-style-type: none"> Assessment of ESG and climate risks through transactions risk assessment process Participation in international working groups on climate change issues (e.g. UNEP FI) Net Zero initiatives Stakeholder engagement initiatives Market perception and ESG rating positioning monitoring 	<ul style="list-style-type: none"> Improvement of the group's perception/image for both investors and clients
Cross-risk actions													<ul style="list-style-type: none"> Active monitoring of ESG evolving regulations and implementation/integration of internal policies Active collaboration with policy makers to highlight the need for stable and clear environmental and ESG regulations Inclusion of climate risk in risk management systems 	



Timeframe: The timeframe indicated below considers the analyses carried out by the Banking Group in various climate-related risks assessment exercises. The analyses are not exhaustive regarding the potential impacts that the Bank could face in the short, medium, and long term, and are not indicative of the materiality of the impacts assessed as detailed in the Risk Management chapter.
Business Areas: BdT = Banca dei Territori; CIB = Corporate & Investment Bank; PB = private banking; ISB = International Subsidiary Banks; AuM = Asset Management; INS = Insurance; CC = Corporate Center. The areas where the possibility of observing climate-related risk impacts are here identified, based on the significance of the business for those areas. This does not exclude the possibility that other areas, not indicated, may also have potential impacts. The details of the analyses conducted on the different business areas are visible in the risk management section.

INDIRECT RISKS												
Potential risks	Risk type ⁽¹⁾	Timeframe			Business Area				Potential Impacts			
		ST(0-3y)	MT(4-7y)	LT(7-30y)	BdT	CIB	PB	ISB	AuM	INS ⁽²⁾	CC	
Climate change risk: Risks related to the physical impacts of climate change  Chronic  Acute	Credit Risk	🕒	🕒	🕒	○	○	○	○				Non-financial corporations counterparties: Severe weather events, both acute and chronic, may impact creditworthiness and solvency of corporate counterparties, with impacts varying based on business sector and location, potentially affecting their profitability. Households and retail costumers: Acute or chronic climate events can damage or destroy properties, decreasing their value and increasing credit risk.
	Market risk	🕒	🕒	🕒		○	○	○	○	○	○	Non-financial corporations issuers: Severe weather events, both acute and chronic, may impact creditworthiness and solvency of corporate counterparties, with impacts varying based on business sector and location, potentially affecting their profitability and the value of their financial instruments traded on the financial markets. Sovereign issuers: Severe weather events, both acute and chronic may impact the real economy and financial systems, coupled with social adjustments to support businesses and population in case of physical climate events. This could lead to higher costs for nations more prone to physical risks, which, in turn, could impact their creditworthiness, solvency and the value of the financial instruments traded on the financial markets. Asset Management / Insurance: Possible acute and chronic extreme weather events may cause losses on securities in managed portfolios.
	Liquidity risk	🕒	🕒			○	○	○			○	Credit exposures: The impact of physical risk on customer exposures could affect the liquidity position of the Group (e.g. undrawn committed lines/default of counterparties). Funding: Physical risk factors may affect customers and therefore the Bank's access to stable sources of funding could be reduced. Market exposures: Physical impacts on issuers and underlying assets of their financial instruments might reduce the ability, for the Bank, to trade or liquidate assets computed in the liquidity reserves.

(1) In the physical risk section, no potential impacts and actions directly related to reputational risk have been considered. Furthermore, in the context of Physical Risks, the Operational Risk can be considered a "Direct Risk", see next table.
 (2) Catastrophic events may adversely affect the profitability of the insurance business with consequent increases in claims and may exceed insurance companies' estimates of expected risks and losses leading to higher insurance premiums with a consequent possible decrease in demand for insurance.

Timeframe: The timeframe indicated below considers the analyses carried out by the Banking Group in various climate-related risks assessment exercises. The analyses are not exhaustive regarding the potential impacts that the Bank could face in the short, medium, and long term, and are not indicative of the materiality of the impacts assessed as detailed in the Risk Management chapter.

Business Areas: BdT = Banca dei Territori; CIB = Corporate & Investment Bank; PB = private banking; ISB = International Subsidiary Banks; AuM = Asset Management; INS = Insurance; CC = Corporate Center. The areas where the possibility of observing climate-related risk impacts are here identified, based on the significance of the business for those areas. This does not exclude the possibility that other areas, not indicated, may also have potential impacts. The details of the analyses conducted on the different business areas are visible in the risk management section.

INDIRECT RISKS													
Potential risks	Risk type	Timeframe			Business Area				Implemented actions	Opportunities			
		ST(0-3y)	MT(4-7y)	LT(7-30y)	BdT	CIB	PB	ISB	AuM	INS ⁽²⁾	CC		
Climate change risk: Risks related to the physical impacts of climate change  Chronic  Acute	Credit Risk	🕒	🕒	🕒		○	○	○				<ul style="list-style-type: none"> Assessment of ESG and climate risks in the lending portfolio through Materiality assessment, scenario analysis, Business Environment Scan exercise and transactions risk assessment process Limits and early warning setting within the Risk Appetite Framework 	<ul style="list-style-type: none"> Reinforced customer relations. New subsidised loans intended to restore damaged structures Financing of resilient buildings and infrastructures to adapt to climate change Insurance policies covering physical risks
	Market risk	🕒	🕒	🕒		○	○	○	○	○	○	<ul style="list-style-type: none"> Assessment of ESG and climate risks in the investment portfolio through Materiality assessment, scenario analysis and Business Environment Scan analysis 	
	Liquidity risk	🕒	🕒			○	○	○			○	<ul style="list-style-type: none"> Assessment of ESG and climate risks through Materiality assessment, scenario analysis 	

(1) In the physical risk section, no potential impacts and actions directly related to reputational risk have been considered. Furthermore, in the context of Physical Risks, the Operational Risk can be considered a "Direct Risk", see next table.

(2) Insurance: the potential impacts, defined in note 2 of the previous table, open up opportunities for the development of specific policies for the development of specific policies for extreme catastrophic events.
Timeframe: The timeframe indicated below considers the analyses carried out by the Banking Group in various climate-related risks assessment exercises. The analyses are not exhaustive regarding the potential impacts that the Bank could face in the short, medium, and long term, and are not indicative of the materiality of the impacts assessed as detailed in the Risk Management chapter.

Business Areas: BdT = Banca dei Territori; CIB = Corporate & Investment Bank; PB = private banking; ISB = International Subsidiary Banks; AuM = Asset Management; INS = Insurance; CC = Corporate Center. The areas where the possibility of observing climate-related risk impacts are here identified, based on the significance of the business for those areas. This does not exclude the possibility that other areas, not indicated, may also have potential impacts. The details of the analyses conducted on the different business areas are visible in the risk management section.

DIRECT RISKS					
Potential risks	Risk type ⁽¹⁾	Timeframe	Potential Impacts	Implemented actions	
		ST(0-3y) MT(4-7y) LT(7-30y)			
Transition Risks Changes in environmental regulations ■ Introduction of new greenhouse gas emission limits or new related reporting systems ■ Increase in cost of raw materials Changes in environmental regulations and standards that the Group voluntarily adheres to (ISO standards)	Operational & Other risks	⌚ ⌚	<ul style="list-style-type: none"> Possible sanctions in the event of failure to comply with new Regulations Costs for upgrading heating and air conditioning systems and for new monitoring tools Cost related to potential taxes connected with greenhouse gas emissions Increase in costs of energy supply Costs of changing the processes of certification in the event of changes to standards 	<ul style="list-style-type: none"> Constant and precautionary monitoring of possible changes to national and European regulations Participation in dedicated training courses or workshops Own emissions plan implementation and monitoring Energy efficiency actions Increase in the use of renewable energy sources Preventive actions to replace old systems with next-generation systems with a low environmental impact, as well as consumption monitoring systems during the renovation of branches and buildings Continuous and precautionary monitoring of possible changes in standards 	
Physical Risks Acute Extreme weather events (floods, landslides, avalanche, mudslides, heavy rainfalls, hailstorms, heavy snowfall, whirlwinds, hurricanes, cyclones, coastal storms) Increase or reduction in average temperatures, sea level rise, water stress and drought Chronic	Operational & Other risks	⌚ ⌚ ⌚	<ul style="list-style-type: none"> Business continuity: extreme weather events may cause material damage and interruptions to the Group's operations Own assets: extreme weather events may cause material damage the assets of the Group Increase in energy supply costs connected with greater heat or electricity consumption Power outage risk due to increased energy demand Sea level rise with consequent impact on buildings close to the sea Potential fires due to temperature increase in areas close to the Bank's buildings 	<ul style="list-style-type: none"> Precautionary assessment of the hydrogeological risks for buildings Adoption of a business continuity plan and measures to prevent/mitigate/manage physical damage to the bank's structures Creation of a platform to identify the risk level of any Intesa Sanpaolo group real estate asset Insurance to cover the risks and their impacts Energy efficiency actions Increase in the use of renewable energy sources Preventive actions to replace old systems with next-generation systems with a low environmental impact, as well as consumption monitoring systems during the renovation of branches buildings Preventive assessment of the risk of sea level rise Adoption of a business continuity plan and actions to mitigate/manage possible power outage ISO 14001, ISO 50001 and ISO 45001 certifications taking into account climate change related risks Creation of a platform to identify the risk level of any Intesa Sanpaolo real estate asset 	

(1) Within direct risks, both operational and other types of risks not directly related to the prudential framework of the Group have been considered.

Further information on the monitoring of environmental and climate risks is provided in the Climate Report¹⁰², in the Consolidated Non-Financial Statement and in the Basel 3 Pillar 3 Disclosure.

Risk on owned real-estate assets

The risk on owned real-estate assets may be defined as risk associated with the possibility of suffering financial losses due to an unfavourable change in the value of such assets and it is thus included in the category of banking book financial risks. Real-estate management is highly centralised and represents an investment that is largely intended for use in company operations. The degree of risk in the portfolio of owned properties is represented by calculating an economic capital based on the volatility observed in the past in real estate price indexes (mainly Italian, the type of exposure prevalent in the Group's real-estate portfolio), with a degree of granularity of geographical location and intended use appropriate to the real estate portfolio at the reporting date.

Risk on equity investments not subject to line-by-line consolidation

The risk in the equity investment portfolio is related to the possibility of incurring economic losses due to the adverse changes in values of investments not subject to line-by-line consolidation.

The scope considered consists of the equity instruments held in financial and non-financial companies, and includes financial investment instruments, commitments to purchase, and derivatives with underlying equity instruments and equity funds.

The model used to estimate the Economic Capital is based on a PD/LGD approach similar to the credit risk portfolio model and it is used for the stand-alone equity investment portfolio, supplemented with market valuations for the listed portion. The applicable LGD is the regulatory LGD, whereas the model's other parameters are the same as those used in the portfolio model for credit risk.

Risk related to defined-benefit pension funds

The risk related to defined-benefit pension funds is attributable to the possibility of having to increase the reserve that the Parent Company Intesa Sanpaolo maintains to guarantee the benefits of those pension funds, based on an adverse change in the value of the assets and/or liabilities of the pension funds concerned. This risk is fully considered within the assessment of capital adequacy, measured and controlled both with respect to Economic Capital, using an econometric model for the main macroeconomic variables, as well as to prospective baseline and stress scenarios.

Model risk

Model risk is defined as the potential loss an institution may sustain, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models. In continuity with previous years, within the 2023 ICAAP Report, the Internal Validation & Controls Coordination Area updated the model risk assessment (expressed synthetically through a score) of the methodologies supporting the measurement of Pillar 1 and Pillar 2 risks that also contribute to the calculation of the Economic Capital and provided the Enterprise Risk Management Head Office Department with the parameters for the quantification of the model risk economic capital buffer.

¹⁰² Previously the TCFD Report.

Emerging risks

The strengthening of the overall risk management system also involves the identification, understanding and monitoring of so-called emerging risks, i.e. risks characterised by components that are little-known or rapidly evolving, potentially significant in the medium term to the Group's financial position and business model, even though their effects are not easy to assess and cannot yet be fully integrated into the most consolidated risk management frameworks.

The identification of these types of risks derives primarily from the continuous analysis of the external environment and the main findings gathered by the risk management function as part of identifying risk, continuously performed within the Group to maintain ongoing alignment with the changing internal and external context and to guarantee the adequacy of the controls and limits implemented to safeguard long term viability. In addition to being performed as part of the identification and assessment processes, that activity also involves comparison with peers and with market best practices, as well as with the Bank's other control/business functions.

Any emerging risks for which a model for calculating economic capital has not been developed are assessed, in any event, using expert-based approaches or using proxies or simplified calculation models in order to guarantee a prudent assessment of the economic capital absorbed.

In that context, the increasing digitalisation of technological infrastructure and the commercial offering, the increased process automation (e.g. through the introduction of robotics and/or artificial intelligence) and the introduction of new ways of working have changed the morphology of certain risks. Specifically, though they do not represent intrinsically new risks, it is probable that there will be significant exposure to:

- IT and Cyber risks, in relation to: (i) the increasing dependence on ICT systems and the resulting increase in the number of users of virtual channels and interconnected devices, (ii) exponential growth in the quantity of data managed, which must be high quality and protected, (iii) greater use of IT services offered by third parties (Open Banking, Fintech, Cloud systems), and (iv) low production costs of new attack techniques with the presence of organisation with specific skills and experience;
- risks connected with the digital transformation process linked to the increase in competition triggered by digitalisation in the financial sector (e.g. entry of new competitors) and the vulnerability that still marks the current operating context (e.g. costs of the digitalisation process, obsolescence of legacy systems and fragmentation of the regulatory framework);
- third party risk, in relation to: (i) greater dependence on systems and services offered by third parties (both regarding the outsourcing of company processes and the growing dependence on providers of cloud or IT services in general);
- risks associated with Artificial Intelligence (AI) supporting the execution of business processes, through the development of use cases involving the application of techniques differentiated according to the objectives and corporate functions involved. The potential impact of risks associated with these applications is assessed in relation to: i) possible implications in terms of regulatory compliance (Artificial Intelligence Act); ii) ethical and responsible use of AI solutions; and iii) governance of AI solutions and assessment of the associated technological, reputational and model risks. The management of AI solutions and the related risks is ensured by updating and supplementing the applicable company regulations, while the monitoring of ongoing initiatives is performed through specific project activities. Specific statements have also been established within the Group Risk Appetite, together with indicators to monitor compliance with those statements.

In addition, in view of the rapidly evolving world of digital assets, the Group has launched a series of project initiatives aimed at studying and gradually implementing use cases regarding the provision of services related to digital assets and the application of the associated technologies (Blockchain, Distributed Ledger Technology - DLT, Metaverse). Although the current progress of the work does not allow for an overall assessment of the risk associated with these ecosystems, from the preliminary analyses carried out, it is reasonable to expect that transactions in digital assets and the use of new technology will have the same categories of risk as traditional finance products, but with increased significance due to the following factors:

- vulnerabilities of the new technologies not fully explored;
- technological standards being defined;
- absence of a reference regulatory/legal framework;
- absence of safeguards and guarantee schemes;
- presence of non-regulated entities and/or entities based in non-EU/OECD jurisdictions;
- continuous evolution of the related laws and regulations.

The risks associated with the ongoing initiatives are assessed in the ordinary clearing processes and are monitored under the Risk Appetite Framework (overview of initiatives under study and implementation, limitations in terms of customer segments potentially affected by the initiatives, and very strict operating limits).

The continuous evolution of the operational environment, both internal and external, requires the continuous updating of the current analysis frameworks (e.g. portfolio development policies, internal control system, payment systems, cybersecurity safeguards, anti-money laundering and counter-terrorism financing safeguards, and accounting, tax and prudential treatment of the assets) in order to take into account the new/altered operations and maximise the effectiveness of the controls for the identification and mitigation of the Group's potential exposure. In this regard, the work is continuing in the project initiatives aimed at optimising the Group's resilience profile.

Absorption of Economic Capital by type of risk and Business Unit

The following is an illustration of the breakdown of the Group's Economic Capital by type of risk and Business Unit.



The absorption of Economic Capital by Business Unit reflects the distribution of the Group's various activities and the specialisations of the business areas.

The majority of risk is concentrated in the "IMI Corporate & Investment Banking" Business Unit (38% of the total Economic Capital): this is attributable to the type of customers served (Corporate and Financial Institutions) and Capital Market activities. This Business Unit is assigned a significant share of credit risk and trading book risk. The "Banca dei Territori" Business Unit (18.2% of the total Economic Capital) is a significant source of absorption of Internal Capital, in line with its role as core business of the Group, serving Retail, Private and Small/Middle Corporate customers. It is assigned a sizeable portion of credit risk and operational risk. Most of the insurance risk is assigned to the "Insurance" Business Unit (14.6% of the total Economic Capital). The "International Subsidiary Banks" Business Unit is assigned 7.4% of the total risk, predominantly credit risk. In addition to credit risk, the "Corporate Centre" is attributed with the risks typical of this Business Unit, namely those resulting from investments, the risks pertaining to the exposures in default, the Banking Book interest rate and exchange rate risk, as well as the risks arising from the management of the Parent Company's FVOCI portfolio (17.7% of the overall Economic Capital).

Absorption of Economic Capital by the "Private Banking" and "Asset Management" Business Units is marginal (3% and 1.1%, respectively) due to the nature of their business, which is predominantly aimed at asset management activities.

The Basel 3 regulations

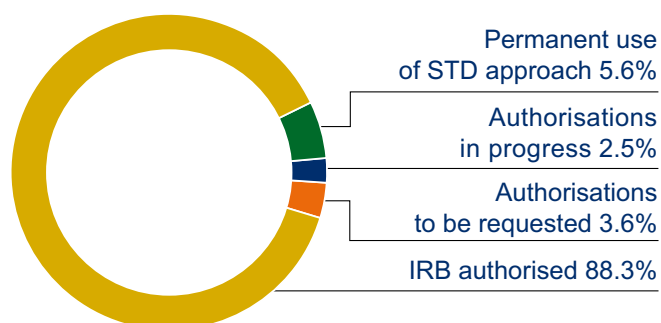
In view of compliance with the reforms of the previous accords by the Basel Committee (“Basel 3”), the Intesa Sanpaolo Group has undertaken adequate project initiatives in order to improve the measurement systems and the related risk management systems. In 2023, the project work began on the preparations for the incorporation of the restructuring of the Basel Committee agreements (‘Basel 4’).

With regard to credit risks, the ECB authorisations to use the new Corporate (from March 2023) and Specialised Lending models (from December 2023) for regulatory purposes have been implemented.

The periodic updating and alignment to changes in regulations governing IRB systems and their extension continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.

With regard to the progress of the roll-out plan for the internal models for credit risk (IRB regulatory Roadmap), the share of exposures authorised for the IRB system is 88.3% of the loans portfolio. There are no pending authorisations on portfolios not yet validated, while requests to be made for the remaining portfolios of the Group’s Italian and international banks represent 3.6% of the portfolio. For the residual component, equal to 8.1%, the permanent use of the Standardised approach has been reported to the supervisory authorities and authorisation has been received for 5.6% and is still being awaited for 2.5%.

Roll-out plan for internal models for credit risk^{(*) (**)}



^(*) Percentages calculated based on the full standard RWA amounts as at 31.12.2023. The portfolios are considered to be covered by IRB models when the authorisation has been received, from the Supervisory Authority, for use of the internal model for at least one of the risk parameters.

^(**) The following are excluded from the Portfolio:

- risk-weighted exposures with counterparties classified as Sovereigns and DTAs
- exposures to Group Companies that, based on the product classification in the Group Map at the monitoring reference date, do not come under one of the following categories: Banking Companies, Other Financial Intermediaries, and “Cards and Payment Systems” companies.

With regard to counterparty risk, the Banking Group has improved its measurement and monitoring by refining the instruments required under Basel 3. For reporting purposes, the Parent Company is authorised to use the internal models approach for the reporting of the requirement with respect to counterparty risk both for derivatives and for SFTs (Securities Financing Transactions, i.e. repos/reverse repos and securities lending/borrowing). This authorisation was obtained for derivatives from the first quarter of 2014, and for SFTs from the report as at 31 December 2016.

For management purposes, the advanced risk measurement approaches have been implemented for the OTC derivatives of the Parent Company since 2010 and were subsequently extended in 2015 to Securities Financing Transactions.

Compared to 31 December 2022, starting from the fourth quarter of 2023, for counterparties with margin contracts, a monitoring process was introduced for the impact of potential missing payments that could occur before the close-out of the positions, in the event of default. To mitigate these impacts, a process has been introduced for detecting and managing high-risk counterparties with a low credit rating and subject to settlement risk.

With regard to operational risk, the Group obtained authorisation to use the Advanced Measurement Approach (AMA – internal model) to determine the associated capital requirement for regulatory purposes, with effect from the report as at 31 December 2009. As at 31 December 2023, the scope of the Advanced Measurement Approach (AMA) is comprised of Intesa Sanpaolo (including the banks and companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka and Privredna Banka Zagreb.

The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal risk measurement methodologies, internal capital and total capital available, was approved and sent to the ECB in March 2023.

As part of its adoption of Basel 3, the Group publishes information concerning capital adequacy, exposure to risks and the general characteristics of the systems aimed at identifying, monitoring and managing them in a document entitled “Basel 3 - Pillar 3” or simply “Pillar 3”.

The document is published on the website (www.group.intesasanpaolo.com) each quarter.

Other risk factors

In addition to the above risks, the Intesa Sanpaolo Group is carefully assessing the aspect detailed below.

Interest Rate Benchmark Reform – General aspects

Initiated in 2016, following the publication of the EU Benchmark Regulation (Regulation (EU) 2016/1011), over the last few years, the benchmark reform has been characterised in particular by the following:

- in 2019, the start of a new Euribor survey completed by EMMI (European Money Market Institute);
- in 2019, the €STR rate – calculated and published daily by the ECB – replaced the previous fixing of the Eonia rate, also laying the foundations, with the recording of the compound rates and the €STR index, for a Euribor fallback rate, to be indicated in fallback contractual clauses and to be used in the event of any future permanent cessation of publication of the Euribor;
- in 2021, the Financial Conduct Authority (FCA) confirmed that the Libor would no longer be published or would lose validity (i) immediately after 31 December 2021 for all maturities of Pound Sterling, Euro, Swiss Franc and Japanese Yen and 1-week and 2-month maturities for the US dollar and (ii) immediately after 30 June 2023 for the remaining maturities on the US dollar (i.e. overnight, 1-month, 3-month, 6-month and 12-month);
- in 2023, the FCA announced its decision to request the administrator to continue with the publication for 1- 3- 6-month maturities of the synthetic USD LIBOR also after the termination date of 30 June 2023 and until September 2024 in order to facilitate the transition of legacy contracts (other than in cleared derivatives).

The following is a summary of the framework of risk-free rates:

IBOR	Risk Free Rate	Administrator	Secured or Unsecured	Transaction
GBP LIBOR	SONIA	Bank of England	Unsecured	o/n wholesale deposits
USD LIBOR	SOFR	New York Fed	Secured	o/n UST repo
JPY LIBOR	TONAR	Bank of Japan	Unsecured	o/n call rate
CHF LIBOR	SARON	SIX Swiss Exchange Ltd.	Secured	interbank o/n report
EUR LIBOR	€STR	ECB	Unsecured	o/n wholesale deposits

Source: ICE Benchmark Administration, Intesa Sanpaolo

With regard to the LIBOR, in its announcement of 5 March 2021, the Financial Conduct Authority (FCA) established that the LIBOR would no longer be published or would lose validity immediately from 31 December 2021 for all maturities of Pound Sterling, Euro, Swiss Franc and Japanese Yen and 1-week and 2-month maturities for the US dollar. The final phase was activated after 30 June 2023 for the remaining maturities on the US dollar (i.e. overnight, 1-month, 3-month, 6-month and 12-month).

Interest Rate Benchmark Reform – Intesa Sanpaolo's activities

In recent years, Intesa Sanpaolo has closely monitored the developments relating to benchmarks, and in 2016 it launched a dedicated project involving the participation of all the corporate and business functions involved in various capacities.

Leveraging the work of the special project streams and within the expenditure limits set out in the project capital budget, the completion of the transition to the new indices on the various product types was managed in 2023. The activities were concluded in December 2023, after the project objectives were considered to have been achieved. The activities of the project streams have ended, but some residual activities have been directed to and taken over by the respective owners, who will manage them in the ordinary course of operations.

Again in 2023, the Intesa Sanpaolo Group participated in the activities of working groups at European level, organised by EMMI and ESMA. In this latter area in particular, until the final completion of the work in November 2023, Intesa Sanpaolo acted as a voting member and participant to a workstream of the Working Group on euro risk free rates dedicated to monitoring developments in relation to the use of €STR as a Euribor fallback rate but also as a reference rate for the derivatives market and, in the long run, also potentially for other products.

In referring to these Consolidated notes to the financial statements - Part A, Section 5 - Other aspects for a more detailed analysis of the financial instruments impacted by the IBOR Reform at the reporting date and the methods for managing the transitions adopted by the Group, it is noted that, in light of the regulatory measures and actions undertaken, no critical issues were identified in completing the transition by the planned deadlines. Specifically, to manage the stock of existing instruments, the Group set out the mass adoption of the new Risk Free Rates (RFR) on the financial instruments newly subscribed, thus abandoning the use of the benchmarks impacted by the reform and stabilising the stock of transactions to be transitioned, on the one hand, while setting up the solutions for the transition to the new RFR, defined based on the main international recommendations, capable of minimising the financial impacts of the transition, on the other.

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

SECTION 1 – RISKS OF THE CONSOLIDATED BOOK

In this Section, information is provided regarding the companies included in the consolidated book.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information about credit quality, the term “credit exposures” is understood to exclude equities and quotas of UCI.

A.1. Performing and non-performing credit exposures: amounts, adjustments, changes and economic breakdown

A.1.1. Breakdown of financial assets by portfolio classification and credit quality (book values)

Portfolios/quality	(millions of euro)					
	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	TOTAL
1. Financial assets measured at amortised cost	936	3,638	457	3,779	510,140	518,950
2. Financial assets measured at fair value through other comprehensive income	-	-	-	99	139,355	139,454
3. Financial assets designated at fair value	-	-	-	-	1	1
4. Other financial assets mandatorily measured at fair value	1	47	-	6	9,018	9,072
5. Non-current financial assets held for sale	-	122	-	-	17	139
Total 31.12.2023	937	3,807	457	3,884	658,531	667,616
Total 31.12.2022	1,177	4,308	413	5,150	643,958	655,006

A.1.1. Breakdown of financial assets by portfolio classification and credit quality (book values) (of which: Banking Group)

Portfolios/quality	(millions of euro)					
	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	TOTAL
1. Financial assets measured at amortised cost	936	3,589	457	3,779	500,368	509,129
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	67,326	67,326
3. Financial assets designated at fair value	-	-	-	-	1	1
4. Other financial assets mandatorily measured at fair value	1	47	-	6	872	926
5. Non-current financial assets held for sale	-	122	-	-	17	139
Total 31.12.2023	937	3,758	457	3,785	568,584	577,521
Total 31.12.2022	1,177	4,277	413	3,773	557,960	567,600

A.1.1. Breakdown of financial assets by portfolio classification and credit quality (book values)*(of which: Insurance companies)*

Portfolios/quality		Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	(millions of euro)	
						Other performing exposures	TOTAL
1. Financial assets measured at amortised cost		-	-	-	-	5	5
2. Financial assets measured at fair value through other comprehensive income		-	-	-	99	72,029	72,128
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value		-	-	-	-	8,146	8,146
5. Non-current financial assets held for sale		-	-	-	-	-	-
Total	31.12.2023	-	-	-	99	80,180	80,279
Total	31.12.2022	-	-	-	1,377	75,681	77,058

A.1.1. Breakdown of financial assets by portfolio classification and credit quality (book values)*(of which: Other companies)*

Portfolios/quality		Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	(millions of euro)	
						Other performing exposures	TOTAL
1. Financial assets measured at amortised cost		-	49	-	-	9,767	9,816
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value		-	-	-	-	-	-
5. Non-current financial assets held for sale		-	-	-	-	-	-
Total	31.12.2023	-	49	-	-	9,767	9,816
Total	31.12.2022	-	31	-	-	10,317	10,348

A.1.2. Breakdown of financial assets by portfolio classification and credit quality (gross and net values)

Portfolios/quality		NON-PERFORMING ASSETS				PERFORMING ASSETS			(millions of euro)
		Gross exposure	Collective adjustments	Net exposure	Total partial write-offs	Gross exposure	Collective adjustments	Net exposure	TOTAL (net exposure)
1. Financial assets measured at amortised cost		10,026	-4,995	5,031	1,795	516,513	-2,594	513,919	518,950
2. Financial assets measured at fair value through other comprehensive income		36	-36	-	-	139,559	-105	139,454	139,454
3. Financial assets designated at fair value		-	-	-	-	X	X	1	1
4. Other financial assets mandatorily measured at fair value		78	-30	48	-	X	X	9,024	9,072
5. Non-current financial assets held for sale		163	-41	122	-	18	-1	17	139
Total	31.12.2023	10,303	-5,102	5,201	1,795	656,090	-2,700	662,415	667,616
Total	31.12.2022	11,554	-5,656	5,898	3,082	643,518	-2,781	649,108	655,006

Portfolios/quality		ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS	
		Cumulative capital losses	Net exposure	Net exposure	Net exposure
1. Financial assets held for trading		-19	17		35,781
2. Hedging derivatives		-	-		7,006
Total	31.12.2023	-19	17		42,787
Total	31.12.2022	-27	22		51,488

A.1.2. Breakdown of financial assets by portfolio classification and credit quality (gross and net values)
 (of which: Banking Group)

Portfolios/quality	NON-PERFORMING ASSETS				PERFORMING ASSETS			(millions of euro)
	Gross exposure	Collective adjustments	Net exposure	Total partial write-offs	Gross exposure	Collective adjustments	Net exposure	TOTAL (net exposure)
1. Financial assets measured at amortised cost	9,977	-4,995	4,982	1,795	506,732	-2,585	504,147	509,129
2. Financial assets measured at fair value through other comprehensive income	36	-36	-	-	67,403	-77	67,326	67,326
3. Financial assets designated at fair value	-	-	-	-	X	X	1	1
4. Other financial assets mandatorily measured at fair value	78	-30	48	-	X	X	878	926
5. Non-current financial assets held for sale	163	-41	122	-	18	-1	17	139
Total 31.12.2023	10,254	-5,102	5,152	1,795	574,153	-2,663	572,369	577,521
Total 31.12.2022	11,523	-5,656	5,867	3,082	563,390	-2,758	561,733	567,600

Portfolios/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS	
	Cumulative capital losses	Net exposure	Cumulative capital losses	Net exposure
1. Financial assets held for trading	-	-19	-	17
2. Hedging derivatives	-	-	-	-
Total 31.12.2023	-	-19	-	17
Total 31.12.2022	-	-27	-	22

A.1.2. Breakdown of financial assets by portfolio classification and credit quality (gross and net values)
 (of which: Insurance companies)

Portfolios/quality	NON-PERFORMING ASSETS				PERFORMING ASSETS			(millions of euro)
	Gross exposure	Collective adjustments	Net exposure	Total partial write-offs	Gross exposure	Collective adjustments	Net exposure	TOTAL (net exposure)
1. Financial assets measured at amortised cost	-	-	-	-	5	-	5	5
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	72,156	-28	72,128	72,128
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	8,146	8,146
5. Non-current financial assets held for sale	-	-	-	-	-	-	-	-
Total 31.12.2023	-	-	-	-	72,161	-28	80,279	80,279
Total 31.12.2022	-	-	-	-	69,801	-13	77,058	77,058

Portfolios/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS	
	Cumulative capital losses	Net exposure	Cumulative capital losses	Net exposure
1. Financial assets held for trading	-	-	-	27
2. Hedging derivatives	-	-	-	24
Total 31.12.2023	-	-	-	51
Total 31.12.2022	-	-	-	98

A.1.2. Breakdown of financial assets by portfolio classification and credit quality (gross and net values)
(of which: Other companies)

Portfolios/quality	NON-PERFORMING ASSETS				PERFORMING ASSETS			(millions of euro)
	Gross exposure	Collective adjustments	Net exposure	Total partial write-offs	Gross exposure	Collective adjustments	Net exposure	TOTAL (net exposure)
1. Financial assets measured at amortised cost	49	-	49	-	9,776	-9	9,767	9,816
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Non-current financial assets held for sale	-	-	-	-	-	-	-	-
Total 31.12.2023	49	-	49	-	9,776	-9	9,767	9,816
Total 31.12.2022	31	-	31	-	10,327	-10	10,317	10,348

Portfolios/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS	(millions of euro)
	Cumulative capital losses	Net exposure	Net exposure	
1. Financial assets held for trading	-	-	-	-
2. Hedging derivatives	-	-	-	2
Total 31.12.2023	-	-	-	2
Total 31.12.2022	-	-	-	1

B. INFORMATION ON STRUCTURED ENTITIES (OTHER THAN SECURITISATION VEHICLES)

In line with IFRS 12, the Group considers structured entities to be entities set up to achieve a narrow, well-defined objective, defined through contractual arrangements which often impose strict restrictions on decision-making powers of the entity's management bodies. In that sense, structured entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, as they refer to administrative tasks, while the relevant operating activities are directed by means of contractual arrangements agreed on at the time of structuring the structured entity, which are difficult to modify. The characteristics of a structured entity include:

- limited activities;
- a narrow and well-defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support.

The structured entities through which the Group operates are mainly Special Purpose Entities (SPEs) and UCIs.

B.1. Consolidated structured entities

There are no structured entities consolidated in the accounts other than securitisation companies that fall within the scope of the Intesa Sanpaolo Banking Group.

B.2. Structured entities not consolidated in the accounts

B.2.1. Prudential consolidation of structured entities

There are no structured entities consolidated for prudential purposes other than securitisation companies that fall within the scope of the Intesa Sanpaolo Banking Group.

B.2.2. Other structured entities

Qualitative information

As indicated above, the Group's operations through structured entities are also carried out through SPEs. To that end, SPEs are understood as legal entities established to pursue a specific, well-defined and limited objective:

- to raise funds on the market by issuing specific financial instruments;
- to develop and/or finance a specific business initiative, capable of generating, through an economic activity, cash flows which permit the complete reimbursement of the debt;
- to finance the acquisition of a target company which, through its economic activity, will be capable of generating cash flows for the SPEs which permit the complete reimbursement of the debt.

For the purposes of this section, operations carried out through securitisation vehicles, that is vehicles established to acquire, sell and manage specific assets, separating them from the financial statements of the Originator, for the purpose of carrying out securitisations of assets or for acquiring funding through self-securitisations and issues of Covered Bonds (CB), shall not be relevant. For those types of vehicle companies, reference should be made to section "C. Securitisations" and section "D. Sales" of Part E of the Notes to the consolidated financial statements.

In some cases, the Group sponsors the SPE by structuring the transaction to pursue specific objectives, such as raising funds, securitising its own assets also for the purposes of funding or offering financial services to customers.

In detail, the Group's operations are carried out through the following types of structured entities represented by special purpose entities (SPEs).

Project Financing SPEs

These are financing instruments for capital intensive projects, which are based on the economic or financial validity of the industrial or infrastructural project, and are independent from the standing/creditworthiness of the sponsors who developed the "entrepreneurial" idea. The financing of the initiative is based on the project's capacity to generate positive cash flows, sufficient to reimburse loans received and guarantee an adequate risk-adjusted return on invested capital.

The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without acting as sponsor.

Asset Backed SPEs

These are transactions aimed at acquisition/construction/management of physical assets by SPEs financed by one or more entities. Their recovery prospects mostly depend upon the cash flows generated by the assets. The assets generate cash flows in their recurring operations (e.g. rentals, goods transportation contracts, etc.) or in their non-recurring operations (e.g. a real estate development or disposal plan). Generally, the assets are also the collateral for the financing disbursed to the vehicle.

The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without any direct equity investments or any other interests which might lead to presume the role of sponsor. The risk undertaken is always a normal credit risk and the benefits are represented by the return on the financing granted.

Leveraged & Acquisition Finance SPEs

This category includes exposures (loans granted and disbursed in relation to structured financing operations, normally medium/long-term) to legal entities in which the majority of share capital is held by private equity funds.

These are mainly positions in support of Leveraged Buy-Out projects (therefore with high leverage), i.e. linked to the full or partial acquisition of companies through recourse to SPEs. After acquisition of the target company's shares/quotas package, these SPEs are normally merged into the target. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. The Intesa Sanpaolo Group finances entities of this type, as normal borrowers, without acting as sponsor.

The Intesa Sanpaolo Group also has investments in/exposures to structured entities represented by UCIs.

The main cases include the Group's investments in several closed-end and reserved private equity as well as venture and seed capital funds.

The exposures to UCIs also include the investments in units of real estate funds deriving from transactions to contribute portions of the Group's real estate portfolio.

They also consist of investments in UCIs deriving from credit recovery operations or contributions of non-performing loans, together with other banking entities, to funds managed by specialist entities.

The investments in UCIs also include the units held in the Atlante Fund and the Italian Recovery Fund, alternative investment funds managed by the asset management company Quaestio Capital Management, involved in value enhancement of Non-Performing Loans of Italian banks.

Lastly, the Intesa Sanpaolo Group invests in hedge funds. For more information, reference is made to the specific section in Part E of the Notes to the consolidated financial statements.

The Group made further investments in UCIs through the subsidiary Eurizon Capital SGR and the companies controlled by it, in line with the financial portfolio management policies issued by the asset management company and its subsidiaries, in agreement with the Intesa Sanpaolo Group Guidelines. In detail, the asset management company and its subsidiaries have both temporary and structural available funds deriving from company equity that is not permanently invested in equity investments or other fixed assets, and from the ordinary cash flows. Based on that set out in the guidelines for managing the financial portfolio, as part of liquidity management activities, structural and temporarily available funds linked to the trend in short-term and on demand cash flows make up the liquidity portfolio net of the amount held in current accounts or invested in term deposits. In relation to the activities carried out by the asset management company and its subsidiaries and the characteristics of the available funds in question, excess liquidity must be invested in assets with moderate risk that can be easily liquidated. That portfolio includes investments in short-term money market and bond funds, both specialising in the Eurozone, established and/or managed by Eurizon Capital SGR or by its subsidiaries. The Group's investments in UCIs managed by subsidiaries do not prejudice the operational autonomy and capacity of the asset management companies to act in the exclusive interest of investors, considering the specific provisions set out in sector regulations and by the Supervisory Authorities.

The table below summarises the accounting portfolios that the debit and credit transactions with unconsolidated structured entities are allocated to.

Quantitative information

(millions of euro)

Captions / Type of structured entity	Accounting portfolios under assets	Total assets (A)	Accounting portfolios under liabilities	Total liabilities (B)	NET BOOK VALUE (C = A-B)	Maximum exposure to risk of loss (D)	Difference between exposure to risk of loss and book value (E = D - C)
1. Special purpose vehicle		2,531		594	1,937	2,976	1,039
	Financial assets held for trading	101	Due to customers	496			
	Other financial assets mandatorily measured at fair value	3	Financial liabilities held for trading	98			
	Financial assets measured at fair value through other comprehensive income	18		-			
	Financial assets measured at amortised cost - Loans to customers	2,409					
2. UCI		4,016		211	3,805	4,200	395
	Financial assets held for trading	451	Due to customers	209			
	Financial assets designated at fair value	3,367	Financial liabilities held for trading	2			
	Assets measured at amortised cost Loans to customers	198		-			

The maximum exposure to risk, representing the maximum exposure of the Group to losses deriving from its interests in structured entities, is generally equal to the net book value, to which, where applicable, several types of off-balance sheet exposures are added (e.g. committed credit lines or guarantees given). The net book value equals the exposure in the financial statements net of value adjustments recorded during the current and previous years.

For UCIs, the maximum risk exposure also includes the Group's commitments, not yet called up by the fund, to subscribe additional units.

The table below shows the amount and type of revenues earned over the year by structured entities. The main component of the revenues recognised consists of fees deriving from the management and placement of the UCIs sponsored and managed by the Group's asset management companies and placed with customers. The fees in question are charged by the asset management company to the funds managed and partly reversed to the distribution network for the placement service.

(millions of euro)

Type of structured entity sponsored	Interest	Fees and commissions	Dividends	Other revenue	TOTAL
UCI	148	2,042	100	-	2,290
Special-purpose vehicles	154	8	-	72	234

SECTION 2 – RISKS OF THE PRUDENTIAL CONSOLIDATION

In this section the figures are shown gross of the transactions with the other companies included in the scope of the accounting consolidation. These figures usually also include the assets and liabilities, in proportion to the interest held, of the jointly-controlled banking, financial and operational companies consolidated proportionally for reporting purposes. Where the contribution of transactions between the companies included in the prudential consolidation and the other companies in the scope of the accounting consolidation is material, the details of those transactions are provided at the foot of the disclosure concerned.

The following table contains the reconciliation of the consolidated balance sheet with the banking regulatory-scope balance sheet.

		(millions of euro)		
Assets		31.12.2023	Effects of the deconsolidation and consolidation of counterparties other than those in the banking group (*)	31.12.2023
		Financial Statements		Regulatory-scope balance sheet
10.	Cash and cash equivalents	89,270	-680	88,590
20.	Financial assets measured at fair value through profit or loss	144,594	-101,006	43,588
	<i>a) financial assets held for trading</i>	38,163	49	38,212
	<i>b) financial assets designated at fair value</i>	1	-	1
	<i>c) other financial assets mandatorily measured at fair value</i>	106,430	-101,055	5,375
30.	Financial assets measured at fair value through other comprehensive income	140,753	-72,135	68,618
40.	Financial assets measured at amortised cost	518,950	650	519,600
	<i>a) due from banks</i>	32,899	4	32,903
	<i>b) loans to customers</i>	486,051	646	486,697
50.	Hedging derivatives	7,006	-26	6,980
60.	Fair value change of financial assets in hedged portfolios (+/-)	-5,695	-	-5,695
70.	Investments in associates and companies subject to joint control	2,501	7,045	9,546
80.	Insurance assets	813	-813	-
	<i>a) insurance contracts issued that are assets</i>	412	-412	-
	<i>b) reinsurance contracts held that are assets</i>	401	-401	-
90.	Property and equipment	9,825	-541	9,284
100.	Intangible assets	9,524	-525	8,999
	<i>of which:</i>	-	-	-
	- <i>goodwill</i>	3,672	-426	3,246
110.	Tax assets	14,533	-571	13,962
	<i>a) current</i>	1,932	-80	1,852
	<i>b) deferred</i>	12,601	-491	12,110
120.	Non-current assets held for sale and discontinued operations	264	-52	212
130.	Other assets	31,232	-3,412	27,820
Total Assets		963,570	-172,066	791,504
Liabilities and Shareholders' Equity		31.12.2023	Effects of the deconsolidation and consolidation of counterparties other than those in the banking group (*)	31.12.2023
		Financial Statements		Regulatory-scope balance sheet
10.	Financial liabilities measured at amortised cost	642,119	1,082	643,201
	<i>a) due to banks</i>	93,242	-863	92,379
	<i>b) due to customers</i>	440,449	2,346	442,795
	<i>c) securities issued</i>	108,428	-401	108,027
20.	Financial liabilities held for trading	43,493	75	43,568
30.	Financial liabilities designated at fair value	72,782	-51,438	21,344
40.	Hedging derivatives	5,188	-84	5,104
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-3,967	-	-3,967
60.	Tax liabilities	1,946	-849	1,097
	<i>a) current</i>	458	-100	358
	<i>b) deferred</i>	1,488	-749	739
70.	Liabilities associated with non-current assets held for sale and discontinued operations	2	-	2
80.	Other liabilities	12,741	-869	11,872
90.	Employee termination indemnities	767	-5	762
100.	Allowances for risks and charges	4,523	-102	4,421
	<i>a) commitments and guarantees given</i>	524	1	525
	<i>b) post-employment benefits</i>	98	-	98
	<i>c) other allowances for risks and charges</i>	3,901	-103	3,798
110.	Insurance liabilities	119,849	-119,849	-
	<i>a) insurance contracts issued that are liabilities</i>	119,674	-119,674	-
	<i>b) reinsurance contracts held that are liabilities</i>	175	-175	-
120.	Valuation reserves	-2,009	-	-2,009
130.	Redeemable shares	-	-	-
140.	Equity instruments	7,948	-	7,948
150.	Reserves	14,697	-	14,697
155.	Interim dividends (-)	-2,629	-	-2,629
160.	Share premium reserve	28,003	-	28,003
170.	Share capital	10,369	-	10,369
180.	Own shares (-)	-140	-	-140
190.	Minority interests (+/-)	164	-27	137
200.	Net income (loss) (+/-)	7,724	-	7,724
Total Liabilities and Shareholders' Equity		963,570	-172,066	791,504

(*) The effects are attributable to :

- deconsolidation of companies that are not part of the Banking Group;

- proportional consolidation of the jointly controlled companies that are consolidated at equity in the financial statements.

1.1 CREDIT RISK

QUALITATIVE INFORMATION

1. GENERAL ASPECTS

The Group's strategies, Risk Appetite Framework, and Powers and Rules for credit granting and management are aimed at:

- achieving a sustainable goal consistent with the Group's risk appetite and value creation objectives, whilst guaranteeing the quality of its lending operations;
- diversifying the portfolio, limiting the concentration of exposures to counterparties/groups, economic sectors or geographical areas;
- efficiently selecting economic groups and individual borrowers through a thorough analysis of their creditworthiness aimed at limiting the risk of insolvency and mitigating potentially associated losses;
- given the current economic climate, favouring lending business aimed at supporting the real economy and production system and at developing relationships with customers;
- constantly monitoring relationships and the related exposures, through the use of both IT procedures and systematic surveillance of positions that show irregularities with the aim of detecting any symptoms of deterioration in a timely manner.

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.

It should also be noted that the 2022-2025 Business Plan includes specific initiatives aimed at massive NPL stock reduction and continuous pre-emption through a modular strategy.

As a result of the massive de-risking carried out in previous years, in 2023 a number of extraordinary disposals were carried out on portfolios amounting to 1.2 billion euro in Gross Book Value (GBV), in addition to around 0.4 billion euro of GBV from sales of single name loans. The following transactions were also carried out: i) in March 2023, the transaction was completed for the sale of a portfolio for a GBV of 0.8 billion euro, which had already been reclassified to assets held for sale at the end of last year; and ii) in December, a portfolio with a GBV of around 0.2 billion euro was classified under assets held for sale, for which the sale is envisaged in 2024.

For more details, see the paragraph "The 2022-2025 Business Plan" of the Report on operations.

1.1 The valuation impacts for the ISP Group of the military conflict between Russia and Ukraine

Details are provided below of the qualitative and quantitative aspects relating to credit exposures to counterparties resident in the countries in conflict, held in the portfolio of the two subsidiaries resident in Russia and Ukraine, Banca Intesa Russia and Pravex Bank (Ukrainian bank), or credit disbursed by other entities of the Group (cross-border exposures), with particular regard to their valuation.

As at 31 December 2023, the Group presented the following on-balance sheet exposures to counterparties resident in Russia and Ukraine (net of ECA guarantees and gross/net of value adjustments carried out).

(millions of euro)

	31.12.2023 (*)				31.12.2022 (**)			
	Gross exposure		Net exposure		Gross exposure		Net exposure	
	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine	Russia	Ukraine
Loans to customers	872	186	643	123	1,629	216	1,168	103
<i>Banca Intesa Russia</i>	197	-	117	-	372	-	205	-
<i>Pravex</i>	-	62	-	-	-	112	-	-
<i>Cross-border exposures</i>	675	124	526	123	1,257	104	963	103
Due from banks	707	59	696	59	797	63	782	62
<i>Banca Intesa Russia</i>	691	-	683	-	751	-	740	-
<i>Pravex</i>	-	59	-	59	-	63	-	62
<i>Cross-border exposures</i>	16	-	13	-	46	-	42	-
Securities	12	53	10	49	73	11	41	2
<i>Banca Intesa Russia</i>	11	-	10	-	13	-	13	-
<i>Pravex</i>	-	48	-	47	-	-	-	-
<i>IMI C&IB Division</i>	-	-	-	-	31	-	14	-
<i>Insurance Division</i>	1	5	-	2	29	11	14	2

(*) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 46 million euro (39 million euro net) at Banca Intesa Russia, and 34 million euro (gross and net value) at Pravex, in addition to 24 million euro (book value nil in net terms) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 25 million euro (24 million euro net) to customers resident in Ukraine.

There is also 66 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Russia and 10 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.

Lastly, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by European and US persons, while, for the household part, the amounts as at 31 December 2023 and the increase of around 20 million euro compared to 31 December 2022 mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

(**) In addition to the on-balance sheet exposures shown in the table, there are off-balance sheet exposures to customers for 126 million euro (113 million euro net) at Banca Intesa Russia, and 67 million euro (66 million euro net) at Pravex, in addition to 232 million euro (186 million euro net) in cross-border off-balance sheet exposures to resident customers in Russia, net of ECA, and 27 million euro (gross and net value) to customers resident in Ukraine.

There are also 155 million euro (152 million euro net) in cross-border off-balance sheet exposures to banks resident in Russia and 18 million euro (gross and net value) in cross-border off-balance sheet exposures to banks resident in Ukraine.

On the other hand, the cross-border exposures to customers resident in Ukraine are, for the corporate part, backed by guarantees provided by European and US persons, while, for the household part, they mainly relate to exposures disbursed by the subsidiary VUB to households with permanent residence in Slovakia.

As shown in the table, at the end of the year the remaining on-balance sheet exposures to the total counterparties resident in Russia and Ukraine amounted, in terms of gross values, to 197 million euro (117 million euro net) for Banca Intesa Russia and 675 million euro (526 million euro net) for cross-border exposures to customers resident in Russia (net of ECA guarantees). These were accompanied by exposures to banks totalling 707 million euro (696 million euro net) and in securities totalling 12 million euro (10 million euro net). Exposures to customers resident in Ukraine amounted to 186 million euro (123 million euro net), of which 62 million euro (book value nil in net terms) related to the subsidiary Pravex Bank. These were accompanied by exposures to banks of 59 million euro (59 million euro net) and in securities totalling 53 million euro (49 million euro net). The majority of the exposures to Russian¹⁰³ and Ukrainian counterparties essentially consist of loans to customers subject to measurement in accordance with IFRS 9 “Financial Instruments”.

During the year, after the significant reduction in credit risks related to the Russian-Ukrainian conflict achieved in 2022, mainly as a result of the final disposal of two major exposures (for 2.5 billion euro), further reductions in these credit risks were recorded. Specifically, the gross on-balance sheet exposure to total counterparties resident in Russia and Ukraine (customers, banks and securities) decreased by 900 million euro (-32% from the end of the previous year). This reduction was made up of 298 million euro for non-performing exposures to customers resident in Russia, resulting from the sale of an exposure classified as UTP (for 214 million euro) and the authorisation granted to use the (previously frozen) sums received from another exposure also classified as UTP (for 84 million euro); 284 million euro for performing exposures to customers resident in Russia, as a result of repayments and disposals on various exposures; 235 million euro for exposures to banks and customers of the investee Banca Intesa Russia (of which 175 million euro to customers and 60 million euro to banks); and around 61 million euro for securities issued by Russian counterparties.

Gross credit exposures to banks and customers decreased by 881 million euro (-33% compared to the end of 2022). The reduction of 19 million euro for securities reflected the decrease of 61 million euro in securities issued by counterparties resident in Russia, mainly due to disposals, partly offset by an increase in the securities of the subsidiary Pravex towards governments and central banks due to the liquidity made available by the gradual repayments of loans to customers.

¹⁰³ For these purposes, the small exposures to Belarusian counterparties have for simplicity been treated and disclosed together with the exposures to the Russian Federation.

The continued de-risking contributed to a reduction of 578 million euro (-27%) in the overall net exposure (customers, banks, and securities) as at 31 December 2023 to counterparties resident in Russia and Ukraine, which amounted to 1,580 million euro compared to 2,158 million euro as at 31 December 2022.

Starting in March 2022, among the areas receiving the greatest attention in terms of credit assessments in the emergency triggered by the conflict in Ukraine, a specific focus was dedicated to the Group's exposure to counterparties resident in Russia and Ukraine. Specifically, customised measures were implemented to strengthen the oversight of credit risk, also by updating the assessment of creditworthiness, of counterparties with residency or parent companies in the Russian Federation, Belarus or Ukraine. In that context, the deterioration of specific positions was also acknowledged, which were classified among unlikely-to-pay exposures and, as a result, subject to analytical measurement.

As at 31 December 2023, as a result of the significant de-risking described above, the Group Companies from countries other than those involved in the conflict had a total of 24 million euro of on-balance sheet non-performing loans to counterparties resident in Russia.

The non-performing loans of the Russian subsidiary amounted to 40 million euro (61 million euro as at 31 December 2022), while the classification of the entire portfolio of the Ukrainian subsidiary to bad loan status led to the recognition of 62 million euro in bad loans (112 million euro as at 31 December 2022). In line with the disclosure already provided in the Half-yearly Report as at 30 June, with regard to the portfolio that did not show specific signs of deterioration, the analyses of IFRS 9 and the related Annexes show no indications or examples aimed at setting out specific guidelines for the measurement of Expected Credit Losses in contexts of war or defining specific methods of increasing credit risk due to sudden, serious geopolitical crises such as the current one. The most pertinent references to the current scenario seem to be those set out in the Application Guidance of the standard. These allow/suggest the use of collective assessment to verify the existence of a Significant Increase in Credit Risk (SICR) with a view to staging the credit exposures¹⁰⁴, as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (COVID-19¹⁰⁵), using management overlays in the calculation of the ECL, to define the most suitable methods to incorporate the aspects linked to the ongoing conflict into provisions.

For the cross-border positions, the approaches used to determine the ECL as at 31 December 2023 were the same as those already adopted in 2022 and maintained throughout 2023.

The classification to Stage 2 has been confirmed for the counterparties in scope guided by the emergence of "via transfer" risk, namely the risk that counterparties do not honour their debt payment commitments as a result of restrictions or decisions in their countries of residence and not due to aspects directly pertaining to their business, and therefore applied based on the country of residence of the counterparties. This approach was implemented both to determine the SICR and the related classification in Stage 2, and to calculate the ECL.

Specifically, the ECL on the Core scope is calculated using the through the cycle PD associated to the assigned rating, without forward-looking conditioning. This approach was deemed more prudent, as the conditioning methodology, relating to the approaches currently adopted in the satellite models, would not represent the specific risk linked to the countries in conflict. On the other hand, an additional prudential buffer was calculated that ensures equivalence with the use of an estimated loss rate according to an approach based on the transfer of the risk of the country of residence under Pillar 2 modelling (unconditioned LGD of 55% set by the transfer risk model). Lastly, adjustments have been applied to a counterparty (increases in the ECL as calculated above) to capture potential expected losses not adequately measured by the estimates.

The banks of the ISB Division adopt the ratings of the Parent Company and the centrally determined "transfer risk" parameter of LGD on the Group's common cross-border customers. For the other exposures, the ratings are determined by local models, in line with the instructions received from the Parent Company's Group Rating Desk.

With reference to loans to customers disbursed by Pravex Bank, the absolutely serious situation in all of Ukraine also resulted in the definition, for the purpose of measuring the loan portfolio of the subsidiary Ukraine bank, of a highly specific approach, significantly based on rationales, which consider the uncertainties and the risk elements associated with the military conflict. Therefore, in light of the worsening and continuation of the conflict with the consequent impacts on the Ukrainian economy, the choice adopted in the 2022 Financial Statements regarding the classification of the Ukrainian subsidiary's loans to customers as non-performing loans (bad loans), with full write-down of the on-balance sheet component, has been maintained.

With regard to Banca Intesa Russia, specific prudent choices were defined, while also considering the different situation of risk/operations than that of the Ukrainian subsidiary. An approach to classifying and measuring performing loans was therefore adopted that strongly considers the geopolitical risk deriving from the ongoing crisis. Therefore, the assessments carried out on the loans of the subsidiary, following their classification to Stage 2, included a centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict and the increased isolation of the Russian economy. As a result of the provisions made, the total coverage of performing loans of the Russian subsidiary amounted to around 35% of their gross value (40.5% in December 2022).

In addition, there was the repayment – between the end of March and the beginning of April – of the intragroup amount made available to Banca Intesa Russia before the outbreak of the conflict and originally intended for a future capital increase (whose implementation had been suspended as a result of the war events). The sums repaid amounted to an equivalent value of around 200 million euro, in line with what was initially made available. The Parent Company and two subsidiaries had also provided Banca Intesa Russia with loans to support the bank's operations with a residual book value as at 31 December 2023 of 211 million euro.

¹⁰⁴ In particular, see IFRS 9 B5.5.1, IFRS 9 B5.5.4, IFRS 9 B5.5.5, IFRS 9 B5.5.18 and IFRS 9 B5.5.52.

¹⁰⁵ IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic.

For completeness, you are reminded that the real estate assets of the two subsidiaries were also subject to valuation. Given the extreme uncertainty surrounding the current war scenario and the current absence of a real estate market in Ukraine, it was considered prudent to maintain the write-off of the value of Pravex Bank's investment and branch assets and other owner-occupied properties. The sole exception was the Kyiv headquarters, for which it was decided, in view of its strategic function for the banking business, the current control that can be exercised over the condition of the building, and its location, to keep its value unchanged. On the other hand, for Banca Intesa Russia's small real estate asset portfolio, essentially consisting of the Moscow headquarters, the valuation did not identify any items giving rise to the need for a write-down, substantially confirming the carrying amounts.

The securities portfolio of the investee Banca Intesa Russia, amounting to 11 million euro (13 million euro as at 31 December 2022), consisted of Russian government securities classified at fair value level 2 and measured using prices available on the Russian secondary market.

The securities portfolio of the subsidiary Pravex, amounting to 48 million euro (zero as at December 2022), consisted of short-term government securities and securities issued by central banks as an investment of part of the liquidity from the reduction of the loan portfolio. The debt securities issued by Ukrainian counterparties are classified at fair value level 3, while the remaining debt securities are classified at fair value level 1.

Overall, these valuations of the Russian exposures led to the recognition as at 31 December 2023, before tax, of net income totalling 91 million euro, made up of 206 million euro from net recoveries on loans, mainly attributable to collections on cross-border positions, at the subsidiaries Banca Intesa Russia and Pravex; 1 million euro from adjustments on debt securities held by the investee Pravex; and 114 million euro from provisions for other allowances for risks and charges (in addition to the 80 million euro already made as at December 2022) upon consolidation of the investee Banca Intesa Russia to write off its equity contribution to the Group's consolidated financial statements, which was positive at the year end as a result of the investee's positive operating performance.

2. CREDIT RISK MANAGEMENT POLICIES

2.1 Organisational aspects

Within the Intesa Sanpaolo Group, a fundamental role in managing and controlling credit risk is played by the corporate bodies, which, to the extent of their respective competences, ensure adequate coverage of credit risk by setting strategic guidelines and risk management policies, verifying that they remain constantly efficient and effective and assigning tasks and responsibilities to the company functions and units involved in the processes.

The coverage and governance of credit ensured by the corporate bodies is reflected in the current organisational structure, which identifies areas of central responsibility attributable to:

- Chief Lending Officer Governance Area;
- Chief Risk Officer Governance Area;
- Chief Financial Officer Governance Area.

They ensure that risk control activities are managed and implemented, with an appropriate level of segregation, in addition to the establishment of the supporting processes and applications.

The Chief Lending Officer Governance Area, with the aid of its structures (BdT Underwriting Head Office Department, CIB Underwriting Head Office Department, ISB Credit Head Office Department, Credit Governance Head Office Department, Credit Value Preservation Head Office Department and NPE Head Office Department):

- makes material credit decisions, directly or submitting them to the relevant bodies, in relation to the assumption and management of the Group's credit risks, authorising them directly if falling within its prerogatives, including by way of advisory opinions;
- ensures the correct classification and valuation for financial reporting purposes of positions under its responsibility that are classified as non-performing loans;
- ensures the proactive management of credit and guarantees the management and the monitoring of the Group's non-performing loans, within its area of responsibility;
- manages the stocks and flows of bad loans managed within the Group;
- designs and manages transactions for the sale of individual NPE positions or portfolios, credit exposures and other assets within scope, with the collaboration of other competent functions;
- performs monitoring and control on outsourced activities, including the monitoring of the performance KPIs of outsourcers, directly making decisions, or submitting them to the Competent Bodies, regarding proposals exceeding the powers delegated to the outsourcers;
- contributes to the process of formulating the proposal of the Credit Strategies in the analysis of the impacts on the granting of loans and to their definition in relation to the relevant credit management variables, without prejudice to the Chief Financial Officer Governance Area's ultimate responsibility for their finalisation;
- contributes to establishing and evaluating the Group's Sector Framework, coordinating and supporting the Sector Working Group in defining sector performance indicators;
- analyses the evolution of the cost of credit within the Group, also taking into account the application of the aforesaid Credit Strategies;
- assigns and validates the ratings to the relevant positions, also providing support in the definition of the rating assignment processes and tools;

- defines the relevant regulations on credit matters, the requirements for the development of credit tools and contributes to the formulation of the proposals for the assignment of credit granting and management powers, without prejudice to the Chief Risk Officer Governance Area's ultimate responsibility for their finalisation;
- promotes initiatives aimed at disseminating and developing a credit culture;
- ensures, consistently with the guidelines of the Chief Risk Officer Governance Area and in compliance with the Credit Management Guidance, the first level systematic supervision of the relevant loan portfolio, identifying phenomena referring to specific credit aggregates characterised by high levels of anomalies for which to activate the appropriate risk mitigation measures.

The Chief Risk Officer Governance Area is responsible for adapting the Risk Appetite Framework for the management of credit risk, in accordance with company strategies and objectives, as well as for measuring and controlling the Group's risk exposures. Specifically, the Chief Risk Officer Governance Area:

- establishes the metrics for the measurement of credit risk - also with regard to the collective measurement of performing loans and the measurement of non-performing loans on a statistical basis;
- provides risk-adjusted pricing models and ensures the measurement of portfolio risk in relation to Expected Loss, Economic Capital (ECAP) and RWAs;
- monitors the absorption of capital relating to credit risk, supporting the Chief Financial Officer Governance Area in the active management of capital;
- makes proposals for the assignment of Credit Powers;
- ensures the validation of the internal risk measurement systems;
- ensures the establishment and supervision of the governance framework for model risk;
- performs level II monitoring and controls on credit quality, the composition and evolution of the various loan portfolios and the proper classification and measurement of individual exposures ("single name" controls).

The activities are performed directly by the Chief Risk Officer Governance Area for both the Parent Company and the main subsidiaries, using the centralised model.

With regard to the credit risk management policies, the Chief Financial Officer Governance Area:

- assists the Corporate Bodies in defining, in accordance with the Group corporate strategies and objectives, the guidelines and policies on administration and tax, planning and management control, treasury and finance, studies and research, active management of the loan portfolio, relations with investors and rating agencies, and social and environmental responsibility;
- oversees Credit Portfolio Management at Group level, supporting the Divisions in the active management of credit risk, with the aim of improving the risk-return profile of the loan portfolio in order to create value for shareholders;
- establishes the Credit Strategies for the Divisions with the aim of incentivising new disbursements, through pricing adjustments, to the most attractive economic sectors and customer clusters in terms of risk/return profile, also taking into account the Group's ESG policies, monitors the loan portfolio with a view to creating value within the risk-adjusted pricing macro-process and carries out credit risk transfer transactions on the capital market in line with the target portfolio;
- oversees and coordinates the "Group NPL Plan Control Room", a managerial body with consulting, monitoring and guidance functions, established to ensure that the strategic objectives of the Group's NPL Plan are achieved while in compliance with the performance targets, solidity of the capital ratios and creation of value for the Group.

The Chief Data, A.I., Innovation and Technology Officer establishes the model and oversees the Group's Data Governance and Data Quality system, ensuring its dissemination and implementation and coordinating the activities of the parties involved.

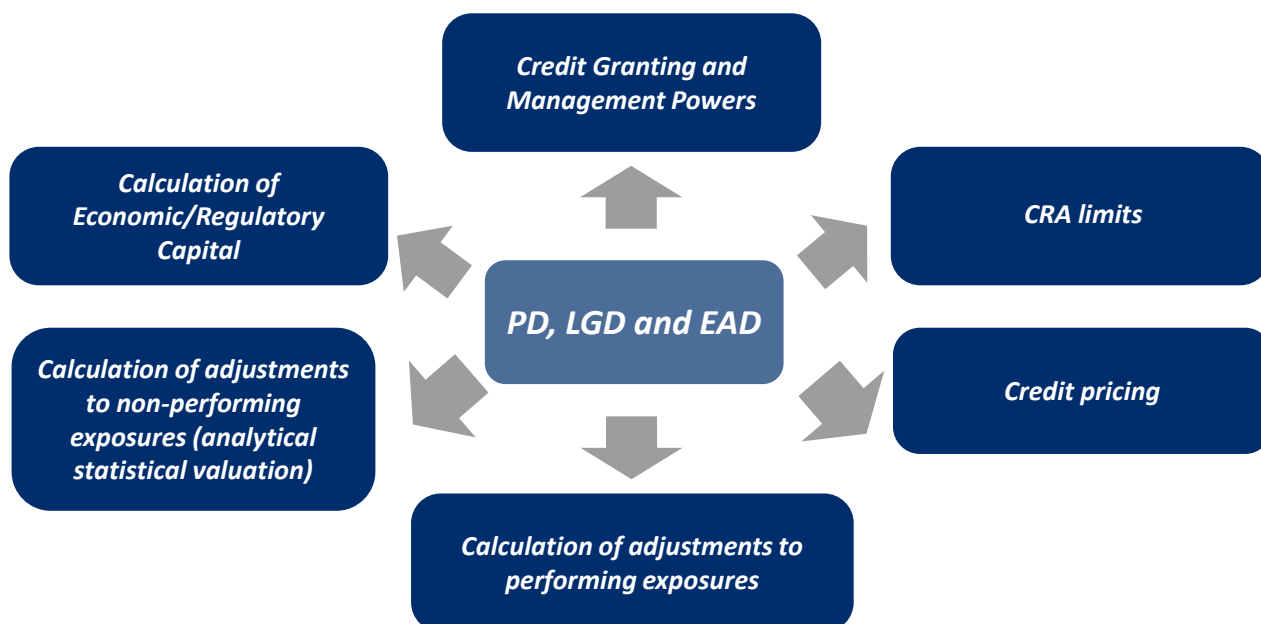
Lastly, as is the case for all the risk areas and above all for credit risk, the Chief Audit Officer performs internal audits aimed at identifying breaches of the procedures and regulations and periodically assessing the completeness, adequacy, functioning (in terms of efficiency and effectiveness) and reliability of the internal control system and the ICT system (ICT audit), at preset intervals according to the nature and extent of the risks.

2.2 Management, measurement and control systems

Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentration of exposures, limit potential losses in adverse scenarios, and maintain credit quality in line with the objectives of capital and financial stability.

Expected Loss and Risk Weighted Assets are fundamental elements for the management, measurement and control of credit risk. These measures incorporate the effects of the exposure size (Exposure at Default - EAD), the relative riskiness of the customer (Probability of Default - PD), the loss estimate where insolvency conditions exist - taking into account the guarantees that mitigate the assumption of risk related to the credit facility (Loss Given Default - LGD) - and the duration of the exposure (maturity), as detailed in Paragraph 2.3.

The components that contribute to the determination of the Risk Weighted Assets are the key elements for the determination of the levels of the Credit Granting Powers, the limits of the Credit Risk Appetite (CRA), the credit pricing, the calculation of the adjustments on performing exposures and the analytical-statistical adjustments on non-performing exposures, as well as the calculation of the economic and regulatory capital.



The Credit Risk Appetite is aimed at optimising the risk/return profile of the assets. The “Rules on Credit Risk Appetite” define the methods for applying the CRA and the methods for calculating the CRA colour class, with associated exposure limits, in order to pursue a growth in lending consistent with the risk appetite defined for the Group.

The objective of the calculation of the pricing of transactions is to define the suitability of the economic conditions based on the value generation with respect to the expressed riskiness and all the components that contribute to the calculation of the value, also including the costs allocated to the structures.

The capital at risk is defined as the maximum “unexpected” loss that the Group may incur over a period of one year with a particular confidence level. It is estimated on the basis of the current situation and also at a forecast level, in line with the Risk Appetite Framework approved by the Group, based on the budget assumptions and the forecast macroeconomic scenario, and in relation to stress scenarios. Risk capital is a fundamental element in the assessment of the Group’s capital adequacy and is calculated within the ICAAP process from both a regulatory and a management perspective.

The levels of Powers set in terms of RWA delimit the decision-making power in the granting phase, specifying the authorised professional profiles and the decision-making procedures for the loans for the individual counterparties. In particular, where the granting of loans by the Group’s subsidiaries exceeds certain thresholds, a request for a “Compliance Opinion” is made to the competent bodies of the Parent Company.

The credit granting phase is also regulated by metrics that are complementary to the RWAs, which define coordination mechanisms and support tools for the ongoing exercise of guidance, coordination and control responsibilities, in implementation of the corporate governance provisions. In particular, the company rules include the Granting Rules, which specify the methods for taking on credit risk with customers, and the Rules on Credit Strategies, which are designed to direct the development and composition of the loan portfolio towards a risk/return profile that is recognised as optimal over the medium/long-term, also taking into account the sustainability of the portfolio from an ESG perspective over the same time horizon.

The credit risk management processes also envisage the periodic review of the credit positions by the competent centralised or decentralised units and the assessment of customers not only at origination, but also on a continuous basis, through a periodic monitoring process that interacts with the credit management and control processes and procedures to ensure timely assessment of any signs of impairment, with an impact on the level of risk of the exposures. An Early Warning System (EWS) for detection and classification is being applied to the Corporate, Retail SME, Retail and Institutions portfolios. In this framework, the Corporate model have been updated in 2023. The models were also developed using the indicators identified in the Asset Quality Review and consist of a statistical part, a qualitative part and additional manual event triggers. The indicators are updated on a daily basis and, when they confirm a potential anomaly positions are detected and reported in specific management processes. The EWS models, as mentioned above, have been undergoing further development since the second half of 2021 for progressive integration into the credit processes (starting from 2023 with the update of the Corporate model). More generally, the Group continued to develop its own managerial models to support the credit granting, monitoring and management processes (e.g. affordability, automatic granting engines, and forecasting). More specifically, in the retail segment, in 2023 the deployment of the affordability model was completed to support both Intesa Sanpaolo’s and Ixybank’s personal loan products and Intesa Sanpaolo’s mortgage loans. In the corporate area, an update was made to the automatic granting engines for the “sold” factoring product for both Retail SME and Corporate, and a new automatic granting model was introduced for the *current account opening*, *POS advance* and *18-1* products for the Retail SME segment. The sector-specific forecasting models support several processes including RAF, credit strategies, and credit granting and monitoring activities/instruments, as well as management overlays for the IFRS 9 models.

The valuation of the adjustments to the performing and non-performing exposures is based on methods consistent with IFRS 9, described in detail in Part A - Section "A.2 - Main financial statement captions" and in particular in the paragraph "Impairment of assets". The paragraph below "2.3. Methods for measuring expected losses" details the main applications used for the 2023 Financial Statements.

Country risk is an additional component of an individual borrower's insolvency risk, measured by credit risk control systems. This component is linked to losses potentially resulting from international lending operations caused by events in a country that are partly or entirely within the control of the government concerned, but not that of the individual residents of the country in question. Country risk therefore takes the form of both transfer risk for non-sovereign counterparties, due to the freezing of international payments, and sovereign risk, which is measured through an assessment of the sovereign states' creditworthiness. This definition includes all forms of cross-border lending to entities residing in a particular country. The country risk component is used in the granting of credit to non-resident entities in order to obtain a preliminary evaluation of the absorption of the country risk limits set on an *ex-ante* basis. These limits, expressed in terms of economic capital, identify the maximum acceptable risk for the Group, set on an annual basis in the Group Risk Appetite Framework. It should also be noted that, as a result of the exceptional situation caused by the outbreak of the Russia/Ukraine conflict, the estimated transfer risk of the Russian Federation was taken as a reference for the establishment of the management overlay of the LGD of the cross-border counterparties as described in paragraph "1.1 The valuation impacts for the ISP Group of the military conflict between Russia and Ukraine".

Counterparty risk is a particular kind of credit risk associated with derivatives and SFTs (Securities Financing Transactions, i.e. repos/reverse repos and securities lending/borrowing), that refers to the possibility that a counterparty may default before the contract expires. This risk, which is often referred to as replacement risk, is related to the case in which the market value of a position has become positive and thus, in the case of default of the counterparty, the solvent party would be forced to replace the position on the market, thereby suffering a loss.

With regard to counterparty risk, the Banking Group has an internal model for measuring this risk both for regulatory (only for the Parent Company) and managerial purposes.

Potential Future Exposure (mean effective PFE 95%) has been adopted by the entire Banking Group for the measurement of the utilisation rate of credit limits for derivatives and SFTs exposures. The Market, Financial and C&IB Risks Coordination Area produces daily risk measurement estimates for counterparty risk, for the measurement of the utilisation rate of credit lines for derivatives and SFTs for the Parent Company and Fideuram - Intesa Sanpaolo Private Banking. The other Banks of the Group also use an internal model measurement approach, in simplified form, through internally estimated add-ons.

In addition, the following company processes were implemented to complete the risk analysis process for the exposure measures implemented over time following the developments discussed above:

- definition and periodic calculation of stress tests on market scenarios and joint market/credit scenarios on counterparty risk measures;
- definition and periodic analysis of Wrong-Way Risk, i.e. the risk of a positive correlation between the future exposure to a counterparty and that counterparty's probability of default;
- definition and monitoring of management limits;
- contribution of collateral inflow/outflow risk measures, calculated on the basis of the internal counterparty risk model, for OTC derivatives and SFTs with margining agreements (CSA, GMRA and similar);
- periodic reporting to the management of measures calculated using the internal exposure model, capital requirement, level of use of management limits, results of stress tests and analyses of wrong-way risk;
- definition and periodic calculation of back-testing analyses to monitor the predictive performance over time of the model with respect to the movements of the risk factors underlying the transactions in the portfolio.

The concentration risk arises from the exposure to counterparties, groups of related counterparties and counterparties in the same business segment or that engage in the same business or operate in the same geographical region. In the annual update of the Risk Appetite Framework, such counterparties are subject to stress tests aimed at identifying and assessing threats for the Group and the most appropriate mitigating actions:

- aimed at defining exposure limits for specific geographical areas and sets of counterparties (e.g.: the top 20);
- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to "large exposures" and to credit lines subject to country risk;
- aimed at ex-post correction of the risk profile, through the secondary loan market, through specific judgement metrics based on the maximisation of overall portfolio value.

The Internal Validation & Controls Coordination Area within the Chief Risk Officer Governance Area carries out specific level II controls on credit and data quality.

The purpose of the credit controls is to verify the proper classification and the adequacy of the management process for individual exposures (so-called single names).

In general, the development of control activities, as well as of guidance and coordination, includes the credit processes assessment also to verify that suitable Level I controls are in place, including proper execution and traceability. The potential areas of investigation to be examined through Single Name controls also consider the results of the monitoring carried out by the Level I Control Functions within the different credit clusters.

It also assesses the compliance of the internal risk measurement and management systems over time as regards the determination of the capital requirements with the regulatory provisions, company needs and changes in the relative market.

The Group's lending activity is focused on Italian customers (over 80% of the total) and is primarily aimed at households and small and medium enterprises.

The exchange of basic information flows between different Group entities is assured by the Group's Central Credit Register (exposure monitoring and control system) and by the "Posizione Complessiva di Rischio" (global risk position), which highlight

and analyse credit risks for each counterparty/economic group both towards the Group as a whole and towards individual Group companies.

From the September 2018 monthly report – following the preparation of the input and generation architecture for the Anacredit reporting, aimed at supporting the “collection of granular credit and credit risk data” as defined by Regulation (EU) 2016/867 of 18 May 2016 – a new reporting system has been in place in compliance with the regulatory provisions established by the ECB and implemented by the related Central National Banks.

2.3 Methods for measuring expected losses

The expected loss is the product of exposure at default, probability of default and Loss Given Default.

In Intesa Sanpaolo, probability of default is measured by means of different rating models according to borrower segment (Corporate, Retail SME, Retail, Sovereigns, Public Sector Entities and Banks). These models make it possible to summarise the counterparty’s credit quality in a measure, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle.

A number of rating models are used for the Corporate segment, which use all available information sources and incorporate the opinions of credit analysts and relationship managers. In particular:

- models differentiated according to the market (domestic or international) and size bracket of the company are applied to most businesses;
- specific models are in use for specialised lending, one for real-estate initiatives, one for project-finance transactions and one for leveraged buy-out/acquisition-finance and asset-finance transactions.

The Corporate model is also used to calculate the resulting RWAs for the Equity portfolio of the Banking Book.

The models applied to the Retail portfolio are as follows:

- for the Retail SME segment, since May 2021, a new automated rating model has been in use that enables the real time calculation of the rating; this model was updated in October 2022 with effects for reporting purposes from June 2023, following receipt of the authorisation letter;
- for the Retail segment, the counterparty rating model in use since September 2018 was updated in August 2022, following the receipt of the authorisation letter, with effects for reporting purposes from September 2022. In May 2023, the Group received approval for the *ex-ante* UBI Retail notification sent in October 2022.

With regard to the Institutions portfolio:

- the models for banks (banks in mature economies and banks in emerging countries) are composed of a quantitative part and a qualitative part, differentiated according to mature and emerging countries, and a country rating component that, based on the bank/country connection, assesses any negative effect of the country on the counterparty credit risk or, vice versa, the support capacity in the event of difficulties of the bank being assessed;
- the models used for Municipalities and Provinces are default models, whereas shadow rating models based on agency ratings are used for the Regions. An approach to extend the rating (with the application of a downgrading) for the regulatory Entity (e.g.: Region) has been adopted for local healthcare authorities and other sector entities. For the Sovereign portfolio, the structure of the rating model includes a quantitative module that takes into account the structural rating assigned by the main international agencies, the implicit risk in the market prices of sovereign debt, the macroeconomic assessment estimated with an econometric model, and a qualitative opinion component, which supplements the quantitative opinion with elements drawn from the broader scope of publicly available information concerning the political and economic structure of the individual sovereign countries. The Sovereign rating model is used solely for management purposes.

For the international subsidiary banks of the Group, PD models are used, which may be:

- developed by the international subsidiary banks in order to capture the specific features of the risk of the local counterparties;
- extended by the Parent Company;
- borrowed from the Parent Company and adapted to local situations.

Some of these models are used for reporting purposes and others only for management purposes.

The Loss Given Default (LGD) models are based on the concept of “Economic LGD”, namely the present value of the cash flows obtained in the various phases of the recovery process net of any administrative costs directly attributable to the exposure as well as the indirect management costs incurred by the Group, and consists, in brief, of the following elements:

- estimate of a Bad Loan LGD Model: starting from the LGD observed on the portfolio, namely “Workout LGD”, determined on the basis of the recoveries and costs, a regression econometric model of the LGD is estimated on variables considered to be significant for the determination of the loss associated to the Default event;
- application of the Danger Rate, a multiplying correction factor, used to recalibrate the Bad Loan LGD with the information available on the other default statuses, in order to calculate an LGD representative of all the possible default statuses and their evolution;
- application of an additional correction factor, known as “Final Settlement Component”: this component is used as an add-on to the estimate recalibrated for the Danger Rate in order to consider the loss rates associated with positions not evolved to the Bad Loan status (Unlikely to pay or Past Due positions).

LGD is determined according to differentiated models, specialised by operating segment (Corporate, Retail SME, Retail, Factoring, Leasing, Public Entities and Banks). As in the case of the PD, the models that have been adopted for the LGD of the International Subsidiary Banks of the Group were developed by the banks themselves, extended by the Parent Company, using local parameters where necessary or changed by the Parent Company, with adaptations to each international subsidiary bank.

For the banks, the LGD calculation model partly diverges from the models developed for the other segments as the estimation model used is based on the market price of debt instruments observed 30 days after the official date of default and relating to a sample of defaulted banks from all over the world, acquired from an external provider. The model is completed by an econometric estimate aimed at determining the most significant drivers, in accordance with the practice in use for the other models, and a recalibration of the observed LGD levels on the bank’s internal defaults.

Sovereign LGD is estimated by analysing historical recovery rates on sovereign defaults, split into five categories according to income levels and other specific characteristics the individual countries.
The LGD Sovereign model is used solely for management purposes.

The calculation of the Exposure at Default (EAD) uses differentiated models, specialised by operating segment (Corporate, Retail SME and Retail). Specifically, the methodology is based on data from the 12 months prior to the default event and differs according to whether or not there is a margin available at the observation date. In any case, corrective factors are applied in compliance with the regulatory requirements and in order to introduce a margin of conservatism on the estimates. Regulatory parameters are currently used for the low default segments of the Banks and Public Entities and for the Leasing and Factoring products of the Corporate Portfolio.

Portfolio	PD - Model Type	LGD - Model Type	EAD - Model Type	Status
Sovereign	Shadow model based on agency rating	Model based on recovery rates estimated by rating agencies	Regulatory parameters	Used for management purposes only; Standardised approach for reporting purposes
Institutions	Default model (Banks) ⁽⁴⁾	Market model (Banks)	Regulatory parameters (Banks)	AIRB authorised since June 2017
	Default model (Municipalities and Provinces) Shadow model (Regions) ⁽⁴⁾	Workout model (Municipalities, Provinces, Regions)	Regulatory parameters (Municipalities, Provinces, Regions)	AIRB authorised since June 2017
Corporate	Default model (Corporate)	Workout model (Bank products; Leasing and Factoring)	CCF/K factor model (Bank products) Regulatory parameters (Leasing and Factoring)	FIRB authorised since December 2008, AIRB LGD authorised since December 2010, EAD authorised since September 2017 ⁽¹⁾
	Simulation models (Specialised Lending)	Simulation models / Workout models (Specialised Lending)	CCF/K factor model (Specialised Lending)	AIRB authorised since June 2012 EAD authorised since October 2023
	Expert-Based Model (Non-Banking Fin. Inst.)	Regulatory parameters (Non-Banking Fin. Inst.)	Regulatory parameters (Non-Banking Fin. Inst.)	Used for management purposes only; Standardised approach for reporting purposes
Retail	Default model (Retail)	Workout model (Retail)	CCF/K factor model (Retail)	IRB Other Retail authorised since September 2018, IRB Mortgage since December 2010 ⁽²⁾
	Default model (Retail SME)	Workout model (Retail SME)	CCF/ K factor model (Retail SME)	IRB PD/LGD authorised since December 2012, EAD authorised since June 2021 ⁽³⁾

- 1) ISP authorised for FIRB from December 2008, for LGD AIRB from December 2010 and for EAD from 2017, Banca IMI (2012, merged by incorporation into the Parent company since 2020), ISP Ireland (2010), VUB (2010), Intesa Sanpaolo Bank (2017), and ISP Luxembourg (2017). From 2017, the Corporate model has also been used to calculate the risk on the Banking book equity portfolio with LGD 65%/90%.
- 2) VUB authorised from June 2012 for PD and LGD of Retail Mortgage models and from December 2022 in reference to PD-LGD-EAD models of Other Retail.
- 3) VUB authorised from June 2014.
- 4) ISP and Banca IMI (merged by incorporation into the Parent company in 2020) authorised from 2017.

For the Group companies included in the roll out plan, the internal rating models (PD) and the EAD and LGD models are subject to a level two control by the Validation function and a level three control by the Internal Audit Department. The control functions produce annual reports for the Supervisory Authority on the compliance of the models with the supervisory regulations, which also includes a verification on the deviations of the ex-ante estimates and the effective ex-post values. These reports, approved by the Board of Directors of Intesa Sanpaolo, confirm the compliance to the regulatory requirements.

The methodology for the estimation of the Expected Credit Loss (ECL), adopted for the determination of the impairment on the credit exposures in accordance with IFRS 9, is implemented at individual transaction or securities tranche level, based on the IRB modelling of the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to which appropriate adjustments are made to ensure compliance with the requirements of the standard. A detailed description of the methods adopted by the Group is provided in Part A - Section "A.2 - Main financial statement captions" and in particular in the paragraph "Impairment of assets", to which reference is made.

More specifically, the measurement of the financial assets reflects the best estimate of the effects of future conditions and in particular the economic conditions that affect the forward-looking PDs and LGDs. IFRS 9, also based on the guidance from the international regulators, gives particular importance to information on future macroeconomic scenarios in which the Bank may find itself and which clearly influence the situation of the debtors, with regard both to the "risk" of migration of exposures to lower quality classes (and therefore concerning the staging) and to the recoverable amounts (and therefore concerning the determination of the expected loss on the exposures). In terms of method, various possible alternative approaches designed to take account of these elements have been analysed. Of the various alternatives considered, the Intesa Sanpaolo Group has decided to adopt the "Most likely scenario+Add-on" approach. According to this approach, the macroeconomic conditioning of PD and LGD is carried out through a baseline scenario ("Most Likely", in line with the approach used for other business purposes such as, for example, the budget and business plans) and then corrected with an Add-On, calculated based on the distance between the baseline scenario and the alternative scenarios. If the overall impact of the Add-On on the

risk parameters is positive, the decision has been made to neutralise the effect for both staging and ECL calculation purposes. As at 31 December 2023, the usual update was made to the time series for the satellite models adopted in the Core scope, and, following the update, the most significant variables and the methodological framework adopted in previous years for those models were confirmed.

The effectiveness of the IFRS 9 models is monitored by the Validation function once a year through specific backtesting of the risk parameters (staging criteria, PD, LGD and EAD models, and haircuts). In addition, in the event of significant updates, the Validation function performs prior checks also in terms of model design. The results of the checks by the Validation function are submitted to the competent managerial committees and model owner functions and are presented in the annual report on the internal models used for management purposes, which is also sent to the Supervisor.

Macroeconomic scenario for forward-looking conditioning

For the purposes of forward-looking conditioning of the parameters for estimating the ECL – in accordance with the approach described in Part A - Accounting Policies and in particular in the paragraph “Impairment of assets” – Intesa Sanpaolo’s policy involves the use of the macroeconomic scenario defined and updated by the Research Department.

The table shows the main macroeconomic scenario variables used to determine expected credit losses from a forward-looking perspective, broken down by baseline, best-case and worst-case scenarios. These scenarios were applied in the measurement of loans according to the “Most-Likely scenario + Add-on” model described above.

	Baseline				Mild				Severe				
	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	
Euro Area	Real GDP EUR (annual change)	0.4%	0.4%	1.5%	1.6%	0.4%	1.1%	1.7%	1.9%	0.4%	-0.0%	0.6%	1.1%
	CPI EUR (annual change)	5.4%	2.3%	2.0%	1.9%	5.4%	2.4%	2.3%	2.0%	5.4%	2.2%	1.5%	1.7%
	Euribor 3M	3.43	3.75	2.96	2.53	3.43	3.84	3.54	3.28	3.43	3.03	2.19	1.59
	EurIRS 10Y	3.08	3.12	3.41	3.72	3.08	3.22	3.73	4.15	3.08	2.74	2.87	3.13
	EUR/USD	1.08	1.11	1.13	1.15	1.08	1.10	1.13	1.15	1.08	1.11	1.15	1.15
Italy	Real GDP Italy (annual change)	0.7%	0.7%	1.2%	1.0%	0.7%	1.1%	1.6%	1.4%	0.7%	-0.3%	0.3%	0.6%
	CPI Italy (annual change)	5.6%	1.9%	1.9%	1.9%	5.6%	2.0%	2.3%	2.1%	5.6%	1.7%	1.3%	1.5%
	Residential Property Italy (annual change)	1.1%	0.6%	1.4%	2.1%	1.1%	1.5%	2.0%	2.6%	1.1%	-2.6%	-1.8%	-0.5%
	6-month BOT yield	3.45	3.46	2.78	2.48	3.45	3.54	3.33	3.21	3.45	2.77	2.03	1.58
	10Y BTP yield	4.19	4.09	4.49	5.16	4.19	4.03	4.67	5.43	4.19	3.92	4.22	4.96
	BTP-Bund Spread 10Y (basis points)	171	159	159	169	171	143	145	153	171	181	186	209
Italian Unemployment (%)	7.6	7.9	7.8	8.0	7.6	7.8	7.6	7.7	7.6	8.3	8.6	8.9	
Commodities	Natural gas price (€/MWh)	43	35	30	26	43	35	31	26	43	35	28	25
	Oil price (BRENT)	82	80	78	76	82	81	83	79	82	79	72	70
USA	Real GDP US (annual change)	2.5%	1.5%	1.7%	1.9%	2.5%	2.1%	1.8%	2.3%	2.5%	0.5%	0.7%	1.9%
	US Unemployment (%)	3.7	3.8	3.8	3.7	3.7	3.7	3.6	3.5	3.7	4.2	4.5	4.3

Scenarios produced in December 2023 by the Research Department. Forecast data for the fourth quarter of 2023 (GDP, unemployment and real estate prices) or December 2023 (interest rates, inflation, exchange rates, stock market indices, and spreads) and for the years 2024, 2025 and 2026.

The updated scenario incorporates a downward revision of the forecasts for Italy and the Eurozone for the second half of 2023 and is based on an assumption of global growth in 2024 similar to that of 2023 but subject to much geopolitical uncertainty.

The inflation forecasts have been revised downwards, confirming the scenario of rapidly declining inflation – increasingly supported by the trend in the official price data. The recent data, which was lower than forecasted, explains much of the revision of the 2024 annual average.

The December scenario incorporates a more rapid path of decline in ECB rates in 2024-25 compared to the June scenario, but is more conservative than the market expectations, reflecting the reduction in risks on the inflation front and the lowering of the growth estimates in the meantime. However, the risk of missing the inflation target again in 2025 will keep monetary policies restrictive for longer than expected.

The conflict in the Middle East in the most likely scenarios, which assume that it will remain within limited geographical boundaries, is not expected to have particularly heavy impacts on the global economy. Only in the event of the conflict spreading to other Middle Eastern countries would there be strong impacts on the Eurozone economies, with uncertain implications for monetary policy.

There are still risks in the scenario. While the endogenous risks associated with monetary policy transmission and disinflation are receding, other factors remain, such as the risk of lower-than-expected growth in China, or the risk stemming from the international situation marked by military conflicts that indirectly involve the West and may affect the market for commodities, particularly energy commodities. Other risks of the emergence of recessionary episodes in the Eurozone may derive from the rebalancing of the labour market (which should take place at a limited cost in terms of redundancies, without jeopardising the recovery in real household incomes). Problems of a structural, non-cyclical nature are emerging more clearly: many Western governments appear to be struggling to manage the consequences of ageing populations, climate change and energy

transition, after having failed to manage globalisation and immigration and their social consequences. And the scope for action is being limited by the high level of public debt.

In Italy, a phase of substantial stagnation began at the end of 2022, which, according to the Research Department's forecasts, may also continue in 2024, leaving the annual growth in line with that of 2023 at 0.7% (the June forecast for 2024 was 1.3%). This has been due to the energy and inflationary shock since the end of 2022, compounded by monetary tightening and less generous construction bonuses. However, two significant recovery factors could materialise in the course of 2024, namely the recovery of household real disposable income and the acceleration of expenditure flows funded by the NRRP. These should overcome the obstacles posed by the increase in interest rates and the reduction in construction bonuses from the second half of 2024, laying the foundations for an acceleration in GDP only from 2025 (at 1.2% in line with the June forecast). The employment situation continues to be an important supporting element of the scenario. On the consumption side, spending on services will be affected by the absence of the boost from the use of surplus savings and the post-pandemic normalisation of lifestyles, while spending on durable goods will be impacted by the increase in interest rates. Investment slowed down sharply already in 2023, due to the rise in interest rates and the squeeze on construction bonuses, and these factors may continue to weigh on the first half of 2024, causing an additional year-on-year deceleration of 0.2%. A recovery is expected in 2025, mainly driven by the acceleration of infrastructure work funded by the NRRP. The construction sector is particularly affected not only by the increase in interest rates and less generous construction bonuses, but also by the fact that costs of materials are still at historically high levels.

In 2024-25, the impact of the NRRP will be crucial to sustaining GDP growth. The revision of the NRRP approved last November will result in a shift to 2025-26 of the number of conditions to be fulfilled, as well as the amount of the expected instalments to be paid to Italy by the EU.

In relation to inflation, the Research Department assumes that the low point may have been reached at the end of 2023 and inflation may subsequently rise again due to the absence of the base effects on energy and the ending of the measures taken by the authorities to combat high prices. Compared to the June forecast, inflation stands at 1.9% against 2.3% for 2024 and 1.9% against 2.1% in the previous forecast.

The slowdown in growth may lead to a rise in unemployment, to 7.9% on average in 2024 (7.8% in June) after 7.6% in 2023 (8.0% in June).

Despite the prospect of high levels of issuances during monetary tightening, the scenario incorporates a lower risk premium on BTP than previously estimated, at 159 basis points in 2024 compared to 165 in the previous forecast. This reflects the improved outlook from Moody's and the more concrete prospect of a reversal in the monetary policy cycle (which could favour the market's absorption of supply, counteracting the effects of the reduction of the ECB portfolios). The yield on BTPs is in any case expected to rise prospectively, in view of the gradual reduction by the ECB of the stocks of government securities of EU countries in its portfolio, purchased as part of the quantitative easing programme initiated in 2015, with the consequent repositioning of the rate curve on steeper inclines, also with reference to Bunds, more in line with the trends observed historically.

As described in Part A - Accounting Policies of these Notes to the consolidated financial statements, and in particular in the section "Impairment of assets", the methodology adopted by the Group includes taking into account alternative scenarios (best-case/worst-case), which mainly use external information (among others, the minimum and maximum forecasts of a fundamental variable such as GDP based on data from Consensus Economics).

With regard to the favourable scenario, the assumptions adopted yield a scenario with higher real growth rates, higher inflation, and lower unemployment rates. The performance of the stock indices and real estate prices is more robust than in the baseline scenario, but with a narrower gap due to the stronger performance of interest rates. Interest rates are higher across all maturities: in 2024, short-term ECB rates are around 9 basis points higher than in the baseline scenario, whereas at the end of the three-year period the differential is 75 basis points. As in June, this is a characteristic feature of the scenario, which describes a situation in which central banks ease monetary policy more slowly in response to cyclical signals indicating a smaller than expected slowdown, and more pressure on core inflation, compared to what is needed to restore price stability. The "adverse" scenario was formulated using the lowest forecasts for GDP growth in the Consensus Economics survey, published in December 2023, for the main advanced countries. The performance of Italian GDP is expected to be weak, with a moderate recession in 2024, followed by a modest recovery in 2025-26, while the Eurozone's GDP performance is assumed to be only slightly stronger, with GDP stagnant on an annual basis, with modest contractions on a quarterly basis.

This will result in a faster and deeper fall in inflation, allowing the ECB to ease monetary policy to the point of becoming expansionary, rather than neutral as in the baseline scenario. At the end of the three-year period, the level of short-term rates is 94 basis points lower than in the baseline scenario, while the ten-year IRs are 59 basis points lower.

A negative shock has been applied to the performance of stock market indices and real estate prices (Italy and the US). The adverse scenario also includes significantly higher levels of the BTP-BUND spread (+22 basis points in 2024 widening to 40 basis points in 2026), assuming that the global demand shock is compounded by a moderate domestic idiosyncratic shock, e.g. due to difficulties in implementing the NRRP or the significant pressure from the offering of government securities on domestic financial flows in 2024.

At the end of the year, the banks of the International Subsidiary Banks Division also updated their estimates on the basis of the forecast scenarios for their geographical scope.

ECL sensitivity analysis

The ECL, calculated in accordance with IFRS 9, was subject to sensitivity analysis aimed at analysing its variability with respect to the individual alternative scenarios in accordance with the ESMA recommendations.

That analysis was conducted on a portfolio of performing loans (Stage 1 and Stage 2) relating to the scope representing the Group (which includes the banks and companies in Italy, Intesa Sanpaolo Lux and Intesa Sanpaolo Ireland, which represent around 90% of the Group's total exposure).

As noted in the paragraphs above, the approach adopted by the Group to estimate the ECL for the macroeconomic conditioning of PD and LGD involves the use of a ("Most Likely") baseline scenario which is then adjusted with an Add-On calculated based on the distance between the baseline scenario and the best-case/worst-case scenarios. These are largely determined from the selection of the most optimistic/pessimistic assumptions of the Consensus Economics macroeconomic variables and therefore incorporate the forecasts made.

The sensitivity analysis is the difference between the ECL determined using the assumptions adopted for the alternative scenarios (best-case and worst-case) and the ECL derived from the model referred to above, which therefore already includes the alternative forecasts factored by means of their distance from the baseline scenario.

Based on the above, and the fact that the distance between the worst-case and best-case scenarios compared to the baseline scenario is small and broadly symmetrical, the application of the worst-case scenario would result in 1 billion euro of exposure sliding into Stage 2, an increase of around 47 million euro in the ECL, and a slight increase in the coverage ratio. On the other hand, the sensitivity of the portfolio to the best-case scenario would see a decrease of 76 million euro in the ECL, with a return to Stage 1 of 1.6 billion euro of exposures. The coverage ratio for performing exposures would decrease by 2 basis points.

To take account of the forecast risk identified by both the Research Department and the other forecasters, as well as the greater uncertainty inherent in the forward-looking scenarios, the Group has included an adjustment (described in more detail in the paragraph below) included within the ECL of the performing loans recognised in the 2023 Financial Statements. The aim of this adjustment is to capture these elements of uncertainty by considering more extreme alternative scenarios that incorporate assumptions of significant deviations from the forecasts regarding the evolution of the macroeconomic situation. The adjustment for the extreme alternative scenarios, which resulted in a worsening of the ECL of around 250 million euro, is not incorporated in the sensitivity analysis described above. A further intervention, also described below, is aimed at capturing vulnerabilities that affect the individual economic sectors asymmetrically, which are not captured by the models being used and, therefore, cannot be directly linked to the forward-looking components subject to sensitivity analysis.

Managerial adjustments to the results of the models

With regard to the methodologies for estimating impairment losses on performing credit exposures, in certain circumstances adjustments may need to be applied to the valuations, related to particularly complex and volatile macroeconomic situations, compared to the results of the models adopted. This may arise as a result of new events or risks of an unexpected nature that were not observed in the time series used for the models and cannot be reliably projected for the purposes of the forward-looking component required by IFRS 9.

These adjustments were applied by the Intesa Sanpaolo Group with the emergence of the Covid 19 pandemic starting from 2020 and maintained in subsequent years, although with different sizes, in relation to the Russian-Ukrainian conflict, the subsequent effects on energy and commodity prices and the resulting rising inflation and monetary policy scenario.

For the 2023 Financial Statements, given the high level of uncertainty and volatility in the geopolitical situation and the macroeconomic forecasts, the Intesa Sanpaolo Group has continued to apply these adjustments.

In view of the continued presence of these elements of uncertainty, during the year the Group significantly strengthened the methodological framework supporting the adoption and implementation of the managerial adjustments applied to the statistical valuation of the performing loans.

The new framework consists of two complementary elements, which together maintain the levels of the adjustments already present in the third quarter:

- the first intervention, defined under the responsibility of the CRO Area, is aimed at identifying an estimated adjustment to possible risk scenarios currently not captured by the IFRS 9 framework, namely, in the presence of specific economic circumstances of high volatility and/or with risks of significant deviation from the expected scenarios; essentially, in those circumstances, there is a higher risk that the forward-looking scenario may diverge from the range represented by the baseline, best-case and worst-case scenarios underlying the “most likely+add on” model described above, and the aim of the adjustment is to capture this wider “cone” of volatility and consequently the greater uncertainty about the forward-looking trajectory of the macroeconomic dynamics;
- the second intervention, defined by the CLO Area, strengthens the methodological framework for identifying vulnerabilities of specific portfolios (across sectors, geographies and rating classes) most exposed to impacts from structural and/or emerging risk factors or a combination of those factors. The current economic environment is characterised by crises that affect individual product sectors asymmetrically. In such cases, the current modelling, statistically based on macro-sectors, often fails to capture these differences. The valuation results derived from the models are therefore supplemented with industry, sector and management assessments derived from credit monitoring activities.

In addition to providing a better focus on the sectors that are most subject to emerging risks and are most vulnerable, the new framework enables the identification, in line with the Regulator’s expectations, of a sub-scope potentially subject to classification to Stage 2.

With regard to the first intervention, with the aim to capture emerging risks not already incorporated in the usual scenarios and to determine an adjustment, the Bank has decided to use alternative scenarios that are more extreme than those already used for the calculation of the add-on incorporated in the models and generally unrelated to the time within the cycle. The management adjustment is therefore equivalent to the additional impact of using those extreme scenarios defined starting on a long-term scenario (unrelated to the specific economic circumstances). This intervention, which also met with the approval from the internal validation function, has no impact in terms of staging: the identification of extreme scenarios – unrelated both to a defined forecast time horizon and to a verified or presumed increase in the credit risk of the positions in the portfolio – is not apt to constituting a contribution to indicators of significantly increased credit risk and, therefore, a staging trigger for IFRS 9 purposes.

Alongside the above methodological development, which maintains a consistent approach with the models already in use, the methodological framework for identifying specific vulnerabilities of certain portfolios (across sectors, geographies and rating classes) was also strengthened. To this end, the aim was to use the information obtained from the credit quality monitoring processes, to develop a framework based on granular data capable of combining the risk profile assessment derived from traditional modelling with the assessment of industrial, sectoral, operational and managerial credit metrics derived from the management, monitoring, rating assignment and customer relationship management at local level. The framework identifies 3 vulnerability bands (high, medium and low). An estimated adjustment is applied to the ECL of exposures belonging to the “medium” and “high” categories, assuming a worsening of the prospective probability of default of the exposures (under stress). For the “high” risk exposures belonging to sectors with negative default rates in the last year, these are given a Stage 2 classification, if not already present.

The banks of the International Subsidiary Banks Division, in a large number of cases, have also adopted prudent margins, through management overlays, based on specific assessments of the current and future situation and the characteristics of their portfolios.

Overall, the adjustment allowances for performing exposures as at 31 December included prudential elements of 0.9 billion euro relating to both on-balance sheet and off-balance sheet exposures. This figure does not include the additional provisions made on exposures to Russian and Ukrainian counterparties, relating to cross-border positions, and those of Banca Intesa Russia and Pravex, already described in Chapter 1.1 of this Part E.

2.4 Credit risk mitigation techniques

During the credit granting and managing process, the acquisition of mitigating factors is encouraged for counterparties with non-investment grade ratings or for certain types of medium/long-term transactions.

The mitigating factors that have the greatest impact include pledges of financial assets and residential mortgages. Other forms of risk mitigation are pledges on non-financial assets and non-residential mortgages.

The strength of the personal guarantees issued by rated parties, typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the type of guarantee and guarantor's credit quality.

Detailed processes govern the material acquisition of the individual collateral and guarantees, identifying the structure responsible as well as the methods for their correct completion, for archiving the documentation and for the complete and timely recording of the related information in the systems.

The set of internal regulations and organisational and procedural controls is aimed at ensuring that:

- all the requirements for the validity and effectiveness of credit protection are satisfied;
- a standard contractual framework is defined for guarantees and collateral of general and current use, accompanied by full instructions for its use;
- the methods for approving collateral and guarantee documents deviating from the standard by structures other than those in charge of commercial relations with the customer are identified.

The guidelines for the management of collateral and guarantees are the same for the entire Group. The management of collateral and guarantees received for the Parent Company and the Italian subsidiaries is carried out on a single platform, which is integrated with the register of assets and the portal that manages the immovable property valuations.

The granting of credit with the acquisition of collateral is subject to internal rules and processes – for the valuation of the asset, the acquisition of the collateral and the control of its value. The enforcement of the collateral is handled by specialist departments, which are responsible for credit recovery.

In any case, the presence of collateral does not grant exemption from an overall assessment of the credit risk, focused mainly on the borrower's ability to meet the obligations assumed, irrespective of the associated collateral.

Within the granting process, the assessment of the pledged collateral is based on the actual value, namely the market value for financial instruments listed on a regulated market, or, otherwise, the estimated realisable value. The resulting value is multiplied by the haircut percentage rates, differentiated according to the financial instruments accepted as collateral. For real-estate collateral, on the other hand, the prudential market value is considered, and for properties under construction, the construction cost is considered, net of prudential haircuts differentiated according to the intended use of the property.

Assets are appraised by internal and external appraisers. The external appraisers are included in a special list of professionals accredited on the basis of an individual verification of their capabilities, professionalism and experience. The valuation of residential properties used as collateral for mortgage loans to private individuals is mainly assigned to specialised companies. The work of the appraisers is monitored on an ongoing basis, by means of statistical verifications and sample checks carried out centrally.

The appraisers are required to produce estimates on the basis of standardised appraisal reports, differentiated according to the valuation method to be applied and the characteristics of the asset, in accordance with the "Rules on immovable property valuations for credit purposes" drawn up by the Bank. The internal rules are consistent with the main supervisory regulations on property valuations, including, to name but a few, the "Guidelines for the valuation of real estate properties securing credit exposures" promoted by the Italian Banking Association, the EBA "Guidelines on Loan Origination and Monitoring", the RICS "Global Valuation Standards" and the TEGoVA "European Valuation Standards".

Property valuations are managed through a specific integrated platform covering the entire appraisal phase, ensuring that assignments are properly awarded, on an independent basis and according to objective criteria, the workflow is thoroughly monitored, valuation standards are correctly applied and all information and documents regarding real estate are kept.

The market value of the immovable property collateral is periodically recalculated through various statistical valuation methods, that make use of prices/coefficients provided by an external supplier with proven skills and a solid reputation for surveying and measuring the market prices of Italian real-estate assets.

Asset value is constantly monitored. The appraisers carry out inspections and verify the work progress for properties under construction. The valuation is duly updated in the event of restriction or splitting mortgage, of damage to the property, significant impairment losses reported by market indicators used to monitor fair value and, in any case, according to the due dates established for significant exposures, or when there are immovable properties securing non-performing loans.

In order to limit the risks of absence or termination of the protection, specific safeguards are in place, including: restoration of a pledge when the assets decrease below their initial value or, for immovable property collateral, the obligation of insurance cover against fire damage and the presence of adequate monitoring of the property's value. There is also an "umbrella" insurance policy that, with limited exceptions, covers damages on the entire portfolio of properties mortgaged as collateral for the loans granted. Collateral and guarantees are subject to accurate, regular control using a specific system, the CRM engine, in which a series of tests have been implemented to confirm the effective compliance with the requirements set by prudential supervision regulations.

The support system verifies whether the collateral and guarantees received are eligible with regard to the methods permitted by the regulations in relation to the various categories of collateral and guarantees for calculating capital requirements (Standardised and Internal Rating Based). Based on the specifics of each category, the eligibility results are defined at the level of individual guarantee for unfunded guarantees (usually personal guarantees) or, for collateral, for each asset or financial instrument.

The Bank uses two integrated platforms and guarantee management systems (PGA – Active Guarantees Portal and ABS – System Assets Archive) in order to improve the efficiency of collateral management. This has been accompanied by the development of a specific system for managing bad loans, to track the main legal actions and particularly those relating to the enforcement of real estate collateral (EPC - Ex Parte Creditoris).

In order to mitigate the counterparty risk associated with OTC (i.e., unregulated) derivatives and SFTs (Securities Financing Transactions, i.e. repos/reverse repos and securities lending/borrowing), the Group uses bilateral netting arrangements that allow the netting of claims and obligations if a counterparty defaults.

This is achieved by entering into International Swap Derivatives Association (ISDA) and International Securities Market Association/Public Securities Association (ISMA/PSA) agreements, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.

In addition, the Group has collateral exchange arrangements in place, mainly with daily frequency, to hedge OTC derivatives transactions (Credit Support Annexes), also due to the margin requirements for non-centrally cleared derivatives, established by the EMIR; also for SFTs, the Bank implements daily margining arrangements (GMRA - Global Master Repurchase Agreements and GMSLAs - Global Master Securities Lending Agreements).

To mitigate the exposure to counterparties, mainly corporate customers, and the volatility arising from credit adjustments to derivative valuations (CVAs), the Bank also buys protection through credit default swaps, both on individual companies and credit indices.

In 2023, the Parent Company continued its activities relating to the “GARC” (Active Credit Risk Management) Project, involving a platform for monitoring credit risk of performing portfolios. The initiative involves the systematic acquisition of both personal guarantees and collateral to support lending to companies.

The guarantees obtained provide hedging of default risk (past due, unlikely to pay and bad loan) of granular portfolios and freeing up of economic and regulatory capital, as envisaged by the current Supervisory Regulations on the matter (including Regulation (EU) 575/2013 and Bank of Italy Circular 285/2013).

For details of the transactions carried out in 2023 under the GARC Project, see the description provided in paragraph C. Securitisations of this chapter.

In order to optimise capital absorption, transactions to hedge the risk of expropriation of the compulsory and unrestricted reserves of some of the Group banks operating in Egypt and Albania were also renewed.

3. NON-PERFORMING CREDIT EXPOSURES

3.1 Management strategies and policies

On 16 March 2023, the annual revision of the Group NPL Plan, carried out based on the ECB Guidance to banks on non-performing loans, in line with the baseline macroeconomic scenario and the budget process, was produced for the Board of Directors. The 2022-2025 NPL Plan is consistent with both the 2022-2025 Business Plan, approved by the Board of Directors in February 2022, and the Risk Appetite Framework, and takes into account the observations and recommendations of the Supervisory Authority.

The Group NPL Plan includes targets for the stock of non-performing loans, the detailed measures and enablers, as well as the related costs and investments required to achieve the targets set.

In the 2022-2025 Business Plan, the Group intends to pursue a structural de-risking strategy, which was mostly launched during the last Business Plan, placing it among the best in Europe in terms of non-performing loan ratio and stock and generating a net drop in the cost of risk. Indeed, the latter will always be maintained at a conservative level, both through prudent provisions and ongoing prudent credit management. The deleveraging will be supported by the establishment of additional selected partnerships and targeted disposals of portfolios, some of which were already carried out in 2023 (see in this regard the introductory chapter of the Report on operations in relation to the de-risking initiatives).

At the end of 2023, non-performing loans before adjustments amounted to 9.9 billion euro, keeping the NPL ratio stable at 2.3% before adjustments and 1.2% net in comparison with December 2022. Based on the EBA methodology, the NPL ratio stood at 1.8% gross and 0.9% net.

Since November 2019, the Intesa Sanpaolo Group has adopted the New Definition of Default set out in the EBA Guidelines 2016/07 of 18/01/2017 on the application of the definition of default under Article 178 of Regulation 575/2013 (CRR), and in line with the additional clarifications introduced by Bank of Italy Circular 272. That definition of non-performing loans also coincides with the definition of “impaired” financial assets contained in IFRS 9, with the consequent recognition of all non-performing loans within Stage 3.

Intesa Sanpaolo Group adopts a “per borrower” approach in identifying non-performing exposures. Accordingly, the entire counterparty with credit relationship is assessed and subsequently classified, rather than the individual credit lines granted to that counterparty.

Based on the regulatory framework, according to the rules of the Bank of Italy, in line with IAS/IFRS and European Supervisory Regulations, supplemented by internal implementing rules, non-performing financial assets are classified into one of the three below mentioned categories, based on their level of severity:

- non-performing past due exposures: this category includes on-balance sheet exposures, other than those classified as bad loans or unlikely to pay that, as at the reporting date, are past due or overdrawn by over 90 days on a continuous basis. The total exposure to a debtor must be recognised as Past Due if, at the reference reporting date, the amount of the principal, interest and/or fees not paid when due exceeds both of the following thresholds (hereinafter, collectively, the “Relevance Thresholds”):
 - the absolute limit of 100 euro for retail exposures and of 500 euro for non-retail exposures (the “Absolute Threshold”), to be compared with the total amount past due from the borrower;

- the relative limit of 1%, to be compared with the ratio of the total amount past due to the total amount of all on-balance sheet exposures to the same borrower (the "Relative Threshold");
 - unlikely to pay: exposures for which – according to the judgement of the creditor bank – full repayment is deemed unlikely (in terms of capital or interest), without considering recourse to actions such as enforcement of collateral/guarantees. This assessment is conducted regardless of the presence of any amounts (or instalments) due and unpaid. As the assessment of unlikelihood of repayment is at the discretion of the Bank, it is not necessary to await an explicit symptom of anomaly (non-repayment), when there are elements that imply a risk of non-compliance by the borrower (for example, a crisis in the industrial sector in which the borrower operates). The overall on- and off-balance sheet exposures toward the same borrower in said situation is therefore classified under the category "Unlikely To Pay" (unless the conditions for classification of the borrower among bad loans exist). Loans classified as "Unlikely To Pay" should include exposures to issuers who have not regularly honoured their repayment obligations (in terms of capital or interest) relating to listed debt securities, unless they meet the conditions for classification as bad loans. To this end the "grace period" established by the contract is recognised or, in its absence, the period recognised by the market listing the security.
- The Intesa Sanpaolo Group Rules have also provided for a further classification within "unlikely to pay" exposures, identified as "forborne unlikely to pay", which may include counterparties that have at least one exposure subject to forbearance measures that are regularly respected or remain in the state of risk pending the start of the normally imposed cure period (minimum of 12 months);
- bad loans: on- and off-balance sheet exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the Bank. This is irrespective, therefore, of whether any collateral or guarantees have been established to cover the exposures. Exposures whose anomalous situation may be attributed to Country risk are excluded from this category.

The type "exposures subject to concessions – forbearance" has also been established. These are exposures subject to renegotiation and/or refinancing due to financial difficulties (evident or in the process of becoming evident) of the debtor, which effectively constitute a subgroup of both non-performing exposures (non-performing exposures with forbearance measures) and performing exposures (other forborne exposures).

Non-performing exposures with forbearance measures do not represent a separate category of non-performing assets, rather, they are a sub-set of the above categories of non-performing assets.

Non-performing assets are subject to an assessment process resulting in the calculation of the expected loss for uniform categories (identified based on the risk status, duration of risk status and significance of the underlying exposure) and the allocation of the impairment adjustment for each position.

Non-performing loans are measured using two methods:

- analytical-statistical measurement: for exposures equal to or lower than certain thresholds, and for all non-performing past-due exposures, based on the use of specific LGD grids;
- specific analytical measurement: for exposures above certain thresholds based on write-down estimates defined by the relationship manager, following analyses and valuations based on pre-established criteria.

In addition to the assessment component determined through statistical valuation models or through individual expert evaluation, a component is calculated to take into account the evolution of the current operational variables, the future macroeconomic scenarios, the incremental risk of the counterparty as long as it remains in the specific risk status for unlikely-to-pay exposures (vintage), as well as the sales prospects if present.

The assessment of non-performing positions classified as assets held for sale is carried out based on the expected sales prices, less their costs to sell, supported by fairness opinions.

The assessment methods for non-performing loans are described in detail in Part A – Section "A.2 – Main financial statement captions" in these Notes to the consolidated financial statements and in particular in the paragraph "Impairment of non-performing financial assets", to which reference is made.

The assessments are carried out upon classification of the exposures as non-performing and are reviewed periodically.

The assessment of the loans is also reviewed whenever a new event occurs that could affect the prospects for recovery (e.g. change in the value of collateral, developments in ongoing litigation, etc.).

In order to timely identify such events, the information set relative to borrowers and guarantors is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly monitored.

The management of the Group's non-performing loans may be carried out directly by the internal organisational structures or by/with external partners granted appropriate mandates (outsourcers), for which the Chief Lending Officer Area performs a supervisory role in the management of the stocks and flows outsourced and acts as an interface for the approvals beyond the limits of the powers delegated to them and for administrative, technical and operational activities envisaged in the processes of interaction with the outsourcers. The internal organisational structures are identified, on the basis of pre-determined relevance thresholds, as the local organisational units (at regional level) that perform specialist activities, or within the Head Office Departments, which are also responsible for the overall management and coordination of these matters.

The classification of positions to non-performing is performed on proposal of both territorial structures, owners of the commercial relationship, or of specialised central and local territorial structures in charge of the monitoring and recovery of non-performing loans. Classification may also be performed through automatic mechanisms when predefined objective default conditions arise. This refers, for example, to past-due loans continuously above certain thresholds for certain periods and forborne performing positions (performing forborne positions originating from non-performing forborne positions) that have not yet completed their 24-month probation period, if they meet the conditions envisaged by the applicable regulations for their reallocation to non-performing loans, based on the verification of objective parameters and, specifically, for transactions already designated as forborne, so-called reiteration (i.e. the granting of a further forbearance measure) and/or continuously over 30 days past due above certain thresholds, and transactions subject to distressed restructuring with a loss exceeding 1%.

Furthermore, automatic mechanisms detect any mismatches, thereby ensuring that material non-performing loans to counterparties shared between the Group's various entities are subject to the required uniform convergence of management

decisions. Materiality is represented by exceeding a pre-established warning threshold for loans classified as at the greatest risk, with respect to the overall exposure.

Automatic mechanisms within the system also ensure that positions are allocated to the risk status most representative of their creditworthiness (bad loans excluded) as material default continues.

The return to performing status of non-performing exposures is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the Structures responsible for their management, upon verification that the critical conditions or state of default no longer exist.

Non-performing past-due exposures and unlikely to pay exposures, not subject to forbearance measures must continue to be classified as such for at least 3 months after they cease to meet the requirements for being classified as such. During this probation period the counterparty's conduct must be assessed in light of its financial situation (in particular, by verifying the absence of amounts past due exceeding the relevance thresholds).

For counterparties classified as forbore unlikely-to-pay, the application of the cure period of at least 12 months shall prevail. At the end of this period, the position may be reclassified as performing, provided that there are no past due exposures of the borrower and the borrower has repaid a significant amount of the principal and interest and, more generally, the criteria for the counterparties returning to performing status are met.

Exposures classified as past-due return automatically to performing when the 90-day probation period has passed. The same mechanism is applied to exposures of moderate amounts previously automatically classified as unlikely to pay when automatic mechanisms detect that the conditions that triggered the classification no longer apply.

The Internal Validation & Controls Coordination Area of the Chief Risk Officer Governance Area carries out level II controls on single counterparties in the various statuses of non-performing loan, randomly selected mainly with risk-based criteria in order to verify their proper classification and provisioning, as well as the adequacy of the management and recovery processes.

3.2 Write-offs

Lastly, with regard to non-performing loans, it is highlighted that the Intesa Sanpaolo Group uses the – full or partial – write-off/derecognition of unrecoverable accounting positions and, in the following cases, the consequent allocation to loss of the remainder that has not yet been adjusted:

- uncollectability of the debt, as a result of definite and precise elements (such as, for example, untraceability and indigence of the debtor, lack of recovery from realisation of securities and real estate, negative foreclosures, bankruptcy proceedings closed with no full compensation for the Bank, if there are no further guarantees that can be enforced etc.);
- disposal of the loan;
- waiver of the credit claim, due to the unilateral cancellation of the debt or residual amount as a result of settlement agreements;
- no waiver of the credit claim. With regard to the full or partial write-offs without waiver of the credit claim, in order to avoid maintaining loans on the balance sheet that have a very low possibility of recovery, despite continuing to be managed by the recovery structures, they are fully or partially written off due to uncollectability even if the legal proceedings have not been closed. The write-off can only involve the portion of the loan covered by provisions and, therefore, each loan can only be written off up to the amount of its net book value. Therefore, on a periodic basis, the Group identifies the bad loan portfolios to be subject to total or partial write-offs with the following macro-characteristics:
 - percentage cover of 100% and a vintage (understood as the period of time in “bad loan” status) of >1 year;
 - percentage cover of >95% and a vintage (understood as the period of time in “bad loan” status) of >5 years or >8 years, respectively, for non-mortgage and mortgage loans.

Portfolios to be written off can also be identified that have similar characteristics that are different from those indicated above, but that relate to exposures that have a marginal possibility of recovering the amount of the provision, where the minimum amount of the provision (calculated taking into account the accumulated write-offs on the position, according to the same rule established at prudential level by the calendar provisioning framework) is at least equal to the amount needed to bring the value of the exposures up to their fair value estimated based on the prices recorded in the latest sales of bad loans made by the Group.

In 2023, the Group carried out write-offs on gross non-performing loans for around 474 million euro. Of these, around 349 million euro regarded bad loans, for the most part using the allowance already set aside. More than 42% of these write-offs related to derecognised positions that are still subject to enforcement procedures, for which any recoveries from collections after the write-off will be recognised in the income statement as recoveries.

3.3 Purchased or originated credit-impaired financial assets

According to IFRS 9, loans considered as impaired already upon initial recognition in the financial statements, due to the high credit risk associated with them, are defined as Purchased or Originated Credit Impaired Assets (POCI). If these loans fall within the scope of impairment in accordance with IFRS 9, they are valued by allocating allowances - from the date of initial recognition - to cover losses for the entire residual life of the loan (lifetime Expected Credit Loss). Since these are non-performing loans, they are initially recognised within Stage 3, subject to the possibility of being transferred, over the course of their lives, to Stage 2 if, based on the credit risk analysis, they are identified as no longer being impaired.

POCI loans recorded in the Group's financial statements may derive from single renegotiations of non-performing exposures carried out as part of routine lending activity or be recognised following business combinations. With regard to the latter case, the acquisition of the former UBI Group during 2020 resulted in the recognition of a significant portfolio of non-performing loans, which, therefore, were initially recognised as POCI pursuant to IFRS 9 and posted in the financial statements at the fair value determined on Purchase Price Allocation, as the initial recognition value. More in detail, at the acquisition date (4 August 2020), the accounting records of the UBI Group had gross non-performing loans amounting to around 6.5 billion euro (8 billion euro in terms of credit claim).

In light of the sales already carried out, the POCI loans referring to the former UBI Group recognised in the Parent Company's financial statements as at 31 December 2023 remain under assets measured at amortised cost for substantially residual amounts and further reduced compared to the end of 2022, totalling 141 million euro, consisting of 80 million euro of non-

performing loans and 61 million euro of performing positions (total of 188 million euro, with 131 million euro of non-performing loans and 57 million euro of performing loans, as at 31 December 2022).

4. COMMERCIAL RENEGOTIATED FINANCIAL ASSETS AND FORBORNE EXPOSURES

Forbearance measures are concessions made to a borrower that is facing, or could face, situations of difficulty in meeting their contractual commitments that would prevent them from meeting their original payment obligations (troubled debt).

The term “forbearance measures” indicates contractual modifications granted to the borrower undergoing financial difficulties (modification), as well as the disbursement of a new loan in order to satisfy the pre-existing obligation (refinancing). “Forbearance measures” include the exercise of clauses, which may be freely requested by a borrower with regard to a contract already signed, but only if the lender deems that there are circumstances indicating that the borrower is in financial difficulty (the so-called “embedded forbearance clauses”). The concept of “forborne” therefore does not include renegotiations carried out due to commercial reasons/practices, which do not take into account the financial difficulties of the borrower.

In many cases, a situation of financial difficulty is accompanied by a situation of economic instability of the borrower, consisting of the inability of the core business to remunerate all the production factors that the company needs, through the usual sources of cash flow and at normal market conditions.

The identification of “forborne assets” or “forborne exposures”, in line with the provisions of the EBA regulations and unlike the “per borrower” approach used by the Intesa Sanpaolo Group for the classification of non-performing exposures, necessarily takes place on a “per transaction” basis. The term “exposure” in this context refers to the renegotiated individual contract, rather than to all the exposures to the same borrower.

More generally, Intesa Sanpaolo Group’s policy, based on the instructions provided by the Supervisory Authorities, envisages criteria for the identification of the financial difficulty (of the performing borrower) which, in the event of renegotiation/refinancing, entail the classification of one (or more) credit line(s) as forborne, if at least one of the following conditions applies:

- a significant deterioration in the debtor’s rating identified in the previous three months;
- the presence of exposures past due by thirty days or more at the measurement date associated with a rating level in the highest-risk band;
- Early Warning System (EWS) result, associated with a rating in the highest risk band.

A state of financial difficulty is always assumed in the case where the borrower is classified as non-performing.

The definition of forborne exposure applies transversally to the classification macro-categories (performing and non-performing). Forborne assets may be included in stage 2 (performing) or stage 3 (non-performing – forborne non-performing). The forbearance measures granted are monitored for minimum predefined periods, differentiated based on the administrative status of the risk assigned to the counterparty. In detail:

- 24 months for performing positions (probation period);
- 36 months for positions classified as non-performing, represented by a cure period of 12 months and a probation period of an additional 24 months.

When a forbearance measure is granted to a performing counterparty, quantitative assessments (diminished financial obligation indicator set at 1%) and/or qualitative assessments are performed, as envisaged in the EBA Guidelines on the application of the definition of default pursuant to Article 178 of Regulation (EU) 575/2013, which could result in the possible classification to non-performing.

According to Intesa Sanpaolo Group’s interpretations, the identification of an exposure as forborne necessarily implies the existence of a “significant increase” in risk since the origination of the loan (and, therefore, implies also a classification in Stages 2 or 3 at the time of assignment of the forborne status).

Unlike the forbearance measures, which relate to loans to borrowers in financial difficulty, renegotiations for commercial reasons involve borrowers that are not in financial difficulty and include all transactions aimed at adjusting the cost of the debt to market conditions.

Transactions involving commercial renegotiations result in a change in the original conditions of the contract, usually requested by the borrower, which normally relate to aspects concerning the cost of the debt (or its duration), with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer would borrow from another intermediary and the bank would incur a decrease in expected future revenues.

These operations, under certain conditions, are treated for accounting purposes as an early repayment of the original debt and the opening of a new loan.