INTESA SANPAOLO

Annual Report 2023

Consolidated Financial Statements

Parent Company's Draft Financial Statements

Ordinary Shareholders' Meeting
of 24 April 2024

Report and consolidated financial statements of the Intesa Sanpaolo Group 2023

Report and Parent Company's financial statements 2023

Intesa Sanpaolo S.p.A. Registered Office: Piazza S. Carlo, 156 10121 Torino Italy Secondary Registered Office: Via Monte di Pietà, 8 20121 Milano Italy Share Capital Euro 10,368,870,930.08 Torino Company Register and Fiscal Code No. 00799960158 "Intesa Sanpaolo" VAT Group representative Vat Code No. 11991500015 (IT11991500015) Included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund and Parent Company of the banking group "Intesa Sanpaolo" included in the National Register of Banking Groups

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The Intesa Sanpaolo Group: presence in Italy

Banks

INTESA SANPAOLO

FIDEURAM INTESA SANPAOLO PRIVATE BANKING

isybank

	Branches
NORTH WEST	1,070
NORTH EAST	702
CENTRE	715
SOUTH	623
ISLANDS	213

Figures as at 31 December 2023

Product Companies[1]

FIDEURAM VITA

INTESA SANPAOLO ASSICURA

INTESA SANPAOLO INSURANCE AGENCY

INTESA SANPAOLO RBM SALUTE

INTESA SANPAOLO VITA

InSalute SERVIZI

Bancassurance and Pension Funds

PRESTITALIA

Consumer Credit[2]

EURIZON ASSET MANAGEMENT

Asset Management

SIREF FIDUCIARIA

Fiduciary Services

1 Factoring and Leasing activities are carried out directly by Intesa Sanpaolo S.p.A., the Parent Company
2 Consumer Credit activities are also carried out directly by Intesa Sanpaolo S.p.A., the Parent Company

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK | بنك الإسكندرية
BANCA INTESA
BANCA INTESA Beograd
CIB BANK
EXIMBANK
INTESA SANPAOLO BANK Albania
INTESA SANPAOLO BANK LUXEMBOURG
INTESA SANPAOLO BANK Romania
INTESA SANPAOLO BANK Slovenia
INTESA SANPAOLO BANKA Bosna i Hercegovina
INTESA SANPAOLO BANK IRELAND
INTESA SANPAOLO BRASIL SA
INTESA SANPAOLO WEALTH MANAGEMENT Luxembourg
PRAVEX BANK
PRIVREDNA BANKA ZAGREB
REYL INTESA SANPAOLO
VÚB BANKA

AMERICA

Direct Branches	Representative Offices
New York	Washington D.C.

Country	Subsidiaries	Branches
Brazil	Intesa Sanpaolo Brasil	1

AUSTRALIA/OCEANIA

Direct Branches
Sydney

ASIA

Direct Branches	Representative Offices
Abu Dhabi	Beijing
Doha	Beirut
Dubai	Ho Chi Minh City
Hong Kong	Jakarta
Shanghai	Mumbai
Singapore	Seoul
Tokyo	

EUROPE

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

Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	35
Belgium	Intesa Sanpaolo Wealth Management	2
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	43
Croatia	Privredna Banka Zagreb	142
Czech Republic	VUB Banka	1
Hungary	CIB Bank	60
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Intesa Sanpaolo Wealth Management	1
	Intesa Sanpaolo Bank Luxembourg	1
Moldova	Eximbank	17
Romania	Intesa Sanpaolo Bank Romania	34
Russian Federation	Banca Intesa	27
Serbia	Banca Intesa Beograd	143
Slovakia	VUB Banka	156
Slovenia	Intesa Sanpaolo Bank	40
Switzerland	Reyl Intesa Sanpaolo	3
Ukraine	Pravex Bank	40

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	173

Figures as at 31 December 2023
** European Regulatory & Public Affairs*

Product Companies

EURIZON ASSET MANAGEMENT
FIDEURAM ASSET MANAGEMENT IRELAND
INTESA INVEST Beograd
INTESA SANPAOLO VITA
意才 YI TSAI

Wealth Management

CIB LEASING
INTESA LEASING Beograd
PBZ LEASING
VÚB OPERATING LEASING

Leasing

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

Board of Directors

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

Manager responsible for preparing the company’s financial reports	Fabrizio DABBENE
Independent Auditors	EY S.p.A.

(a) General Manager
(*) Member of the Management Control Committee
(**) Chair of the Management Control Committee

Letter from the Chair

Distinguished Shareholders,

the year 2023 was characterised by considerable complexity at economic, geopolitical and social level. Europe and the US had to deal with inflation rates persistently overshooting targets, which was countered by monetary policy tightening. Central banks appear to have achieved their goal of starting to reduce inflation rates without triggering a recession. Despite the global challenges, 2023 turned out better than expected. The major advanced economies were resilient, although they remained on the verge of stagnation.
On the geopolitical front, the ongoing conflicts between Russia and Ukraine and in the Middle East, the competition between China and the US, and the tensions in Africa and Latin America have intensified the trend towards fragmentation of the globalisation process, fuelling "defensive" industrial policies and the growing emergence of trade blocs.
Despite the challenges, the Italian economy has been remarkably resilient and responsive. From 2019 to date, Italy's GDP growth has outpaced that of Germany, France, and Spain, thanks to its geographic and sectoral specialisations, which are its key strengths. The 2023 performance fell short of 1%, affected by the energy and inflationary shock, combined with the impacts of monetary tightening and less generous construction bonuses. In 2024, growth is expected to pick up in the second half of the year, driven by the reversal of monetary policies in the US and the Eurozone, an improvement in household disposable income, a recovery in global demand, and an increase in spending flows from the NRRP. Overall, the annual performance of Italian GDP is not expected to differ significantly from 2023.
In an environment of uncertainty, 2024 poses significant challenges, including the evolution and risk of escalation of current conflicts, the results of major upcoming elections, and structural challenges such as climate change, growing inequalities, the pervasiveness of Artificial Intelligence, and population ageing. These issues are tied to the future of human civilisation on the planet, the solution to which requires the transition to new economic and social models that demand a collective effort from everyone - governments, institutions, citizens and businesses - at both a global and local scale.
In this changing landscape, Intesa Sanpaolo is fully conscious of the key role played by the financial system and is committed to growing in harmony with Italy and the other countries in which it operates, seeking not only to maintain its leadership in the international financial sector but also to promote social equity.
The world population, currently 8 billion, will continue to grow, fuelling tensions and forcing change. Intesa Sanpaolo will address these challenges by contributing to the energy transition of customers and communities, fostering innovation and the digitalisation of the production systems for goods and services, and striving to ensure that no one is left behind.
In 2023, Intesa Sanpaolo consolidated its position as the top bank in Italy, cementing its status as frontrunner in the global credit industry. These results were achieved thanks to the work and professionalism of our people, as well as the trust placed in us by our customers and the local communities with whom we have forged strong and lasting ties.
The Bank's environmental and social vocation is permanently embedded in its DNA. The adoption of cutting-edge technologies is conceived for the benefit of our customers and the people working at the Bank; it is respectful of individuals, who remain at the core of our actions. This strategic and value-driven vision is embodied in the 2022-2025 Business Plan, which is proceeding at full pace in order to complete the Bank's transformation into one of the most efficient, modern, low-risk, and sustainably profitable institutions.
Intesa Sanpaolo contributes to the competitive growth of the countries where it operates, directing its investments towards companies committed to the energy transition and open to innovation. The Bank has subscribed to the Net Zero Alliances with the goal of achieving net zero emissions by 2050. Our commitment to sustainability is expressed through various initiatives such as support for green projects, the promotion of the circular economy, Green Mortgages, S-Loan products dedicated to small and medium-sized enterprises to finance projects aimed at improving their sustainability profile, and Digital Loans aimed at improving the digitalisation of companies, to name but a few.
In 2023, a year when household spending capacity declined significantly, Intesa Sanpaolo strengthened its focus on the "S = Social" factor, committing itself to combating social inequality and promoting financial, social, educational and cultural inclusion. Concrete examples of the Bank's efforts in this regard include the negotiation of the renewal of the National banking-sector labour contract, with the proposal of suitable financial compensation for employees of the sector; the distribution of an interim dividend to shareholders and the intention to release part of the excess capital, subject to the approval of the ECB and the Shareholders' Meeting; the expansion of the food and shelter programme for people in need and the social lending, social housing and urban regeneration initiatives; and the establishment of a new organisational unit, based in Brescia, called "Intesa Sanpaolo for Social Impact".
Our commitment to ESG continues to be recognised internationally, as reflected by Intesa Sanpaolo's continued inclusion among the top 100 most sustainable listed companies in the world, in the Corporate Knights ranking. To achieve this result, the ESG governance system was further strengthened, introducing mechanisms to ensure consistency and monitoring of environmental objectives. The ESG regulatory guidelines have become part of our credit framework, also in alignment with the European taxonomy, focusing on customer needs and opportunities in relation to the circular economy and sustainability.
Technology is a further driver of our competitiveness and a key factor that contributes significantly to Intesa Sanpaolo's earnings performance. Examples include Isytech, a new cloud-native technology platform, Isybank, the Group's digital bank with a business model featuring a cost/income ratio of less than 30%, and Fideuram Direct, a digital Wealth Management platform for Private Banking, in addition to the use of Artificial Intelligence, with the adoption of Generative AI solutions and the goal of creating 150 Apps over the Plan period. The Bank has received significant recognition for its efforts, including Intesa Sanpaolo Mobile's rating, for the second consecutive year, as the best banking app in the world in terms of features and customer experience by the US research institute Forrester.

Intesa Sanpaolo's success lies in its people and its guiding values. The Bank is committed to respecting all individuals in their expression of identity and diversity and it was this commitment that led to its inclusion for the sixth consecutive year in the Bloomberg Gender-Equality Index 2023, obtaining a score well above the average of the global financial sector and of Italian companies. It also ranked as first bank in Europe, and was the only one in Italy to be recognised, in the Refinitiv Global Diversity and Inclusion Index 2023 among the top 100 companies for diversity and inclusion. Lastly, another testament to the Bank's excellent reputation is its recognition as a Top Employer 2024 for the third consecutive year by the Top Employers Institute.
The results achieved confirm the success of the strategy pursued so far. The economic value generated in 2023 – 25.9 billion euro – was distributed as follows: 80% to stakeholders, of which 32% to the people that work for us, 22% to Shareholders, and the remainder to suppliers, the government, entities, institutions and communities. The Bank has chosen a low-risk profile, both in terms of assumption of risks and their valuation in the financial statements, as it recognises the importance of the trust placed in it by households to protect their savings and of its commitment made to businesses. This is why Intesa Sanpaolo will continue to excel in risk containment, focusing on credit quality, by keeping its capital ratios high and maintaining a strong liquidity position.
For 2023, in consideration of a Group consolidated net income of 7,724 million euro and a Parent Company net income of 7,292 million euro, a proposal is being made to the Ordinary Shareholders' Meeting to distribute cash dividends for a total of 5,408 million euro, which, taking into account the interim dividend of 2,629 million euro paid last November, corresponding to a unit dividend of 14.40 euro cents, results in a proposal to distribute a remaining dividend of 2,779 million euro, corresponding to a unit dividend of 15.20 euro cents. The total proposed dividend per share for 2023 is therefore 29.60 euro cents.
In addition, a buy-back of own shares for annulment is being proposed for an amount equal to around 55 basis points of the Common Equity Tier 1 ratio as at 31 December 2023, to be launched in June 2024, subject to approvals from the ECB and the Shareholders' Meeting, as a result of which shareholders, without having to make any additional investment, will see their share of Intesa Sanpaolo's total dividends increase.

Gian Maria Gros-Pietro

Intesa Sanpaolo Group Report on operations and consolidated financial statements

Introduction

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's consolidated financial statements have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Standards - Interpretations Committee (IFRS-IC), endorsed by the European Commission as provided for by EC Regulation 1606 of 19 July 2002.
The consolidated financial statements as at 31 December 2023 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 43 of Legislative Decree 136/2015, with Regulation of 22 December 2005, which issued Circular no. 262/2005, as updated and supplemented. These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the consolidated financial statements.
In particular, for the 2023 Financial Statements, account has been taken of the 8th update of the above-mentioned Circular issued on 17 November 2022 – which amended Circular 262 to take into account the new IFRS 17 Insurance Contracts, which came into force on 1 January 2023 – which is applicable from the financial statements for the periods ending on or after 31 December 2023. At the same time, the insurance companies of the Intesa Sanpaolo Group also applied IFRS 9 Financial Instruments, the application of which was deferred by virtue of the Deferral Approach.
The disclosure on the Group's Accounting Policies presented in Part A of the Notes to the consolidated financial statements includes an examination of the main areas of impact from the application of IFRS 17 and IFRS 9 for the Group's insurance companies, as well as the main choices made in that regard by the Intesa Sanpaolo Group, illustrating the reasons for the generation of an impact of first-time adoption on the Shareholders' Equity, attributable to IFRS 17, IFRS 9 and the interaction between the two standards.
The consolidated financial statements have been updated in their structure to incorporate the new regulatory provisions in compliance with the 8th update to Bank of Italy Circular no. 262/2005, and the comparison periods adjusted following the retrospective application of the two standards. Specifically, the income statement figures have been compared with the adjusted income statement for the twelve months of 2022, while the balance sheet figures have been compared with the adjusted balance sheet as at 31 December 2022. For the balance sheet, a comparison with 1 January 2022, the date of transition to the new standards, has also been provided[1].
The Notes to the 2023 Consolidated Financial Statements have been supplemented in accordance with the 8th Update of Circular 262/2005, which took into account the similar instructions issued by IVASS for the disclosure required by IFRS 17[2].

It should also be noted that, in its Communication of 14 March 2023, the Bank of Italy repealed and replaced the previous Communication of 21 December 2021, which had supplemented the provisions of Circular 262 regarding the impacts of COVID-19 and the measures to support the economy. As a result of the change in the scenario linked to the pandemic, there is no longer a requirement to provide financial statement disclosures on loans subject to moratoria, whereas disclosures on loans backed by public guarantees are now required, in free form, at the bottom of several tables in the sections of the Notes on the balance sheet and on credit risk.

The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows, the Notes to the consolidated financial statements and the related comparative information. They are accompanied by the Directors' Report on operations, overall and in the Group's various sectors of operations, on the economic results achieved and on the Group's balance sheet and financial position.
The Report on operations contains financial information taken from or attributable to the Consolidated financial statements, as well as other information – for example, figures on quarterly trends, and certain Alternative Performance Measures – not taken from or directly attributable to the Consolidated financial statements. In this regard, see the chapter Alternative Performance Measures in the Report on operations and please note that with specific regard to the aftermath of the military conflict between Russia and Ukraine, in line with the ESMA guidance, no new measures have been added, nor have any changes been made to the measures used.
With regard to the ongoing military conflict between Russia and Ukraine in particular, these Consolidated Financial Statements contain a detailed disclosure that repeats and updates the disclosures already provided in the interim reports. Specifically, the Report on operations contains a specific paragraph in the introductory chapter describing the risk management actions, together with the Intesa Sanpaolo Group's approach to the main related accounting issues. These are then discussed further in the Notes to the Consolidated Financial Statements, in Part E, credit risk, where details are provided of the outstanding exposures and the valuation choices made.

[1] IAS 1 paragraph 40A requires the presentation of a third statement of financial position for the preceding year, in addition to the minimum comparative statements required, if an accounting standard is applied retrospectively and this has a material effect. This third compulsory statement is not required for the preparation of interim reports prepared in accordance with IAS 34, and is therefore only presented in the Consolidated financial statements as at 31 December 2023.

[2] To reduce the burden of preparation for banks, in drafting the update, the Bank of Italy considered the provisions issued by IVASS with regard to IAS/IFRS insurance financial statements – the reference is to ISVAP Regulation no. 7 of 13 July 2007, as amended by Order no. 121 of 7 June 2022 – adopting the disclosure tables established by IVASS for the aspects relating to insurance contracts pertaining to insurance companies included in the consolidation.

In support of the comments on the results for the year, the Report on operations also presents reclassified income statement and balance sheet schedules.
In the reclassified statements, the figures are normally restated, where necessary and if they are material, for comparison on a like-for-like basis. In particular, the amounts are provided as consistently as possible with reference to the different periods covered, above all in relation to intervening changes in the scope of consolidation. This uniformity is achieved through "restated" figures, which include/exclude the values of the companies that entered or left the scope of consolidation.
Breakdowns of restatements and reclassifications made in accordance with the layout established in Bank of Italy Circular 262 are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.
Even with the application of IFRS 17 and the related end of the period of application of the Deferral Approach for IFRS 9 for the Group's insurance companies, it was ensured that the reclassified statements were in line with the approach adopted in the past, for both the captions of the Balance sheet and those of the Income statement. In line with the adjustment of the comparative figures, within the consolidated financial statements, as a result of the retrospective application of the two standards, the comparative figures in the reclassified financial statements have also been adjusted on a like-for-like basis, as well as the comparative figures for the summary data and indicators presented at the beginning of the opening chapter of the Report, unless otherwise stated.

The information on corporate governance and ownership structures required by Art. 123 bis of the Consolidated Law on Finance is provided, as permitted, in a separate report, approved by the Board of Directors and published together with these financial statements, which can be viewed in the Governance/Company documents section of the Intesa Sanpaolo website, at group.intesasanpaolo.com. A summary information is provided, however, in the Report on operations, in the paragraph "Corporate Governance and remuneration policies".
The Consolidated Non-Financial Statement prepared pursuant to Legislative Decree 254 of 30 December 2016 – which reports on environmental, social and personnel matters, as well as on respect for human rights and on the fight against active and passive corruption– is published, as permitted, as a separate report together with these financial statements and is available for consultation in the Sustainability/Sustainability reporting section of the same website. A summary of the topics covered is also provided in the Report on operations, in the paragraph "Sustainability and Group strategy on Environmental, Social and Governance issues".
The Report on remuneration policy and compensation paid required by Art. 123 ter of the Consolidated Law on Finance and the disclosure required by Basel 3 Pillar 3 are also published and made available on the website in accordance with the related approval processes.

Report on operations

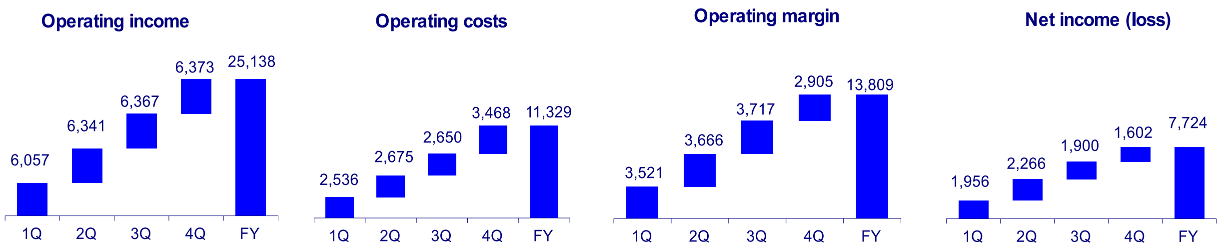
Overview of 2023

Income statement figures and Alternative Performance Measures(°)

Consolidated income statement figures (millions of euro)			Changes amount	Changes %
Net interest income	14,646	9,500	5,146	54.2
Net fee and commission income	8,558	8,919	-361	-4.0
Income from insurance business	1,666	1,675	-9	-0.5
Profits (Losses) on financial assets and liabilities designated at fair value	298	1,378	-1,080	-78.4
Operating income	25,138	21,440	3,698	17.2
Operating costs	-11,329	-10,934	395	3.6
Operating margin	13,809	10,506	3,303	31.4
Net adjustments to loans	-1,529	-3,113	-1,584	-50.9
Net income (loss)	7,724	4,379	3,345	76.4

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

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

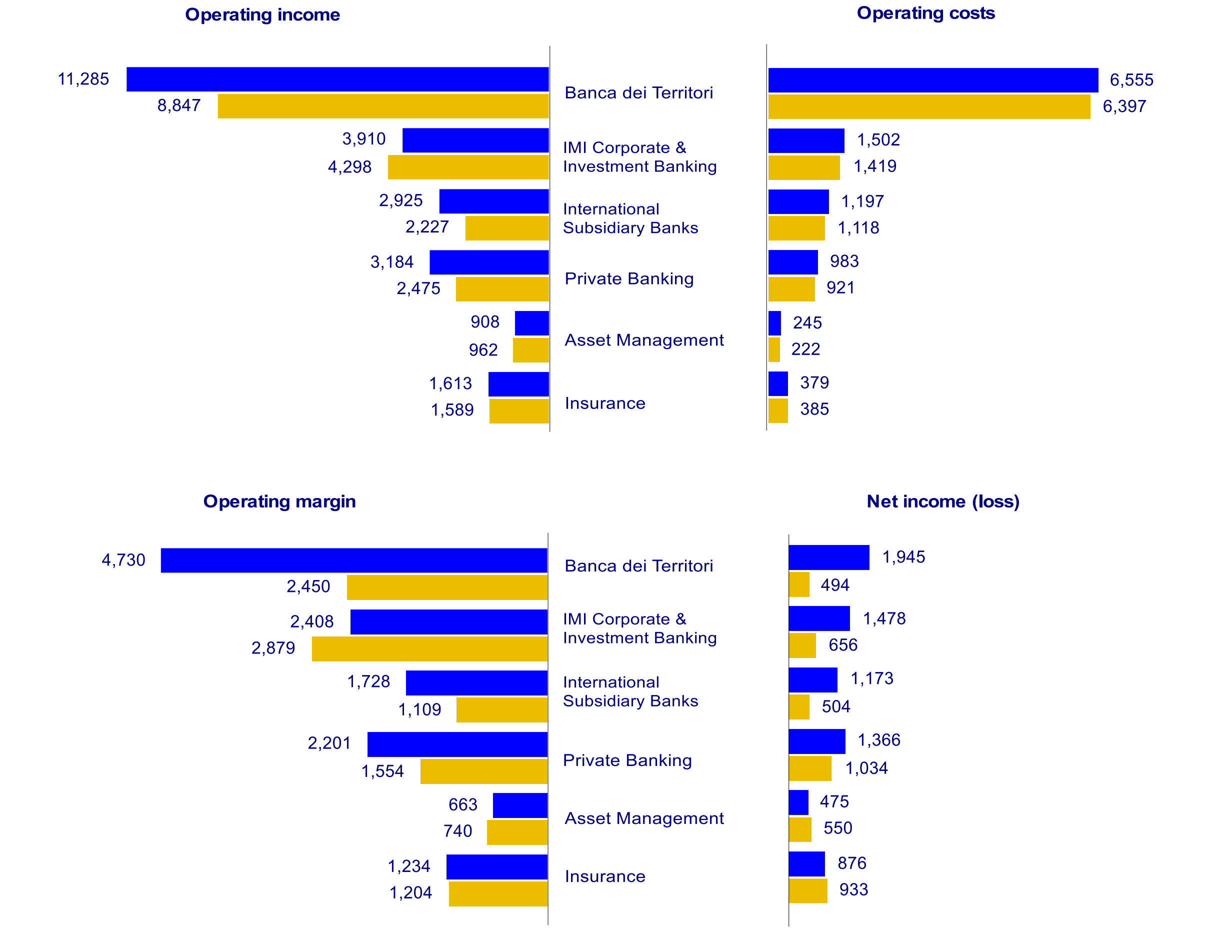


2023

2022

(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations.

Main income statement figures by business area (*) (millions of euro)



(*) Excluding Corporate Centre

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. For more details, see the chapter “Breakdown of consolidated results by business area and geographical area”.

2023

2022

Balance sheet figures and Alternative Performance Measures(°)

Consolidated balance sheet figures (millions of euro)	31.12.2023	31.12.2022	Changes amount	Changes %
Financial assets	169,707	147,244	22,463	15.3
Financial assets pertaining to insurance companies	173,858	172,847	1,011	0.6
Loans to customers	429,540	446,854	-17,314	-3.9
Total assets	963,570	974,587	-11,017	-1.1
Direct deposits from banking business	576,136	545,386	30,750	5.6
Direct deposits from insurance business	172,746	173,672	-926	-0.5
Indirect deposits:	722,194	656,663	65,531	10.0
of which: Assets under management	*444,031*	*430,165*	*13,866*	*3.2*
Shareholders' equity	63,963	61,103	2,860	4.7
Loans to customers / Direct deposits from banking business (%) (Loan to deposit ratio)	74.6%	81.9%		

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

	Loans to customers 31.12.2023	Loans to customers 31.12.2022	Direct deposits from banking business 31.12.2023	Direct deposits from banking business 31.12.2022
Banca dei Territori	232,411	247,913	270,365	291,089
IMI Corporate & Investment Banking	127,167	129,791	113,450	94,785
International Subsidiary Banks	42,050	40,212	57,910	54,364
Private Banking	14,372	15,104	45,805	50,447
Asset Management	243	282	16	26
Insurance	-	-	-	-

(*) Excluding Corporate Centre

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

31.12.2023 (blue)

31.12.2022 (yellow)

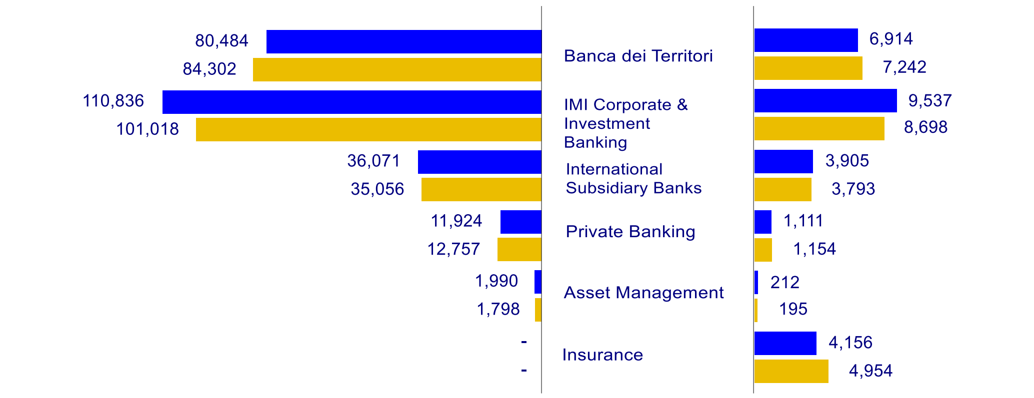
(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations. The application of IFRS 17 and the end of the period of application of the deferral approach for IFRS 9 resulted in a change in the information content of the former caption Direct deposits from insurance business and technical reserves, now renamed Direct deposits from insurance business, which includes Insurance liabilities, Financial liabilities and other types of insurance deposits among which subordinated liabilities.

Alternative Performance Measures and other measures (°)

Consolidated capital ratios (%)	31.12.2023	31.12.2022
Common Equity Tier 1 capital (CET1) net of regulatory adjustments / Risk-weighted assets (Common Equity Tier 1 capital ratio)	13.7	13.8
TIER 1 Capital / Risk-weighted assets	16.3	16.2
Total own funds / Risk-weighted assets	19.2	19.1
Risk-weighted assets (millions of euro)	302,110	295,443
Absorbed capital (millions of euro)	29,010	29,523

Risk-weighted assets by business area (*)
(millions of euro)

Absorbed capital by business area (*)
(millions of euro)



(*) Excluding Corporate Centre

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

31.12.2023
31.12.2022

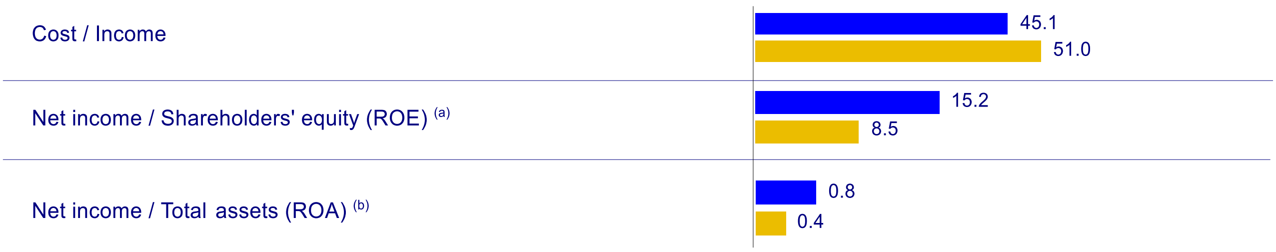
(°) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on operations.

Information on the shares	2023	2022
Number of ordinary shares	18,282,798,989	18,988,803,160
Share price at period-end - ordinary share (euro)	2.644	2.078
Average share price for the period - ordinary share (euro)	2.438	2.024
Average market capitalisation (million)	45,144	38,433
Book value per share (euro) (*)	3.520	3.265

Long-term rating	2023	2022
Moody's	Baa1	Baa1
Standard & Poor's Global Ratings	BBB	BBB
Fitch Ratings	BBB	BBB
Morningstar DBRS	BBB (high)	BBB (high)

(*) Book value per share includes minoritry interests and does not consider own shares.

Consolidated profitability ratios (%)



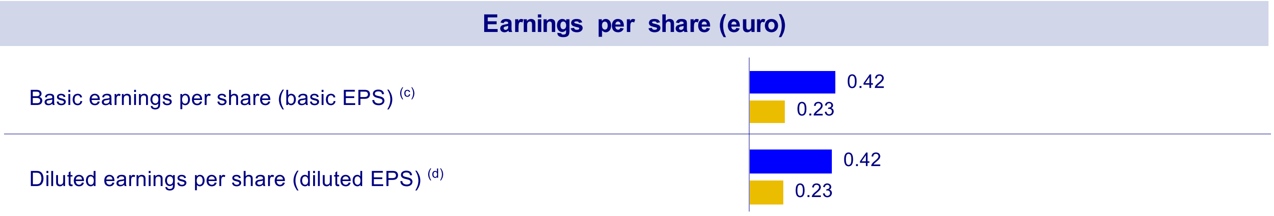
Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(a) Ratio between net income and shareholders' equity at the end of the period. Shareholders' equity does not include AT1 capital instruments and income for the period. The comparative figure has not been restated.

(b) Ratio between net income and total assets at the end of the period. The comparative figure has not been restated.

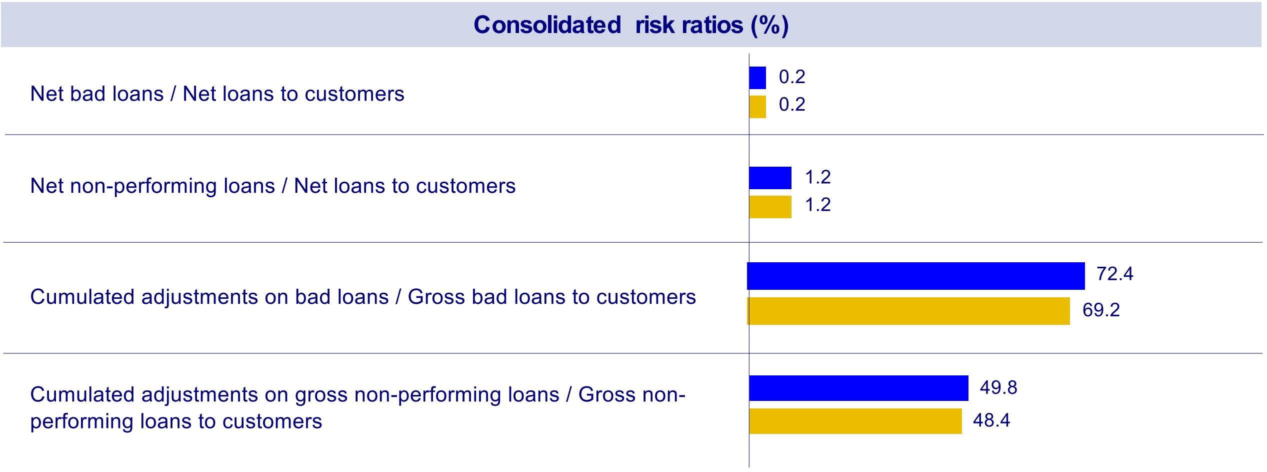
2023 (Income statement figures)
31.12.2023 (Balance sheet figures)

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

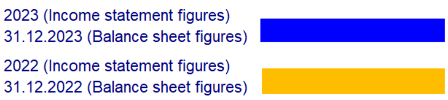


(c) Net income (loss) attributable to shareholders compared to the weighted average number of outstanding shares, calculated excluding own shares. Intesa Sanpaolo's share capital consists solely of ordinary shares.

(d) The diluted earnings are calculated taking into account any future issuances of new ordinary shares and excluding own shares.



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



Operating structure	31.12.2023	31.12.2022	Changes amount
Number of employees (e)	**94,368**	**95,574**	**-1,206**
Italy	71,946	73,283	-1,337
Abroad	22,422	22,291	131
Number of financial advisors	**5,761**	**5,709**	**52**
Number of branches (f)	**4,259**	**4,565**	**-306**
Italy	3,323	3,611	-288
Abroad	936	954	-18

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

(e) The workforce indicated refers to the exact number of employees at the end of the period, counting part-time workers as equal to 1 unit.

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

Overview of 2023

Economic trends

In 2023, world GDP growth slowed down to an estimated 3%. The volume of world trade even contracted, when measured at constant dollar prices. The slowdown in global economic activity was the result of very different geographical trends. The growth of the Chinese economy returned to above 5%. In the US, economic activity continued to expand robustly, resulting in employment growth. The reduction in inflation, in the US and in many other advanced economies, is currently happening without leading to an economic recession. However, following the resurgence of armed conflicts in the Middle East region, risks of new exogenous shocks on energy prices and transport costs emerged towards the end of 2023.

The Eurozone experienced a more pronounced slowdown in economic growth. High inflation adversely affected household demand for goods and services. The European Central Bank's rate hikes slowed the growth of fixed investments. Fiscal policy became less supportive and the weakness of foreign demand curtailed the contribution from exports. As a result, GDP growth in the Eurozone was practically stagnant. Despite this, employment continued to rise and the average annual unemployment rate of 6.5% was lower than in 2022. Inflation fell rapidly, settling at an annual average of 5.4%, and the change in December compared to a year earlier was 2.7%.

In Italy, based on the preliminary growth estimate, GDP increased by 0.7% in 2023. The stagnation reflected the zero contribution of net exports and the negative trend in the inventory cycle, amid weaker domestic demand compared to 2022. Expenditure flows related to the NRRP projects were lower than planned, failing to boost demand as hoped. Fiscal policy is becoming less expansionary, but limiting the deficit to 5.6% of GDP has proved insufficient to ensure a significant decrease in debt, which is stabilising at above 140% of GDP. Despite the economic stagnation, employment increased, and the unemployment rate fell, down to 7.2% in December, the lowest level since 2009. From a sector perspective, value added fell in manufacturing, rose marginally in construction, and grew in the service sector.

Between February and September 2023, the ECB raised official rates from 2.0% to 4.0% (deposit rate) and signalled in December that it would keep them at this level for some time. Concurrently, the ECB began reducing its monetary policy portfolios and continued the accelerated repayment of TLTRO III loans.

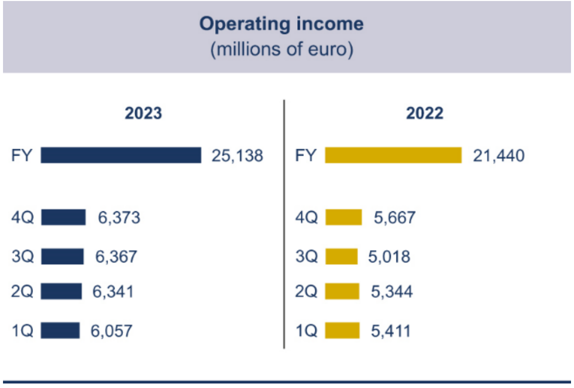
The transmission of the official rate hikes to market interest rates was gradually dampened by the build-up of expectations of a reversal in the monetary policy cycle. In particular, medium- and long-term interest rates fell significantly in November and December. The spread between ten-year and two-year rates remained largely negative throughout 2023. The Btp-Bund spread narrowed over the year to 155-160 basis points. The offering of government bonds was mainly covered by an exceptional increase in net demand from Italian households, with a modest positive contribution from foreign investors.

The rises in key interest rates fed through to the lending and borrowing rates of Italian Banks with different speeds and intensities, significantly widening the spread between the average lending rate and the cost of funding. In the credit market, there was a moderate tightening in the lending criteria, consistent with the direction of monetary policy and the increase in perceived risks. On the other hand, higher interest rates led to a sharp reduction in the demand for loans. Loans to businesses declined rapidly, reaching a low in September, with the downward trend slowing in the fourth quarter. The growth of loans to households decelerated sharply, and the stock declined in the second half of 2023. Funding from customers decreased significantly due to outflows from current accounts, partly as a result of the reallocation of savings towards more remunerative financial instruments, including domestic government bonds. Alongside this, there was a strong recovery in time deposits and a return to growth for bank bonds. Substantial purchases of government bonds by savers fuelled assets under administration, which continued the recovery that began in 2022. However, the rise in interest rates negatively impacted the asset management industry, which saw net outflows in 2023 for mutual funds, portfolio management schemes, and life insurance.

Consolidated results of Intesa Sanpaolo

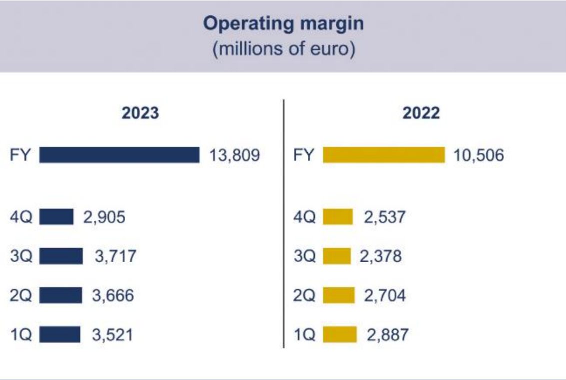
Like the Interim Statement as at 31 March 2023, the Half-yearly Report as at 30 June 2023 and the Interim Statement as at 30 September 2023, the 2023 Annual Report has also been prepared applying IFRS 17 Insurance Contracts. At the same time, the insurance companies of the Intesa Sanpaolo Group also applied IFRS 9 Financial Instruments, the adoption of which was deferred in the previous years by virtue of the Deferral Approach.
The commentary on the results for 2023 therefore refers to the reclassified consolidated income statement, which presents the comparative figures for the twelve months of 2022 adjusted in relation to the retrospective application of the two standards. For the aspects more closely related to the application of the two standards, see the Notes to the consolidated financial statements, Part A – Accounting policies (A.1 General criteria, Section 1). For the impacts on the structure and contents of the reclassified consolidated income statement and balance sheet, see the chapter "Economic results and balance sheet aggregates" of this Report on operations.

The consolidated income statement for 2023 posted a *net income* of 7,724 million euro, up significantly on 4,379 million euro for 2022 (+3,345 million euro; +76.4%).
This trend was driven by the positive operating performance, particularly on the revenue side, and by lower adjustments to loans, which almost halved compared to 2022. It is recalled that, on the one hand, significant amounts were recognised in that year in relation to the exposures to Russia and Ukraine (adjustments totalling 1,415 million euro, of which 1,298 million euro related to credit risk, equivalent to 1,145 million euro net of tax). On the other hand, adjustments to performing loans amounting to 1,174 million euro gross were recognised, mostly in the fourth quarter, mainly related to management overlays applied on a prudent basis where potential vulnerabilities had been identified, against de-risking actions and the application of a deterioration factor to the prudent macroeconomic scenario adopted for the forward-looking estimate of ECLs, only partially mitigated by the reduction of the overlays covering the vulnerability of the moratoria (721 million euro).



In more detail, *operating income* continued the positive trend shown during the year, reaching 25,138 million euro (+3,698 million euro; +17.2% compared to 2022).
In a scenario of repeated hikes in key interest rates decided by the ECB from July 2022 onwards[3], the aggregate was driven by net interest income, which rose by 54.2% to 14,646 million euro, representing over 58% of total net income (44.3% in 2022). Within this caption, the net contribution from customer dealing increased by 45.8%, despite a progressive rise in the cost of funding through securities. Interest income on financial assets in the portfolio also increased significantly, by more than double also as a result of the increase in the stocks, as did other net interest income. Only the negative differentials on hedging derivatives and relations with banks moved in the opposite direction. Although it gradually improved over the quarters, the positive contribution from relations with banks in 2023 was more than 30% lower than in 2022, mainly as a result of the decrease in interbank operations.
The net interest income performance described above more than offset the decreases in other revenue items.
Net fee and commission income fell to 8,558 million euro (-4%). The decrease related to (i) management, dealing and consultancy activities, which were affected by the market volatility which dampened the revenue items related to the assets under management and the placement of insurance products in particular, despite the positive performance of the dealing and placement of securities; (ii) commercial banking activities, particularly guarantees and current accounts, despite the positive trend in collection and payment services; and (iii) other net fee and commission income, mainly in the revenue component related to loans granted.
The income from insurance business was essentially stable at 1,666 million euro (-0.5%), with an improvement in the contribution from the technical margin and the net investment result attributable to the non-life business.
Profits (losses) on financial assets and liabilities designated at fair value fell by 78.4% to 298 million euro. This reduction should be interpreted together with the increase in the net interest income, with reference to transactions in certificates, which generated positive effects on interest income in terms of greater liquidity invested and negative effects on trading related to the management of financial risks following the increase in market interest rates. The decrease in the caption was therefore mainly concentrated within the "Profits (losses) on trading and on financial instruments under fair value option", in addition to lower profits on disposal activities and the negative contribution from the hedge accounting.
Lastly, the caption other operating income (expenses), which includes profits on investments carried at equity and other income/expenses from continuing operations, recorded a net negative balance of -30 million euro, compared to -32 million euro in 2022 (-6.3%). The aggregate benefited from the increase in profits on investments carried at equity (from 40 million euro to 43 million euro) against a marginal increase in net operating expenses.
In the inflationary environment of 2023, *operating costs* rose by 3.6% to 11,329 million euro (+395 million euro).
Personnel expenses increased to 6,981 million euro (+3.5%). The positive effects of the reduction in the average workforce (-1,752 staff; -1.8%) only partially offset the salary adjustments resulting from the renewal of the national collective bargaining agreement, for the part effective from 1 July 2023.
Administrative expenses also increased to 3,002 million euro (+3.1%), although with contrasting movements among the various captions. Amortisation and depreciation also increased to 1,346 million euro (+5.2%), mainly attributable to intangible assets, essentially investments in technology, only partially offset by the reduction for property and equipment, essentially rights of use acquired under leases by the Parent Company, following the renegotiation and early termination of several agreements.

[3] The annual average of 1-month Euribor went from +0.09% in 2022 to +3.24% in 2023.

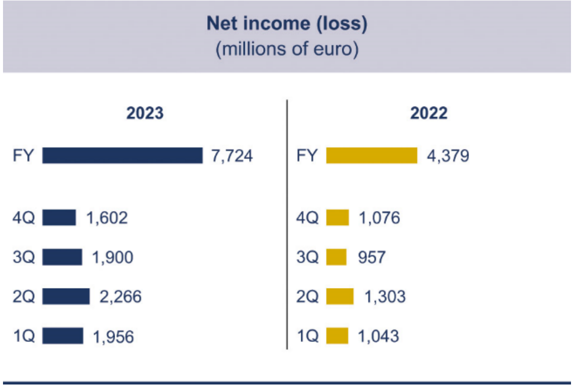


As a result of the revenue and cost performance described above, the *operating margin* increased to 13,809 million euro (+3,303 million euro; +31.4%) and the cost/income ratio fell by almost 6 percentage points, from 51% to 45.1%.

As mentioned in the introduction, *net adjustments to loans* more than halved to 1,529 million euro, from 3,113 million euro in 2022 (-1,584 million euro; -50.9%), which included the valuation effects connected to the Russia-Ukraine risk of 1,298 million euro (in contrast, recoveries totalling 206 million euro were recognised in 2023, of which 35 million euro in the fourth quarter, essentially as a result of sales of/proceeds from cross-border non-performing positions and the reduction in volumes).
The cost of risk, represented as the ratio of net adjustments to net loans, consequently fell to 36 basis points compared to 70 basis points for the year 2022 (30 basis points when excluding adjustments for the Russia-Ukraine exposure and the additional adjustments for overlays and to favour de-risking, net of the release of generic provisions set aside in 2020 for expected COVID-19 impacts).
Other net provisions and net impairment losses on other assets rose from 270 million euro to 570 million euro, made up of:
– net provisions of 256 million euro (106 million euro in 2022), which, in addition to provisions for legal disputes, included 32 million euro recognised in the second quarter as the estimated cost of the Reward prize contest "Intesa Sanpaolo 2024", launched to increase customer loyalty and engagement and 114 million euro, in addition to the 80 million euro already allocated in December 2022, posted on consolidation of the investee Banca Intesa Russia in order to write off its equity contribution to the consolidated financial statements against the net income accrued during the year;
– net impairment losses on other assets of 314 million euro, which included 117 million euro attributable to valuations of the credit risk component relating to securities in the portfolio, in addition to some components recognised in the fourth quarter for de-risking purposes (164 million euro in 2022, which included 37 million euro for valuations of the Russia and Ukraine risk on securities and real estate).

Other income (expenses), which include realised gains and losses on investments and income/expenses not strictly related to operations, made a positive contribution of 348 million euro, thanks to gains of 116 million euro from the sale of the PBZ Card acquiring business line to Nexi in the first quarter and 192 million euro from the sale of the stake held in Zhong Ou Asset Management[4], completed in the second quarter (in 2022, this caption totalled 202 million euro, which included the gain of 195 million euro from the sale of Intesa Sanpaolo Formazione and the one-off contribution to Intesa Sanpaolo's people of 41 million euro[5] to mitigate the impact of inflation, both of which relating to the second quarter).
As a result of the combined effect of the accounting entries described above, *gross income* showed significant improvement to 12,058 million euro (+4,733 million euro; +64.6%).
The change in the taxable base led to an increase in *taxes on income* for the year to 3,438 million euro (+65.3%), despite having benefited from 352 million euro following the recognition of deferred tax assets relating to losses carried forward pertaining to the former UBI Banca, resulting in a tax rate of 28.5% (28.4% in 2022).
Net of tax, the following were recorded: *charges for integration and exit incentives* of 222 million euro (2022 comparison figure of 140 million euro), of which 139 million euro (46 million euro in 2022) attributable to the Parent Company; and the *negative effects of purchase price allocation*, which increased to -161 million euro from -146 million euro in the previous year, for more than two thirds attributable to the Parent Company.
Charges aimed at maintaining the stability of the banking industry remained high, although decreasing: 485 million euro (706 million euro before tax) against the comparison figure of 576 million euro (836 million euro before tax) recorded in 2022.

[4] The gross gain shown takes into account the remaining amount received from the buyer, as consideration, following the payment of the Chinese local tax on the gain, made by Intesa Sanpaolo in September and recognised under the caption taxes. Considered in net tax terms, the contribution from the gain remains unchanged at around 154 million euro.
[5] You are reminded that, in relation to the amount of the contribution paid – equal to 48 million euro, recognised in the consolidated income statement in the second quarter of 2022 – as a result of the exemption from taxation (and social security contributions) under the "Aiuti-bis" Decree (Law Decree no. 115 of 9 August 2022, converted by Law no. 142 of 21 September 2022) and the "Aiuti-quater" Decree (Law Decree no. 176 of 18 November 2022, converted with amendments by Law no. 6 of 13 January 2023), the cost actually incurred was reduced to 41 million euro, due to the reversal of the related social security contributions.



These charges essentially consisted of: (i) 221 million euro net (323 million euro before tax) of ordinary contributions, recognised in the first half and relating to the full year 2023, to the single resolution fund for the Group's Italian and international banks[6], down from 254 million euro net (369 million euro before tax) in 2022; and (ii) 253 million euro net (373 million euro before tax) from the contribution relating to the deposit guarantee funds, charged in the second half of the year for the most significant portion, relating to the Group's Italian banks.
After the allocation of the net income of 28 million euro to minority interests (4 million euro in 2022), the consolidated income statement for 2023 closed, as already stated, with a *net income* of 7,724 million euro, compared with 4,379 million euro for 2022 (+76.4%).

The *consolidated income statement for the fourth quarter* showed net income of 1,602 million euro, down 15.7% from 1,900 million euro recorded in the previous three months.
Operating income totalled 6,373 million euro, without significant changes compared to the third quarter (+6 million euro; +0.1%). Within the operating income, the growth in net interest income (+4.8%) continued, supported by relations with banks, financial assets in the portfolio and other net interest income. Together with the recovery in net fee and commission income (+0.7%), they offset the negative performance of the profits (losses) on financial assets and liabilities designated at fair value (-143 million euro), which should be viewed – as indicated above – together with the increase in net interest income with reference to transactions in certificates, and the income from insurance business (-6.7%), as well as the increase in the negative balance of other operating income (expenses), attributable to operating expenses.
Overall, operating costs increased to 3,468 million euro (+818 million euro; +30.9%). There were significant changes in administrative expenses (+29.2%) and personnel expenses (+35.5%). While the average workforce increased slightly (+231 staff; +0.2%), the personnel expenses in the fourth quarter included the adjustments resulting from the renewal of the national collective bargaining agreement. The quarterly performance of amortisation and depreciation (+11.9%), essentially attributable to the Parent Company, continued the trend that had already emerged during the year, linked to the investments in technology and growth.
As a consequence, the operating margin came to 2,905 million euro (-812 million euro; -21.8%), while the cost/income ratio rose to 54.4% from 41.6% in the third quarter.
Net adjustments to loans amounted to 616 million euro in the last three months of 2023, compared to 357 million euro in the previous quarter (+72.5%). The increase (+259 million euro) included 148 million euro to support the de-risking of Stage 3 non-performing loans.
Other net provisions and net impairment losses on other assets totalled 332 million euro, compared to 47 million euro in the third quarter. This caption consisted of (i) 113 million euro from net provisions, also for legal disputes, including 43 million euro for the write-off of the equity contribution from the Russian investee to the consolidated financial statements; (ii) 219 million euro from net impairment losses on other assets, mainly attributable to the Parent Company, including 34 million euro for credit risk on securities in the portfolio, in addition to some components recognised for de-risking purposes.
Other income (expenses), which include realised gains and losses on investments and income/expenses not strictly related to operations, made a positive contribution of 29 million euro (15 million euro in the third quarter).
As a result of the accounting entries described, the gross income amounted to 1,986 million euro (-1,342 million euro; -40.3%).
The change in taxable income and the recognition of deferred tax assets of 352 million euro relating to tax losses carried forward pertaining to the former UBI Banca gave rise to taxes on income for the period of 288 million euro (1,066 million euro in the third quarter), resulting in a tax rate of 14.5% (32% in the previous three months).
Net of taxes, the following were recorded: charges for integration and exit incentives of 80 million euro (56 million euro in the third quarter), negative effects of purchase price allocation of -35 million euro (comparison figure of -36 million euro), as well as a positive effect of 18 million euro (31 million euro before tax), almost all of which resulting from the adjustment of previously estimated charges aimed at maintaining the stability of the banking industry. In the third quarter, 264 million euro was recognised (393 million euro before tax), essentially consisting of the estimated contribution to the deposit guarantee funds of the Group's Italian banks for the full year 2023.
Taking into account the allocation to minority interests of the net loss of 1 million euro (net income of 6 million euro in the third quarter), the consolidated income statement for the last three months of 2023 closed – as already indicated – with a net income of 1,602 million euro, down 15.7% on 1,900 million euro for the third quarter.

With regard to the balance sheet aggregates, net loans to customers stood at 429.5 billion euro as at 31 December 2023, down 17.3 billion euro (-3.9%) compared to twelve months earlier. This change was attributable to commercial banking loans, which decreased by 4.2% to 402.1 billion euro (-17.7 billion euro, of which 5.4 billion euro in the fourth quarter). This segment was affected by the rise in interest rates, which dampened demand, both from businesses, which preferred to postpone investment decisions and use available liquidity to limit their use of bank loans, and from households, particularly for mortgage loans financing home purchases. In terms of technical forms, the decrease mainly involved medium/long-term loans (-6.9% to 225.5 billion euro), as a result of the predominance of repayments over new disbursements, but also the short-term segment of current accounts (-6.5% to 21.5 billion euro). Only the other short-term technical forms consisting of advances and loans showed modest growth (+0.4% to 155.1 billion euro).

[6] You are reminded that the initial period for the establishment of the Single Resolution Fund ended on 31 December 2023. However, Article 69 of Regulation 806/2014 envisages the collection of additional contributions after the end of that period if the amount of financial means available falls below 1% of the covered deposits.

With regard to the remaining components of the aggregate, short-term loans of a financial nature, consisting of repurchase agreements, and which by nature are subject to a certain degree of variability over the year, rose by 8.3% to 16.6 billion euro. This growth was concentrated in the fourth quarter (+9.5%) after the fall in the middle part of the year.
Loans represented by securities decreased to 5.9 billion euro (-6.3%), while net non-performing loans fell below 5 billion euro (-9.7%), as a result of the continued de-risking. In terms of credit quality, the NPL ratio remained stable at 2.3% in gross terms and 1.2% in net terms (2.3% and 1.2% in December 2022)[7]. Their coverage ratio improved to 49.8%, from 48.4% at the end of 2022.

With regard to the funding from customers, at the year end direct deposits from banking business had reached 576.1 billion euro, up 30.8 billion euro (+5.6%) compared to December 2022, of which 18.3 billion euro attributable to the last quarter. Within the aggregate, current accounts and deposits, reflecting the ongoing industry-wide trend and despite the recovery in the fourth quarter (+4.8 billion euro), decreased to 407.9 billion euro, (-25.1 billion euro, -5.8% over the twelve months) due to the use of liquidity by businesses and increased diversification of savings by households. However, their stock still accounts for more than 70% of direct deposits from banking business, confirming their status as a strong point of the Group's liquidity position. The performance of current accounts and deposits was more than offset by the growth of bonds, which rose by 49.6% to 78.3 billion euro (+26 billion euro, of which +8.4 billion euro in the last three months). A significant funding plan was implemented in 2023 that allowed the Group to strengthen the buffers available with respect to the MREL requirements.
Other deposits were also up at 62.4 billion euro (+18.2 billion euro, +41.2%), primarily driven by the fair value component, amounting to 29.9 billion euro, almost entirely consisting of investment certificates (+13.3 billion euro; +80.4%), in addition to short-term institutional funding (commercial paper). Subordinated liabilities, down slightly to 12.2 billion euro (-2.5%), incorporated the combined effects of maturities and issuances during the year, while certificates of deposit, despite increasing by 11.5% to 2.3 billion euro, still represent a small proportion of total funding.
Lastly, with regard to the financial funding in the form of repurchase agreements, which by nature are subject to fluctuations, at the end of 2023 there were funding transactions outstanding for a total of 13 billion euro, compared with 1.3 billion euro in December 2022.

At the end of 2023, direct deposits from insurance business were essentially stable at 172.7 billion euro (-0.9 billion euro; -0.5%). Following the adoption of IFRS 17 and its retrospective application to the comparison figures, the aggregate consists of 69.4% of insurance liabilities, which rose to 119.8 billion euro (+2.3 billion euro; +1.9%) partly as a result of the positive trend in the placement of insurance policies. In contrast, financial liabilities, which were affected by the market volatility that slowed down new subscriptions, fell to 51.4 billion euro (-2.8 billion euro; -5.1%). These consisted entirely of unit-linked investment contracts included under Financial liabilities pertaining to insurance companies designated at fair value and represented 29.8% of total direct deposits from insurance business. Lastly, the remaining portion (0.8%) consisted of other insurance deposits, included in the caption Financial liabilities pertaining to insurance companies measured at amortised cost, which also incorporates subordinated liabilities. Their amount was equal to 1.5 billion euro, down compared to December 2022 (-0.4 billion euro, -22.6%).

Indirect customer deposits, measured at market prices, closed 2023 with a stock of 722.2 billion euro, up 10% (+65.5 billion euro, of which +38.7 billion euro attributable to the fourth quarter). This performance was primarily driven by assets under administration, which rose by 22.8% to 278.2 billion euro (+51.7 billion euro, of which +23.3 billion euro in the last three months), having benefited from the renewed customer interest in fixed-income investments prompted by the rise in interest rates. On the other hand, assets under management stood at 444 billion euro, with a recovery of 3.2% (+13.9 billion euro, of which +15.4 billion euro in the fourth quarter), having benefited from the appreciation in value of the assets under management, linked to the positive performance of the markets in the final months of the year. This positive trend concerned almost all the components: mutual funds (+3.8% to 155.5 billion euro), portfolio management schemes (+8.8% to 80.1 billion euro), and, albeit as a small proportion of the total, deposits from institutional customers (+14.4% to 26.2 billion euro) and pension funds (+39.1% to 16.7 billion euro). Only the total of insurance liabilities and insurance financial liabilities moved in the opposite direction (-3.7% to over 165.5 billion euro).

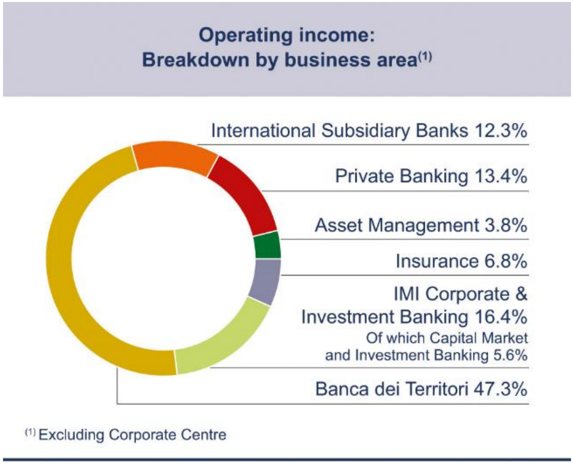
[7] Based on the EBA definition, as at 31 December 2023 the NPL ratio fell to 1.8% in gross terms and 0.9% in net terms (respectively, 1.9% and 1% at the end of 2022).

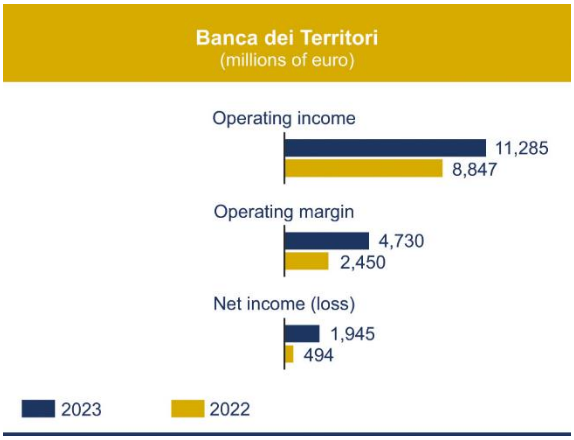
Results of the Business Units

The Intesa Sanpaolo Group organisational structure is based on six business segments: Banca dei Territori, IMI Corporate & Investment Banking, International Subsidiary Banks, Asset Management, Private Banking and Insurance. In addition, there is the Corporate Centre, which is responsible for guidance, coordination and control of the entire Group, as well as for the Treasury and ALM operations.

As can be seen in the chart, the share of operating income attributable to each business segment (excluding the Corporate Centre) confirmed that commercial banking activities in Italy continue to account for the majority (47.3% of the operating income of the business areas), although significant contributions were also provided by corporate and investment banking (16.4%), private banking (13.4%), commercial banking activity abroad (12.3%), insurance business (6.8%) and asset management (3.8%).

Where necessary and where material, the division figures are restated to reflect the changes in scope of the business units to enable a like-for-like comparison.





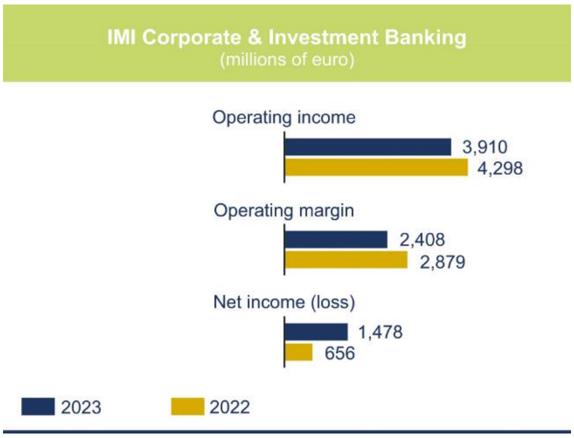
In 2023, the operating income of the Banca dei Territori Division – which oversees the traditional lending and deposit collecting activities in Italy and the related financial services – rose substantially (+27.6%) to 11,285 million euro. This growth was due to the considerable increase in net interest income (+64.1%), attributable to the performance of market interest rates, while net fee and commission income decreased (-2.3%), mainly attributable to assets under management.

Operating costs, amounting to 6,555 million euro, were up (+2.5%), due to administrative expenses, which were affected by high inflation levels, and personnel expenses, also due to the higher costs related to the renewal of the national collective bargaining agreement.

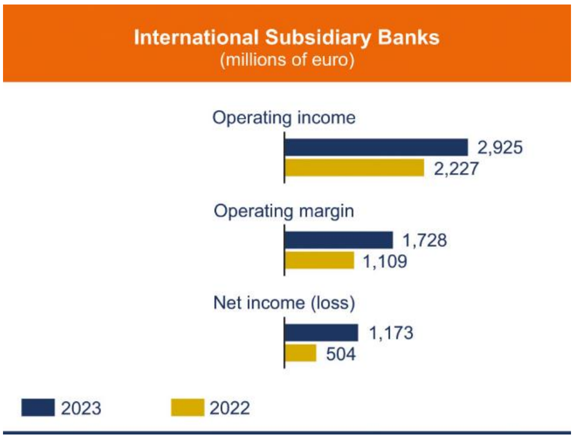
As a result of the above, the operating margin rose to 4,730 million euro, compared to 2,450 million euro in the previous year. Gross income almost tripled to 3,315 million euro, despite higher adjustments to loans and other net provisions and net impairment losses on other assets in relation to legal disputes.

Banca dei Territori ended the year with a net income of 1,945 million euro (494 million euro in 2022).

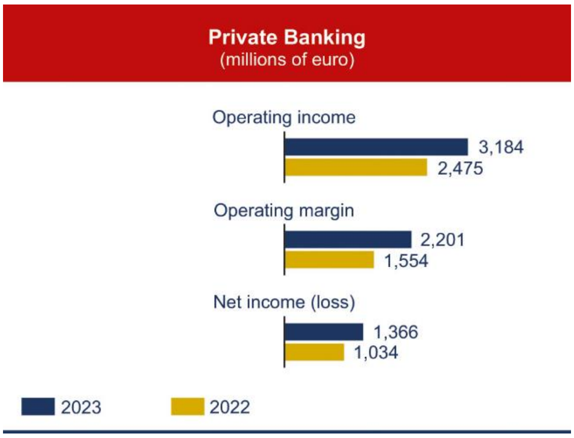
As at 31 December 2023, the Division's balance sheet figures showed a decline in total intermediated volumes of loans and deposits from the beginning of the year (-6.7%). Loans (-6.3% to 232.4 billion euro) were affected by demand factors, driven by the rise in interest rates, originating both from businesses, which preferred to use available liquidity to limit their use of bank loans, and from households, due to lower demand for mortgage loans. On the other hand, direct deposits from banking business (-7.1% to 270.4 billion euro) were affected by the decrease in amounts due to customers. For businesses, this was due to the above-mentioned use of liquidity instead of bank loans, and for households, this was attributable to the reinvestment of some of the available funds on current accounts into more remunerative investment products, such as government/corporate bond issues, which increased assets under administration, and certificates issued by Intesa Sanpaolo and structured by the IMI Corporate & Investment Banking Division.



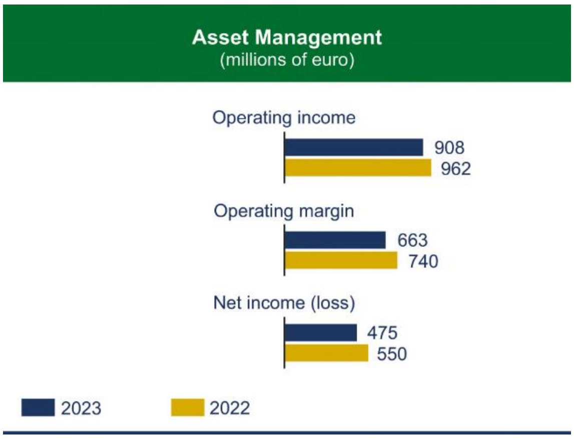
In 2023, the operating income of the IMI Corporate & Investment Banking Division amounted to 3,910 million euro, down 9% compared to the previous year.
In detail, net interest income grew by 32.7%, primarily attributable to Global Markets operations, as well as a greater contribution from customer deposits. Net fee and commission income was down slightly (-3%) due to the lower contribution from commercial banking, only partly offset by the positive performance of investment banking. The profits (losses) on financial assets and liabilities designated at fair value were marginal compared to 2022, mainly as a result of the management of trading in the Global Markets area. This result should be viewed in conjunction with the performance of the net interest income related to funding in certificates, which had a positive effect on the net interest income in terms of greater investment of liquidity and a negative effect on trading related to the management of financial risks as a result of the rise in market interest rates.
Operating costs increased to 1,502 million euro, a change of 5.8%, attributable to administrative and personnel expenses, also due to the effects of the renewal of the national collective bargaining agreement.
The revenue and cost performance described above led to a fall in the operating margin to 2,408 million euro (-16.4%). Gross income, on the other hand, increased by 87.1% to 2,215 million euro, having benefited from the absence of the significant value adjustments for the Russia and Ukraine risk recognised in the previous year.
The Division closed the year with net income of 1,478 million euro, more than double the figure for 2022.
The Division's intermediated volumes increased on an annual basis (+7.1%). In detail, loans to customers decreased by 2% to 127.2 billion euro, mainly due to loans in the global corporate segment, which fully offset the growth in loans in the global markets segment and loans to financial institution customers. Direct deposits from banking business, on the other hand, were up 19.7% to 113.5 billion euro, as a result of the increase in transactions in certificates and the growth in securities issued by the Luxembourg and Irish subsidiaries.



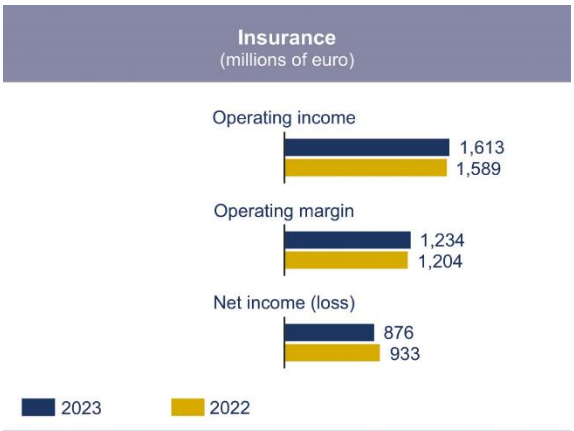
In 2023, the operating income of the International Subsidiary Banks Division – which is responsible for the Group's operations on international markets through commercial banking subsidiaries and associates that mainly carry out retail banking activities – amounted to 2,925 million euro, up significantly on the previous year (+31.3%; +41.3% at constant exchange rates). The performance was driven by the net interest income (+46.5%) which, together with the modest increase in net fee and commission income (+1.6%), largely offset the fall in profits (losses) on financial assets and liabilities designated at fair value (-30.2%) and the increase in other net operating expenses.
Operating costs increased to 1,197 million euro (+7.1%; +13.5% at constant exchange rates), mainly due to the trend in personnel and administrative expenses.
As a result of the revenue and cost performance described above, the operating margin increased by 55.8% to 1,728 million euro. Gross income more than doubled to 1,591 million euro, having benefited from lower net adjustments to loans and the gain from the sale of the PBZ Card acquiring business line.
The year 2023 ended with net income of 1,173 million euro, a significant improvement on the 504 million euro for the previous year.
The Division's total intermediated volumes were up 5.7% at the end of December 2023 from the beginning of the year. This was driven both by loans to customers – up 4.6% to 42.1 billion euro mainly due to the growth posted by the subsidiaries operating in Slovakia, Croatia, Hungary and Serbia, only partly offset by the decrease in loans in Egypt – and by direct deposits from banking business, which increased by 6.5% to 57.9 billion euro, particularly in the amounts due to customers component, mainly attributable to the subsidiaries operating in Slovakia, Serbia and Hungary.



The Private Banking Division – which serves the top customer segment (Private and High Net Worth Individuals), creating value by offering top products and services – posted operating income of 3,184 million euro in 2023, up 28.6% on the previous year.
The revenue performance is attributable to net interest income which, in a scenario of growing market interest rates, more than tripled to 1,267 million euro, due to the increase in the contribution from investments in securities and dealing with banks and customers. Net fee and commission income moved in the opposite direction (-6.2%), both for the recurring component, as a result of the reduction in average assets under management, and for the up front component, due to the different mix of products placed.
Operating costs increased by 6.7% to 983 million euro, attributable both to personnel expenses – due to the impacts of the renewal of the national collective bargaining agreement and the strengthening of the workforce abroad – and to administrative expenses, in particular for IT, real estate and services rendered by third parties.
As a result of the above movements, the operating margin increased by 41.6%, to reach 2,201 million euro. Gross income also increased by 35.4% to 2,106 million euro.
The Division's income statement closed with net income of 1,366 million euro, up 32.1%.
As at 31 December 2023, assets gathered, including the contribution of the trust mandates for SIREF Fiduciaria, amounted to 303.6 billion euro, up by 31.1 billion euro from the beginning of the year. This trend was due to the market performance, which had a favourable impact on assets, and to positive net inflows. The assets under management component amounted to 157.4 billion euro (+7.3 billion euro).



The Asset Management Division – which pursues the mission of developing the best asset management solutions aimed at the Group's customers and its presence on the open market segment through Eurizon Capital SGR and its subsidiaries – posted operating income of 908 million euro in 2023, down 5.6%. This change was essentially attributable to net fee and commission income (-10.6%) and was only partially offset by the positive contribution from the fair value measurement of the financial portfolio in which the Division's cash and cash equivalents are invested.
In the presence of operating costs that rose to 245 million euro – mainly due to the increase in administrative expenses, related to further strengthening of the production infrastructure – the operating margin fell to 663 million euro (-10.4%).
The Division closed the year with net income of 475 million euro (-13.6%).
As at 31 December 2023, the assets under management of the Division totalled 311.3 billion euro, up by 7.5 billion euro (+2.5%) compared to the end of 2022, thanks to the appreciation in value of the assets under management, linked to the positive performance of the markets, only partly offset by net outflows (-13.5 billion euro). The outflows concerned the mandates on insurance and pension products (-11.6 billion euro) and, to lesser extent, mutual funds (-2.7 billion euro) and portfolio management schemes for retail and private customers (-0.7 billion euro), only partly offset by net inflows on products targeted to institutional customers (+1.5 billion euro).



The Insurance Division – whose mission is to synergically develop the range of insurance products for the Group's customers – posted operating income of 1,613 million euro (+1.5%) in 2023, consisting almost entirely of the income from insurance business, which was up 1.7% to 1,625 million euro. The latter benefited from the improvement in both the technical margin and the net investment result, particularly in the non-life business.
At the same time, operating costs fell to 379 million euro (-1.6%), due to a decrease in administrative expenses (-5.4%), which more than offset the increase in personnel expenses (+3.4%).
As a result of the above performance, the operating margin improved to 1,234 million euro (+2.5%).
In contrast, gross income, at 1,295 million euro, was down (-1.4%).
The net income achieved by the Insurance Division amounted to 876 million euro (-6.1%).
With regard to the performance of the direct deposits from insurance business, details are provided in the section above containing the commentary on the Group's results.

The Corporate Centre generated an operating margin of 845 million euro in 2023, compared to 570 million euro in the previous year. This improvement was essentially due to the positive performance of operating income and in particular net interest income, which benefited from the significant rise in market interest rates.
Operating costs fell slightly: higher charge backs by the Corporate Centre to the business units for pure services and guidance and control services were partly offset by the increase in personnel expenses and the amortisation of intangible assets correlated with technological investments. Gross income amounted to 873 million euro compared to 600 million euro in 2022.
The net income at the end of 2023 was 411 million euro, compared to 208 million euro in 2022. You are reminded that the income statement of the Corporate Centre includes the charges, essentially related to the European Resolution Fund, aimed at maintaining the stability of the banking industry. These charges amounted – after tax – to 245 million euro, compared with 301 million euro in the previous year.

Highlights

The military conflict between Russia and Ukraine

The ISP subsidiaries in Russia and Ukraine

The Group is present in Russia and Ukraine through two subsidiaries:
– *Joint-Stock Company Banca Intesa (Banca Intesa Russia)*, 47% owned by Intesa Sanpaolo and 53% by Intesa Sanpaolo Holding International (Luxembourg). This is a Moscow-based corporate bank, part of the IMI Corporate & Investment Banking Division, which operates with 27 branches and 869 staff. The Group's presence in Russia dates back almost 50 years (at the time as a Representative Office)[8]. The bank has participated in the financing of large national and international Russian projects, also offering a full range of banking services for small and medium-sized enterprises, retail customers and companies. The regional branch network extends from Kaliningrad to Vladivostok;
– *Pravex Bank Joint-Stock Company*, 100%-owned by Intesa Sanpaolo. This is a small commercial bank based in Kyiv, part of the International Subsidiary Banks Division, which operates with 40 branches mainly in the Kyiv region and employs 666 people. Intesa Sanpaolo acquired the bank in 2008 and has been operating in the country continuously since that date.

The analyses made in the 2022 Annual Report concerning Intesa Sanpaolo's continued control over the two entities still apply – having been reinforced by the re-election of the outgoing Board of Directors of Banca Intesa Russia by the Shareholders' Meeting of 30 June 2023 and the routine turnover in the governance bodies of the Ukrainian subsidiary, implemented based on the nominations proposed by the Parent Company – for all the aspects examined at that time, also in light of the absence of any changes in the Russian regulations in this regard or negative developments concerning the governance of the Russian subsidiary, which continues to operate as directed by the Parent Company.

Risk management

In light of the continuing military conflict between Russia and Ukraine, in 2023 the Group did not ease the internal controls that it implemented after the outbreak of hostilities in February 2022, as described in detail in the introductory chapter of the Report on operations of the 2022 Consolidated Financial Statements, which should be referred to for more details.
The two Task Forces – "Risk Management and Control" and "Operational Resilience", respectively chaired by the Chief Risk Officer and the Head of the International Subsidiary Banks Division – continued to meet with the aim, among others, of preparing relevant information for the Top Management, which was also shared with the ECB's Joint Supervisory Team (JST), as necessary.
The situation continues to be monitored both at Parent Company level and in all the Group banks directly involved in the conflict or close to it, where direct and continuous contacts are being maintained.
Appropriate information is also always prepared for the Board Committees and the Board of Directors.

The Risk Management and Control Task Force
All the main actions carried out since the start of the emergency, both from an operational perspective and with specific regard to the monitoring of credit risk, in particular under the Credit Action Plan, were described in the 2022 Consolidated Financial Statements.
With regard to 2023, there are no significant new developments to report. In continuity with the second half of 2022, there were no specific initiatives under the Credit Action Plan dedicated to the conflict between Russia and Ukraine. However, the specific diagnostic initiatives designed to prevent flows into non-performing status for exposures showing signs of difficulty, but without being past due, are still being implemented for companies in the energy and gas sectors that are particularly sensitive to fluctuations in the cost of energy, also linked to the current geopolitical crisis.
In light of the further tightening of the already heavy sanctions imposed on Russia by Western countries, in order to ensure regulatory compliance, the monitoring, started in 2022, continued through a specific dashboard at Group level, aimed at overseeing the changes in the lists of sanctioned persons and entities at European and international level, identifying sanctioned persons and entities for the purpose of blocking positions and payments, complying with the specific ban on accepting deposits above the threshold set by the European regulations, and identifying and blocking financial instruments subject to sanctions. As at 31 December 2023, the exposure to Russian counterparties subject to sanctions included in the

[8] With effect from 1 August 2023, Intesa Sanpaolo's Moscow representative office ceased operations.

OFAC (Office of Foreign Assets Control) SDN and/or EU asset freeze lists amounted to 237 million euro (over 380 million euro at the end of 2022).
Since the beginning of the conflict, the Group has continued to carefully monitor the evolution of the fallout of the Russian-Ukrainian crisis on the real economy and the main financial variables, also by conducting specific scenario analyses and stress tests to assess the potential impacts in terms of profitability and capital adequacy. Although the situation is constantly evolving, leaving aside extreme scenarios of conflict escalation that could lead to outcomes that are difficult to assess, these analyses confirm the Group's ability to ensure compliance – also through the implementation of specific actions – with the regulatory requirements and the stricter limits set internally.

The Operational Resilience Task Force
The initiatives implemented from the initial stages of the conflict in relation to Pravex Bank's employees, in particular with regard to supporting the expatriation of these employees and their families, when required, were described in the 2022 Consolidated Financial Statements, which should be referred to for more details. From March 2023, also as a result of a temporary improvement in the situation, a small but steady flow of colleagues and their family members hosted abroad began to return to Ukraine, and this flow intensified in the second half of the year. At the end of December, the number of colleagues and their families hosted in Italy in the Group-owned flats and in the residential facilities made available in Bergamo had fallen to 64, compared to 208 hosted during 2022, and the number fell even further in the initial weeks of 2024. They are mainly female staff and their children, as well as the families of male employees who are prevented from leaving the country by martial law.
With regard to business continuity in Ukraine, also thanks to the actions taken in 2022, operational capability was consistently maintained and activities are proceeding without the need to implement continuity solutions.
To overcome the power supply problems that spread throughout the country in late 2022, it was decided in early 2023 to provide Starlink satellite equipment to ensure data connection, along with power banks distributed to the headquarters and staff with critical and strategic tasks. Power generators were also provided to all the operational branches. However, the supply of electricity in the country returned steady again since February, partly due to the possibility of using several power plants that have been put into operation. The measures described have enabled the uninterrupted provision of services, and they are still in place and considered sufficient to deal with the situation at the start of 2024.
The number of branches opened daily since the beginning of 2023 has gradually increased to over 90% of the available branches in the second half of the year. The opening of the branches continues to be based on the risk assessment methodology agreed with the Parent Company and aimed at guiding the decision-making process for the opening of the individual branches on the basis of specific indicators, whilst always prioritising staff safety. Following the closure in 2022 of the branches in Mariupol (considered lost as they were no longer accessible due to being located in an area occupied by Russian troops) and Kherson (damaged by bombing), the branches in Zaporizhzhia and Mykolaiv also ceased operations in 2023, along with one of the two branches in Kharkiv that was damaged in 2022. The other branches that were damaged in the early stages of the conflict (a second branch in Kharkiv, one in Kyiv, and one in Kremenchuk), which had suffered less severe damage and have undergone repairs in the meantime, have now been reopened to the public. At Banca Intesa Russia, the systems have always remained up and running since the beginning of the hostilities and the branches have continued to work without any operational problems, also in 2023.
The monitoring also continued of the operations of Banca Comerciala Eximbank, the Group's Moldovan subsidiary, initiated in 2022. In 2023, despite temporary escalations in the conflict in the area, the company's operations again continued without experiencing any problems.
In terms of cybersecurity, the monitoring and threat intelligence activities continue, alongside the progressive strengthening of the cybersecurity controls throughout the Intesa Sanpaolo Group, particularly in relation to security checks and authentication methods for access to the corporate network. During the year the features were implemented that enable access to all company PCs without passwords but with more reliable security measures.
Specific educational initiatives on cyber risks, focusing in particular on phishing, are regularly implemented to raise awareness among all the Group's staff.
Lastly, the additional costs incurred for business continuity and losses resulting from physical damage to premises/branches located in the conflict zone form part of the monitoring of the exposure to operational risk, including that relating to the Risk Appetite Framework.

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

The main accounting issues arising from the ongoing conflict between the Russian Federation and Ukraine and the Intesa Sanpaolo Group's approach to addressing them are summarised in the paragraphs below. The situation of the Russian/Ukrainian crisis has been the subject of close attention since the outbreak of hostilities at the end of February 2022. Indeed, in addition to significant cross-border exposures to counterparties resident in the Russian Federation, the Group, as already mentioned, has two direct subsidiaries in the warring countries, which are therefore particularly exposed to the consequences of the conflict: Pravex Bank Public Joint-Stock Company and Banca Intesa Russia.
At the beginning 2022, loans to Russian customers represented around 1% of the Intesa Sanpaolo Group's total loans to customers (net of the exposures backed by Export Credit Agency - ECA guarantees). The de-risking, which the Group has been carrying out since the second half of last year, has therefore focused primarily on reducing these exposures. By the end of 2022, the total of these exposures had practically halved, with gross on-balance sheet exposures to counterparties resident in Russia and Ukraine (customers, banks and securities) falling by 2,493 million euro (-47% compared to the end of 2021). Further de-risking operations also continued in 2023, with the almost complete disposal of the securities portfolio and with significant divestments/liquidations of cross-border positions, particularly with regard to certain non-performing exposures. Off-balance sheet exposures were also further reduced. These de-risking measures and the continuing significant adjustments to the remaining positions led to a further decrease in the exposure to counterparties resident in Russia and

Ukraine[9], both in terms of gross and net values. In terms of gross values, the total exposures (customers, banks and securities) as at 31 December 2023 to counterparties resident in Russia and Ukraine amounted to 1,889 million euro (1,580 million euro net), down by 900 million euro (578 million euro net) compared to 31 December 2022 (-32% for the gross and -27% for the net). Specifically, the net credit exposure to customers in the two years decreased from 4,710 million euro as at 31 December 2021 to 766 million euro as at 31 December 2023. More specifically, as at 31 December 2023, the remaining exposures amounted, in terms of gross values, to 197 million euro (117 million euro net) for Banca Intesa Russia (figures as at 31 December 2023, as described below) 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)[10]. Exposures to customers resident in Ukraine amounted to 186 million euro (123 million euro net)[11], of which 62 million euro (book value nil in net terms) related to the subsidiary Pravex Bank (figures as at 30 September 2023, as described below), in addition to exposures to banks and in Ukrainian short-term government bonds totalling 112 million euro (108 million euro net). That said, the situation as at 31 December 2023 is essentially the same as that described in the Annual Report as at 31 December 2022 (as well as the Half-yearly Report as at 30 June 2023), given that:
– ISP continued to exercise control over the two banks, which operated on the basis of the Parent Company's instructions in their respective environments;
– there are no new significant regulatory provisions with respect to those already considered for the 2022 Annual Report.

Consequently, the main methodological choices – both in terms of consolidation of the two subsidiaries and valuation of the credit exposures – are essentially the same as those used in the 2022 Annual Report. Before outlining the valuation choices regarding the two subsidiaries and the aspects related to the valuation of the cross border exposures (for further details, see the description provided in the Notes to the consolidated financial statements), it is necessary to provide some preliminary information about how Pravex Bank and Banca Intesa Russia contributed to the consolidated financial statements as at 31 December 2023. In particular, while it was possible to consolidate an accounting situation aligned to that of the Parent Company for Banca Intesa Russia (therefore, consolidated with reference to the results as at 31 December 2023), for Pravex, the specific situation in the city of Kyiv (where the bank is based) led to the conclusion that – in order to contain the "operational" risk – it was considered more appropriate to use the accounting situation as at 30 September 2023, translated at the exchange rate of 31 December 2023, for the consolidation. The results of Pravex Bank are therefore incorporated by means of the line-by-line consolidation of a consolidation package prepared in accordance with the IAS/IFRS for the previous quarter, in keeping with the approach already adopted for the 2022 Annual Report and over the course of 2023. However, it is worth recalling here that the balance sheet balances of the Ukrainian subsidiary are substantially immaterial in the context of those of the Intesa Sanpaolo Group. The above method of consolidation is also supported by the fact that the balance sheet management data as at 31 December 2023 do not show any significant differences – in the total aggregates – compared to those at the end of September.
With regard to the valuation choices, the absolutely serious situation in all of Ukraine resulted in the definition, for the purpose of measuring Pravex Bank's loan portfolio, of a specific approach, significantly based on prudent rationales, in light of the continuation of the conflict and the consequent repercussions on the Ukrainian economy. For the purposes of the Consolidated Financial Statements as at 31 December 2023, as in the 2022 Consolidated Financial Statements and the Half-yearly Report as at 30 June 2023, it was considered appropriate to maintain the full write down of Pravex Bank's on-balance sheet loans to customers, with consequent classification to Stage 3. As a result of that choice, for the purposes of the Group's consolidated financial statements, the equity of the subsidiary has been reduced to zero, resulting in a negative contribution of 27 million euro to the consolidation. Also for Banca Intesa Russia, an approach to classifying and measuring performing loans continued to be adopted that strongly considers the geopolitical risk deriving from the ongoing crisis. Therefore, as was already the case in the 2022 Annual Report, the assessments carried out as at 31 December 2023 on the loans of the subsidiary included a centrally determined prudent factor that takes account of the worsening of the domestic economic situation in light of the continuation of the conflict and the increased isolation of the Russian economy. As a result of the provisions made, the total coverage of performing loans of the Russian subsidiary amounted to around 35% of their gross value. As in the past accounting closings, the provision aimed at reducing the equity of the investee to zero has also been maintained. The significant adjustments on the credit exposures of Banca Intesa Russia and Pravex Bank, made on a prudential basis, reflect the current war situation that generates the need for careful consideration of the above-mentioned country risk, with appropriate measurement of the risk that the capital invested abroad is exposed to, connected to the possibility that political or economic circumstances may result in non-repayment of the loan (irrespective of the specific credit risk of the individual counterparty).
For the cross-border positions, the Group continued to adopt the measurement approach guided by the emergence of the so-called "transfer" risk (an approach applied both for the determination of the SICR and the related classification to Stage 2, and for the calculation of the ECL through the application of managerial adjustments) in order to better incorporate provisions related to the risk associated with the current conflict that would otherwise not be properly captured by the risk measurement systems normally used. At the same time, the ratings for the highest risk class already assigned to the most significant counterparties exposed to conflict-related risk have been maintained.
Given the substantially unchanged valuation with respect to the 2022 Annual Report and the collections, especially of non-performing cross border positions, and the volume reductions made by the Russian and Ukrainian subsidiaries, in 2023 the Group recorded a positive impact of 205 million euro (before tax) in the income statement, on loans and securities, partially offset by the charge for the adjustment of 114 million euro made to the allowance for risks upon consolidation of Banca Intesa

[9] The decrease in the book value of the rouble exposures in Banca Intesa Russia's portfolio also reflects the significant decline in the Russian currency in 2023.

[10] There were also 46 million euro (39 million euro net) in off-balance sheet exposures to customers at Banca Intesa Russia and 24 million euro cross-border (with essentially no impact in terms of net values) with customers resident in Russia (net of ECA). This latter component was substantially reduced to zero compared to 232 million euro in gross values and 186 million euro in net values as at 31 December 2022. Lastly, there were 66 million euro (gross and net values) of cross-border positions with Russian resident banks.

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

Russia, aimed at writing off its equity contribution to the Group's consolidated financial statements. The net impact before tax amounted to 91 million euro. With regard to the 2022 income statement, it should be noted that the valuation processes established at the time led to the recognition of adjustments before tax totalling 1,415 million euro, of which 1,298 million euro in adjustments to loans, 36 million euro in adjustments to securities and 81 million euro in adjustments to other accounting items, including the above-mentioned provision made upon consolidation of Banca Intesa Russia, to write off its equity contribution to the Group's consolidated financial statements.

Other highlights

Details are provided below of the significant events in 2023.

On 1 January 2023 the Extraordinary Shareholders' Meetings of the two companies approved the merger by incorporation of Fideuram Bank (Luxembourg) S.A. into Compagnie de Banque Privée Quilvest S.A. (CBPQ), which took the name Intesa Sanpaolo Wealth Management S.A., with statutory, accounting and tax effects on the same date.
It should be noted that on 30 June 2022, Fideuram - Intesa Sanpaolo Private Banking, through its Luxembourg subsidiary Fideuram Bank (Luxembourg) S.A., acquired full control of CBPQ, a Luxembourg-based private bank with branches also in Belgium, with the strategic aim of creating an additional European hub for the Private Banking Division, alongside Reyl & Cie in Switzerland.

As part of the agreements between Risanamento, a company controlled by Intesa Sanpaolo with a 48.88% stake, and LendLease, a leading international operator in the infrastructure sector, and the lending banks for the development of the real estate initiative called Milano Santa Giulia, on 2 February 2023 the Board of Directors of Intesa Sanpaolo approved a complex transaction, aimed at enabling the following, as part of a plan to ensure the economic and financial equilibrium of the Risanamento Group pursuant to Article 56 of the Insolvency Code: (i) the obtainment by the Risanamento Group of the financial resources necessary to fulfil its commitments made to the public authorities and third parties in relation to the completion of both the reclamation of the area and the execution of the Olympic infrastructure works under the Variant Agreement; and (ii) the transfer of the Milano Santa Giulia area at values in line with its book value to an alternative investment fund through the subscription of its units by the lending banks or their assignees and the concurrent novation to the aforementioned fund of the financial debt due to the lending banks (or their assignees) from the Risanamento Group and the payment to Risanamento, under particular terms and conditions, of the additional amount with respect to the values referred to above.
The Termsheet containing the main terms and conditions of the transaction was signed by the parties on 22 March 2023. During the second quarter, following the fulfilment of the usual conditions precedent for this type of transaction, the final contracts were drawn up and signed by the parties on 29 June 2023. The closing then took place on 30 June 2023.

With reference to the programme of purchase of own shares for annulment (buyback), approved by the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022 and authorised by the ECB with decision notified on 24 June 2022, for a maximum total outlay of 3,400 million euro and a number of shares not exceeding 2,615,384,615 Intesa Sanpaolo ordinary shares, after the initial programme launched on 4 July and concluded on 11 October 2022 for an outlay of 1,700 million euro and the purchase of 988,632,803 shares (all of them annulled), on 3 February 2023 the Board of Directors of Intesa Sanpaolo resolved to implement the execution of the remaining part of the programme for a maximum outlay of 1,700 million euro and a number of shares not exceeding 1,626,751,812.
The purchases started on 13 February 2023 and ended on 4 April 2023. During the period, a total of 706,004,171 shares were purchased, equal to around 3.72% of the share capital outstanding at the end of the programme, at an average purchase price of 2.4079 euro per share, for a total countervalue of 1,699,999,999.33 euro.
The transactions took place on the regulated market Euronext Milan managed by Borsa Italiana through the third-party intermediary appointed to execute the programme, in full independence and without any involvement of the Intesa Sanpaolo Group, in compliance with the terms authorised by the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022.
The annulment of the shares took place on 2 May 2023. While the share capital remained unchanged at 10,368,870,930.08 euro, the number of ordinary shares with no nominal value decreased from 18,988,803,160 to 18,282,798,989. The Articles of Association amended to reflect said annulment were filed with the Turin Company Register on 3 May.

As already stated in the 2022 Annual Report, in line and in keeping with the transactions carried out in 2020 and 2021 regarding the acquiring businesses of Intesa Sanpaolo and the former UBI Banca, in 2022 the Group undertook a project initiative aimed at expanding the strategic partnership with the Nexi Group at international level, through the transfer to Nexi Payments of the merchant acquiring business line of the Croatian subsidiary PBZ Card. As with the two previous transactions, the agreement provided for: i) the sale of the PBZ Card acquiring business line (including all agreements with the Croatian merchants) to the Nexi Group; and ii) the establishment of a commercial partnership between PBZ Group and the buyer on an exclusive basis in line with the terms of the transactions concluded in Italy.
The transaction was completed on 28 February 2023, resulting in a gross capital gain, recognised in the consolidated income statement for the first quarter of 2023, of 116 million euro (95 million euro net of the tax effect).

On 1 March 2023, the Board of Directors of Intesa Sanpaolo Vita, following the resolution passed by the Board of Directors of the Parent Company Intesa Sanpaolo on 28 February 2023, approved a settlement and share purchase agreement between RBHold S.p.A., pertaining to the Favaretto family (non-controlling shareholder of Intesa Sanpaolo RBM Salute S.p.A.) and Intesa Sanpaolo Vita which provided for:
− the amicable settlement, without any recognition of the mutually asserted claims, of the Arbitration initiated in July 2022 by the Favaretto family at the Chamber of Arbitration of Milan, agreeing to formalise the waiver of the respective claims at the Chamber;

- the purchase by Intesa Sanpaolo Vita of the entire equity investment held in Intesa Sanpaolo RBM Salute from the non-controlling shareholder, amounting to 26.21%, with the simultaneous termination of office of the members of the Board of Directors of Intesa Sanpaolo RBM Salute appointed by RBHold and termination of the put and call mechanisms originally subscribed. The cash consideration for the purchase was set at the market value of 360 million euro, the amount of which was confirmed by an independent third-party fairness opinion.

The signing of a new agreement (partially amending the one previously in force) was also envisaged for the service contract between Intesa Sanpaolo RBM Salute and Previmedical, aimed at strengthening Intesa Sanpaolo RBM Salute's oversight and control of the activities outsourced to Previmedical, providing the company greater protection in the event of unsatisfactory service levels towards customers in the management of the insurance portfolio assigned to Previmedical.
The settlement agreement was signed by the parties on 1 March 2023 and the purchase of the non-controlling interest in Intesa Sanpaolo RBM Salute by Intesa Sanpaolo Vita was completed on the same date. As a result of this transaction, Intesa Sanpaolo Vita became the owner of 100% of the share capital of the company.

Within the strategic partnership between Intesa Sanpaolo Vita and Reale Group – through Blue Assistance, a service company of the Reale Group specialising in healthcare assistance – completed and announced on 19 July 2022 and involving the new company InSalute Servizi[12], the transfer of Blue Assistance's business line became effective on 1 April 2023, consisting mainly of the technological platform, the network of affiliated facilities, and employee contracts. Through this transfer the reserved capital increase of InSalute Servizi was implemented. On the same date, the sale to Intesa Sanpaolo Vita of certain InSalute Servizi shares issued as part of the above-mentioned capital increase was also completed, in order to achieve the corporate structure agreed between the parties. The company is now 65% owned by Intesa Sanpaolo Vita and 35% by Blue Assistance.
From an accounting perspective, the comparison between the value of the transferred business line, certified by a specific fairness opinion from an independent external third party, and the equity at fair value of the business line showed a final difference of around 31 million euro, which was allocated to goodwill at the end of the Purchase Price Allocation (PPA) in accordance with IFRS 3.
InSalute Servizi operates within Intesa Sanpaolo's Insurance Division for the management of claims and the development of a network of healthcare facilities with agreements (TPA – Third Party Administrator) in support of Intesa Sanpaolo RBM Salute's insurance offering, of which it will manage 75% of the portfolio in 2026. The company is engaged in the management of health and welfare services for Intesa Sanpaolo's captive customers, supplementary health funds, welfare funds, public health services, companies and other entities operating in the supplementary health and welfare sectors, strengthening the strategy of Intesa Sanpaolo's Insurance Division and its development plan for health insurance launched in 2020 with the acquisition of Intesa Sanpaolo RBM Salute.

In line with the objectives of simplifying and streamlining the Intesa Sanpaolo Group's corporate structures set out in the 2022-2025 Business Plan, on 3 April 2023, the deed was signed for the merger by incorporation into Intesa Sanpaolo S.p.A. of the wholly owned subsidiary Intesa Sanpaolo Provis S.p.A., a registered financial intermediary pursuant to Article 106 of Legislative Decree 385 of 1 September 1993 (Consolidated Law on Banking), which acted as the Group's specialist centre for the management of lease credit recovery legal procedures and the value enhancement and sale of real estate and movable assets underlying terminated leases. The transaction, which received clearance from the Bank of Italy and authorisation from the European Central Bank, was approved on 20 December 2022 by the Board of Directors of Intesa Sanpaolo – on the basis of the merger plan filed with the Turin Company Register, pursuant to Article 2501-ter of the Italian Civil Code, on 18 November 2022 – and by the extraordinary shareholders' meeting of the merged company. The transaction took legal effect from 17 April 2023 with accounting and tax effects from 1 January 2023. As a merger involving a wholly owned company, it was carried out in the simplified manner provided for in Article 2505 of the Italian Civil Code.

On 28 April 2023, the Ordinary Shareholders' Meeting of Intesa Sanpaolo was held, validly constituted, on single call, to pass resolutions as those in attendance through the appointed representative (in accordance with Article 106, paragraph 4, of Law Decree No. 18 dated 17 March 2020, converted by Law No. 27 dated 24 April 2020, whose effects were most recently extended by Law No. 14 dated 24 February 2023) counted 3,167 holders of voting rights attached to 10,897,630,179 ordinary shares without nominal value representing 57.38977% of the share capital. The Shareholders' Meeting voted in favour of all the items on the agenda.
The resolutions concerned[13]:

- *the approval of the Parent Company's 2022 financial statements and the allocation of net income, with the distribution to the shareholders of a remaining dividend for 2022 corresponding to 8.68 euro cents per ordinary share, subject to increase as a result of the execution of the programme of purchase of own shares for annulment (buyback).* Following the annulment of the shares announced at the beginning of May[14], from 24 May 2023 (with coupon presentation on 22 May and record date on 23 May), the amount of 9.01 euro cents for each of the 18,282,798,989 ordinary shares constituting the share capital[15] was paid as a remaining dividend on the 2022 net income, for a total dividend distribution, taking into account the interim dividend of 1,399,608,167.99 euro paid in November 2022[16], of 3,046 million euro, corresponding to a payout ratio of 70% of the consolidated net income;
- *the remuneration policies and incentive plans*. In particular, the Shareholders' Meeting approved the remuneration and incentive policies for 2023 as described respectively in chapters 4 and 1 of Section I of the Report on remuneration policy

[12] The company, which was established in February 2022 with the original name of Newco TPA S.p.A., changed its name to InSalute Servizi in the third quarter. At the end of 2022, it was included in the scope of line-by-line consolidation as it was wholly owned by Intesa Sanpaolo Vita.

[13] The related majority of votes by which they were passed are set out in detail in the press release published on the Group's website.

[14] In this regard, see the information provided above.

[15] The total amount of the dividend paid was 1,646,462,490.59 euro against 1,765,623.70 euro allocated to the Extraordinary reserve in relation to the portion not distributed to the 9,075,453 own shares held by the Bank at the record date (817,698.32 euro) and the rounding differences arisen during the calculation of the final amount of the dividend (947,925.38 euro).

[16] Interim dividends are considered net of the portion not distributed to the 23,922,835 own shares held by the Bank at the record date, amounting to 1,765,505.22 euro.

and compensation paid; it passed a resolution agreeing on the Disclosure on compensation paid in 2022 as described in Section II of the same Report; and it approved the 2023 Annual Incentive Plan, which provides for the assignment, for free, of Intesa Sanpaolo ordinary shares, to be purchased on the market;
- *the authorisation to purchase and dispose of own shares to serve the incentive plans and for trading purposes.*

Following the receipt of the authorisation from the Chinese Regulator, the sale was completed on 16 May 2023 to Warburg Pincus, a leading global private equity operator, of the 23.3% stake in Zhong Ou Asset Management Co. Ltd., an asset management company focused on the Chinese market resulting from the merger of the former UBI Banca. The transaction had been approved in November 2021 by the Board of Directors of Intesa Sanpaolo. Consequently, starting from the Annual Report for the year ended 31 December 2021, the investment has been reclassified to non-current assets held for sale and discontinued operations in accordance with IFRS 5. The sale generated a gain of 192 million euro, around 154 million euro net of tax. The gross gain shown takes into account the remaining amount received from the buyer, as consideration, following the payment of the Chinese local tax on the gain, made by Intesa Sanpaolo in September and recognised under the caption taxes.
The remaining holding, equal to 1.7% of the share capital of the company, was sold on 11 December 2023 to two managers of the company. The transaction resulted in a gain of an immaterial amount.

On 15 June 2023, the Group officially presented Isybank[17], its new digital bank, a key project of the 2022-2025 Business Plan, aimed at combining the solidity and commercial offering of a bank with simple, fast services typical of a fintech company. The new company is aimed at the Group's customers who are mainly digital users of banking services and mobile banking-oriented, while maintaining the possibility of a direct relationship with the staff of the digital branch.
With Isybank, Intesa Sanpaolo enters the fintech world, marking its transition from incumbent to challenger, further improving customer service, while also creating innovative, flexible work opportunities. Isybank is based on cloud-native technology, adaptable to a multi-currency environment and multinational customers. Thought Machine – a core banking technology company based in the UK, with regional offices in New York, Singapore and Sydney – has been selected as the ideal partner to bring the new digital banking platform to life. The partnership was also strengthened by the GBP 40 million invested by Intesa Sanpaolo in the capital of the company.
On 19 July 2023, the agreement was signed with the Trade Unions regarding the transfer of two business lines to Isybank by the 100% controlling company Intesa Sanpaolo. The transfer, approved by the Parent Company on 30 March 2023, involves two separate business lines, each consisting of a set of assets and legal relations operationally organised for the management of private individual customers who primarily use digital channels.
On 11 October 2023, Isybank approved a share capital increase from 30 million to 31 million, to be carried out in two tranches and settled through the contributions in kind of the above-mentioned business lines, which were valued by Intesa Sanpaolo with the support of an independent third-party expert.
On the weekend of 14-15 October 2023, the transfer was completed of the first business line consisting of around 300,000 Intesa Sanpaolo customers with simpler operational characteristics, identified based on specific criteria. The transfer took legal effect on 16 October 2023. The second transfer, which will involve customers with more complex characteristics than the previous transfer, is scheduled to take place by March 2024, alongside the enhancement of the product catalogue, services and features, as well as new marketing and communication initiatives.
Following the initial communications sent to the customers involved (communications of June 2023 for the first lot and July/November 2023 for the second lot), in January 2024 a letter was sent to repeat the information provided in the previous communications and highlight further aspects aimed at enabling customers to thoroughly evaluate the transfer to Isybank and give their consent to the operation, also in response to the requests from the Italian Antitrust Authority. The information campaign was further bolstered through the publication of these communications in several national newspapers.
For the customers already transferred, the letter provided the opportunity to confirm their satisfaction or desire to open a new account with Intesa Sanpaolo. For the customers included within the scope of the transfer in March 2024, the letter invited them to give their explicit consent to the acceptance of the transfer.

In response to the severity of the effects produced by the adverse weather conditions in Emilia Romagna and Marche, alongside the measures introduced by Law Decree 61 of 1 June 2023 – in relation to which instalments on all outstanding loans were suspended, for the months of May and June, with a two-month extension of the repayment plan – the Intesa Sanpaolo Group took action with a series of initiatives to help its customers through:
- the allocation of 2 billion euro to finance the restoration of damaged structures (homes, shops, offices, craft workshops, businesses) on subsidised terms, with the possibility of a grace period for companies of up to 36 months and access to public guarantees;
- the suspension for up to 24 months of the principal portion of the instalments of existing loans for households and businesses residing in the areas affected by the flooding, together with the refund of the interest to the most distressed households on first home mortgages on irreparably damaged properties, after twelve months from the suspension;
- the possibility for enterprises in all sectors, including non-profits, that have suffered damage to request zero commission on POS payments for transactions up to 30 euro and a zero usage fee for Mobile and Virtual POSs for one year;
- a contribution of 5 million euro to support the local population, channelled through the Cassa dei Risparmi di Forlì and Cassa di Risparmio in Bologna Foundations, which are active in the area, which used the sums received mainly to improve the provincial roads affected by the floods, purchase vehicles for road control and maintenance, readjust the river courses, restore the riverbeds and embankments, and repair various damaged buildings.

On 29 June, Fideuram - Intesa Sanpaolo Private Banking and Man Group – a global, technology-empowered active investment management firm listed on the London Stock Exchange – announced a strategic partnership in the asset management sector aimed at generating alternative investment opportunities for the customers of Fideuram - Intesa Sanpaolo

[17] On 1 January 2023, the amendment of the Articles of Association of Banca 5 S.p.A. took effect, giving the company its new name Isybank S.p.A. The amendment, authorised by the ECB on 10 October 2022, was approved by the Extraordinary Shareholders' Meeting of Banca 5 on 28 October 2022.

Private Banking. The agreement, which was subject to the customary regulatory approvals, involved the acquisition by Man Group Holdings Limited of an initial 51% stake in Asteria Obviam S.A., an ESG-oriented asset manager based in Geneva, with 49% remaining with Fideuram - Intesa Sanpaolo Private Banking. The partnership entered into effect on 31 October 2023. Man Group's entry as a shareholder was preceded, on the same date, by the sale by Reyl & Cie S.A. of its entire shareholding in Asteria Obviam S.A. – which changed its name to Asteria Investment Managers S.A. with effect from 15 September 2023 – to Fideuram - Intesa Sanpaolo Private Banking.
In line with the strong push towards digitalisation that characterises the Intesa Sanpaolo Group's 2022-2025 Business Plan, at the beginning of July Fideuram - Intesa Sanpaolo Private Banking also officially presented Direct Advisory, the first digital financial advisory service for investment management, which leverages a team of Direct Bankers, professionals enrolled in Italy's sole register of financial advisors, operating in fully remote form through digital solutions. This service enhances Fideuram Direct, the digital platform for those who want to operate independently on listed financial instruments and asset management products, offering itself in a complementary and synergistic way to traditional networks.

On 30 June 2023, an agreement was reached – through the signing of a number of non-binding termsheets – between parties comprising five leading Italian insurance companies (including Intesa Sanpaolo Vita), twenty-five distributor banks of Eurovita's policies (including Fideuram - Intesa Sanpaolo Private Banking) and some of Italy's leading banks (including Intesa Sanpaolo). The agreement involves a system-wide transaction aimed at protecting the policyholders of Eurovita, an insurance company that – particularly due to the sudden increase in interest rates and the "structure" of its commitments to policyholders – has experienced a progressive deterioration of its solvency indicators and has subsequently been subject to an order establishing its extraordinary administration and the dissolution of the company's management and control bodies.
In this context, (i) all surrender requests submitted during the period by the company's customers were suspended until 30 June 2023 – a term that was then extended until the end of October 2023 – with the aim of avoiding further exacerbation of the company's financial and capital position imbalance, and (ii) a comprehensive system-wide discussion was conducted to identify a rescue scheme with the primary objective of ensuring the full protection of the policyholders' rights and restoring the ordinary course of the insurance relations as soon as possible.
In short, the agreements provided – on the one hand – for the sale, at a symbolic price, of the business line comprising almost all of Eurovita's assets to a newco called Cronos Vita, whose capital is held by Intesa Sanpaolo Vita, Generali Italia, Poste Vita and UnipolSai, each for 22.5% and Allianz for the remaining 10%, through a dedicated capital increase, and – on the other hand – for the granting of lines of credit to Cronos Vita by the financial institutions that are currently distributors of Eurovita's policies (assisted, moreover, by a pool of Banks for any further support required) to meet the potential surrenders of the Class I and V policies placed by each institution. Cronos Vita will act as a bridge-vehicle, and on completion of the transaction, which should take a maximum of 18 to 24 months, Eurovita's insurance portfolio will be taken over by the five insurance groups mentioned above. Finally, the agreements signed envisage a specific fee framework, in addition to the existing distribution agreements, that the distributor banks will pay to Cronos Vita in exchange for performing servicing activities, aimed at preserving and reactivating the business relationships with the customers who have subscribed to the policies.
Following the agreements at the end of June, Cronos Vita applied to IVASS on 28 September 2023 for authorisation to carry on insurance business, which after due examination was granted on 17 October 2023.
On 31 October 2023, following the issue of the authorisation by IVASS for the sale of the business line by Eurovita to Cronos Vita and the signing of the final binding agreements, the transfer of the business line was completed together with the accompanying capital increase subscribed by the companies for 213 million euro, which represents the second and last tranche of a total capital increase of 220 million euro, whose fairness from an economic and financial standpoint was supported by a specific opinion issued by an independent expert. Based on the contracts signed and the analysis of the commitments made no onerousness conditions have been identified for the Group.
Within the framework described, the Intesa Sanpaolo Group's overall involvement is structured as follows:
a) Intesa Sanpaolo Vita, through the acquisition of a non-controlling interest in Cronos Vita for an amount of around 50 million euro;
b) Fideuram - Intesa Sanpaolo Private Banking, as "distributor", through the granting of a loan at market conditions to Cronos Vita for an amount of around 205 million euro. Fideuram - Intesa Sanpaolo Private Banking, together with its subsidiary Intesa Sanpaolo Private Banking, will also be required to pay the above-mentioned fees;
c) Intesa Sanpaolo (Parent Company), through the granting of a loan at market conditions to Cronos Vita for a maximum amount of around 300 million euro.

In line with the accounting treatment agreed upon with the other shareholder companies, taking into account the existence from the outset of a clear intention by the shareholder companies to hold the interest in Cronos Vita for a limited period, and in accordance with the agreements made within the overall approval of the transaction and the intervention framework, as at 31 December 2023, the interest held by Intesa Sanpaolo Vita in Cronos Vita was reclassified to assets held for sale pursuant to IFRS 5. It was also verified, in line with IFRS 5, that the fair value of the investment, net of costs to sell, was not lower than the carrying amount.

On 28 July, the results of the 2023 EU-Wide Stress Test were announced. The test was conducted by the European Banking Authority (EBA), in cooperation with the Single Supervisory Mechanism (SSM), the Bank of Italy, the European Central Bank (ECB) and the European Systemic Risk Board (ESRB) and involved also Intesa Sanpaolo for the scope of consolidation.
The reference scenario covers a three-year horizon (2023-2025). The stress test has been carried out applying a static balance sheet assumption as of December 2022 and therefore does not take into account future business strategies and management actions. It is not a forecast of the Intesa Sanpaolo Group's 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, compared to the starting-point figure of 13.53% as of 31 December 2022. These results highlight that Intesa Sanpaolo is able to confirm its solidity even in complex scenarios, thanks to its well-diversified and resilient business model.
On 12 December 2023, the EBA published its annual risk assessment of the European banking system, accompanied by the publication of the information of the 2023 EU-wide transparency exercise for 123 banks in 26 european countries.

In line with the proactive management of its capital base, on 31 August 2023 Intesa Sanpaolo announced a cash tender offer for any and all of its perpetual "€750,000,000 6.25% Additional Tier 1 Notes" outstanding for the full nominal amount (ISIN XS1614415542, first call on 16 May 2024), at a price of 100.25% – an offer subject to the terms and conditions, as well as the offer and distribution restrictions, set out in the tender offer memorandum dated 31 August 2023 – and the accompanying launch of a new issue of fixed-rate reset perpetual Additional Tier 1 notes in a nominal amount of no less than 750,000,000 euro to be offered, subject to market conditions, to qualified investors, including holders of the notes subject of the offer.
At the Offer Expiration, on 7 September 2023, the amount of the notes validly tendered amounted to 503,077,000 euro, equivalent to 67.08% of the nominal amount outstanding, which Intesa Sanpaolo agreed to repurchase. Accordingly, on the settlement date of 11 September 2023, it paid the purchase price consideration and the accrued interest amount to the holders that tendered the notes. The notes are now outstanding for the remaining amount of 246,923,000 euro and will be redeemed in full on the first call date (16 May 2024) as Intesa Sanpaolo has already received the necessary authorisation from the ECB.
On 7 September 2023, the settlement took place of the new perpetual "€1,250,000,000 9.125% Additional Tier 1 Notes" (ISIN: XS2678939427), listed on the Luxembourg Stock Exchange, with first interest rate reset date on 7 March 2030 and every five years thereafter.

During the period from 11 September to 13 September 2023 an ordinary share buyback programme was implemented to service plans for the assignment, free of charge, of Intesa Sanpaolo ordinary shares to the employees and the Financial Advisors of the Group, in relation to (i) mainly, the Intesa Sanpaolo Group share-based incentive plan for 2022; and (ii) to a lesser extent, the incentive plans of certain subsidiaries, also relating to 2022. These incentive plans are reserved for Risk Takers who accrue a bonus in excess of the so-called "materiality threshold"[18], for those who are paid a "particularly high" amount[19] and for those who, among Middle Management or Professionals that are not Risk Takers, accrue "relevant bonuses"[20]. In addition, the programme was implemented in order to grant, when certain conditions occur, severance payments upon early termination of employment.
In the three days during which the programme was executed, a total of 32,000,000 Intesa Sanpaolo ordinary shares were purchased, through the IMI Corporate & Investment Banking Division, tasked with the programme execution. These represent around 0.18% of the share capital of the Parent Company. The average price was 2.4697 euro per share, for a total countervalue of 79,031,462.67 euro. The Parent Company purchased 20,200,547 shares at an average price of 2.4683 euro per share, for a countervalue of 49,861,766.11 euro.
The transactions were executed in compliance with provisions included in Articles 2357 and following and 2359-bis and following of the Italian Civil Code and within the limits determined in the resolutions passed by the competent corporate bodies. Specifically, in the case of the Parent Company Intesa Sanpaolo, the transactions were executed in accordance with the terms approved by the Shareholders' Meeting of 28 April 2023.
Pursuant to Article 132 of the Consolidated Law on Finance and Article 144-bis of the Issuers' Regulation and subsequent amendments, purchases were executed on the regulated market Euronext Milan managed by Borsa Italiana in accordance with trading methods laid down in the market rules for these transactions.
Moreover, purchases were arranged in compliance with the conditions and the restrictions under Article 5 of Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014, and Articles 2, 3, and 4 of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.
The number of shares purchased daily did not exceed 25% of the daily average volume of the Intesa Sanpaolo ordinary shares traded in August 2023, which was equal to 89.9 million shares, and 15% of the volume traded on the Euronext Milan market on each of the days when purchases were executed – in accordance with the constraint added in the programme to the above-mentioned regulatory conditions and restrictions.

On 12 September 2023, Intesa Sanpaolo, which offered real estate brokerage and advisory services through Intesa Sanpaolo Casa via a network of agencies in major Italian cities, together with Homepal a Better Place, a next-generation online real estate agency, which supports customers in the various stages of buying and selling real estate through a digital platform and real estate agents operating remotely, and BPER Banca, already a shareholder of Homepal, announced that they had reached an agreement for a strategic and commercial partnership to create a new player operating across the Italian market. The new entity will be able to draw on the complementary service models of Intesa Sanpaolo Casa and Homepal and leverage the Intesa Sanpaolo and BPER networks to meet customers' property buying and selling needs through technological services, physical presence and the experience of their agents.
The agreement was finalised on 23 October 2023 with Intesa Sanpaolo's transfer of its 100% shareholding in Intesa Sanpaolo Casa to Homepal. Following the transaction, Intesa Sanpaolo has a 49% shareholding in Homepal, with the remaining 34% held by Homepal's previous shareholders and 17% by BPER Banca.
The value of the transfer of Intesa Sanpaolo Casa to Homepal was supported by a fairness opinion prepared by an independent expert in accordance with Article 2343 of the Italian Civil Code. Intesa Sanpaolo's rights as a non-controlling shareholder and the governance of the company were also defined within the transaction. Based on the provisions of the agreements made, Intesa Sanpaolo's shareholding in Homepal has been classified under interests subject to significant influence pursuant to IAS 28.
The extraordinary shareholders' meeting of Homepal held on 1 December 2023 approved (i) the plan for the merger by incorporation of the wholly-owned subsidiaries Intesa Sanpaolo Casa S.p.A. and Homepal Real Estate S.r.l. into Homepal a Better Place S.p.A., in accordance with Article 2505 of the Italian Civil Code, as well as (ii) the change in the name of the absorbing company from Homepal a Better Place S.p.A. to Rexer S.p.A.

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

[19] Pursuant to the Group Remuneration and Incentive Policies, for the three-year period 2022-2024 a variable remuneration exceeding 400 thousand euro constitutes a "particularly high" amount.

[20] Namely, an amount exceeding the "materiality threshold" (for Middle Management and Professionals generally equal to 80 thousand euro, unless otherwise provided for by specific local regulations, it being understood that, for those who belong to Intesa Sanpaolo Wealth Management 's business functions and those belonging to the Reyl Group, such threshold is equal to 150 thousand euro) and 100% of fixed remuneration.

With reference to the one-off tax calculated on the increase in banks' net interest income, pursuant to Article 26 of Decree Law no. 104 of 10 August 2023 converted with amendments by Law no. 136 of 9 October 2023, and considering in particular the provision in paragraph 5-bis of that article allowing for the allocation of an amount to a non-distributable reserve, in lieu of payment of the tax envisaged, of no less than two and a half times the amount of the tax, the Board of Directors, in its meeting held on 25 October 2023, decided to propose to the Shareholders' Meeting, when approving the 2023 financial statements, net income allocation and dividend distribution to shareholders, the allocation of 1,991,446,276.10 euro from the net income for the full year 2023 to a specific reserve, thus taking up the option provided by the above-mentioned measure.
Should this reserve be distributed in the future, it shall be subject to payment of the tax calculated pursuant to paragraph 3 of Article 26, amounting to 796,578,510.44 euro, plus interest calculated based on the interest rate on deposits with the European Central Bank. Due to the amount of the freely distributable reserves not classed as suspended tax available to Intesa Sanpaolo as at 31 December 2023 (23,177 million euro) and the presence of additional freely distributable reserves classed as suspended tax (4,750 million euro), it is deemed highly unlikely that the above-mentioned tax shall be paid in the future.
In accordance with the instruction of the Parent Company, similar commitments were also made by the Boards of Directors of the subsidiary banks impacted by the measure: Fideuram - Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Banking and Isybank. In lieu of the one-off tax, a proposal will therefore be made to the Shareholders' Meetings, called to approve the 2023 Financial Statements, for the allocation to a specific reserve, pursuant to Article 26 of Decree Law no. 104/2023 converted with amendments by Law no. 136/2023, of a total amount at Group level of 2,068.8 million euro, corresponding to 2.5 times the total tax amount of 827.5 million euro.

In line with its strategy focused on significant value creation for all stakeholders, Intesa Sanpaolo reaffirmed its commitment to continue supporting initiatives addressing social needs, fighting inequalities, and fostering financial, social, educational and cultural inclusion. Specifically, on 25 October, the Bank announced its intention to allocate around 1.5 billion euro in the five-year period 2023-2027. This amount comprises around 1 billion euro allocated to the above-mentioned initiatives, identified on a case-by-case basis, and around 500 million euro from structure costs for around 1,000 people devoted to supporting the initiatives and a new dedicated organisational unit called "Intesa Sanpaolo for Social Impact" based in Brescia, set up to strengthen Intesa Sanpaolo's social impact strategy for local communities. These costs have already been taken into account, on a pro-rata basis, in the guidance on the outlook for the 2024-2025 net income.

On 28 October 2023, Intesa Sanpaolo and the US-based private investment fund J.C. Flowers & Co. signed an agreement for the acquisition of 99.98% of the shares of the Romanian bank First Bank S.A. The transaction is due to be completed by the first half of 2024, subject to the necessary authorisations from the competent regulatory authorities, including the National Bank of Romania and the European Central Bank. The latter came out in favour on 19 February 2024.
First Bank is a commercial bank with 40 branches in Romania focused on serving SMEs and retail customers. In recent years the bank has prioritised investments in digital technology, developing one of the market's best-regarded mobile banking apps.
The transaction will strengthen the Group's presence in Central and Eastern Europe, and in particular in Romania where it already operates through Intesa Sanpaolo Bank Romania, part of Intesa Sanpaolo's International Subsidiary Banks Division.

Following the completion of the authorisation procedures with the competent Italian and Irish authorities, the deed of cross-border merger was signed on 22 November 2023 for the merger by incorporation of Intesa Sanpaolo Life Designated Activity Company – a company specialising in Class III (unit-linked) insurance investment products, based in Dublin – into Intesa Sanpaolo Vita S.p.A., its 100% controlling company. The merger took legal effect from 1 December 2023, with accounting and tax effects from the same date.
As an integral part of the overall operation, Intesa Sanpaolo Vita established a branch in Dublin, with the aim of maintaining an international hub with specialised expertise already in place, dedicated to the management of insurance products and the development of new business. From the effective date of the merger and as a result of the transaction, the insurance portfolios of the merged company were transferred to the Irish branch of Intesa Sanpaolo Vita, after having obtained the authorisation from the Irish High Court on 27 October 2023. The merger and transfer of the portfolios have not had any impact on the contractual services provided to customers, who continue to benefit from their rights arising from the contracts signed without any limitations.
The merger above enabled the creation of a single product company, with obvious benefits in terms of organisational, administrative and operational simplification and the streamlining of Supervisory requirements under a single Authority (IVASS), as well as in terms of risk management thanks to the centralisation of the control functions.

On 23 November 2023, Intesa Sanpaolo, the Italian Banking Association and the Trade Unions signed the renewal of the National Collective Bargaining Agreement for officers and personnel belonging to professional areas, which had expired on 31 December 2022. Among other changes, the new National Collective Bargaining Agreement, which will expire on 31 March 2026, provides for:
- an average gross salary increase of 435 euro, adjusted for the different levels of classification;
- the reinstatement of the calculation of the employee termination indemnities on all the remuneration items envisaged in the National Collective Bargaining Agreement or in second-level bargaining agreements from July 2023;
- the reduction of the weekly working time to 37 hours from 1 July 2024.

The total impact on the income statement is estimated at around 545 million euro when fully implemented (in 2027), of which 179 million euro already recognised in 2023.

On 30 November 2023, Intesa Sanpaolo announced that it had received notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 January 2024, following the results of the Supervisory Review and Evaluation Process (SREP). The overall capital requirement to be met in terms of Common Equity Tier 1 ratio is currently 9.33%.

This is the result of:
- the SREP requirement in terms of Total Capital ratio of 9.50% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.50%, of which 0.84% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020;
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
  - a Capital Conservation Buffer of 2.5%,
  - an O-SII (Other Systemically Important Institutions) Buffer of 1.25%,
  - a Countercyclical Capital Buffer of 0.24%[21].

Lastly, to complete the disclosure for 2023, the voluntary exits plan continued in accordance with the trade union agreements of 29 September 2020 and 16 November 2021.
There were 2,259 voluntary exits during the year (1,234 in the first quarter, 68 in the second quarter, 888 in the third quarter, of which 855 with effect from 1 July, and 69 in the fourth quarter) for a total of 7,118 exits from the beginning of 2021, against the 9,200 exits expected to take place by the first quarter of 2025 under the terms of the two above-mentioned trade union agreements.
In addition, at the beginning of January 2024 there was a further exit window involving around 750 Group employees.
In 2023, there were around 1,650 hires (of which around 500 in the first quarter, 400 in the second quarter, 350 in the third quarter, and 400 in the fourth quarter) as part of those agreements, for a total of around 3,000 from the beginning of 2021 compared with the 4,600 planned by the end of 2025.

* * *

As part of the Next Way of Working project – aimed at implementing a new working model based on strengthening individual responsibility and improving work-life balance – since 1 January 2023, innovative measures relating to remote working have been introduced on a voluntary basis, founded on increasing access to all the flexibility mechanisms, also for the people working in the Network. These measures have been welcomed by the staff potentially concerned, also as a result of the additions and improvements established in the trade union agreement of 26 May 2023. These measures involve:
- the possibility of working from home up to a maximum of 120 days per year (140 days for those working in shifts), with no more monthly limits, when planned and authorised in advance (the limits may not apply to people with certified disabilities or serious illnesses, or frail individuals), accompanied by the allocation to non-managerial staff of a daily meal voucher in electronic form for each day worked from home. In addition to the head offices, this measure is currently also being applied at 287 branches, of which 262 of the Banca dei Territori and 25 of the Private Banking Division;
- the possibility of working between Monday and Friday on 4 days for 9 hours with equal pay (so-called short week, with variable day off), as well as alternating the short week with weeks of 7.5 hours a day on 5 days, together with the possibility, for staff not working in shifts, of having flexible start times for their working day. The application of the short week involves 40 large branches of the Banca dei Territori, while from 6 November 2023, the staff of 254 smaller branches were also given the possibility to voluntarily apply for and take advantage of the short week on the closing day of the branch (between Tuesday, Wednesday and Thursday). To ensure the voluntary nature of the initiative for the staff employed at the above branches, nearby branches have been identified to act as a backup on the designated day of closure.

Also within the Next Way of Working project, the real estate and technological interventions aimed at constructing new workspaces designed to enhance the moments of presence in the office continued and are still underway.
This renovation of the spaces is continuing alongside the implementation of technological tools (release of the space booking function in the planning and reservation tool) and specific targeted communication campaigns. In particular, the new building complex in Via Melchiorre Gioia 22 in Milan was completed in 2023 and now houses the Private Banking, Insurance and Asset Management Divisions, as well as Isybank. At the end of the year, work was also completed on the premises in Como, Jesi, Bologna, Naples, Turin and Bergamo, while the remaining work was completed on the premises in Rome in the early weeks of 2024. The design work is still being defined for Cuneo, while it is in the process of being agreed for Treviso.
In line with the ESG initiatives for sustainable energy use, a pilot phase was launched involving the temporary closure of several offices in Milan (four) over the Christmas period (27 December 2023 to 5 January 2024 inclusive), which is typically characterised by a significant reduction in office attendance, while ensuring the possibility of in-presence work during the closure period by making other company spaces available in nearby areas, upon booking, as an alternative to the voluntary adoption of remote working.

With regard to the safety and personal protection measures connected to the COVID-19 pandemic, the prudential approach maintained despite the termination of the state of emergency in March 2022 has been substantially abandoned, with the support of the Coordinating Occupational Health Doctors.
Accordingly, from 1 March 2023, the internal rules on inter-personal distancing were suspended, resulting in the minimum distance of one metre being removed for all in-person activities, a return to the maximum ordinary capacities based on the configuration of the spaces and the removal of plexiglass barriers where present.
The importance of responsible individual behaviour has however been stressed, and in particular the recommendation to use FFP2 protective equipment in the most crowded settings and for situations of vulnerability, proper hand and workstation hygiene, and room ventilation.
From 1 September 2023, following the changes in the legal provisions, the requirement for home isolation in the event of a positive test was abolished and replaced by the recommendation of a series of generally valid precautions to prevent the transmission of respiratory infections (for those with symptoms, staying at home until they have ceased; proper use of FFP2

[21] Calculated taking into account the exposure as at 31 December 2023 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2025, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for the first quarter of 2024).

masks in workplaces and company break and catering areas; inter-personal distancing; and hand hygiene). As a result, the obligation to report positive cases to the Occupational Health Function through the company reporting mechanism has been removed.
Finally, greater attention continues to be paid to workers in vulnerable situations with the extension of remote working from home for those in special situations, in line with the requirements progressively established by the legislative provisions.

The 2022-2025 Business Plan

The 2022-2025 Business Plan sets out a strategy based on four fundamental pillars of the Plan and implemented thanks to the quality of the Bank's People:
- massive upfront de-risking, slashing cost of risk;
- structural cost reduction enabled by technology;
- growth in commissions, driven by Wealth Management, Protection & Advisory;
- significant ESG commitment, with world-class positioning in social impact and strong focus on climate.

Over the years, the Intesa Sanpaolo Group has confirmed its solidity and strengths, and in particular its earnings resilience, solid capitalisation, risk control, and high flexibility in managing operating costs.
The results achieved in 2023 confirm that the Intesa Sanpaolo Group is able to generate sustainable profitability even in complex environments thanks to its well-diversified business model. The implementation of the Plan is proceeding at full speed, with the key industrial initiatives well underway. The Plan targets are therefore confirmed, with the prospect of them being increased, thanks to a contribution from net interest income above the initial Plan assumptions and the expected recovery in fee and commission.

Massive upfront de-risking, slashing Cost of risk

The Intesa Sanpaolo Group is continuing its ongoing commitment to improving asset quality through capital efficiency and credit risk transfer initiatives, having achieved a 5.4 billion euro reduction in the stock of gross non-performing loans since the start of the Plan, with gross and net NPL ratios, calculated according to the EBA methodology, at 1.8% and 0.9% respectively in 2023.
The Active Credit Portfolio Steering (ACPS) unit continued to expand its credit risk coverage schemes for optimising capital absorption, reporting an outstanding volume of synthetic securitisations included in the GARC (*Gestione Attiva Rischio di Credito* - Active Credit Risk Management) Programme of around 28 billion euro at the end of 2023. Several new synthetic securitisations were finalised during the year, details of which can be found in the Notes to the Consolidated Financial Statements – Part E – Information on risks and relative hedging policies – Section 2 – Risks of the prudential consolidation.
The extension of the scope of the ACPS unit's lending strategy to ESG criteria continued, directing 20 billion euro of new loans in 2022 and around 18.1 billion euro in 2023 towards more sustainable economic sectors with the best risk/return profile, while also broadening the scope of alternative financing solutions for high-risk customers.
In the area of credit assessment, the Group's capabilities have been further strengthened, thanks to the introduction of a Sectorial Framework, which assesses the forward-looking profile of each economic sector on a quarterly basis across different countries. A specific management committee approves the sectorial view, which feeds into all the credit processes, increasing the effectiveness of the credit decisions and action plans.
The proactive risk management was further expanded, with the extension of anti-fraud cybersecurity protection to new products and services for retail customers, also through Artificial Intelligence solutions. The Group's cyber threat response capability was also enhanced through the adoption of Open Source Intelligence solutions.
The Bank also strengthened its commitment to combating money laundering and terrorism with the creation of the Anti-Financial Crime Digital Hub (AFC Digital Hub), a national and international centre that is also open to other financial institutions and intermediaries in the industry, and which aims to leverage new technologies and Artificial Intelligence to create a public-private collaboration model which enables the introduction of innovation in business processes through applied research.
Intesa Sanpaolo was the winner of the "ESG Innovation of the year" category at the ESG Securitisation Awards promoted by Structured Credit Investor, thanks to the application of the proprietary ESG Scoring model to its risk transfer transactions and was recognised as the best innovative bank in Europe in the ESG securitisation sector. The award is an important recognition of Intesa Sanpaolo's ESG commitments and achievements and confirms the high level achieved in active credit risk management.

With regard to the non-performing loans that were reclassified as assets held for sale as at 31 December 2022, the related project activities, within the scope of the 2021-2022 de-risking plans, were completed in March 2023. As stated in the 2022 Annual Report, this was mainly a portfolio consisting of small ticket UTPs with a Gross Book Value (GBV) of around 0.75 billion euro. Given the characteristics of this portfolio, the structure of the transaction identified involved the transfer to two Alternative Investment Funds (AIFs) via a solution that would ensure credit management policies primarily aimed at returning the borrowers to performing status. The transactions took place at values in line with the net book values that had already been aligned with the prices expected from the disposals in the 2022 Annual Report.
With the 2022-2025 Business Plan, the Group intends to pursue a modular de-risking strategy, which was significantly implemented during the previous Business Plan and has already placed it among the best in Europe in terms of non-performing loan ratio and stock, generating a net drop in the cost of risk. Indeed, the latter will always be maintained at a conservative level, due to the extensive reserves of provisions on loans and ongoing prudent credit management.

As part of the strategic initiatives to consolidate the leadership in Europe as a ZeroNPL Bank, de-risking solutions were implemented focusing on vulnerable, high-risk and Stage 2 sectors.
In October 2023, the sale of an Intesa Sanpaolo portfolio of non-performing loans, consisting of bad loans in the amount of around 0.3 billion euro in terms of GBV, was completed.
Several other initiatives were identified and implemented in the final months of the year:

– in November, Intesa Sanpaolo's Board of Directors approved a deconsolidation project for a portfolio of non-performing loans of Intesa Sanpaolo in the individuals and small business segments classified as bad loans, with a GBV of around 0.9 billion euro, through a securitisation that involved the market placement of 95% of the mezzanine and junior securities. The transaction was completed on 18 December 2023;
– in addition, for subsequent transfer to a credit fund that will operate through the active management of the loans transferred, an Intesa Sanpaolo portfolio was established consisting of both non-performing exposures classified as unlikely-to-pay and positions not yet in non-performing status but considered high risk, for a total GBV of around 0.2 billion euro. The transaction was approved by the Board of Directors in December 2023 with completion expected during 2024. Having verified the fulfilment of the requirements of IFRS 5, as at 31 December 2023 the loans identified for sale were reclassified as assets held for sale at the expected sale price, which was substantially in line with the net carrying amount.

Lastly, for completeness, it should be noted that during the second half of 2023 Intesa Sanpaolo completed a transaction for the sale of performing on-balance sheet exposures (amounting to around 0.8 billion euro in terms of GBV) to the Italian Commercial Real Estate sector, with a substantially neutral effect on the income statement. 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.

Based on the above, as at 31 December 2023, loans with a gross value of 181 million euro and a net value of 139 million euro, aligned with the expected proceeds, had been classified as assets held for sale.

Structural Cost reduction, enabled by technology

The streamlining of the retail network and the real estate scale back in Italy continued with the closure of around 830 branches (starting in the fourth quarter of 2021) and the release of about 490,000 square metres of owned or leased property. In addition, 109 owned real estate assets have been sold for a total value of around 84 million euro since the beginning of the Plan.
Continuous strategic investments in technology have enabled the streamlining of the branch network, leading to a profound digital transformation over the years, strongly oriented towards customer relationship care. This is reflected in Forrester Research's recognition of the Intesa Sanpaolo Mobile app as the best banking app in the world.
In 2023, Intesa Sanpaolo Group launched Isybank, the Group's new digital bank, central to its customer service model and digital development strategy. With its creation, the Group aims to further strengthen its competitive advantage in cost management and to achieve leadership in Europe in operational efficiency and customer service innovation. The development of the new Isytech cloud-native digital platform, Isybank's technology infrastructure, continues, and will gradually be extended to the entire Group.
Intesa Sanpaolo has been pursuing numerous other technological initiatives since the beginning of the Plan, including:

– investments in Artificial Intelligence to further unlock new business opportunities, increase operational efficiency and further improve the management of risks, and the creation of the Centai Institute, an Artificial Intelligence laboratory in Turin;
– hiring of around 1,550 people in the technology area;
– identification of around 40 cost efficiency initiatives, thanks to the new digital platform for analytical cost management, which uses integrated advanced analytics and benchmarking techniques;
– implementation of the tools supporting the negotiation and scouting activities for potential suppliers, launch of the programme of procurement analytics and identification of the use cases, extension of the Hub Procurement system (as part of the process of centralising activities) to the entire centralised procurement management perimeter;
– continuation of the digitisation strategy for E2E processes using both Process Intelligent Automation (e.g. with Artificial Intelligence and/or Robotic Process Automation) and traditional re-engineering methods;
– Eurizon's launch of digitalisation projects related to Artificial Intelligence and Digital Ledger Technology;
– operational start-up of the new Cloud Region in Turin, in line with the SkyRocket plan (cloud solution enabled by the partnership with Google Cloud and TIM), adding to the one in Milan;
– launch of the new core banking system in Egypt and gradual release of applications for the target platform in all the countries of the International Subsidiary Banks Division.

The reduction in personnel due to voluntary exits, which involved around 7,100 people from 2021, also continued, partly supported by the digital transformation strategy.

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

The strengthening of “Valore Insieme”, the advanced advisory service for Affluent and Exclusive customers of Banca dei Territori, continues, thanks to the expansion of the offering with new insurance and asset management products. From the beginning of the year, around 58,000 new contracts were signed and new financial asset flows of around 18.4 billion euro were gathered, with Valore Insieme’s stock of financial assets amounting to 67.9 billion euro at the end of the year.
In Private Banking, the new Aladdin Robo4advisory functions for the Fideuram and former IW Bank networks, and We Add, the new advanced advisory service for the Intesa Sanpaolo Private Banking network, have been released. New features have also been developed for the UHNWI (Ultra High Net Worth Individuals) customer advisory tools and the service model for family offices has been strengthened.
Fideuram Direct (Fideuram’s digital wealth management service for investing in managed products and trading in over 50 cash and derivatives markets, with advanced services) is fully up and running. Direct Advisory, the new remote advisory service, allows customers to open accounts and subscribe to asset management products themselves and will allow customers to build investment portfolios with the help of direct bankers operating remotely. Cash deposits were also added to the offering to complement wealth management product solutions. Fideuram Direct offering, both for Advanced Trading and Direct Advisory, was also extended to the customers of the traditional networks based on their preferences and operational characteristics.
The offering of Alpian, Switzerland’s first digital private bank with a mobile-only platform, including multi-currency services, asset management and support from experienced financial advisors, was expanded with the addition of the in-self configurable mandates and the Apple Pay service. In addition, the growth in fee income abroad will be supported by the Division’s Swiss Hub and the establishment of Intesa Sanpaolo Wealth Management, resulting from the merger of the two Private Banking companies in Luxembourg.
Intesa Sanpaolo was the first bank in Italy to offer Nexi SoftPOS in 2023, a solution allowing contactless digital payments from smartphones/tablets without a card payment machine (POS terminal).
With the aim of generating innovative investment opportunities for Fideuram - Intesa Sanpaolo Private Banking’s customers, a strategic partnership was established with Man Group, which will focus on the creation of a wide range of alternative and strictly long-term investment strategies using cutting-edge technology. In addition, 100% of Carnegie Fund Services S.A., an active player in fund distribution, was acquired and merged into Reyl & Cie S.A. with accounting effect from 1 January 2024.
The expansion continued of Eurizon’s offering for captive and third-party distributors through the progressive enhancement of the ESG product offering for asset management and insurance, bringing the penetration to around 74% on Eurizon total assets under management.
In the first quarter of the year, Blue Assistance, a Reale Group company, transferred a business line to InSalute Servizi, a company of Intesa Sanpaolo’s Insurance Division, becoming a 35% shareholder of InSalute Servizi, with the remaining 65% held by Intesa Sanpaolo Vita. The company is operational thanks to the inclusion of a technological platform, a network of affiliated healthcare facilities, know-how and a team of specialised personnel. A new digital plan focusing on telemedicine and online booking of medical services was also launched by InSalute Servizi. From 1 January 2024, the latter became the TPA (Third Party Administrator) of the ISP Group’s Health Fund, with around 245,000 people assisted and more than 1 million annual reimbursement claims.
The Group has dedicated several initiatives to business and financial institutions, including the following:
– launch of IncentNow, a digital platform able to provide information to Italian companies and institutions on the opportunities offered by the public tenders related to the National Recovery and Resilience Plan along with webinars and workshops with clients aimed at educating and sharing views on key topics such as the digital transition;
– launch of advisory initiatives focused on Infrastructure, TMT (Technology, Media & Telecommunications) and Energy corporate customers, linked to selected themes and post-pandemic recovery plans;
– origination and distribution activities, both in Italy and abroad, also through the enhancement of the Originate-to-Share model and the strengthening of relationships with institutional customers;
– provision of ESG advisory services to corporates to steer the energy transition through a scalable approach, with a focus on energy, infrastructure and the automotive & industrial sectors, also through supply chain agreements with specialised partners, and integrating working capital funding solutions;
– initiatives to enhance the digital platforms serving Corporate customers, with a focus on Cash and Trade services and the Global Markets offering also through the launch of Cardea, an innovative and digital platform for financial institutions.

The development of synergies continues between the IMI Corporate & Investment Banking Division and the Group Banks in Slovakia, Czech Republic, Croatia and Hungary. In addition, the implementation continues of the ESG value proposition, dedicated to priority sectors of the commercial strategy, for the Corporate and SME customer segments of the Group Banks in Slovakia, Hungary, Croatia, Serbia and Egypt.
The distribution of bancassurance products in Slovakia, Croatia, Hungary, Serbia and Slovenia continued through the signing of the Master Cooperation Agreement with a leading insurance group, accompanied by the signing of the corresponding Local Distribution Agreements.
Also worth noting lastly were:
– the further enhancement of cross-border business opportunities for mid-corporates operating in markets where the international subsidiaries are present, through a synergy project between the International Subsidiary Banks Division (ISBD) and the Banca dei Territori Division;
– the development of synergies (in Global Market, Structured Finance and Investment Banking) between IMI C&IB and Group banks in Slovakia, Czech Republic, Hungary and Croatia with a significant increase in business since the start of the Business Plan;
– the definition and implementation of a new Service model for HNWI customers of ISBD, specifically tailored for entrepreneurs with advanced asset management needs, through the development of a joint initiative between the International Subsidiary Banks Division (ISBD) and the Private Banking Division;
– the signing in October 2023 of the contract for the acquisition of 99.98% of First Bank, a Romanian commercial bank focused on SME and retail customers. The acquisition, to be approved by the competent authorities, will strengthen ISP’s presence in Romania and offer new opportunities for Italian corporates.

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

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

Innovation, digital transformation and cybersecurity

In recognition of the strategic value of innovation for the growth of the new economy, the Group aims to promote around 800 innovation projects over the period of the Business Plan, of which 204 were launched in 2023 by Intesa Sanpaolo Innovation Center (405 from 2022).
The major initiatives for the growth of start-ups and development of innovation ecosystems included the renewal by Intesa Sanpaolo Innovation Center of its partnership with Fondazione Compagnia di San Paolo, Fondazione Sviluppo e Crescita - CRT, and Techstars, also with a view to strengthening Turin's strategic positioning as an internationally attractive hub, with the signing of a new two-year collaboration protocol. This partnership enabled the launch of "Techstars Transformative World Torino", a new acceleration programme for trend setting-advanced technologies, which follows the previous programmes for smart mobility and smart cities. In December, 12 start-ups were selected (over 300 candidates) for the first track, which started in February 2024 (57 start-ups accelerated since the launch of the first programme in 2019, with over 70 proofs of concept and other collaborations realised, over 85 million euro in capital raised, and around 550 people hired after the acceleration). In November, the call was launched for the third class of the three-year Italian Lifestyle Accelerator Program in Florence managed by Nana Bianca, which starts in March 2024 (12 Italian start-ups accelerated since its launch in 2021, with 50 proofs of concept and other contractual collaborations, around 4 million euro in capital raised, and over 100 people hired). In January 2024, in Naples, the third class was launched of the "Terra Next" bio-economy programme initiated in 2022, promoted with Cassa Depositi e Prestiti, Cariplo Factory and several local scientific partners, under the patronage of the Ministry for the Environment and Energy Security (15 start-ups accelerated since 2022, with over 110 proofs of concept and other contractual collaborations realised, and around 0.8 million euro of capital raised). Lastly, the first class of the three-year "Argo" programme (in the Hospitality and Tourism sector), sponsored by Banca dei Territori and Intesa Sanpaolo Innovation Center, and implemented by Cassa Depositi e Prestiti and Lventure, with the collaboration of the Ministry of Tourism, was completed in Venice in October. The programme saw the acceleration of 7 start-ups, 2 proofs of concept and other collaborations, and around 1.3 million euro in capital raised (the call for the second class was opened at the end of the year).
Intesa Sanpaolo Innovation Center is also supporting the Banca dei Territori Division in the Next Age (Silver Economy) programme, whose third class was launched in January 2024, and the Faros (Blue Economy) programme, whose second class closed in February 2024. Both the programmes are promoted by Cassa Depositi e Prestiti and managed by AC75 Startup Accelerator and A|cube respectively.
The second edition is underway of the Up2Stars initiative, promoted by Banca dei Territori with the support of Intesa Sanpaolo Innovation Center. This initiative is aimed at 40 startups and built around on four areas: Watertech; Renewable Energy and Energy efficiency; Artificial Intelligence (AI) for Business Transformation; and IoT (Internet of Things), Infrastructure and Mobility. The acceleration of 10 start-ups in the second area Renewable Energy and Energy Efficiency is now underway, while the call in the third area AI for Business Transformation has closed. A total of around 200 applications were received in 2023 for the three tracks. In Action ESG Climate is the initiative promoted by the Insurance Division with the support of Intesa Sanpaolo Innovation Center to promote the development of new solutions to combat climate change and support the green transition through technological innovation and the development of new business models. The second edition of the initiative has been completed and 4 companies (from around 140 candidates) have been awarded a total grant of around 600,000 euro. In the two editions, 7 companies overall were awarded a total of 1.1 million euro. The monitoring of the 2022 winners found that the projects selected were completed on time, also recording growth both in terms of revenue and attractiveness to external investors.
In the area of applied research, 16 multidisciplinary projects are being implemented (8 in the area of neuroscience and 8 in AI and robotics) and 10 industrialisations have been realised since 2022. In particular, 8 projects were launched in the fourth quarter of 2023 (a total of 12 in 2023 and 19 since 2022), including 3 research projects on AI with CENTAI and other units of the Bank, 2 projects in robotics and neuroscience, using the new NRRP "Innovative PhD" instrument, and 1 project in neuroscience relating to climate change. Two patents were also obtained for industrial inventions in the field of AI (3 since 2022). Three projects were closed in the fourth quarter (10 in total in 2023), including 1 AI-based project, in collaboration with CENTAI, the IMI C&IB Division and a corporate customer, aimed at creating and managing a hedging portfolio strategy, and 1 project in the field of neuroscience aimed at supporting the IMI C&IB Division in implementing strategies to increase cognitive flexibility and logical-strategic reasoning.
To promote the acceleration of business transformation, 43 companies have been engaged in open innovation programmes since 2022, including 6 in transformative projects in the circular economy. Specifically, Intesa Sanpaolo Innovation Center, as part of the partnership with TIM, collaborated on the "TIM AI Challenge", an open innovation program aimed at identifying innovative solutions in the field of AI, and also contributed to the paper "*L'intelligenza Artificiale in Italia*" issued by the TIM Research Center. In addition, three tech tours for corporates/start-ups were completed in Tel Aviv (Smart Mobility Tech Tour),

in San Francisco (in connection with SMAU, at INNOVIT, with the collaboration of ITA Italian Trade Agency) and in the Greater Bay Area (Greater Bay Roadshow).
With the aim of spreading a culture of innovation, 36 positioning and match-making events were held in 2023[22] (of which 13 in the fourth quarter of 2023), with over 3,000 participants (since 2022 a total of 68 events with over 5,200 participants). Also in the fourth quarter, Intesa Sanpaolo Innovation Center, together with Intesa Sanpaolo, moderated the panel "How to accelerate the transition towards Circular Economy and its impact on Technologies, Finance and Industries" at COP28 in Dubai. Nine reports on technology innovation were published in 2023 and six more on innovation (30 in total since 2022).
Lastly, in 2023, Neva SGR made investments in support of start-ups of around 31 million euro (over 85 million euro since 2022), and the new Neva II Global and Neva II Europe funds, which will be launched in the second half of 2024, were presented.

The Group's people as its most important asset

The empowerment, growth and satisfaction of people remains one of Intesa Sanpaolo Group's main objectives and the Group will continue to invest in talent, fostering diversity and inclusion, and creating a unique ecosystem of skills in line with the Bank's evolution. The commitment to strengthening its human capital continued through a series of dedicated initiatives, underscoring the fact that people are the most important resource for achieving the Plan objectives and the enabler for future success.
The generational change continues, with the hiring of professionals and the reskilling and training of internal staff, to support the Group's growth and best meet the challenges of the coming years by developing and maintaining suitable skills. Over the Plan period, the target is to make 4,600 permanent hires (around 3,000 professionals hired from 2021) and to re-skill and retrain around 8,000 people for priority and strategic initiatives (around 3,850 already involved since 2022).
The International Talent Program, now in its third edition, continued, alongside targeted development and training initiatives dedicated to a selected number of key middle management staff. In addition, the engagement of the Group's People in achieving the Plan's objectives is pursued through long-term incentive plans that also foster individual entrepreneurship.
With the aim of facilitating work-life balance for the Group's employees and responding to the needs for flexibility, a new organisational framework has been set up that provides greater flexibility in terms of daily work schedule, remote working and the introduction of a four-day working week on a voluntary basis with no change in remuneration.
Italy's new leading education player, created through the combination between ISP Formazione and Digit'Ed (a Nextalia Fund company), is now operational, and will play a pivotal role in the staff training strategy, which is a key aspect for the Group. In today's environment, which requires the ongoing development of skills and flexibility, the Bank has delivered around 26.1 million hours of training since 2022, against a target of 50 million hours envisaged over the Plan period.
The platform dedicated to the physical, emotional, psychological and social well-being of the Group's employees was also launched, offering video content, podcasts, articles, tools and apps, accompanied by events and initiatives organised both in-person and digitally.
Fostering an inclusive working environment that promotes respect and the value of diversity and enhances the multicultural heritage, experiences and characteristics of the Group's People, is a key objective for the Intesa Sanpaolo Group, which is committed to promoting people management and development policies based on fairness, meritocracy and nurturing each individual's talent without discrimination of any kind. To this end, the Diversity & Inclusion objectives of each Division and Governance Area are closely monitored, and the collaboration has been strengthened with ISPROUD, the Group's first employee community, which now includes LGBTQ+ people and allies.
The attention the Group pays to its people is reflected in the numerous awards it has received:
- Top Employer 2024 for the third consecutive year (an award given to the bank by the Top Employers Institute) and Best Talent Acquisition Team in LinkedIn's 2023 Talent Awards;
- only Italian bank listed in the Dow Jones Sustainability Indices, in the CDP Climate A List 2022 and in the 2023 Corporate Knights "Global 100 Most Sustainable Corporations in the World Index";
- ranked first among peer group banks in the international Sustainalytics and Bloomberg assessments (ESG Disclosure Score);
- included for the sixth consecutive year in the Bloomberg Gender Equality Index (GEI) 2023;
- ranked as first bank in Europe and the only Italian bank among the 100 most inclusive and diversity-conscious workplaces, according to the Refinitiv Global Diversity and Inclusion Index 2023;
- first major Italian banking group to obtain the "Prassi di Riferimento (PDR) 125:2022" certification for gender equality envisaged by the National Recovery and Resilience Plan (NRRP), with successful completion of an annual audit for retention of the certification;
- ranked first in the global ESG Corporate Award ranking, in the Best Company for Diversity Equity & Inclusion category, among large cap companies;
- one of the first European banks to be awarded the prestigious Gender Equality European & International Standard (GEEIS-Diversity) certification on Diversity & Inclusion in 2021, with a mid-term audit successfully completed for the retention of the certification;
- received the "best improvement" award and the "best ally" award, given to the Chief Financial Officer, at the Parks LGBT+ Diversity Index 2023.

Lastly, the ISP People Satisfaction Index is continuously rising and has reached its highest level for the last ten years (84% in 2023 compared to 79% in 2021 and 66% in 2013).

[22] Positioning event: an event where a key player discusses innovation issues. Match-making event: an event that facilitates the matching of supply and demand in innovation.

Sustainability and Group strategy on Environmental, Social and Governance issues

Intesa Sanpaolo is aware that, as a global financial player and one of the leading banking groups in Europe, it has a significant impact in terms of environmental and social sustainability, in the short and long term, through both its direct and indirect activities.
In general terms, the Group adopts a holistic approach to Environmental, Social and Governance (ESG) issues, which is based on:

– defining a Group ESG strategy in line with the guidelines provided by the Corporate Bodies, supported by the internal governance structures, with the coordination of the ESG Control Room.
– its own regulatory framework, which includes the "Group guidelines for the governance of environmental social and governance (ESG) risks" and voluntary policies on conduct ("Principles on Human Rights" and Code of Ethics, which was updated in 2023, augmenting its content in line with the Group's reinforced sustainability commitments). In addition, the Group has adopted "Rules for the classification of sustainable credit products and transactions", aimed at improving internal and external transparency in relation to sustainable products and transactions, and "Rules for the application of the European Taxonomy in relation to the Green Asset Ratio (GAR)";
– integrating ESG risks into the overall Risk Management framework and in relation to the traditional risk categories (credit risk, market risk, liquidity risk, operational risks and reputational risks).

In 2023, the activities in pursuit of the objectives stated in the 2022-2025 Business Plan proceeded at full pace, with the Group demonstrating its ability to generate significant value creation for all stakeholders, also supported by its strong ESG commitment, enshrined in one of the four pillars of the Business Plan.

The Plan continues the commitment in the social and cultural domains, based on responding to social needs through, for example, new initiatives for seniors and young people (including one of the most extensive social housing programmes in Italy and the creation of seniors community hubs), support for financial inclusion, through cumulative social lending flows of 25 billion euro, and the continued promotion of culture, for example by doubling the exhibition spaces of the Gallerie d'Italia by 2025. In 2023, the Bank committed to allocating around 1.5 billion euro[23] in total for the five-year period 2023-2027 to support initiatives addressing social needs, and a new organisational unit was set up that will be tasked with guiding and governing the Group's social impact activities.
Within the Business Plan, the Group has stepped up its commitment to the green transition, supporting individuals and businesses through dedicated products and encouraging the transition from a linear to a circular economy, in addition to reducing its own and financed emissions over the entire value chain.
Intesa Sanpaolo can play a key role in steering capital towards a sustainable economy. With regard to climate change, in addition to directly managing its environmental footprint, the Bank can exert strong influence on activities and behaviour that it cannot control directly, in particular those of its customers and suppliers, supporting them in the transition to a low-carbon economy.
In relation to the preservation of natural capital, the 2022-2025 Business Plan provides for the development of a specific biodiversity policy and a major reforestation and natural capital preservation project, called Think Forestry, aimed at promoting environmental sustainability and the transition to a zero-emissions economy, with the overall goal of planting and preserving 100 million trees through the joint action of the Bank and its corporate customers.
After the establishment in 2022 of the main targets linked to the commitments made in the Net-Zero alliances, and following the Group's subscription to the Net-Zero Banking Alliance (NZBA), Net-Zero Asset Managers Initiative (NZAMI), Net-Zero Asset Owner Alliance (NZAOA) and Net-Zero Insurance Alliance (NZIA), the 2030 targets for the main emission-intensive sectors (Oil & Gas, Power Generation, Automotive and Coal Mining, with phase out for the latter envisaged by 2025) were published in the 2022-2025 Business Plan. In October 2022, Eurizon Capital SGR, Fideuram Asset Management SGR, Fideuram Asset Management Ireland and the Intesa Sanpaolo Vita Insurance Group also published their first interim targets.
In 2023, Intesa Sanpaolo maintained its strong focus on sustainability as demonstrated by its top positioning in the main indices and rankings. It is the only Italian bank included in the Dow Jones Sustainability Indices (World and Europe), the top European bank and second in the world in the Corporate Knights 2024 "Global 100 Most Sustainable Corporations in the World" index, and it is included in CDP's Leadership level. It was also listed for the sixth consecutive year in the 2023 Bloomberg Gender-Equality Index, as the number-one bank in Europe and the only Italian bank in the 2023 Refinitiv Global Diversity and Inclusion Index, which comprises the 100 best companies for diversity and inclusion. Intesa Sanpaolo also received a number of sustainability-related awards, including ESG Industry Top Rated and ESG Regional Top Rated in 2024 by Sustainalytics, inclusion in the Top 10% (CSA Score 2023) of the 2024 S&P Global Sustainability Yearbook, and retention of the ranking as the number-one bank in Europe for ESG aspects in the 2023 ranking by Institutional Investor.
The Group's commitment to sustainability is also manifested through its participation in all the main international initiatives of the United Nations, including the Global Compact, concerning the financial sector, which form part of the achievement of the UN Sustainable Development Goals: the Principles for Sustainable Insurance (PSI), the Principles for Responsible Investment (PRI), and the Principles for Responsible Banking (PRB), in relation to which the Bank reports its progress in the PRB Report. Intesa Sanpaolo supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and has published a Climate Report[24], which includes specific climate disclosures in accordance with these Recommendations. In addition, the Bank has adopted the Stakeholder Capitalism Metrics developed by the World Economic Forum (WEF), a set of

[23] Including structural costs of around 0.5 billion euro related to the approximately 1,000 people dedicated to supporting initiatives/projects.
[24] Previously the TCFD Report.

ESG indicators and disclosures that evidence the commitment to long-term value creation and the contribution to the UN Sustainable Development Goals.
The handling of the main ESG issues is aided by the ISP4ESG Programme, a wide-ranging high-impact initiative launched in 2019 with the objective of integrating ESG into the Bank's business model and strategy, also through the management of the activities related to the functioning of the ESG Control Room.
Several strategic and important sustainability-related projects for the Group were managed in 2023, including: i) the continuation of the activities of the Target Setting project for the Net-Zero targets, which during 2023 focused, as required by the Net-Zero Banking Alliance (NZBA), on the intermediate targets for 2030 for the additional sectors to those indicated in the Business Plan and on the preparation of the documentation to be submitted for validation by the Science Based Target initiative (SBTi); ii) the supervision of the activities related to the other Net Zero alliances subscribed to by the Group, specifically the Net-Zero Asset Managers Initiative (NZAMI), Net-Zero Asset Owner Alliance (NZAOA) and Net-Zero Insurance Alliance (NZIA); iii) the continuation of the EU Taxonomy Green Enhancement project, which introduced rules and processes for classifying lending transactions in line with the regulatory requirements of the EU Taxonomy and for actively steering the loan portfolio, also with a view to improving the Green Asset Ratio (GAR); and iv) the implementation of the ESG-Climate Credit Framework project for the application of ESG factors in the valuation of the Group's loan portfolio for non-financial companies.
The continuous evolution of the European regulations on ESG and sustainability reporting[25], together with the requirements arising from the subscription to the various voluntary reporting standards[26], prompted Intesa Sanpaolo to launch a multi-year project in 2021 focused on the Group ESG Reporting, aimed at creating an integrated and transversal approach able to respond to the new regulatory requirements and emerging best practices. In 2023, the project focused on the development of fully operative solutions for the preparation of the Templates required by Art. 8 of the EU Taxonomy Delegated Act and the quantitative Templates and qualitative tables required by Pillar 3 in relation to ESG; the operational implementation of the related indicators, including the GAR (with a view to alignment with the taxonomy); the preparation of internal rules for the preparation of disclosures (e.g., Pillar 3, PRB Report, TCFD Report[27]); and, lastly, the development of fully operative solutions for the activities in the Managerial Reporting workstream. Ahead of the 2024 reporting in accordance with the CSRD, a high-level gap analysis was carried out within the ESG Reporting project that took into account all the ESRS in order to perform an initial assessment of the degree of alignment of the Group's current non-financial reporting (in particular the CNFS) with those standards. In view of the complexity and impact on the current reporting process, at the end of 2023 a series of preparatory activities were carried out for the new CSRD project (including the definition of the overall project governance, divided into various workstreams), which was launched in 2024.

Support for ESG/climate transition

The 2022-2025 Business Plan contains a strong focus on climate, which includes the Group's commitment to facilitating the transition to a low-emission economy through concrete actions to mitigate its direct and indirect emissions, and by supporting green initiatives and projects for its customers. Specifically, the Group has made available a programme of disbursements of 76 billion euro (2021-2026) in relation to the scope of application of Mission 2 of the National Recovery and Resilience Plan (NRRP) dedicated to the green and circular economy and ecological transition, of which around 45 billion euro already disbursed in the period 2021-2023. In this context, the Plan confirmed the commitment to the circular economy by promoting the dissemination of this model and renewing the partnership with the Ellen MacArthur Foundation and Cariplo Factory, in addition to providing 8 billion euro in credit lines[28] for the circular economy. Specifically, within the plafond, in 2023 a total of 366 projects were assessed and validated for an amount of around 11.7 billion euro, around 7.2 billion euro were granted in 242 transactions (of which 4.8 billion euro related to green criteria), and 5.6 billion euro were disbursed taking into account previously granted projects (of which 4.7 billion euro related to green criteria). Overall, since 2022, a total of 786 projects have been assessed and validated for a value of over 20.8 billion euro and more than 12 billion euro have been granted in 472 transactions (of which 7.4 billion euro related to green criteria), with 8.7 billion euro disbursed taking into account previously granted projects (of which 6.9 billion euro related to green criteria). In April 2023, the criteria for accessing the plafond were updated both for the circular framework, in agreement with the Ellen MacArthur Foundation, and for the green framework, in line with Intesa Sanpaolo's Green, Social Sustainability Bond Framework.
In addition, the Group's commitment took the form of new green lending to individuals totalling 12 billion euro, of which around 1.7 billion euro was disbursed in 2023 for Green Mortgages to retail customers (4.3 billion euro in 2022-2023).
To support SMEs seeking to improve their sustainability profile, Intesa Sanpaolo offers the S-Loans, made up of 6 product lines: S-Loan ESG, S-Loan Diversity, S-Loan Climate Change, S-Loan Agribusiness, S-Loan Tourism and S-Loan CER. A total of around 1.7 billion euro was granted in 2023 (around 5.2 billion euro since the launch in 2020). The offering also includes the Digital Loan (D-Loan) aimed at improving the digitalisation of companies (25 million euro disbursed since launch) and the Suite Loan, launched in December 2021, aimed at upgrading hotel facilities and accommodation services (12 million euro disbursed since launch).
However, financial resources alone are not sufficient to enable the sustainable transformation of companies. To support customers in the ESG/Climate transition, the Bank provides its corporate customers access to Skills4ESG, an online training platform dedicated to sustainability issues, and the New ESG Labs (13 have already been activated in Venice, Padua, Brescia, Bergamo, Cuneo, Bari-Taranto, Rome, and Naples-Palermo, Milan, Turin and Florence), in collaboration with specialist partners such as Circularity, Nativa, CE Lab and others. The Bank also provides an ESG advisory service to

[25] Including, in particular, the Corporate Sustainability Reporting Directive (CSRD) and the related European Sustainability Reporting Standards of the European Financial Reporting Advisory Group (EFRAG), EBA Guidelines on ESG Reporting, EU Taxonomy (and related disclosure requirements), Sustainable Finance Disclosure Regulation (SFDR), and ECB Guidance on Environmental and Climate Risk Management.

[26] Such as the Task Force on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), Principles for Responsible Banking (PRB) and World Economic Forum (WEF).

[27] Renamed Climate Report from 2023.

[28] Plafond, dedicated to circular and green economy, which involves specific incentives.

companies, aimed at steering them towards the energy transition through a flexible and scalable approach, with a particular focus on the energy, infrastructure and industry & automotive sectors. Lastly, significant work was carried out on the development of the ESG value proposition for the corporate, SME and retail segments in all the banks of the International Subsidiary Banks Division[29].

Several significant initiatives and collaborations were pursued during the year. In relation to the circular economy, Intesa Sanpaolo Innovation Center and the Ellen MacArthur Foundation with Eurizon Capital SGR produced the white paper "Identification of leading companies in the transition to the Circular Economy", and Intesa Sanpaolo Innovation Center and Intesa Sanpaolo (IMI C&IB Division) signed a Memorandum of Understanding (MoU) with the Ministry of Economy of the UAE to promote the adoption of circular economy principles and to design and implement the country's circular ecosystem, also with the aid of Cariplo Factory.

The project activities in 2023 included the completion of the implementation of the ESG/Climate evolution of the credit framework for the large transactions portfolio of the non-financial companies, using ESG/Climate considerations in the classification of the sectors, the ESG sectorial strategy, the proprietary ESG scoring at counterparty level and new guidelines on sustainable products and operations. The methodology of analysis has also been defined for the transition plan for Oil & Gas, Power Generation, and Automotive customers, envisaging the gradual extension to other priority sectors. Lastly, the EU Taxonomy Green Enhancement project is underway, aimed at verifying the alignment of the existing portfolios (mortgages, bonds, non-financial corporate lending) with the EU Taxonomy criteria for the contribution to the Group's Green Asset Ratio indicator, and carrying out strategic assessments on the orientation of the loan portfolio through the development of products and incentives.

Sustainable investment products and sustainable insurance

In its 2022-2025 Business Plan, Intesa Sanpaolo has committed to further strengthening its offering of sustainable investment products, for both asset management and insurance, which combine financial criteria with environmental, social and governance (ESG) aspects and contribute to the achievement of climate objectives, as also desired by the European legislation and the EU's strategic priorities for sustainable finance. Specifically, it has set itself the target of increasing the assets under management in funds classified according to Articles 8 and 9 of the Sustainable Finance Disclosure Regulation (SFDR) to around 156 billion euro and reaching 60% of total assets under management in sustainable investment products[30]. This target has already been exceeded by Eurizon, with a penetration that has risen to around 74% of total assets under management, in addition to a diversified range in all the asset classes of the Article 8 and Article 9 SFDR funds.

Engagement with issuers and customers is part of the efforts made by the Group Companies to contribute to the change towards sustainability, also following the subscription to the NZAMI and NZIA, which require the establishment of robust plans of engagement with investees, with the aim of incentivising them to implement effective decarbonisation pathways.[31]. In terms of Stewardship activities, in 2023, Eurizon Capital SGR took part in 1,413 shareholders' meetings (of which 93% of issuers listed abroad) and 592 engagements (of which 40% on ESG issues).

With a view to improving the ESG offering, the "ESG Ambassador" role was established, with the involvement of 34 Private Bankers in the first phase, selected from around 6,000 belonging to the Fideuram and Intesa Sanpaolo Private Banking Networks on the basis of their attention to ESG issues - with the aim of promoting a culture of sustainability in the territories to which they belong, promoting sustainable behaviour and representing a listening point for the needs of Customers and Private Bankers.

In line with the Group's objectives and the increasingly strategic importance of integrating ESG factors also for the insurance sector, the Insurance Division is committed to developing a dedicated ESG offering for the non-life business and to the continuous expansion of the ESG/Climate offering within the Group's life insurance range. In particular, in 2023 the enhancement continued of the unit-linked/multi-line offering that includes ESG investment options (Articles 8 and 9 SFDR) underlying the insurance products available to customers, increasing to around 80.4% in 2023, and the IBIP[32] product catalogue was further expanded with new Article 8 products.

[29] Excluding Moldova and Ukraine.

[30] Eurizon perimeter - Article 8 and Article 9 SFDR 2019/2088 funds and asset management products.

[31] For more information on the activities of Group companies in this area and in relation to Net-Zero targets, see the 2023 Intesa Sanpaolo Group Climate Report.

[32] Insurance Based Investment Products.

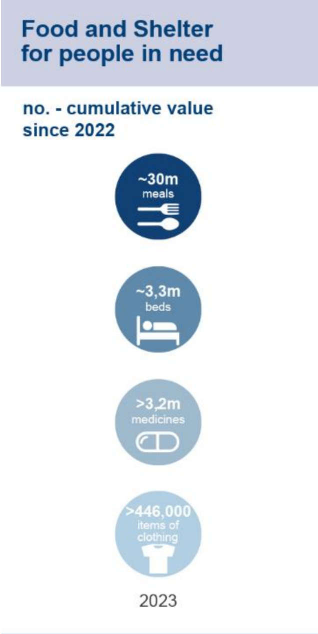
Support to address social needs

Intesa Sanpaolo is committed to generating a social impact over the coming years, continuing the commitment and attention that it has always dedicated to the needs of the people and communities in which it operates. The Group's 2022-2025 Business Plan includes specific initiatives dedicated to young people and vulnerable individuals.

Intesa Sanpaolo, which has always been keen to invest in young people, also to promote employment and the right to education, supports "**Giovani e Lavoro**", the programme created through the partnership between Intesa Sanpaolo and Generation Italy, with the objective of providing free training courses, over the period of the 2022-2025 Business Plan, to over 3,000 young people aged between 18 and 29 who are unemployed, in order to help them gain the skills that companies are seeking. In 2023, the programme received applications from over 6,300 young candidates, with over 2,000 students interviewed and around 920 students trained/being trained through 37 courses. Over 3,900 students have been trained since 2019 and around 2,400 companies have been involved since the start of the Programme. The third edition of the Generation4Universities programme, aimed at helping talented final year university students in making their first step into the world of work, which involved 94 students from 36 universities and 22 leading Italian partners companies, ended in December.
Another related initiative is the Digital Re-start programme, implemented by the Private Banking Division and aimed at training and reintegrating unemployed people aged between 40 and 50 into the labour market, by funding scholarships for the masters course in data analysis, which trains professionals in the analysis and management of data and information in support of decision-making processes. The first three editions of the programme, the last of which ended in the first half of 2023, involved 75 participants, 49 of whom found new jobs.

Within the **educational inclusion** programmes, the partnerships with leading Italian universities and schools have been strengthened, with more than 1,180 schools and over 7,760 students involved in 2023 (around 2,240 schools in 2022-2023), supporting merit and social mobility. In April, a new programme, "Futura", was launched promoted by Save the Children, Forum Disuguaglianze e Diversità and Yolk, with the collaboration of Intesa Sanpaolo, against female educational poverty, educational failure and early school leaving. The pilot project will run for two years in three areas with socio-economic disadvantages and promote the growth and autonomy through personalised training courses for 300 girls and young women, including 50 young mothers, and around 130 education plans have already been activated.
The Insurance Division launched the social impact initiative In Action ESG NEET in 2022, dedicated to the promotion and inclusion of NEET youths and other vulnerable groups in the world of work. The initiative, in partnership with Dynamo Academy, aims to train NEET youths in the caring professions – 8 classes have been launched in Tuscany, Campania and Lazio with the involvement of 112 people since the start of the initiative. The success of the initiative is monitored quarterly through the detailed survey of the employment status of graduated students. Initial data show that 77% of NEETS have found a job and/or have resumed their studies within a few months after completing the course.

Intesa Sanpaolo has always been attentive to the issues of inclusion and the fight against poverty, and one of the main objectives of the Plan is the expansion of the **food and shelter programme** for people in need, which will enable the implementation of over 50 million interventions, providing concrete help in Italy and abroad. During the period 2022-2023, over 36.8 million interventions were carried out (also in support of the humanitarian emergency in Ukraine), including around 30 million meals, around 3.3 million dormitories/beds, over 3.2 million medicine prescriptions, and over 446 thousand items of clothing.



The Plan's initiatives dedicated to the needs of the people and communities in which the Group operates include one of the most extensive social housing projects in Italy, which will create social housing and accommodation for students (around 6,000-8,000 units over the Plan period). The ongoing initiatives in terms of promoting housing units have been enhanced, also by identifying new partnerships with leading operators in the sector, for the achievement of the Plan targets.

Lastly, in 2023, the Bank committed to allocating a total of around 1.5 billion euro for the five-year period 2023-2027 in support of initiatives to address social needs[33], of which around 500 million euro for the structural costs of the around 1,000 people devoted to supporting these initiatives/projects. A new organisational unit called "Intesa Sanpaolo for Social Impact" was also set up in Brescia, with steering function in the Group's social impact activities, to strengthen the bank's social impact strategy for the country, the territory and the communities.

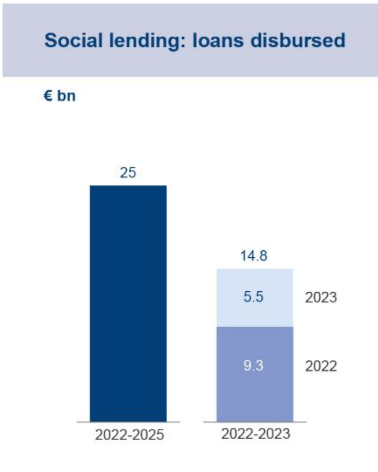
Financial inclusion and supporting production

In 2023, Intesa Sanpaolo's support to the Italian economy was again incisive, with the Bank providing 60.4 billion euro of new medium/long-term lending to the real economy, of which 40.3 billion euro in Italy. In addition, Intesa Sanpaolo made available over 400 billion euro in medium/long term lending to businesses and households in support of Italy's National Recovery and Resilience Plan (NRRP), with the aim of strengthening the country's growth over the period 2021-2026.

The Group's 2022-2025 Business Plan envisages major initiatives in the area of social inclusion, which is a key factor in achieving a fair and inclusive transition. Specifically, it has committed to providing new social lending of around 25 billion euro in support of non-profit activities and vulnerable people who have difficulty accessing forms of credit or have been affected by natural disasters, as well as urban regeneration.

In 2023, a total of 5.5 billion euro[34] was disbursed in social lending and urban regeneration (around 14.8 billion euro in 2022-2023).

These included in particular the loans provided in support of non-profit organisations totalling 252 million euro (591 million euro in 2022-2023) and 71 million euro funds made available within the Fund for Impact, which provides direct support to households and individuals to ensure broader and more sustainable access to credit, with dedicated programmes such as: "per Merito", the first line of credit without collateral dedicated to all university students, "Mamma@work", a subsidised loan aimed at working mothers to help balance motherhood and work in the early years of their children's lives, "per Crescere", for the training and education of school-age children aimed at vulnerable families, "per avere Cura", to support families taking care of non-self-sufficient people, and other solutions (e.g. "Obiettivo Pensione" and "per Esempio").



Lastly, the Business Plan also provides for loans for urban regeneration. In 2023, Intesa Sanpaolo made commitments for 639 million euro of new investments in sustainable housing, services and infrastructure initiatives, in addition to the most important urban regeneration initiatives underway in Italy (for a total of over 1.2 billion euro of commitments made over the 2022-2023 period).

[33] Around 300 million euro is already included in the 2023 results and the remainder is included pro rata in the net income forecasts for 2024-2025.

[34] Including around 750 million euro of green loans disbursed in 2023 to young people.

Commitment to Net-Zero[35] and management of climate change risk

In the 2022-2025 Business Plan, the Group has set the reduction targets for 2030 emissions aligned to Net-Zero for Oil&Gas, Power Generation, Automotive and Coal Mining (for the latter phase out by 2025), which, at the time of publication in February 2022, represented over 60% of the financed emissions of the portfolio of Non-Financial Corporates in the sectors identified by the NZBA. The first reporting of the absolute emissions of the four sectors as at 31 December 2022 shows a decrease of 62% compared to 2021. In relation to the targets described above, the Group drew up its first transition plan, in compliance with the requirements of the NZBA and following the guidance from the Glasgow Financial Alliance for Net-Zero (GFANZ), within the 2022 TCFD Report. The 2023 reporting on financed emissions is presented in the 2023 Climate Report[36].
In 2023, the target setting for the new Iron&Steel and Commercial Real Estate sectors continued, together with the work to produce the data and documentation to be submitted to the Science-Based Targets Initiative (SBTi) in March 2024 for validation of the targets identified.
Intesa Sanpaolo has also committed to achieving carbon neutrality for its own emissions by 2030, including through the purchase of 100% electricity from renewable sources.
"Think Forestry", the reforestation and natural capital preservation project, was launched to promote environmental sustainability (planting and preservation of 100 million trees through joint action by the Bank and corporate customers) and the transition to a zero-emissions economy.
On the asset management and wealth management front, following the subscriptions to the Net Zero initiatives in 2022, Eurizon Capital SGR, Fideuram Asset Management SGR, Fideuram Asset Management Ireland and the Intesa Sanpaolo Vita Insurance Group published their first interim targets, aimed at achieving net greenhouse gas neutrality of the assets under management by 2050. The targets will be monitored and extended in line with the requirements of the various Net-Zero initiatives. In May 2023, the Intesa Sanpaolo Vita Insurance Group submitted its annual Net-Zero progress reporting to NZAOA, and in September, Eurizon Capital SGR, Fideuram Asset Management SGR and Fideuram Asset Management Ireland also completed the first annual reporting on their Net-Zero progress through the PRI platform.
During 2023, the Intesa Sanpaolo Group has continued its participation in the various Net-Zero Alliances and GFANZ work groups. In particular, Intesa Sanpaolo has joined the new GFANZ "Mainstream Transition Finance workstream" group, continuing its participation in both the NZBA "Implementation Worktrack", originating from the unification of the "Data & Methodologies" and "Finance & Engagement" worktracks, and in the sectorial work groups. The Insurance Division has also continued its participation in the various NZAOA working groups, particularly those aimed at developing new methods concerning government securities, reporting and engagement. In addition, in 2023 Eurizon joined the Carbon Disclosure Project's (CDP) Non-Disclosure Campaign and CDP's Science-Based Targets Campaign to promote environmental transparency and science-based target setting by companies.
Eurizon Capital SGR and Fideuram Asset Management SGR and Fideuram Asset Management Ireland have initiated the individual and collective engagement process by joining the Net-Zero Engagement Initiative (NZEI), Climate Action 100+ and Nature Action 100. In addition, Intesa Sanpaolo Vita promotes bilateral engagement, in partnership with Eurizon Capital SGR, with the 20 largest issuers in its portfolio, in line with the requirements of the NZAOA alliance.
Intesa Sanpaolo's strategy is based on a clear awareness of the risks and opportunities associated with climate change. The range of risks and opportunities related to climate change are identified and analysed by Intesa Sanpaolo's Chief Financial Officer Area and Chief Risk Officer Area, with the support and involvement of the various Governance Areas and Divisions, where relevant, in order to integrate them into the normal risk assessment and monitoring processes (which lead to the management of climate risk, in the form of mitigation and adaptation) and credit strategies.
For an update on the monitoring and management of the main issues related to climate risk, as well as their integration within the Group's Risk Appetite Framework – namely, the general framework used for the management of enterprise risk – see the Part E of the Notes to the consolidated financial statements.

Economic value generated and distributed

The economic value generated by the Group during the year is calculated in accordance with ABI (Italian Banking Association) instructions and consistent with international reference standards. The calculation is made by reclassifying consolidated income statement items recorded in the financial statements prepared in accordance with Bank of Italy Circular 262.
The economic value generated, which rose to 25.9 billion euro in 2023, came from Net income from banking and insurance activities – which therefore takes into account the losses for credit risk associated with loans and other financial assets – plus the realised gains and losses on investments in associates and companies subject to joint control, investments and other operating income. The economic value generated expresses the value of the wealth produced, most of which is distributed among the stakeholders with which the Group interacts in various ways in its daily operations. Specifically:

- employees and other staff benefited from 32% of the economic value generated, for a total of around 8.2 billion euro. In addition to staff pay, the total also includes payments to the networks of financial advisors, the remuneration paid to the financial advisors of the Private Banking Division, and the portion, related to personnel expenses, of the insurance service expenses arising from the insurance contracts issued;
- suppliers received 12% of the economic value generated, for a total of 3 billion euro in payments for goods and services;
- The Government, Organisations and Institutions, and Community recorded a total flow of funds of around 3.7 billion euro, equivalent to 14% of the economic value generated, of which 1.2 billion euro referring to indirect taxes and duties, and over 700 million euro to levies and other charges concerning the banking industry, consisting of contributions to

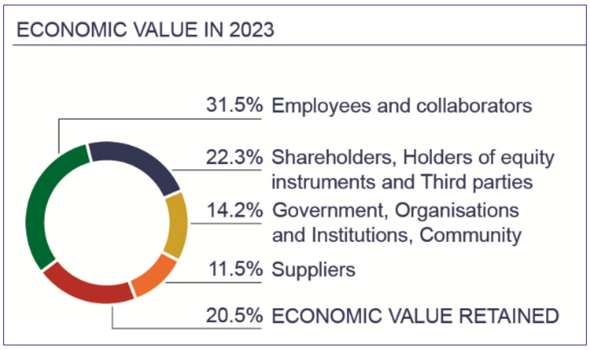
[35] For more details on the results achieved in 2023 in relation to the targets and commitments made with the subscription to the Net-Zero initiatives, see the Intesa Sanpaolo Group's 2023 Climate Report.
[36] Previously the TCFD Report.

resolution and guarantee funds. There were also numerous social and cultural initiatives and other actions, including those made through charity funds and for social and cultural grants;

– over 22% of the economic value generated was allocated to Shareholders, holders of equity instruments and third parties, for a total amount of close to 5.8 billion euro, largely attributable to dividends. Specifically, the proposed remaining dividend is 2,779 million euro, in addition to the 2,629 million euro interim dividend paid in November 2023, for a total of 5,048 million euro from the 2023 net income. For more details in this regard see the Proposals to the Shareholders' Meeting in the Intesa Sanpaolo S.p.A. financial statements.

The remaining amount of the economic value generated, equal to 5.3 billion euro, was retained by the enterprise and mainly consisted of net adjustments/recoveries and provisions, deferred tax assets and liabilities, and the consolidated net income allocated to reserves.

Economic value	**millions of euro**	
Economic value generated	25,903	100.0%
Economic value distributed	-20,583	79.5%
Employees and collaborators	-8,164	31.5%
Suppliers	-2,965	11.5%
Government, Organisations and Institutions, Community	-3,677	14.2%
Shareholders, Holders of equity instruments and Third parties	-5,777	22.3%
Economic value retained	**5,320**	**20.5%**



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With regard to the aspects relating to the Group's People, as well as innovation, digital transformation and cybersecurity, see the paragraph "The 2022-2025 Business Plan" above.
Sustainability and ESG issues are covered in depth in the Consolidated Non-financial Statement (CNFS) drafted in accordance with Italian Legislative Decree 254/2016, a separate report from the Annual Financial Report and available on the Group's website.
Since September 2019, Intesa Sanpaolo has published a voluntary Half-Yearly Consolidated Non-financial Statement containing the key indicators.
In addition, as already illustrated above, Intesa Sanpaolo supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) by publishing the Climate Report[37], which includes specific climate disclosures in accordance with those recommendations.
Lastly, from 31 December 2022, the Pillar 3 document contains the ESG disclosure required by Article 449a CRR, which, from December 2023, will be accompanied by the Green Asset Ratio (GAR) disclosure.

[37] Previously the TCFD Report.

Progetto Cultura

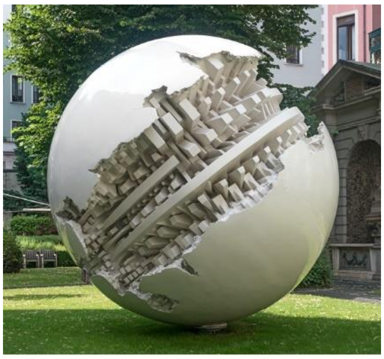
Progetto Cultura is the multi-year programme of initiatives through which Intesa Sanpaolo actively expresses its commitment to promoting art and culture, providing a direct and tangible contribution to Italy's cultural and social growth. The activities are conceived and implemented by the Art, Culture and Historical Heritage Department in dialogue with public and private, national and international organisations and institutions. The cultural sector has been acknowledged as playing a key role in fostering more innovative, sustainable, and inclusive societies. In this regard, Progetto Cultura – an integral part of the Business Plan and one of the Group's identifying features – is a key factor in consolidating Intesa Sanpaolo's leadership in ESG and strengthening its position as an impact bank.

Gallerie d'Italia

Gallerie d'Italia is Intesa Sanpaolo's museum network with four venues, in Milan, Naples, Turin and Vicenza, developed from the transformation of historic buildings owned by the Bank, which now serve as public museums that offer access to art collections and cultural and social programmes.
In 2023, the Gallerie d'Italia received a total of around 680,000 visitors. Admission is free up to the age of 18. Over 120 young art historians work permanently at the Gallerie d'Italia, under the partnership with Civita Mostre e Musei, within the museum services.

Francesco Bertos, *The Fall of the Rebel Angels*, circa 1725-1735, Intesa Sanpaolo Collection, Gallerie d'Italia – Vicenza. Ph. Valter Maino

Exhibition Projects
The Gallerie d'Italia host selections of artworks from their own collections in permanent and semi-permanent itineraries, which are regularly revisited (the initiatives in 2023 included the update of the "*Vitalità del tempo*" museum section in Naples, with 44 modern and contemporary artworks; the new display for the eighteenth-century sculpture *Caduta degli angeli ribelli* in Vicenza; and the addition of Arnaldo Pomodoro's *Sfera grande* from the Luigi and Peppino Agrati Collection to the museum itinerary in Milan).
At total of 11 major temporary exhibitions (in addition to 6 dossier exhibitions), organised together with national and international partners, were opened in 2023. The exhibitions involved over 150 lending museums (from the Uffizi to the Palazzo Reale of Naples, and from the National Gallery in London to the National Gallery of Art in Washington).



Arnaldo Pomodoro, *Sfera grande*,1966, Luigi e Peppino Agrati Collection - Intesa Sanpaolo, Gallerie d'Italia – Milan. Ph. Paolo Vandrasch

These exhibitions focus on in-depth explorations of historical-artistic themes (in Milan, *Moroni 1521-1580*, under the High Patronage of the President of the Italian Republic, in partnership with Accademia Carrara of Bergamo and Fondazione Brescia Musei, as part of Bergamo Brescia Italian Capital of Culture; in Naples, *Napoli al tempo di Napoleone* in partnership with Belvedere in Vienna and *Mario Schifano* in collaboration with the artist's Archives; in Turin, *Mimmo Jodice* as part of the "Great Italian Photography" exhibition; and in Vicenza, *Le trecce di Faustina* on the theme of women and power and *Ex Elena Xausa* in collaboration with Associazione Illustri), some of which are dedicated to the Intesa Sanpaolo collections (in Milan, *Una collezione inattesa* with 60 modern and contemporary artworks and *Maria Callas* with 90 photos from the Publifoto Archive to mark the singer's centenary; and *Argilla* in Vicenza with a selection of ceramics from the archaeological collection, in partnership with the University of Padua). The exhibitions at Gallerie d'Italia-Torino originated from commissions for photographic projects on ESG themes and current challenges *(JR Déplacé e s* focusing on the great migrations and social vulnerabilities, in partnership with Fondazione Compagnia di San Paolo, accompanied by two public and participatory art initiatives in Piazza San Carlo; *Luca Locatelli. The Circle* dedicated to the circular economy, in partnership with Fondazione Compagnia di San Paolo and Fondazione Cariplo, with the scientific support of the Ellen MacArthur Foundation, one of the world's leading organisations dedicated to the circular economy; and the dossier exhibition *Cronache d'acqua* on the climate crisis, with a focus on Italy, in cooperation with Green&Blue).

Exhibition "LUCA LOCATELLI. THE CIRCLE. *Solutions for a possible future*", Gallerie d'Italia – Turin. Ph. Andrea Guermani

Gallerie d'Italia exhibitions were also held at other venues *(Gregory Crewdson* at the Rencontres d'Arles Festival; *Lisetta Carmi* at Villa Bardini in Florence, exhibition venue of the

Fondazione Cassa di Risparmio di Firenze; *The Circle* at Artissima, Turin; *Supernova23* at Miart, Milan; *Massimo Vitali* and *Il caso Africo dall'Archivio Publifoto* at the International Festival of Photography in Cortona; and *Maria Callas* at the Palazzo del Rettorato in Turin).
In addition, there were the jointly produced exhibitions *Lotto e Tibaldi* in the Complesso Monumentale in Cuneo, with Fondazione Cassa di Risparmio di Cuneo; *Marco d'Oggiono* in the town hall of Oggiono, with Fondazione Costruiamo il Futuro; and *Mancini e Gemito* in the Museo dell'Ottocento in Pescara, with Fondazione Di Persio-Pallotta.

Workshops with schools, social inclusion activities, activities for adults and families, and cultural events
Numerous activities are offered to the public revolving around the Gallerie d'Italia collections and exhibitions. This approach is in line with the ICOM's[38] definition of a museum, which emphasises the fundamental role of museums in fostering accessibility, inclusiveness, diversity, sustainability, and community participation.
A key part of this approach is the relationship with the educational system, through the delivery of learning activities aimed at students from local schools of all levels (around 3,670 educational workshops were held to 2023, with over 83,000 children and young people taking part). There is also a strong focus on accessibility and social inclusion, through activities for people with special needs, people with disabilities, and individuals from vulnerable backgrounds, designed in collaboration with local organisations and associations (around 520 activities were provided during the year, with around 6,620 people taking part). These educational and inclusion activities are provided free of charge.
The social purpose initiatives included the collaboration between the Naples Police Headquarters and Gallerie d'Italia-Napoli to mark the International Day for the Elimination of Violence against Women, which involved students from two schools in Caivano and Scampia in activities designed to stimulate reflection on the gender gap.


Gallerie d'Italia – Turin, the large staircase. Ph. Andrea Guermani

The Gallerie offered around 1,080 activities for adults and families and hosted around 370 cultural initiatives and events such as concerts, lectures, study days, meetings, presentations and press conferences, attended by around 49,850 people.
One of the highly appreciated initiatives was the public programme #INSIDE, featuring free meetings open to the public and linked to the themes of the exhibitions (37 meetings in 2023, with over 3,000 participants), and in particular the meetings in Turin focused on examining and raising awareness on social and environmental issues. Lastly, innovative formats were used to promote creativity in music (such as "Open Machine Featuring Gallerie d'Italia", a musical improvisation performance, and the "L'arte del cambiamento@Gallerie d'Italia" project with the young singer-songwriter Giovanni Caccamo), in a kind of "Gallerie d'Italia Music". The Gallerie d'Italia venues also host events and initiatives in support of the Bank's other structures.

Art & People Project
The Art, Culture and Historical Heritage Department collaborates with the Bank's other structures in developing initiatives aimed at the Group's people (but also open to the external public) that promote opportunities for growth and engagement offered by the Gallerie d'Italia permanent and temporary collections. By harnessing the power of artistic expressions to transcend stereotypes and barriers, these initiatives blend art and inclusion to promote a culture that recognises differences both within the Bank and in the wider community.
The projects realised in 2023 included "*Insuperabili nell'Arte*" in collaboration with the Disability Management cross-functional group (*Visite d'altri sensi*, "sensory" tours of the collections, designed with the support of colleagues with visual impairments); "*Arte e inclusione*" in collaboration with Diversity, Equity & Inclusion Department and the ISProud Community (initiatives to reflect on diversity, equity and inclusion, particularly in the workplace: talks inspired by the themes of the exhibitions; the monthly *StArt Inclusion* format on the Group's WebTV; the tours of the *Rainbow Identities* collections; the *Identity Expression* panel discussion; and the participation in the inter-company event *4Week4Inclusion* with the docu-factual *L'arte che include: l'esperienza di Intesa Sanpaolo*); and "*Arte e Coaching*" in collaboration with the Development and Learning Policies Department (*Carts4Ica*, creation of a toolkit consisting of 180 cards with images of artworks and photos from the Group's collections, in support of the Internal Coaching Academy).

Gallerie d'Italia Kitchens
With the aim of connecting the arts and supporting talent, the Gallerie d'Italia promote a new generation of great chefs by giving them spaces within the museums dedicated to dining and social interaction. In 2023, the "Anthill" cocktail bar and "Toledo177" fine dining restaurant were opened in Naples under the guidance of Giuseppe Iannotti, along with the "Scatto" fine dining restaurant in Turin, managed by Christian Costardi, with these establishments already receiving prestigious accolades within a few months of their opening.

In addition, "Time" magazine, the most widely read American weekly in the world, included Naples in its list "World's greatest places 2023" as a must-see destination of the year, citing the visit to the Gallerie d'Italia.

Lastly, Progetto Cultura includes the coordination of the activities of two museum venues located in Tuscany: the Palazzo degli Alberti Gallery housed in the historical building owned by the Bank in Prato and the Casa Museo dell'Antiquariato Ivan Bruschi in Arezzo.

[38] International Council of Museums.

Art Assets

Caravaggio, *Martyrdom of Saint Ursula*, Intesa Sanpaolo Collection, Gallerie d'Italia – Naples, visitor route *From Caravaggio to Gemito*. Ph. DSL STUDIO

Intesa Sanpaolo's art collections contain around 35,000 artworks, ranging from the archaeological to contemporary. In terms of size, completeness and quality, it is considered one of the most important corporate collections in the world. These assets are continually subject to verification of their location, state of preservation and classification (Diogene Project), study, restoration work, initiatives to promote and share artworks with the public, fair value monitoring, and art advisory activities.
The main activities carried out during the year are described below.

- The restoration of 132 assets, in particular the artworks included in the Gallerie d'Italia temporary exhibitions.
- The protection and preservation of works involves a range of logistical activities (from outfitting of the branches to reorganisation of storerooms), with over 200 interventions carried out and around 2,500 artworks moved in 2023.
- The promotion of the collections is mainly ensured by the permanent and temporary exhibitions of Gallerie d'Italia (see Exhibition Projects), but also through the artwork loans for exhibitions at Italian and international venues, loans for use to museums and institutions in the country that ensure their enjoyment by the public, and locally based initiatives focused on collections that have a strong identity value for the communities where the Bank operates.
  - In 2023, a total of 363 artworks were lent in 73 temporary exhibitions (in venues such as the Museo del Novecento, Pinacoteca di Brera and Triennale Milano, Museo Nazionale Romano, Gallerie degli Uffizi in Florence, Ca' Pesaro and Guggenheim in Venice, Galleria Nazionale in Cosenza, Musées des Impressionnismes in Giverny, Collezione Olgiati in Lugano, and WAm-Wits Art Museum in Johannesburg).
  - During the year, 52 artworks were granted on loan for use in response to requests from the various communities (to the Municipality of Brescia, the Municipality of Breno, Fondazione Banca Popolare di Bergamo, Fondazione della Comunità Bergamasca, Fondazione Banca Popolare di Vigevano, Fondazione Ivan Bruschi of Arezzo, and Fondazione Giovanni Spadolini Nuova Antologia of Florence).
  - The Bank's collections are a valuable tool for strengthening the connection with local communities: initiatives in collaboration with the Fondazione Cassa di Risparmio di Pistoia e Pescia in the Fondazione Pistoia Musei museum venues (the "*Museo Aperto*" exhibition in the Antico Palazzo dei Vescovi with 13 artworks from the former Cassa di Risparmio di Pistoia e Lucchesia on loan for use and the loan of two artworks for the "*In visita*" itinerary at Palazzo de' Rossi); the new permanent itinerary "*Da Pontormo a Fattori*" in the Casa Museo Bruschi in Arezzo with 11 Tuscan-based paintings from the former UBI collections on loan for use; and initiatives as part of Bergamo Brescia Capital of Culture (from the signing of new loan for use agreements to artwork loans for exhibitions in the area such as Boetti's *Mappa* at Brescia Castle and two 16th-century paintings by Antonio Cifrondi at the MAT-Museo Arte Tempo in Clusone, Bergamo).
- "Linee di Energia", a series of conferences in collaboration with Fondazione Centro Conservazione e Restauro La Venaria Reale and IGIIC-Italian Group - International Institute for Conservation, dedicated to the restoration of contemporary artworks: the 7th edition took place during Artissima focusing on the restoration of photographic works, with three live streaming events and an in-person panel discussion at Gallerie d'Italia-Torino.
- Fair value and Art advisory: the three-year update of the fair value of the Group's "valuable art assets" (around 15,000 artworks, over 300 million euro) was carried out in 2023. A number of actions were completed in preparation for this activity: on-site visits to view the artworks directly, and study and research to consolidate the documentation supporting the provenance and authenticity of the assets, in addition to continuously updating the attributions and dating of the artworks and their bibliographic and exhibition records. Work continued on the management of acquisitions and donations of artworks to Intesa Sanpaolo (34 artworks acquired or donated and 50 new proposals reviewed). Support was given to Intesa Sanpaolo Private Banking and Banca dei Territori with advisory opinions on their customers' artworks and collections.
- Artistic assets under management: the precious Luigi and Peppino Agrati Collection (505 artworks of 20th century Italian and international art) was given on loan for use to Intesa Sanpaolo by Fondazione Banca e Cultura ETS (established in 2004 by Intesa Sanpaolo to manage and promote the collection, and directly administered by the Bank) – during the year the artworks were the subject of targeted restoration and enhancement initiatives (including the presentation of significant selections of works in Gallerie d'Italia exhibitions: 11 artworks in "*Vitalità del tempo*" and 15 in *Mario Schifano* in Naples, and 40 in *Una collezione inattesa* in Milan). A service agreement was signed for the protection and full management of the collections of Fondazione Cariplo and Cariplo Iniziative (1,100 artworks), and this year the 13 bas-reliefs by Antonio Canova in the Cariplo collection and exhibited at the Gallerie d'Italia in Milan were the focus of a major conservation project.

Historical archive

Gallerie d'Italia – Turin, Archivio Vivo. Ph. Andrea Guermani

Intesa Sanpaolo's Historical Archive is one of the first and most important bank archives in Europe. It holds 20 kilometres of documents from 1380 to the early 2000s and manages the Publifoto Archive of 7 million photographs kept at the Gallerie d'Italia-Torino. In 2023, the ongoing activities of preservation, restoration, digitisation, cataloguing and opening up of the archives to the public continued, also through the use of the latest available technologies.

– "Historical Map" project: completion of the genealogy of the UBI business line, with the record cards of 301 former UBI banks (in total, the Intesa Sanpaolo genealogy now covers 629 banks).
– Incorporation of the former UBI Archives: emptying of archives, restoration (293 assets), acquisitions (1,239 boxes, 200 metres, 61 registers, and 50 boxes of publications), discarding (335 metres), inventorying (4,702 new record cards), digitisation of Board minutes (89,000 pages), and historical library (793 new record cards of volumes).
– Group Archives: acquisitions (3 folders, 1 register, 30 boxes, and 108,000 record files; 5,500 photos and 688 items from the iconographic section; and 11,688 audiovisuals), mass discarding (20,119 metres); restoration (1,478 items and 66 metres of papers), digitisation (21,347 documents and photos; and transfer, conversion and metadata recording of 6,004 WebTV videos), cataloguing (over 900 record cards for photos and pieces in the iconographic section; and 1,478 record cards in the historical library); inventorying (projects such as *Carte dei Vertici* and *Archivi che imprese!*, over 15,000 record cards); Digital Curation (61,822 documents saved in the PAD-Digital Archives Project); Digital Library (over 500 files uploaded); consultations in the Study Rooms in Milan and Rome (308 study requests and 30 theses); and 52,162 users in the Archive's consultation sites (+15% compared to 2022).
– "*Carte dell'arte*" Project: recovery and inventorying of purchase documentation concerning the 200 valuable artworks in the Bank's art collections (work on 68 folders, 129 files and 90 Board minutes).
– Promotion: papers displayed at the exhibition *Attorno al Monumento di Giuseppe Tovini* at the Museo Camuno in Breno as part of Bergamo Brescia Italian Capital of Culture and presented at the conference "*Cattolicesimo e società italiana fra XIX e XX secolo*"; publications (including the volume *Difendere le storie*. *La memoria della persecuzione antisemita nell'Archivio Storico di Intesa Sanpaolo* on the occasion of Remembrance Day); teaching projects (lectures/workshops with the University of Milan and a training course for photographic cataloguers); participation in the Archivissima Festival in Turin and the Literature Festival in Mantua; participation in conferences on digital archives (in Venice, Rome and Madrid) and in initiatives for the 200th anniversary of the Fondazione Cariplo and the 50th anniversary of the death of Raffaele Mattioli; collaborations (the "*Repertorio delle banche italiane dal 1861 ad oggi*" project with the Italian Banking Association; the three-year project for the promotion of the EGELI archives with Fondazione 1563; and the "*A scuola d'impresa: l'Italia nei nostri musei e archivi d'impresa*" project with Museimpresa).
– Publifoto Archive: restoration (17,467 photos), digitisation (18,841 photos in 2023; around 52,000 to date), cataloguing (734 record cards), publication in LOD format (8,527 negatives), and 88 consultation requests. The promotional initiatives included the exhibitions at the Gallerie d'Italia (*Callas*, also presented at the Palazzo del Rettorato in Turin), at the Cortona Festival (*Il caso Africo*), and a selection of 43 photos at the Museo Nazionale dell'Automobile in Turin (*Una storia al futuro* exhibition). The Archive was the protagonist of guided tours and educational activities at the Gallerie d'Italia - Torino and a course on Cataloguing, Archiving and Promotion of photographic assets for the CFP Bauer training school in Milan. The Prints Project was started aimed at identifying and promoting the photographers in the Publifoto Archive with original vintage prints (25,540 prints catalogued and over 250 photographers' names identified).

Restituzioni

Girolamo Romani, known as Romanino, *Musicians and audience* (detail of the fresco), 1537-1538, Brescia, Duomo Vecchio. Restored as part of Restituzioni Monumentali 2023

Intesa Sanpaolo contributes to safeguarding and promoting the country's artistic and architectural heritage through *Restituzioni*, considered the most important restoration programme in the world and conducted by the Bank since 1989 in collaboration with the Ministry of Culture.

Preparations for the 20th edition (which will end in 2025 with an exhibition in Rome) continued in 2023: 400 restoration proposals received; 115 assets selected from all the Italian regions; and the involvement of 50 Conservation Bodies, 61 Owner Entities, 57 restoration laboratories, and around a hundred art historians. The start of the restoration of Ludovico David's 17th-century frescoes in the "Giacomo Acqua" Barracks in Rome, in collaboration with the Superintendency of Rome, was officially presented.

In the area of "Monumental" *Restituzioni*, on the occasion of Bergamo Brescia Capital of Culture, the restoration of Romanino's 16th century frescoes in Brescia's Duomo Vecchio was carried out, in cooperation with the Superintendency for the Provinces of Bergamo and Brescia. The completion was also officially presented of the restoration of Jacopo Sansovino's 16th century monument *Madonna del Parto* in the Basilica of Sant'Agostino in Campo Marzio in Rome, in cooperation with the Superintendency of Rome, the first of the "Monumental" *Restituzioni* in the capital.

National and international partnerships

Over the years, Progetto Cultura has built a network of partnerships with public and private, national and international institutions and museums for support to their activities and the joint production of initiatives (exhibitions, festivals and other initiatives related to art, photography, music, archives, books and reading, restoration and social projects). The participation in numerous initiatives throughout Italy reflects the central importance of the connections with local areas and the active contribution to the social and cultural growth of communities.

Exhibition "MORONI (1521-1580). *A portrait of his time*", Gallerie d'Italia – Milan. Ph. Roberto Serra

The collaborations carried out in 2023 included:

- the main partnership in Bergamo Brescia Italian Capital of Culture 2023, also through the organisation of the Bank's own initiatives (in particular, the major exhibition at the Gallerie d'Italia-Milano dedicated to the rediscovery of Giambattista Moroni, a 16th-century painter from Bergamo, accompanied by a video project produced in collaboration with SkyArte on the artist's life and places of work) – the two cities welcomed 11.6 million visitors during the year;
- the support, in partnership with the Ministry of Culture-Museums General Directorate, for the production of the prestigious volume published by Treccani for the exhibition at Palazzo del Quirinale in Rome dedicated to the bronzes of San Casciano;
- ongoing relations with the bank foundations, including Fondazione Compagnia di San Paolo, Fondazione Cariplo, Fondazione Cariparo, Fondazione Cassa di Risparmio di Firenze, Fondazione Cassa di Risparmio di Cuneo, Fondazione Cassa dei Risparmi di Forlì, and Fondazione Cassa di Risparmio di Pistoia e Pescia. The collaborations involved artistic and cultural projects (for example, the showcasing of the "*La Grande Fotografia Italiana*" exhibition series from Gallerie d'Italia -Torino at Fondazione CR Firenze's exhibition venue in Villa Bardini, Florence) and social welfare initiatives (such as the "*Salute al Centro*" project, in partnership with Fondazione CR Cuneo, involving infrastructural improvements for three Cuneo hospitals);
- the main partnership in major modern and contemporary art fairs in the country, also involving the production of the Bank's own exhibition initiatives (see Exhibition Projects), namely the 27th edition of "*Miart*" in Milan and the 30th edition of "*Artissima*" in Turin;
- partnerships with major Italian museums, such as Castello di Rivoli Museo d'Arte Contemporanea, Fondazione Museo delle Antichità Egizie in Turin, Museo Nazionale del Risorgimento Italiano in Turin, Pinacoteca di Brera and Museo Poldi Pezzoli in Milan, Fondazione Palazzo Strozzi in Florence, MANN-Museo Archeologico Nazionale in Naples, and Fondazione Brescia Musei, Fondazione Accademia Carrara in Bergamo;
- support for the Christmas exhibitions of the City of Milan and the City of Vicenza: the 15th traditional exhibition at Palazzo Marino in Milan (dedicated to Perugino on the 5th centenary of the artist's death) and the exhibition in the Basilica Palladiana in Vicenza;
- the promotion of books and reading, with support to the 35th edition of the Turin International Book Fair as main partner (as well as the associated initiatives: 3rd edition of "*Un Libro Tante Scuole*" and 16th edition of "*Portici di carta*"); Circolo dei Lettori a Casa Manzoni in Milan; the 4th edition of "*NapoliCittàLibro*"; the 11th edition of "*La Grande Invasione*" in Ivrea; and the 1st edition of "*Una Basilica di Libri*" in Vicenza;
- promotion of photography, with support for CAMERA-Centro Italiano per la Fotografia in Turin of which the Bank is a founding partner; the 1st edition of the "*Fondazione Paul Thorel*" prize in Naples dedicated to young photographers; the "*Exposed-Torino Foto Festival*" (1st edition in 2024);
- the main partnership in the 6th edition of "*Archivissima-Il Festival*" and "*La Notte degli Archivi*" in Turin and in the 2nd edition of "*To listen To - Festival dell'ascolto sperimentale*" in Turin;
- support to 8 projects through donations in the form of Art Bonuses (including the renovation of the inner courtyard of the Egyptian Museum in Turin, the transformation of the Palazzetto dello Sport in Bergamo into the new home of the GAMeC museum, and the promotional and enhancement activities for the Museo e Real Bosco di Capodimonte in Naples);
- in the area of cultural diplomacy, the exhibition at the Louvre *Naples à Paris* includes two masterpieces by Lotto and Titian from the Museo di Capodimonte whose period frames were purchased and restored by the Bank.

Training and projects for young people in the arts and culture professions

Progetto Cultura dedicates initiatives to young people in the form of expressive and educational opportunities in professions related to art and culture, also in view of the significant economic and employment contribution of this sector, particularly in Italy.

- Gallerie d'Italia Academy: Advanced Training Courses for young cultural heritage managers, based on the sharing of Progetto Cultura's experience gained in the management of cultural assets and activities. Two courses were held in 2023: the 3rd edition of the Course in *"Management of Artistic and Cultural Heritage and Corporate Collections"* was held with Fondazione Compagnia di San Paolo, Fondazione Cariplo, the Ministry of Culture-Fondazione Scuola dei beni e delle attività culturali, Fondazione 1563; and Digit'ed, which involved over 150 applications, 30 students, 8 scholarships, around 53 lecturers, and 162 hours of lessons at the Gallerie d'Italia, and the summer course "*Naples-Florence. The Art*

of Making Exhibitions", with Fondazione Palazzo Strozzi, which involved 90 applications, 24 students, and 36 hours of lectures at Gallerie d'Italia - Naples and Palazzo Strozzi.
The 4th edition was also launched of the Course in "*Management of Artistic and Cultural Heritage and Corporate Collections"* (100 applications received), along with the "*ALUMNI di Gallerie d'Italia Academy*" project, aimed at creating a community of former students.

- Officina delle Idee projects: the multi-year support for the Euploos Project continues in collaboration with Gallerie degli Uffizi, involving the creation of a digital catalogue of the 70,000 drawings preserved by the Gabinetto dei Disegni e delle Stampe degli Uffizi, by a multidisciplinary work group made up of young art historians, photographers and computer scientists (1,903 scientific record cards and 3,250 images produced in 2023); and the educational activities continued with the Fondazione Centro Conservazione e Restauro "La Venaria Reale" and the students of the Laboratory for the Restoration of Paper and Photography in the Degree Course in Conservation and Restoration of Cultural Assets at the University of Turin (projects on paper artworks from the Intesa Sanpaolo collections and on photographs and historical machinery from the Historical Archive).
- Gallerie d'Italia-Torino projects with Turin academic institutions in the fields of design, graphics and visual and narrative communications: with IAAD - Istituto d'Arte Applicata e Design of Turin, implementation of the class thesis project with students of the International Master's Degree Course in Digital Marketing & Communication Management; with IED-Istituto Europeo di Design of Turin, completion of the second stage of the three-year thesis project "*Bureau Metamorfosi*" entitled "*Il margine fa la pagina*" with students of the Photography Course (the artworks were exhibited in a digital version in the museum's Immersive Room and in an analogue version in an exhibition throughout the city); and with Scuola Holden of Turin, implementation of a textual and visual storytelling project with the students of the Story Design College.

Digital promotion

Progetto Cultura continues its commitment to producing original content on the web and social media channels of Gallerie d'Italia and the Group, which accompany and enhance the "physical" experience, engaging increasingly broad and diverse audiences. They cover Gallerie d'Italia's initiatives (exhibitions, events, inclusion activities), the Bank's art and archive assets, and partnership projects, with interesting results in terms of views and interactions[39].
Alongside the initiatives on the Gallerie d'Italia and Group platforms, the work involved the dissemination of content on the company intranet to promote staff engagement[40].

A digital guide, the Gallerie d'Italia App, has been developed – for the Gallerie di Torino from 2022 and for the Milan venue from 5 December 2023 – offering an "enhanced" visitor experience providing exclusive information and content. Designed to interact with the museum spaces and installations, it can also be enjoyed outside the museums (to date, the App has been downloaded 17,622 times, with 17,788 images downloaded from Archivio Vivo in the Turin venue).

Publishing and musical initiatives

With regard to Edizioni Gallerie d'Italia-Skira, 12 titles were published (including exhibition catalogues, books on restorations, the Historical Archive, and music with the 20th edition of *Vox Imago*).
The dissemination of musical educational experiences aimed at teachers and students continues, alongside support for musical events (such as Festival Milano Musica, Palazzo Marino in Musica, Società del Quartetto di Milano, and Stresa Festival) and projects dedicated to young people (Esperienza Orchestra with the Philharmonic Orchestra of Teatro Regio in Turin), with a special focus on youths with vulnerabilities (programmes with Associazione Scarlatti of Naples). Classical, operatic, contemporary, and pop music events were staged at the Gallerie d'Italia, also linked to the collections and themes of the exhibitions hosted.

Research projects aimed at measuring the impact of Progetto Cultura

A preliminary study has been initiated on the measurement of the impact that Progetto Cultura and Gallerie d'Italia generate in the cultural, social and economic spheres, through research projects conducted in collaboration with the Milan Polytechnic and the University of Turin, aimed at assessing the capacity of the Bank's cultural interventions to create value for society at large.

[39] This includes, for example, the data (provided by the Communications and Corporate Image Department) generated by the digital, organic social and ADV content on the Gallerie d'Italia and Intesa Sanpaolo channels dedicated to the exhibitions inaugurated and concluded in 2023: *JR Déplacé e s* in Turin: 58 million impressions, 1.1 million interactions, 770 thousand clicks, and 83.7 thousand page views; *Una collezione inattesa* in Milan: 23.4 million impressions, 871 thousand clicks, and 25 thousand page views; *Mario Schifano* in Naples: 22.7 million impressions, 49.5 thousand clicks, 1.5 million interactions, and 19.2 thousand page views; and *Elena Xausa* in Vicenza: 9 million impressions, 20.8 thousand clicks, 9.5 thousand page views. The #Inside public programme meetings also attracted considerable interest: 20.4 million impressions and 16.5 thousand clicks.
[40] 154 news items, 13 articles on Mosaic, and 14 clips/podcasts.

Main risks and uncertainties

The main information on risks and uncertainties to which the Intesa Sanpaolo Group is exposed are described in the Report on operations and in the Notes to the consolidated financial statements.

In the introduction to this chapter, as usual, a summary description is provided of the macroeconomic situation and the main associated risks, described in more detail in the specific chapter of the Report, to be read in conjunction with the forward-looking guidance contained in the chapter on the business outlook.
This chapter also includes an update of the disclosure on the control of the main risk aspects for the Intesa Sanpaolo Group related to the military conflict between Russia and Ukraine. Further information in this regard is provided in the Notes to the consolidated financial statements, in Part E - Information on risks and relative hedging policies, in the section on credit risk, where the valuation aspects of the exposures to Russia and Ukraine are discussed.
The information on risks at a general level, and in particular on financial risks (credit risks and market risks), operational risks and the risks of insurance companies is as usual contained in Part E of the Notes to the consolidated financial statements.
With regard to the recommendations contained in recent ESMA public statement ("European common enforcement priorities for 2023 annual financial reports" of 25 October 2023), Part A of the Notes to the consolidated financial statements sets out the characteristics and risk aspects related to the financial instruments in the context of the Group's green financing activities, while Part E describes the main issues related to Environmental, Social and Governance (ESG) risks and climate risk. The more strictly strategic aspects, as well as the updates on project activities and the main ESG targets achieved, are discussed in the paragraph "Sustainability and Group strategy on Environmental, Social and Governance issues" in this chapter.
Lastly, with regard to the capital position, the Report on operations includes, as usual, the disclosure on own funds and prudential ratios, which should be read in conjunction with Part F of the Notes to the consolidated financial statements and the further details provided in the update of the Basel 3 Pillar 3 disclosure.

With regard to the going concern assumption, the Directors of Intesa Sanpaolo re-affirm that they have a reasonable certainty that the Company and the Group will continue in operational existence in the foreseeable future and consequently the 2023 Financial Statements have been prepared on a going concern basis. The Directors have not detected any uncertainties in the consolidated balance sheet and financial structure or in the operating performance of the Group that question the going concern assumption.

The macroeconomic context and the banking system

The macroeconomic context and the banking system

The macroeconomic context

The economy and the financial and foreign exchange markets

In 2023, world GDP growth is estimated to have slowed down to around 3%. The volume of world trade even contracted, when measured at constant dollar prices. The slowdown in global economic activity was the result of very different geographical trends. The growth of the Chinese economy returned to above 5%, despite the crisis in the real estate sector. In the US, economic activity continued to grow strongly, reacting better than expected to the sharp rise in interest rates. GDP growth was well above expectations, resulting in robust employment gains and a stable unemployment rate, despite a moderate and gradual slowdown in demand. The reduction in inflation, in the US and in many other advanced economies, is currently happening without leading to an economic recession. However, following the resurgence of armed conflicts in the Middle East region, risks of new exogenous shocks on energy prices and transport costs emerged towards the end of 2023.

The Eurozone experienced a more pronounced slowdown in economic growth than in North America and Asia. High inflation adversely affected household demand for goods and services. The European Central Bank's rate hikes fed through to the real economy, dampening the components of domestic final demand most sensitive to financial conditions, such as fixed investments. Lastly, fiscal policy became less supportive and the weakness of foreign demand curtailed the contribution from exports. As a result, GDP growth in the Eurozone was practically stagnant throughout 2023. Despite this, employment continued to rise and the average annual unemployment rate of 6.5% was lower than in 2022. Inflation fell rapidly, settling at an annual average of 5.4%, and the change in December compared to a year earlier was 2.7%. The shift in the price dynamics primarily reflects the previous decline in energy prices, but is also being driven by undeniable improvements in the prices of non-energy goods and services.

In Italy, based on the preliminary growth estimate, GDP increased by 0.7% in 2023. The quarterly trend alternated between negative and positive changes, with an average of almost zero since the fourth quarter of 2022. The economic stagnation reflected the zero contribution of net exports and the negative trend in the inventory cycle, amid weaker final domestic demand compared to 2022. Expenditure flows related to the NRRP projects were lower than planned, failing to boost domestic demand as hoped. Fiscal policy is becoming less expansionary due to the phasing out of support measures in response to the energy crisis and the scaling back of incentives for building renovations. However, limiting the deficit to 5.6% of GDP has proved insufficient to ensure a significant decrease in debt, which is stabilising at above 140% of GDP. Despite the economic stagnation, employment rose sharply until the second quarter, following which the pace slowed down, but still remained in positive territory. This resulted in a slow but steady decline in the unemployment rate, which by December had reached 7.2%, the lowest level since 2009. From a sector perspective, value added fell in manufacturing, rose marginally in construction, and grew in the service sector.

Between February and September 2023, the ECB raised official rates from 2.0% to 4.0% (deposit rate) and signalled in December that it would keep them at this level for some time. Alongside the increase in official rates, the ECB started to reduce its monetary policy portfolios, cutting back the reinvestments of maturities in the APP portfolio from March 2023 and then halting them altogether from July. The ECB also continued the accelerated repayment of TLTRO III loans. As a result of these measures, the level of excess reserves of the banking system in the Eurozone fell for the first time since 2019.

The transmission of the official rate hikes to market interest rates was gradually dampened by the build-up of expectations of a reversal in the monetary policy cycle, which held back the short maturities of the curve more than the long ones. In particular, medium- and long-term interest rates fell significantly in November and December. The spread between ten-year and two-year rates remained significantly negative throughout the year. The Btp-Bund spread fell over the year down to 155-160 basis points, seemingly unaffected by the greater need for absorption of the net offering and the rise in official interest rates. The offering of government bonds was mainly covered by an exceptional increase in net demand from Italian households, with a modest positive contribution from foreign investors.

In the US, the Federal Reserve raised the fed funds target four more times in 2023, but with smaller moves than in the previous year. At the end of the year, the target range was 5.25-5.50%, 100 basis points above the level a year earlier. The US Central Bank also continued to reduce the monetary policy portfolios by not reinvesting maturities. In response to the crisis of several banks, the Fed introduced the Bank Term Funding Program in March, which allows banks to refinance themselves for maturities of up to one year, subject to providing collateral.

On the foreign exchange markets, the euro strengthened sharply against the Japanese yen and fell significantly against the Swiss franc, while the exchange rate against the dollar fluctuated without any clear direction.

In 2023, the international equity markets were bullish overall, but with considerable swings over the period. In the opening months of the year, markets experienced substantial gains, fuelled by the reopenings in China and expectations of an expansionary shift in central bank monetary policies, as the risks of a possible recession diminished.

In March, the crises of a few regional banks in the US and a major Swiss bank led to a broad correction in share prices. Prompt action by governments and monetary authorities stemmed the effects of the crises, and the stock indices gradually regained their previous levels, also supported by favourable quarterly results in the Eurozone.

In the second half of the year, equity markets initially experienced a decline in share prices, triggered by further increases in interest rates and renewed concerns about the global economic outlook. Subsequently, the stock indices reached new highs in the final months of the year, thanks to a faster-than-expected decline in inflation and a generally reassuring third-quarter

earnings season. However, in the coming year risk premiums may still be affected by geopolitical uncertainties stemming from the current conflicts.
The Euro Stoxx index ended 2023 up 15.7%. The CAC 40 posted positive performance (+16.5%), while the DAX outperformed (+20.3%), as did the IBEX 35 (+22.8%). Outside the euro area, the Swiss SMI market index underperformed, closing the period at +3.8%, on par with the FTSE 100 index in the UK (+3.8%).
The US equity market recorded robust gains: the S&P 500 index closed 2023 at +24.6%, while the Nasdaq Composite technology stocks index significantly outperformed (+43.4%). The results of the main stock markets in Asia diverged: the NIKKEI 225 index closed the year at +28.2%, while China's Shanghai Composite underperformed, with a fall of 3.8%.
The Italian stock market outperformed the euro area benchmarks: the FTSE MIB index closed the year up 28.0% and the FTSE Italia All Share index recorded a gain of 26.3%. Mid-cap stocks largely underperformed, achieving only a slightly positive result (+3.3%).

The European corporate bond markets ended 2023 in positive territory, with High Yield (HY) securities showing the strongest gains, while Investment Grade (IG) securities saw a smaller narrowing of spreads (measured as Asset Swap Spreads - ASW). The year was characterised by high volatility, with central bank monetary policy proving to be one of the main market drivers.
Following a positive start to the year, in March the markets went through a period of high risk aversion, triggered by problems at several local banks in the United States and the crisis at Credit Suisse in Europe. The following months were characterised by a gradual recovery. In the second half of the year, uncertainty regarding the economic scenario and the outbreak of the crisis in Palestine led to a downturn, with a rise in volatility and spreads. The readjustment of expectations regarding the timing of the shift in central bank monetary policies then led to a substantial recovery in bond prices in the final months of the year.
In terms of performance, the spreads of IG securities closed 2023 at 91 basis points compared to 101 at the start of the year (source: IHS Markit iBoxx), with better results for the financial issuers. HY securities performed better, with spreads closing at 334 basis points compared to 423 at the start of the year. The derivatives segment (iTraxx indices) also saw a general decrease in the cost of hedging against default risk, ending 2023 at the lowest levels of the year and outperforming the cash segment at investment grade level.
The primary market remained robust, +12% from 2022 (source: Bloomberg). ESG issuances were essentially stable (-3%). The breakdown by type of sustainable bond shows stable green bond issuances (169 billion euro, around 73% of the total issued), while KPI-based (sustainability-linked bonds) issuances declined by around 30%, to 27 billion euro.

The economies and markets of the countries where the Intesa Sanpaolo Group has a presence

In the main countries where ISP has a presence, in the first nine months of 2023, GDP in Central and Eastern Europe (CEE) fell by 0.2% year-on-year (from +1.5% in the fourth quarter of 2022) in the wake of the decline in Hungary (-1.2%), the Czech Republic (-0.5%) and Poland (-0.1%). In contrast, South-Eastern Europe (SEE) recorded economic growth of 2.2% year-on-year (from +4.2% for the fourth quarter of 2022) thanks to the good performance of Croatia (+2.3%), Romania (+2.2%) and Serbia (+2.1%). During the same period, in Eastern Europe (EE), GDP rose in Russia in the second and third quarters (+4.9% and +5.5%), remained negative in the first two quarters in Moldova (-2.4% and -2.2%), and, after the fall in the first quarter, rose sharply in the second quarter in Ukraine (-10.5% and +19.5% respectively). Lastly, Egypt grew by 2.9% year-on-year in the second quarter, at a more moderate pace than in the first quarter (+3.9% y/y).
In line with the global scenario, there was a slowdown in inflation in the year. In December, the year-on-year change in the harmonised index of consumer prices was 6.1% in the CEE area and 6.9% in the SEE area, with the individual country rates ranging from 3.8% in Slovenia to 7.7% in Serbia. In Eastern Europe, due to the significant weight of the figure for Russia, inflation in December had risen by 7.2% year-on-year. In Egypt, the inflation rate rose for the first ten months, but started to decline in November, settling at 33.7% at the end of the year.
Among the CEE countries where the ISP Group has a presence, the reversal of the policy rate cycle, which began in September in Poland and October in Hungary, also began in December in the Czech Republic. In contrast, among the SEE countries the monetary policy actions of the central banks of Romania and Serbia have paused, while in Albania monetary tightening continued in December with the policy rate hike to 3.25%. In Russia, the key interest rate was raised by 8.5 percentage points in the second half of the year to 16% due to persistent inflationary pressures. In contrast, in Ukraine the policy rate was cut by 10 percentage points from June (from 25% to 15%). In Moldova, the central bank has made five cuts since the beginning of 2023, bringing the rate down from 20% to 4.75%. Lastly, in Egypt, the key interest rate was increased to 20.25% (from 17.25% at the beginning of 2023).
In 2023, the MSCI Emerging Markets Equity Index, expressed in US dollars, rose moderately (+7.0%). Among the countries with an ISP presence, in the CEE/SEE area some of the local currency stock indices recorded double-digit gains, with the biggest rises seen in Hungary, Poland, Romania and Croatia, while Slovenia, the Czech Republic and Serbia posted more moderate increases. Bosnia Herzegovina and Slovakia were marginally penalised by sales. The Russian stock market experienced a significant rise in prices, while the Ukrainian market's operations continue to be affected by the conflict between Kyiv and Moscow. In the Middle East and North Africa (MENA) region, the Egyptian stock exchange ended the year well into positive territory.
In the foreign exchange markets, the Russian rouble weakened against the US dollar (USD/local currency) (+23.10%), while in the other countries with ISP subsidiaries, all the main currencies appreciated in the CEE/SEE/EE area. In the MENA area, the Egyptian pound weakened significantly. In relation to the Euro, worthy of note among the CEE/SEE countries was the recovery of the Albanian lek, the Polish zloty and the Hungarian forint.
In 2023, there was a widespread narrowing of yield spreads between emerging market and US government bonds (EMBI Plus -30 basis points) and a reduction in the cost of credit risk protection (CDS -72 basis points).

The Italian banking system

Interest rates and spreads

The rises in monetary policy interest rates fed through to the lending and borrowing rates with different 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: the average rate on disbursements in December was 4.3 percentage points higher than two years earlier, at 5.5%, reaching the peaks 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. After 2022, when the rises mainly involved the fixed rate, in 2023 the biggest increases were experienced by the floating rate, which returned back to higher than the fixed rate. As a result of the rate rises on new transactions and on outstanding floating-rate loans, the average rate on the stock of loans to households and businesses also increased significantly, to 4.8% (+2.6 points on the end of 2021).
With regard to deposit interest rates, the rates on overnight deposits rose moderately, while 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 (+0.7 points on the end of 2021 to 1.2%) 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.
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. 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.

Loans

In the credit market, the moderate tightening of the lending criteria 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, reaching a low in September, with the downward trend slowing in the fourth quarter. Short-term lending fell sharply, following the rebound in 2022. Medium- and long-term loans remained weak, with an increasingly negative rate of change to an all-time low of -6.5%. This also reflected the absence of renewals of maturing loans, due to the rise in interest rates, and the repayments of government-backed loans obtained during the pandemic.
Loans to households were impacted by the tightening of monetary conditions, resulting in a sharp slowdown that in little more than a year led the stock to decline 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 considerably, from a growth rate of 5% in the middle months of 2022, to a slightly negative change at the end of 2023.
In terms of credit quality, the stock of non-performing loans net of adjustments amounted to 1.1% of total loans in September 2023 for the significant banks, stable compared to mid-year and down slightly on 1.2% at the end of 2022. In the third quarter of 2023, the default rate in terms of annualised flow of non-performing loans in relation to total performing loans remained at a record low of 1.1%.

Funding from customers

The tightening of monetary policy also had a significant impact on bank funding, 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 the beginning of a decline, which intensified in 2023 reaching a record low of -6.5% in July. 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. During the year, around 100 billion euro of cash flowed out of the current accounts of households and businesses, 60% of which was offset by inflows to time deposits. Bank bonds also saw a return to growth, which reached double-digits after more than a decade of contraction.

Indirect deposits and asset management

The rise in market yields sparked renewed interest in direct investment in fixed-income securities, initiating a process of household financial portfolio rebalancing. The substantial purchases of government bonds by savers fuelled assets under administration, which continued the growth already initiated in 2022 with significant volumes of securities held in custody by banks, creating a potential pool for subsequent transformation into assets under management.
However, 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.

Economic results and balance sheet aggregates

Economic results

General aspects

A condensed reclassified consolidated income statement has been prepared to give a more immediate understanding of results. To guarantee comparison on a like-for-like basis, the income statement data referring to previous periods were restated, where necessary and if material. In particular, the amounts are provided as consistently as possible with reference to the different periods covered, above all in relation to intervening changes in the scope of consolidation. This uniformity is achieved through “restated” figures, which include/exclude the values of the companies that entered or left the scope of consolidation.

Even with the application of IFRS 17 and IFRS 9 by the Group’s insurance companies, the presentation in the 2023 reclassified income statement remains the same: there were no changes to the schedule, either at structure level or in terms of the name of the captions, as the insurance items still mainly flow into Income from insurance business, thus retaining the separate representation of the income for the segment.
As the reclassified income statement has not been changed, the detailed tables show no changes occurred, with the exception of the tables regarding the Income from insurance business and insurance production, which show information structures in line with the new standard and the provisions issued by IVASS.

In line with the adjustment of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the comparison data presented in the reclassified schedules have also been adjusted on a like-for-like basis.
Moreover, the first two quarters of 2022 have been restated to take account of the changes in the scope of consolidation, and specifically:
- the entry of Compagnie de Banque Privée Quilvest (Fideuram Group)[41] at the end of June 2022, resulting in the start of the consolidation of the income statement figures from July 2022; and
- the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022,

with the attribution by convention of net income to the caption Minority interests.
Lastly, the first quarter of 2022 includes the restatement of the costs of several incentive systems for employees of the Group’s distribution networks from personnel expenses to fee and commission expense (the systems in question are funded by fee and commission income generated by the networks in question on the basis of deterministic quantification criteria correlated to the revenues at issue). With effect from the second quarter of 2022, these costs have been reclassified from personnel expenses to fee and commission expense by analogy to the accounting treatment of incentive systems for non-employee financial advisors.

Certain aggregations and reclassifications have been made with respect to the model provided in Circular 262 of the Bank of Italy. Breakdowns of restatements, aggregations and reclassifications are provided in separate tables included in the attachments to this report, as also required by Consob in its Communication 6064293 of 28 July 2006.

The reclassifications and aggregations of captions of the reclassified consolidated income statement refer to:
- dividends relating to shares or units in portfolio and dividends collected or paid within the framework of securities lending, which have been reallocated to the caption Profits (losses) on financial assets and liabilities designated at fair value;
- insurance companies’ portions of Net interest income, Dividends, Profits (Losses) on financial assets and liabilities designated at fair value, Net losses/recoveries for credit risk associated with financial assets measured at amortised cost and with financial assets measured at fair value through other comprehensive income, which are posted, along with the Insurance service result and the Balance of financial income and expenses related to insurance operations, in the specific caption Income from insurance business. The Insurance service result is considered excluding the related operating costs (personnel expenses, administrative expenses and amortisation/depreciation) and the fees and commissions paid to financial advisors of the Private Banking Division for placing and managing insurance products which, in line with representation of costs by the nature of the expense, are attributed to the specific captions;
- differentials on derivatives, classified to the trading book and contracted to hedge transactions in foreign currencies, which have been allocated among Net interest income owing to the close correlation;
- periodic fees and commissions on current accounts with positive balances applied to customers (excluding the retail customers and SMEs segment), in accordance with the provisions of the term sheets, which are accounted for as net interest income, inasmuch as they cover the financing cost incurred by the Bank;
- net fee and commission income, which includes the above-mentioned fees and commissions paid to financial advisors of the Private Banking Division for placing and managing insurance products, in line with the representation of costs by the nature of the expense;
- Profits (losses) on trading, Fair value adjustments in hedge accounting, Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss, Profits (losses) on disposal or repurchase of financial assets

[41] On 1 January 2023, along with the incorporation of Fideuram Bank (Luxembourg) S.A., Compagnie de Banque Privée Quilvest S.A. took on the name Intesa Sanpaolo Wealth Management S.A.

measured at fair value through other comprehensive income and on the portion of the disposal or repurchase of financial liabilities that contributes to the banking segment, which have been reallocated to the single caption Profits (losses) on financial assets and liabilities designated at fair value, except for any amounts relating to adjustments on portions of loans mandatorily measured at fair value which, as they relate to the measurements of credit positions, are reclassified to the caption Net adjustments to loans in order to permit unitary representation of the adjustments relating to the same position;

- the share of the premium on the issue of the certificates paid to the networks for their placement, which is reclassified from Profits (losses) on trading and Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss to Net fee and commission income;
- the return components of the insurance policies taken out to cover contractual indemnities and retention plans for financial advisors, which are deducted directly from Profits (Losses) on financial assets and liabilities designated at fair value, in accordance with the valuation effect of the assets in question, rather than being presented – as attributable to the advisors – among Other net provisions and net impairment losses on other assets (for valuation effects) or among Net fee and commission income or Other operating income (expenses), depending on the type of insurance policy used (for effects from realisation);
- the operating income and costs of entities operating in sectors entirely distinct from banking and finance, synthetically reallocated to Other operating income (expenses), including that of the entities not subject to management and coordination within the framework of the Group (Risanamento and its subsidiaries);
- the costs of several incentive systems for employees of the Group's distribution networks, where funded by fee and commission income generated by the networks in question on the basis of deterministic quantification criteria correlated to the revenues concerned, which are reclassified from Personnel expenses to Fee and commission expense by analogy to the accounting treatment of incentive systems for non-employee financial advisors;
- recoveries of expenses, taxes and duties, which are deducted from Administrative expenses instead of being included among Other income (expenses), and, with regard to the CIB Group, the amounts of the "bank tax" paid quarterly to the Hungarian treasury, along with the "windfall tax", levied by Hungary on bank profits which - given their nature - are reclassified from Administrative expenses to Taxes on income;
- operating costs, which include the above operating costs relating to the Insurance service result attributed to the specific captions (personnel expenses, administrative expenses and amortisation/depreciation), in line with the representation of costs by the nature of the expense;
- profits and losses on disposal or repurchase of financial assets measured at amortised cost (loans and debt securities representing loans), which have been allocated to Net adjustments to loans;
- the portion of net losses/recoveries for credit risk associated with financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income contributed by the banking segment, the effects on the income statement of the changes in contracts and the net provisions for risks and charges for credit risk relating to commitments and guarantees given, attributed to the single caption Net adjustments to loans. The caption also includes any amounts relating to credit risk adjustments to portions of loans mandatorily measured at fair value, which, as they relate to the measurement of credit positions, are reclassified to the caption Net adjustments to loans to permit unitary representation of the adjustments relating to the same position;
- the reversal in the time value of Employee termination indemnities and Allowances for risks and charges, which has been included among Net interest income, as a phenomenon deriving directly from the application of the amortised cost criterion, in the absence of changes in projected future cash flows, in keeping with the treatment of the time value of financial assets measured at amortised cost;
- Net losses for credit risk associated with financial assets measured at amortised cost other than loans and net impairment losses on equity investments, as well as property and equipment and intangible assets (including property and other assets, also those resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future), which have been reclassified to Other net provisions and net impairment losses on other assets. This last caption consequently includes – in addition to the provisions for risks and charges other than those relating to commitments and guarantees – the valuation effects of the assets other than loans, with the sole exception of impairment losses on intangible assets that have been reclassified to Impairment (net of tax) of goodwill and other intangible assets;
- the costs incurred in the second quarter of 2022 regarding a one-off contribution to Intesa Sanpaolo people, excluding those classified as managers or having equivalent remuneration, not linked to their work performance but to mitigate the impact of inflation, which were reclassified from Personnel expenses to Other income (expenses);
- realised profits (losses) on financial assets measured at amortised cost other than loans, on equity investments and on other investments, which have been reclassified to Other income (expenses). Accordingly, in addition to the income and expenses not strictly related to operations, this caption represents the summary of the effects from the realisation of assets other than loans. Profits (Losses) realised on debt securities represent an exception; in view of their business model, which involves management closely correlated with the other financial instruments, they are classified to Profits (Losses) on financial assets and liabilities designated at fair value;
- Charges (net of tax) for integration and exit incentives, which are reclassified from Personnel expenses, Administrative expenses and other captions of the income statement to a separate caption;
- the Effects of purchase price allocation, net of tax, which are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities as well as property, equipment and intangible assets which are measured at fair value as provided for by IFRS 3;
- levies and other charges aimed at maintaining the stability of the banking industry, which are reclassified, net of tax, to the specific caption;
- Goodwill impairment and impairment losses on other intangible assets, which – where present – are shown, as stated above, net of tax.

Reclassified income statement

(millions of euro)

	31.12.2023	31.12.2022	Changes	
			amount	%
Net interest income	14,646	9,500	5,146	54.2
Net fee and commission income	8,558	8,919	-361	-4.0
Income from insurance business	1,666	1,675	-9	-0.5
Profits (Losses) on financial assets and liabilities designated at fair value	298	1,378	-1,080	-78.4
Other operating income (expenses)	-30	-32	-2	-6.3
Operating income	**25,138**	**21,440**	**3,698**	**17.2**
Personnel expenses	-6,981	-6,742	239	3.5
Administrative expenses	-3,002	-2,912	90	3.1
Adjustments to property, equipment and intangible assets	-1,346	-1,280	66	5.2
Operating costs	**-11,329**	**-10,934**	**395**	**3.6**
Operating margin	**13,809**	**10,506**	**3,303**	**31.4**
Net adjustments to loans	-1,529	-3,113	-1,584	-50.9
Other net provisions and net impairment losses on other assets	-570	-270	300	
Other income (expenses)	348	202	146	72.3
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**12,058**	**7,325**	**4,733**	**64.6**
Taxes on income	-3,438	-2,080	1,358	65.3
Charges (net of tax) for integration and exit incentives	-222	-140	82	58.6
Effect of purchase price allocation (net of tax)	-161	-146	15	10.3
Levies and other charges concerning the banking industry (net of tax)	-485	-576	-91	-15.8
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-28	-4	24	
Net income (loss)	**7,724**	**4,379**	**3,345**	**76.4**

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

Quarterly development of the reclassified income statement

(millions of euro)

	2023				2022			
	Fourth quarter	**Third quarter**	**Second quarter**	**First quarter**	**Fourth quarter**	**Third quarter**	**Second quarter**	**First quarter**
Net interest income	3,995	3,813	3,584	3,254	3,064	2,387	2,092	1,957
Net fee and commission income	2,110	2,095	2,216	2,137	2,222	2,153	2,255	2,289
Income from insurance business	391	419	459	397	395	439	449	392
Profits (Losses) on financial assets and liabilities designated at fair value	-91	52	75	262	-2	51	560	769
Other operating income (expenses)	-32	-12	7	7	-12	-12	-12	4
Operating income	**6,373**	**6,367**	**6,341**	**6,057**	**5,667**	**5,018**	**5,344**	**5,411**
Personnel expenses	-2,184	-1,612	-1,625	-1,560	-1,921	-1,632	-1,613	-1,576
Administrative expenses	-917	-710	-731	-644	-865	-695	-718	-634
Adjustments to property, equipment and intangible assets	-367	-328	-319	-332	-344	-313	-309	-314
Operating costs	**-3,468**	**-2,650**	**-2,675**	**-2,536**	**-3,130**	**-2,640**	**-2,640**	**-2,524**
Operating margin	**2,905**	**3,717**	**3,666**	**3,521**	**2,537**	**2,378**	**2,704**	**2,887**
Net adjustments to loans	-616	-357	-367	-189	-1,185	-496	-730	-702
Other net provisions and net impairment losses on other assets	-332	-47	-121	-70	-114	-42	-62	-52
Other income (expenses)	29	15	203	101	55	4	147	-4
Income (Loss) from discontinued operations	-	-	-	-	-	-	-	-
Gross income (loss)	**1,986**	**3,328**	**3,381**	**3,363**	**1,293**	**1,844**	**2,059**	**2,129**
Taxes on income	-288	-1,066	-1,000	-1,084	-45	-560	-699	-776
Charges (net of tax) for integration and exit incentives	-80	-56	-44	-42	-78	-23	-23	-16
Effect of purchase price allocation (net of tax)	-35	-36	-44	-46	-50	-32	-30	-34
Levies and other charges concerning the banking industry (net of tax)	18	-264	-11	-228	-32	-266	-12	-266
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Minority interests	1	-6	-16	-7	-12	-6	8	6
Net income (loss)	**1,602**	**1,900**	**2,266**	**1,956**	**1,076**	**957**	**1,303**	**1,043**

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

Operating income

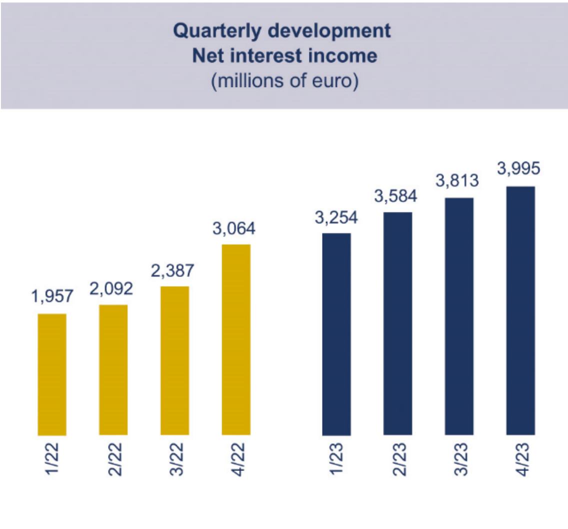
The Intesa Sanpaolo Group achieved an excellent performance in 2023 in terms of profitability, liquidity and capital position. The main income margins reached never-before-seen levels; operating income amounted to 25,138 million euro, up by 17.2% from 21,440 million euro in 2022. That trend was caused by the sharp increase in net interest income, which benefited from the interest rate hikes by the ECB, only partially offset by the decline in profits (losses) on financial assets and liabilities designated at fair value and net fee and commission income. Income deriving from insurance business and other operating expenses did not show significant changes.

Net interest income

(millions of euro)

	31.12.2023	31.12.2022	Changes	
			amount	%
Relations with customers	13,750	8,954	4,796	53.6
Securities issued	-3,343	-1,817	1,526	84.0
Customer dealing	**10,407**	**7,137**	**3,270**	**45.8**
Instruments measured at amortised cost which do not constitute loans	1,637	686	951	
Other financial assets and liabilities designated at fair value through profit or loss	180	-22	202	
Other financial assets designated at fair value through other comprehensive income	1,562	860	702	81.6
Financial assets and liabilities	**3,379**	**1,524**	**1,855**	
Relations with banks	**463**	**668**	**-205**	**-30.7**
Differentials on hedging derivatives	**-650**	**-435**	**215**	**49.4**
Other net interest income	**1,047**	**606**	**441**	**72.8**
Net interest income	**14,646**	**9,500**	**5,146**	**54.2**

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



Net interest income was 14,646 million euro, up considerably (+54.2%) compared to 2022. Specifically, increased contributions were made by customer dealing (+45.8%, equal to +3.3 billion euro), which benefited from interest rate increases by the ECB, and financial assets, which rose to 3,379 million euro from 1,524 million euro in the previous year, due to the positive performance of all components: securities measured at amortised cost (+951 million euro), other financial assets measured at fair value through other comprehensive income (+702 million euro) and through profit or loss (+202 million euro). By contrast, negative differentials on hedging derivatives worsened, increasing by 49.4%, as did net interest income on relations with banks, which decreased by 30.7%, mainly related to the decrease in interbank operations.

The TLTRO operations outstanding with the ECB at the end of 2023 amounted to 45.1 billion euro nominal, giving rise to interest expense of 1,958 million euro in the twelve months, compared to 96.1 billion euro nominal in the year ended 31 December 2022, which had generated interest income of 615 million euro. It should be noted that until 23 June 2022, interest on TLTRO funds benefited from the special interest rate period, with an applied rate of -1%. From 24 June to 22 November 2022 the interest rate applied and settled on maturity was the average rate on deposits with the Central Bank (Deposit Facility Rate) calculated for the entire duration of the operation, whereas from 23 November 2022 the rate applied is equal to the rate in effect for the period.
In 2023 the liquidity invested in deposit transactions with the Central Bank generated interest income of 3,220 million euro, benefiting from the increase in reference rates, which nonetheless remained in line with the cost of TLTRO funding. In 2022 the interest accrued on the reinvestment of additional liquidity with the Central Bank amounted to a positive 141 million euro, conditioned by the application of negative rates that only returned to positive territory in the second half of the year.

Finally, other net interest income, inclusive of that accrued on non-performing assets, made a positive contribution of 1,047 million euro, an increase of 441 million euro.

(millions of euro)

	2023				Changes %		
	Fourth quarter (a)	Third quarter (b)	Second quarter (c)	First quarter (d)	(a/b)	(b/c)	(c/d)
Relations with customers	3,628	3,613	3,394	3,115	0.4	6.5	9.0
Securities issued	-1,032	-940	-775	-596	9.8	21.3	30.0
Customer dealing	**2,596**	**2,673**	**2,619**	**2,519**	**-2.9**	**2.1**	**4.0**
Instruments measured at amortised cost which do not constitute loans	463	424	441	309	9.2	-3.9	42.7
Other financial assets and liabilities designated at fair value through profit or loss	43	40	52	45	7.5	-23.1	15.6
Other financial assets designated at fair value through other comprehensive income	485	434	364	279	11.8	19.2	30.5
Financial assets and liabilities	**991**	**898**	**857**	**633**	**10.4**	**4.8**	**35.4**
Relations with banks	**245**	**142**	**54**	**22**	**72.5**		
Differentials on hedging derivatives	**-170**	**-154**	**-204**	**-122**	**10.4**	**-24.5**	**67.2**
Other net interest income	**333**	**254**	**258**	**202**	**31.1**	**-1.6**	**27.7**
Net interest income	**3,995**	**3,813**	**3,584**	**3,254**	**4.8**	**6.4**	**10.1**

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

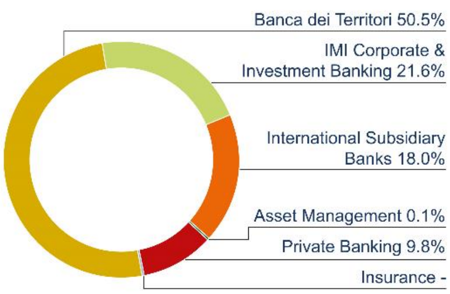
The net interest income flow showed further progress in the fourth quarter of 2023, recording the highest quarterly value of recent years.

(millions of euro)

	31.12.2023	31.12.2022	Changes	
			amount	%
Banca dei Territori	6,549	3,992	2,557	64.1
IMI Corporate & Investment Banking	2,797	2,107	690	32.7
International Subsidiary Banks	2,332	1,592	740	46.5
Private Banking	1,267	419	848	
Asset Management	18	-	18	-
Insurance	-	-	-	-
Total business areas	**12,963**	**8,110**	**4,853**	**59.8**
Corporate Centre	1,683	1,390	293	21.1
Intesa Sanpaolo Group	**14,646**	**9,500**	**5,146**	**54.2**

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

Business areas
Net interest income



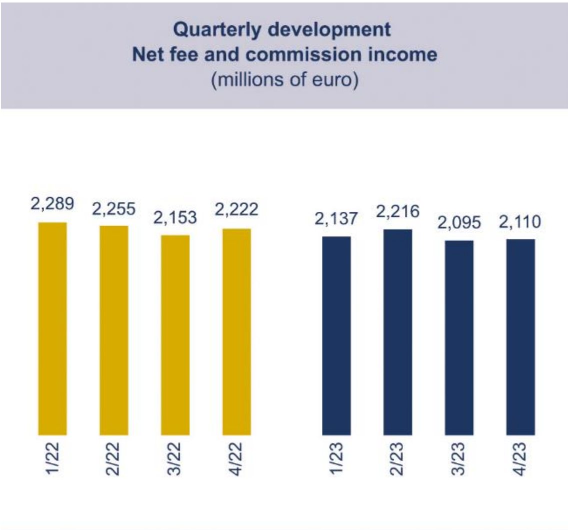
The Banca dei Territori Division, which accounts for 50.5% of the operating business areas results, recorded net interest income of 6,549 million euro, up sharply compared to 2022 (+64.1%, equal to +2,557 million euro), due to the performance of market rates, which favoured the profitability of customer dealing. Increased contributions to net interest income were also made by the Private Banking Division (+848 million euro), due to the higher contribution from investments in securities and intermediation with banks and customers, the International Subsidiary Banks Division (+46.5%, or +740 million euro), due primarily to the favourable performance of subsidiaries operating in Croatia, Slovakia, Serbia and Hungary, and the IMI Corporate & Investment Banking Division (+32.7%, or +690 million euro), mainly attributable to the greater contribution from Global Markets, as well as the greater contribution from customer deposits.
The Corporate Centre's net interest income grew (+293 million euro), benefiting from the significant rise of market rates.

Net fee and commission income

(millions of euro)

	31.12.2023			31.12.2022			Changes	
	Income	Expense	**Net**	Income	Expense	**Net**	**amount**	**%**
Guarantees given / received	483	-328	155	472	-226	246	-91	-37.0
Collection and payment services	808	-139	669	767	-144	623	46	7.4
Current accounts	1,360	-	1,360	1,386	-	1,386	-26	-1.9
Credit and debit cards	899	-494	405	871	-457	414	-9	-2.2
Commercial banking activities	**3,550**	**-961**	**2,589**	**3,496**	**-827**	**2,669**	**-80**	**-3.0**
Dealing and placement of securities	1,040	-273	767	1,000	-318	682	85	12.5
Currency dealing	14	-5	9	16	-7	9	-	-
Portfolio management	3,502	-993	2,509	3,655	-945	2,710	-201	-7.4
Distribution of insurance products	1,512	-	1,512	1,587	-	1,587	-75	-4.7
Other	495	-207	288	435	-193	242	46	19.0
Management, dealing and consultancy activities	**6,563**	**-1,478**	**5,085**	**6,693**	**-1,463**	**5,230**	**-145**	**-2.8**
Other net fee and commission income	**1,149**	**-265**	**884**	**1,265**	**-245**	**1,020**	**-136**	**-13.3**
Net fee and commission income	**11,262**	**-2,704**	**8,558**	**11,454**	**-2,535**	**8,919**	**-361**	**-4.0**

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



The net fee and commission income earned in 2023 amounted to 8,558 million euro, down by 4% from the 8,919 million euro recorded in 2022.

That result was due to the reduction in fees and commissions on management, dealing and consultancy activities (-2.8%, or -145 million euro), on commercial banking activities (-3%, or -80 million euro) and on other net fee and commission income (-13.3%, or -136 million euro). In detail, in the first type of fees and commissions, the contribution from portfolio management schemes decreased (-7.4%, or -201 million euro), and specifically collective portfolio management which was impacted by the decrease in management and subscription fees and commissions and the distribution of insurance products (-4.7%, or -75 million euro). Fee and commission income on dealing and placement of securities had a positive impact (+12.5% or +85 million euro), driven by certificates transactions. In the banking and commercial area, fee and commission income on guarantees given/received fell (-37%, or -91 million euro) mainly in relation to higher fee and commission expense on synthetic securitisations within the framework of the Active Credit Risk Management programme - GARC - and, to a lesser extent, on current accounts (-1.9%, or -26 million euro) and on ATM and credit card service (-2.2%, or -9 million euro), against an increase in fee and commission income on collection and payment services (+7.4%, or +46 million euro).

Finally, other net fee and commission income decreased, primarily due to the effect of the decline in the positive components, markedly those relating to the loans granted.

(millions of euro)

	2023				Changes %		
	Fourth quarter (a)	**Third quarter (b)**	**Second quarter (c)**	**First quarter (d)**	(a/b)	(b/c)	(c/d)
Guarantees given / received	39	41	41	34	-4.9	-	20.6
Collection and payment services	180	169	164	156	6.5	3.0	5.1
Current accounts	336	339	344	341	-0.9	-1.5	0.9
Credit and debit cards	99	105	107	94	-5.7	-1.9	13.8
Commercial banking activities	**654**	**654**	**656**	**625**	**-**	**-0.3**	**5.0**
Dealing and placement of securities	190	154	193	230	23.4	-20.2	-16.1
Currency dealing	2	3	2	2	-33.3	50.0	-
Portfolio management	627	627	641	614	-	-2.2	4.4
Distribution of insurance products	345	368	403	396	-6.3	-8.7	1.8
Other	93	69	69	57	34.8	-	21.1
Management, dealing and consultancy activities	**1,257**	**1,221**	**1,308**	**1,299**	**2.9**	**-6.7**	**0.7**
Other net fee and commission income	**199**	**220**	**252**	**213**	**-9.5**	**-12.7**	**18.3**
Net fee and commission income	**2,110**	**2,095**	**2,216**	**2,137**	**0.7**	**-5.5**	**3.7**

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

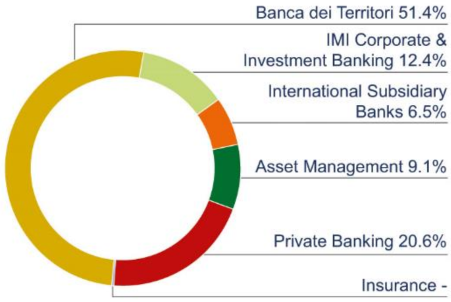
At the quarterly level, the value for the fourth quarter was slightly above that of the third quarter due to securities dealing and placement, but below that of the first two quarters of the year.

(millions of euro)

	31.12.2023	31.12.2022	Changes	
			amount	**%**
Banca dei Territori	4,630	4,739	-109	-2.3
IMI Corporate & Investment Banking	1,112	1,146	-34	-3.0
International Subsidiary Banks	583	574	9	1.6
Private Banking	1,858	1,980	-122	-6.2
Asset Management	816	913	-97	-10.6
Insurance	3	3	-	-
Total business areas	**9,002**	**9,355**	**-353**	**-3.8**
Corporate Centre	-444	-436	8	1.8
Intesa Sanpaolo Group	**8,558**	**8,919**	**-361**	**-4.0**

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

Business areas
Net fee and commission income



With regard to business areas, the Banca dei Territori Division, which accounts for 51.4% of the fee and commission income of the business units, recorded a decrease in fee and commission income in 2023 (-2.3%, or -109 million euro), specifically that deriving from assets under management. Fee and commission income also decreased for Private Banking (-6.2%, or -122 million euro), specifically recurring fee and commission income, due to the decrease in average assets under management, and upfront fee and commission income, Asset Management (-10.6%, or -97 million euro), which was impacted by the decrease in management fees related to the reduction in assets under management and placements and, to a lesser extent, performance fees collected during the period, as well as the IMI Corporate & Investment Banking Division (-3%, or -34 million euro), due to the fall in fee and commission income from commercial banking, only partly offset by the positive performance of investment banking. The fee and commission income of the International Subsidiary Banks showed an increase (+1.6%, or +9 million euro), attributable to subsidiaries operating in Hungary, Slovakia and Serbia. The Corporate Centre recorded a moderate worsening in the balance of net fee and commission income.

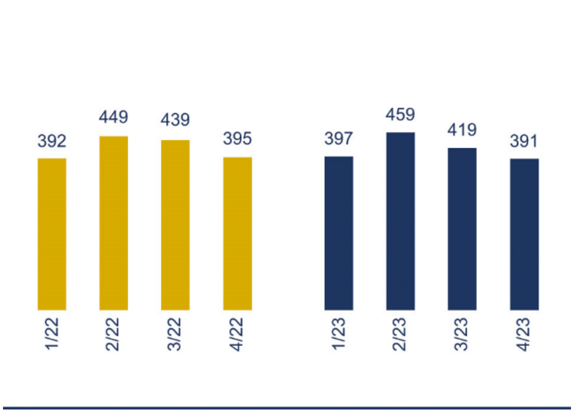
Income from insurance business

(millions of euro)

	31.12.2023			31.12.2022			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
TECHNICAL MARGIN	**1,211**	**462**	**1,673**	**1,212**	**443**	**1,655**	**18**	**1.1**
Contractual service margin release	1,152	71	1,223	1,300	52	1,352	-129	-9.5
Claims, expected expenses and other amounts	622	1,106	1,728	575	1,102	1,677	51	3.0
Insurance revenue	**1,774**	**1,177**	**2,951**	**1,875**	**1,154**	**3,029**	**-78**	**-2.6**
Total actual claims and expenses	-704	-693	-1,397	-803	-695	-1,498	-101	-6.7
Other Insurance Expenses	141	-22	119	140	-16	124	-5	-4.0
Insurance expenses	**-563**	**-715**	**-1,278**	**-663**	**-711**	**-1,374**	**-96**	**-7.0**
NET INVESTMENT RESULT	**-51**	**4**	**-47**	**-44**	**-8**	**-52**	**-5**	**-9.6**
Net financial income and expenses related to insurance contracts issued	-5,308	-10	-5,318	3,674	17	3,691	-9,009	
Net interest income	2,101	31	2,132	2,168	7	2,175	-43	-2.0
Dividends	453	-	453	414	6	420	33	7.9
Gains/losses on disposal	-1,227	-7	-1,234	-3,223	-3	-3,226	-1,992	-61.7
Valuation gains/losses	3,689	-	3,689	-3,263	-39	-3,302	6,991	
Net fee and commission income	241	-10	231	186	4	190	41	21.6
Income from insurance business gross of consolidation effects	**1,160**	**466**	**1,626**	**1,168**	**435**	**1,603**	**23**	**1.4**
Consolidation effects	**40**	**-**	**40**	**72**	**-**	**72**	**-32**	**-44.4**
INCOME FROM INSURANCE BUSINESS	**1,200**	**466**	**1,666**	**1,240**	**435**	**1,675**	**-9**	**-0.5**

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

Quarterly development
Income from insurance business
(millions of euro)



Income from insurance business includes the cost and revenue captions of the insurance business, including the reinsurance component, of the Group's life and non-life companies, and is presented on a continuity basis after application of IFRS 17 and IFRS 9. In 2023 this figure was 1,666 million euro, down slightly (-0.5%), but an improvement (+1.4%) before consolidation effects compared to 2022. This improvement is attributable to the non-life business, at the level of both the technical margin and net investment result, whereas the life business recorded a deterioration concentrated in the net investment result.

(millions of euro)

	2023				Changes %		
	Fourth quarter (a)	Third quarter (b)	Second quarter (c)	First quarter (d)	(a/b)	(b/c)	(c/d)
TECHNICAL MARGIN	**406**	**428**	**431**	**408**	**-5.1**	**-0.7**	**5.6**
Contractual service margin release	266	316	273	368	-15.8	15.8	-25.8
Claims, expected expenses and other amounts	420	500	357	451	-16.0	40.1	-20.8
Insurance revenue	**686**	**816**	**630**	**819**	**-15.9**	**29.5**	**-23.1**
Total actual claims and expenses	-308	-457	-186	-446	-32.6		-58.3
Other Insurance Expenses	28	69	-13	35	-59.4		
Insurance expenses	**-280**	**-388**	**-199**	**-411**	**-27.8**	**95.0**	**-51.6**
NET INVESTMENT RESULT	**-22**	**-20**	**18**	**-23**	**10.0**		
Net financial income and expenses related to insurance contracts issued	-2,714	44	-1,264	-1,384			-8.7
Net interest income	577	538	592	425	7.2	-9.1	39.3
Dividends	127	95	154	77	33.7	-38.3	
Gains/losses on disposal	-280	-647	-33	-274	-56.7		-88.0
Valuation gains/losses	2,227	-112	507	1,067			-52.5
Net fee and commission income	41	62	62	66	-33.9	-	-6.1
Income from insurance business gross of consolidation effects	**384**	**408**	**449**	**385**	**-5.9**	**-9.1**	**16.6**
Consolidation effects	**7**	**11**	**10**	**12**	**-36.4**	**10.0**	**-16.7**
INCOME FROM INSURANCE BUSINESS	**391**	**419**	**459**	**397**	**-6.7**	**-8.7**	**15.6**

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

Income from insurance business, inclusive of the life and non-life segments, showed a lower value in the fourth quarter of 2023 than in the other three quarters of 2023, due to the downtrend in the technical margin.

(millions of euro)

Business	31.12.2023	*of which new business*	31.12.2022
Life insurance business	**13,165**	***12,835***	**13,072**
Premiums issued on traditional products	9,693	*9,566*	3,981
Premiums issued on unit-linked products	1,198	*1,023*	1,963
Premiums issued on multi-line products	1,189	*1,171*	6,224
Premiums issued on pension funds	1,080	*1,072*	896
Premiums issued on capitalisation products	5	*3*	8
Non-life insurance business	**1,467**	***264***	**1,436**
Premiums issued	1,467	*264*	1,436
Premiums ceded to reinsurers	**-180**	***-33***	**-165**
Net premiums issued from insurance products	**14,452**	***13,066***	**14,343**
Business on unit-linked contracts	2,139	*2,094*	3,150
Total business from investment contracts	**2,139**	***2,094***	**3,150**
Total business	**16,591**	***15,160***	**17,493**

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

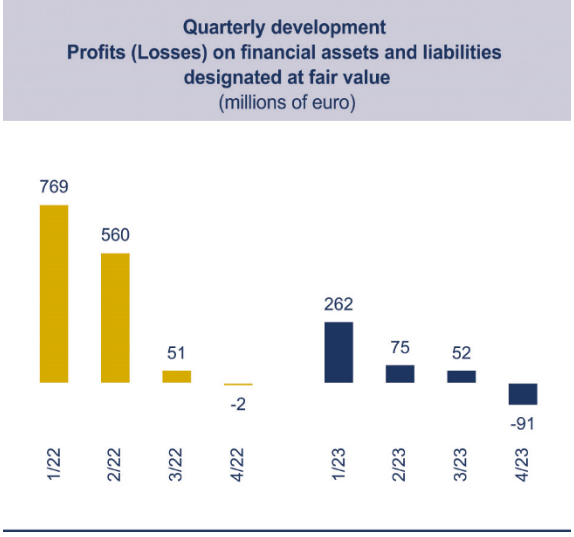
In 2023 business in the insurance segment amounted to 16.6 billion euro, down on the business recorded in 2022 (17.5 billion euro). The decline in premiums was driven by the drop in unit-linked policies, primarily Class III financial unit-linked policies (-1 billion euro), alongside a moderate increase in the non-life and life businesses. In detail, the life business recorded an increase in premiums on traditional products (+5.7 billion euro) and pension funds (+0.2 billion euro), which more than offset the decline in multi-line policies (-5 billion euro) and unit-linked policies of a mainly insurance nature (-0.8 billion euro); the non-life business, in which the non-motor segment performed well, grew by 2.2%. New business totalled 15.2 billion euro, accounting for over 90% of the total collected premiums of the Group's insurance companies.

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

(millions of euro)

	31.12.2023	31.12.2022	Changes amount	Changes %
Profits (losses) on trading and on financial instruments under fair value option	-270	605	-875	
Profits (losses) on hedges under hedge accounting	-59	33	-92	
Profits (losses) on assets mandatorily measured at fair value through profit or loss	190	125	65	52.0
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	402	589	-187	-31.7
Profits (losses) on the buyback of financial liabilities	35	26	9	34.6
Profits (Losses) on financial assets and liabilities designated at fair value	**298**	**1,378**	**-1,080**	**-78.4**

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



In 2023, profits (losses) on financial assets and liabilities designated at fair value, amounting to 298 million euro, declined sharply compared to 2022. That performance should be interpreted along with the sharp increase in the net interest income, with specific reference to transactions in certificates, which generated positive effects on the income in terms of greater liquidity invested and negative effects on trading related to the management of financial risks following the increase in market rates.
The decrease, amounting to 78.4%, is attributable to profits (losses) on trading and on financial instruments under fair value option (-875 million euro), specifically foreign exchange transactions as well as the decrease in the positive impact from own credit risk (OCR) of certificates due to the tightening of the Intesa Sanpaolo credit spread, and the profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost (-187 million euro), which in 2022 benefited from higher gains on the sale of debt securities, mainly government securities. Profits (losses) on hedges under hedge accounting also fell (-92 million euro).

(millions of euro)

	2023				Changes%		
	Fourth quarter (a)	**Third quarter (b)**	**Second quarter (c)**	**First quarter (d)**	(a/b)	(b/c)	(c/d)
Profits (losses) on trading and on financial instruments under fair value option	-71	-155	-40	-4	-54.2		
Profits (losses) on hedges under hedge accounting	-31	28	-42	-14			
Profits (losses) on assets mandatorily measured at fair value through profit or loss	-20	66	50	94		32.0	-46.8
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	16	110	97	179	-85.5	13.4	-45.8
Profits (losses) on the buyback of financial liabilities	15	3	10	7		-70.0	42.9
Profits (Losses) on financial assets and liabilities designated at fair value	**-91**	**52**	**75**	**262**		**-30.7**	**-71.4**

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

The result for the fourth quarter of 2023 was negative, compared to the positive, yet gradually declining, results of the other three quarters of 2023.

Other operating income (expenses)

In 2023 other operating expenses were -30 million euro, compared with -32 million euro recorded in 2022. This caption includes both operating income and expenses – including those of subsidiaries not subject to management and coordination operating in sectors completely distinct from banking and finance – and profits on equity investments carried at equity. The performance of the caption was driven by the greater contribution (+3 million euro) of dividends and profits of investments carried at equity, against a slight increase in other operating expenses (+1 million euro).

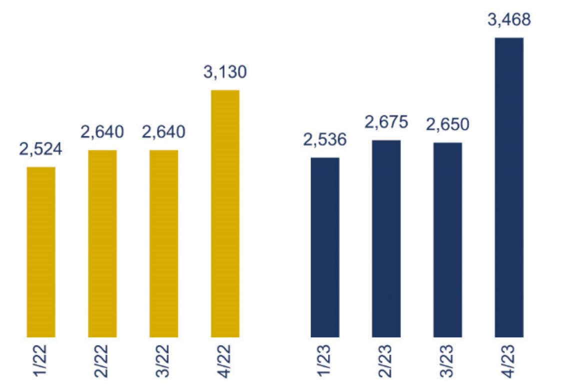
Operating costs

(millions of euro)

	31.12.2023	31.12.2022	Changes	
			amount	%
Wages and salaries	4,889	4,757	132	2.8
Social security charges	1,240	1,187	53	4.5
Other	852	798	54	6.8
Personnel expenses	**6,981**	**6,742**	**239**	**3.5**
Information technology expenses	868	838	30	3.6
Management of real estate assets expenses	395	317	78	24.6
General structure costs	404	399	5	1.3
Professional and legal expenses	276	299	-23	-7.7
Advertising and promotional expenses	159	152	7	4.6
Indirect personnel costs	171	157	14	8.9
Other costs	560	577	-17	-2.9
Indirect taxes and duties	197	202	-5	-2.5
Recovery of expenses and charges	-28	-29	-1	-3.4
Administrative expenses	**3,002**	**2,912**	**90**	**3.1**
Property and equipment	556	566	-10	-1.8
Intangible assets	790	714	76	10.6
Adjustments	**1,346**	**1,280**	**66**	**5.2**
Operating costs	**11,329**	**10,934**	**395**	**3.6**

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

Quarterly development Operating costs
(millions of euro)



In 2023 operating costs amounted to 11,329 million euro, higher than the 2022 figure (+3.6%) but lower than the average inflation level in 2023 in Italy.

Personnel expenses of 6,981 million euro increased (+3.5%) compared to 2022, mainly due to higher costs relating to renewal of the national bargaining agreement, only partly offset by savings on negotiated exits with trade unions.

Administrative expenses amounted to 3,002 million euro, up by 3.1%. Specifically, the increases were mainly recorded in property management expenses (+78 million euro), especially related to electricity and natural gas price increases, information technology expenses (+30 million euro) connected with the higher cost of outsourcing and indirect personnel costs (+14 million euro), against savings on legal and professional fees (-23 million euro) and other expenses (-17 million euro), markedly on category association dues.

Adjustments to property, equipment and intangible assets, which in accordance with IFRS 16 also include the share relating to rights of use acquired under operating leases, increased (+5.2%) on 2022, attributable to the intangible assets due to technology investments aimed at development.

The cost/income ratio for 2023 fell further to 45.1% compared to 51% in 2022, the lowest annual value in the history of the Intesa Sanpaolo Group.

(millions of euro)

	2023				Changes %		
	Fourth quarter (a)	**Third quarter (b)**	**Second quarter (c)**	**First quarter (d)**	(a/b)	(b/c)	(c/d)
Wages and salaries	1,555	1,125	1,130	1,079	38.2	-0.4	4.7
Social security charges	389	282	290	279	37.9	-2.8	3.9
Other	240	205	205	202	17.1	-	1.5
Personnel expenses	**2,184**	**1,612**	**1,625**	**1,560**	**35.5**	**-0.8**	**4.2**
Information technology expenses	242	210	217	199	15.2	-3.2	9.0
Management of real estate assets expenses	114	97	92	92	17.5	5.4	-
General structure costs	103	99	103	99	4.0	-3.9	4.0
Professional and legal expenses	85	66	71	54	28.8	-7.0	31.5
Advertising and promotional expenses	70	31	39	19		-20.5	
Indirect personnel costs	52	40	42	37	30.0	-4.8	13.5
Other costs	201	131	127	101	53.4	3.1	25.7
Indirect taxes and duties	57	43	47	50	32.6	-8.5	-6.0
Recovery of expenses and charges	-7	-7	-7	-7	-	-	-
Administrative expenses	**917**	**710**	**731**	**644**	**29.2**	**-2.9**	**13.5**
Property and equipment	140	138	137	141	1.4	0.7	-2.8
Intangible assets	227	190	182	191	19.5	4.4	-4.7
Adjustments	**367**	**328**	**319**	**332**	**11.9**	**2.8**	**-3.9**
Operating costs	**3,468**	**2,650**	**2,675**	**2,536**	**30.9**	**-0.9**	**5.5**

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

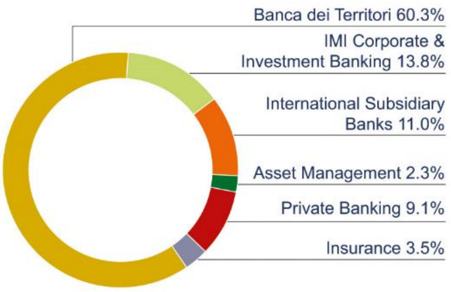
Operating costs in the fourth quarter of 2023 were higher than in previous quarters, in terms of personnel expenses, mainly due to the aforementioned effect of the renewal of the National Collective Bargaining Agreement and administrative expenses.

(millions of euro)

	31.12.2023	31.12.2022	Changes	
			amount	%
Banca dei Territori	-6,555	-6,397	158	2.5
IMI Corporate & Investment Banking	-1,502	-1,419	83	5.8
International Subsidiary Banks	-1,197	-1,118	79	7.1
Private Banking	-983	-921	62	6.7
Asset Management	-245	-222	23	10.4
Insurance	-379	-385	-6	-1.6
Total business areas	**-10,861**	**-10,462**	**399**	**3.8**
Corporate Centre	-468	-472	-4	-0.8
Intesa Sanpaolo Group	**-11,329**	**-10,934**	**395**	**3.6**

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

Business areas
Operating costs



In terms of operating costs, the Banca dei Territori Division, which records 60.3% of the costs of the operating areas, reported an increase (+2.5%, or +158 million euro), attributable to administrative expenses and personnel expenses, also due to the higher costs tied to the renewal of the National Collective Bargaining Agreement. There were cost increases in IMI Corporate & Investment Banking (+5.8%, or +83 million euro), International Subsidiary Banks (+7.1%, or +79 million euro), and in Private Banking (+6.7%, or +62 million euro), in relation to greater administrative and personnel expenses, and in Asset Management (+10.4%, or +23 million euro), essentially correlated to administrative expenses. Conversely, there was a slight reduction in the operating costs of Insurance (-1.6%, or -6 million euro), owing in particular to administrative expenses, and the Corporate Centre (-0.8%, or -4 million euro), due to higher charge backs by the Corporate Centre to business units.

Operating margin

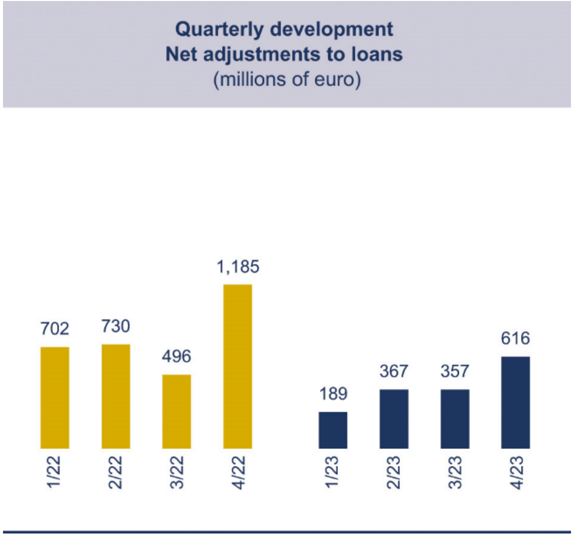
Operating margin came to 13,809 million euro in 2023, up by 31.4% on the amount recorded in 2022, due to a significant increase in revenues, while operating costs increased modestly.

Net adjustments to loans

(millions of euro)

	31.12.2023	31.12.2022	Changes	
			amount	%
Bad loans	-536	-534	2	0.4
Unlikely to pay	-661	-1,091	-430	-39.4
Past due loans	-295	-230	65	28.3
Stage 3 loans	**-1,492**	**-1,855**	**-363**	**-19.6**
of which debt securities	*-3*	*-*	*3*	*-*
Stage 2 loans	**-78**	**-999**	**-921**	**-92.2**
of which debt securities	*-2*	*-7*	*-5*	*-71.4*
Stage 1 loans	**20**	**-45**	**65**	
of which debt securities	*19*	*-3*	*22*	
Net losses/recoveries on impairment of loans	**-1,550**	**-2,899**	**-1,349**	**-46.5**
Profits/losses from changes in contracts without derecognition	**-29**	**-5**	**24**	
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**50**	**-209**	**259**	
Net adjustments to loans	**-1,529**	**-3,113**	**-1,584**	**-50.9**

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



Adjustments to loans amounted to 1,529 million euro, including additional provisions for de-risking measures, a sharp decline on the 3,113 million euro recorded in 2022. The latter included the valuation effects relating to Russia-Ukraine risk, for a total of 1,298 million euro, and adjustments of 1,174 million euro, including components relating to management overlay and de-risking measures, only partially mitigated by recoveries on overlays covering the vulnerability of moratoria (721 million euro).

The performance of the caption mainly reflects an improvement of 921 million euro on loans in Stage 2 and a reduction of 363 million euro in adjustments to non-performing loans in Stage 3, as a result of a significant drop in adjustments to unlikely-to-pay loans (-430 million euro), against an increase in past-due loans (+65 million euro) and the substantial stability of adjustments to bad loans (+2 million euro). Positive effects were also exerted by net provisions relating to commitments and guarantees given with recoveries of 50 million euro, compared to adjustments of -209 million euro recorded in 2022, as well as by Stage 1 loans with recoveries of 20 million euro (-45 million euro in adjustments in the previous year).

In December 2023, the ratio of gross non-performing loans to total loans was 2.3%, in line with the December 2022 figure.

The cost of credit, expressed as the ratio of net adjustments to net loans, decreased to 36 basis points in 2023 compared with 70 basis points for the year in 2022 (30 basis points when excluding the adjustments for the Russia-Ukraine exposure, the additional adjustments to capture the elements of risk inherent in the scenario and those relating to the overlays and to favour de-risking, net of the release of generic provisions set aside in 2020 for the expected impacts of COVID-19). The performance of the cost of credit was favoured by very low inflows from performing to non-performing loans during the year (2.5 billion euro net of outflows from non-performing to performing loans).

The coverage of non-performing loans in December 2023 amounted to 49.8%. In detail, bad loans required net adjustments of 536 million euro, substantially stable compared to the 2022 figure (534 million euro), with a coverage ratio of 72.4%. Net adjustments to unlikely-to-pay loans, totalling 661 million euro, were down (-39.4%) from 1,091 million euro recorded in 2022; the coverage ratio for these positions amounted to 39.3%. Net adjustments to past-due loans amounted to 295 million euro (230 million euro in 2022), with a coverage ratio of 27%. The coverage ratio for forborne positions within the non-performing loan category was 44%. Finally, the coverage of performing loans was 0.6% and incorporated the physiological risk inherent in the loan portfolio.

(millions of euro)

	2023				Changes %		
	Fourth quarter (a)	**Third quarter (b)**	**Second quarter (c)**	**First quarter (d)**	(a/b)	(b/c)	(c/d)
Bad loans	-261	-90	-95	-90		-5.3	5.6
Unlikely to pay	-167	-212	-77	-205	-21.2		-62.4
Past due loans	-83	-61	-90	-61	36.1	-32.2	47.5
Stage 3 loans	**-511**	**-363**	**-262**	**-356**	**40.8**	**38.5**	**-26.4**
of which debt securities	*-*	*-*	*-3*	*-*	*-*		*-*
Stage 2 loans	**-163**	**-3**	**-23**	**111**		**-87.0**	
of which debt securities	*5*	*-7*	*2*	*-2*			
Stage 1 loans	**82**	**-1**	**-76**	**15**		**-98.7**	
of which debt securities	*-2*	*3*	*6*	*12*		*-50.0*	*-50.0*
Net losses/recoveries on impairment of loans	**-592**	**-367**	**-361**	**-230**	**61.3**	**1.7**	**57.0**
Profits/losses from changes in contracts without derecognition	**-40**	**8**	**-3**	**6**			
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**16**	**2**	**-3**	**35**			
Net adjustments to loans	**-616**	**-357**	**-367**	**-189**	**72.5**	**-2.7**	**94.2**

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

At the quarterly level, the fourth quarter of 2023 shows greater adjustments to loans than other periods of the year, due to the effect of the greater adjustments to Stage 3 loans, inclusive of a component of 148 million euro relating to de-risking, and Stage 2 loans.

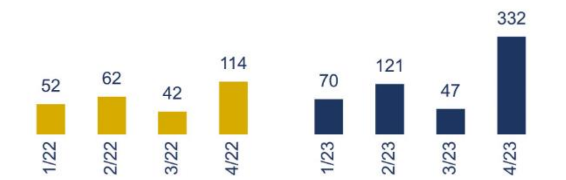
Other net provisions and net impairment losses on other assets

(millions of euro)

	31.12.2023	31.12.2022	Changes	
			amount	%
Other net provisions	-256	-106	150	
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-117	-22	95	
Net impairment losses on other assets	-197	-142	55	38.7
Other net provisions and net impairment losses on other assets	**-570**	**-270**	**300**	

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

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



Within the layout of the reclassified income statement, this caption primarily consists of other net provisions for risks and charges and net impairment losses on other assets and on securities measured at amortised cost and at fair value. In 2023, other net provisions and net impairment losses on other assets amounted to 570 million euro, a value in excess of the 270 million euro recognised in 2022. The increase should be viewed in relation to all components of the caption: the other net provisions (+150 million euro), which, in addition to provisions for legal disputes, include 32 million euro as the estimate of the cost of the new Reward prize contest "Intesa Sanpaolo 2024", launched to raise the loyalty of customers, and 114 million euro, in addition to the 80 million euro already set aside in December 2022, undertaken during consolidation of the investee Banca Intesa Russia in order to write off its financial contribution to the consolidated financial statements; net adjustments to securities measured at amortised cost and securities measured at fair value through other comprehensive income (+95 million euro), mainly attributable to the credit risk component; net impairment losses on other assets (+55 million euro) attributable to the Parent Company, which reflect the higher impairment finalised in 2023 on equity investments subject to significant influence or joint control and the valuation effects of other activities.

(millions of euro)

	2023				Changes %		
	Fourth quarter (a)	**Third quarter (b)**	**Second quarter (c)**	**First quarter (d)**	(a/b)	(b/c)	(c/d)
Other net provisions	-113	-46	-61	-36		-24.6	69.4
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-34	4	-50	-37			35.1
Net impairment losses on other assets	-185	-5	-10	3		-50.0	
Other net provisions and net impairment losses on other assets	**-332**	**-47**	**-121**	**-70**		**-61.2**	**72.9**

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

In terms of economic performance, the fourth quarter of 2023 recorded more provisions than in the first three quarters of 2023, mainly owing to the greater net impairment losses on other assets.

Other income (expenses)
In this caption of the reclassified income statement, the "profits (losses) on financial assets measured at amortised cost other than loans, equity investments and other investments" are aggregated together with other income and expenses not strictly linked to operations.
In 2023, other income amounted to 348 million euro, including 192 million euro in profits on the disposal of the stake held in Zhong Ou Asset Management Company Limited (ZOAM)[42] and 116 million euro in profits on the disposal to Nexi of the acquiring business line of the subsidiary operating in Croatia. The figure was higher than the 202 million euro recorded in 2022, which included capital gains of 195 million euro on the sale of Intesa Sanpaolo Formazione and 41 million euro of costs of contributions and solidarity measures benefiting the people of the Intesa Sanpaolo Group.

Gross income (loss)
In 2023, income before taxes on income from continuing operations came to 12,058 million euro, up sharply (+64.6%) compared to the 7,325 million euro in 2022.

Taxes on income
Current and deferred taxes came to 3,438 million euro (including a benefit of 352 million euro arising from the recognition of deferred tax assets relating to the former UBI Banca), corresponding to a 28.5% tax rate, in line with that recorded in 2022 (28.4%).

Charges (net of tax) for integration and exit incentives
This caption, the main component of which relates to adjustments to property, equipment and intangible assets, rose to 222 million euro from 140 million euro in 2022, reflecting the loss of the positive effects referring to personnel expenses.

Effect of purchase price allocation (net of tax)
This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition of equity investments and/or aggregate assets. In 2023 this caption amounted to -161 million euro, compared to the -146 million euro recorded in the previous year.

Levies and other charges concerning the banking industry (net of tax)
The caption includes the levies imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management. In 2023 these charges amounted to 485 million euro, compared with the 576 million euro of 2022, thanks to the reduction of costs relating to deposit resolution and guarantee funds and the revaluation of the Atlante Fund.
The charges recognised during the reporting period may be broken down as follows: 221 million euro attributable to resolution funds, 253 million euro to deposit guarantee funds and 20 million euro to levies recognised by international subsidiary banks, with a positive effect of 9 million euro from the revaluation of the Atlante Fund.

Minority interests
In 2023 the caption showed net income of 28 million euro attributable to minority interests relating to companies subject to line-by-line consolidation, compared with 4 million euro in 2022.

Net income (loss)
The Intesa Sanpaolo Group closed 2023 with a net income of 7,724 million euro, up on the same period of 2022 (+76.4%). This result represents the best performance since 2007, confirming a diversified business model with leadership in Wealth Management and Protection and Advisory, efficient and ready in particular to seize the potential effects of a recovery by assets under management. The sharp increase is attributable to the positive trend in revenues, driven by the interest component, the small flow of adjustments to loans and the focused management of operating costs, which incorporate the effects of the renewal of the national bargaining agreement.

[42] The gain shown takes into account the remaining amount received from the buyer, as consideration, following the payment of the Chinese local tax on the gain, made by Intesa Sanpaolo in September and recognised under the caption taxes. Considered net of tax, the capital gain contribution remained unchanged at 154 million euro, as already reported in the Half-yearly Report as at 30 June 2023.

Balance sheet aggregates

General aspects

A reclassified condensed Balance sheet has been prepared to permit a more immediate understanding of the Group's assets and liabilities.

Even with the application of IFRS 17 and IFRS 9 by the insurance companies, the structure of the Reclassified balance sheet remained unchanged, preserving the separate indication of the balance sheet captions pertaining to the insurance segment from those regarding banking operations, also for the component now valued based on the same accounting standard, IFRS 9. More specifically, with regard to the main balance sheet captions common to the banking and insurance segments:

- the financial assets and liabilities of the insurance segment continue to be presented separately, without detailed sub-captions, but condensing the amounts in dedicated rows of the Reclassified balance sheet;
- hedging derivatives related to insurance captions are presented within the insurance captions (different from those relating to banking captions, which are included in the captions “Other assets” and “Other liabilities”);
- the technical reserves of the insurance segment were replaced (in line with the balance sheet schedule) with Insurance liabilities under IFRS 17;
- the valuation reserves of financial instruments of insurance companies continue to be presented separately, including both the IFRS 17 component and the IFRS 9 component of insurance captions.

The substantially unchanged presentation of the Reclassified balance sheet schedule is also matched by the continued separate presentation of comments between balance sheet captions of banking operations, substantially in complete continuity, and insurance operations, whose tables breaking down the captions have been aligned with the provisions of IFRS 17 and the application of IFRS 9.

The Reclassified balance sheet shows the amounts related to 31 December 2023, as well as the comparison figures related to 31 December 2022. In line with the adjustment of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the 2022 year-end data in the reclassified schedules have also been adjusted on a like-for-like basis.
There were no restatements of the data as at 31 December 2023 due to changes in the scope of consolidation.

Certain aggregations and reclassifications have been made with respect to the model provided in Circular 262/2005 of the Bank of Italy. Breakdowns of those aggregations and reclassifications are provided in separate tables included in the attachments to this report, as also required by Consob in its Communication 6064293 of 28 July 2006.
Aggregations and reclassifications of captions of the reclassified balance sheet refer to:

- the separate presentation of financial assets of the banking segment constituting Due from banks and Loans to customers, regardless of the accounting portfolios to which they have been allocated;
- the separate presentation of financial assets of the banking segment not constituting loans, divided into financial assets measured at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, net of the amounts reclassified to Due from banks and Loans to customers;
- the separate presentation of financial assets and liabilities of the insurance segment, grouped based on the valuation method adopted for the purposes of IFRS 9 (fair value or amortised cost);
- the aggregation in one single caption of Property, equipment and intangible assets, broken down into the sub-captions Assets owned and Rights of use acquired under leases;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios of the banking segment under Other assets/Other liabilities;
- the inclusion of Insurance assets in Other assets;
- the separate presentation of Due to banks at amortised cost of the banking segment;
- the aggregation of Due to customers at amortised cost and Securities issued of the banking segment into one caption;
- the aggregation in one single caption (Allowances for risks and charges) of allowances for specific purposes (Employee termination indemnities and Allowances for risks and charges regarding: commitments and guarantees given, post-employment benefits and other allowances for risks and charges);
- the reclassification of Lease payables to a specific sub-caption of Other liabilities;
- the presentation of Reserves as an aggregate and net of any own shares.

Reclassified balance sheet

(millions of euro)

Assets	**31.12.2023**	**31.12.2022**	**Changes**	
			amount	**%**
Cash and cash equivalents	89,270	112,924	-23,654	-20.9
Due from banks	31,216	31,273	-57	-0.2
Loans to customers	429,540	446,854	-17,314	-3.9
Loans to customers measured at amortised cost	*427,806*	*444,244*	*-16,438*	*-3.7*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,734*	*2,610*	*-876*	*-33.6*
Financial assets measured at amortised cost which do not constitute loans	59,965	52,690	7,275	13.8
Financial assets measured at fair value through profit or loss	42,026	46,546	-4,520	-9.7
Financial assets measured at fair value through other comprehensive income	67,716	48,008	19,708	41.1
Financial assets pertaining to insurance companies measured at amortised cost	5	3	2	66.7
Financial assets pertaining to insurance companies measured at fair value through profit or loss	101,718	103,052	-1,334	-1.3
Financial assets pertaining to insurance companies measured at fair value through other comprehensive income	72,135	69,792	2,343	3.4
Investments in associates and companies subject to joint control	2,501	2,013	488	24.2
Property, equipment and intangible assets	19,349	19,742	-393	-2.0
Assets owned	*17,975*	*18,248*	*-273*	*-1.5*
Rights of use acquired under leases	*1,374*	*1,494*	*-120*	*-8.0*
Tax assets	14,533	18,130	-3,597	-19.8
Non-current assets held for sale and discontinued operations	264	638	-374	-58.6
Other assets	33,332	22,922	10,410	45.4
Total Assets	**963,570**	**974,587**	**-11,017**	**-1.1**

Liabilities	**31.12.2023**	**31.12.2022**	**Changes**	
			amount	**%**
Due to banks at amortised cost	92,497	137,489	-44,992	-32.7
Due to customers at amortised cost and securities issued	546,206	528,795	17,411	3.3
Financial liabilities held for trading	43,486	46,512	-3,026	-6.5
Financial liabilities designated at fair value	21,344	8,795	12,549	
Financial liabilities measured at amortised cost pertaining to insurance companies	2,199	2,522	-323	-12.8
Financial liabilities held for trading pertaining to insurance companies	90	171	-81	-47.4
Financial liabilities designated at fair value pertaining to insurance companies	51,438	54,212	-2,774	-5.1
Tax liabilities	1,946	2,021	-75	-3.7
Liabilities associated with non-current assets held for sale and discontinued operations	2	15	-13	-86.7
Other liabilities	15,096	9,399	5,697	60.6
of which lease payables	*1,217*	*1,321*	*-104*	*-7.9*
Insurance liabilities	119,849	117,575	2,274	1.9
Allowances for risks and charges	5,290	5,812	-522	-9.0
of which allowances for commitments and financial guarantees given	*524*	*711*	*-187*	*-26.3*
Share capital	10,369	10,369	-	-
Reserves	42,560	43,002	-442	-1.0
Valuation reserves	-1,711	-1,939	-228	-11.8
Valuation reserves pertaining to insurance companies	-298	-519	-221	-42.6
Interim dividend	-2,629	-1,400	1,229	87.8
Equity instruments	7,948	7,211	737	10.2
Minority interests	164	166	-2	-1.2
Net income (loss)	7,724	4,379	3,345	76.4
Total liabilities and shareholders' equity	**963,570**	**974,587**	**-11,017**	**-1.1**

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

Quarterly development of the reclassified balance sheet

(millions of euro)

Assets	2023				2022
	31/12	**30/9**	**30/6**	**31/3**	**31/12**
Cash and cash equivalents	89,270	85,585	79,875	77,700	112,924
Due from banks	31,216	30,116	30,128	30,468	31,273
Loans to customers	429,540	433,710	437,497	449,860	446,854
Loans to customers measured at amortised cost	*427,806*	*431,824*	*435,583*	*447,419*	*444,244*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,734*	*1,886*	*1,914*	*2,441*	*2,610*
Financial assets measured at amortised cost which do not constitute loans	59,965	57,626	60,052	58,744	52,690
Financial assets measured at fair value through profit or loss	42,026	45,652	48,434	45,988	46,546
Financial assets measured at fair value through other comprehensive income	67,716	60,310	59,369	53,314	48,008
Financial assets pertaining to insurance companies measured at amortised cost	5	2	3	3	3
Financial assets pertaining to insurance companies measured at fair value through profit or loss	101,718	99,226	102,480	103,096	103,052
Financial assets pertaining to insurance companies measured at fair value through other comprehensive income	72,135	69,136	71,724	72,562	69,792
Investments in associates and companies subject to joint control	2,501	2,558	2,599	2,395	2,013
Property, equipment and intangible assets	19,349	18,888	18,892	19,462	19,742
Assets owned	*17,975*	*17,486*	*17,457*	*17,995*	*18,248*
Rights of use acquired under leases	*1,374*	*1,402*	*1,435*	*1,467*	*1,494*
Tax assets	14,533	15,871	16,080	17,104	18,130
Non-current assets held for sale and discontinued operations	264	256	614	243	638
Other assets	33,332	28,198	27,458	24,236	22,922
Total Assets	**963,570**	**947,134**	**955,205**	**955,175**	**974,587**

Liabilities	2023				2022
	31/12	**30/9**	**30/6**	**31/3**	**31/12**
Due to banks at amortised cost	92,497	97,390	94,077	120,018	137,489
Due to customers at amortised cost and securities issued	546,206	533,143	532,468	515,369	528,795
Financial liabilities held for trading	43,486	47,428	47,639	45,681	46,512
Financial liabilities designated at fair value	21,344	16,388	13,608	10,893	8,795
Financial liabilities measured at amortised cost pertaining to insurance companies	2,199	2,422	2,326	2,275	2,522
Financial liabilities held for trading pertaining to insurance companies	90	193	96	111	171
Financial liabilities designated at fair value pertaining to insurance companies	51,438	50,715	53,160	54,099	54,212
Tax liabilities	1,946	3,116	2,938	1,964	2,021
Liabilities associated with non-current assets held for sale and discontinued operations	2	13	-	-	15
Other liabilities	15,096	11,138	22,107	17,716	9,399
of which lease payables	*1,217*	*1,231*	*1,260*	*1,292*	*1,321*
Insurance liabilities	119,849	115,616	119,381	119,815	117,575
Allowances for risks and charges	5,290	4,897	4,944	5,630	5,812
of which allowances for commitments and financial guarantees given	*524*	*538*	*539*	*673*	*711*
Share capital	10,369	10,369	10,369	10,369	10,369
Reserves	42,560	42,464	42,585	45,538	43,002
Valuation reserves	-1,711	-1,917	-1,709	-1,794	-1,939
Valuation reserves pertaining to insurance companies	-298	-466	-375	-420	-519
Interim dividend	-2,629	-	-	-1,400	-1,400
Equity instruments	7,948	7,939	7,217	7,214	7,211
Minority interests	164	164	152	141	166
Net income (loss)	7,724	6,122	4,222	1,956	4,379
Total Liabilities and Shareholders' Equity	**963,570**	**947,134**	**955,205**	**955,175**	**974,587**

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

BANKING BUSINESS

Loans to customers

Loans to customers: breakdown

(millions of euro)

	31.12.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	21,488	5.0	22,970	5.1	-1,482	-6.5
Mortgages	225,521	52.4	242,299	54.3	-16,778	-6.9
Advances and other loans	155,080	36.1	154,477	34.6	603	0.4
Commercial banking loans	**402,089**	**93.5**	**419,746**	**94.0**	**-17,657**	**-4.2**
Repurchase agreements	**16,636**	**3.9**	**15,366**	**3.4**	**1,270**	**8.3**
Loans represented by securities	**5,850**	**1.4**	**6,246**	**1.4**	**-396**	**-6.3**
Non-performing loans	**4,965**	**1.2**	**5,496**	**1.2**	**-531**	**-9.7**
Loans to customers	**429,540**	**100.0**	**446,854**	**100.0**	**-17,314**	**-3.9**

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

As at 31 December 2023, loans to customers of the Group amounted to 429.5 billion euro, down (-3.9%) year on year. This performance was essentially the result of the decrease in commercial banking loans (-4.2%, or -17.7 billion euro), attributable to the downturn in mortgage loans to individuals and businesses and, to a lesser extent, in overdraft facilities. The substantial rise in interest rates, which stabilised in the final months of the year, prompted businesses to use their liquidity to limit their use of bank loans. Advances and loans moved in the opposite direction, rising slightly (+0.4%, or +0.6 billion euro).
Among the other components, which represent a less significant proportion of the total aggregate, there were decreases in non-performing loans (-9.7% or -0.5 billion euro) and loans represented by securities (-6.3%, or -0.4 billion euro), whereas repurchase agreements increased by 8.3% (+1.3 billion euro).

In the domestic medium/long-term loan market, disbursements to households in 2023 (including the small business customers having similar needs to family businesses) amounted to approximately 14.4 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 9.8 billion euro. Loans granted by the Agribusiness segment exceeded 1.6 billion euro. The medium/long-term disbursements to customers of the IMI Corporate & Investment Banking Division amounted to 13.7 billion euro, excluding the international portion. Overall disbursements within Italy, inclusive of the loans to the non-profit sector, disbursements through third-party networks and Prestitalia totalled 40.3 billion euro. If the activities of the international subsidiary banks and the international part of IMI C&IB are included, the Group's medium/long-term disbursements totalled 60.4 billion euro.
As at 31 December 2023, the Intesa Sanpaolo Group's share of the Italian domestic market was estimated at 18.4% for total loans to customers. This estimate was based on the sample deriving from the ten-day report of the Bank of Italy as the global banking system figures for the end of December are not yet available.

With reference to the specific measures to support the production system set out due to the COVID-19 pandemic, it is highlighted that Intesa Sanpaolo, the first Bank in Italy to sign the collaboration protocol with SACE, has provided an overall credit line of 50 billion euro dedicated to loans for businesses. Overall, at the end of 2023, a total of 49 billion euro[43] of loans backed by government guarantee had been granted, also through the SME Fund, since the beginning of the pandemic (in application of the "*Liquidità*" Law Decree no. 23 of 8 April 2020), of which 13.4 billion euro SACE and approximately 35.6 billion euro the SME Fund, without significant changes compared to December 2022. The data regarding the monitoring of the guarantees from the "Fondo Centrale di Garanzia" (Central Guarantee Fund) do not present significant risks, thanks to careful and timely management.
At consolidated level, also considering the operations in the other countries where the Group has a presence, as at December 2023 the residual debt of exposures subject to government guarantee schemes totalled 24.5 billion euro, compared to 33.2 billion euro in December 2022. The decrease, essentially attributable to the Parent Company, was correlated with the redemptions during the period.
Information regarding loans subject to public guarantees is provided at the bottom of several tables in the sections on the balance sheet and on credit risk of the Notes to the consolidated financial statements, as required by the Bank of Italy.

As part of its mission to support Italy's economy, also note that, in relation to the measures established by the "*Rilancio*" Decree (Law Decree 34/2020) for the relaunch of the construction sector, the Intesa Sanpaolo Group has developed specific solutions not only for those who want to transfer their tax credit directly but also for businesses that use invoice discounts for the purchase of tax credits and the related settlement, with predefined prices and a dedicated advisory service through a partnership with the company Deloitte. The process of acquiring tax credits is subject to comprehensive controls that allow the Bank to demonstrate the effective fulfilment of the specific due diligence requirements.
From the launch of operations – carried out through the Banca dei Territori Division and IMI Corporate & Investment Banking Division – to the end of December 2023 tax credits for a total of 27.1 billion euro have been purchased, in addition to 4.4 billion euro of contracts signed and an additional 5.7 billion euro in the process of being acquired. Net of decreases of

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

around 7 billion euro (attributable to offsetting carried out during the year, deferrals recognised, resales carried out and the adjustment to fair value, where required by the business model of reference), as at 31 December 2023 tax credits of 20.1 billion euro were recognised in the financial statements, under caption 130 Other assets of the Consolidated balance sheet and Other assets of the Reclassified consolidated balance sheet.

(millions of euro)

	31.12.2023	31.12.2022	Changes	
			amount	%
Banca dei Territori	232,411	247,913	-15,502	-6.3
IMI Corporate & Investment Banking	127,167	129,791	-2,624	-2.0
International Subsidiary Banks	42,050	40,212	1,838	4.6
Private Banking	14,372	15,104	-732	-4.8
Asset Management	243	282	-39	-13.8
Insurance	-	-	-	-
Total business areas	**416,243**	**433,302**	**-17,059**	**-3.9**
Corporate Centre	13,297	13,552	-255	-1.9
Intesa Sanpaolo Group	**429,540**	**446,854**	**-17,314**	**-3.9**

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

Business areas
Loans to customers

In the analysis by business area, the Banca dei Territori Division, which accounts for 55.7% of the aggregate of the Group's business areas, recorded a decrease compared to the previous year (-6.3%, or -15.5 billion euro), due above all to loans to businesses, which used their liquidity to reduce their credit facilities and, to a lesser extent, loans to retail customers, who decreased the demand for mortgage loans, in response to the sudden rise in rates. The loans of the IMI Corporate & Investment Banking Division also decreased (-2%, or -2.6 billion euro), mainly attributable to Global Corporate loans, which more than offset the growth in Global Markets and in business with financial institutions customers, as did those of the Private Banking Division (-4.8%, or -0.7 billion euro), consisting mainly of short-term credit facilities. The loans of the International Subsidiary Banks Division increased (+4.6%, or +1.8 billion euro), in connection with the greater contribution of the subsidiaries operating in Slovakia, Croatia, Hungary and Serbia, partly offset by the decline of loans in Egypt. The loans of the Asset Management Division, which are relatively modest in scope owing to its line of business, decreased by 13.8%.
The Corporate Centre's loans on central assets declined moderately (-1.9%).

Loans to customers: credit quality

(millions of euro)

	31.12.2023		31.12.2022		Change
	Net exposure	**% breakdown**	**Net exposure**	**% breakdown**	**Net exposure**
Bad loans	937	0.2	1,131	0.2	-194
Unlikely to pay	3,571	0.9	3,952	0.9	-381
Past due loans	457	0.1	413	0.1	44
Non-Performing Loans	**4,965**	**1.2**	**5,496**	**1.2**	**-531**
Non-performing loans in Stage 3 (subject to impairment)	*4,917*	*1.2*	*5,463*	*1.2*	*-546*
Non-performing loans measured at fair value through profit or loss	*48*	*-*	*33*	*-*	*15*
Performing loans	**418,630**	**97.4**	**435,026**	**97.4**	**-16,396**
Stage 2	*36,186*	*8.4*	*43,865*	*9.8*	*-7,679*
Stage 1	*381,755*	*88.8*	*390,278*	*87.4*	*-8,523*
Performing loans measured at fair value through profit or loss	*689*	*0.2*	*883*	*0.2*	*-194*
Performing loans represented by securities	**5,850**	**1.4**	**6,246**	**1.4**	**-396**
Stage 2	*339*	*0.1*	*815*	*0.2*	*-476*
Stage 1	*5,511*	*1.3*	*5,431*	*1.2*	*80*
Loans held for trading	**95**	**-**	**86**	**-**	**9**
Total loans to customers	**429,540**	**100.0**	**446,854**	**100.0**	**-17,314**
of which forborne performing	***4,781***		***6,920***		***-2,139***
of which forborne non-performing	***1,800***		***2,063***		***-263***
Loans to customers classified as non-current assets held for sale	**139**		**368**		**-229**

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

Net non-performing loans of the Group amounted to 5 billion euro at the end of the year, a new record low. The reduction compared to the previous year (-531 million euro; -9.7%) confirms the virtuous trend already recorded in previous years. The ratio of net non-performing loans to total net loans to customers came to 1.2% (0.9% according to the EBA definition) with the coverage of non-performing loans amounting to 49.8% compared to 48.4% at the end of 2022.
In further detail, in December 2023 bad loans amounted to 937 million euro (-17.2%), net of adjustments, representing 0.2% of total net loans with a coverage ratio of 72.4%. Loans included in the unlikely-to-pay category amounted to 3.6 billion euro, down by 9.6%, accounting for 0.9% of total net loans to customers, with a coverage ratio of 39.3%. Past due loans amounted to 457 million euro (+10.7%), with a coverage ratio of 27%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to 1.8 billion euro, with a coverage ratio of 44%. Forborne exposures in the performing loan category amounted to 4.8 billion euro.

At 31 December 2023, net performing loans amounted to 418.6 billion euro, down over the year by 16.4 billion euro (-3.8%), recording an overall coverage ratio of 0.58% of which 4.59% (from 4.23% at the end of 2022) in respect of loans in Stage 2 and 0.18% (from 0.17% at the end of December 2022) in respect of those in Stage 1. In terms of stock, net loans in Stage 1 decreased by 2.2% to 381.8 billion euro and those in Stage 2 fell by 17.5% to 36.2 billion euro.
The decreases in Stage 2 were mainly due to the effects of repayments and reductions as a result of management and portfolio dynamics, accompanied – with a lesser impact – by transfers to non-performing status and the additional de-risking actions on the Russia portfolio, as well as reclassifications to Stage 1 of forborne portfolios (mainly originating from COVID moratoria) following the successful completion of the probation period. There were also classifications to Stage 2 in the fourth quarter due to adjustments to the results of the models.

(millions of euro)

	31.12.2023			31.12.2022			Change
	Gross exposure	**Total adjustments**	**Net exposure**	**Gross exposure**	**Total adjustments**	**Net exposure**	**Net exposure**
Bad loans	3,390	-2,453	937	3,667	-2,536	1,131	-194
Unlikely to pay	5,880	-2,309	3,571	6,423	-2,471	3,952	-381
Past due loans	626	-169	457	552	-139	413	44
Non-Performing Loans	**9,896**	**-4,931**	**4,965**	**10,642**	**-5,146**	**5,496**	**-531**
Non-performing loans in Stage 3 (subject to impairment)	*9,818*	*-4,901*	*4,917*	*10,597*	*-5,134*	*5,463*	*-546*
Non-performing loans measured at fair value through profit or loss	*78*	*-30*	*48*	*45*	*-12*	*33*	*15*
Performing loans	**421,066**	**-2,436**	**418,630**	**437,616**	**-2,590**	**435,026**	**-16,396**
Stage 2	*37,927*	*-1,741*	*36,186*	*45,801*	*-1,936*	*43,865*	*-7,679*
Stage 1	*382,450*	*-695*	*381,755*	*390,932*	*-654*	*390,278*	*-8,523*
Performing loans measured at fair value through profit or loss	*689*	*-*	*689*	*883*	*-*	*883*	*-194*
Performing loans represented by securities	**5,875**	**-25**	**5,850**	**6,274**	**-28**	**6,246**	**-396**
Stage 2	*358*	*-19*	*339*	*838*	*-23*	*815*	*-476*
Stage 1	*5,517*	*-6*	*5,511*	*5,436*	*-5*	*5,431*	*80*
Loans held for trading	**95**	**-**	**95**	**86**	**-**	**86**	**9**
Total loans to customers	**436,932**	**-7,392**	**429,540**	**454,618**	**-7,764**	**446,854**	**-17,314**
of which forborne performing	***5,118***	***-337***	***4,781***	***7,473***	***-553***	***6,920***	***-2,139***
of which forborne non-performing	***3,217***	***-1,417***	***1,800***	***3,480***	***-1,417***	***2,063***	***-263***
Loans to customers classified as non-current assets held for sale	**181**	**-42**	**139**	**754**	**-386**	**368**	**-229**

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

As at 31 December 2023 the Group's gross non-performing loans amounted to 9.9 billion euro, a decrease of 0.7 billion euro (-7%) over the twelve months, of which 0.6 billion euro attributable to the fourth quarter. As a percentage of the total they remained stable at 2.3% of 2022 (1.8% in 2023 and 1.9% in 2022 in accordance with the EBA definitions).

The process of reducing non-performing loans benefited from modest inflows from performing loans, due to the performances of non-performing loans prevention initiatives, as well as the de-risking initiatives carried out during the year.

Gross inflows in 2023 totalled 3.3 billion euro, of which 1.1 billion euro in the fourth quarter. In 2022 the gross inflow was 3.8 billion euro, inclusive of 0.5 billion euro attributable to exposures to Russia and Ukraine[44].

In net terms, that is, net of outflows to performing loans, inflows amounted to 2.5 billion euro (0.9 billion euro attributable to the fourth quarter). In 2022 net inflows from performing loans totalled 2.8 billion euro.

The table shows that the decrease in gross non-performing loans was comprised of 0.5 billion euro in unlikely-to-pay exposures (-8.5%) and 0.3 billion euro in bad loans (-7.6%), whereas past due positions increased slightly, by 0.1 billion euro (+13.4%).

At the end of December 2023, loans classified among assets held for sale, primarily non-performing, amounted to 181 million euro gross and 139 million euro net (754 million euro and 368 million euro, respectively, at the end of 2022).

[44] 0.2 billion euro net of value adjustments.

Other banking business financial assets and liabilities: breakdown

(millions of euro)

Type of financial instruments	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL financial assets	Financial liabilities held for trading (*)
Debt securities issued by Governments					
31.12.2023	5,953	44,764	37,834	**88,551**	X
31.12.2022	7,511	33,959	29,523	**70,993**	X
Changes amount	-1,558	10,805	8,311	**17,558**	X
Changes %	-20.7	31.8	28.2	**24.7**	X
Other debt securities					
31.12.2023	4,379	21,660	22,131	**48,170**	X
31.12.2022	3,075	12,701	23,167	**38,943**	X
Changes amount	1,304	8,959	-1,036	**9,227**	X
Changes %	42.4	70.5	-4.5	**23.7**	X
Equities					
31.12.2023	2,385	1,292	X	**3,677**	X
31.12.2022	1,352	1,348	X	**2,700**	X
Changes amount	1,033	-56	X	**977**	X
Changes %	76.4	-4.2	X	**36.2**	X
Quotas of UCI					
31.12.2023	3,817	X	X	**3,817**	X
31.12.2022	3,739	X	X	**3,739**	X
Changes amount	78	X	X	**78**	X
Changes %	2.1	X	X	**2.1**	X
Due to banks and to customers					
31.12.2023	X	X	X	**X**	-8,713
31.12.2022	X	X	X	**X**	-7,241
Changes amount	X	X	X	**X**	1,472
Changes %	X	X	X	**X**	20.3
Financial derivatives					
31.12.2023	24,217	X	X	**24,217**	-25,050
31.12.2022	29,933	X	X	**29,933**	-30,540
Changes amount	-5,716	X	X	**-5,716**	-5,490
Changes %	-19.1	X	X	**-19.1**	-18.0
Credit derivatives					
31.12.2023	1,275	X	X	**1,275**	-1,137
31.12.2022	936	X	X	**936**	-935
Changes amount	339	X	X	**339**	202
Changes %	36.2	X	X	**36.2**	21.6
TOTAL 31.12.2023	**42,026**	**67,716**	**59,965**	**169,707**	**-34,900**
TOTAL 31.12.2022	**46,546**	**48,008**	**52,690**	**147,244**	**-38,716**
Changes amount	**-4,520**	**19,708**	**7,275**	**22,463**	**-3,816**
Changes %	**-9.7**	**41.1**	**13.8**	**15.3**	**-9.9**

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

(*) The amount of the item does not include certificates which are included in the direct deposits from banking business table.

The table above shows the breakdown of other financial assets and liabilities, excluding those pertaining to insurance companies. Financial liabilities held for trading do not include certificates, which are included in the direct deposits from banking business aggregates.
The Intesa Sanpaolo Group's other financial assets, excluding those of the insurance companies, amounted to 169.7 billion euro, up by 22.5 billion euro compared to the previous year (+15.3%). Financial liabilities held for trading declined (-9.9%) to 34.9 billion euro.

The increase in total financial assets was essentially due to the performance of debt securities (+26.8 billion euro), only partly offset by the decline in financial derivatives (-5.7 billion euro). The trend in financial liabilities held for trading was due to decrease in financial derivatives (-5.5 billion euro), partially offset by the increase in amounts due to banks and customers (+1.5 billion euro).

Financial assets measured at fair value through profit or loss, amounting to 42 billion euro, were down (-9.7%, or -4.5 billion euro) due to the decline in financial derivatives and government debt securities, partially offset by the increase in other debt securities and equities.
Instruments measured at amortised cost which do not constitute loans amounted to 60 billion euro, up by 13.8%, due to the performance of debt securities issued by governments. HTC debt securities have primarily been classified to Stage 1 (88.3%).

Financial assets measured at fair value through other comprehensive income, which reached 67.7 billion euro, also increased year on year (+41.1%), due to the performance of debt securities. HTCS debt securities have been classified almost exclusively to Stage 1 (97.5%).

Debt securities: stage allocation

(millions of euro)

Debt securities: stage allocation	Financial assets measured at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL
Stage 1			
31.12.2023	64,736	52,961	**117,697**
31.12.2022	46,475	49,502	**95,977**
Changes amount	18,261	3,459	**21,720**
Changes %	39.3	7.0	**22.6**
Stage 2			
31.12.2023	1,688	6,982	**8,670**
31.12.2022	185	3,180	**3,365**
Changes amount	1,503	3,802	**5,305**
Changes %			
Stage 3			
31.12.2023	-	22	**22**
31.12.2022	-	8	**8**
Changes amount	-	14	**14**
Changes %	-		
TOTAL 31.12.2023	**66,424**	**59,965**	**126,389**
TOTAL 31.12.2022	**46,660**	**52,690**	**99,350**
Changes amount	**19,764**	**7,275**	**27,039**
Changes %	**42.4**	**13.8**	**27.2**

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

The increase since December in securities classified as Stage 2, which totalled 5.3 billion euro, related for the most part (72%) to instruments measured at amortised cost which do not constitute loans. Indeed, the latter received inflows from Stage 1, mainly attributable to securitisations – including one involving performing loans arising from leases (Teseo), which entered the Parent Company’s portfolio at the end of 2022.

Customer financial assets

(millions of euro)

	31.12.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	576,136	44.1	545,386	45.3	30,750	5.6
Direct deposits from insurance business	172,746	13.3	173,672	14.4	-926	-0.5
Indirect customer deposits	722,194	55.3	656,663	54.6	65,531	10.0
Netting (a)	-165,543	-12.7	-171,872	-14.3	-6,329	-3.7
Customer financial assets	**1,305,533**	**100.0**	**1,203,849**	**100.0**	**101,684**	**8.4**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.
The amount for indirect customer deposits as at 31 December 2022 has been restated, for the assets under administration and in custody component, as a result of the delisting of shares, which, as they are no longer listed, are included at nominal value.

(a) The netting relates to components of indirect customer deposits that also constitute types of direct deposits (financial liabilities of the insurance segment measured at fair value and insurance liabilities).

As at 31 December 2023 customer financial assets, after netting, reached 1,306 billion euro, up year on year (+8.4%, or +101.7 billion euro), driven by indirect customer deposits (+10%, or +65.5 billion euro) and by direct deposits from banking business (+5.6%, or +30.8 billion euro). Direct deposits from insurance business were down slightly (-0.5%, or -0.9 billion euro).

Direct deposits from banking business

The table below sets out amounts due to customers, securities issued, including those designated at fair value and certificates, which represent an alternative form of funding to bonds.

(millions of euro)

	31.12.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	407,910	70.8	432,976	79.4	-25,066	-5.8
Repurchase agreements and securities lending	13,009	2.3	1,284	0.2	11,725	
Bonds	78,321	13.6	52,364	9.6	25,957	49.6
Certificates of deposit	2,334	0.4	2,094	0.4	240	11.5
Subordinated liabilities	12,158	2.1	12,474	2.3	-316	-2.5
Other deposits	62,404	10.8	44,194	8.1	18,210	41.2
of which designated at fair value (*)	*29,930*	*5.2*	*16,591*	*3.0*	*13,339*	*80.4*
Direct deposits from banking business	**576,136**	**100.0**	**545,386**	**100.0**	**30,750**	**5.6**

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

(*) Figures relating to investment certificates and other forms of funding included in the Balance sheet under “Financial liabilities held for trading” and “Financial liabilities designated at fair value”. Specifically:
- as at 31 December 2023, this caption consisted of 8,586 million euro of certificates classified under “Financial liabilities held for trading” and 21,344 million euro of certificates (21,340 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”;
- as at 31 December 2022, this caption consisted of 7,796 million euro of certificates classified under “Financial liabilities held for trading” and 8,795 million euro of certificates (8,791 million euro) and other forms of funding (4 million euro) classified under “Liabilities designated at fair value”.

Bearer instruments issued are conventionally fully attributed to funding from customers.

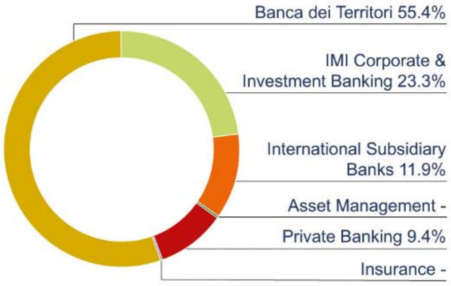
The Group's direct deposits from banking business came to 576.1 billion euro, growing year on year (+5.6%, or +30.8 billion euro).
That performance was the result of an increase in time direct deposits (bonds, repurchase agreements, and certificates of deposit) totalling 37.9 billion euro and other funding (+18.2 billion euro), including certificates and commercial paper, which more than offset the downturn in current accounts and deposits (-25.1 billion euro).
This recomposition within the direct deposits aggregate should be viewed in relation to a scenario of increases in interest rates, where companies used their liquidity to reduce their use of bank loans, and retail customers redirected a portion of their available funds held on current accounts to more remunerative investment products, such as bonds and certificates, as well as government and corporate bond issues, which increased the dossiers of assets under administration (+51.7 billion euro).
As at 31 December 2023, the Intesa Sanpaolo Group's direct deposits (deposits and bonds) represented a share of the domestic market of 22.1%. As described above with reference to loans, this estimate is based on the sample deriving from the ten-day report produced by the Bank of Italy.

(millions of euro)

	31.12.2023	31.12.2022	Changes	
			amount	%
Banca dei Territori	270,365	291,089	-20,724	-7.1
IMI Corporate & Investment Banking	113,450	94,785	18,665	19.7
International Subsidiary Banks	57,910	54,364	3,546	6.5
Private Banking	45,805	50,447	-4,642	-9.2
Asset Management	16	26	-10	-38.5
Insurance	-	-	-	-
Total business areas	**487,546**	**490,711**	**-3,165**	**-0.6**
Corporate Centre	88,590	54,675	33,915	62.0
Intesa Sanpaolo Group	**576,136**	**545,386**	**30,750**	**5.6**

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

Business areas
Direct deposits from banking business



In the analysis of funding by sector, the Banca dei Territori Division, which accounts for 55.4% of the aggregate attributable to the Group's operating units, came in below the levels of the previous year (-7.1%, or -20.7 billion euro), in view of the decrease in amounts due to customers. In response to a quick rise in interest rates, business customers used their liquidity to limit the use of bank loans, and households, whose purchasing power was eroded by inflation, redirected a portion of their available funds on current accounts to more remunerative investment products.
Private Banking was also down (-9.2%, or -4.6 billion euro), due to the reduction in current account deposits only partly offset by the increase in time deposits. In contrast, direct deposits increased for IMI Corporate & Investment Banking (+19.7%, or +18.7 billion euro) as a result of the growth in transactions in certificates and securities issued by the Luxembourg and Irish subsidiaries and, to a lesser extent, for International Subsidiary Banks (+6.5%, or +3.5 billion euro), driven by the positive performance of the subsidiaries operating in Slovakia, Serbia and Hungary.
The growth in Corporate Centre funding was mainly attributable to transactions in wholesale securities and repurchase agreements.

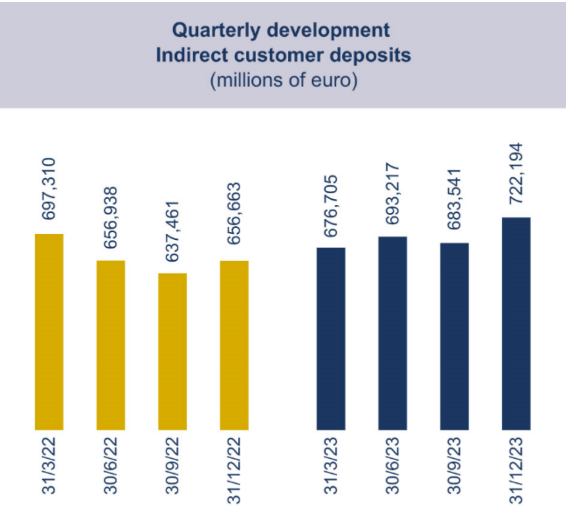
Indirect customer deposits

(millions of euro)

	31.12.2023		31.12.2022		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds [(a)]	155,524	21.6	149,790	22.8	5,734	3.8
Open-ended pension funds and individual pension plans	16,667	2.3	11,986	1.8	4,681	39.1
Portfolio management	80,066	11.1	73,591	11.2	6,475	8.8
Insurance liabilities and insurance financial liabilities	165,543	22.9	171,872	26.2	-6,329	-3.7
Relations with institutional customers	26,231	3.6	22,926	3.5	3,305	14.4
Assets under management	**444,031**	**61.5**	**430,165**	**65.5**	**13,866**	**3.2**
Assets under administration and in custody	**278,163**	**38.5**	**226,498**	**34.5**	**51,665**	**22.8**
Indirect customer deposits	**722,194**	**100.0**	**656,663**	**100.0**	**65,531**	**10.0**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.
The amount for assets under administration and in custody as at 31 December 2022 has been restated as a result of the delisting of shares, which, as they are no longer listed, are included at nominal value.

(a) This caption does not include funds held by Group insurance companies and managed by the Group's asset management companies, whose values are included in the insurance liabilities and insurance financial liabilities, and the funds established by third parties and managed by Group companies, whose values are included in assets under administration and in custody.



As at 31 December 2023, indirect customer deposits, which came to 722.2 billion euro, increased by 10% year on year. The trend was due to assets under administration and assets under management, which also benefited from strong market performance.
Assets under management, which at 444 billion euro accounted for almost two-thirds of the total aggregate, were up (+3.2%, or +13.9 billion euro), due to the performance of portfolio management schemes (+6.5 billion euro), mutual funds (+5.7 billion euro), open pension funds and individual pension policies (+4.7 billion euro) and relations with institutional customers (+3.3 billion euro), partially offset by the decline in insurance liabilities and insurance financial liabilities (-6.3 billion euro). In 2023, the new life business of the insurance companies of the Intesa Sanpaolo Group, including pension products, amounted to 14.9 billion euro. Assets under administration, amounting to 278.2 billion euro, increased (+22.8%, or +51.7 billion euro), concentrated in securities and third-party products in custody, to which investors have directed part of their liquidity in order to benefit from higher yields.

Amounts due from and to banks - net interbank position

Starting in September 2022, excess liquidity is no longer deposited on the account of the Reserve Requirement aggregate under "Due from banks", but in on-demand deposits (overnight deposits) at the Central Bank, recognised in the caption "Cash and cash equivalents". At the end of 2023, this amount was 75.2 billion euro, of which 64 billion euro attributable to the Parent Company (94.5 billion euro in December 2022, of which 89 billion euro attributable to the Parent Company)[45].
Calculated considering the liquidity referred to above, as at 31 December 2023 the Group's net interbank position had a positive imbalance of 13.9 billion euro compared to -11.8 billion euro at the end of 2022. This change primarily reflected the significant reduction in amounts due to banks during the year (-32.7% to 92.5 billion euro), as a result of repayments, both early and upon maturity, of the funds raised through the TLTRO operations, despite the decrease, in a smaller percentage, in the aggregate of cash and cash equivalents and due from banks (-15.4% to 106.4 billion euro).
As at 31 December 2023, TLTRO III refinancing was outstanding for a nominal 45.1 billion euro – almost all attributable to Intesa Sanpaolo – of which 36 billion euro maturing in March 2024, 9 billion euro in June 2024 and 60 million euro in September 2024. The amount was down from 96.1 billion euro twelve months earlier: in January 2023 Intesa Sanpaolo repaid a nominal 20 billion euro in advance (4 billion euro obtained from the March 2020 auction, maturing in March 2023 and 16 billion euro in partial repayment of funds obtained in the June 2020 auction, maturing in June 2023), whereas the 31 billion euro still outstanding from the loan obtained in the June 2020 auction matured on 28 June 2023.

[45] In order to better represent the Group's liquidity position, in addition to those held by the Parent Company, as a borrower of TLTRO funds, the overnight deposits of the Group's other euro area banks have been considered, even when those banks are not recipients of TLTRO funds.

INSURANCE BUSINESS
Financial assets and liabilities pertaining to insurance companies

(millions of euro)

Type of financial instruments	Financial assets pertaining to insurance companies measured at fair value through profit or loss and Hedging derivatives	Financial assets pertaining to insurance companies measured at fair value through other comprehensive income	Financial assets pertaining to insurance companies measured at amortised cost	TOTAL Financial assets pertaining to insurance companies	Due to Banks and Financial Derivatives pertaining to insurance companies (*)	
Debt securities issued by Governments						
31.12.2023	4,536	55,834	-	**60,370**	X	
31.12.2022	2,754	55,283	-	**58,037**	X	
Changes amount	1,782	551	-	**2,333**	X	
Changes %	64.7	1.0	-	**4.0**	X	
Other debt securities						
31.12.2023	3,185	16,294	-	**19,479**	X	
31.12.2022	3,640	14,502	-	**18,142**	X	
Changes amount	-455	1,792	-	**1,337**	X	
Changes %	-12.5	12.4	-	**7.4**	X	
Equities						
31.12.2023	5,523	7	-	**5,530**	X	
31.12.2022	5,004	7	-	**5,011**	X	
Changes amount	519	-	-	**519**	X	
Changes %	10.4	-	-	**10.4**	X	
Quotas of UCI						
31.12.2023	87,998	-	-	**87,998**	X	
31.12.2022	90,680	-	-	**90,680**	X	
Changes amount	-2,682	-	-	**-2,682**	X	
Changes %	-3.0	-	-	**-3.0**	X	
Due from banks and loans to customers						
31.12.2023	425	-	5	**430**	X	
31.12.2022	876	-	3	**879**	X	
Changes amount	-451	-	2	**-449**	X	
Changes %	-51.5	-	66.7	**-51.1**	X	
Due to banks						
31.12.2023	X	X	X	**X**	740	(**)
31.12.2022	X	X	X	**X**	637	(**)
Changes amount	X	X	X	**X**	103	
Changes %	X	X	X	**X**	16.2	
Financial derivatives						
31.12.2023	51	-	-	**51**	90	(***)
31.12.2022	98	-	-	**98**	171	(***)
Changes amount	-47	-	-	**-47**	-81	
Changes %	-48.0	-	-	**-48.0**	-47.4	
Credit derivatives						
31.12.2023	-	-	-	**-**	-	(***)
31.12.2022	-	-	-	**-**	-	(***)
Changes amount	-	-	-	**-**	-	
Changes %	-	-	-	**-**	-	
TOTAL 31.12.2023	**101,718**	**72,135**	**5**	**173,858**	**830**	
TOTAL 31.12.2022	**103,052**	**69,792**	**3**	**172,847**	**808**	
Changes amount	**-1,334**	**2,343**	**2**	**1,011**	**22**	
Changes %	**-1.3**	**3.4**	**66.7**	**0.6**	**2.7**	

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

(*) This amount does not include "Financial liabilities pertaining to insurance companies designated at fair value" included in the table on direct deposits from insurance business.

(**) Value included in the Balance sheet under "Financial liabilities measured at amortised cost pertaining to insurance companies".

(***) Value included in the Balance Sheet under "Financial liabilities held for trading pertaining to insurance companies ".

Financial assets and amounts due to banks, and financial derivatives pertaining to insurance companies, summarised in the table above, amounted to 173.9 billion euro and 830 million euro, respectively. Financial assets were up moderately compared to the previous year (+0.6%, or +1 billion euro) due to the increase in debt securities (+3.7 billion euro) and equities (+0.5 billion euro), largely offset by the decrease in units of UCIs (-2.7 billion euro) and, to a lesser extent, in amounts due from banks and customers (-0.4 billion euro).

Direct deposits from insurance business

(millions of euro)

	31.12.2023				31.12.2022				Changes	
	Life	**Non-life**	**Total**	**% breakdown**	**Life**	**Non-life**	**Total**	**% breakdown**	**amount**	**%**
Liabilities for remaining coverage (*)	117,353	944	118,297	68.4	115,236	1,042	116,278	67.0	2,019	1.7
of which: Present value of cash flows	*108,482*	*193*	*108,675*	*62.9*	*106,227*	*216*	*106,443*	*61.3*	*2,232*	*2.1*
of which: Adjustment for non-financial risks	*387*	*16*	*403*	*0.2*	*268*	*1*	*269*	*0.2*	*134*	*49.8*
of which: Contractual service margin	*8,484*	*336*	*8,820*	*5.1*	*8,741*	*328*	*9,069*	*5.2*	*-249*	*-2.7*
Liabilities for incurred claims	667	885	1,552	1.0	758	539	1,297	0.7	255	19.7
Total Insurance liabilities	**118,020**	**1,829**	**119,849**	**69.4**	**115,994**	**1,581**	**117,575**	**67.7**	**2,274**	**1.9**
Investment contracts										
Unit linked (**)	51,438	-	51,438	29.8	54,212	-	54,212	31.2	-2,774	-5.1
Total Financial liabilities	**51,438**	**-**	**51,438**	**29.8**	**54,212**	**-**	**54,212**	**31.2**	**-2,774**	**-5.1**
Other insurance deposits (***)	**1,459**	**-**	**1,459**	**0.8**	**1,885**	**-**	**1,885**	**1.1**	**-426**	**-22.6**
Direct deposits from insurance business	**170,917**	**1,829**	**172,746**	**100.0**	**172,091**	**1,581**	**173,672**	**100.0**	**-926**	**-0.5**

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

(*) The value of the Liabilities for remaining coverage in the Non-Life columns also includes the liabilities measured using the simplified Premium Allocation Approach, which does not require the opening in the individual breakdown captions.

(**) Values included in the Balance Sheet under "Financial liabilities designated at fair value pertaining to insurance companies".

(***) Values included in the Balance Sheet under "Financial liabilities measured at amortised cost pertaining to insurance companies". The caption includes subordinated liabilities.

Direct deposits from insurance business stood at 172.7 billion euro as at 31 December 2023, down slightly (-0.5%, or -0.9 billion euro) compared to the end of 2022. The change was attributable to the reduction in the financial liabilities of the life business (-5.1%, or -2.8 billion euro), consisting of unit-linked products, almost entirely offset by the increase in insurance liabilities (+1.9%, +2.3 billion euro), particularly the liability for remaining coverage. Other insurance deposits, which represent a marginal component of the total aggregate and include subordinated liabilities, decreased by 0.4 billion euro.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. As at 31 December 2023 assets held for sale amounted to 264 million euro – consisting primarily of unlikely to pay loans and performing positions subject to a de-risking operation expected to be concluded in the first half of 2024 – and associated liabilities of 2 million euro. At the end of 2022, assets held for sale amounted to 638 million euro – essentially attributable to non-performing assets and equity investments, the transactions for which were all concluded in the first half of 2023 – against associated liabilities of 15 million euro.

SHAREHOLDERS' EQUITY

As at 31 December 2023, the Group's Shareholders' equity came to 63,963 million euro, compared to 61,103 million euro at the end of the previous year, which registered the interim dividends on the 2022 net income paid in November 2022 (1.4 billion euro). In December 2023 the aggregate included 7,724 million euro in net income accrued in 2023 and reflects the payment of the remaining dividends on 2022 net income in May 2023 (1.6 billion euro), the interim dividend on 2023 net income paid in November 2023 (2.6 billion euro), and the purchases of own shares for annulment (buyback), finalised in early May 2023 (1.7 billion euro).

Valuation reserves

(millions of euro)

	Reserve 31.12.2022	Change of the period	Reserve 31.12.2023
Financial assets measured at fair value through other comprehensive income (debt instruments)	-1,774	266	-1,508
Financial assets measured at fair value through other comprehensive income (equities)	-258	-218	-476
Property and equipment	1,749	114	1,863
Foreign investment hedges	-10	-14	-24
Cash flow hedges	-466	148	-318
Foreign exchange differences	-1,247	-1	-1,248
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-45	-80	-125
Actuarial profits (losses) on defined benefit pension plans	-238	51	-187
Portion of the valuation reserves connected with investments carried at equity	39	-38	1
Legally-required revaluations	311	-	311
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	**-1,939**	**228**	**-1,711**
Valuation reserves pertaining to insurance companies	**-519**	**221**	**-298**

Bank valuation reserves were negative (-1,711 million euro), down by 228 million euro compared to 31 December 2022 (-1,939 million euro). Positive changes came mainly from reserves on debt securities, cash flow hedges and property and equipment, while negative changes came essentially from reserves on equities. Valuation reserves of the insurance companies amounted to -298 million euro, compared to -519 million euro at the end of 2022.

Reconciliation of the Parent Company's shareholders' equity and net income (loss) with consolidated shareholders' equity and net income (loss)

(millions of euro)

	Shareholders' equity	of which Net income (loss) as at 31.12.2023
Parent Company's balances as at 31 December 2023	**56,040**	**7,292**
Effect of consolidation of subsidiaries	1,454	6,615
Effect of valuation at equity of companies subject to joint control and other significant equity investments	-284	43
Elimination of adjustments to equity investments and recognition of impairment of goodwill	6,768	13
Dividends collected during the period	-	-6,209
Other	-15	-30
Consolidated balances as at 31 December 2023	**63,963**	**7,724**

OWN FUNDS AND CAPITAL RATIOS

(millions of euro)

Own funds and capital ratios	**31.12.2023**	**31.12.2022**	
	(*)	IFRS 9 "Fully loaded"	IFRS 9 "Transitional"
Own funds			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	41,476	40,019	40,772
Additional Tier 1 capital (AT1) net of regulatory adjustments	7,707	7,207	7,207
TIER 1 CAPITAL	**49,183**	**47,226**	**47,979**
Tier 2 capital net of regulatory adjustments	8,799	9,127	8,381
TOTAL OWN FUNDS	**57,982**	**56,353**	**56,360**
Risk-weighted assets			
Credit and counterparty risks	260,815	259,924	259,528
Market and settlement risk	12,621	10,338	10,338
Operational risks	28,471	25,486	25,486
Other specific risks (a)	203	91	91
RISK-WEIGHTED ASSETS	**302,110**	**295,839**	**295,443**
% Capital ratios			
Common Equity Tier 1 capital ratio	13.7%	13.5%	13.8%
Tier 1 capital ratio	16.3%	16.0%	16.2%
Total capital ratio	19.2%	19.0%	19.1%

(*) The IFRS 9 transition period ended on 31 December 2022 and the amounts shown in the column as at 31 December 2023 are therefore comparable with the previous IFRS 9 fully loaded period.
(a) The caption includes all other elements not contemplated in the foregoing captions that are considered when calculating total capital requirements.

Own Funds, risk-weighted assets and the capital ratios as at 31 December 2023 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended respectively by Directive 2019/878/EU (CRD V) and by Regulation (EU) 876/2019 (CRR II), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of the related Bank of Italy Circulars.
With reference to IFRS 9, the transitional period (2018-2022) introduced by Regulation (EU) no. 2395/2017, of which the Group applied the "static" approach, ended on 31 December 2022.
With regard to the effects of the application of IFRS 17 and the end of the period of application of the deferral approach for IFRS 9 for the insurance companies, refer to the section "Accounting policies" of this document.

Own funds
As at 31 December 2023, Own funds amounted to 57,982 million euro.
Even if the transitional period of IFRS 9 has ended, own funds take account of the provisions of the 2019 Budget Act, which temporarily called for - up to 2028 - the adjustments upon first-time adoption of the Standard to be applied in instalments for tax purposes, with the recognition of the resulting DTAs. These DTAs were fully included in the elements to be deducted from own funds, over the same time period. Moreover, it is noted that the Intesa Sanpaolo Group did not apply either the new transition regime for IFRS 9 (in force up to 31 December 2024), or the FVOCI prudential filter (ended on 31 December 2022). These were both introduced by Regulation (EU) no. 873/2020 (Quick Fix) in the context of the pandemic.

Own Funds also take into account the applicable amount, object of deduction from CET1, related to the minimum coverage of losses on non-performing exposures, known as Minimum Loss Coverage, based on the provisions of Regulation (EU) 630/2019 of 17 April 2019.
Moreover, in compliance with Article 3 of the CRR ("Application of stricter requirements by institutions"), for the purpose of calculating Own Funds as at 31 December 2023, the voluntary deduction of calendar provisioning[46] on exposures within the scope of Pillar 2 was included, which entailed the deduction of an impact of around 30 basis points from CET 1.
Since 30 June 2023, the Intesa Sanpaolo Group has been complying with EBA Q&A 2021_6211, which clarifies that the amount of goodwill to deduct from an institution's CET 1 must be that relating to directly controlled insurance companies, recognised at the date of acquisition of the significant investment in those companies, without considering the goodwill referring to subsequent acquisitions made. The latter amount was included in the calculation of risk-weighted assets (RWA), thus falling under the ordinary treatment that the Group reserves for equity investments in insurance companies.
With regard to AT1, following the authorisation for the repurchase and redemption granted by the ECB in July 2023, with effect from the reporting date of 30 September 2023 the instrument issued in May 2017 with a nominal value of 750 million euro has no longer been included, while the new perpetual bond issued in September with a nominal value of 1.25 billion euro has been included.
For the purposes of calculating own funds as at 31 December 2023 the net income for 2023 was considered, less the related dividend and other foreseeable charges[47].

Risk-weighted assets
As at 31 December 2023, risk-weighted assets came to 302,110 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risks.
Common Equity Tier 1 Capital and risk-weighted assets as at 31 December 2023 take account of the impact of the application of the "Danish Compromise" (Art. 49.1 of Regulation (EU) 575/2013), as per the specific authorisation received from the ECB in 2019, according to which insurance investments are treated as risk-weighted assets instead of being deducted from capital.

Solvency ratios
On the basis of the foregoing, solvency ratios as at 31 December 2023 amounted to a Common Equity ratio of 13.7%, a Tier 1 ratio of 16.3% and a total capital ratio of 19.2%.
Finally, on 30 November 2023, Intesa Sanpaolo announced that it had received notification of the ECB's final decision concerning the capital requirement that the Bank has to meet, on a consolidated basis, as of 1 January 2024, following the results of the Supervisory Review and Evaluation Process (SREP). Following the additional Article 3 CRR deduction made to Own funds in June 2023 (for the calendar provisioning on exposures included in the scope of Pillar 2), the Supervisor updated the Pillar 2 Requirement (P2R) applicable in 2023 (SREP 2022). As a result, from the second half of 2023, the P2R on Total Capital is 1.50% (compared to 1.72% previously).
The overall requirement to be met in terms of Common Equity Tier 1 ratio is 8.83% (to be met in 2023) and 9.33% (to be met in 2024), inclusive of the Capital Conservation Buffer, O-SII Buffer and Countercyclical Capital Buffer[48] requirements.

[46] The addendum to ECB Guidance on non-performing loans of 2018 contemplates the possibility that banks "deduce" on their own initiative specific amounts from CET 1, to anticipate supervisory requests, in the event of divergence between the prudential framework, which expects adjustments not based on credit risk measurement criteria, and the accounting framework.

[47] Coupons accrued on Additional Tier 1 issues (341 million euro) and proposed assignment to the Allowance for charitable, social and cultural contributions (22 million euro).

[48] The Countercyclical Capital Buffer is calculated taking into account the exposure as at 31 December 2023 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2025, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2023 and for the first quarter of 2024).

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	31.12.2023	31.12.2022
Group Shareholders' equity	63,963	61,655
Minority interests	164	166
Shareholders' equity as per the Balance Sheet	**64,127**	**61,821**
Interim dividend (a)	2,629	1,400
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-7,707	-7,207
- Minority interests eligible for inclusion in AT1	-	-
- Minority interests eligible for inclusion in T2	-	-
- Ineligible minority interests on full phase-in	-164	-166
- Ineligible net income for the period (b)	-5,787	-3,165
- Own shares included under regulatory adjustments (c)	165	169
- Other ineligible components on full phase-in (d)	-325	-100
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**52,938**	**52,752**
Regulatory adjustments (including transitional adjustments) (e)	**-11,462**	**-11,980**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**41,476**	**40,772**

(a) As at 31 December 2023 and 31 December 2022 the Shareholders' Equity as per the Balance Sheet does not include the interim dividend, of 2,629 million euro and 1,400 million euro respectively (net of the amount not distributed in respect of own shares held at the record date).

(b) Common Equity Tier 1 capital as at 31 December 2023 includes the net income as at that date, less the related dividend and other foreseeable charges (accrued coupon on Additional Tier 1 instruments, net of the tax effects and charity allowance).

(c) The amount includes, in addition to the book value of own shares, the unused portion of the ceiling for which the Bank has received the buyback authorisations.

(d) As at 31 December 2023, the amount includes a deduction of 246 million euro following the authorisation for the repurchase of an AT1 instrument as part of a liability management transaction carried out in August.

(e) Regulatory adjustments as at 31 December 2023 no longer include the impact of the application of the IFRS 9 transitional filter - the applicability of which ended in 2022 - conversely, they include 891 million euro in additional deductions pursuant to Art. 3 of the CRR (relating to the voluntary deduction of calendar provisioning on exposures included in the scope of Pillar 2).

Performance of risk-weighted assets

(millions of euro)

Risk-weighted assets as at 31.12.2022	**295,443**
Credit and counterparty risk	1,287
Market and settlement risk	2,283
Operational risks	2,985
Other specific risks	112
Risk-weighted assets as at 31.12.2023	**302,110**

The overall change in risk-weighted assets in 2023 was an increase of around 6.7 billion euro due to the model effect on credit risk. Excluding this effect, there would have been a significant decrease in the total aggregate due to the reduction in the remaining components of credit risk which more than offset the increase in the absorption of market risks and operational risks. Below is the commentary on individual risks.

Risk-weighted assets for credit and counterparty risk increased by around +1.3 billion euro, mainly attributable to the model effect, following the implementation of the ECB authorisations, partially offset by the changes in volumes and an improvement in the credit quality of the portfolio.

The increase in risk-weighted assets related to market and settlement risks (+2.3 billion euro) was mainly attributable to the movements in the VaR and Stressed VaR measures as a result of portfolio movements and risk factors, and interest rates in particular.

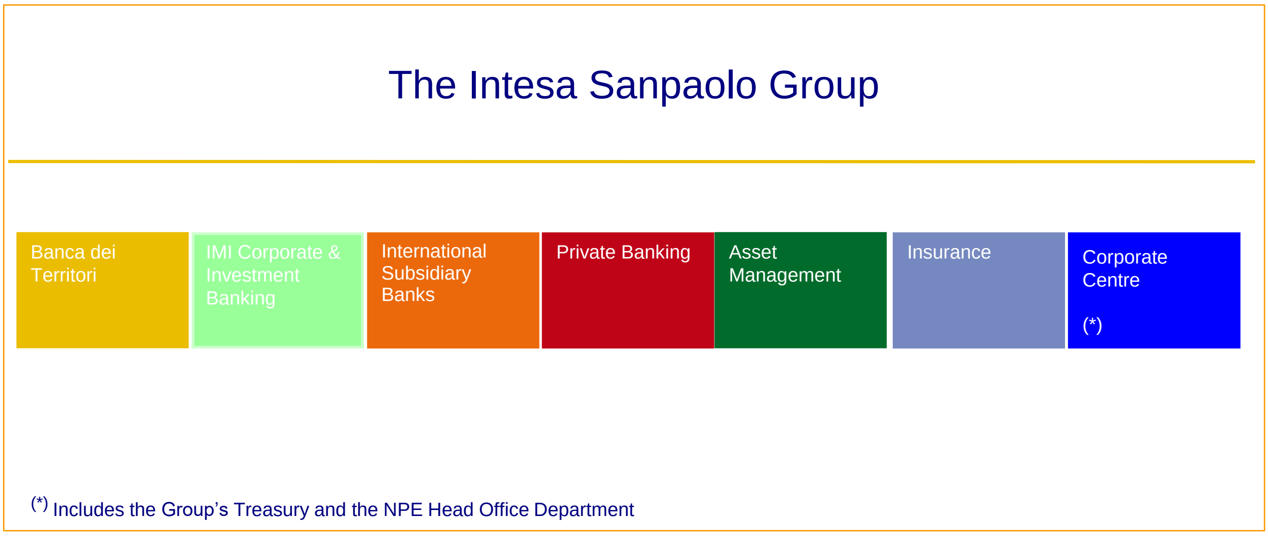
The increase in risk-weighted assets for operational risks (around +3 billion euro) was mainly attributable to the update of the components measured using internal models and, to a lesser extent, to the increase in the relevant indicator for the components measured using the standard approach.

Other specific risk-weighted assets were essentially stable.

Breakdown of consolidated results by business area and geographical area

Breakdown of consolidated results by business area and geographical area

The Intesa Sanpaolo Group organisational structure is based on Business Units. In addition, there is the Corporate Centre, which is charged with providing guidance, coordination and control for the entire Group.



The Intesa Sanpaolo Group's segment reporting is based on the elements that management uses to make its own operating decisions (the "management approach") and is therefore consistent with the disclosure requirements of IFRS 8.
In addition to reflecting the operating responsibilities assigned in accordance with the Group's organisational structure, the business areas are an aggregation of business lines similar in the type of products and services they sell.

With regard to the application of IFRS 17 and IFRS 9 by the Group's insurance companies, in line with the adjustment of the comparison data in the consolidated financial statements due to the retrospective application of the two standards, the division data for the periods presented for comparison were also adjusted on a like-for-like basis.
Moreover, division figures for the comparative periods are also restated to reflect the changes in scope of the Business Units, where necessary and if they are material. It is specifically noted that the 2022 data recorded:
- the inclusion in the Private Banking Division of the income statement and balance sheet results of the Luxembourg private bank Compagnie de Banque Privée Quilvest[49], consolidated at the end of June 2022;
- the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022;
- the reclassification from the caption Personnel expenses to the caption Net fee and commission income, of the charges relating to several incentive systems for employees of the Banca dei Territori Division and the Private Banking Division, where funded through fee and commission income generated based on deterministic quantification criteria correlated with that income, in line with the accounting treatment envisaged for the incentive systems for non-employee financial advisors (reclassification introduced in 2022).

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in 2023 compared to the like-for-like comparison data.

The following itemised analysis of the business areas contains a description of the products and services offered, the type of customers served and the initiatives carried out in the year; it also illustrates income statement figures and the main balance sheet aggregates. Finally, for each business area, the capital absorbed based on Risk Weighted Assets (RWAs) was also calculated. RWAs were determined in accordance with the provisions in force (Circular 285) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013, amended by Regulation (EU) 876/2019 of 20 May 2019, known as CRR II, which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws. Absorbed capital also takes account of the regulatory changes introduced by the ECB with effect from 12 March 2020, allowing the Pillar 2 requirement to be met partially using equity instruments not classified as Common Equity Tier 1. For each Division, the absorbed capital is supplemented, where necessary, with management data on "economic" capital to take into account the risks not covered by

[49] On 1 January 2023, along with the incorporation of Fideuram Bank (Luxembourg) S.A., Compagnie de Banque Privée Quilvest S.A. took on the name Intesa Sanpaolo Wealth Management S.A.

the regulatory metric.

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Operating income								
2023	11,285	3,910	2,925	3,184	908	1,613	1,313	25,138
2022	8,847	4,298	2,227	2,475	962	1,589	1,042	21,440
% change	27.6	-9.0	31.3	28.6	-5.6	1.5	26.0	17.2
Operating costs								
2023	-6,555	-1,502	-1,197	-983	-245	-379	-468	-11,329
2022	-6,397	-1,419	-1,118	-921	-222	-385	-472	-10,934
% change	2.5	5.8	7.1	6.7	10.4	-1.6	-0.8	3.6
Operating margin								
2023	4,730	2,408	1,728	2,201	663	1,234	845	13,809
2022	2,450	2,879	1,109	1,554	740	1,204	570	10,506
% change	93.1	-16.4	55.8	41.6	-10.4	2.5	48.2	31.4
Net income (loss)								
2023	1,945	1,478	1,173	1,366	475	876	411	7,724
2022	494	656	504	1,034	550	933	208	4,379
% change				32.1	-13.6	-6.1	97.6	76.4

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
31.12.2023	232,411	127,167	42,050	14,372	243	-	13,297	429,540
31.12.2022	247,913	129,791	40,212	15,104	282	-	13,552	446,854
% change	-6.3	-2.0	4.6	-4.8	-13.8	-	-1.9	-3.9
Direct deposits from banking business								
31.12.2023	270,365	113,450	57,910	45,805	16	-	88,590	576,136
31.12.2022	291,089	94,785	54,364	50,447	26	-	54,675	545,386
% change	-7.1	19.7	6.5	-9.2	-38.5	-	62.0	5.6
Risk-weighted assets								
31.12.2023	80,484	110,836	36,071	11,924	1,990	-	60,805	302,110
31.12.2022	84,302	101,018	35,056	12,757	1,798	-	60,512	295,443
% change	-4.5	9.7	2.9	-6.5	10.7	-	0.5	2.3
Absorbed capital								
31.12.2023	6,914	9,537	3,905	1,111	212	4,156	3,175	29,010
31.12.2022	7,242	8,698	3,793	1,154	195	4,954	3,487	29,523
% change	-4.5	9.6	3.0	-3.7	8.7	-16.1	-8.9	-1.7

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

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	2023	2022	Changes	
			amount	%
Net interest income	6,549	3,992	2,557	64.1
Net fee and commission income	4,630	4,739	-109	-2.3
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	111	120	-9	-7.5
Other operating income (expenses)	-5	-4	1	25.0
Operating income	**11,285**	**8,847**	**2,438**	**27.6**
Personnel expenses	-3,482	-3,430	52	1.5
Other administrative expenses	-3,071	-2,964	107	3.6
Adjustments to property, equipment and intangible assets	-2	-3	-1	-33.3
Operating costs	**-6,555**	**-6,397**	**158**	**2.5**
Operating margin	**4,730**	**2,450**	**2,280**	**93.1**
Net adjustments to loans	-1,318	-1,239	79	6.4
Other net provisions and net impairment losses on other assets	-114	-68	46	67.6
Other income (expenses)	17	11	6	54.5
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**3,315**	**1,154**	**2,161**	
Taxes on income	-1,088	-386	702	
Charges (net of tax) for integration and exit incentives	-70	-41	29	70.7
Effect of purchase price allocation (net of tax)	-24	-32	-8	-25.0
Levies and other charges concerning the banking industry (net of tax)	-188	-214	-26	-12.1
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	13	-13	
Net income (loss)	**1,945**	**494**	**1,451**	

(millions of euro)

	31.12.2023	31.12.2022	Changes	
			amount	%
Loans to customers	232,411	247,913	-15,502	-6.3
Direct deposits from banking business	270,365	291,089	-20,724	-7.1
Risk-weighted assets	80,484	84,302	-3,818	-4.5
Absorbed capital	6,914	7,242	-328	-4.5

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

Banca dei Territori's operating income was 11,285 million euro in 2023, amounting to 45% of the Group's consolidated revenues, showing significant growth (+27.6%) on the previous year.
In detail, net interest income increased sharply (+64.1%), attributable to the trend in market interest rates, which favoured the profitability of customer dealing. Net fee and commission income decreased (-2.3%), specifically due to assets under management, against an increase in fees on the placement of certificates, on dealing in securities and on advisory. As part of commercial banking fees, loans and guarantees decreased due to lower disbursements, partly offset by fee and commission income from cards and other payment services, related to the gradual increase in the amount transacted. The other revenue components, which provide a marginal contribution to the Division's operating income, Profits (Losses) on financial assets and liabilities designated at fair value came to 111 million euro (-7.5%) and other operating expenses to -5 million euro (-4 million euro in 2022). Operating costs, amounting to 6,555 million euro, were up (+2.5%), due to administrative expenses, which, moreover, were affected by high inflation levels, and personnel expenses, also due to the higher costs related to the renewal of the national collective bargaining agreement. As a result of the above, the operating margin rose to 4,730 million euro, compared to 2,450 million euro in the previous year. Gross income amounted 3,315 million euro, almost triple the amount of 2022, despite higher adjustments to loans and other net provisions and net impairment losses on other assets in relation to legal disputes. After allocation to the Division of taxes of 1,088 million euro, charges for integration of 70 million euro and the

effects of purchase price allocation for 24 million euro and levies and other charges concerning the banking industry for 188 million euro, net income came to 1,945 million euro (494 million euro in the previous year).

In quarterly terms, the operating margin decreased on the third quarter of 2023, mainly attributable to the increase in operating costs, specifically in personnel expenses, due to the above-mentioned effect of renewing the National Collective Bargaining Agreement, and administrative expenses, against slight growth in fee and commission income. Gross income and net income also showed a declining trend, impacted by higher adjustments to loans.

The balance sheet figures at the end of December 2023 showed a decline in total intermediated volumes of loans and deposits compared to the previous year (-6.7%). In detail, loans to customers, amounting to 232,411 million euro, decreased (-6.3%, or -15.5 billion euro), mainly due to the trend in loans to businesses which, in the presence of rising interest rates, decided to use their liquidity to limit the use of bank credit, and to individuals, who decreased the demand for mortgage loans. Direct deposits from banking business, equal to 270,365 million euro, amounted to levels down from the previous year (-7.1%, equal to -20.7 billion euro) in relation to the decrease in amounts due to customers. Businesses used their excess liquidity to reduce the use of credit lines. Households, whose purchasing power was eroded by inflation, redirected a portion of their available funds on current accounts to more remunerative investment products such as government/corporate bond issues, which increased the dossiers of assets under administration, and Intesa Sanpaolo certificates structured by the IMI Corporate & Investment Banking Division.

Business	Traditional lending and deposit collection operations in Italy and associated financial services.
Mission	To serve Retail, Exclusive, and Small and Medium Enterprise customers, including Agribusiness and non-profits, creating value through: – widespread local coverage; – focus on the characteristics of local markets, and the needs of customer segments serviced; – development of service levels to customers using different channels in order to improve the efficiency of the commercial offering; – development and management of products and services for the target customers, as well as of leasing, factoring and subsidised finance products for the Group in Italy; – the centrality of the roles of the officers responsible for the Regional Governance Centres, Area Governance Centres and branches as points of reference for the Group at local level.
Organisational structure	
Wealth Management & Protection Sales & Marketing; Digital Retail Sales & Marketing and SME Sales & Marketing Departments	Overseeing the Retail sector, which consists of the segments Individuals, Affluent and Retail Companies, the Exclusive sector (retail customers with high asset and wealth standing and complex financial needs) and the SME area (small businesses, businesses and top businesses with high complexity and potential for growth).
Agribusiness Department	Serving agriculture and agribusiness.
Impact Department	Aimed at developing the initiatives of Impact Bank and serving non-profit organisations.
Isybank	The Group's new digital bank developed for customers that primarily use on-line channels, who can carry out operations that meet their needs autonomously and remotely, using the app and with the support of the Digital Branch.
Product companies	Prestitalia: a financial intermediary operating in the Italian market of consumer credit, specialising in the salary-backed loans segment.
Distribution structure	Over 3,000 branches, including Retail, Exclusive and Business branches, distributed broadly throughout Italy, the Agribusiness branches dedicated to companies operating in agribusiness, and Impact branches dedicated to the non-profit sector. The territorial structure is divided into 14 Governance Centres: Agribusiness, Impact and 12 Regional Governance Centres. In the latter, (to favour the commercial focus and guarantee a better control of the service level) there are three Commercial Managers, specialised for "commercial territory" (Retail, Exclusive and SME), which report directly to the Regional Director and that coordinate around 330 commercial areas. These were joined by the Isybank Department, as part of the strategic initiatives to develop the new digital bank, and the Digital Branch Department, to oversee commercial relations with customers via the telephone channel and other related channels (chat, video calls) and the remote offering.

Wealth Management & Protection Sales & Marketing, Digital Retail Sales & Marketing and SME Sales & Marketing Departments

Investment and Pension Funds

The advanced advisory paid service "Valore Insieme", launched in 2017, proposes a global advisory model over all of the customer's assets, including real estate, also assisting customers in planning the transfer of wealth to their loved ones. Starting in April, several changes were introduced in the "Valore Insieme" range of services, to extend the service to an increasing number of customers and ensure a wider dissemination of the "Immobiliare" and "Passaggio Generazionale" Modules. This evolution involved eliminating the Specialist Package 2.0, which remains momentarily in stock for customers that previously signed up for it, and improving the access conditions for the Exclusive Package.

With the goal of assisting customers in transforming from savers to investors, and to preserve direct deposits, a range of opportunities were developed as alternatives to a current account, capable of providing returns on investments even in the short term and to guarantee customers the peace of mind of knowing their capital is protected and a preset amount will be distributed. Specifically, for individuals, the offering of savings certificates was expanded, also combining them with the subscription of asset management products, with returns consistent with the performance of market interest rates. Likewise, an offering on time deposits and time cash was activated for businesses. The range of protected funds ("Epsilon Protetto 1 anno" and "Epsilon Protetto 1 anno Plus" and "Epsilon Protezione 1 anno") was also expanded, which, in addition to guaranteeing protection of 100% of capital, distribute a preset amount on expiry which varies, depending on the issues, from 1.50% to 2.50%. The range of mutual funds was expanded, with the gradual entry into the equity markets with the "Eurizon Target Solution 40" fund and the "Eurizon Target Solution 40 Plus" fund. To enrich the bond offering, a new Individual Savings Plans fund was launched, providing tax benefits to customers after 5 years ("Eurizon PIR Obbligazionario"), as well as the "Eurizon Valore Obbligazionario 3 anni" fund, focusing on corporate bonds, which distributes a preset amount of 3.5% for the first 2 years. Moreover, the highly diversified new range of mutual funds, Eurizon Next 2.0, was created, which is simple, clear and personalised. To favour increased financial inclusion and facilitate access to investments by an ever-increasing base of customers, the thresholds for access to all funds were decreased to 50 euro, and the free collective insurance policy was extended to all Luxembourg endowment policies in mutual funds. Among insurance investment products, three new Class I policies of Intesa Sanpaolo Vita were launched: "Patrimonio Garanzia$_{\text{Insurance}}$", "Patrimonio Dedicato$_{\text{Insurance}}$" and "Patrimonio Garanzia e Reddito". The latter specifically allows customers to supplement their income due to the payment, in the first three years, of an amount equal to 2% of the invested premium, achieved through partial planned surrender. In the event of a claim, it also provides an increased amount on death, included for the first time for Class I policies, varying from 0.25% to 15% based on the age of the insured at the time of death. The "Bonus" initiative of Intesa Sanpaolo Life was also activated, in force up to November. This reserved to customers subscribing a new contract of "Doppio Centro$_{\text{Insurance}}$", "Patrimonio Pro$_{\text{Insurance}}$" or "Exclusive$_{\text{Insurance}}$" a bonus of 1% of the amount of single, additional and/or recurring premiums paid during the period, while it reserved to existing customers a bonus of 1.5% of the amount of additional payments and/or recurring premiums activated *ex-novo* during the period of the promotion. Within the unit-linked policy of Intesa Sanpaolo Life "Prospettiva Sostenibile" a new internal, flexible bond fund was created, "Obbligazionario Tattico" and a new decumulation option was issued - a partial planned surrender that provides customers with periodic cash flows to integrate their available funds on their current accounts. This specific option was also issued for the "Prospettiva Stabilità$_{\text{Insurance}}$" policy. In the second half, the "Patrimonio Profilo$_{\text{Insurance}}$" policy was made available: this is a whole life multi-line insurance investment product to gradually access the financial markets through three investment processes, differentiated by level of risk. Moreover, the new unit-linked range, "IS Vita Dublin Branch", was created, improving death coverage. Lastly, for companies, "Patrimonio Aziende$_{\text{Insurance}}$" was made available. This is a multi-line policy for managing liquidity of legal persons, with the goal of combining the stability of separate portfolio management with the search for returns on internal funds available.

In the area of complementary pension funds, a new process was issued to sign up on the Intesa Sanpaolo Mobile App and carry out after-sales operations on Mobile App and Insurance App of Intesa Sanpaolo Vita on supplementary pension products in a simple, fully autonomous manner, enriching the offering channels already available (branch, Remote Offering, Out-of-branch Offering and Internet Banking).

The placement of certificates continued, with a significant increase in the range offered, differentiated by type of structure, protection levels, currency and, above all, with shorter time horizons. Customers were particularly interested in this type of investment, which accounted for a significant percentage of the total placements of investment products during the year. In 2023, with the goal of improving the efficiency and quality of financial advisory services, new functionalities of Robo4Advisor were introduced for the entire network of Banca dei Territori, which generate personalised investment suggestions for individual customers, and in September, Finanza Insieme was launched, the new platform to train and develop financial awareness, dedicated to all customers and individuals interested in increasing their knowledge of these topics.

Mortgages

In the of 2023, Intesa Sanpaolo provided new solutions, with a specific focus on all that is "Green" and on the Young People segment. The offering of loans in the "Green" range continued, providing even greater benefits in May (-35 bps) and additional benefits in the last two months, with dedicated interest rate conditions for those purchasing properties with high energy efficiency (class ≥ B) or renovating properties in order to increase their energy efficiency. In November, that offering, which can be combined also with the province-based promotion and the promotion for young people, could also be combined with mortgage loans for the purpose of subrogation, extending the incentives which, to date, were reserved for purchases. For people under 36, Intesa Sanpaolo relaunched an offering dedicated to a fixed rate on mortgage loans with a high LTV (over 80%) backed by coverage from the Primary Residence Guarantee Fund (at the end of November it was made possible to combine the Consap guarantee also to subrogations of mortgage loans already secured by the Fund) and introduced two new dedicated initiatives in February. The first, regarding mortgage loans with a duration of 35-40 years and a distinctive feature of the Group's offering on the market, benefits from the highly competitive interest rate quotes, which make it possible to significantly reduce the amount of the monthly payment, in addition to a 50% discount on the application fees. The second reserves highly favourable conditions to mortgage loan applications from young people brokered directly through online comparison sites. Two new business development agreements were also signed with the online brokers Crea.Re Digital and Idealista Mutui. Lastly, to support customers with floating rate mortgage loans to handle the increase in instalments, in the second half an initiative was launched with the Italian Banking Association to renegotiate mortgage loans from floating rate to fixed rate or to extend their duration or suspend the payment of instalments.

Personal loans

The package of measures the Bank put in place last year for households to deal with the problem of "high bills" continued in 2023, with the "OGGI INSIEME" loan at special low fixed-rate conditions, with no additional costs and repayable over up to 20 years, for customers aged between 18 and 75 and households resident in Italy, with an ISEE (Equivalent Financial Situation Index) of up to 40 thousand euro and a net average monthly income of at least 500 euro, who need subsidised loans to meet current expenses (rent, medical expenses, mobility, bills). Moreover, on 2 May, due to changes to the agreements signed between Intesa Sanpaolo and Prestitalia, the product "XME Prestito Pensionati INPS" (pension-backed loans) moved from a promotional model with placement to a promotion with recommendation, just as that provided for salary-backed loans and advances on severance indemnities. In order to meet customer needs, two new promotions were also activated with exclusive interest rate conditions on salary-backed loans, one reserved for employees of leading private and semi-public companies, and the other to young employees (44 years and 11 months on expiry of the loan). Lastly, with a view to improving the process of selling the Facile/Giovani/Diretto and Spensierata personal loans, from the end of November, it was made possible to obtain an initial assessment of the loan application in order to guide the customer/relationship manager and steer them to the most sustainable combination of instalment and duration. That initial assessment will not be binding in any way, as it is a mere consultation on filling out the application, and will not influence the approval process, which will remain the process currently validated.

Protection and Welfare

"XME Protezione" is a flexible multi-guarantee insurance solution that allows customers to purchase coverage (Modules) in the areas they need, relating to the home, healthcare and family. as part of the "Soluzione Domani" programme, the mix of protection, investment and loan products dedicated to seniors and family caregivers was enriched with the "Sostegno e Assistenza" and "Caregiver" Modules, and the development of "Ricoveri e Interventi" and "Tutela Legale+" in January. The first two Modules apply to emergencies or unforeseen events linked to illness or accidents, suffered by the senior or a family member caregiver, offering a wide range of healthcare and social assistance services, also in home. For subscribers of "Ricoveri e interventi", the possibility to retain coverage was extended up to age 90, while the "Tutela Legale+" Module now intervenes also for disputes linked to events in daily life, home ownership and rental and employment relationships (for example, defense in the event of negligent injury or disputes with legally hired domestic workers). In May, the "ProteggiMutuo Smart" policy with annual premium became available (which replaces the version with a single, prepaid premium). This policy is dedicated to people interested in adding coverage to their mortgage loan to financially protect themselves from unforeseen events that could compromise their ability to repay their instalments. In the motor sector, in June it was made possible to pay online policies in instalments, with zero interest, and a restyling was issued that make new coverage available with the same premium amount for the "Assistenza Base" and "Cristalli" guarantees. In November, the "Polizza Protezione Smartphone" was launched, the first policy that can be fully purchased through self operations, which insures accidental, partial or total property damages to smartphones purchased form the selection of products of the Bank's partners, on Internet Banking or via App. In the business sector, the process of digitising the offering continued, with the dematerialisation in July of the "Cyber Protection Business" and "RC Amministratori Sindaci e Dirigenti" products and, in November, of the "Tutela Business - Commercio" and "Tutela Business - Manifattura" policies, which have been reworked, introducing the new "Eventi Catastrofali" coverage to protect company assets from natural catastrophes such as earthquakes and floods. Moreover, during the period, numerous promotions were activated: for motor policies, the "Porta la tua polizza" promotion, which offers the Legal expenses guarantee for 1 euro to customers that already have motor policies that insure another vehicle, and for ViaggiaConMe a Consumo policies, the extension of the promotion providing free assistance for travel by bicycle; for individuals, the promotion "A prima vista" (to bring even more customers to the "XME Protezione" healthcare offering) and for the business world, "Proteggi la tua attività" (30% discount for new subscribers of "Tutela Business - Commercio" and "Tutela Business - Manifattura").

Young people

Intesa Sanpaolo continued to bring young people closer to the banking world through personalised, free solutions, such as "XME Conto UP!", a current account for children under the age of 18, and "XME Conto under 35". In addition to the offers mentioned regarding mortgage loans, the StudioSì Fund was extended to 15 December 2023. Through this fund, the Bank offers a loan for education, at a fixed-rate of 0%. Prestitalia also launched the new offering "Cessione del Quinto Giovani", a loan at subsidised rates for government and private employees who have not reached age 45 on expiry of the loan. The "Giovani e Lavoro" project also continued. This project supports the employment of young people aged 18 to 29, offering targeted training, free of charge, both for young people and for the participating businesses, favouring the effective matching of labour demand and supply. Moreover, in the business sector, as part of the "CresciBusiness" programme, the offering dedicated to young entrepreneurs (18-35) was launched, with a complete range of solutions and services to start up, develop and protect a business, due to the offering of products and services at subsidised conditions, the dissemination of financial education on public incentives and the promotion of instruments that favour the access to credit.

Transactional products and digital payments

During 2023, various initiatives were activated on new "XME Conto" contracts, providing discounts differentiated by age bracket and the elimination of the fee, and on "Card Plus" contracts, for new online applications. In February, savings books were eliminated from the product catalogue and dedicated promotions were made available to facilitate the move to the range of current accounts for customers that hold savings books who decide to close them. In October, Bancomat Pay® was made available as a payment option on Amazon.it: the new service allows customers to make payments in real time using just their mobile phone number, without having to indicate their payment card data. In the business segment, “Debit Plus” was launched in April, the first co-badge card (fully made of eco-friendly material) equipped with a dual circuit (Bancomat®, PagoBancomat® and MasterCard or Visa), and Instant Issuing service that can be activated from the website and App. At the end of November, the Instant Issuing digital activation service was also extended to Commercial Prepaid cards. Promotions continued for POS, with the launch of offers dedicated to freelance professionals and sole traders. Specifically, the initiative Micropagamenti was also activated for 2023. This enables small business owners to obtain refunds of the commissions charged on transactions of amounts up to 10 euro, and in July the Anticipo Transato POS and POS Virtuale services were made available. In September, the SoftPOS was made available for all business customers. This allows customers to accept contactless digital payments from smartphones/tablets, without the need for a POS terminal, while in mid-November, the catalogue was redeveloped to provide POS terminal customers with the best technology and simplify the commercial offering.

Multichannel Project

In 2023, the development of multi-channel and digital banking continued, with the introduction of new multi-channel customer journeys and the expansion of those available, to improve the offering and the customer experience, increasing the remote usability of the services offered by the digital channels. Specifically, for business customers, the elimination of the paper-based process for the Commercial Cards Customer Journey and the Short-term Loans and Unsecured Commitments Allocation Customer Journey was completed for all customers with digital identities. In April, a new Use of Short-term Loans Customer Journey was released, in June implementations were carried out on the POS Customer Journey, and at the end of November the Credit User Journey was released, a new process with the goal of simplifying the process of granting credit products.
During the period, the “Digitalizziamo” Project continued, which supports Italian enterprises capable of digitally transforming their businesses. The most deserving enterprises were selected to participate in the celebratory events and to benefit from digital services and advice provided by the partners.
In March for individuals, due to the partnership between the startup Switcho and Intesa Sanpaolo, the range of functionalities on the Intesa Sanpaolo Mobile App was expanded, adding a service that supports Italian households in saving money on their electricity and gas bills in a free, digital and innovative way.
At the Digital CX Awards, organized by The Digital Banker, Intesa Sanpaolo was recognised for the first time in the category Outstanding Digital CX - Trade Finance Initiative in Europe. The Bank stood out from its competitors due to its constant commitment along the path of digitalisation, automation and innovation, both of processes and of the services offered, specifically with reference to the Inbiz "Modulo Estero”, the digital platform that allows customers to have, in a single dashboard, the tools and information needed to optimise their international trade activities. Moreover, for the second year running, the US research company Forrester Research judged the Intesa Sanpaolo Mobile App as the “Global Mobile Banking Apps Leader”, the absolute leader among all banking apps assessed in the world, with the best functionalities and customer experience. Lastly, in December, the new ESG platform was made available, providing customers with a simple, interactive platform to understand their positioning, free of charge, and increase their awareness of their environmental and social impact and that of their governance practices.

Agreements

In 2023, Intesa Sanpaolo confirmed and increased its support to the tourism segment, with an agreement signed with Confindustria Alberghi, Federalberghi, Federterme and Federturismo, increasing the credit line to support companies in the sector up to a new amount of 10 billion euro and committing the Bank and Associations in a joint process of supporting companies in the sector. The agreement with Faita Federcamping, the leading association of open-air tourism operators, was renewed, and an agreement was signed with Fipe-Confcommercio, a leading association in the food service, entertainment and tourism sectors, to promote investments in the segment. In April, an agreement was signed with ANCI, the Association of Italian Municipalities, in line with the Green New Deal and the Repower EU Plan, promoted by the European Commission, and the Bank’s “Motore Italia Transizione Energetica” programme, to promote the development and spread of renewable energy projects, with a specific focus on the issue of RECs (Renewable Energy Communities). With regard to the issue of ecological transition, the partnership with Enel X was expanded to favour the energy autonomy of companies and the country. The agreement with Enel X, along with the partnership with Regalgrid Europe, are part of the “Motore Italia Transizione Energetica” programme, which confirmed support of 76 billion euro for investments in renewable energy plants as part of the over 410 billion euro made available by Intesa Sanpaolo to support the goals of the NRRP missions. Also as part of the “Motore Italia Transizione Energetica”, a three-year agreement was signed with Confindustria that makes liquidity of 150 billion euro available to companies. Regarding ESG issues, an agreement was signed with GSE - Gestore Servizi Energetici, to foster the promotion of environmental factors in the financial sector and to support training initiatives and assistance to businesses on energy transition issues and innovative models of sustainable growth. Two new agreements were signed with the Sardinia Special Economic Zone (SEZ) and the Adriatic Interregional Puglia Molise SEZ, to support the development of business investments within the areas of the SEZ. The agreement with Autorità del Sistema Portuale del Mare Adriatico Orientale to favour modernisation and increase the competitiveness of the port system. Intesa Sanpaolo, along with Digit’Ed, the company created last year through the transfer of Intesa Sanpaolo Formazione and the combination with the top companies in the sector, gave rise to an important commercial agreement to offer distinctive training courses for corporate customers. The sale of the new training programmes was launched at Corporate Branches: high-profile courses developed with prominent members of the academic world. Regarding tax bonuses for construction, numerous agreements for the reassignment to customers of the tax credits linked to the Construction Bonuses and the Superbonus (Università Luiss Guido Carli, Gruppo Battistolli, Gruppo Walter Tosto, Gruppo Zanutta, Quellogiusto, Piva Group, etc.). Intesa Sanpaolo was the first Italian bank to fully implement the “Decreto Aiuti”, immediately setting up the model for reassigning the credits, thereby freeing up tax capacity that was immediately made available to contribute to supporting businesses and households. With the goal of promoting the world of freelance professionals and facilitate access to credit for freelance professionals, Intesa Sanpaolo signed an agreement with AdEPP (Association of Private Pension Entities), making available a credit line of 1 billion euro to support persons enrolled in the associated AdEPP Professional Pension Funds. Due to the agreement with SIMEST, corporate customers can access loans at subsidised rates and non-repayable grants allocated on the Revolving Fund pursuant to Italian Law 394/81. At the end of September, the national CresciBusiness agreement was integrated, with the Confartigianato and Anita Confindustria associations, with an addendum which sets out joint initiatives to support micro and small member businesses in their processes of digitalisation, energy sustainability and commercial activities. In that regard, the Bank has set up measures for liquidity and guaranteed loans for 5 billion euro, part of the more than 410 billion euro allocated by the Group to support the objectives of the NRRP Missions. Thanks to the NRRP, National Research Centres were also created, which are a new system for cooperation between the world of research and businesses, with the goal of relaunching Italy's competitive development and the growth of businesses in innovative sectors. Intesa Sanpaolo is a founding partner of four of the five National Research Centres, the only Bank on the board: specifically, the National Sustainable Mobility Centre (MOST), invested in by Intesa Sanpaolo as a founding partner, published the first financing tenders in September, regarding air mobility and land transport.

Loans

In line with the NRRP, Intesa Sanpaolo has established a credit line, in support of the Italian economy over the entire duration of the plan, for a total of 410 billion euro of medium/long-term loans, of which 270 billion euro will go to businesses. Through "Motore Italia", the programme supporting the relaunch of the entire Italian production system, and based on the key priorities of the NRRP, the Bank supports measures mainly in areas related to the Recovery Plan such as the green and circular economy and green transition, infrastructure, transport, and urban regeneration projects. In March, the "Circolante Impresa SACE SupportItalia" loan was made available, to satisfy the requirements set out in art. 15 of Law Decree no. 50 of 17 May 2022, to support businesses impacted by the Russia Ukraine crisis, backed by a SACE SupportItalia guarantee. Moreover, the "CresciBusiness" programme, to assist small and very small companies in a process of digital, sustainable growth, continued to support the trade sector with initiatives dedicated to medium/long-term loans to be used for investments. In April, "CresciBusiness" was enriched with a new offering designed to promote the world of freelance professionals: the "Sviluppo MLT Crescita Liberi Professionisti" initiative to support retail company customers interested in investing in their business through a loan with favourable terms on the application fees, in addition to the dedicated POS offering and the "Tutela Business Uffici e Studi" policy, to protect office assets and guarantee business continuity. In May, 5 billion euro was made available to support Italian cinema and audiovisual production, in addition to the 2.4 billion euro in loans already dedicated to the sector since 2009. In July, Cassa Depositi e Prestiti (CDP) made available to the Bank a dedicated line of funding of 1 billion euro to grant loans to Italian SMEs and Mid Caps, with discounts differentiated based on whether government guarantees are present and the duration of the loan. Also in July, the first Private Debt Fund complementary to bank debt was launched, through a partnership between the Banca dei Territori Division, the IMI Corporate & Investment Banking Division and Eurizon, to support the development of SMEs and Mid Caps. Using ever more evolved types of financing, the Group thus strengthens its positioning to support the real economy to accompany the growth, internationalisation, generational turnover and sustainable transition of Italian small and medium-sized enterprises. In July, the SAL-based (Progress of Works) method of disbursing M/LT Loans with SACE Green guarantees (for projects that pursue environmental objectives as defined by the Green MEF agreement signed with SACE) was activated. At the end of 2023, in line with the technological trends at European level, the topics of Nova+, the line of medium/long-term loans to support research, development and innovation projects were updated. In the second half of 2023, a new funding agreement was signed with the EIB for 300 million euro, to dedicate to investment projects for Mid Caps, with a focus on innovation. At the end of the year, another EIB Funding Agreement was signed for 100 million euro, to dedicate to the agricultural sector and the bioeconomy, with a focus on investment projects in environmental sustainability and climate action.

Sviluppo Filiere

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

Agribusiness Department

The Agribusiness Department is the Intesa Sanpaolo Group's national network dedicated to the agrifood sector, which aims to promote the link with local areas and tap the potential of one of Italy's most important production sectors, where Italy is in third place in terms of added value among large European countries. The Department avails of 224 branches located throughout Italy, containing specialist professionals, concentrated in the most agricultural areas of the country, at the service of around 75 thousand customers. The Agribusiness Department positions itself as the main qualified interlocutor to assist operators in all phases of development, supporting their investments and promoting new business projects, with specific attention to the criteria of sustainability and the circular economy. The activities of this Department contributed to the finalisation of important agreements. Specifically, in May, an agreement was signed with Consorzio del Prosciutto di San Daniele to favour credit access for member companies, through a revolving pledge on the hams produced. Intesa Sanpaolo allocated a credit line of 40 million euro to support the initial loan operations, and in November, with CSQA (leading certification body in Italy), an addendum to the existing agreement was signed to define the operating process for launching the first transactions guaranteed by the pledge on legs of Prosciutto di Parma DOP. Agreements were also signed with Federpesca, in February, and Assica (Industrial Association of Meats and Cured Meats) in May, to simplify credit access by the member companies in the fishing segment and the meat segment. The continuing occurrence of extreme natural events of various types and the spread of infectious diseases and parasite attacks on crops and livestock made it necessary for the Bank to take ongoing, long-lasting action to support the businesses impacted. In October, the "Calamità Agribusiness" solution was created and added to the offering, whose interest rates will be updated monthly, to quickly meet the needs that may arise for agricultural and agrifood companies under the Agribusiness Department and all the Regional Governance Centre. The loans may be activated via a simplified process based on a self-certification of the damages incurred or a quotation of expenses and expenditure documentation (invoices).

Impact Department

The Impact Department is dedicated to managing non-profit customers and coordinating the activation and management of social impact funds created to foster the financial inclusion of individuals, households and non-profit organisations. Specifically, the Fund for Impact, with a value of 300 million euro, has made it possible to disburse new loans up to 1.5 billion euro, specifically targeted to categories that have difficulty in accessing credit, for the purpose of realising their projects. The first beneficiaries were University students, working mothers, families involved in their children's education and growth processes, unemployed persons nearing retirement, caregivers dealing with assisting non-self-sufficient family members and civil service volunteers. This is accompanied by the "Solidarity and Development Fund", with a value of over 50 million euro, which enables loans to non-profit organisations with important projects, which would otherwise be excluded from ordinary credit. To acquire new customers, various initiatives were renewed, with joint "Account+POS" Welcome Packs offers, and various solutions alternative to each other, based on the customers' operating requirements, and the new agreement exclusively dedicated to customers in the Non-Profit sector without a POS acquiring contract was activated. During the year, the "Diamo voce all'impatto" tour was held, which visited 12 Italian towns and involved around 400 organisations, developing new relationships and projects, the launch of the first edition of the Philanthropy Monitor, to illustrate the performance of services and tenders offered by philanthropic entities, the Finance and the Non-Profit Sector Monitor, and an event to present the Impact Counter, a proprietary tool to detect impact. With regard to the latter, in 2023 the results for 2022 were published, which were detected by recognising the expected effects of the impact of credit on the non-profit sector organisations. 620 questionnaires were filled in, which correspond to loans of around 194 million euro. The official results show that in two-thirds of cases there would have been no alternatives to the loan from Intesa Sanpaolo and that each million euro loaned will generate 15 new jobs and save an additional 100.
The beneficiaries of the initiative are estimated to be around 1.85 million, and over 22 thousand jobs will be created in the financed organisations, and a further 31 thousand due to the indirect effect on the communities where they operate.
In the area of donations, in 2023 the For Funding platform confirmed its leadership in Italian crowdfunding donation in support of non-profit sector projects, encouraging donations throughout the country.

Isybank

Isybank is the new digital bank of Intesa Sanpaolo, based on state-of-the-art technology, which targets both Intesa Sanpaolo customers who do not use the physical branches as they are mainly digital users of banking services and oriented to mobile banking, and to new customers. Isybank offers customers a complete experience through the App, with the support of the Digital Branch. Following an initial pilot phase, which began in March 2023, on 15 June it was presented to the markets and opened to new customers, and in October a business line of Intesa Sanpaolo relating to around 300 thousand customers was contributed to it.

Product companies

Prestitalia is the "product company" of the Intesa Sanpaolo Group for salary-backed loans and advances on employee termination indemnities.
A financial company that operates in the consumer credit market, highly specialised in salary-backed loans, it is one of the leading operators in the sector, with an average stock of around 2.4 billion euro.
As at 31 December 2023, with 47 thousand applications finalised, it disbursed loans totalling 954 million euro, through four main channels: Intesa Sanpaolo branch network, third-party agencies, "light" agents (tied agents that are natural persons) to support the entire Intesa Sanpaolo branch network and online channel.
The range of products includes" XME Prestito Pensionati INPS", "XME Anticipo TFS" (a product reserved to former government employees interested in using all or part of their severance indemnity without waiting the long time periods typical of the public authorities) and "XME Prestito Cessione del Quinto", which offers a solution for government employees as well as one reserved for private sector employees. Moreover, the agents supporting Intesa Sanpaolo branches may also propose current accounts, payment cards and POS to customers.
On 2 May, the new distribution model for "XME Prestito Pensionati INPS" entered into force, which is reported by the Intesa Sanpaolo branches to Prestitalia and no longer placed directly at the branch, which strengthens the synergies between channels and reduces the administrative activities carried out by the branches.

IMI Corporate & Investment Banking

(millions of euro)

Income statement	2023	2022	Changes amount	Changes %
Net interest income	2,797	2,107	690	32.7
Net fee and commission income	1,112	1,146	-34	-3.0
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	3	1,047	-1,044	-99.7
Other operating income (expenses)	-2	-2	-	-
Operating income	**3,910**	**4,298**	**-388**	**-9.0**
Personnel expenses	-559	-528	31	5.9
Other administrative expenses	-924	-870	54	6.2
Adjustments to property, equipment and intangible assets	-19	-21	-2	-9.5
Operating costs	**-1,502**	**-1,419**	**83**	**5.8**
Operating margin	**2,408**	**2,879**	**-471**	**-16.4**
Net adjustments to loans	-11	-1,564	-1,553	-99.3
Other net provisions and net impairment losses on other assets	-182	-131	51	38.9
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**2,215**	**1,184**	**1,031**	**87.1**
Taxes on income	-711	-508	203	40.0
Charges (net of tax) for integration and exit incentives	-26	-21	5	23.8
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	1	-1	
Net income (loss)	**1,478**	**656**	**822**	

(millions of euro)

	31.12.2023	31.12.2022	Changes amount	Changes %
Loans to customers	127,167	129,791	-2,624	-2.0
Direct deposits from banking business (1)	113,450	94,785	18,665	19.7
Risk-weighted assets	110,836	101,018	9,818	9.7
Absorbed capital	9,537	8,698	839	9.6

(1) The item includes certificates.

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

In 2023, the **IMI Corporate & Investment Banking Division** recorded operating income of 3,910 million euro (representing over 15% of the Group's consolidated total), down 9% compared to the previous year.
In detail, net interest income, amounting to 2,797 million euro, grew by 32.7%, mainly attributable to Global Markets operations, as well as a greater contribution from customer deposits. Net fee and commission income amounted to 1,112 million euro, down 3%, due to the decrease in fee and commission income in the commercial banking segment, only partially offset by the positive trend in investment banking. The profits (losses) on financial assets and liabilities designated at fair value were marginal (3 million euro) compared to 1,047 million euro in 2022, mainly as a result of the management of trading in the Global Markets area. The segment was negatively impacted by the management of financial risks related to funding in certificates due to the growth in market interest rates, which also had positive effects on net interest income in terms of greater liquidity used. Lower gains on the sale of HTCS debt securities and the lower contribution of Own Credit Risk (OCR) of certificates, due to the tightening of Intesa Sanpaolo's credit spread, also had an impact.
Operating costs amounted to 1,502 million euro, an increase of 5.8%, attributable to administrative and personnel expenses. As a result of the above revenue and cost trends, the operating margin fell by 16.4% to 2,408 million euro. Gross income, amounting to 2,215 million euro, increased significantly (+87.1%) on the value of 2022, which included significant adjustments allocated in relation to the events in Russia and Ukraine. Lastly, net income came to 1,478 million euro, more than double the 656 million euro realised in the previous year.

In the fourth quarter 2023, the IMI Corporate & Investment Banking Division saw growth in the operating margin compared to the third quarter, due to the increase in revenues, which more than offset the higher operating costs, essentially related to the renewal of the national collective bargaining agreement. Gross income and net income showed a similar trend, benefiting from lower adjustments to loans than those recorded in the previous quarter.

Intermediated volumes of the Division grew on an annual basis (+7.1%). In detail, loans to customers, amounting to 127,167 million euro, decreased (-2% to -2.6 billion euro), mainly due to loans in the global corporate segment, which fully offset the growth in loans in the global markets segment and loans to financial institution customers. Direct deposits from banking business, equal to 113,450 million euro, increased year on year (+19.7%, equal to +18.7 billion euro), essentially due to the development of operations in certificates and the growth in securities issued of the Luxembourg and Irish subsidiaries.

Starting from the beginning of 2023, in line with the targets of the 2022-2025 Business Plan, the IMI Corporate & Investment Banking Division updated its organisational structure, by identifying three business coordination areas, as illustrated below.

Business

Corporate and transaction banking, investment banking, public finance and capital markets, in Italy and abroad.

Mission

To act as a strategic, global partner in supporting companies and financial institutions in achieving balanced, sustainable growth, including at the international level, through a specialised network of hubs, branches, representation offices and subsidiaries that engage in corporate banking operations. To foster collaboration between the public and private sectors with the aim of supporting the creation of infrastructure and sustainable investments, including by pursuing international growth opportunities in countries of strategic interest to the Group. To provide all customers of the Intesa Sanpaolo Group with specialised skills in the areas of Investment Banking, Structured Finance, Capital Markets and Transaction Banking.

Organisational structure

Client Coverage & Advisory Coordination Area

This structure develops and handles relations with Italian and international Global Corporate customers, availing, at central level, of the commercial action of the Industry units (Automotive & Industrials; Basic Materials & Healthcare; Energy; Food & Beverage and Distribution; Infrastructure & Real Estate Partners; Retail and Luxury and Telecom, Media and Technology) and at local level of the Italian and international network of the Distribution Platform & GTB Coordination Area. The Department is responsible for commercial relationships with financial institutions on domestic and international markets, with a dedicated service model organised by customer segment (i.e., Banks, Insurance Companies, Asset Managers, Financial Sponsors, Sovereign Funds and Governments).
The Department guarantees the oversight and development of origination and advisory activities for customers, including M&A, Debt and ESG issues, also through specifically dedicated units, pursuing the cross-selling of products and services with an Originate to Share approach, maximising the synergies between corporate, institutional investor and product desk relations.

Distribution Platform & Global Transaction Banking Coordination Area

The structure oversees the development of the Italian and international network of the Division, ensuring the correct handling of operating and commercial activities for its major customers, through a specialised network of local structures in Italy and abroad. It guarantees the oversight, for the entire Group, of a wide range of transactional services, such as cash management, trade & export finance and securities services, also through Inbiz, the Corporate Internet Banking platform. It contributes to identifying and distributing loans and marketable assets through a single hub which mobilises and optimises the Division's credit balance sheet, in line with the Originate to Share process.

Global Banking & Markets Coordination Area

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

Distribution structure

In Italy, the IMI Corporate & Investment Banking Division has a total of 6 geographical areas dedicated to corporate customers and public customers. At the international level, it operates in 25 countries in support of the cross-border operations of its customers through a specialised network of hubs, branches, representative offices and subsidiaries that engage in corporate banking activity.

Client Coverage & Advisory Coordination Area

In a highly volatile and complex market situation, the structures of the Client Coverage & Advisory Coordination Area continued to assist their customers in complex, strategic financial operations, confirming its leadership on the market and positive performance in terms of the results achieved in the last few years. Specifically, the Customer Relations, Global Corporate and Institutional Clients worked in synergy with the new Corporate Finance & Advisory structure and Product Desk, pursuing the goal of favouring and consolidating strategic dialogue with its target customers, making it possible to identify numerous significant business opportunities.

In 2023, the Bank confirmed its role as strategic and financial partner to its Italian and international Global Corporate customers, supporting them by organising and participating in a number of financing and investment banking transactions, thanks to its specialised expertise linked to the Industry model and the cooperation with the other structures of the Division dedicated to developing strategic operations. The actions to support corporate customers in handling the complex macroeconomic and geopolitical scenario, marked by profound changes, continued. The Bank continued to play an active role in supporting the revival of the Italian economy, supporting the National Recovery and Resilience Plan (NRRP), including through development of its production chains, an indispensable driver for Italy and the heart of its economic and entrepreneurial system. In this area, Intesa Sanpaolo, along with a pool of banks, finalised a complex financial package for Ansaldo Energia, a strategic company for Italy, to support its new Business Plan. The Group participated in numerous syndicated loans, including those for Terna, Carnival, Saipem, Cellnex, Edison, TRIG, AGSM AIM, Pirelli, PPF Telecom, General Motors and Ventient. During the period, the coverage of ESG issues was expanded further, coordinating with a specialised team of the Division, to offer the best service to our customers to support their sustainability and energy transition strategies, providing green, social, sustainability and sustainability-linked financial products and instruments. Due to its skills developed on ESG issues, the Group participated in several syndicated loans, including those for Hera, Campari, Prysmian, Lavazza, Italo NTV, Fincantieri, Iberdrola, Engie, Aena, 2i Aeroporti and City Green Light. Bilateral ESG loans specifically included those to Feralpi, Endesa and Ferrovie dello Stato Italiane. In the ESG area, the Group also signed an agreement with Carrefour Italia that involves activating a credit line with ESG characteristics, for the purpose of issuing guarantees. The Parent Company participated in numerous project financing transactions, including financing to H2 Green Steel to build a green hydrogen steel production plant in Sweden (PFI Europe Sustainability Deal of the Year 2023), Aguas Horizonte (Marubeni Group) to build a desalination plant in Chile, Low Carbon to develop projects in the renewable energy sector in the United Kingdom and the Netherlands, OPDEnergy to build two photovoltaic solar packs in Virginia and Louisiana, Bruc to develop a portfolio of renewable energy projects in Spain. Of particular importance was the participation, as coordinating lead arranger, joint bookrunner and co-green loan structuring agent, in the loan to Pattern Energy to implement the SunZia project, which involves building the largest wind energy plant in the Western hemisphere. We also note the loan to support a consortium formed by GIP and Perdaman Industries to build and manage a urea production plant in Australia, as well as various actions in the digital infrastructure segment (fibre, towers and data centres) including the loan to AT&T to establish a JV with Blackrock, the loan to support the spin-off of A1Towers and the loan to QTS to build a new facility in Atlanta, Georgia (USA). It is worth noting the support to acquisition financing in important operations carried out during the period, including the acquisition of a stake in GD Towers held by Deutsche Telekom by DigitalBridge and Brookfield and the acquisition of the leading European group of data centres Data4 by Brookfield. In the Debt Capital Markets, the Bank acted as bookrunner in numerous issues, including Volkswagen Bank, AT&T, Kering, General Motors, Ford Motor, Stellantis, CA Auto Bank, Leasys, CNH Industrial, Piaggio, Davide Campari, Abertis, Engineering, Assa Abloy, RCI Banque, 2i ReteGas and Nestlé. It also completed the placement of Green bonds, including those issued by Ferrovie dello Stato Italiane, Iberdrola, Engie, TAQA, Volkswagen Leasing, Telefonica and Covivio. With regard to M&A activities, the Group consolidated its position of leadership on the Italian market, ranking in first place in the LSEG Refinitiv classification by value of transactions concluded in 2023, further developing its business in a complex market scenario, finalising various operations, including the role of sole financial advisor for the Marcegaglia Group in the acquisition by the Finnish Outokumpu of the Long Products Division, for Masdar in the joint investment with Iberdrola in the Baltic Eagle offshore wind farm, for ATM in the acquisition of a stake in M4, and the role of advisor for Autogrill in the merger with Dufry following the mandatory Public Takeover Bid. In Equity Capital Markets, in a weak equity market context featuring persisting risk aversion by investors, equity origination was aimed at promptly seizing the best business opportunities, with the goal of maintaining the leading position on the ECM and equity-linked markets in Italy and successfully continuing the process of internationalisation through participation in highly visible operations. In this context, the Bank completed the listing of EuroGroup Laminations on the Euronext Milan with the role of joint global coordinator and, at international level, the IPOs of Thyssenkrupp Nucera and Arm, the latter being the most important listing of the year. The Group also participated in the voluntary takeover bid on Mediaset España as bookrunner and financial advisor, in the spin-off of Kenvue by Johnson & Johnson and in the issue of a structured convertible bond with green characteristics by Nordex, as joint bookrunner.

With regard to Institutional Clients, in the banking sector, Intesa Sanpaolo carried out numerous issues on the primary market for refinancing and securitisation. The roles held at domestic level include roles held in the inaugural senior preferred bond issue of Cassa Centrale Banca, in the covered bond (CB) issues of Unicredit, Credit Agricole Italia and Banco BPM, which now account for the total CB issues under the new regulations, and in the senior non-preferred issue of Credem. Senior loans to support customers in securitisations continued to be provided, despite the complex market scenario. Also at the domestic level, in the first half of 2023, an innovative agreement was finalised between the Group and the European Investment Bank (EIB) to support several investments set out in the NRRP. Also on international markets, numerous operations were concluded. Specifically, the Bank held the role of joint bookrunner in the senior benchmark issue in euro of HSBC Holdings, and in the covered bond issues of Bawag, Erste Bank and LBBW, and the role of joint lead manager in the senior dual tranche HoldCo issue of UBS. Also at European level, Intesa Sanpaolo acted as joint bookrunner in the issue of the first social covered bond of La Banque Postale and in the senior preferred issue of Banco Santander. The Group was particularly active on the Greek market, where it reached a strong position due to roles as structuring and placing agent in two synthetic securitisations for a leading Greek bank and the role of joint lead manager in the senior preferred benchmark issues of Eurobank, Alpha Bank and Piraeus Bank, confirming that it has strengthened its position also in the Mediterranean area. Lastly, in the United States, the Bank acted as joint bookrunner for the second year running in the bond issue in euro of Toronto-Dominion Bank and completed the important dual tranche issue in USD, the Group's largest deal on the US market in the last ten years, confirming the significant appreciation of the Bank's name by US investors. Operations with non-banking financial institutions and with governments continued to achieve highly positive results, with specific regard to the management of public debt, in a scenario of high interest rate volatility. In this area, it is worth noting the role of joint bookrunner for the Ministry of the Economy and Finance in the placement of BTP, and for CDP in the placement of its first green issue and its first issue in USD and, internationally, the roles of joint lead manager and bookrunner on issues by government bodies in the Middle East. In addition, on the domestic market, we note the role of placement manager in the issue by CDP of the bond reserved to retail customers for the purpose of supporting Italy's growth. As regards operations with domestic and international asset managers, sound volumes were confirmed, both on cash flow operations and on derivatives, as well as greater interest in repo transactions. In the near-banking sector, we specifically note the portfolio financing transactions through the subscription of senior tranches of securitisations, such as Banca Progetto, Sigla and Fincontinuo and the role of joint bookrunner in two securitisation transactions of consumer assets: the first for the inaugural public issue of receivables for salary-backed loans originated by IBL Banca and the second for auto loan transactions originated by Santander Consumer Bank. The Bank was also joint bookrunner for the senior preferred bond issued by Banca Ifis and the bilateral loans finalised with the leading operators in the consumer credit sector, specifically Compass and Agos. With regard to the insurance area, in a difficult market context, the Bank's activities mainly focused on derivative hedges on the separate portfolio management of the life business, on repo transactions to support liquidity management and on structures for Class III retail products. In the real estate sector, the focus on transactions respecting ESG issues and innovation continues, both with regard to income-generating investments and urban regeneration projects. In that area, as mandated lead arranger, the Group structured a sustainability–linked loan for the redevelopment of the former Manifattura Tabacchi di Firenze promoted by Aermont and a loan to support the project for residential renovation and development of an area located in Rome by Savills IM SGR and RedTree Capital, and a loan to support the renovation project of Torri dell'Eur in Roma by Alfiere and CDP Real Asset SGR. Transactions with financial institutions on emerging markets in 2023 were marked by significant caution in relation to the difficult economic and financial scenario. Thus, the Bank merely selectively took on credit risk, mainly to support the commercial operations of its corporate customers and promote Global Markets products. In this area, we note the finalisation of initial repo transactions with Turkish banks in the second half of 2023. Loans for supply chain financing remained of considerable interest to the Bank. Following a phase of relative decline in 2022, operations grew gradually, though selectively, both in terms of volumes and counterparties financed. As regards activities linked to Private Equity funds, the Group recorded a good number of operations concluded with its customers in the reference period, in a market scenario that internationally certainly impacted the origination of new transactions. Mid-market operations, which are typically domestic, remained stronger in terms of volumes. On the Italian market, the Bank acted as M&A advisor, bookrunner and MLA in the acquisition financing to support NB Renaissance in acquiring U-Power, the leading Italian group in the safety shoe sector, as well as global coordinator, bookrunner and MLA in the acquisition financing to support SK Capital in acquiring Ecopol, an Italian group that is the European leader in the manufacture of water-soluble and biodegradable films. On international markets, where the Group continues to consolidate its presence, the Bank acted as bookrunner to support Blackstone in two transactions to refinance a portion of maturing debt of Merlin Entertainment, global leader in the amusement park sector and, on the US market, the role of lending bank to support Cinven in the incremental loan for Drake Software, leading tech company in the tax software sector. With regard to Fund Financing, we specifically note the operations in favour of NB Aurora and Fondo Italiano di Investimento, where the Bank acted as arranger and sole lender. Internationally, the Group acted as lender and co-arranger for several subscription lines of leading flagship funds, including funds managed by Blackstone, Blackrock, KKR, HPS and Ardian. Business with Sovereign Wealth Funds (SWF) and Pension Funds (PF) was particularly vigorous and fruitful in the year, involving a wide range of areas of operations in the "core" sectors (TMT, Energy and Infra) and privileging projects with ESG characteristics, such as direct support to SWF, the participation in competitive processes for investment in target companies by SWF/PF and the financing of portfolio companies. As a result of its consolidated relationships with the main SWF in the Middle East and Far East, the Bank held important roles in numerous operations directly supporting their needs, including a green term loan to support the construction of an infrastructural project, the refinancing of lines for a Sovereign Fund of Abu Dhabi and the subscription of bonds from SWF issuers. With regard to activities relating to investment processes, the Group acted as underwriter, bookrunner and MLA in loans for the acquisition of a stake in Lyntia Networks (TMT Spagna) by Swiss Life AM/HRL Morrison, the acquisition of the TLC towers from Vodafone by a consortium comprised of KKR and GIP and supported by PIF, and the acquisition of NGGT (gas transmission in the UK) by BCI (a Canadian PF) and Macquarie AM. Lastly, we note the operations carried out with the portfolio companies of SWFs, including the project financing in the Far East in favour of Renew Power (CPPIB/ADIA), the refinancing of two gas pipelines in the US/Mexico (Esentia/Mubadala Capital) and Brazil (TAG/CDPQ), as well as various infrastructure operations, further confirming the Group's sound positioning as a qualified partner recognised at international level of the main SWP/PF.

Distribution Platforms & GTB Coordination Area

Financial products and services aiming for excellence are offered in Italy through a dedicated network, the IMI C&IB Italian Network. In 2023, due to its widespread organisation structured in 6 geographical areas and the origination abilities of two dedicated teams, the IMI C&IB Italian Network confirmed its role of strategic and financial support to Italian customers, assisting them by organising and participating in numerous financing and investment banking operations.
It continued providing full support to customer businesses, also due to the use of public guarantees made available within the framework of support measures defined to combat the difficulties deriving from the Russia-Ukraine conflict and the resulting energy crisis.
Significant activities were carried out in support of Italian companies, by issuing guarantees for participation in tenders related to the NRRP, and, more generally, tenders for works, contracts and investments of the Public Administration.
In partnership with Deloitte, the digital platform "IncentNow" was launched to provide information to Italian companies and institutions on the opportunities offered by public tenders available over time. This way, customers can easily and autonomously consult the tenders available based on their characteristics (business segment, turnover and geographical area). There was a specific focus on initiatives supporting the ecological transition (ESG) and the process of digitalising the dialogue between the bank and corporate customers. In this regard, the update of the InBiz portal, provided to corporate customers, for the centralised digital management of Cash Management and Trade Finance solutions, from the most traditional to the highly-innovative, continued.
The Division's current international network is present in 25 countries, supporting the cross-border activities of both Italian and international customers, through a specialised international network comprised of 16 wholesale branches (including the hubs), 8 representative offices (in addition to the Brussels office at Group level, reporting to European Regulatory & Public Affairs and in charge of managing relations with supranational regulators), 4 Corporate Banks (Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Brasil S.A. and Banca Intesa - Russia), which carry out corporate and investment banking operations, in addition to Intesa Sanpaolo IMI Securities Corporation in New York.
In 2023, the IMI C&IB International Network continued to monitor with the utmost attention the international political and economic situation created by the Russia-Ukraine conflict and, in October, also by the worsening of the crisis in the Middle East, to limit its impacts on the operations of the international network, also in light of the subsequent harsh international sanctions. On 1st August the closure of Intesa Sanpaolo's representative office in Moscow was completed.
In line with the 2022-2025 Business Plan, to confirm Intesa Sanpaolo's position among the main global players offering ESG products and services, the activities and initiatives to support international customers more sensitive to those issues continued.
During the period, the project to strengthen the Doha branch was completed. Works are under way to optimise the operating platform of the international network.
With regard to the Global Transaction Banking offer, in order to support Italian and international customers with cutting edge solutions, in 2023, implementations continued in the payments, working capital management and import-export support areas. Specifically, developments continued for the creation of a modern international payment management infrastructure, in addition to advanced solutions for liquidity management, also in different currencies.
Developments relating to projects to revise the operating models continued in the areas of Trade Finance, Cash Management and Payments on the Group's international branches, with the goal of streamlining the existing processes and, as a result, enable the network of relations and the transaction banking specialists to focus more on advisory activities and on promoting digital strategies, also for the Group's International Subsidiary Banks.
The digitalisation of the portfolio of services and the assessment of ESG solutions continued. Global Transaction Banking participates in institutional initiatives to revolutionise the banking system in the digital field, such as the Central Bank Digital Currency (CBDC) for the digital euro and digital assets.
With regard to Syndication & Risk Sharing distribution activities, in the period, issues of syndicated loans were lower in all geographic areas compared to 2022, reflecting the continuing difficult geopolitical and macroeconomic scenario, the increased volatility on the capital markets and the significant reduction in M&A operations. Nonetheless, Syndication and Risk Sharing confirmed its leading position in the Italian and international markets where Intesa Sanpaolo operates, acting as arranger and distributing, as bookrunner, a large number of syndicated loans for both large and mid-cap corporate customers throughout the world. The primary significant transactions include corporate loans, pro-acquisition loans and event-driven loans, as well as high-profile structured transactions and structured finance transactions. ESG issues were a crucial of focus for Syndication & Risk Sharing activities, as demonstrated by the roles held in many loans linked to the environment and sustainability. In addition to the syndication of positions on corporate risk, in the second half the Bank launched the distribution of risks on financial institutions, typically in the form of senior notes of securitisations and/or revolving facilities, issued and subscribed in favour of banks, financial sponsors and/or specialised investment funds. Distribution activities availed of the collaboration of international banks and institutional investors, through true sales and synthetic risk transfers, on both Italian and European assets.

Global Banking & Markets Coordination Area

The Division adopted a constructive approach in 2023, specifically based on the expectations of a decrease in inflation and volatility. The investment portfolio was supported by new allocations on government bonds, also of emerging countries, and on covered bonds, constantly monitoring the risk/return profiles, also improving the portfolio's ESG profile. The management of DVAs, featuring a more defensive approach in the first half of the year in relation to the events connected with the US and Swiss regional banks, then gradually increased the levels of coverage in the second half, accompanying the improvement in credit risk appetite at global level. Market making with customers, influenced by the actions of the Central Banks, always remained at high levels. In the last part of the year, in the wake of more encouraging macroeconomic data, investors' risk appetite significantly increased. The Division also oversaw secured financing with customers, which saw a significant increase in the new monetary policy scenario. Collateral management supported the business of OTC derivatives with customers.

During the period investments in Private Equity and Private Debt funds and Hedge Funds in UCITS format continued, in order to optimise RWAs. In the certificates sector, in a context of high interest rates and volatility, an opportunity was created to diversify our offering. New issues were not concentrated only on equities, but also on payoffs linked to interest rates and credit. The expansion of the product offering was highly and positively received by customers. That new approach also acted as a driver for secondary trading, with resulting benefits in terms of liquidity and volumes issued. Benefiting from the rise in returns, Market Hub increased the bond dealing component in terms of values and orders executed. In 2023 the contribution of Financial Digital & Markets Tech was key to automating the life cycle of financial products and to evolve trading tools towards algorithmic solutions, as well as to exposure the opportunities linked to the digitalisation of currency and market infrastructures, in line with the consolidation of the legislative and regulatory framework. Regarding the primary equity market, in a scenario of slight recovery on the previous year, though still far from the records of 2021, the Division participated in numerous, important domestic and international operations, taking on various roles. The main operations include three takeover bids (Aedes Siiq, Prima Industrie and Dea Capital, as leading Agent, joint leading agent e advisor & leading agent, respectively), a convertible bond (Saipem, as joint global co-ordinator), and a capital increase (Pierrel, in the role of advisor). International operations included overseeing three IPOs (Arm, Nucera and Kenvue, as co-manager, co-lead manager and new co-manager, respectively) and an ABB (Lseg, as co-lead manager). The European and Italian bond markets were characterised by an increase in volumes issued. The Division saw an increase in the number of operations it participated in and ranked in first place in Italy for volumes placed in the Corporate Investment Grade segment. In this segment, the Bank acted as joint bookrunner for numerous ESG issues of leading issuers, such as Enel, ENI, Snam, ASPI, A2A, ADR, Acea, Pirelli, Heidelberg Materials, Deutsche Bahn, EDP and Cemex. It also stood out as a manufacturer in the sustainability-linked retail issue of ENI. In the Institutional Clients segment, the Division acted as joint bookrunner in numerous issues of leading financial institutions, including Credito Emiliano, ICCREA, BNP Paribas, Commerzbank and D-Bank, also in the ESG field. In the Supranational, Sovereigns and Agencies (SSA) area, the Bank stood out as joint bookrunner and co-manufacturer in the issue of Cassa Depositi e Prestiti reserved exclusively to retail customers, as well as in the issues of BTP Italia reserved to both retail and institutional customers, and of BTP Valore reserved exclusively to retail customers in Italy. In emerging markets, the Bank acted as joint bookrunner for the issues of Turk Eximbank, Republic of Albania, Teva and Emirate of Sharjah. In 2023, Structured Finance activities confirmed the Bank's leadership on the Italian market (also on ESG/Circular/Green issues) and successfully continued the business on the international market. Corporate loans granted to Italian and international customers of the Division operating in various economic sectors (including those for the purpose of acquisitions and investments for growth, in addition to those with SACE SupportItalia guarantee) reported volumes in line with 2022. The Bank continued its selective approach in pursuing new opportunities, with the intention of supporting its customers where the conditions were met, confirming its position of leadership in Italy and successfully continuing its business on the international market. Geographical diversification and the "originate to share" approach led to the conclusion of numerous loan transactions to support important Italian and international industrial operators and financial investors in various infrastructure and public utility services sectors, in line with the growth strategy of the Division, with specific attention to ESG/Circular/Green issues. In the period, securitisation activities confirmed the Division's leadership in Italy, both in providing support to customers and in managing financial risk, also with innovative ESG-linked solutions, and asset-based financing. The Division structured, financed (also through the Group's conduit platform) and distributed solutions for its customers aimed at streamlining funding and improving asset quality ratios, with structures dedicated to deconsolidating performing and non-performing assets, optimising economic and regulatory capital - which is seeing growing demand from customers, and improving the net financial position of its customers. The Division also acted as a competence centre for corporate finance transactions Banca dei Territori Division and International Subsidiary Banks Division customers. The most important transactions include the role of sole financial advisor in the sale of a majority stake in Pinalli S.r.l. to the H.I.G. Capital fund, of financial advisor of Sicily by Car in the business combination with SPAC Industrial Stars of Italy 4, of global coordinator, sole bookrunner & issuing bank in the loan of T. Mariotti, and arranger in the loan to Marchesi Antinori to support the acquisition of 100% of the US company Stag's Leap Wine Cellars.

International Subsidiary Banks

(millions of euro)

Income statement	2023	2022	Changes amount	%
Net interest income	2,332	1,592	740	46.5
Net fee and commission income	583	574	9	1.6
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	90	129	-39	-30.2
Other operating income (expenses)	-80	-68	12	17.6
Operating income	**2,925**	**2,227**	**698**	**31.3**
Personnel expenses	-619	-573	46	8.0
Other administrative expenses	-461	-431	30	7.0
Adjustments to property, equipment and intangible assets	-117	-114	3	2.6
Operating costs	**-1,197**	**-1,118**	**79**	**7.1**
Operating margin	**1,728**	**1,109**	**619**	**55.8**
Net adjustments to loans	-206	-345	-139	-40.3
Other net provisions and net impairment losses on other assets	-54	-20	34	
Other income (expenses)	123	35	88	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,591**	**779**	**812**	
Taxes on income	-330	-191	139	72.8
Charges (net of tax) for integration and exit incentives	-48	-44	4	9.1
Effect of purchase price allocation (net of tax)	-6	-	6	-
Levies and other charges concerning the banking industry (net of tax)	-34	-40	-6	-15.0
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**1,173**	**504**	**669**	

(millions of euro)

	31.12.2023	31.12.2022	Changes amount	%
Loans to customers	42,050	40,212	1,838	4.6
Direct deposits from banking business	57,910	54,364	3,546	6.5
Risk-weighted assets	36,071	35,056	1,015	2.9
Absorbed capital	3,905	3,793	112	3.0

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

The **International Subsidiary Banks Division** is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates, mainly active in retail banking.

In 2023, the Division's operating income came to 2,925 million euro, growing sharply compared to the previous year (+31.3%; +41.3% at constant exchange rates). A detailed analysis shows that net interest income came to 2,332 million euro (+46.5%), mainly due to the favourable performance of PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (+297 million euro) – VUB Banka (+180 million euro), Banca Intesa Beograd, including Intesa Leasing Beograd (+121 million euro) and CIB Bank (+107 million euro). Net fee and commission income, equal to 583 million euro, saw an increase (+1.6%) especially attributable to CIB Bank (+14 million euro), VUB Banka (+13 million euro) and Banca Intesa Beograd, including Intesa Leasing Beograd (+4 million euro), as opposed to the negative contribution mainly attributable to PBZ – including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (-16 million euro) – and Bank of Alexandria (-3 million euro). Within other income components, there was a decrease in profits (losses) on financial assets and liabilities designated at fair value (-39 million euro) mostly attributable to the subsidiaries operating in Hungary, Egypt and Croatia, and an increase in other net operating expenses (+12 million euro) mainly attributable to VUB Banka and Banca Intesa Beograd, including Intesa Leasing Beograd.
Operating costs of 1,197 million euro increased (+7.1%; +13.5% at constant exchange rates) essentially attributable to the trend in personnel and administrative expenses.

As a result of the above revenue and cost trends, the operating margin increased by 55.8%, amounting to 1,728 million euro. Gross income, amounting to 1,591 million euro, more than doubled on 2022, having benefited from lower net adjustments to loans and the gain from the sale of the PBZ Card acquiring business line, recorded among other income. The Division ended the year with net income of 1,173 million euro, compared with 504 million euro in the previous year.

At the quarterly level, in the fourth quarter of 2023 the operating margin recorded a decline compared with the third quarter, attributable to the increase in operating costs typical of the end of the year and, to a lesser extent, the decrease in operating income. Gross income and net income also showed a declining trend, penalised by higher net adjustments to loans.

The Division's intermediated volumes grew at the end of December 2023 (+5.7%) compared to the previous year owing to both loans to customers (+4.6%) and direct deposits from banking business (+6.5%), specifically amounts due to customers. The trend in loans is mainly attributable to the growth recorded by the subsidiaries operating in Slovakia, Croatia, Hungary and Serbia, partly attenuated by the decrease in loans in Egypt. In the area of funding, development is essentially due to the subsidiaries operating in Slovakia, Serbia and Hungary.

In 2023, the International Subsidiary Banks Division continued its process of business development, adopting a business model targeted to increasing fee and commission income in the main European subsidiaries and maintaining a constant focus on wealth management in China.
Specifically, the reshaping of the service model for wealth management continued for affluent and private customers, strengthening commercial oversight, with a focus on ESG issues, financial education topics and the development of innovative and regulatory advisory processes. A project was also launched in cooperation with the Private Banking Division to define and implement a new service model dedicated to High Net Worth Individual customers, specifically reserved for entrepreneurs with complex wealth management needs.
In the bancassurance area, the Master Cooperation Agreement was finalised with a leading insurance group for the distribution of insurance products at 5 banks (in Slovakia, Croatia, Hungary, Serbia and Slovenia), and the Local Distribution Agreements were signed in each of these countries.
With regard to increasing fee and commission income, commercial initiatives continued in synergy with the IMI Corporate & Investment Banking Division in the Global Markets, Structured Finance and Investment Banking sectors in the countries identified as priority (Slovakia-Czech Republic, Hungary and Croatia), with a significant increase in operations and the pipeline since the start of the plan. The scope of observation is currently being expanded to other markets (Serbia, Albania and Romania).
With regard to the development and strengthening of the service model for customers shared with the Banca dei Territori Division, the commercial initiatives to increase cross-border business opportunities of Mid-Corporate customers operating in countries of the Division continued. Specifically, commercial campaigns were launched in Slovakia, Hungary, Romania and in selected Regional Governance Centres (Milan Monza and Brianza, East Veneto and Friuli Venezia Giulia, North Lombardy), involving the Agribusiness Department. The extension to other geographies and Regional Governance Centres is under way.
In the focus on new business opportunities relating to the ESG transition, an ESG Value Proposition initiative was promoted for the Corporate and SME segments of the banks in Slovakia, Hungary, Croatia, Serbia and Egypt, with the goal of strengthening their competitive positioning and seizing new business opportunities. Specifically, quick wins were identified to maximise the use of the Green and Circular credit lines, which was followed by the development of the S-loan offer (made available in Slovakia, Hungary and Serbia), and then the priority sectors were identified on which a commercial strategy is being defined to improve the positioning in terms of ESG offering profile. In that regard, a project was launched to expand the offering in the area of ESG consulting and create a dedicate Green product in relation to the S-Loan offering.
On the Corporate & SME side of digital banking, following the launch of the Italy-Hungary interconnection and the activation of the Confirming product on five additional geographical areas within the Division, the first deals were finalised at the banks involved. The process to extend Confirming to an additional 3 geographical areas of the Division.
Limited to Retail & WM, the expansion of functions and digital services in the main countries where the Division operates continued. The activities to improve the customer experience of digital processes of branches in Hungary, Slovenia, Albania and Croatia were completed, through the use of artificial intelligence and the new Navigated Experience functionality of the chatbot.
In the IT area, the implementation of the new strategy which entails focusing on the convergence of IT applications supporting the business, continued.
Lastly, with regard to Wealth Management in China, the business activities of Yi Tsai continued, by strengthening the network and expanding the product mix.

Business	It is responsible for the Group's operations on the international markets through commercial bank subsidiaries and associates.
Mission	Guidance, coordination and support for international subsidiaries, which engage primarily in retail banking operations. The Division is responsible for setting the Group's strategic development guidelines in terms of its direct presence on international markets, involving systematic exploration and analysis of new growth opportunities on markets already served and new markets, the coordination of international subsidiary banks' operations and the management of the relationships between international subsidiary banks and the Parent Company's central units and the branches or other foreign offices of the IMI Corporate & Investment Banking Division.
Organisational structure	
South-Eastern Europe HUB (SEE HUB)	Presence in Croatia, Bosnia-Herzegovina and Slovenia.
Danube HUB (DNB HUB)	Presence in Slovakia, Romania and the Czech Republic.
Other banks	Presence in Albania, Hungary, Serbia, Egypt, Ukraine and Moldova.
Distribution structure	884 branches in 12 countries.

South-Eastern Europe Hub (SEE HUB)

In 2023, the operating income of the **Privredna Banka Zagreb** group amounted to 632 million euro, up on 2022 (+40.9%), due to the favourable performance of net interest income. Operating costs of 214 million euro increased (+9.4%). The operating margin came to 417 million euro (+65.4%). Gross income amounted to 501 million euro, benefiting from the gross capital gain on the sale of the acquiring business line of PBZ Card. Net income came to 397 million euro, more than double that of the previous year.

Intesa Sanpaolo Banka Bosna i Hercegovina closed 2023 with an operating margin of 23 million euro (+3.2%). This performance is attributable to the increase in operating income, which more than offset the increase in operating costs. Gross income, amounting to 17 million euro, and net income, which came to 14 million euro, recorded similar declining trends (-2.7% and -4.1%, respectively).

Intesa Sanpaolo Bank (Slovenia) reported operating income of 155 million euro, growing sharply on 2022 (+87.6%), essentially due to the evolution of net interest income. Operating costs increased (+16.3%) on the previous year. The operating margin almost tripled. That performance was reflected on gross income and net income, amounting to 93 million euro and 72 million euro, respectively, which showed extremely sharp increases (+69 million euro and +55 million euro, respectively).

Danube HUB (DNB HUB)

The **VUB Banka** Group reported an operating margin of 440 million euro, up on 2022 (+57.7%) as a result of the growth in operating income (+36.6%), specifically in net interest income, only partially offset by the increase in operating costs (+10.5%). Gross income, amounting to 376 million euro, and net income, which amounted to 264 million euro, grew on the previous year (+52.4% and +56.3%, respectively).

Intesa Sanpaolo Bank Romania generated an operating margin of 13 million euro, up on 2022 (+8.6%), due to higher operating income (+13.1%), driven by profits (losses) on financial assets and liabilities designated at fair value. The company closed 2023 with net income of 7.4 million euro, 45.6% above the figure for 2022.

Other banks

Intesa Sanpaolo Bank Albania reported an operating margin of 40 million euro, double that of 2022 due to the growth in revenues (+56.7%), particularly net interest income, which more than offset the increase in operating costs. Net income amounted to 28 million euro, and more than doubled on the previous year.

The **CIB Bank** Group recorded operating income of 425 million euro, an increase on 2022 (+29.2%), especially due to the positive performance of net interest income. Operating costs rose by 23.1%. As a result of the above revenue and cost trends, the operating margin increased by 32.4%, amounting to 285 million euro. Net income rose to 167 million euro, highly exceeding that of the previous year (+81.3%).

Banca Intesa Beograd, including Intesa Leasing Beograd, reported an operating margin of 308 million euro, up 50.3% on 2022, supported by the development of operating income (+36%), which more than offset the increase in operating costs (+12.6%). Gross income amounted to 241 million euro (+50.5%), and net income was 184 million euro (+66.3%).

Bank of Alexandria, which was adversely affected by the depreciation of the Egyptian pound, reported an operating margin of 267 million euro, up by 15.9% on the previous year (+86.7% at constant exchange rates). Operating income of 387 million euro grew slightly (+0.7%; +62.2% at constant exchange rates, due to the performance of net interest income). Operating costs decreased (-22%; +25.6% at constant exchange rates). Net income came to 121 million euro, down by 6% on 2022 (+51.4% at constant exchange rates).

Pravex. Despite the extremely serious/uncertain situation in Ukraine, Pravex was again consolidated on a line-by-line basis in December 2023. Nonetheless, in light of the obvious logistical and execution difficulties for the administrative structures of the local bank, also with regard to the IT channels, the Group decided to consolidate the results achieved up to September 2023.

Eximbank generated an operating margin of 4.1 million euro, down by 37.1% on 2022, due to declining trend in operating income and the growth in operating costs. Net income, amounting to 2.5 million euro, decreased by 26%.

Private Banking

(millions of euro)

Income statement	2023	2022	Changes amount	Changes %
Net interest income	1,267	419	848	
Net fee and commission income	1,858	1,980	-122	-6.2
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	54	60	-6	-10.0
Other operating income (expenses)	5	16	-11	-68.8
Operating income	**3,184**	**2,475**	**709**	**28.6**
Personnel expenses	-519	-486	33	6.8
Other administrative expenses	-375	-354	21	5.9
Adjustments to property, equipment and intangible assets	-89	-81	8	9.9
Operating costs	**-983**	**-921**	**62**	**6.7**
Operating margin	**2,201**	**1,554**	**647**	**41.6**
Net adjustments to loans	-37	-11	26	
Other net provisions and net impairment losses on other assets	-73	12	-85	
Other income (expenses)	15	-	15	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**2,106**	**1,555**	**551**	**35.4**
Taxes on income	-672	-444	228	51.4
Charges (net of tax) for integration and exit incentives	-25	-37	-12	-32.4
Effect of purchase price allocation (net of tax)	-23	-21	2	9.5
Levies and other charges concerning the banking industry (net of tax)	-18	-21	-3	-14.3
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-2	2	-4	
Net income (loss)	**1,366**	**1,034**	**332**	**32.1**

(millions of euro)

	31.12.2023	31.12.2022	Changes amount	Changes %
Assets under management [(1)]	157,426	150,112	7,314	4.9
Risk-weighted assets	11,924	12,757	-833	-6.5
Absorbed capital	1,111	1,154	-43	-3.7

(1) Figures restated in line with consolidated reporting criteria of indirect customer deposits.

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

The **Private Banking Division** serves the top customer segment (Private and High Net Worth Individuals), creating value by offering top products and services. The Division coordinates the operations of Fideuram - Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Banking, Fideuram - Intesa Sanpaolo Private Banking Asset Management SGR, IW Private Investments SIM, SIREF Fiduciaria, Fideuram Asset Management (Ireland), Fideuram Asset Management UK, the Swiss banking group Reyl (present in Switzerland, the United Kingdom, Singapore, the United Arab Emirates and Malta) and Intesa Sanpaolo Wealth Management, a Luxembourg private bank with branches also in Belgium. Moreover, with the goal of offering a large, dedicated range of products, availing of digital solutions that will be expanded over time, the Fideuram Direct business line was created to meet the needs of customers that wish to autonomously handle their investments and online trading.

In 2023, the Division achieved gross income of 2,106 million euro, up by 551 million euro (+35.4%) compared to the previous year. The operating margin showed a positive trend (+647 million euro), attributable to the increase in operating income (+709 million euro), in the presence of an increase in operating costs (+62 million euro). The revenue performance is attributable to net interest income which, in a scenario of growing market interest rates, rose by 848 million euro, due to the greater contribution from investments in securities and dealing with banks and customers. The analysis of the quarterly performance shows a significant acceleration of interest income starting in the second half of 2022, which benefited from the progressive rise in interest rates by the ECB. Net fee and commission income moved in the opposite direction (-122 million euro), specifically regarding recurring fees and commission, as a result of the reduction in average assets under management, and up front fees and commission, due to the different mix of products placed. Other net operating income also decreased (-11 million euro) as well as profits (losses) on financial assets and liabilities designated at fair value (-6 million euro). The increase in operating costs was mainly attributable both to personnel expenses – due to the impacts of the renewal of the national collective bargaining agreement and the strengthening of the workforce abroad – and to administrative expenses, in particular for IT, real estate and services rendered by third parties. The Division closed 2023 with net income of 1,366 million euro, up by 32.1% compared to the previous year.

The values of assets gathered have been recognised in accordance with the reporting criteria for indirect customer deposits used in the Intesa Sanpaolo Group's consolidated financial statements, involving in particular the elimination of customer current accounts correlated with investment transactions, bonds and certificates that, despite being part of customers' assets, are already included in direct customer deposits. In addition, third-party products were reallocated from assets under management to assets under administration.

As at 31 December 2023, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 303.6 billion euro (+31.1 billion euro compared to the previous year). This trend was due to the market performance, which had a favourable impact on assets, and to positive net inflows. The assets under management component amounted to 157.4 billion euro (+7.3 billion euro).

In 2023, the following operations were finalised:
- the merger by incorporation of Fideuram Bank (Luxembourg) into Compagnie de Banque Privée Quilvest, renaming the company resulting from the merger Intesa Sanpaolo Wealth Management;
- the start of operations of Fideuram Asset Management UK, an investment company headquartered in the United Kingdom, which took over the activities previously managed by the London branch of Fideuram Asset Management (Ireland);
- the liquidation of the Swiss subsidiary Inveniam;
- acquisition by Reyl & Cie of Carnegie Fund Services, a Swiss company that provides asset and representation services for mutual funds;
- the liquidation of Luxembourg subsidiary Portugal Real Estate Opportunities Manager SARL;
- the sale of the Luxembourg subsidiary UBI Trustee;
- the sale of 51% of Asteria Investment Managers S.A. to the UK Man Group.

Business	Generating new inflows of assets and managing them, using a network of financial advisors and in-house private bankers serving a customer base with high savings potential.
Mission	Taking care of customers' well-being and protecting all of their assets through top notch advisory services. A relationship based on listening, satisfaction and trust between the customer and the private banker is what makes the business model of the Private Banking Division unique.
Organisational structure	
Fideuram (Italy)	Dedicated to the production, management and distribution of financial products and services to high profile customers, using a network of 5,033 Fideuram and Sanpaolo Invest financial advisors and the provision of digital advisory and advanced trading through Fideuram Direct.
Intesa Sanpaolo Private Banking (Italy)	Bank dedicated to private customers (with over 1 million euro in financial assets), providing financial services which are designed to preserve and increase wealth and provide continuity, using a network of 935 in-house private bankers and 116 freelance bankers with agency contracts.
IW Private Investments (Italy)	Company specialising in financial advisory and planning services for individuals and households. It operates using a network of 518 financial advisors.
Reyl & Cie (Switzerland)	Swiss bank dedicated to developing international private customers, which operates through a group of companies specialising in wealth management and private banking. It operates using a total network of 50 private bankers.
SIREF Fiduciaria (Italy)	Company specialised in the provision of fiduciary services.
Intesa Sanpaolo Wealth Management (Luxembourg)	Luxembourg bank with branches in Belgium, which operates using a total network of 44 private bankers.
Fideuram Asset Management (Italy)	Company that manages a wide range of mutual funds, individual portfolios and other investment instruments for private and institutional investors.
Fideuram Asset Management (Ireland)	Company that manages Luxembourg and Italian mutual funds and products designed by the Group's insurance companies.
Fideuram Asset Management (UK)	Investment company headquartered in the United Kingdom, which took over the activities previously managed by the London branch of Fideuram Asset Management (Ireland).
Distribution structure	Network of 257 branches in Italy, 6 branches abroad and 6,696 financial advisors.

Asset Management

(millions of euro)

Income statement	2023	2022	Changes amount	Changes %
Net interest income	18	-	18	-
Net fee and commission income	816	913	-97	-10.6
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	20	-21	41	
Other operating income (expenses)	54	70	-16	-22.9
Operating income	**908**	**962**	**-54**	**-5.6**
Personnel expenses	-114	-109	5	4.6
Other administrative expenses	-122	-106	16	15.1
Adjustments to property, equipment and intangible assets	-9	-7	2	28.6
Operating costs	**-245**	**-222**	**23**	**10.4**
Operating margin	**663**	**740**	**-77**	**-10.4**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-	-	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**663**	**740**	**-77**	**-10.4**
Taxes on income	-184	-184	-	-
Charges (net of tax) for integration and exit incentives	-	-1	-1	
Effect of purchase price allocation (net of tax)	-4	-4	-	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-1	-1	
Net income (loss)	**475**	**550**	**-75**	**-13.6**

(millions of euro)

	31.12.2023	31.12.2022	Changes amount	Changes %
Assets under management	311,291	303,829	7,462	2.5
Risk-weighted assets	1,990	1,798	192	10.7
Absorbed capital	212	195	17	8.7

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

The **Asset Management Division** pursues the mission of developing the best asset management solutions aimed at the Group's customers and its presence on the open market segment through the subsidiary Eurizon Capital SGR and its subsidiaries.

Operating income for 2023, amounting to 908 million euro, was down by 5.6% on the previous year, due to the performance of net fee and commission income (-97 million euro, -10.6%), which was impacted by the decrease in management fees related to the decrease in assets managed and placement, and, to a lesser extent, performance fees collected during the period. Within the other revenue components, the contribution from the fair value measurement of the financial portfolio in which cash and cash equivalents of the Division are invested was a positive 20 million euro (-21 million euro in 2022). The Chinese subsidiary Penghua, consolidated at equity, provided a positive contribution to operating income of 54 million euro, an amount 16 million euro lower than that recorded in the previous year. The performance of operating costs (+10.4%) is mainly attributable to the increase in administrative expenses, to be read in relation to the additional measures to consolidate the production infrastructure. As a result of the above revenue and cost trends, the operating margin came to 663 million euro, down 10.4% on 2022. The Division closed 2023 with net income of 475 million euro (-13.6%).

As at 31 December 2023, assets under management of the Asset Management Division came to 311.3 billion euro, up by 7.5 billion euro (+2.5%) compared to the end of 2022. This trend is attributable to the revaluation of assets under management, correlated with the positive performance of the markets, only partially offset by the net outflows (-13.5 billion euro). The outflows mainly regard mandates on insurance and pension products (-11.6 billion euro), and, to a lesser extent, mutual funds (-2.7 billion euro) and portfolio management schemes for retail and private customers (-0.7 billion euro), only partly offset by net inflows on products targeted to institutional customers (+1.5 billion euro), both in traditional asset classes and private market mandates.

As at 31 December 2023, Eurizon Capital's Italian market share of assets under management was 16.3% (gross of duplications). Excluding the closed-end funds segment, in which the company has a limited presence, the share of assets under management at the end of December rose to 16.9%.

Business	Asset management.
Mission	To provide collective (UCI) and individual asset management products to the Group's internal banking networks and develop its presence on the open market through specific distribution agreements with other networks and institutional investors.
Organisational structure	
Eurizon Capital SGR (Italy)	Specialised in active asset management on behalf of both retail customers (mutual funds and portfolio management schemes) and institutional customers, to which it offers a wide range of investment products and services.
Epsilon SGR (Italy)	Specialised in portfolio management on quantitative bases. It is a 100% subsidiary of Eurizon Capital SGR.
Eurizon Capital Real Asset SGR (Italy)	Specialised in alternative investments. It is controlled by Eurizon Capital SGR, which holds 51% of the voting right and 20% of the company's share capital, and an investee of Intesa Sanpaolo Vita (40% of capital) and the Poste Italiane Group (40% of the capital).
Eurizon Capital S.A. (Luxembourg)	The company manages and distributes Luxembourg UCI products aimed at retail and institutional customers and offers a wide range of services dedicated to institutional investors. It specialises in limited tracking error (LTE) management, factor-based and money market products. It is a 100% subsidiary of Eurizon Capital SGR.
Eurizon Capital Asia Limited (Hong Kong)	A company wholly owned by Eurizon Capital SGR, mainly focused on financial consulting activities and distribution in the Asian market.
Eurizon Asset Management Slovakia (Slovakia)	A Slovak asset management company, 100%-owned by Eurizon Capital SGR, which heads up Eurizon Asset Management Hungary and Eurizon Asset Management Croatia d.o.o. (Eastern European asset management hub). It promotes and manages Slovak mutual funds targeted to the local market.
Eurizon Asset Management Croatia d.o.o. (Croatia)	A Croatian asset management company and wholly owned subsidiary of the Slovak company Eurizon Asset Management Slovakia. It promotes and manages Croatian mutual funds and offers individual portfolio management services to retail and institutional customers.
Eurizon Asset Management Hungary (Hungary)	A Hungarian asset management company and wholly owned subsidiary of the Slovak company Eurizon Asset Management Slovakia. It promotes and manages Hungarian mutual funds and offers individual portfolio management services to institutional customers.
Eurizon SLJ Capital (England)	An English company controlled by Eurizon Capital SGR through a 65% interest, which conducts research and provides investment and advisory services.
Penghua Fund Management Company Limited (China)	Chinese asset manager 49%-owned by Eurizon Capital SGR.

Insurance

(millions of euro)

Income statement	2023	2022	Changes amount	Changes %
Net interest income	-	-	-	-
Net fee and commission income	3	3	-	-
Income from insurance business	1,625	1,598	27	1.7
Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
Other operating income (expenses)	-15	-12	3	25.0
Operating income	**1,613**	**1,589**	**24**	**1.5**
Personnel expenses	-153	-148	5	3.4
Other administrative expenses	-194	-205	-11	-5.4
Adjustments to property, equipment and intangible assets	-32	-32	-	-
Operating costs	**-379**	**-385**	**-6**	**-1.6**
Operating margin	**1,234**	**1,204**	**30**	**2.5**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	61	101	-40	-39.6
Other income (expenses)	-	8	-8	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,295**	**1,313**	**-18**	**-1.4**
Taxes on income	-386	-335	51	15.2
Charges (net of tax) for integration and exit incentives	-21	-14	7	50
Effect of purchase price allocation (net of tax)	-10	-7	3	42.9
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-2	-24	-22	-91.7
Net income (loss)	**876**	**933**	**-57**	**-6.1**

(millions of euro)

	31.12.2023	31.12.2022	Changes amount	Changes %
Direct deposits from insurance business [1]	172,746	173,672	-926	-0.5
Risk-weighted assets	-	-	-	-
Absorbed capital	4,156	4,954	-798	-16.1

(1) Including the subordinated securities issued by the companies.

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

The **Insurance Division** includes Intesa Sanpaolo Vita, Fideuram Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo RBM Salute, with the mission of synergically developing the insurance product mix targeting Group customers. The scope of the Insurance Division also includes Intesa Sanpaolo Insurance Agency and InSalute Servizi. On 1 December 2023 the Intesa Sanpaolo Vita Dublin Branch was established, specialising in managing unit-linked policies.

In 2023, the Division reported income from insurance business of 1,625 million euro, up (+1.7%, equal to +27 million euro) on 2022. This performance was attributable to the improvement in both the technical margin and the net investment result, particularly in the non-life business. Gross income, amounting to 1,295 million euro, decreased (-1.4%) due to the trend in net provisions which in 2023 showed fewer releases than in the previous year, though in the presence of growth in operating income and a decrease in operating costs, specifically in administrative expenses.
The cost/income ratio, at 23.5%, remained at very good levels, lower than those recorded in the previous year.
Lastly, net income came to 876 million euro (-6.1%) after the attribution of taxes of 386 million euro, charges for integration and exit incentives of 21 million euro, effects of purchase price allocation for 10 million euro and minority interests for 2 million euro. With regard to the last caption, in March 2023 Intesa Sanpaolo acquired 100% of the shares of Intesa Sanpaolo RBM Salute.

Direct deposits from insurance business, amounting to 172,746 million euro, decreased slightly (-0.5%) year on year, mainly due to the decrease in financial liabilities, comprised of unit-linked products, and in other insurance deposits, largely offset by the increase in insurance liabilities.

The Division's collected premiums for life policies and pension products, equal to 15.3 billion euro, decreased by 5.7% on 2022, attributable to the drop in inflows on unit-linked products (-43.7%). Instead, inflows on traditional products (+24.2%) and pension products (+20.5%) increased.

Collected premiums for the protection business totalled 1.5 billion euro, up by 2.2% on 2022. Premiums in the non-motor business (excluding CPI – Credit Protection Insurance) rose by 7%, mainly driven by the Business and Accident Lines of Business (LoB) (+18% and +15%, respectively), against a decrease in the other components (motor and credit-related).

Business	Life and non-life insurance.
Mission	Develop the offering of insurance products for the Group's customers.
Organisational structure	
Intesa Sanpaolo Vita	Insurance parent company specialised in offering insurance, pension and personal and asset protection services through the network of Banca dei Territori. The company is the sole owner of Intesa Sanpaolo Assicura, Intesa Sanpaolo Insurance Agency and Intesa Sanpaolo RBM Salute. Lastly, it holds 40% of Eurizon Capital Real Asset SGR, a company operational since 31 December 2019, controlled by Eurizon Capital SGR (Asset Management Division), which holds 51% of the voting rights and 20% of the capital. On 1st December 2023, Intesa Sanpaolo Vita incorporated Intesa Sanpaolo Life, while establishing a secondary office in Dublin, called Intesa Sanpaolo Vita Dublin Branch.
Fideuram Vita	Specialised in offering insurance, pension and personal and asset protection products in service of the Private Banking Division.
Intesa Sanpaolo Assicura	Dedicated to the non-life business, it offers customers a wide range of products capable of covering personal injury, damage to vehicles and to the home and loan protection.
Intesa Sanpaolo RBM Salute	Specialised in the health care business.
Intesa Sanpaolo Insurance Agency	Agency that performs insurance brokerage activities of both life and non-life products.
InSalute Servizi	Dedicated to managing healthcare benefits.

Corporate Centre

The Corporate Centre is responsible for guidance, coordination and control of the whole Group, as well as for the NPE Department, Treasury and Strategic ALM.

The Corporate Centre Departments generated an operating margin of 845 million euro in 2023, compared to 570 million euro in the previous year. That performance is essentially attributable to the growth in operating income, largely due to the trend in net interest income, which benefited from the significant rise in market interest rates. Operating costs fell slightly, attributable to higher charge backs by the Corporate Centre to the business units for pure services and guidance and control services, partly offset by the increase in personnel expenses and the amortisation of intangible assets correlated with technological investments. Gross income amounted to 873 million euro compared to 600 million euro in the previous year. The net income in 2023 was 411 million euro, compared to 208 million euro in 2022. The income statement of the Corporate Centre includes the charges, essentially related to the European Resolution Fund, aimed at maintaining the stability of the banking industry. These charges amounted – after tax – to 245 million euro, compared with 301 million euro in the previous year.

Treasury services

In 2023, Intesa Sanpaolo confirmed its systemic role as a “critical participant” in the ECB’s cash (T2) and securities (T2S) settlement systems, keeping stable market shares at national and European level.
After more than five years of work, on 20 March 2023 the Eurosystem launched the new gross payment system RTGS (Real Time Gross Settlement), which replaced the old Target2. This is an important milestone which contributed to renewing and upgrading the new European single settlement platform. To complete the “Vision 2020” programme of the ECB, the ECMS (Eurosystem Collateral Management System) project must be finished. This aims to create a new European system for centralised collateral management, which will become operational in the last quarter of 2024.

During 2023, the ECB continued its cycle of restrictive monetary policy begun in July 2022. The depo facility rate of 2% at the end of 2022 was gradually raised and brought to 4% in the meeting of the ECB Governing Council in September 2023.
The ECB Governing Council deems that interest rates have reached levels which, if maintained for a sufficiently long period, will provide a substantially contribution to the quick return of inflation to the target of 2% over the medium term.

In that context, in line with the official interest rates, market quotations rose sharply in the first half of the year, with significant volatility also linked to the tensions that arose in mid-March on the US and European financial markets. In the last few weeks of the year, yields increasingly incorporated the expectations of future cuts to the ECB interest rates, accentuating the volatility and incorporating a change in monetary policy over 2024.

Intesa Sanpaolo confirmed its sound liquidity position. Outstanding short-term securities grew up to the third quarter of the year, consolidating the levels reached in the last quarter.

In the United States the restrictive phase of the Fed’s monetary policy continued in the first half of 2023, with the goal of bringing inflation down to 2%. The official US interest rates increased by an additional 100 basis points and, after the last hike in July 2023, the Fed Funds Target Rate reached its final level of 5.25-5.50%. Market liquidity remained abundant throughout the year, overcoming, without significant consequences, the turbulence in the banking sector triggered by the failure of Silicon Valley Bank in March 2023.

During the year, the total amount of the Group’s medium/long-term issues placed on the domestic market, through own networks and direct listing, came to 15,832 million euro, of which 13,788 million euro in certificates, 1,912 million euro in issues placed through the Private Banking Division and 132 million euro in securities traded on the MOT and/or EuroTLX markets of Borsa Italiana (direct listing). The bonds placed through the Private Banking Division amounted to a total of 1,912 million euro, of which: 1,154 million euro in 3-year fixed rate senior preferred issues, 603 million euro in 5-year fixed-rate senior preferred issues and 155 million euro in 2-, 5- and 10-year fixed-rate private placement senior preferred issues. Among the securities placed, there was a prevalence of the component consisting of structured financial instruments (87%), mainly comprised of interest rate-, stock index- and inflation-linked structures. A breakdown by average maturity shows that 51% are comprised of instruments with 2- and 3-year maturities, 31% of 4- and 5-year maturities, and the remaining 18% of 6- to 10-year maturities.
During the period, a total of 20,071 million euro in institutional unsecured funding transactions were placed, of which 19,918 million euro in bonds issued by the Bank and placed with institutional investors and 153 million euro in bonds and certificates issued by the IMI Corporate & Investment Banking Division.

Specifically, the following public issues were carried out during the year:
– on 13 February, fixed-rate T2 subordinated instruments for 1 billion euro, with 11-year maturity (callable from the sixth year);
– on 27 February, fixed-rate senior non preferred green bonds for a total of 2,250 million euro issued in two tranches: one tranche with 5-year maturity (callable in the fourth year) for 1,500 million euro and a tranche with 10-year maturity for 750 million euro;
– on 3 March fixed-rate senior preferred bonds targeted to the Asian market for a total amount of 24,300 million JPY (equal to around 170 million euro) issued in three tranches: 11 billion JPY with 2-year maturity, 10,100 million JPY with 3-year maturity and 3,200 million JPY with 7-year maturity;
– on 7 March fixed-rate senior non preferred green bonds for 600 million GBP (equal to around 670 million euro) targeted to the UK market, with 6-year maturity (callable in the fifth year);
– on 9 March, floating rate senior preferred bonds for 1,500 million euro, with 2-year maturity;

- on 15 May, fixed-rate senior preferred green bonds for a total of 2,250 million euro issued in two tranches: one tranche with 3-year maturity for 1 billion euro and one tranche with 7-year maturity for 1,250 million euro;
- on 23 May, fixed-rate senior preferred social bonds for 750 million GBP (equal to around 865 million euro) with 10-year maturity;
- on 12 June, fixed-rate bonds for a total of 2,750 million USD (equal to around 2,554 million euro) targeted to the US market, issued in two tranches: one senior preferred tranche with 10-year maturity for 1,250 million USD and one senior non preferred tranche with 31-year maturity (callable in the thirtieth year) for 1,500 million USD;
- on 22 August, fixed-rate senior preferred bonds for a total of 2,250 million euro issued in two tranches: 750 million euro with 4-year maturity and 1,500 million euro with 8-year maturity;
- on 31 August, fixed-rate AT1 subordinated financial instruments amounting to 1,250 million euro. These are perpetual financial instruments with an early redemption option that can be exercised by the issuer in the sixth year. At the time of the issue, a Liability Management operation was announced in which the Bank offered to buy back the largest possible amount of AT1 securities issued in 2017, callable in 2024. At the end of the offer period, the total amount bought back came to 503 million euro, equal to 67% of the total securities issued (750 million euro);
- on 9 November, floating rate senior preferred bonds for 1,750 million euro, with 2-year maturity;
- on 20 November, fixed-rate senior preferred bonds for a total of 3 billion USD (equal to around 2,745 million euro) targeted to the US market, issued in two tranches: one tranche with 10-year maturity for 1,500 million USD and one tranche with 30-year maturity for 1,500 million USD;

The following private placements were also carried out: on 26 May, fixed-rate senior preferred securities with 15-year maturity (callable in the tenth year) for 20 million euro; on 14 September, floating rate senior preferred bonds for 60 million euro with 2-year maturity; on 22 September fixed-rate senior preferred bonds for 20 million euro with 15-year maturity (callable in the tenth year); on 25 September, fixed rate senior preferred bonds for 500 million euro with 2-year maturity; and on 4 December, fixed-rate senior preferred bonds for a value of around 64 million CNY with 3-year maturity.

The “green” issues aim to fund all green projects in line with the Green, Social and Sustainability Bond Framework: “Renewable Energy”, “Energy Efficiency”, “Green Buildings”, “Clean Transportation” and “Circular Economy”. The “social” issues aim to fund all the social categories described in the Green, Social and Sustainability Bond Framework. Currently, the social portfolio is mainly composed of loans to SMEs operating in disadvantages areas (including COVID loans) and to non-profit organisations operating in sectors with a specific social focus (Healthcare, Education, Welfare and Solidarity).

With regard to the Covered Bond issue programme, as part of the covered bond issue programme guaranteed by ISP CB Pubblico, the 14th retained series was partially redeemed in January for 200 million euro (the remaining amount therefore came to 800 million euro), and the 12th retained series was partially redeemed in July for 150 million euro. The residual amount of the latter series (900 million euro) matured in October.
Under the covered bond issue programme guaranteed by ISP CB Ipotecario, in March the 19th series matured for an amount of 1,250 million euro and in June the 21st retained series was partially redeemed for 1 billion euro (the residual amount therefore came to 1,200 million euro).
On 26 June a public issue of Covered Bonds (series no. 29) targeted to institutional investors was carried out as part of the ISP CB Ipotecario Programme, for an amount of 1,250 million euro. These are fixed-rate securities with 5-year maturity. In October, three issues of retained Covered Bonds were carried out: the 30th series for 1,750 million euro, floating rate with 3-year maturity; the 31st series for 2 billion euro, floating rate with 5-year maturity; and the 32nd series for 1,750 million euro, floating rate with 9-year maturity. Lastly, in December, a private placement was carried out, subscribed by Commerzbank. This is a fixed-rate issue of 50 million euro, with 20-year maturity.
As part of the programme guaranteed by ISP OBG, in February, the 19ths retained series matured, for an amount of 1,375million euro and in August the 20th retained series matured for 1,600 million euro. Moreover, the 42nd retained series was partially redeemed in July for 300 million euro and in December for 400 million euro (the residual amount therefore came to 1,700 million euro). Lastly, in December the 41st retained series was partially redeemed for 400 million euro (the residual amount therefore came to 2 billion euro).
Under the covered bond programme guaranteed by UBI Finance, the 18th series matured in January for an amount of 1,250 million euro.
During the year, the subsidiary VUB Banka carried out two issues of fixed-rate Covered Bonds: the first in April for an amount of 500 million euro with 3-year maturity and the second in September for 500 million euro with 5-year maturity.

For the management of collateral, Intesa Sanpaolo also uses the A.Ba.Co. (Collateralised Bank Assets) procedure, which allows bank loans disbursed to non-financial companies to be used to secure loan transactions with the Bank of Italy: at 31 December 2023 the amount outstanding, gross of the haircuts applicable to loans lodged as pledge by the Group, amounted to around 18.2 billion euro.

The initial phase of the year was marked by the contrast between the strong performance of the real economy and inflation and the significant uncertainty generated by the crisis of several US banks and a leading Swiss bank. The trend in prices (specifically in core price indices) surprisingly continued to rise, and the first timid signs of slowdown in the US economy were offset by the post-pandemic reopening in China. Nonetheless, in March, bank runs on several local US banks triggered a sharp revision of monetary policy expectations due to the fears of a credit crunch. That phase was quickly overcome by the markets, comforted by the rapid support measures coordinated by the Central Banks and the better than forecast trend in the main economies. The gradual upwards revision of the terminal rates of monetary policy favoured a significant flattening of forward structures, which, however, did not slow the positive trend in credit spreads.
The more or less unchanged size of the liquidity portfolio in the first half hid several asset allocation actions: specifically, the share of investments in Japanese government securities hedged by cross currency swaps were reduced sharply, due to the significant compression of spreads triggered by the unexpected change by the Bank of Japan, which, at the end of December, began to show signs of abandoning its yield curve control policy. Conversely, during the period the share of investments in

core and quasi-core European government securities was increased. In the non-government segment, a prudent approach was maintained regarding Corporate issuers, while the Covered component was increased.
During the second half of the year, the still active trend in the US economy initially drove the markets to postpone to beyond mid-2024 the outlook for reductions in interest rates incorporated in the term structure. After a few months of substantial stability, in September, the Italian government spread began to be negatively impacted by the nearing autumn budget deadlines in a context of slowdown of the main European economies. Those trends suddenly inverted at the end of the fourth quarter, marked by a harsh compression of interest rates and spreads. Trading activities were slight, mainly rounding off the government component. Following the movement at the end of the year, the negative sensitivity of the portfolio to directional movements of interest rates was decreased sharply. In the segment of non-government securities, the covered component, which seems attractive given its defensive characteristics, the relatively generous levels of spreads and the probable future slowdown in supply in upcoming quarters continued rising.

In the repo business, Italian government bond volumes were significantly higher than in the previous year, while interest rates were slightly lower than the depo facility rate. The spread between the rates of the core countries and Italian government bonds gradually tightened over the year, the only exception being the expansion recorded at the changeover of each quarter.

In 2023 Intesa Sanpaolo also carried out operations to collect liquidity, by implementing securities financing transactions with underlyings mainly comprised of own Retained Covered Bonds on different maturities, mainly medium/long-term. At the end of the year, the outstanding operations with own issues of covered bonds as underlyings amounted to around 10 billion euro.

Strategic ALM

With regard to the Group's Asset & Liability Management (ALM), operational management of the financial risks of the Group's banking book is carried out by Group Treasury and Finance under the supervision of the CRO Area. Interest rate risk is monitored and managed by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve and the sensitivity of net interest income to the market views; moreover, specific scenario analysis techniques on rate developments are used, as well as behavioral scenarios for specific positions. The strategic choices on interest rate risk are made by the Group Financial Risk Committee, Asset & Liability Committee - ALCO session, within the limits established by the Board of Directors: the Group Treasury & Finance structure plays an instrumental role in the active management of interest rate risk within the limits assigned and supports the Committee's decision-making activity by formulating analyses and proposals. The structural component of liquidity risk is managed, based on the liquidity policies defined at Group level, as part of the Group's funding plan, which is used to monitor the current and future short and long-term liquidity balances, defining the funding plan on the various channels and instruments (domestic/international, retail/corporate, secured/unsecured, preferred/non preferred/subordinate). The funding plan optimises the various forms of funding in compliance with the liquidity indicators (LCR, NSFR and the other indicators in the Risk Appetite Framework), the rating targets, the various regulatory capital buckets and the MREL buffers, in line with the loan-deposit targets of the Business Units. The structural component of foreign exchange risk is managed, based on the policies on the matter defined at Group level, by monitoring the Group's overall position, also with a view to optimising the capital ratios.

Data, A.I., Innovation & Technology Area

Under the 2022-2025 Business Plan, as part of the broader objective of building “a strong bank for a sustainable world”, the Data, A.I., Innovation and Technology Area is continuing the process – already started with the previous business plan – of digitalisation, innovation and multi-channelling.
In 2023, the Area continuously evolved to increase the effectiveness of the digitalisation process through the progressive and comprehensive overhaul of the IT platform and the development of processes, efficiency improvements in the operating model, the transition to the cloud, and the strengthening of IT security controls.
As noted in the introductory chapter of this Report, in June, the commercial launch of the new Digital Bank Isybank was carried out (releasing the app on the iOS and Android stores and activating the official showcase website), with a new cloud-native technological platform (Isytech) developed in partnership with the leading fintech Thought Machine, which serves customers in the Retail segment that are mainly digital users of banking services and oriented to mobile banking. In keeping with the needs of this group of customers, Isybank has been designed according to criteria of simplicity, accessibility, inclusiveness and security, while continuing to allow a direct relationship with the operators of the Digital Branch, as Intesa Sanpaolo aims to preserve the value of the human touch in interactions with customers. Over the year, the development of new functionalities continued, in order to further enrich the app and transform and simplify the operating model.
To provide effective support for the IT transformation process, the two programmes launched in 2022 continued: in New Group Technology (which aims to transform the IT operating model by aligning it with the best practices of the IT structures of digital companies on the market) the adoption of the new ways of working to monitor the applications was extended to internal structures; in Falcon (which aims to insource IT skills once again by hiring around 2 thousand resources over the entire horizon of the Plan) 686 resources were hired, in line with the planning. The training process to support the growth of internal skills also continued.
As part of the agreement signed with TIM and Google for the migration of a significant part of Intesa Sanpaolo's information system onto Google's cloud services which will meet the higher international standards of security and confidentiality of information, the migration continued of the applications onto the Google Cloud Platform (since the start of the Plan, 274 applications have been migrated and 71 new applications have been created directly on the cloud), and the activation of Italy's Milan and Turin Regions has been completed, which will provide Italian households and businesses with secure and sustainable access to the technological and economic advantages of cloud computing, making a key contribution to the acceleration of Italy's digitalisation.
The Opening Future portal, a communication hub developed by the Group in collaboration with Google Cloud and Noovle

(cloud company of the TIM Group) promoted further initiatives to increase and spread a digital culture and build green IT in Italy. The Turin Centre of Excellence is also operations, to develop new products and specific training initiatives accelerated by artificial intelligence. In 2023, over 1,800 SMEs, startups and fintech were involved, and around 5,000 people (students and instructors) participated in training initiatives.
The Digital Process Transformation programme, which aims to identify and activate actions for transforming end-to-end processes also by leveraging the opportunities offered by technology (Robotic Process Automation, Artificial Intelligence, etc.), continued. The first digital solutions were issued starting in the fourth quarter, on customer onboarding and hereditary succession processes on an initial group of pilot branches.
During 2023, the AIxeleration programme was launched to bring the Group's adoption of artificial intelligence to scale in a sustainable, responsible and standardised manner on all of the Divisions, favouring new business opportunities, increasing operating efficiency and further improving risk management. The programme is based on developing an ecosystem whose fundamentals are comprised of: a consistent, shared base, the cloud, strengthening of skills, signing agreements with technological (e.g. Microsoft and Google) and academic partners (e.g. London University and Fujitsu), CENTAI (ISP's artificial intelligence research centre) and the dissemination of the culture of AI (Artificial Intelligence) within the Group. Over 75 use cases were launched, due to over 150 dedicated AI Specialists, and laboratories were started for the purpose of testing Generative AI.

In the area of Digital Accessibility, in response to the reference regulations and to steer assessment and remediation activities on digital touchpoints (websites and apps) of the Group's Italy scope and favour the activation of new accessible developments, during 2023 the accessibility statements were published for all touchpoints in scope, the feedback management mechanism was activated for any reports from customers and the remediation actions were activated on several priority touchpoints.
In the area of cybersecurity, protection from cyber attacks was enhanced, with reference to detection and recovery, and the internal awareness of cyber attacks (for example, phishing) was increased. The protection of customers' digital access was further increased, gradually eliminating codes that can be "shared" through social engineering techniques, leveraging biometric recognition, authorisations that require security codes than cannot be shared (e.g. dynamic QR Codes) and the verification of the customer's actual identity using electronic documents (passport and electronic ID card). The approach to Business Resilience was also strengthened, by identifying the main alternative solutions to be activated in the event that vital services are blocked.
Also in 2023 Intesa Sanpaolo maintained its constant commitment to innovating the ways of interacting with customers. Additional developments were released to further integrate the contact channels and improve the range and user experience: as a result of these efforts, the Intesa Sanpaolo App was confirmed also in 2023 as the number one Overall Leader. The Intesa Sanpaolo Mobile App is used as a gateway by over 12.5 million multi-channel customers, with over 2 billion logins and around 178 million transactions a year, and supports the purchase of products and services on the Group's digital channels, which account for around 40% of Banca dei Territori's total sales.
The Fideuram Direct digital platform, for investors and traders who remotely invest on the financial markets, was expanded with Direct Advisory, the new remote advisory service to manage investments. The migration of Fideuram customers to the MyKey platform and the activation of the Digital Branch for customers of Fideuram's direct channels were completed.
For Enterprises and Retail SMEs the digitalisation of the "Nuova Concessione" process to the SME Retail segment was begun, factoring the innovative digital elements already developed for Corporate and SME customers. Moreover, the Credit User Journey was released, a new process that simplifies the process of granting credit products for all Business customers (SME Retail, SME Corporate/Corporate) which can be used to remotely offer credit lines in current accounts (Apertura di Credito in Conto Corrente), and POS advances (Anticipo Transato POS) and "Circolante Impresa". The sharp acceleration of digital payments continued, with new solutions and innovations to make mobile one of the key channels in interacting with customers. The "No hardware" SoftPOS solution, developed by Nexi as a prerelease for customers of Intesa Sanpaolo, which allowed merchants to use their smartphone or tablet to access payments made by their customers with contactless cards on the main circuits and through digital wallets. In order to completely dematerialise processes, the method of managing signature on the contractual documents was fully dematerialised for the Commercial Cards, Short-term Loans and Unsecured Commitments Customer Journeys, and a new functionality was added to Inbiz that allows Customers to use remote Digital Signatures issued by third party Certification Authorities to sign for products and services, as an alternative to those issued by the Bank (MyKey/BancaIdentity).
In the insurance area, the range of products offered on the app and via internet banking was expanded, strengthening Intesa Sanpaolo's bancassurance position. The new products "Il Mio Domani" and "Il Mio Futuro" became available, supporting customers in moving towards their future pensions and the "Protezione Smartphone" policy, which focused on the culture of protecting one's own assets.
With regard to the BlackRock Aladdin platform (adopted back in 2021), the Aladdin Wealth module was extended to the entire Fideuram network and the extension of the Aladdin Enterprise module to Eurizon Capital SGR, Eurizon Capital Asia Limited, Eurizon Asset Management Croatia, Eurizon Asset Management Hungary and Eurizon Asset Management Slovakia was completed.
In the International Subsidiary Banks Division (ISBD), functionalities and digital services were implemented in Romania and the roll-out phase was activated in Slovakia. The new Navigated Experience functionality of the chatbot using artificial intelligence was released in Hungary, Slovenia, Albania and Croatia.
As part of the Global Core HR initiative, in 2023 the New Core HR was activated for Italy and for 5 banks in the International Subsidiary Banks Division. This long-term initiative aims to define a new HR operating model and service (to enable the creation of a global workforce and equip all Group Companies and Banks with a modern suite of cloud-based digital HR services) and to set up centralised management of the Group's digital identities for the cloud platforms in the scope of the programme (extending the Parent Company's Multi Factor Authentication solution – StrongAuth – to foreign countries).
In relation to the measures envisaged by the developments in the regulatory framework, the multi-year initiative aimed at improving the structure of anti-money laundering safeguards continued, reducing the Bank's exposure to risks and aligning the Group's Anti Financial Crime model to international best practices. In order to increase the level of integration between procedures, improve the level of analysis and the timeliness of assessments, the Competence Centre's activities are always

evolving to provide greater support to the Branches in Transaction Monitoring and Know Your Customer activities. The new centralised Competence Centre model for AML transactional monitoring was applied to Isybank and is being further extended to the Italian companies of the Private Banking Division. The new processes and tools to support due diligence activities, to be carried out on selling products, involving the Know Your Customer Competence Centre, entails a gradual approach by product types and customer involved, and has begun with the safety deposit boxes of individuals.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
2023	19,288	4,836	1,014	25,138
2022	16,692	3,813	935	21,440
% change	15.6	26.8	8.4	17.2
Loans to customers				
31.12.2023	344,529	64,651	20,360	429,540
31.12.2022	365,428	63,173	18,253	446,854
% change	-5.7	2.3	11.5	-3.9
Direct deposits from banking business				
31.12.2023	489,432	78,032	8,672	576,136
31.12.2022	466,841	71,010	7,535	545,386
% change	4.8	9.9	15.1	5.6

Breakdown by geographical area is carried out with reference to the location of Group entities.

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

With regard to the subdivision by geographical areas of operations, carried out with regard to the location of the entities comprising the Group, activities continued to be concentrated primarily in the Italian market. Italy accounted for 77% of revenues, 80% of loans to customers and 85% of direct deposits from banking business.
With regard to operating performance in 2023, loans to customers decreased in Italy, but grew in Europe and the rest of the world. Direct deposits from banking business, on the other hand, increased in all the geographical areas: Italy, Europe and Rest of the World.
For details on the Group's presence in Italy and abroad, refer to the graphic representation at the beginning of this document (The Intesa Sanpaolo Group: presence in Italy - international presence).

Corporate governance and remuneration policies

Corporate Governance and remuneration policies

Corporate Governance

Intesa Sanpaolo complies with the Corporate Governance Code for listed companies, and adopts a one-tier corporate governance system in line with the principles contained therein, as well as, in general, with national and international best practices, which aim to ensure, also in accordance with the Supervisory Authority provisions, effective and transparent distribution of the roles and responsibilities of its Corporate Bodies and a proper balance of strategic supervision, management and control functions.
For a more detailed description of the corporate governance system, reference should be made to the “Report on Corporate Governance and Ownership Structures” – available in the “Governance” section of the Company’s website – prepared in accordance with Article 123-bis of the Consolidated Law on Finance, which requires issuers to provide the market yearly with detailed information on their ownership structures, their compliance with a corporate governance code, their corporate bodies structure and operation as well as their corporate governance practices.

Shareholder base

According to records in the Shareholders’ Register and the most recent available information, shareholders with stakes represented by shares with voting rights exceeding 3% of capital – threshold that, if exceeded, requires disclosure to both the company and Consob[50], pursuant to current Italian legislation (Article 120 of the Consolidated Law on Finance) – are shown in the table below[51].

Shareholder	Ordinary shares	% held
Fondazione Compagnia di San Paolo	1,188,947,304	6.503%
Fondazione Cariplo	961,333,900	5.258%

One-tier governance system

Intesa Sanpaolo adopts the one-tier governance system and therefore operates through a Board of Directors, within which guidance and strategic supervision powers converge; the control functions are carried out by the Management Control Committee, established within the Board of Directors, made up entirely of Independent Directors appointed by the Shareholders’ Meeting; the Managing Director and CEO supervises the company’s management to the extent of his assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board.
The practical application of the one-tier system to the Bank’s structure is marked by a clear division of roles and responsibilities between the Governing Bodies:
– the Board of the Company is assigned the guidance and strategic supervision duties and the duty to resolve on all the relevant corporate deeds;
– the internal Board Committees support the Board in carrying out its functions in order to facilitate the taking of fully informed decisions;
– the Management Control Committee exercises the powers and functions conferred by the current regulations upon the body with the control function and upon the internal control and audit committee, pursuant to Legislative Decree 39/2010;
– the Managing Director and CEO performs the day-to-day management function, within the scope of the powers delegated by the Board;
– the Managers support the Managing Director and CEO in day-to-day management within Managerial Committees, performing the tasks and powers assigned to them by the Board and detailed in specific Regulations which govern the functioning thereof.

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

[51] See also what was reported in the 2022 Financial Statements:
- in December 2020, BlackRock Inc. had disclosed a 5.005% holding in the share capital of Intesa Sanpaolo (notified in Form 120 A dated 9 December 2020) as well as a 5.066% aggregate holding (notified in Form 120 B dated 4 December 2020) and has not provided any update of these holdings following the subsequent changes in the number of shares into which the share capital of Intesa Sanpaolo is divided;
- JP Morgan Chase & Co. had disclosed on 21 December 2021 a 4.571% aggregate holding (notified in Form 120 B), of which only 0.963% was represented by voting rights attached to shares.

The Shareholders' Meeting

In the one-tier system adopted by the Bank, the ordinary Shareholders' Meeting resolves, amongst other things, on:
- the approval of the financial statements and distribution of net income;
- the appointment, removal and determination of remuneration with respect to the positions of Board Member, Chair and Deputy Chair of the Board of Directors and Chair and members of the Management Control Committee;
- the approval of the Board Members' and personnel's remuneration policies, as well as the plans based on financial instruments;
- the appointment of the independent auditors and the determination of the relative fees, upon the reasoned proposal of the Management Control Committee and, where the conditions are met, the revocation or amendment of said engagement, in consultation with the same Committee;
- the other matters assigned to it by the applicable regulations and the Articles of Association.

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

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

The Board of Directors is responsible for corporate management: it may therefore undertake all transactions considered necessary, useful or appropriate in achieving the corporate purpose, relating to both ordinary and extraordinary administration. The Board has guidance and strategic supervision duties over the Company and the duty to pass resolutions on all the most important corporate actions.
With regard to its corporate management duties, the Board, without prejudice to the powers reserved for it, delegates to the Managing Director the necessary and appropriate powers to ensure consistency in day-to-day management, in implementation of the guidelines decided by the same Board. The Board determines the content, limits and methods of exercise of the powers granted to the Managing Director and establishes how he reports back to the Board on the delegated activities.
The Board of Directors' meeting held on 29 April 2022 appointed Carlo Messina as Managing Director, thereby granting him the necessary and appropriate powers to ensure consistency with day-to-day management, in implementation of the guidelines decided by the Board.
The Managing Director is the Chief Executive Officer and General Manager and supervises the company's management to the extent of his assigned powers, in compliance with the general planning and strategic guidelines set forth by the Board. He determines and issues operational directives and is responsible for personnel management.
The Board of Directors has established four internal committees, the prerogatives and duties of which comply with the provisions of the Articles of Association and the Supervisory regulations in force:
- Nomination Committee: it performs inquiry and advisory duties to support the Board in the process of appointment or co-option of the Board Members to ensure that the composition of the body, in terms of size and professionalism, makes it possible to fulfil its duties efficiently, as part of the process for the appointment of members of the Bodies of the main subsidiaries; the Committee also performs the other duties assigned to it pursuant to the law or by the Board of Directors.
- Remuneration Committee: it inquires, proposes and advises on remuneration and incentive matters, thereby supporting the Board, and performs the other duties assigned to it pursuant to the law or by the Board of Directors.
- Risks and Sustainability Committee: it supports the Board in the performance of strategic supervision functions regarding risks, the internal control system and sustainability, and performs the other duties assigned to it pursuant to the law or by the Board of Directors.
- Committee for Transactions with Related Parties: it carries out the tasks assigned to it by the rules on transactions with related parties and associated entities; in particular, it issues its opinion on the transactions that fall within the scope of application of the rules and of the internal regulations.

The Management Control Committee

The Management Control Committee, established as part of the Board of Directors, consists of 5 members of the Board of Directors elected by the Shareholders' Meeting of 29 April 2022, who appointed as its Chair Alberto Maria Pisani. All Committee members meet the independence requirements laid down in the Articles of Association.
The Management Control Committee performs the duties assigned by current legislation to the control body of a parent company of a banking group heading a financial conglomerate and issuing listed shares and also operates as the Internal Control and Audit Committee pursuant to Article 19, paragraph 2, letter c) of Legislative Decree no. 39/2010.

Among other activities, the Committee supervises:
(i) compliance with the regulations, the principles of correct management and the actual implementation of the corporate governance rules set forth in the Corporate Governance Code,
(ii) the adequacy of the Company's organisational, administrative and accounting structure,
(iii) the statutory audit process and accounting and financial disclosures,
(iv) the adequacy, efficiency and functionality of the internal control system,
(v) the adequacy, efficiency and functionality of the risk governance and management process and the business continuity plan.

The Committee may, after notifying the Chair of the Board of Directors, convene the Shareholders' Meeting whenever it deems it necessary for the performance of its duties or if, during its activities, it detects objectionable facts of significant severity and requiring urgent measures.

The operating structure

Divisions, Governance Areas and Head Office Departments reporting directly to the Managing Director and CEO
The Parent Company is divided into six Divisions, comprising business line aggregations with similar characteristics in terms of products and services provided and in terms of regulatory framework, nine Governance Areas and one Head Office Department in a direct reporting line to the Managing Director and CEO, which exercise guidance, coordination, control, support and service functions at Group level, as detailed below.

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

- Governance Areas/Head Office Departments reporting directly to the Managing Director and CEO
  - Chief Operating Officer Governance Area;
  - Chief Data, A.I., Innovation and Technology Officer Governance Area;
  - Chief Cost Management Officer Governance Area;
  - Chief Lending Officer Governance Area;
  - Chief Financial Officer Governance Area;
  - Chief Risk Officer Governance Area;
  - Chief Compliance Officer Governance Area;
  - Chief Governance Officer Governance Area;
  - Chief Institutional Affairs and External Communication Officer Governance Area;
  - Strategic Initiatives and Social Impact Head Office Department.

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

The duties assigned to the Governance Areas and the Strategic Initiatives and Social Impact Head Office Department are outlined below:

Chief Operating Officer (COO) Governance Area
The Chief Operating Officer (COO) Governance Area is responsible for:
- supporting the Managing Director and CEO in defining the Group's general policies within the scope of Human Resource Development and Management, in line with the company's strategies and objectives, with a view to renewing and creating value, as well as in compliance with current regulations;
- ensuring the remuneration governance process, supporting the Corporate Bodies in the definition and approval of the Remuneration Policies, as envisaged by Intesa Sanpaolo Group's "Guidelines on Remuneration, Incentives and Identification of Risk Takers", also ensuring, for the Group, the monitoring and governance of labour costs, in line with the company's strategies and objectives;
- proposing to the Managing Director and CEO the definition and evolution of organisational models aimed at enhancing the Group's organisational effectiveness and efficiency, in line with the company's strategies and objectives, ensuring implementation thereof;

- ensuring, for the Group, the definition of the guidelines and policies relating to trade union affairs and welfare and their implementation, in line with the company's strategies and objectives and in compliance with current regulations;
- ensuring, for the Group, the definition of the guidelines and policies relating to corporate and physical security and their implementation;
- encouraging people's development and training, improving the quality of corporate life, developing an inclusive and attentive approach towards diversity, including through dedicated initiatives;
- ensuring, for the Group, the monitoring of compliance risk with reference to the areas of Protection of Health and Safety in the workplace, pursuant to Legislative Decree no. 81/2008 and Environmental Protection, pursuant to Legislative Decree no. 152/2006.

Chief Data, A.I., Innovation and Technology Officer Governance Area (C-DAITO)

The Chief Data, A.I., Innovation and Technology Officer Governance Area (C-DAITO) has the function of:

- supporting, in line with the Business Owners' requirements, the definition and development of innovation initiatives, technologies and solutions;
- ensuring the implementation of the initiatives identified by the Business Owners in line with the objectives of the Business Plan by directing actions within a logic of digital transformation and innovation;
- defining the Group's ICT strategy, policies and guidelines - including architectural, methodological and technological standards -, in line with corporate objectives and priorities, and overseeing their implementation;
- overseeing the complexity of IT systems, operations and processes with a view to the continuous innovation of technological solutions, in order to guarantee the Group's constant projection towards a dimension that is evolved and consistent with digitalisation advances, in compliance with the expenditure and investment levels assigned;
- coordinating the definition and implementation of the data governance system to ensure a high level of quality and meet regulatory and business requirements;
- ensuring, for the Group, the definition and implementation of the guidelines and policies on cybersecurity, IT security and business continuity in line with the company's strategies and objectives and in compliance with current regulations;
- ensuring the information flows to the Corporate Bodies provided for by the Internal Control System and the governance documents within the respective areas of responsibility.

Chief Cost Management Officer (CCMO) Governance Area

The Chief Cost Management Officer (CCMO) Governance Area is responsible for:

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

Chief Lending Officer (CLO) Governance Area

The Chief Lending Officer (CLO) Governance Area is responsible for:

- making material lending decisions, directly or submitting them to the relevant bodies in relation to the assumption and management of the Group's credit risks, authorising them directly within the scope of their responsibility, including through compliance opinions;
- ensuring the proactive management of credit and guaranteeing the management and the monitoring of the Group's non-performing loans, within the respective area of responsibility;
- ensuring the correct classification and valuation for financial reporting purposes of positions under its responsibility that are classified as non-performing loans;
- managing the stocks and flows of bad loans managed within the Group;
- conceiving and managing transactions for the sale of individual NPE positions or portfolios, credit exposures and other assets within scope, with the collaboration of other competent functions;
- performing monitoring and control on outsourced activities, including monitoring the performance KPIs of Outsourcers, directly making decisions, or submitting them to the competent Bodies, regarding proposals exceeding the powers delegated to the Outsourcers;
- contributing to the process of formulating the proposal of the Credit Strategies in the analysis of the impacts on the granting of loans and their definition in relation to the relevant credit management variables, without prejudice to the finalisation powers within the remit of the Chief Financial Officer Governance Area;
- contributing to establishing and evaluating the Group's Sector Framework, coordinating and supporting the Sector Working Group in defining sector performance indicators;
- analysing the evolution of the cost of credit within the Group, also taking into account the application of the aforesaid Credit Strategies;
- allocating and validating the ratings to the relevant positions, also providing support in the definition of the rating allocation processes and tools;
- defining the reference regulations on credit matters, the requirements for the development of credit instruments and contributing to the formulation of the proposals for the assignment of credit granting and management powers, without prejudice to the finalisation powers within the remit of the Chief Risk Officer Governance Area;
- promoting initiatives aimed at disseminating and developing a credit culture;

- ensuring, consistently with the guidelines of the Chief Risk Officer Governance Area and in compliance with the Credit Policies, the first level systematic supervision of the relevant credit portfolio, identifying phenomena referring to specific credit aggregates characterised by high levels of anomalies for which to activate the appropriate risk mitigation measures.

Chief Financial Officer (CFO) Governance Area

The Chief Financial Officer (CFO) Governance Area is responsible for:

- assisting the Corporate Bodies in defining, in accordance with the Group corporate strategies and objectives, the guidelines and policies on administration and tax, planning and management control, treasury and finance, studies and research, active management of the loan portfolio, relations with investors and rating agencies, and social and environmental responsibility;
- coordinating the implementation of said guidelines and policies by the relevant Group business units, and in other corporate areas as appropriate;
- overseeing Asset and Liability Management (ALM) activities, the management of the Treasury securities portfolio, the Funding Plan, the integrated management of liquidity risks as well as financial and regulatory risks, ensuring the satisfaction of funding requirements at Group level;
- defining the Group's future qualitative and quantitative objectives through strategic planning, budgeting, capital management, internal assessment of capital adequacy and liquidity position (ICAAP/ILAAP), monitoring of the Recovery and Resolution Plan and carrying out the continuous analysis of the economic and financial results;
- overseeing studies and research on investments, economy and markets;
- overseeing the Credit Portfolio Management at Group level, supporting the Divisions in the active management of credit risk, with the aim of improving the risk-return profile of the loan portfolio in order to create value for shareholders, through targeted credit strategies and participation in market operations on performing and non-performing loan portfolios;
- ensuring the management of communications and relations with investors, financial analysts and rating agencies and overseeing Environmental, Social, Governance (ESG) and sustainability aspects within the Group, in particular with regard to the related planning, management and reporting activities.

The Chief Financial Officer Governance Area also includes the Manager responsible for preparing the Company's financial reports, who ensures the accurate and timely presentation of income statement and balance sheet results of the Bank and of the entire Group, as well as compliance with the relative accounting and supervisory obligations, performing quality control of the processes governing administrative and financial reporting disclosures to the market, pursuant to the appropriate regulations. The Area also ensures compliance with tax obligations.

Chief Risk Officer (CRO) Governance Area

The Chief Risk Officer (CRO) Governance Area is responsible for:

- governing the macro-process of definition, approval, control and implementation of the Group's Risk Appetite Framework (RAF) with the support of the other corporate functions involved;
- consistent with corporate strategies and objectives, assisting the Bodies in defining and implementing risk management guidelines and policies;
- coordinating the implementation of risk management guidelines and policies by the relevant Group business units, also in the Group companies;
- measuring and controlling the Group's exposure to the various types of risk, also verifying the implementation of the guidelines and policies mentioned in the above paragraph;
- performing level II monitoring and controls on credit quality, the composition and evolution of the various loan portfolios and the proper classification and measurement of individual exposures ("single name" controls);
- performing level II monitoring and controls to monitor non-credit risks;
- continuously and iteratively validating risk measurement and management systems – used both to calculate capital requirements and for non-regulatory purposes – to assess their compliance with regulatory provisions, company operational needs and reference market demands and to manage the internal validation process at Group level.

Chief Compliance Officer (CCO) Governance Area

The Chief Compliance Officer (CCO) Governance Area is responsible for:

- ensuring monitoring of the Group regulatory compliance risk, including conduct risk, both with regard to the operational risk component and the reputational risk, also through the implementation of a graduated compliance model for the regulations encompassing specific forms of specialized supervision;
- defining, in line with corporate strategies and objectives, guidelines and policies regarding compliance with the Group standards, integrating the compliance risk assessment and management model within the Risk Appetite Framework;
- coordinating the implementation of guidelines and policies on compliance with regulations by the relevant Group business units, and in the various corporate departments;
- collaborating with the other corporate control functions in order to achieve effective integration of the risk management process;
- managing relations with the Corporate Bodies and Supervisory Authorities on compliance issues;
- ensuring, for the Group, the monitoring of compliance risk with reference to the area of Personal Data Protection, pursuant to Legislative Decree no. 101/2018.

Chief Governance Officer (CGO) Governance Area

The Chief Governance Officer (CGO) Governance Area is responsible for:

- ensuring assistance and advice to the Corporate Bodies in defining the strategies concerning extraordinary finance transactions for the Group, in line with the corporate objectives;
- overseeing, closely with the Business Divisions, the analysis of the evolutionary trends of the domestic and international markets of relevance to the Group, to identify potential targets and/or partnerships and/or extraordinary corporate transactions in line with the Group's growth and/or rationalisation strategies;
- ensuring compliance with the guidelines and policies regarding the governance of the investment portfolio and the achievement of results in line with the Business Plan, safeguarding the best protection of the Group's interests;
- ensuring assistance and legal advice to the Corporate Bodies of the Parent Company and to Top Management, overseeing the proper implementation of corporate and supervisory regulations on the subject of governance and institutional obligations at Group level;
- managing the activities associated with the functioning of all the Corporate Bodies and providing support for the related processes;
- overseeing the legal risk at Group level, managing litigation and the related operational risk and defining, in these areas, the guidelines through directives and instructions;
- providing legal advice and assistance to the Group's structures, following regulatory and case law literature, including at European and international level, ensuring the correct regulatory framework of all new initiatives and supporting the compliance function in the identification and interpretation for the purposes of managing the risk of non-compliance;
- ensuring the protection and enhancement of the cultural, archival and historical-artistic heritage of the Group, according to programmatic guidelines that enhance its institutional profile.

Chief Institutional Affairs and External Communication Officer (CIAECO) Governance Area

The Chief Institutional Affairs and External Communication Officer (CIAECO) Governance Area is responsible for:

- promoting a coordinated, dynamic and result-oriented approach in the management of the Group's institutional and external relations in order to support the growth and development of the Group's activities;
- overseeing the Group's institutional relations, promoting and directing relations with institutions, regulators and supervisors, at the national, European and international level;
- overseeing external relations for the Group, promoting solid relations with stakeholders and reference partners and national and international media;
- supporting the reputation and promoting the Group's image and identity by disseminating its ethical, social and cultural values, in line with the company's mission.

Chief Audit Officer (CAO)

The Chief Audit Officer (CAO), who reports directly to the Board of Directors (and, on its behalf, to its Chair), functionally reporting to the Management Control Committee, without prejudice to the appropriate sharing of information with the Managing Director and CEO, is responsible for:

- ensuring constant and independent auditing of the regular performance of the Bank and Group operations and processes for the purpose of preventing or identifying any anomalous or risky conduct or situation, assessing the operations of the internal control system and its adequacy in guaranteeing the effectiveness and efficiency of company processes, safeguarding asset value and loss protection, and the reliability and completeness of accounting and management reports, and the compliance of transactions with corporate governance policies and with internal and external regulations;
- providing consultancy to the Group's departments, also through participation in projects, for the purpose of adding value and improving effectiveness of control, risk management, compliance and internal governance processes;
- ensuring supervision of the internal control system of the Group's subsidiaries, also by exercising governance of, and guidance to, the respective Internal Audit functions;
- supporting corporate governance and ensuring that Top Management, the Corporate Bodies and the competent Authorities (European Central Bank, Bank of Italy, Consob, etc.) promptly and systematically receive information on the status of the control system and on the outcome of activities performed and on the progress of any corrective measures;
- supporting the "231 Model" Surveillance Body in ensuring constant and independent verification of the regular performance of operations and processes, to prevent or detect anomalous and risky conduct or events, and in monitoring the compliance and effectiveness of the rules in the 231 Model;
- ensuring the proper conduct of the internal process for managing whistleblowing reports.

The Strategic Initiatives and Social Impact Head Office Department is responsible for:

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

– ensuring the monitoring of the direction and governance of the social activities carried out by the Group, dealing with the development and implementation of the specific projects and initiatives in this area, in collaboration with the relevant Group functions.

Remuneration and incentive policies

Over the last few years, international bodies and regulators have paid increasing attention to the issue of remuneration across different sectors, including, in particular, that of listed companies, banks and banking groups, as well as insurance, assets under management and investment firms, with the aim of guiding operators towards the adoption of remuneration policies and remuneration systems that are consistent with the principles – intensified following the economic and financial crisis – governing the process for drawing up and approving the remuneration and incentive policies, the compensation structure and their transparency.

The regulatory framework has undergone a significant evolution - which is still ongoing - both at the European level and at the national level, in each of the above-mentioned sectors[52].

With reference to listed companies, Art. 123-ter of the Consolidated Law on Finance ("CLF") provides for the obligation to prepare and make available to the public a report on remuneration, divided into two sections (the first illustrating the company's policy in relation to remuneration and the procedures used for the adoption and implementation of this policy, the second providing information on the remuneration paid), to be drawn up including the information set out in the Issuers' Regulation, and to be submitted to the Shareholders' Meeting resolution. Until 2019, the Shareholders' Meeting was called upon to issue its opinion with an advisory vote on the first section of the policy; in 2019, in implementation of the Shareholders' Rights Directive II (Directive (EU) 2017/828), Article 123-ter of the CLF was amended requiring, among other things, that the Shareholders' Meeting cast a binding vote on the first section of the report and an advisory vote on the second section. In 2020, the Issuers' Regulations - in the part relating to the report on remuneration policy and compensation paid - was also amended in implementation of the Shareholders' Rights Directive, with the aim of enhancing transparency vis-à-vis shareholders. Lastly, in terms of the self-governance of listed companies, remuneration is regulated by the Corporate Governance Code, which in January 2020 was superseded by the new "Corporate Governance Code", in force since the first financial year after 31 December 2020.

In the banking sector, remuneration and incentive policies and practices are the subject of specific regulations at European and national level. These regulations have changed significantly over time. More specifically, and among other things, in implementation of the so-called CRD III (Directive 2010/76/EU) and taking into account the guidelines and criteria defined internationally (including the principles and standards of the Financial Stability Board, the methodologies of the Basel Committee on Banking Supervision, and the Guidelines issued by CEBS), the Bank of Italy, with a measure dated 30 March 2011, issued Supervisory Provisions containing a harmonised set of regulations of remuneration policies, systems and practices in banks and banking groups, relating to the processing and control process, the remuneration structure and the disclosure obligations to the public, thereby requiring, among other things, the approval of the remuneration and incentive policies by the Shareholders' Meeting, in order to achieve remuneration systems in line with the long-term corporate strategies and objectives connected with company results, appropriately adjusted to take into account all risks, consistently with the capital and liquidity levels required to fulfil the activities undertaken and, in any case, such as to avoid distorted incentives that could lead to regulatory violations or excessive risk-taking for the bank and the system as a whole.
The Bank of Italy intervened once again in the matter with the two recommendations contained in the communications dated 2 March 2012 and 13 March 2013, highlighting in general the need for banks to establish a strategy that is aligned to the objective of preserving the stability of the business, also from a forward-looking perspective, as well as maintaining the conditions of capital adequacy and prudent management of liquidity risk. Subsequently, in 2014, the Supervisory Provisions on remuneration policies and practices - contained in Bank of Italy Circular no. 285/2013 - were revised to implement the regulations contained in the so-called CRD IV (Directive 2013/36/EU). In implementation of CRD IV, in 2014, the European Commission issued the Regulatory Technical Standards (RTS) relating to qualitative and quantitative criteria for the identification of categories of personnel whose professional activities have a material impact on the institution's risk profile (so-called "Risk Takers"). In December 2015, the EBA, based on the provisions contained in CRD IV, published the update of the "Guidelines on sound remuneration policies", drawn up by its predecessor CEBS, defining in detail the rules relating to the remuneration structure, remuneration policies and the related governance and implementation processes. The indications of these Guidelines were implemented by the Bank of Italy which, in 2018, updated the regulations on remuneration policies and practices referred to in Circular 285. Lastly, in 2019 CRD V (Directive 2019/878/EU) and Regulation (EU) 2019/876 (CRR II) were issued. Following the adoption of CRD V, the EBA revised (i) the regulatory technical standards (RTS) on the criteria to identify Risk Takers, which formed the basis for Commission Delegated Regulation (EU) 2021/923 published on 9 June 2021; and (ii) the Guidelines on sound remuneration policies, publishing a new version in July 2021, applicable from 31 December 2021. The Bank of Italy implemented CRD V and the essential contents of the new EBA Guidelines with the 37th update of Circular 285/2013, published on 24 November 2021.

With regard to the insurance sector, ISVAP (now IVASS), with Regulation No. 39 of 9 June 2011, laid down the principles regarding the decision-making processes, structure and disclosure obligations for the remuneration policies of insurance companies. Regulation No. 39 was subsequently replaced by IVASS Regulation No. 38 of 3 July 2018 on the corporate governance of insurance companies and groups, which implements the Solvency II Directive (Directive 2009/138/EC) and the

[52] Please note that the regulatory framework described in this paragraph is up to date as at the date of approval of this document while the following paragraphs refer to the provisions of the 2023 Group Remuneration and Incentive Policies approved by the Intesa Sanpaolo Shareholders' Meeting held on 28 April 2023.

guidelines issued by the European Insurance and Occupational Pensions Authority (EIOPA) on the corporate governance system, and incorporates the provisions of ISVAP Regulation No. 39 of 9 June 2011 concerning remuneration policies. Furthermore, on 5 July 2018 IVASS sent a Letter to the market regarding the guidelines on the application of the principle of proportionality in the corporate governance system.
With regard to the asset management sector, the provisions of the Joint Bank of Italy – Consob Regulation on remuneration (issued pursuant to Article 6, paragraph 2-bis, of the Consolidated Law on Finance) – updated on 27 April 2017 to transpose the rules on remuneration and incentive policies and practices set out in Directive 2014/91/EU (UCITS V Directive) into Italian law and included, from December 2019, in the Bank of Italy Regulation implementing Articles 4-undecies and 6, paragraph 1, sub-paragraphs b) and c-bis) of the Consolidated Law on Finance – also apply to asset management companies belonging to banking groups, differently according to whether or not the asset management company is classed as significant.
This Regulation was last updated on 23 December 2022 in order, primarily and to the extent relevant here, to implement the new rules on remuneration applicable to investment companies introduced by Directive (EU) 2019/2034 and the Remuneration Policy Guidelines (EBA/GL/2021/13) adopted by the EBA in consultation with ESMA. The framework on remuneration applicable to investment companies is accompanied by, among others, Commission Delegated Regulation (EU) 2021/2154, which sets out regulatory technical standards specifying the criteria to identify categories of staff whose professional activities have a material impact on the risk profile of the investment firm (“risk takers”), effective as of 12 December 2021.
Lastly, with reference, inter alia, to the provision of investment services and activities by banks, investment companies and asset management companies, the provisions on remuneration set out in Directive 2014/65/EU (MiFID II) and Delegated Regulation (EU) 2017/565 (MiFID II Delegated Regulation) are also relevant, as well as the “Guidelines on certain aspects of the MiFID II remuneration requirements” issued by ESMA and last updated in April 2023.
That being said, Intesa Sanpaolo has always extensively focused its attention on remuneration matters, on relative regulation compliance and on maximum transparency to the market.

Procedures for adoption and implementation of the remuneration policies

The role of Corporate Bodies

The Shareholders’ Meeting

The Articles of Association require the Shareholders’ Meeting to approve the Board Members' and personnel's remuneration policies, as well as the plans based on financial instruments.
In this context, it shall approve the criteria for determining the severance payments to be granted in the event of early termination of the employment agreement or early termination of office, including the limits set for such payments as provided by the regulations currently in force and shall also determine, with the qualified majority threshold defined by the supervisory regulations in force, a ratio between the variable and fixed individual remuneration of the personnel above the ratio of 1:1, but in any case not exceeding the maximum established by the same regulations.
The Shareholders’ Meeting determines the remuneration for the members of the Board of Directors and the Management Control Committee and the remuneration for the offices of Chair and Deputy Chair of the Board of Directors and Chair of the Management Control Committee.
In addition, the Shareholders’ Meeting resolves with a non-binding vote on the annual disclosure of the remuneration paid pursuant to Article 123-ter of the Consolidated Law on Finance.

The Board of Directors

The Board of Directors may determine, in addition to the fixed remuneration determined by the Shareholders' Meeting and in compliance with the remuneration policies approved by the Shareholders' Meeting, the remuneration of the Board Members to whom the Board itself assigns further special duties in compliance with the Articles of Association, including the office of Managing Director and General Manager.
The Board of Directors is responsible for the drafting of the remuneration and incentive policy to be submitted to the Shareholders' Meeting and the definition of the remuneration and incentive systems for persons for whom the supervisory regulations require that this task be performed by the body with strategic supervision functions, including the identification of parameters used to evaluate performance objectives and the definition of the variable remuneration deriving from the application of said systems.
The Board of Directors is tasked with determining the remuneration due to the Manager responsible for preparing the Company’s financial reports pursuant to Article 154-bis of Legislative Decree 58 of 24 February 1998, as well as to all other Top Risk Takers of the Group and the higher-level Executives of the Corporate Control Functions, in accordance with the provisions of the current legislation.

The Remuneration Committee

The Remuneration Committee was set up by the Board of Directors in order to support with all activities concerning remuneration.
The Committee supports the Board of Directors in preparing proposals to submit to the Shareholders’ Meeting.
The Committee is responsible for formulating remuneration proposals for the Managing Director and CEO and for the members of the Board of Directors to whom additional special offices are assigned pursuant to the Articles of Association, as well as with regard to the remuneration systems for the Group Top Risk Takers and the higher-level Executives of the Corporate Control Functions, also taking into account the proposal of the Risks and Sustainability Committee and the Management Control Committee insofar as within its competence.

The Risks and Sustainability Committee

Without prejudice to the responsibilities of the Remuneration Committee, the Risks and Sustainability Committee supports the Board of Directors by analysing the Remuneration and Incentive Policies to verify their link with current and prospective risks and the capital strength and levels of liquidity of the Group, with specific regard to the performance targets (KPIs) assigned by the Incentive System to the Group Top Risk Takers, excluding the Manager responsible for preparing the Company's financial reports and members of the Corporate Control Functions.
In order to strengthen the independence of the Corporate Control Functions, the Risks and Sustainability Committee (together with the Management Control Committee) expresses its opinion on the Incentive System for the Chief Risk Officer and the Head of the Internal Validation & Controls structure.

The Management Control Committee

In order to strengthen the independence of the Corporate Control Functions, the Management Control Committee expresses its opinion on the Incentive System for the Top Risk Takers belonging to the Corporate Control Functions and the Manager responsible for preparing the Company's financial reports. This opinion is expressed in a joint meeting with the Risks and Sustainability Committee with regard to the Incentive System for the Chief Risk Officer and the Head of the Internal Validation & Controls Structure.

The Chief Operating Officer and the Corporate Control Functions

As mentioned above, the Shareholders' Meeting is responsible for approving remuneration policies for employees upon proposal of the Board of Directors and with the involvement of the Remuneration Committee.
The Chief Operating Officer is responsible for drawing up the aforementioned remuneration policies, that undergo the relative approval procedure, involving the following, to the extent of their responsibilities, as envisaged by the Regulations:

- the Chief Risk Officer Governance Area, in order to ensure consistency of the remuneration policies and resulting incentive systems with the Group's Risk Appetite Framework (RAF);
- the Planning and Control Head Office Department, in order to ensure consistency of the remuneration policies and resultant incentive systems with:
  - the strategic short-and medium-long term objectives of the Companies and of the Group;
  - the level of capitalisation and liquidity of the Companies and of the Group;
- the Chief Compliance Officer Governance Area, in order to verify compliance of the remuneration policies and resulting incentive systems with rules, regulations, codes of ethics and standards of conduct applicable to the Group.

The Chief Audit Officer, in accordance with the guidelines of the Supervisory Authority, verifies compliance of the remuneration implementation procedures with the relevant policies, informing the Board of Directors and the Shareholders' Meeting on the results of the verifications conducted.

Remuneration of the members of the Board of Directors

Remuneration of Board Members

The Bank's Articles of Association envisage that the members of the Board of Directors be entitled, in addition to the reimbursement of expenses incurred due to their office, to a fixed remuneration for the services rendered, which is determined for the entire period of their office by the Shareholders' Meeting at the time of their appointment. Upon appointment, the Shareholders' Meeting also determines the supplementary remuneration of the offices of Chair and Deputy Chair of the Board of Directors.
An insurance policy for administrative liability is signed in favour of the members of the Board of Directors according to the terms submitted to the Shareholders' Meeting.

Remuneration of the Managing Director and CEO

Pursuant to the Articles of Association, the Managing Director also acts as the General Manager of Intesa Sanpaolo.
The Managing Director and General Manager is entitled to receive a fixed and variable remuneration determined by the Board of Directors in line with the remuneration policies approved by the Shareholders' Meeting.
The Board of Directors, upon the proposal of the Remuneration Committee, determined the remuneration of the Managing Director. This amount is in addition to the amount due as a Board Member. The Managing Director, in his capacity as General Manager, is entitled to receive the gross annual remuneration, the short and long-term incentive system and the supplementary pension scheme, and to receive the additional fringe benefits for the position determined by the Board of Directors in accordance with the Remuneration and Incentive Scheme Policies for employees.

Remuneration for participation in the Management Control Committee

Under the Articles of Association, the Shareholders' Meeting is required, at the time of the appointment of the Management Control Committee and for the entire term of office thereof, to set a specific remuneration for the Board Members of that Committee, consisting exclusively of a fixed amount, which is equal for each Member and higher for the Chair.

Remuneration for participation in the other Board Committees

With regard to the work carried out by Board Members as members of the Board Committees, the Board of Directors, pursuant to the Articles of Association, establishes an additional fixed remuneration for said Board Members, in line with the Remuneration and Incentive Policies approved by the Shareholders' Meeting. The Board of Directors supplemented the remuneration for the position of Board Member with an attendance fee in relation to the actual participation of the members in the work of the Committees, with a further annual gross fixed remuneration for the Chairs of such Committees.

Remuneration policy for employees and staff not bound by an employment agreement

The remuneration policies of the Intesa Sanpaolo Group are based on the following principles:

a) alignment of the conduct held by management and personnel to the interests of all Stakeholders, with a focus on creating value for Shareholders, as well as on the social impact generated on the Communities;
b) correlation between remuneration and risks undertaken, through:
   – direction of management and personnel conduct towards the achievement of objectives within a framework of rules aimed at controlling corporate risks;
   – remuneration systems aligned with prudent financial and non-financial risk management policies (including legal and reputational risks), in line with what is defined in the Group's Risk Appetite Framework;
   – the definition of a sufficiently high fixed component to allow the variable portion to decline significantly, even down to zero, upon occurrence of pre-defined conditions;
c) orientation towards medium-long term objectives, taking into account the Group Risk Tolerance through the definition of a set of Incentive Systems that allow performance to be oriented over a period of accrual longer than one year and to share the medium-long term results consequent to the implementation of the Business Plan;
d) merit, to guarantee better matching with actual performance and the managerial quality identified, through:
   – remuneration flexibility linking the variable component to the results achieved and risks assumed;
   – focus on key staff members with high managerial skills, to whom competitive salary brackets compared with the reference market are reserved;
   – differentiation of the best performances to which variable bonus levels significantly in excess of the average are to be assigned;
e) equity, in order to promote proper conduct and standardise treatment in terms of remuneration, through:
   – the correlation between the person's fixed remuneration and the level of responsibility managed, measured through the adoption of a Global Banding system[53], certified by a leading consultancy firm or the seniority/professional role;
   – differentiation of target salaries and the ratio of the variable component to the total remuneration according to the relevant professional category and/or geographical market, with Banding bracket or seniority/professional role being equal;
f) gender neutrality, through:
   – ensuring equal pay for equal work, regardless of gender;
   – focus on the gender pay gap and its evolution over time;
g) sustainability, to limit expense deriving from application of the policy to values compatible with the available economic and financial means, through:
   – mechanisms to adjust allocations to the overall incentive provisions according to corporate profitability and the Group's results;
   – selective reviews of fixed remuneration based on strict market benchmarks;
   – the determination of appropriate caps on both total incentives and the amount of individual bonuses;
h) compliance with legislative and regulatory provisions, with the codes of conduct and other self-regulatory instruments with a focus on the Risk Takers (and, among these, on the so-called Top Risk Takers, including the Key Managers) and on the Corporate Control Functions;
i) fairness in customer relations.

Remuneration of Group employees is broken down into the following:

a) fixed and/or recurring component;
b) variable and/or non-recurring component.

a.1 Fixed remuneration

The fixed component of remuneration for employees is determined on the basis of pre-established non-discretionary criteria such as contract conditions, role held, responsibilities assigned and the employee's specific experience and skills.
In full compliance with the provisions of law, the fixed component includes:

– the gross annual remuneration reflecting the staff member's professional experience and seniority of service;
– allowances tied to the role held, not connected to any type of performance indicator and assigned in a non-discretionary manner to:
   o the Risk Takers[54] and Middle Management[55] belonging to the Corporate Control Functions and similar roles;
   o heads of commercial roles within the scope of the physical and digital distribution network of the Banca dei Territori Division;
   o specific categories of staff having a commercial role in the Reyl Group operating mainly in the Private Banking segment;
   o expatriate personnel, in order to cover for any differences in cost, quality of life and/or remuneration levels of the target reference market;
– allowances and/or fees deriving from offices held in corporate bodies, provided that these are not reversed to the companies to which they belong;
– any benefits designed to increase employee motivation and loyalty of the resources and assigned on a non-discretionary basis. The benefits paid to Group employees may be of a contractual nature (e.g., supplementary pension, health benefits, etc.) or the result of remuneration policy decisions (e.g., company car) and, therefore, have different treatment with respect to different categories of personnel.

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[53] The Global Banding System adopted by the Intesa Sanpaolo Group is based on the grouping in homogeneous categories of managerial positions that are similar by levels of complexity/responsibility managed, measured using the international IPE (International Position Evaluation) methodology.

[54] Italy, Slovakia and Croatia. In addition, allowances are also provided to Risk Takers working in Asset Management and Private Banking Companies in Luxembourg.

[55] Italy, Switzerland, Serbia, New York, Egypt and China.

a.2 Recurring remuneration

For Non-employee Financial Advisors (hereinafter also “Financial Advisors”) and Financial Agents, the “recurring” component consists of commissions, which make up the stable and ordinary portion of remuneration.

In particular, for Financial Advisors, commissions remunerate their activity of placement, management and assistance to customers, and cover the costs they incur in carrying out their activities. For Financial Advisors given additional responsibilities of commercial coordination and supervision of specific activities and/or teams of Financial Advisors, the “recurring” remuneration consists of supervision commissions, for coordinating and supervising a team of Financial Advisors operating within their area of expertise, and of development commissions, for the development and growth in size of the team of Financial Advisors they supervise.

As for the Financial Agents of Prestitalia, recurring remuneration is differentiated according to product macro-categories, as detailed in the Report on remuneration policy and compensation paid. Specifically, with reference to the products provided by Prestitalia (e.g., salary-backed loans), recurring remuneration is divided into 3 components: ordinary, recurring, and additional commissions, which are constant by production segments. On the other hand, with regard to products offered under the distribution agreement with Intesa Sanpaolo (e.g., banking products and services), recurring remuneration is determined by product type as a share of the consideration paid by Intesa Sanpaolo to Prestitalia for the promotion and placement activities governed by the agreement.

In addition, with reference to Financial Agents with accessory contract (Team Leaders), recurring remuneration is also composed of a fixed monthly coordination fee for carrying out the assignment of supervising the commercial activity as well as the supervision commissions calculated on the basis of the production generated by the coordinated agents.

b.1 Variable remuneration

The variable component is linked to employee's performance and aligned to the results actually achieved and the risks prudentially assumed, and consists of:

- short-term variable component, paid through the annual Incentive Systems and the Broad-based Short-Term Plan (PVR);
- long-term variable component, paid through the PSP (Performance Share Plan), targeted at the Intesa Sanpaolo Group Management, including the Top Risk Takers and the remaining Group Risk Takers – in Italy and abroad, the LECOIP 3.0 Plan, targeted at the Intesa Sanpaolo Group Professionals – in Italy – and any other long-term incentive plans (e.g. Multi-year loyalty plan for some employees from the UBI Top Private Network);
- the carried interest, i.e. the share in the profits of the UCITS or AIF received by personnel as compensation for the management of the UCITS or AIF[56];
- any variable short- and long-term components, tied to the duration of employment in the company (stability or non-competition agreements, one-off retention bonus) or extraordinary agreements (entry bonus, buy-out);
- any discretionary benefits.

The assignment of guaranteed bonuses is not envisaged, with the sole exception of limited cases of recently hired employees (signing bonus), without prejudice to thorough assessment and analysis of market practice, solely for the first year.

The distinction of the variable remuneration in a short-term and a long-term component promotes both attraction and retention of resources, allows performance to be oriented over a period of accrual longer than one year and to share the medium-long term results consequent to the implementation of the Business Plan.

b.2 Non-recurring remuneration

For non-employee Financial Advisors, the “non-recurring” component is represented by the commissions paid as annual incentives, with the aim of driving the sales activity to reach specific targets, taking into account both the long-term company strategies and objectives of the Networks they belong to and the correctness of customer relations.
Moreover:

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

[56] The portion of *pro rata* profit assigned to personnel by virtue of any investments made by them in the UCITS or AIF, provided that they are proportional to the actual percentage of participation in the UCITS or AIF and not exceeding the return recognised to the other investors. For a proper implementation of the regulation, managers must therefore be able to clearly identify the portions of profit which exceed the pro rata profit of the investments and that qualify as carried interest.

The remuneration pay mix

In accordance with the regulatory guidelines, the Intesa Sanpaolo Group traditionally adopts a pay mix that is appropriately "balanced" between the fixed (or recurring) component and the variable (or non-recurring) component, in order to:

- allow flexible management of labour costs, as the variable portion may significantly decline, even down to zero, depending on the performance actually achieved during the year in question or in the event that the Group is unable to maintain or restore a solid capital base;
- discourage behaviour focused on the achievement of short-term results, particularly if these involve taking on greater risk.

In order to achieve the above objectives, it is standard Group practice to establish ex ante limitations in terms of balanced ceilings for variable remuneration, through the definition of specific caps applied to bonuses in relation to any over-performance.

As a general rule of thumb, the aforesaid cap to the variable remuneration was determined:

- at 100% of fixed remuneration for roles not included amongst Corporate Control Functions, save as otherwise specified in the Report on Remuneration;
- at 33% of fixed remuneration for roles belonging to the Corporate Control Functions and similar roles, as well as to the Group Human Resources Function.

The calculation of the variable remuneration takes into account both the short-term component relating to the Incentive System or PVR and the long-term component assigned through the long-term Incentive Plans (PSP Plan and LECOIP 3.0 Plan), as well as any variable components linked to seniority or exceptional components. In particular, the PSP and LECOIP 3.0 Plans have an impact on the pro-rata variable remuneration for the entire accrual period.

The maximum limit established by the general criteria (1:1) has been raised to 2:1, as provided for by CRD IV, permitted by the Bank of Italy's Supervisory Provisions and approved by the Shareholders' Meeting, for Group Risk Takers[57] not belonging to the Corporate Control Functions and similar roles for specific and limited professional sectors and highly profitable business segments[58], as well as non-employee Financial Advisors who are recipients of the recruitment offer in order to attract new key resources from the market for the growth and development of the Networks, as these have a significant effect on the Group's average annual total net funding.
Furthermore, starting from 2019, using the option granted by the Supervisory Provisions, the maximum limit on the variable remuneration has been raised above 2:1 up to a maximum of 4:1 for personnel in the "Investments" category of the Group's asset management companies, who work exclusively for the same Asset Management Company.

However, in terms of cap compliance between fixed and variable remuneration (1:1), appropriate pay mix differentiations were identified with reference to the various professional or business segments, in line with the results obtained by means of specific benchmark analyses related to the leading European global banks that also ensure compliance with the internal equity principle, given the use of common benchmarks for each cluster.
The adequacy of the amounts is further verified in comparison to market practices, with ongoing participation in national and international remuneration surveys; for management roles and other particular business positions, the comparison is based on specific Peer Groups, in order to evaluate the competitive alignment with the most appropriate reference market.
In relation to market data, the Intesa Sanpaolo Group aims to align the overall remuneration with median values, notwithstanding the possibility to make the appropriate differentiations for particularly critical positions and/or resources with high management skills.

The correlation between remuneration, risk and performance is ensured for all employees through:

- the use of a balanced pay mix, as the fixed component is sufficiently high to allow the variable portion, which is never guaranteed, to decline significantly, even down to zero, upon occurrence of the conditions specified below;
- the application of the principle of merit, under which significantly higher-than-average bonuses are awarded for the best performances;
- the adoption, based on the financial sustainability principle, of a structured funding mechanism for the variable component (bonus pool) that:
  - on the one hand, correlates top-down the resources allocated to the majority share of the bonus pool ("Gross Income-based bonus pool") to a specific Group indicator, currently identified in Gross Income; and
  - on the other, provides for the self-funding of a (minority) share of the bonus pool through a percentage from the fee and commission income generated by network employees within the scope of Wealth Management & Protection activities ("commission-based bonus pool")[59];
- within the scope of the Gross income-based bonus pool, the use of a solidarity mechanism between Group and Division results, according to which the amount of total bonuses paid to the employees of each Division depends in part on the Group's overall performance (reflected in the size of the bonus pool) and in part on the performance of the specific Division, measured in terms of the degree of expected contribution to the Group's Gross Income;

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[57] Excluding the non-executive members of the Board of Directors of Intesa Sanpaolo and the Group Risk Takers operating in Slovakia, Slovenia, Bosnia and Herzegovina, Moldova and Romania.

[58] The Private Banking branches of Investment Banking, Insurance and Private Banking investment managers, Treasury and Finance, the commercial branch of the Asset Management Division dedicated to the non-captive market, the Heads of Product Management and Development of the Insurance Division, the Heads of the Institutional Clients structures, the Corporate Finance & Advisory structure, the Syndication & Risk Sharing structure, the Global Relationship Managers of the Global Institutional Client structures, the Managers of the Corporate and Financial Institutions Desks of the Hubs present in the International Network structure as well as, within the scope of the Všeobecná Úverová Banka (VUB) Network, the Mortgage Specialists, Personal Bankers and Upper Mass Relationship Managers.

[59] It should be noted that this principle also applies to Financial Advisors who are not employees since, similar to the methods defined for the commission-based bonus pool at the Group level, the Financial Advisor Incentive Systems are self-funding through a percentage of the gross revenues earned by the Company to which they belong.

- the observance of the access conditions provided for in international and national regulations, namely:
  - at Group level, the achievement of a solid capital position and adequate liquidity levels and, in any event, compliance with the limits envisaged in the RAF;
  - at individual level, the propriety of conduct (e.g. absence of disciplinary measures resulting in one or more days of suspension);
- the measurement of performance across multiple dimensions, both quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (strategic actions or projects – including, also for 2023, the transversal Group KPI "Environmental, Social and Governance (ESG)" – and managerial qualities), and covering different scopes (Group/Department/Individual). The following are some examples of indicators for performance drivers:
  - Profitability: average Operating Income/Risk Weighted Assets, Income from Insurance Business/Mathematical Reserves;
  - Growth: Net Funding, Medium/Long-Term Disbursements, Income from Non-Life Insurance Business;
  - Productivity: Cost/Income, Reduction in operating costs, Full Combined Ratio;
  - cost of risk/sustainability: Gross NPL Ratio, Gross flows from performing to NPE, Operating Losses/Operating Income, Concentration Risk, Maximisation of LCR target levels, Strengthening of health and safety risk control levels;
- the use of corrective mechanisms that act as de-multipliers of the bonus accrued according to the risks taken and the relevant cluster.

It is expressly prohibited for individual employees to undertake personal hedging or insurance strategies on the remuneration or other aspects that may alter or undermine the effects of the alignment with company risk inherent in the remuneration mechanisms described.

Remuneration may not be paid in forms, instruments or methods aimed at avoiding provisions of law.

The termination of the employment agreement involving personnel with state pension or seniority pension rights and/or "Assicurazione generale obbligatoria" (AGO) pension treatment does not result in loss of the right to payment of the entitled amounts, even deferred. In all other cases, the Bank has the right to award any amounts, depending on the specific situations, upon termination of the employment agreement, also through consensual retrenchment agreements providing termination payments. Furthermore, individual prior agreements may be entered into for the determination of the remuneration to be granted in the event of early termination of the relationship, provided that these agreements must comply with all the conditions set out in the Remuneration Policies and in the Supervisory Provisions[60]. In recent years, the Bank has signed specific agreements with the trade unions with regard to the "solidarity fund", applied to employees of all levels, including executives, which also govern the treatment of sums payable to personnel upon termination of the employment agreement in the event of extraordinary transactions and/or company reorganisations.

According to the Supervisory Provisions on remuneration, any type and/or form of severance payment agreed in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the provisions of the National Collective Bargaining Agreement concerning payments related to the indemnity for failed notice constitutes the so-called severance, including any compensation paid according to the non-competition agreement limited to the portion exceeding the last year of fixed remuneration.

In the Intesa Sanpaolo Group, the principles for the definition of these payments - inspired to both the correlation between severance pay and ongoing performance criteria and the control of potential litigations – are:

- ensuring compliance with regulatory capital adequacy requirements;
- no reward for failure;
- unobjectability of individual behaviour (consistency with compliance breaches' criteria).

Pursuant to these criteria and the Supervisory Provisions on remuneration, when negotiating this kind of remunerations, the Group defined that those payments:

- are equal, as a maximum amount, to 24 months of fixed remuneration, and are determined in a different manner for each cluster, in order to take into due consideration the overall evaluation of the work of the person and having particular regard to the Group's capitalisation, liquidity and profitability levels and to the presence or absence of individual sanctions imposed by the Supervisory Authority;
- are paid according to the methods set for short-term variable remuneration, for each cluster;
- are included in the calculation of the ratio between the respective variable remuneration and the fixed remuneration of the last year of employment in the company, not including the sums agreed upon and paid:
  - based on a non-competition agreement, for the portion which, for each year of duration of the agreement, does not exceed the last year of fixed remuneration;
  - within an agreement reached in order to settle a current or potential dispute (wherever reached), if calculated according to a predefined calculation formula approved by the Shareholders' Meeting in advance.

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

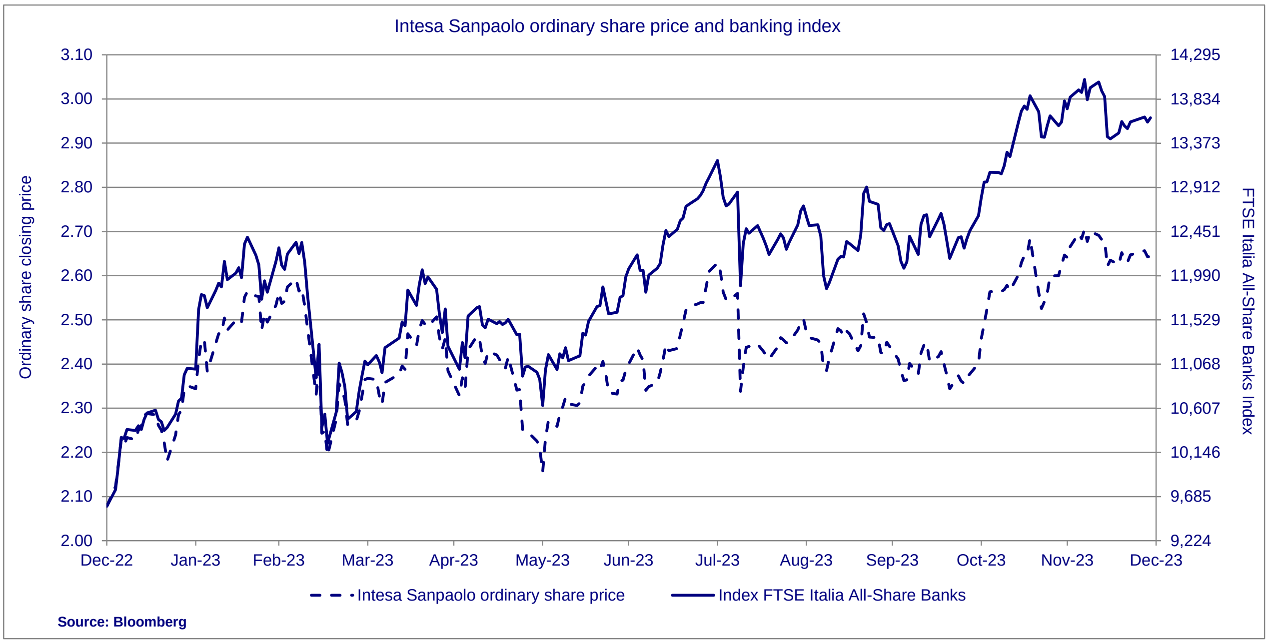
Intesa Sanpaolo shares

Intesa Sanpaolo shares

Share performance

After a positive start to the year driven by the interest rate scenario and the assuaging of fears of a possible recession, the crisis in regional banks in the USA and that of a leading Swiss bank triggered a sharp correction of the market in March. The quick action of governments and monetary authorities, combined with a positive scenario on interest rates and sound quarterly results led the European banking sector to end the year near the highs for the period. In 2023, the European banking index recorded positive performance of 23.5%, better than that of the Euro Stoxx index (+15.7%).
In 2023 the Italian banking index increased by 42.3% – driven by the positive effect of rising interest rates on banks' profitability, the lack of clear signals of impairment of asset quality and generous shareholder remuneration policies – showing a more favourable performance than that of both the European segment (+23.5%) and the FTSE MIB index (+28%).

The price of Intesa Sanpaolo ordinary shares in 2023 recorded a trend linked to that of banking sector indices, showing an upward trend up to the first ten days of March, a sharp drop in the second ten days of March, a fluctuating trend from the last ten days of March to the end of May, a recovery in the following two months, a subsequent fluctuation trend to the end of October, and a further recovery in the last two months. The price reached its peak in early December and was up by 27.2% at year end on the end of 2022.
Intesa Sanpaolo's capitalisation rose to 48.3 billion euro at the end of 2023, from 39.5 billion euro at the end of 2022.



Source: Bloomberg

Earnings per share

Intesa Sanpaolo's share capital consists solely of ordinary shares.
Net income attributable to ordinary shares was determined considering the dividends proposed and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, in equal weight to all outstanding shares.
The Earnings Per Share (EPS) indicator is presented both in the "basic" and in the "diluted" formula: basic EPS is calculated by dividing income theoretically attributable to holders of shares by the weighted average number of outstanding shares (excluding own shares repurchased); diluted EPS also takes into account the effect of any future issues.

	ORDINARY SHARES				
	31.12.2023	**31.12.2022**	**31.12.2021**	**31.12.2020**	**31.12.2019**
Weighted average number of outstanding shares (*)	18,370,426,095	19,315,541,610	19,377,549,407	18,240,491,151	17,474,056,021
Income attributable to the various categories of shares (millions of euro) (**)	7,724	4,379	4,185	3,277	4,182
Basic EPS (euro)	0.42	0.23	0.22	0.18	0.24
Diluted EPS (euro)	0.42	0.23	0.22	0.18	0.24

(*) The weighted average number of outstanding shares is calculated excluding repurchased own shares.
(**) The attributable income for 2022 differs from that published in the 2022 Annual Report due to the adjustments made to the 2022 comparative information following the retrospective application of the new IFRS 17 Insurance Contracts and the IFRS 9 Financial Instruments by the Group's insurance companies, starting from 1 January 2022.

Price/book value

The indicator reflects the value attributed by the market to the share capital of a listed company, and hence indirectly to the company's overall assets. Although it measures the confidence which financial analysts and the financial community have in the company's income prospects and capital position, the indicator is significantly affected by the external factors that influence share prices.
Also for the Intesa Sanpaolo Group, the level and performance of the indicator – as at 31 December 2023 calculated on both average figures and year-end figures – were influenced by the dynamics of the market and its industry sector. The comparative figures for the years 2019 to 2022 shown in the table are annual averages.

(millions of euro)

	31.12.2023	**2023**	**2022**	**2021**	**2020**	**2019**
Market capitalisation	48,331	45,144	38,433	44,535	34,961	36,911
Group's shareholders' equity	63,963	62,533	62,715	64,823	60,920	54,996
Price / book value	**0.76**	**0.72**	**0.61**	**0.69**	**0.57**	**0.67**

Payout ratio

This ratio is the relationship between the amount allocated for the remuneration of shareholders and the total amount of net income produced.

(millions of euro)

	2023	**2022**	**2021**	**2020**	**2019**
Net consolidated income (*)	7,724	4,354	4,185	3,505	4,182
Dividends (**)	5,408	3,046	2,932	2,626	-
Payout ratio	**70%**	**70%**	**70%**	**75%**	**0%**

(*) For the purpose of calculating the payout, the consolidated net income for 2020, equal to 3,277 million euro, was adjusted, excluding the items related to the acquisition of UBI Banca consisting of the effects of purchase price allocation, including negative goodwill (+2,062 million euro) and charges for integration (-1,378 million euro), as well as the write-off of goodwill of the Banca dei Territori Division (-912 million euro).

(**) For 2023, 2021 and 2020 the amounts proposed/distributed were partially taken from reserves.
The amount of dividends for 2022 slightly differs from the amount published in the 2022 Annual Report due to the annulment of shares which followed the execution of the buyback programme and the resulting increase in the unit dividend.
In November 2023, an interim divided was paid for a total of 2,629 million euro (net of the undistributed portion for own shares held at the record date, for an amount of 3.7 million euro). Interim dividends were also distributed for the years 2022 and 2021: in November 2022 for a total of 1,400 million euro (net of 1.8 million euro relating to own shares held at the record date); in November 2021 for a total of 1,399 million euro (net of 2.2 million euro relating to own shares held at the record date).

In compliance with the instructions from the Supervisory Authority and in line with the provisions of the 2022-2025 Business Plan – which envisages a payout of 70% in each year of the Plan – the following is noted for the year 2023:

- on 22 November 2023 (with coupon presentation on 20 November and record date on 21 November) interim dividends were payable on the 2023 results, resolved by the Intesa Sanpaolo Board of Directors on 3 November 2023, in compliance with the provisions set out in Article 2433-bis, paragraph 4 of the Italian Civil Code. The interim dividend, equal to 14.40 euro cents per share, was paid to the 18,256,842,646 ordinary shares outstanding on the record date for a total of 2,628,985,341.02 euro (net of the undistributed portion relating to 25,956,343 own shares held at the record date, for an amount of 3,737,713.40 euro);
- on 6 February 2024 the Board of Intesa Sanpaolo resolved to submit at the Ordinary Shareholders' Meeting of 24 April 2024 a proposal regarding the distribution of 15.20 euro cents per share as remaining dividend, for a total of 2,778,985,446.33 euro. Of these, (i) 2,373,107,308.77 euro, equal to 12.98 euro cents per share, from the income for the year, while the remaining (ii) 405,878,137.56 euro, equal to 2.22 euro cents per share, from the Share premium reserve.

The total dividend proposed for 2023 is therefore equal to 29.60 euro cents per share, for a total dividend distribution of 5,407,970,787.35 euro, equal to 70% of the consolidated net income.

With regard to 2022:

- on 23 November 2022 (with coupon presentation on 21 November and record date on 22 November) interim dividends were payable on the 2022 results, resolved by the Intesa Sanpaolo Board of Directors on 4 November 2022. The interim dividend, equal to 7.38 euro cents per share, was paid to the 18,964,880,325 ordinary shares outstanding on the record date for a total of 1,399,608,167.99 euro (net of the undistributed portion relating to 23,922,835 shares held at the record date, equal to 1,765,505.22 euro);
- on 3 February 2023 the Board resolved to submit at the Ordinary Shareholders' Meeting a proposal regarding the distribution of remaining dividend on the income for 2022 of 8.68 euro cents per share, subject to increase due to the execution of the programme of purchase of own shares for annulment (buyback). Following the annulment of the shares announced at the beginning of May[61], from 24 May 2023 (with coupon presentation on 22 May and record date on 23 May), the amount of 9.01 euro cents for each of the 18,282,798,989 ordinary shares constituting the share capital[62] was paid as remaining dividend, for a total dividend distribution, taking into account the interim dividend indicated above of 1,399,608,167.99 euro paid in November 2022, of 3,046 million euro, corresponding to a payout ratio of 70% of the consolidated net income.

With regard to 2021:

- on 24 November 2021 (with coupon presentation on 22 November and record date on 23 November) interim dividends were payable on the 2021 results, resolved by the Intesa Sanpaolo Board of Directors on 3 November 2021. The interim dividend, equal to 7.21 euro cents per share, was paid to the 19,399,837,165 ordinary shares outstanding on the record date for a total of 1,398,728,259.60 euro (net of the undistributed portion relating to 30,626,140 own shares held, equal to 2,208,144.69 euro);
- the Shareholders' Meeting of 29 April 2022 decided to allocate total remaining dividends of 1,533,063,554.76 euro (corresponding to 7.89 euro cents per share) to the 19,430,463,305 ordinary shares constituting the share capital, of which 1,299,897,995.10 euro as dividends from net income (corresponding to 6.69 euro cents per share) and 233,165,559.66 euro as partial distribution of the free portion of the Share premium reserve (corresponding to 1.20 euro cents per share).

Based on the above, the dividend for the year 2021 was set at a total of 15.10 euro cents per share, for a total dividend distribution of 2,932 million euro and a payout ratio of 70% of consolidated net income.

For 2020, the Shareholders' Meeting of 28 April 2021 approved the cash distribution of 3.57 euro cents per share, partly from the Share premium reserve, for a total dividend payout of 693,667,539.99 euro, equal to the maximum allowed by the European Central Bank Recommendation of 15 December 2020, within the limit of 20 basis points of the consolidated Common Equity Tier 1 ratio at 31 December 2020. This allocation was then accompanied by an additional cash distribution, approved by the Shareholders' Meeting of 14 October 2021, for a total of 1,932,155,896.67 euro, corresponding to a unit amount of 9.96 euro cents for each of the outstanding ordinary shares (excluding own shares held at the record date), which was paid out on 20 October 2021. The overall dividend paid out on the result for 2020 consequently amounted to 2,626 million euro, which, in relation to the 2020 consolidated net income – adjusted to take into account the components relating to the acquisition of UBI Banca, as well as the related adjustment of the goodwill of the Banca dei Territori – resulted in a payout ratio for 2020 of 75%.

Lastly, with regard to the year 2019, you are reminded that following the revision on 31 March 2020 of the proposals to the Shareholders' Meeting approved by the Board of Directors on 25 February 2020, the net income for 2019 – after the allocations to the Allowance for charitable, social and cultural contributions – was assigned to the Extraordinary reserve, in accordance with the Recommendation of the European Central Bank of 27 March 2020 regarding dividend policies during the COVID-19 pandemic.

Note that the Shareholder return has benefited from the buyback operations carried out by Intesa Sanpaolo, by virtue of which Shareholders, without having to further invest, see growth in their share of participation in the Bank's total dividends.

[61] In that regard, see the content of the introductory chapter of this Report.

[62] The total amount of the dividend paid was 1,646,462,490.59 euro against 1,765,623.70 euro allocated to the Extraordinary reserve in relation to the portion not distributed to the 9,075,453 own shares held by the Bank at the record date (817,698.32 euro) and the rounding differences arisen during the calculation of the final amount of the dividend (947,925.38 euro).

Dividend yield

This indicator measures percentage return on the shares, calculated as the ratio between dividends allocated for the year and market price in the reference year. This return, determined on the basis of average annual share prices, maintained sustainable levels over time, also in view of financial market trends. The dividend yield for 2019 was affected – as noted above – by the Recommendations of the European Central Bank in the aftermath of the Covid-19 pandemic.

	2023	2022	2021	2020	2019
Dividend per share (euro cents) (*)	29.60	16.39	15.10	13.53	-
Average stock price (euro)	2.438	2.024	2.292	1.799	2.108
Dividend yield	12.1%	8.1%	6.6%	7.5%	-

(*) The 2022 remaining dividend per share has undergone an increase compared to the resolution of the Intesa Sanpaolo Shareholders' meeting of 28 April 2023 (from 8.68 euro cents to 9.01 euro cents) following the annulment, on 2 May 2023, of all own shares purchased in execution of the buyback programme which was launched on 13 February 2023 and concluded on 4 April 2023.

Rating

Summarised below are the main actions on the ratings of the Bank decided by the international agencies in 2023:
– Morningstar DBRS confirmed Intesa Sanpaolo's ratings and trends on 25 May 2023, following similar confirmation of the Italian sovereign ratings and outlook on 28 April[63];
– S&P Global Ratings affirmed Intesa Sanpaolo's ratings and outlook on 25 October 2023, following a similar confirmation of the Italian sovereign ratings and outlook on 20 October;
– Fitch Ratings affirmed Intesa Sanpaolo's ratings and outlook on 17 November 2023, following a similar confirmation of the Italian sovereign ratings and outlook on 10 November;
– as part of action at the Italian banking system level following the confirmation of the ratings and the improvement in the outlook on Italy's sovereign debt on 17 November, on 21 November 2023 Moody's upgraded Intesa Sanpaolo's outlook to Stable (from Negative), confirming the ratings on the Bank's unsecured senior debt and short-term debt.

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

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

(1) Stable Trend.

An always updated information about Intesa Sanpaolo's ratings can be found in the Investor Relations/Rating section of the Group website.

[63] The agency subsequently confirmed the Italian sovereign ratings and outlook also on 27 October 2023.

Alternative Performance Measures and Other information

Alternative Performance Measures

Introduction

Pursuant to Article 16 of Regulation 1095/2010/EU, the European Securities and Markets Authority (ESMA) has issued specific Guidelines[64] on the presentation criteria for Alternative Performance Measures (APMs) included by European issuers in regulated information (including the Report on operations in the Annual Report, the Half-yearly report on operations in the Half-yearly report, and the Reports on operations in the Interim Statements), where such measures are not defined or provided for in the rules on financial reporting. These guidelines, in force since 3 July 2016, are designed to promote the utility and transparency of APMs included in the regulated information, by confirming a shared approach to the use of such measures, in order to improve their comparability, reliability, comprehensibility and consistency over time, with resulting benefits for end users. Consob[65] has transposed the Guidelines in Italy and incorporated them into its supervisory practices.
According to the definition provided in the ESMA Guidelines, an Alternative Performance Measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs are typically based on financial statement line captions prepared in accordance with applicable financial reporting rules. What sets them apart is that APMs are not defined in the financial reporting framework, yet their use is still widespread, with the role of conveying a view of the entity's performance that is closer to the management's perspective than would be possible using only the defined measures.
Measures published in application of prudential rules, including those laid down in the Regulation and Directive on capital requirements (CRR/CRD IV), physical or non-financial measures and social and environmental measures do not come within the narrow definition of APMs.

Intesa Sanpaolo's Alternative Performance Measures

In accordance with Legislative Decree 38 of 28 February 2005, Intesa Sanpaolo prepares its financial statements in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Standards – Interpretations Committee (IFRS-IC), endorsed by the European Commission as provided for by EC Regulation 1606 of 19 July 2002, based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy (Circular 262/2005 as amended), and disclosed in detail in Part A of the Notes to the financial statements.
To facilitate the understanding of the income statement and balance sheet figures, Intesa Sanpaolo also uses various Alternative Performance Measures (APMs) to provide a clear, concise and immediate account of the operating results, the financial position and the performance achieved. Intesa Sanpaolo's APMs – commonly used in banking and finance – are also used by the management in decision-making processes of both an operational and strategic nature.
It should be noted in this regard that the Alternative Performance Measures used are supplementary to the measures defined within the IFRS framework. The measures – described below in accordance with the above-mentioned ESMA Guidelines – include the margins of the reclassified income statement and the aggregates of the reclassified balance sheet, in addition to other measures calculated on the basis of the figures presented in the financial statements. The figures used are thoroughly reconciled with the related figures defined in the IFRS framework through the disclosures provided in the Report on operations and reconciliation statements included in the Attachments to the Financial Statements. The figures used are normally restated to enable like-for-like comparison when this restatement is necessary and material.

With regard to the military conflict between Russia and Ukraine, in accordance with the ESMA Guidelines, no new measures have been added, nor have any changes been made to the measures normally used.

Margins of the reclassified income statement

With regard to the reclassified income statement, the following aggregates and margins have been identified as Alternative Performance Measures.

Operating income: this aggregate includes core income and other income/expenses strictly correlated with operating activity. It is calculated as the sum of the following captions of the reclassified income statement:
- Net interest income;
- Net fee and commission income;
- Income from insurance business;
- Profits (Losses) on financial assets and liabilities designated at fair value;
- Other operating income (expenses).

[64] Guidelines on Alternative Performance Measures - ESMA/2015/1415en.
[65] Consob Communication No. 0092543 of 3 December 2015

Operating costs: this aggregate includes costs and expenses relating to the operating activity presented in the following captions of the reclassified income statement:
- Personnel expenses;
- Administrative expenses;
- Adjustments to property, equipment and intangible assets.

Operating margin: obtained from the difference between Operating income and Operating costs, as described above, it represents the result of operations.

Gross income: operating margin that takes into account the effects of adjustments, provisions and impairment losses and realised gains/losses on loans and other assets. It is obtained by subtracting/adding the following captions of the reclassified income statement to the operating margin:
- Net adjustments to loans;
- Other net provisions and net impairment losses on other assets;
- Other income (expenses);
- Income (Loss) from discontinued operations.

Lastly, Net income (loss) includes income components outside the company management (taxes, levies and charges aimed at maintaining the stability of the banking industry), items of an “accounting” nature (effects of purchase price allocation and impairment of goodwill and other intangible assets), as well as expenses related to restructuring/reorganisation processes. The following captions of the reclassified income statement are considered:
- Taxes on income;
- Charges (net of tax) for integration and exit incentives;
- Effect of purchase price allocation (net of tax);
- Levies and other charges concerning the banking industry (net of tax);
- Impairment (net of tax) of goodwill and other intangible assets;
- Minority interests.

For detailed information on the breakdown of the individual captions of the reclassified income statement cited above, see the chapter “Economic results and balance sheet aggregates” of this Report on operations. Reconciliations of the individual captions of the reclassified income statement with the captions of the financial statements are presented in an attachment to the financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

Aggregates of the reclassified balance sheet

With regard to the reclassified balance sheet, which is primarily intended to provide a summary with respect to the financial statements, the following have been identified as Alternative Performance Measures, while the chapter “Economic results and balance sheet aggregates” of this Report provides details of the remaining captions of the reclassified balance sheet derived directly from the financial statements. Reconciliations of the individual captions of the reclassified balance sheet with the captions of the financial statements are presented in an attachment to the financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

Due from banks
This aggregate includes the captions typical of lending business with banks relating to the banking segment.
This caption mainly consists of amounts Due from banks included in the Financial assets measured at amortised cost. It also includes any amounts due from banks classified under Financial assets held for trading, Financial assets designated at fair value, Financial assets mandatorily measured at fair value and Financial assets measured at fair value through other comprehensive income.

Loans to customers
This aggregate includes the captions typical of the lending business with customers relating to the banking segment.
It mainly consists of loans to customers classified as Financial assets measured at amortised cost and, to a lesser extent, exposures in securities (issued by non-financial companies, public entities and others) representing loans to customers. It also includes any portions of loans to customers classified under Financial assets held for trading, Financial assets designated at fair value, Other financial assets mandatorily measured at fair value and Financial assets measured at fair value through other comprehensive income.

Other banking business financial assets and liabilities
This aggregate comprises financial assets and liabilities of banking business (thereby excluding financial assets and liabilities pertaining to the insurance companies) other than those described above. In detail, the following captions of the reclassified balance sheet assets are included, as defined below: Financial assets measured at amortised cost which do not constitute loans; Financial assets measured at fair value through profit or loss and Financial assets measured at fair value through other comprehensive income. This aggregate also includes Financial liabilities held for trading in reclassified balance sheet liabilities, considered net of investment certificates, as they are included in direct deposits from banking business.

Financial assets measured at amortised cost which do not constitute loans
This aggregate includes portions of Financial assets measured at amortised cost (both amounts due from banks and loans to customers) of the banking segment not held for financing purposes. These are essentially debt securities of banks, governments, financial institutions and insurance companies. The breakdown of this caption is provided in the detail table included in the chapter “Economic results and balance sheet aggregates”.

Financial assets measured at fair value through profit or loss
These include Financial assets held for trading, designated at fair value and mandatorily measured at fair value pertaining to the banking segment, other than those representing loans to customers and due from banks, which are classified to the specific aggregates described above. The breakdown of this caption is provided in the detail table included in the chapter “Economic results and balance sheet aggregates”.

Financial assets measured at fair value through other comprehensive income
These include Financial assets measured at fair value through other comprehensive income of the banking segment, except for portions that represent loans to customers and due from banks, which are classified to the specific aggregates described above. The breakdown of this caption is provided in the detail table included in the chapter “Economic results and balance sheet aggregates”.

Customer financial assets
This aggregate represents total financial assets deposited by customers of the Group, in the various types of direct deposits from banking and insurance business and indirect deposits, as defined further below. In order to avoid duplications, the aggregate is constructed by netting those components of indirect customer deposits that also constitute types of direct deposits.

Direct deposits from banking business
This aggregate includes captions relating to funding from customers. In addition to the financial liabilities measured at amortised cost represented by amounts Due to customers (net of lease payables reclassified to Other liabilities) and Securities issued, it also includes funding – in the form of investment certificates and, to a marginal extent, other instruments – classified under the captions Financial liabilities held for trading and Financial liabilities designated at fair value.

Direct deposits from insurance business
This aggregate, which is composed of the funding captions relating to the insurance segment, includes the Insurance liabilities in the Balance sheet, the Financial liabilities designated at fair value pertaining to insurance companies in the Reclassified balance sheet, and the Other insurance deposits, classified as Financial liabilities measured at amortised cost pertaining to insurance companies in the Reclassified balance sheet, which also include the subordinated liabilities.

Indirect customer deposits
This aggregate refers to investment and distribution activity – for securities, mutual funds, portfolio management schemes and insurance – carried out on behalf of third parties or in connection with the management of securities portfolios. The assets are measured at market value. Indirect customer deposits are broken down into Assets under management (mutual funds, portfolio management schemes, insurance policies, pension funds and individual pension policies) and Assets under administration (all securities under administration and custody not attributable to assets under management: government bonds, Equities, Third-party bonds, etc.).

For all the Alternative Performance Measures indicated above, detailed disclosures regarding the aggregates are provided in the Report on operations and the attachments to the financial statements, together with the statements reconciling the official financial statements prescribed by the Bank of Italy with the reclassified financial statements. Where the comparative figures have been restated, a thorough reconciliation is provided in the attachments to the financial statements.

Other Alternative Performance Measures

In addition to the Alternative Performance Measures represented by the margins of the Reclassified income statement and the aggregates of the Reclassified balance sheet described above, Intesa Sanpaolo also publishes the following APMs.

Profitability ratios

Cost/income ratio
The measure is calculated as the ratio of operating costs (personnel expenses, administrative expenses and adjustments to property, equipment and intangible assets) to the operating income presented in the Reclassified income statement for the year/period and provides a synthetic overview of operating efficiency. For information regarding the breakdown of the captions included in the numerator and denominator of this ratio, see the above and the reconciliation statements attached to the financial statements for a detailed reconciliation.

ROE – Return On Equity
This measure is calculated as the ratio of the net income or loss to shareholders' equity and represents the profitability generated by the shareholders' equity available. In particular:
- the net income or loss presented in the Income statement for the year/period is used in the numerator; in exceptional cases only, net income or loss may be adjusted to account for any non-recurring components, which are precisely identified. In the interim situations, net income or loss is annualised (except for any non-recurring components, not annualised);
- in the denominator, the shareholders' equity considered is the amount pertaining to the Group at the end of the year/period and does not take into account the AT1 capital instruments and the net income or loss for the year/period.

ROA – Return On Assets
The measure is calculated by comparing the net income or loss to total assets and provides an overview of the profitability of company assets. In particular:
- the net income or loss presented in the Income statement for the year/period is used in the numerator; in exceptional cases only, net income or loss may be adjusted to account for any non-recurring components, which are precisely identified. In the interim situations, net income or loss is annualised (except for any non-recurring components, not annualised);
- in the denominator, period/year-end total assets are used.

Indicators relating to the Intesa Sanpaolo shares

Price/Book value
This measure, which reflects the value attributed by the market to Intesa Sanpaolo, and thus indirectly to its overall assets, is calculated by comparing the market capitalisation to shareholders' equity. It is published on the basis of a time series consisting of average data from the last 5 years/periods, in addition to the calculation on the basis of period-end values at the reporting date. Specifically:
- the average capitalisation for the reporting period/year is used in the numerator. The average capitalisation is calculated on the basis of the average price of the shares (arithmetic average of the daily closing prices of trading on Borsa Italiana), multiplied by the weighted average number of shares during the reporting year/period.
  In addition to average capitalisation, the period/year-end capitalisation is also published, which is used to calculate the price/book value on the basis of period/year-end figures. Period/year-end capitalisation is calculated by multiplying the closing price of trading on Borsa Italiana on the last trading day, multiplied by the number of shares at the end of the period/year;
- the average shareholders' equity attributable to the Group, calculated as the semi-sum of shareholders' equity at the beginning and end of the period/year, is used in the denominator. In addition to average shareholders' equity, the value of shareholders' equity at the end of the period/year is published in order to calculate the price/book value on the basis of period/year-end figures.

Payout ratio
This measure, published in table form in the Annual Report based on a time series consisting of data from the last 5 financial years, is the ratio between the amount assigned for the remuneration of shareholders and the total amount of the net income produced. In particular:
- the amount of cash dividends that have been proposed or approved for distribution to the shareholders, inclusive of any amounts arising from the distribution of available reserves, is used in the numerator;
- the net income or loss presented in the Consolidated income statement is used in the denominator, only exceptionally adjusted to account for any non-recurring items, which are duly identified.

Dividend Yield
This measure, published in table form in the Annual Report based on a time series consisting of data from the last 5 financial years, refers to the percentage return on the shares, calculated as the ratio between the dividend and the market price. Specifically:
- the amount of the divided per share proposed/approved is used in the numerator;
- the average price of the share, calculated as the annual arithmetic average of the daily closing prices of trading on Borsa Italiana, is used in the denominator.

Risk ratios

Net bad loans/Net loans to customers
The measure is calculated as the ratio of Bad loans to total Loans to customers outstanding at the year/period end, thus providing synthetic indications of the loan portfolio quality. The figures are taken from the financial statements, i.e. net of the related adjustments, and do not include loans to be sold that are recognised as assets held for sale. For the definition of the aggregate Loans to customers, see the above.

Net non-performing loans/Net loans to customers
This measure is calculated as the ratio of the amount of Non-performing loans (bad loans, unlikely-to-pay loans and past due loans) to total Loans to customers outstanding at the year/period end, thus providing synthetic indications of the loan portfolio quality. The figures are taken from the financial statements, i.e. net of the related adjustments, and do not include loans to be sold that are recognised as assets held for sale. For the definition of the aggregate Loans to customers, see the above.

Cumulated adjustments on bad loans/Gross bad loans to customers
This measure is calculated as the ratio of the total amount of cumulated adjustments on Bad loans to customers to the amount of Bad loans to customers gross of adjustments outstanding at the year/period end, thus providing synthetic indications of the coverage ratio for bad loans. The values do not include loans to be sold that are recognised as assets held for sale. For the definition of the aggregate Loans to customers, see the above.

Cumulated adjustments on non-performing loans/Gross non-performing loans
This measure is calculated as the ratio of the amount of cumulated adjustments on Non-performing loans (bad loans, unlikely-to-pay loans and past due loans) to the amount of Non-performing loans gross of the related adjustments outstanding at the year/period end, thus providing synthetic indications of the coverage ratio for Non-performing loans. The values do not include loans to be sold that are recognised as assets held for sale. For the definition of the aggregate Loans to customers, see the above.

Cost of credit/Cost of risk
This measure is calculated as the ratio of the amount of net adjustments to loans for the period/year in the Reclassified income statement to the amount of Loans to customers at period/year-end, thus providing synthetic indications of the level of adjustments on the portfolio during the period/year. To enable a valuation more closely linked to ordinary operations, this measure may be accompanied by a version of the same measure calculated with the isolation of particularly significant non-recurring elements, which are precisely identified.
For the definition of the aggregate Loans to customers, see the above. In the interim situations, the numerator is annualised (except for any non-recurring components, not annualised).

Other measures

Loan-to-deposit ratio
This measure is calculated as the ratio of Net loans to customers to the amount of Direct deposits from banking business, thus providing synthetic indications of the structure of the customer lending and deposit activity. For the definitions of the aggregates Loans to customers and Direct deposits from banking business, see the above.

Absorbed capital
Absorbed capital is a measure of the risk capital associated with each Group Division in relation to its specific operations. For each Division, the absorbed capital is calculated on the basis of the Risk Weighted Assets (RWAs) measured in accordance with the applicable regulations and supplemented, where necessary, with management data on “economic” capital[66] to take into account the risks not covered by the regulatory metric.

[66] Economic capital consists of an internal estimate of the maximum “unexpected” loss the Group may incur in a given time horizon and considering the desired level of confidence. It aims to quantify the potential economic losses related to the individual risks to which the Group is exposed.

Other information

With regard to information to be included in the Annual Report as required by specific provisions please note the following:
- the list of Group companies and subsidiaries is provided in the Notes to the consolidated financial statements (Part A, Section 3 - Scope of consolidation and consolidation methods and Part B, Assets - Section 7), in accordance with the provisions of the Bank of Italy;
- Part E - Information on risks and relative hedging policies of the Notes to the consolidated financial statements, in the introductory section on the Manager responsible for preparing the Company's financial reports, also provides information on the certification of compliance, during the year 2023, with the conditions required by Article 15 of Consob Market Regulation 20249/2017 (as amended) for the listing of shares of companies controlling companies established and regulated under the laws of non-EU countries;
- to enable a comprehensive understanding, all the information relating to the Bank's and the Group's connections and transactions with related parties, not only that required by IAS 24 but also that required by Article 5, paragraph 8, of Consob Regulation 17221 of 12 March 2010 (adopted pursuant to Article 2391-bis of the Italian Civil Code), is provided in Part H of the Notes to the consolidated financial statements;
- the information on the own shares of the Parent Company Intesa Sanpaolo held and traded at consolidated level is provided in Part F of the Notes to the consolidated financial statements;
- with regard to the information on the corporate governance system and ownership structure required by Article 123-bis of the Consolidated Law on Finance, Intesa Sanpaolo has opted to present this information in a separate document from the Report on operations, approved by the Board of Directors and published together with the Report. Accordingly, in addition to the summary provided in the chapter "Corporate Governance and remuneration policies" of this Report, see the document "Report on Corporate Governance and Ownership Structures" available in the Governance section of the Group's website, at www.group.intesasanpaolo.com;
- with regard to the information on the remuneration paid to members of the Management and control bodies, General Managers and Key Managers and on the Parent Company shares held by them, as well as the assignment of financial instruments to board members and general managers or employees pursuant to Article 123-ter of the Consolidated Law on Finance, in addition to the summary provided in the already mentioned chapter "Corporate Governance and remuneration policies" of this Report, see the specific "Report on remuneration policy and compensation paid" published in the "Governance" section of the Group's website;
- the public disclosure concerning Basel 3 Pillar 3, contained in a specific separate file, is published on the Group's website in the Governance, Risk Management section;
- the Country-by-Country Reporting required by Article 89 of the Directive 2013/36/EU of the European Parliament and of the Council (CRD IV) is also published on the Group's website in the Governance, Risk Management section;
- lastly, with regard to the non-financial information required by Legislative Decree 254 of 30 December 2016 implementing Directive 2014/95/EU, Intesa Sanpaolo has opted to present this information in a separate report prepared at consolidated level, called "Consolidated Non-Financial Statement", approved by the management body and published together with the Report on operations. A brief description of the main contents of this document, which can be found in the "Sustainability" section of the Group's website, is provided in the paragraph "Sustainability and Group strategy on Environmental, Social and Governance issues" in the opening chapter of this Report.

Forecast for 2024

The forecasts for the global economy in 2024 indicate a moderate slowdown in real growth and further progress in the deflation process. Monetary policies are expected to be loosened in the major advanced economies, except for Japan, where a slight increase in official rates is envisaged. The markets are already factoring in a very aggressive reduction in US and European official rates; for the European Central Bank, the forward rates incorporate a 100-125 basis point reduction in rates by the end of the year. However, an escalation of tensions in the Middle East could disrupt the orderly progress of these trends by increasing price volatility and weakening confidence. For the Italian economy, the consensus forecasts put average annual GDP growth at around half a percentage point.
With regard to the outlook for the countries with ISP subsidiaries, GDP is forecast to grow but at a slower pace than before 2022 in all the areas, due to the consequences of the wars in Ukraine and the Middle East. Despite concerns about the impact on price dynamics, inflation is expected to ease over the next two years across all regions, including Egypt, where the CPI levels are falling, but are still high.

With regard to the Italian banking industry, 2024 is expected to see continued weak demand for credit, due to high interest rates, with a further decline in loans to businesses. While lending may benefit from the positive spillovers of the NRRP projects, the funding needs of companies may be met by using cash buffers held at banks and through self-financing. For loans to households, with the continued decline in real estate transactions, 2024 is expected to be negative on average for mortgages, but may see an improvement towards the end of the year as a result of the reduction in official interest rates and competitive pressure.
Deposits are expected to experience a further significant reduction. In the context of considerable net issuances by the Italian Treasury, the high yields are expected to continue driving household demand for government bonds. Current accounts are therefore set to experience a prolonged decline, while the shift towards time deposits will continue. For bank bonds, the strong recovery that began in 2023 will persist, with the gradual repayment of TLTRO IIIs.
With the prospect of the start of official interest rate cuts, a moderate recovery is expected in asset management and life insurance business volumes, but within the context of continued high appeal of direct investment in debt securities. The offering of bond funds should support the return to positive net inflows for mutual funds, although to a modest extent overall. Life insurance is also expected to see a pick-up in net inflows, following a normalisation of lapses and despite an expected decline in gross premiums for traditional policies after the extensive offering of new products in 2023.

With regard to the Intesa Sanpaolo Group, the implementation of the 2022-2025 Business Plan is proceeding at full speed and the key industrial initiatives are well underway, with the prospect of net income in 2024 and 2025 to exceed 8 billion euro.

For 2024 it is envisaged :
- solid revenue growth, driven by a further increase in net interest income and growth in net fee and commission income and income from insurance business which leverages on the Group’s leadership in Wealth Management, Protection & Advisory;
- stable operating costs, despite investment in technology, mainly attributable to lower personnel expenses;
- low cost of risk deriving from the zero-NPL bank status and the high-quality loan portfolio;
- lower levies and other charges concerning the banking industry due to no further contribution to the resolution fund.

A strong value distribution is envisaged:
- cash payout ratio of 70% of the consolidated net income for each year of the Business Plan, with an increase in the dividend per share for 2024 and 2025 versus the dividend per share for 2023[67];
- intention to execute a buyback equal to around 55 basis points of the Common Equity Tier 1 ratio as at 31 December 2023 to be launched in June 2024[68];
- any additional distribution for 2024 and 2025 to be evaluated year by year.

A solid capital position is envisaged, with the Common Equity Tier 1 ratio – confirming the Basel 3/Basel 4 target of above 12% over the 2022-2025 Business Plan horizon – expected to stand, in 2025, at above 14% pre Basel 4, above 13.5% post Basel 4 and above 14.5% post Basel 4 including the absorption of DTAs (the vast majority of which will be absorbed by 2028), taking into account the above-mentioned payout ratio envisaged for the years covered by the Business Plan and the impact of around 55 basis points from the buyback intended to be launched in June 2024[69] and not considering any additional distribution.

The Board of Directors

Turin, 27 February 2024

[67] Subject to the approval from the Shareholders’ Meeting.
[68] Subject to approvals from the ECB and the Shareholders’ Meeting.
[69] See the previous note.

Intesa Sanpaolo Group
Consolidated financial statements

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		31.12.2023 (a)	31.12.2022 (b)	1.1.2022	Changes (a-b) amount	Changes (a-b) %
10.	Cash and cash equivalents	89,270	112,924	14,756	-23,654	-20.9
20.	Financial assets measured at fair value through profit or loss	144,594	150,616	171,013	-6,022	-4.0
	a) financial assets held for trading	*38,163*	*42,607*	*47,233*	*-4,444*	*-10.4*
	b) financial assets designated at fair value	*1*	*1*	*4*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*106,430*	*108,008*	*123,776*	*-1,578*	*-1.5*
30.	Financial assets measured at fair value through other comprehensive income	140,753	119,508	155,609	21,245	17.8
40.	Financial assets measured at amortised cost	518,950	528,081	668,872	-9,131	-1.7
	a) due from banks	*32,899*	*32,884*	*163,937*	*15*	*0.0*
	b) loans to customers	*486,051*	*495,197*	*504,935*	*-9,146*	*-1.8*
50.	Hedging derivatives	7,006	10,075	2,023	-3,069	-30.5
60.	Fair value change of financial assets in hedged portfolios (+/-)	-5,695	-9,752	392	-4,057	-41.6
70.	Investments in associates and companies subject to joint control	2,501	2,013	1,652	488	24.2
80.	Insurance assets	813	151	166	662	
	a) insurance contracts issued that are assets	*412*	*18*	*-*	*394*	
	b) reinsurance contracts held that are assets	*401*	*133*	*166*	*268*	
90.	Property and equipment	9,825	10,505	10,792	-680	-6.5
100.	Intangible assets	9,524	9,237	8,657	287	3.1
	of which:					
	- goodwill	*3,672*	*3,626*	*3,574*	*46*	*1.3*
110.	Tax assets	14,533	18,130	18,971	-3,597	-19.8
	a) current	*1,932*	*3,520*	*3,549*	*-1,588*	*-45.1*
	b) deferred	*12,601*	*14,610*	*15,422*	*-2,009*	*-13.8*
120.	Non-current assets held for sale and discontinued operations	264	638	1,422	-374	-58.6
130.	Other assets	31,232	22,461	13,420	8,771	39.0
Total assets		**963,570**	**974,587**	**1,067,745**	**-11,017**	**-1.1**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2023 (a)	31.12.2022 (b)	1.1.2022	Changes (a-b) amount	%
10.	Financial liabilities measured at amortised cost	642,119	670,127	712,215	-28,008	-4.2
	a) due to banks	*93,242*	*138,132*	*165,895*	*-44,890*	*-32.5*
	b) due to customers	*440,449*	*454,595*	*458,426*	*-14,146*	*-3.1*
	c) securities issued	*108,428*	*77,400*	*87,894*	*31,028*	*40.1*
20.	Financial liabilities held for trading	43,493	46,512	56,306	-3,019	-6.5
30.	Financial liabilities designated at fair value	72,782	63,007	70,570	9,775	15.5
40.	Hedging derivatives	5,188	5,517	4,971	-329	-6.0
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-3,967	-8,031	53	-4,064	-50.6
60.	Tax liabilities	1,946	2,021	2,017	-75	-3.7
	a) current	*458*	*303*	*363*	*155*	*51.2*
	b) deferred	*1,488*	*1,718*	*1,654*	*-230*	*-13.4*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	2	15	30	-13	-86.7
80.	Other liabilities	12,741	10,763	15,068	1,978	18.4
90.	Employee termination indemnities	767	852	1,099	-85	-10.0
100.	Allowances for risks and charges	4,523	4,960	5,546	-437	-8.8
	a) commitments and guarantees given	*524*	*711*	*508*	*-187*	*-26.3*
	b) post-employment benefits	*98*	*139*	*290*	*-41*	*-29.5*
	c) other allowances for risks and charges	*3,901*	*4,110*	*4,748*	*-209*	*-5.1*
110.	Insurance liabilities	119,849	117,575	136,789	2,274	1.9
	a) insurance contracts issued that are liabilities	*119,674*	*117,561*	*136,789*	*2,113*	*1.8*
	b) reinsurance contracts held that are liabilities	*175*	*14*	*-*	*161*	
120.	Valuation reserves	-2,009	-2,458	-371	-449	-18.3
130.	Redeemable shares	-	-	-	-	
140.	Equity instruments	7,948	7,211	6,282	737	10.2
150.	Reserves	14,697	15,073	16,859	-376	-2.5
155.	Interim dividend (-)	-2,629	-1,400	-1,399	1,229	87.8
160.	Share premium reserve	28,003	28,053	27,286	-50	-0.2
170.	Share capital	10,369	10,369	10,084	-	-
180.	Treasury shares (-)	-140	-124	-136	16	12.9
190.	Minority interests (+/-)	164	166	291	-2	-1.2
200.	Net income (loss) (+/-)	7,724	4,379	4,185	3,345	76.4
Total liabilities and shareholders' equity		**963,570**	**974,587**	**1,067,745**	**-11,017**	**-1.1**

Consolidated income statement

(millions of euro)

		31.12.2023	31.12.2022	Changes amount	%
10.	Interest and similar income	32,525	15,709	16,816	
	of which: interest income calculated using the effective interest rate method	*28,482*	*15,185*	*13,297*	*87.6*
20.	Interest and similar expense	-15,589	-3,874	11,715	
30.	**Interest margin**	**16,936**	**11,835**	**5,101**	**43.1**
40.	Fee and commission income	10,528	10,925	-397	-3.6
50.	Fee and commission expense	-2,727	-2,552	175	6.9
60.	**Net fee and commission income**	**7,801**	**8,373**	**-572**	**-6.8**
70.	Dividend and similar income	660	645	15	2.3
80.	Profits (Losses) on trading	513	36	477	
90.	Fair value adjustments in hedge accounting	-59	33	-92	
100.	Profits (Losses) on disposal or repurchase of:	-467	-474	-7	-1.5
	a) financial assets measured at amortised cost	*-58*	*167*	*-225*	
	b) financial assets measured at fair value through other comprehensive income	*-445*	*-669*	*-224*	*-33.5*
	c) financial liabilities	*36*	*28*	*8*	*28.6*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	2,367	-5,443	7,810	
	a) financial assets and liabilities designated at fair value	*-3,619*	*5,866*	*-9,485*	
	b) other financial assets mandatorily measured at fair value	*5,986*	*-11,309*	*17,295*	
120.	**Net interest and other banking income**	**27,751**	**15,005**	**12,746**	**84.9**
130.	Net losses/recoveries for credit risk associated with:	-1,416	-2,636	-1,220	-46.3
	a) financial assets measured at amortised cost	*-1,359*	*-2,579*	*-1,220*	*-47.3*
	b) financial assets measured at fair value through other comprehensive income	*-57*	*-57*	*-*	*-*
140.	Profits (Losses) on changes in contracts without derecognition	-29	-5	24	
150.	**Net income from banking activities**	**26,306**	**12,364**	**13,942**	
160.	Insurance service result	2,038	1,961	77	3.9
	a) insurance revenue arising from insurance contracts issued	*3,118*	*3,195*	*-77*	*-2.4*
	b) insurance service expenses arising from insurance contracts issued	*-1,090*	*-1,206*	*-116*	*-9.6*
	c) insurance revenue arising from reinsurance contracts held	*177*	*138*	*39*	*28.3*
	d) insurance service expenses arising from reinsurance contracts held	*-167*	*-166*	*1*	*0.6*
170.	Balance of financial income and expenses related to insurance operations	-5,318	3,691	-9,009	
	a) net financial expenses/revenue related to insurance contracts issued	*-5,319*	*3,691*	*-9,010*	
	b) net financial expenses/revenue related to reinsurance contracts held	*1*	*-*	*1*	
180.	**Net income from banking and insurance activities**	**23,026**	**18,016**	**5,010**	**27.8**
190.	Administrative expenses:	-11,505	-11,058	447	4.0
	a) personnel expenses	*-6,781*	*-6,455*	*326*	*5.1*
	b) other administrative expenses	*-4,724*	*-4,603*	*121*	*2.6*
200.	Net provisions for risks and charges	-326	-469	-143	-30.5
	a) commitments and guarantees given	*50*	*-209*	*259*	
	b) other net provisions	*-376*	*-260*	*116*	*44.6*
210.	Net adjustments to / recoveries on property and equipment	-684	-681	3	0.4
220.	Net adjustments to / recoveries on intangible assets	-973	-869	104	12.0
230.	Other operating expenses (income)	910	934	-24	-2.6
240.	**Operating expenses**	**-12,578**	**-12,143**	**435**	**3.6**
250.	Profits (Losses) on investments in associates and companies subject to joint control	163	232	-69	-29.7
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-33	-46	-13	-28.3
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	168	16	152	
290.	**Income (Loss) before tax from continuing operations**	**10,746**	**6,075**	**4,671**	**76.9**
300.	Taxes on income from continuing operations	-2,994	-1,673	1,321	79.0
310.	**Income (Loss) after tax from continuing operations**	**7,752**	**4,402**	**3,350**	**76.1**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**7,752**	**4,402**	**3,350**	**76.1**
340.	Minority interests	-28	-23	5	21.7
350.	**Parent Company's net income (loss)**	**7,724**	**4,379**	**3,345**	**76.4**
	Basic EPS - Euro	**0.42**	**0.23**		
	Diluted EPS - Euro	**0.42**	**0.23**		

Statement of consolidated comprehensive income

(millions of euro)

		31.12.2023	31.12.2022	Changes	
				amount	%
10.	**Net income (Loss)**	**7,752**	**4,402**	**3,350**	**76.1**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-133**	**240**	**-373**	
20.	Equity instruments designated at fair value through other comprehensive income	-218	-114	104	91.2
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-80	32	-112	
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	113	141	-28	-19.9
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	52	181	-129	-71.3
80.	Non current assets classified as held for sale	-	-	-	
90.	Share of valuation reserves connected with investments carried at equity	-	-	-	
100.	Financial revenue and expenses related to insurance contracts issued	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**500**	**-2,407**	**2,907**	
110.	Hedges of foreign investments	-14	-10	4	40.0
120.	Foreign exchange differences	-27	-219	-192	-87.7
130.	Cash flow hedges	205	-158	363	
140.	Hedging instruments (not designated elements)	-	-	-	
150.	Financial assets (other than equities) measured at fair value through other comprehensive income	3,388	-12,318	15,706	
160.	Non-current assets held for sale and discontinued operations	-	-	-	
170.	Share of valuation reserves connected with investments carried at equity	-38	-14	24	
180.	Financial revenue and expenses related to insurance contracts issued	-3,024	10,318	-13,342	
190.	Financial revenue and expenses related to reinsurance contracts held	10	-6	16	
200.	**Total other comprehensive income (net of tax)**	**367**	**-2,167**	**2,534**	
210.	**Total comprehensive income (captions 10 + 200)**	**8,119**	**2,235**	**5,884**	
220.	**Total consolidated comprehensive income pertaining to minority interests**	**4**	**-53**	**57**	
230.	**Total consolidated comprehensive income pertaining to the Parent Company**	**8,115**	**2,288**	**5,827**	

Changes in consolidated shareholders' equity as at 31 December 2023

(millions of euro)

	31.12.2023												
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Interim dividend	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other								
AMOUNTS AS AT 31.12.2022	10,537	-	28,068	14,254	904	-2,583	7,211	-1,400	-124	4,402	61,269	61,103	166
Changes in opening balances	-	-	-	-59	-	59	-	-	-	-	-	-	-
AMOUNTS AS AT 1.1.2023	10,537	-	28,068	14,195	904	-2,524	7,211	-1,400	-124	4,402	61,269	61,103	166
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)													
Reserves	-	-	-	1,338	-	-	-	-	-	-1,338	-	-	-
Dividends and other allocations	-	-	-	-	-	-	-	1,400	-	-3,064	-1,664	-1,664	-
CHANGES IN THE PERIOD													
Changes in reserves	-	-	-57	-	228	-	-	-	-	-	171	171	-
Operations on shareholders' equity													
Issue of new shares	-	-	7	-	-	-	-	-	1,764	-	1,771	1,771	-
Purchase of own shares	-	-	-	-	-	-	-	-	-1,780	-	-1,780	-1,780	-
Interim dividend	-	-	-	-	-	-	-	-2,629	-	-	-2,629	-2,629	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	737	-	-	-	737	737	-
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-46	-	1	-1,822	-	-	-	-	-	-	-1,867	-1,861	-6
Total comprehensive income for the period	-	-	-	-	-	367	-	-	-	7,752	8,119	8,115	4
SHAREHOLDERS' EQUITY AS AT 31.12.2023	10,491	-	28,019	13,711	1,132	-2,157	7,948	-2,629	-140	7,752	64,127	63,963	164
- Group	10,369	-	28,003	13,565	1,132	-2,009	7,948	-2,629	-140	7,724	63,963		
- minority interests	122	-	16	146	-	-148	-	-	-	28	164		

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

Changes in consolidated shareholders' equity as at 31 December 2022

(millions of euro)

	31.12.2022													
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Interim dividend	Own shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other									
AMOUNTS AS AT 31.12.2021	**10,223**	**-**	**27,309**	**16,936**	**1,089**	**-757**	**476**	**6,282**	**-1,399**	**-136**	**4,043**	**64,066**	**63,775**	**291**
Reclassify	**-**	**-**	**-**	**-**	**-**	**476**	**-476**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in opening balances	**-**	**-**	**-**	**-847**	**-**	**-138**	**-**	**-**	**-**	**-**	**-**	**-985**	**-985**	**-**
AMOUNTS AS AT 1.1.2022	**10,223**	**-**	**27,309**	**16,089**	**1,089**	**-419**	**-**	**6,282**	**-1,399**	**-136**	**4,043**	**63,081**	**62,790**	**291**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)														
Reserves	**-**	**-**	**-**	**1,311**	**-**	**-**	**-**	**-**	**-**	**-**	**-1,311**	**-**	**-**	**-**
Dividends and other allocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,399**	**-**	**-2,732**	**-1,333**	**-1,316**	**-17**
CHANGES IN THE PERIOD														
Changes in reserves	**-**	**-**	**595**	**-**	**-185**	**3**	**-**	**-**	**-**	**-**	**-**	**413**	**413**	**-**
Operations on shareholders' equity														
Issue of new shares	285	-	405	-	-	-	-	-	-	1,795	-	2,485	2,485	-
Purchase of own shares	-	-	-	-	-	-	-	-	-	-1,783	-	-1,783	-1,783	-
Interim dividend	-	-	-	-	-	-	-	-	-1,400	-	-	-1,400	-1,400	-
Dividends	-	-	-233	-	-	-	-	-	-	-	-	-233	-233	-
Changes in equity instruments	-	-	-	-	-	-	-	929	-	-	-	929	929	-
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	29	-	-8	-3,146	-	-	-	-	-	-	-	-3,125	-3,070	-55
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-2,167**	**-**	**-**	**-**	**-**	**4,402**	**2,235**	**2,288**	**-53**
SHAREHOLDERS' EQUITY AS AT 31.12.2022	**10,537**	**-**	**28,068**	**14,254**	**904**	**-2,583**	**-**	**7,211**	**-1,400**	**-124**	**4,402**	**61,269**	**61,103**	**166**
- Group	**10,369**	**-**	**28,053**	**14,169**	**904**	**-2,458**	**-**	**7,211**	**-1,400**	**-124**	**4,379**	**61,103**		
- minority interests	**168**	**-**	**15**	**85**	**-**	**-125**	**-**	**-**	**-**	**-**	**23**	**166**		

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company, as well as those relating to consolidated companies, pertaining to minorities.

Consolidated statement of cash flows

(millions of euro)

	31.12.2023	31.12.2022
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**10,739**	**11,168**
Net income (loss) (+/-)	7,752	4,402
Gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit and loss (-/+)	-1,802	566
Gains/losses on hedging activities (-/+)	59	-33
Net losses/recoveries for credit risk (+/-)	1,780	3,147
Adjustments to/net recoveries on property, equipment and intangible assets (+/-)	1,657	1,684
Net provisions for risks and charges and other costs/revenues (+/-)	995	918
Net revenues and expenses of insurance contracts issued and reinsurance contracts held (-/+)	3,281	-5,651
Taxes, duties and tax credits to be paid/collected (+/-)	1,297	1,373
Net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
Other adjustments (+/-)	-4,280	4,762
2. Cash flow from / used in financial assets	**-12,263**	**151,624**
Financial assets held for trading	5,386	1,472
Financial assets designated at fair value	-2,794	3
Other financial assets mandatorily measured at fair value	7,163	13,019
Financial assets measured at fair value through other comprehensive income	-21,957	23,557
Financial assets measured at amortised cost	7,468	139,249
Other assets	-7,529	-25,676
3. Cash flow from / used in financial liabilities (*)	**-17,427**	**-41,971**
Financial liabilities measured at amortised cost	-27,971	-44,001
Financial liabilities held for trading	-3,449	-10,194
Financial liabilities designated at fair value	8,949	6,140
Other liabilities	5,044	6,084
4. Cash flow from/used in insurance contracts issued and reinsurance contracts held	**1,613**	**-18,545**
Insurance contracts issued that are assets/liabilities (+/-)	1,719	-18,590
Reinsurance contracts held that are assets/liabilities (+/-)	-106	45
Net cash flow from (used in) operating activities	**-17,338**	**102,276**
B. INVESTING ACTIVITIES		
1. Cash flow from	**1,200**	**455**
Sales of investments in associates and companies subject to joint control	421	295
Dividends collected on investments in associates and companies subject to joint control	73	79
Sales of property and equipment	633	78
Sales of intangible assets	73	3
Sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-1,788**	**-993**
Purchases of investments in associates and companies subject to joint control	-133	-217
Purchases of property and equipment	-334	-576
Purchases of intangible assets	-1,321	-1,272
Purchases of subsidiaries and business branches	-	1,072
Net cash flow from (used in) investing activities	**-588**	**-538**
C. FINANCING ACTIVITIES		
Issues/purchases of treasury shares	-1,709	-1,118
Share capital increases	417	616
Dividend distribution and other	-4,293	-2,966
Disposal/acquisition of minority interests in subsidiaries	-7	-50
Net cash flow from (used in) financing activities	**-5,592**	**-3,518**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-23,518**	**98,220**
RECONCILIATION		
Financial statement captions		
Cash and cash equivalents at beginning of period	112,924	14,756
Net increase (decrease) in cash and cash equivalents	-23,518	98,220
Cash and cash equivalents: foreign exchange effect	-136	-52
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**89,270**	**112,924**

LEGEND: (+) from (–) used in

(*) With regard to the disclosure required by par. 44 B of IAS 7, it is noted that the changes in liabilities deriving from financing activities amount to 17,427 million euro (cash flow used) and comprise -18,550 million euro in cash flows, +1,034 million euro in fair value changes and 89 million euro in other changes.

The significant increase in Cash and cash equivalents during 2022 is linked to the different ways in which excess liquidity is used. Due to the rise in interest rates, it is no longer deposited in the Reserve Requirement account reported in the caption "Financial assets measured at amortised cost – Due from banks", but in overnight deposits under "Current accounts and on-demand deposits with Central Banks".

Notes to the consolidated financial statements

Part A – Accounting policies

A.1 – GENERAL CRITERIA

SECTION 1 – DECLARATION OF COMPLIANCE WITH IAS/IFRS

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's Consolidated financial statements have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Standards - Interpretations Committee (IFRS-IC) and endorsed by the European Commission as provided for by EC Regulation 1606 of 19 July 2002.
The Consolidated financial statements as at 31 December 2023 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 43 of Legislative Decree 136/2015[70], with Regulation of 22 December 2005, which issued Circular 262/2005, and subsequent updates. Specifically, these consolidated financial statements have been prepared in accordance with the format and preparation rules of the 8th update of 17 November 2022[71].
These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the consolidated financial statements.
The financial statements have been prepared using the IAS/IFRS in force as at 31 December 2023 (including the SIC and IFRIC interpretation documents) as listed in the attachments to these financial statements.
The table below shows the new standards or amendments to existing ones, together with the related European Commission endorsement regulations, which came into force in 2023.

IFRS endorsed as at 31.12.2023 in force since 2023

Regulation endorsement	Title	Effective date
2036/2021	IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023
Regulation endorsement	**Amendments**	**Effective date**
2036/2021	Amendments to IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023
357/2022	Amendments to IAS 1 Presentation of Financial Statements - Disclosures of Accounting Policies	01/01/2023 First financial year starting on or after 01/01/2023
357/2022	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	01/01/2023 First financial year starting on or after 01/01/2023
1392/2022	Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023 First financial year starting on or after 01/01/2023
1491/2022	Amendments to IFRS 17 Insurance Contracts - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	01/01/2023 First financial year starting on or after 01/01/2023
2468/2023	Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules	01/01/2023 First financial year starting on or after 01/01/2023

Considering the significance for the Intesa Sanpaolo Group and, in particular, for the companies in the Insurance Division, it is primarily noted that **IFRS 17 Insurance Contracts**, published by the IASB in May 2017 and subject to subsequent amendments, endorsed with *Regulation (EU) no. 2036/2021 of 19 November 2021* and subsequent *Regulation no. 1491/2022 of 8 September 2022*, covering the comparative information to be presented upon the initial application of IFRS 17 and IFRS 9, is applicable from 1 January 2023.

[70] Art. 43 of Legislative Decree 136/2015 confirmed to the Bank of Italy the powers concerning the layouts of financial statements already previously attributed to the same Authority by Legislative Decree 38/2005.
[71] The 8th update of 17 November 2022, which amends Circular no. 262 to take account of the new reporting standard, IFRS 17 Insurance Contracts, which became effective on 1 January 2023, applies from the financial statements for the periods ending on or after 31 December 2023.

As from the preparation of the Interim Statement as at 31 March 2023, the Intesa Sanpaolo Group's accounting situations have been prepared applying IFRS 17. At the same time, the Group companies also applied IFRS 9 Financial Instruments, whose application had been deferred under the Deferral Approach.
In that regard, the following aspects are noted:

– in line with the previous interim statements, the Financial Statements as at 31 December 2023 include a specific section providing disclosure on the transition to IFRS 17 and IFRS 9 for the insurance companies, and a complete illustration of the provisions of these standards, the Group's choices and the impacts deriving from the application of IFRS 17 and IFRS 9 for the companies in the Insurance Division to which reference should be made for additional information;
– the accounting standards adopted with regard to the classification, recognition, measurement and derecognition of the balance sheet assets and liabilities, and the recognition methods for revenues and costs, have been updated starting from the Interim Statement as at 31 March 2023 to implement the entry into force of IFRS 17 and IFRS 9 for the insurance companies of the Intesa Sanpaolo Group;
– the structure of the consolidated financial statements has been updated to incorporate the new regulatory provisions in compliance with the 8th update to Bank of Italy Circular no. 262/2005, and the comparison periods adjusted following the retrospective application of the two standards. Specifically, the consolidated balance sheet balances as at 31 December 2023 were compared with the adjusted figures as at 31 December 2022 and 1 January 2022[72], while income statement balances were compared with the adjusted income statement for 2022.
– the Notes to the 2023 consolidated financial statements have been supplemented in accordance with the 8th Update of Bank of Italy Circular 262/2005, which took into account the similar instructions issued by IVASS[73] for the disclosure required by IFRS 17.

As shown in the above table, the Financial Statements as at 31 December 2023 also reflect the provisions of Regulation no. 357/2022 of 2 March 2022, Regulation no. 1392/2022 of 11 August 2022 and Regulation no. 2468/2023. The relevant aspects pertaining to the Group are summarised below.

Regulation no. 357/2022 of 2 March 2022 – Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
Regulation (EU) 2022/357 adopts several narrow-scope amendments and clarifications to support entities in making materiality judgements in the description of the accounting policies (amendments to IAS 1) and in distinguishing between accounting policies and estimates (amendments to IAS 8). Therefore, it will not have significant impacts on the Group, even though it could be a useful reference for analyses and for improving financial statement disclosure.
More specifically, the Regulation introduces the following changes:

– IAS 1 Presentation of Financial Statements.
– These are narrow-scope amendments to IAS 1 Presentation of Financial Statements and to the IFRS Practice Statement 2 "Making Materiality Judgements", which provide guidance to assist companies in deciding which information on the accounting standards (so-called "accounting policies") needs to be disclosed using materiality judgements. Accounting policy information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence decisions made by the users of financial statements. Material information must be clearly presented. It is not necessary to illustrate immaterial information and, in any event, such information must not obscure material information.
– IAS 8 Accounting Policies, Changes in accounting estimates and Errors.
– The amendments to IAS 8 aim to provide clarifications on how to distinguish changes in accounting policies from changes in accounting estimates. In that regard, a definition of accounting estimate was added, which previously was not provided – "accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty" – and other amendments were introduced to provide greater clarifications.
– The entity may need to change an accounting estimate if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience. Corrections of errors are distinguished from changes in accounting estimates: accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

Regulation no. 1392/2022 - Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
With Regulation no. 1392/2022 of 11 August 2022, the European Commission adopted the amendment to IAS 12 Income Taxes "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction", published by the IASB on 7 May 2021. The amendments clarify how companies have to account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce diversity in the reporting of deferred tax assets and liabilities on those transactions[74]. The cases of interest for the Intesa Sanpaolo Group are related to the accounting for lease transactions in which the lessee initially recognises in the balance sheet the right of use and the corresponding lease liability, which are generally of equal amounts. Based on the applicable tax legislation, equal amounts of taxable and deductible temporary differences may arise at the time of initial recognition of the assets and the liabilities. The amendments in question specified that, in those cases, entities must recognise any resulting deferred tax liability and asset (therefore, the exemption set out in

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[72] IAS 1 paragraph 40A requires the presentation of a third statement of financial position for the preceding year, in addition to the minimum comparative statements required, if an accounting standard is applied retrospectively and this has a material effect. This third compulsory statement is not required for the preparation of interim reports prepared in accordance with IAS 34, and is therefore only presented in the Consolidated Financial Statements as at 31 December 2023.

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

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

paragraphs 15 and 24 of IAS 12 - which permits omitting the recognition of deferred tax assets and liabilities in the case of transactions which, on the whole, do not impact profit - does not apply to those cases).
The amendments in question are immaterial for Intesa Sanpaolo and for the Italian companies of the Group, as, under the tax provisions applicable in Italy (in accordance with the "IFRS 16 Tax Decree"), both the right of use and the lease liability are fully relevant for tax purposes (statutory value and tax value are aligned), and the resulting income statement components recognised in the financial statements (depreciation, amortisation and interest) are treated accordingly based on the tax provisions. That approach is valid not only for new leases, following the initial application of IFRS 16, but also for transactions existing at the time of FTA, following the tax realignment implemented, as permitted by the IFRS 16 Tax Decree. Therefore, no taxable or deductible temporary differences arise.
Also with respect to the foreign companies of the Group, there are no significant aspects to report.

Regulation no. 2468/2023 of 8 November 2023 - Amendments to IAS 12 Income taxes -International tax reform - Pillar Two model rules
Regulation no. 2468/2023 amends IAS 12 Income Taxes with respect to the international tax reform. The amendments introduced a mandatory temporary exception from accounting for deferred taxes arising from the implementation of the OECD's Pillar Two model rules, as well as targeted disclosures for affected entities to be provided in interim and annual financial statements.
At the end of 2021, more than 135 countries, which represent over 90% of the global GDP, had reached an agreement on international tax reform, which introduces a Global Minimum Tax for large multinationals. In detail, these countries have adhered to the OECD Inclusive Framework on Base Erosion and Profit Shifting, which introduces a two pillar ("Pillar") model to handle tax problems deriving from the digitalisation of the economy.
In Europe, the Directive to implement the global minimum tax component of the OECD reform was approved by the European Commission on 12 December 2022. After several Member States exceeded their reserves, a unanimous agreement was reached at EU level to adopt the proposed EU Directive to ensure a minimum level of effective taxation of 15% on multinational groups with total revenues exceeding 750 million euro per year. Directive no. 2523/2022 was published in the Official Journal of the European Union on 22 December 2022 and subject to its transposition into national legislation, applies in the tax period 2024. Legislative decree no. 209 of 27 December 2023 "Implementation of the tax reform on international taxation" transposes the provisions of the EU Directive into Italian law.
Other non-EU countries where the Group operates could implement the same regulations, from an international source, into their domestic legislation.
With the publication of the amendments to IAS 12, endorsed by the European Commission, the IASB responded quickly to stakeholders' concerns about the potential implications of the implementation of the Pillar Two model rules on the accounting for income taxes under IAS 12, given the imminent entry into force of the new tax provisions in certain jurisdictions.
As described in IAS 12.4A "Scope", the amendments apply to taxes on income arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. Pursuant to the amendments to IAS 12, such tax law, and the taxes on income arising from it, are hereafter referred to as "Pillar Two legislation" and "Pillar Two taxes on income".
Specifically, the amendments introduced:

– a mandatory exception from accounting for deferred taxes arising from the implementation of the Pillar Two model rules; and
– targeted disclosures for affected entities. In particular:
    - an entity shall disclose that it has applied the exception to recognising deferred tax assets and liabilities related to Pillar Two taxes on income;
    - an entity shall disclose separately its current tax expense (income) related to Pillar Two taxes on income;
    - in periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two taxes on income arising from that legislation. To meet the disclosure objective, an entity shall disclose qualitative and quantitative information about its exposure to Pillar Two taxes on income at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an entity shall instead disclose a statement to that effect and disclose information about the entity's progress in assessing its exposure. In this respect, in paragraphs 88C–88D, the IASB provides examples of information an entity could disclose to meet the disclosure requirements.

The exception is to be applied immediately and retrospectively in accordance with IAS 8. The disclosure requirements are to be applied to annual reporting periods beginning on or after 1 January 2023.

Effective 1 January 2024, the Intesa Sanpaolo Group, as a multinational group exceeding the revenue threshold of 750 million euro for at least two out of the previous four years, falls within the scope of Pillar Two taxes on income under Directive 2022/2523, which - as detailed above - aims to ensure a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union.
At the reporting date, the rule was not effective in any of the countries in which the Group operates. Consequently, no current taxes were recognised.
As noted above, under IAS 12.4A an entity shall not recognise deferred tax assets and liabilities related to Pillar Two taxes on income and, pursuant to paragraph 88A, an entity shall disclose that it has applied the exception. This provision will become relevant for the Intesa Sanpaolo Group as of 2024 when the tax legislation becomes effective. However, as at 31 December 2023, the Intesa Sanpaolo Group did not recognise any deferred tax assets and liabilities in connection with the above legislation.
The exposure to Pillar Two taxes on income arises, with respect to all Group companies (and jointly controlled entities, if any) that are based in each individual jurisdiction, from the level of effective taxation, which depends on several and interrelated factors, such as, primarily, the income generated therein, the level of the nominal tax rate, and the tax rules for determining the tax base.

Given the novelty and complexity underlying the identification of the effective taxation level, Pillar Two legislation provides, for the first periods of effectiveness (transitional rules valid for years beginning on or before 31 December 2026 and ending no later than 30 June 2028), the possibility of applying a simplified regime (transitional safe harbours from country-by-country reporting) based mainly on the accounting information available for each relevant jurisdiction which, if at least one of three tests envisaged by the regulation is passed, reduces the compliance burden and zeroes Pillar Two taxes.
Based on the information known or reasonably estimable at the reporting date, although such information does not reflect all the specific provisions of Pillar Two legislation related to the location and operations of all of the Group's companies/international branches (or jointly controlled entities) in all of the individual jurisdictions in which the Group operates, the Intesa Sanpaolo Group's exposure to Pillar Two taxes on income at the reporting date, also taking into account transitional safe harbours from country-by-country reporting, is deemed immaterial.
As a matter of fact, based on the information known or reasonably estimable:

– most of the Group's entities (and jointly controlled entities) are located in jurisdictions where it is expected that they could meet at least one of the three tests under the transitional safe harbour from country-by-country reporting therefore the conditions for the elimination of second pillar taxes are met;
– the remaining Group's entities (and jointly controlled entities) are located in jurisdictions where it is expected that they cannot meet any of the three tests under the transitional safe harbour country-by-country reporting. However, the exposure is not significant as the effective tax level of these jurisdictions approximates the minimum 15%, the profits in these jurisdictions are small compared to the Group's total profits, or they are permanent establishments to which it is possible to allocate the taxes paid by the parent company in Italy.

The Group is working in order to comply with Pillar Two rules by designing appropriate systems and procedures to:

– identify, locate and characterise, including on an ongoing basis and for the purposes of Pillar Two rules, all Group companies (or jointly controlled entities), and
– consider the simplified tests (transitional safe harbour from country-by-country reporting) for each relevant jurisdiction in order to avail of the related benefits in terms of reduced compliance burden and zero Pillar Two taxes, and
– perform full and detailed calculations of significant figures pursuant to Pillar Two rules for any jurisdictions that fail any of the above tests.

Finally, for the sake of completeness, we note the publication of *Regulation 1803/2023 of 13 August 2023* in the Official Journal of the European Union of 26 September 2023, which, however, did not introduce any changes to the international accounting standards currently in force.
As described in the Regulation, in order to simplify Union legislation on international accounting standards, for the sake of clarity and transparency, Regulation no. 1803/2023 repealed and replaced Regulation no. 1126/2008, which had adopted the international accounting standards until 15 October 2008 and was amended several times to include the standards and the related interpretations issued by the IASB and adopted by the European Commission until 8 September 2022 in accordance with Regulation no. 1606/2002.
Therefore, all IAS/IFRSs and interpretations published by the IASB and IFRS-IC and endorsed in the European Union until 8 September 2022 are listed in an annex to Regulation no. 1803/2023. The subsequent EU Regulations transposing amendments to IAS/IFRSs will amend Regulation no. 1803/2023 (and no longer Regulation no. 1126/2008).

As part of the criteria for the preparation of the Financial Statements as at 31 December 2023, additional information is provided below about certain aspects of the Italian rule on banks' excess profits, as already mentioned in the Interim Statement as at 30 September 2023.
In this regard, it should be recalled that Decree Law no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023, includes a provision for a one-off tax for banks determined by applying a rate of 40% – in the separate financial statements – on the amount of the "net interest income" included in caption 30 of the accounts for the year 2023 that exceeds the net interest income of the year 2021 by at least 10%. However, the law sets a maximum limit of 0.26% of risk-weighted assets for the tax levy due and provides banks the option not to pay the theoretically due tax if, when approving the 2023 financial statements, the allocation to a non-distributable reserve of an amount equal to two and a half times the amount theoretically due is approved. With regard to any accounting impacts related to the application of this rule, the tax was considered to fall within the scope of IFRIC 21 "Levies", as it was applied on the net interest income (or, upon reaching a set cap by law, on the risk-weighted assets - RWA), which was not considered to constitute "taxable income" under IAS 12.
IFRIC 21 requires the recognition of the tax expense in profit or loss when an "obligating event" occurs that gives rise to the liability, i.e., the specific activity/action that triggers the payment of the tax. In the current case, the existence of an "obligating event" is positively triggered by the achievement of a net interest income above the threshold set by law. In addition, as noted, the law provides an option for those potentially subject to the liability not to pay the tax and instead establish a specific non-distributable reserve. In this regard, please note that:

– on 25 October, the Board of Directors of Intesa Sanpaolo decided to propose to the Shareholders' Meeting, when approving 2023 Financial Statements, net income allocation and dividend distribution to shareholders, the allocation to the non-distributable reserve of around 1,991 million euro, equivalent to two and a half times the amount of the tax of around 797 million euro, in lieu of payment of said tax, thus taking up the option provided by the above-mentioned measure.
– in accordance with the instruction of the Parent Company, similar commitments were also made by the Boards of Directors of the subsidiary banks impacted by the measure: Fideuram - Intesa Sanpaolo Private Banking, Intesa Sanpaolo Private Banking and Isybank.

In lieu of the one-off tax, a proposal will therefore be made to the Shareholders' Meetings, called to approve the 2023 Financial Statements, for the allocation to a specific reserve, pursuant to Article 26 of Decree Law no. 104/2023 converted with amendments by Law no. 136/2023, of a total amount at Group level of 2,068.8 million euro, corresponding to two and a half times the total tax amount of 827.5 million euro.
In consideration of the above, no obligation to pay the tax has been identified. Accordingly, no profit or loss effect has been recognised, because it is not considered likely that there will be an outflow of resources for the payment of the tax.

Transition to IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments by the Group's insurance companies

This paragraph provides disclosure on the main impacts deriving from the introduction of IFRS 17 Insurance Contracts, as well as the application of IFRS 9 Financial Instruments for the Group's insurance companies, in relation to the requirements of IAS 8, paragraph 28[75], and in accordance with the guidance from the European Securities and Markets Authority (ESMA)[76]. The interaction between the two standards - IFRS 17 and IFRS 9 - that the insurance companies applied simultaneously for the first time as of 1 January 2023, are also illustrated, given the close correlation between the methods of accounting for insurance contracts and the related financial assets.

IFRS 17 was endorsed by Regulation no. 2036/2021 of 19 November 2021 and entered mandatorily in force from 1 January 2023. The European endorsement regulation makes it possible, on an optional basis, to exempt intergenerationally-mutualised and cash flow matched contracts from the application of the obligation of grouping into annual cohorts set out by IFRS 17. Moreover, with Regulation no. 1491/2022 of 8 September 2022, several narrow-scope amendments were introduced for the preparation of comparative information upon initial application of IFRS 17 and IFRS 9.
Note that IFRS 9 Financial Instruments, issued by the IASB in July 2014 and endorsed by the European Commission through Regulation No. 2067/2016, replaced IAS 39 in the requirements for the classification and measurement of financial instruments with effect from 1 January 2018.
The Intesa Sanpaolo Group, as a financial conglomerate primarily engaged in banking activities, exercised the option of adopting the Deferral Approach (or Temporary Exemption), according to which the financial assets and liabilities of the subsidiary insurance companies continued to be recognised in accordance with the provisions of IAS 39, until the entry into force of the new financial reporting standard on insurance contracts (IFRS 17) on 1 January 2023. The deferral of the adoption of IFRS 9 by the insurance companies meant that, starting from 1 January 2018 up to the Financial Statements as at 31 December 2022, two different accounting standards needed to be applied for the financial assets and liabilities within the Group's consolidated financial statements.
In this context, from 1 January 2023, the Group insurance companies apply IFRS 9 and IFRS 17 together for the first time. The implementation of IFRS 9 by the insurance companies of the Group is consistent with the accounting policies defined by the Intesa Sanpaolo Group to ensure the correct and uniform application of the new standard at consolidated level.

With regard to preparation of comparative periods, pursuant to IFRS 9 it is permitted, but not required, to adjust the comparison periods. Vice versa, under IFRS 17, it is required that the comparison period be adjusted.
With regard to the methods of presentation of the effects of first-time adoption of IFRS 9, the insurance companies of the Group exercised the option established in paragraph 7.2.15 of IFRS 9, according to which – subject to the retrospective application of the new measurement and presentation rules required by the standard – there is no requirement for the compulsory adjustment on a like-for-like basis of the comparative information in the financial statements of first-time adoption of the new standard. In order to present the comparison periods in a uniform, comparable manner, the insurance companies adopted the Classification Overlay for the entire portfolio of financial assets in accordance with the provisions of paragraph C28A and following of IFRS 17 – as amended by the IASB on 9 December 2021 and endorsed by the European Commission with Regulation 1491/2022 of 8 September 2022 – regarding companies adopting IFRS 9 and IFRS 17 simultaneously for the first time.
The Classification Overlay allows the application of the financial asset classification and measurement requirements as envisaged by IFRS 9 for the preparation of comparative periods using reasonable and supportable information. The exercise of that option makes it possible to present the comparative period on a like-for-like basis, also with regard to financial assets already derecognised as at 1 January 2023 (for which restatement would not be permitted according to the ordinary rules of transition to IFRS 9). Moreover, as permitted by Regulation 1491, the Classification Overlay was adopted without applying the ECL requirements.

Below is an examination of the main areas of impact from the application of IFRS 17 and IFRS 9 for the Group's insurance companies, as well as the main choices made in that regard by the Intesa Sanpaolo Group, illustrating the reasons for the generation of an impact of first-time adoption on the Shareholders' Equity, referring to IFRS 17, IFRS 9 and the interaction between the two standards.

A. IFRS 17 Insurance Contracts

The provisions of IFRS 17

IFRS 17 replaces IFRS 4, which, from the time of its initial publication, was considered an interim standard and – as such – its objectives did not include establishing a single approach for the presentation of insurance contracts, referring to the accounting models set out in local regulations of the individual countries. Addressing this aspect – together with better disclosure regarding the operating performance of the insurance contracts – therefore forms the basis of the new standard.

Classification and measurement

The main provisions of IFRS 17 are illustrated below, referring to the methods of recognition and measurement of insurance liabilities:

[75] For the purpose of completeness, it is noted that, as required by paragraph C3 of IFRS 17, the entity is not required to present the quantitative information required by paragraph 28 (f) of IAS 8.

[76] This refers to the ESMA Public Statement of 13 May 2022 "Transparency on implementation of IFRS 17 Insurance Contracts", also referred to in the more recent ESMA Public Statement "European common enforcement priorities for 2022 annual financial reports" of 30 October 2022 and, more recently, ESMA Public Statement of 25 October 2023 "European common enforcement priorities for 2023 annual financial report" and, for IFRS 9, the ESMA Public Statement of 10 November 2016 "Issues for consideration in implementing IFRS 9: Financial Instruments".

- initial recognition of the insurance liability: when the contract is signed with the policyholder, the insurance entity recognises a liability whose amount represents the sum of the present value of the expected contractual cash flows (Present Value Future Cash Flows – "PVFCF"), an appropriate Risk Adjustment ("RA") to cover non-financial risks and the Contractual Service Margin ("CSM"), which represents the present value of the future profits on insurance contracts;
- grouping of contracts: the application of IFRS 17 involves the identification of "portfolios" of insurance contracts (groups of contracts that are subject to similar risks and managed together, and those issued no more than one year apart - known as the "annual cohort" requirement). Each portfolio is further subdivided into groups consisting of contracts with similar characteristics in terms of expected profitability, thus distinguishing between profitable contracts (with a positive contractual service margin) and onerous contracts (with a negative contractual service margin);
- the measurement models: IFRS 17 envisages a measurement model known as General Measurement Model ("GMM") or, in short, General Model, applicable in principle to all contracts, except for contracts with direct participation features, for which the Variable Fee Approach ("VFA") must be applied, if the eligibility criteria based on the nature of the participation features are met. There is also an optional simplified model (Premium Allocation Approach – "PAA") for the valuation of the Liability for Remaining Coverage ("LRC", similar to the reserve for unearned premiums or premium carry-forward) for contracts with a coverage period of one year or less and for all contracts where the valuation is not materially different from that resulting from the application of the General Model;
- subsequent measurement of the insurance liability: IFRS 17 requires an update at each reporting period of the measurement of the above elements (cash flows, the risk adjustment and the contractual service margin), to verify the consistency of the estimates with the current market conditions. The effects of any updates are recorded at the first reporting date: in profit or loss for changes relating to current events or events that have already occurred or as a reduction of the contractual service margin (CSM) when the changes relate to future events. Solely with regard to changes in financial variables (and not the others, i.e. mainly related to policyholder behaviour), it is left to the entities to decide – for each grouping of contracts – whether to present the effects of the changes through profit or loss or through other comprehensive income (the so called OCI option);
- measurement of the insurance revenue: IFRS 17 requires the presentation in profit or loss of the earnings "by margins" achieved during the life of the policies, i.e. when the entity provides the services to the insured, and does not therefore require the recognition of any revenue at the time of entering into the contract. With regard to that aspect, the standard is asymmetrical, as, for groups of onerous contracts, it requires immediate recognition of losses through profit or loss;
- measurement of the performance: with a view to providing disclosure that ensures better comparability of the performance of the insurance companies, a distinct and separate presentation is required of the two main components that typically contribute to making up the earnings of insurance undertakings: the first, which represents the profit from the insurance service provided (the "technical margin") and the second, which brings together all the financial components (results of investments, effects of financial variables used in the valuations of the contracts, etc.). Changes in the future estimates of premiums linked to the outstanding contracts at the reporting date (cash flows to be received) and payments (cash flows to be paid) are recognised in profit or loss over the entire remaining contractual lifetime of the policies concerned;
- transition: upon first-time adoption, IFRS 17 requires that all contracts in the portfolio be accounted for as if the rules introduced had always been in force, with retrospective application of the standard. That transition approach is referred to as the Full Retrospective Approach ("FRA"). Given that its application can be very complex due to the unavailability of the time series of the attributes required to manage the breadth of the data model envisaged by IFRS 17, which enables its full application, the standard allows the possibility of using two other approaches, optional to each other:
  - the Modified Retrospective Approach ("MRA"), which approximates the results obtained from the FRA using a retrospective approach, including some simplifications regarding the estimation of the CSM, the level of aggregation of the contracts, the use of annual cohorts and the discount rates to be used;
  - the Fair Value Approach ("FVA"), according to which the CSM/Loss Component (in the case of onerous contracts) is calculated as the difference between the fair value of the group of contracts to which it refers and the value of the Fulfilment Cash Flows at the same date (consisting of the sum of the PVFCF and RA).

Derecognition of previously recognised intangibles

The standard requires that, at the transition date, any amounts that would not have been recognised in application of IFRS 17 must be derecognised, as if the standard had always been applied. That provision specifically takes the form of the derecognition of intangible assets (VoBA- Value of Business acquired) recognised pursuant to IFRS 3 on Purchase Price Allocation (PPA), which expressed the higher profitability incorporated in the portfolio of insurance policies at the time of their acquisition, now included in the Contractual Service Margin, which represents the insurance company's future profits.

Group methodological choices

Within the Intesa Sanpaolo Group, IFRS 17 is applicable to the insurance products and investment products with discretionary participation features of the insurance companies. The analyses conducted on the other Group companies showed no cases of interest attributable to the scope of application of IFRS 17.

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

The main methodological choices made by the Intesa Sanpaolo Group are reported below:

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

Limited to the first point, the Group decided to aggregate contracts in the Non-Life Business based on their Solvency II Line of Business ("LoB") and based on the measurement model adopted (General Model or PAA). For the Life Business, the groups of contracts are aggregated by grouping the products into a single portfolio based on the following methodology:
- non multi-line products, for each Separate Management;
- multi-line products, for each Separate Management;
- standalone Unit-Linked products;
- products linked to Pension Funds;
- pure risk products (e.g. temporary life policies).

With regard to contracts relating to Multi-Line products or linked to a Separate Management, the Group has decided to exercise the option not to apply the Annual Cohort requirement (so-called "carve-out"), as allowed in the IFRS 17 Endorsement Regulation at European level, and therefore to aggregate these types of contracts only based on the concept of similar risks and uniform management and belonging to the same profitability bucket.

- Discount curve: the Group has decided to use a bottom-up approach, which involves using risk-free rates with the addition of a liquidity premium, estimated based on the risk premium inherent in each company's securities portfolio, broken down by individual separate management, unit-linked portfolio, pension funds and free portfolio.
- Risk adjustment: it is determined using a Value at Risk (VaR) approach that estimates the uncertainty of the non-financial risks based on the 75th percentile of the specific distribution of each risk considered.
- Variable Fee Approach (VFA): as noted above, the VFA is a mandatory model for contracts involving significant discretionary participation features for the policyholders. To determine whether discretionary participation features are significant, both a qualitative and quantitative test is performed to verify the requirements. Within the products of the insurance companies, all the insurance Linked contracts and all the contracts linked to a Separate Management, both individual and multi-line, are measured using the Variable Fee Approach.
- Premium Allocation Approach (PAA): as already mentioned, the PAA is an optional method applicable to contracts with a duration of less than one year or to contracts with a duration of more than one year for which it is demonstrated that the application of the PAA model does not lead to results that are significantly different from those that would be obtained with the general model. The Group applies this model solely to the Non-Life Business, with the general rule being to use the PAA model for insurance policies with a duration of one year or less.
- Coverage units: these are the drivers used to determine the CSM release to profit or loss, taking into account the amount of service provided to the policyholders and the expected duration of the group of contracts. The coverage units are determined differently based on whether they relate to Life Business or Non-Life Business. Specifically, for the Non-Life Business, the coverage units are identified by the earned premiums for the period, while for the Life Business, they are identified by the insured capitals for the period with respect to the whole life insured capitals, which represent the company's commitment to the policyholders during the valuation period.
- Contract boundaries: the determination of the contract boundaries is used to establish whether a particular contractual option is to be included in the cash-flow projection as soon as the contract is issued or whether the exercise of that option will result in the generation of a new group of contracts.

  The IFRS 17 contract boundaries include all the contractual options that establish the conditions for exercising the option in terms of pricing, already at the time when the contracts are issued. If the exercise of the option does not have conditions predetermined upon issue and the conditions are only defined at a later date or at the time of exercise by the policyholder, they are not included in the IFRS 17 contract boundaries and are not projected in the cash flows of the host contract; the exercise of the option generates a new group of contracts different from that of the host contract.
- Transition Approach: the Full Retrospective Approach was not applicable for the entire portfolio, as the high costs and implementation efforts necessary for the valuations made using actuarial engines outweighed the benefits that would be obtained in terms of the impact on the quality of information provided. Moreover, before the entry into force of the Solvency II regulation, there was no official framework subject to a process of validation for defining the assumptions used to calculate liabilities or availability of information on the profitability of contracts.

  For the above reasons, the Group has decided to use all three transition approaches envisaged by the standard based on the availability of the historical data required by the standard for determining the CSM at the FTA date. Specifically, the Full Retrospective Approach is used for the most recent generations of contracts, except for those of the acquired companies (ISP RBM Salute and former UBI), for which the Fair Value Approach is used. For multi-line life contracts and older non-life contracts the Modified Retrospective Approach is used, while for the remaining products and annuities the Fair Value Approach is used. In terms of amounts, the latter is used the most by the Group to estimate the CSM on FTA, followed by the Full Retrospective Approach and the Modified Retrospective Approach.

  The main simplifications used by the Group in applying the Modified Retrospective Approach are:
  - use of annual cohorts: the Group adopts the simplifications set out in the standard and aggregates the annual cohorts into a single Unit of Account for the Life and Non-Life Businesses;
  - discount rate: calculation of the discount rates using the median of the last 5 curves reconstructed for the years of valuation prior to the transition date;
  - no calculation of the closing balances for the previous periods.

  The Fair Value Approach is based on calculating the CSM from the point of view of a third party acquirer rather than from the point of view of the insurance company that holds the portfolio of liabilities (Market Participant View). Estimating the CSM in accordance with this approach entails determining a cost of capital which represents the loss of earning that the acquirer company would suffer due to allocating capital to cover the risks implicit in the portfolio of contracts acquired.
- Quantification of the CSM for the Consolidated financial statements: under IFRS 17, the management of intragroup transactions entails the need, in order to quantify cash flows, to "replace" the intragroup costs projected by the insurance companies in the estimate of its standalone accounting values (typically fees paid to the banking distribution network) with the actual costs incurred by the Group with third parties. That operation entails the recognition of expected profit (CSM) which differs between the individual Group companies and the Group as a whole. The ESMA, in its annual

statement on priorities for the 2022 financial reports[77], highlighted the importance of consistently applying the consolidation requirements pursuant to IFRS 10 in order to guarantee the correct application of IFRS 17 in the consolidated financial statements. Specifically, the ESMA notes that where banks of the group distribute insurance products, the consolidated CSM often differs from the insurance CSM.

– Impacts of IFRS 17 on Alternative Performance Measures: as a result of the changes introduced by the application of the new standard, the Group defined the best methods for presenting the insurance business in the reclassified balance sheet and income statement. For more details, refer to the Report on operations.

Main differences between the IFRS 17 framework and Solvency II

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

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

The introduction of IFRS 17 does not have any impact on the Solvency II summary indicator for the Insurance Group.

B. IFRS 9 Financial Instruments

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

Classification and Measurement

In order to comply with the provisions of IFRS 9 – which introduces a model where the classification of financial assets is guided, on the one hand, by the contractual cash flow characteristics of the instruments and, on the other hand, by the management intent for which they are held – the methods for performing the test on the contractual cash flow characteristics (known as the SPPI Test) have been drawn up, while the definition of the business models has been finalised.
Note that, given the composition of the portfolio pertaining to the insurance companies and the methods used to manage it, the introduction of IFRS 9 did not have material impacts in terms of measurement, confirming the fair value approach as the main approach.
With regard to the SPPI test on financial assets, the insurance companies adopt an approach defined at the level of the Intesa Sanpaolo Group, used since 2018. Moreover, the business models adopted for the correct classification were formalised on First Time Adoption (FTA) of the new standard.
With regard to debt securities, a detailed examination of the cash flow characteristics of instruments classified in the Financial assets available for sale category according to IAS 39 has been carried out, identifying the assets which, as they did not pass the SPPI test, were classified under assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9. Only an insignificant percentage of the debt securities – with respect to the portfolio as a whole – failed the SPPI test, mainly consisting of structured securities.
Moreover, units of UCI (open-ended and closed-end funds) classified under Assets available for sale in accordance with IAS 39, in line with the provisions of the standard and the Group’s accounting policy, were classified under assets mandatorily measured at fair value through profit or loss.
With regard to the classification of equity instruments in the scope of IFRS 9, the insurance companies did not exercise the option, on first-time adoption of the standard, to classify the equity instruments at fair value through other comprehensive income (FVTOCI without recycling to profit or loss), classifying them under assets mandatorily measured at fair value through profit or loss.
Lastly, the contribution of debt securities at amortised cost and receivables to financial assets of the Division was insignificant and did not entail specific impacts on FTA. Specifically, receivables are mainly represented by current accounts and other short-term types.
With regard to the second driver of classification of the financial assets (business model), i.e. the intention with which financial assets are held, the following is noted: for debt securities, the insurance companies adopted mainly a Hold To Collect and Sell business model, with the exception of portfolios connected to unit-linked products and open pension funds, for which an “Other” Business Model was adopted, with measurement of the assets at fair value through profit or loss.

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

In brief, the introduction of IFRS 9 mainly resulted in reclassifications among various categories of financial assets measured at fair value – specifically from financial assets available for sale pursuant to IAS 39 to financial assets measured at fair value through profit or loss for IFRS 9. As a result, no overall net impacts were recognised to Shareholders' Equity on those reclassifications due to different measurement.
Vice versa, there were very few cases of Financial assets measured at amortised cost which, following the application of the IFRS 9 classification criteria must be measured at fair value, with a marginal impact on Shareholders' Equity.

With regard to the financial liabilities, no changes were noted deriving from the introduction of IFRS 9 with respect to the previous methods of classification and measurement of the financial liabilities in accordance with IAS 39. Specifically, the Group adopted the option to designate as liabilities measured at fair value the financial products issued by the insurance companies that do not fall within the scope of IFRS 17. This was decided in order to eliminate or reduce possible "accounting mismatches" in relation to connected assets also measured at fair value. However, as illustrated in greater detail in the section on IFRS 17, it is noted that, following the introduction of the new standard, a portion of multi-line products previously classified as financial instruments pursuant to IFRS 4/IAS 39, are now included in the scope of application of IFRS 17.

Impairment
With regard to impairment, a common approach and a process centralised within Intesa Sanpaolo's Risk Management structure have been established by the Parent Company Intesa Sanpaolo for the quantification of the expected credit loss for all the Group companies. Accordingly, for a full description of the choices adopted by the Group regarding the application of impairment in accordance with IFRS 9, see the Accounting Policies and the description provided in Part E of the Notes to the 2023 consolidated financial statements concerning risk management.
For the purpose of completeness, it is noted that the "Rules on the measurement of expected credit loss in accordance with IFRS 9 (Impairment Policy)" is also applicable to the insurance companies, with regard to the methodological guidelines defined by the Intesa Sanpaolo Group in application of IFRS 9 and approved by the competent levels of governance.
Please note in this regard that, for the insurance companies, the application of the new expected credit losses model is mainly relevant for the portfolio of debt securities classified in the category Fair value through other comprehensive income. Thus, the application of the impairment approach does not result in a different measurement of that portfolio (as it is already at fair value) and, with regard to first-time adoption, entails a transfer between the valuation reserves and retained earnings reserves. Instead, it was not significant for receivables, which are represented mainly by current accounts and other short-term types.
The main elements underlying the approach can be considered to be the following:
- method of tracking the credit quality of portfolios of financial assets measured at amortised cost and at fair value through other comprehensive income;
- definition of the parameters for determining the significant increase in credit risk, for the purposes of the correct allocation of performing exposures to Stage 1 or Stage 2, based on the change in lifetime probability of default since the time of initial recognition of the financial instrument. With regard to the impaired exposures, on the other hand, given the alignment of the definitions of accounting and regulatory default, the previous criteria for classifying exposures as "impaired" can be considered identical to the criteria for classifying exposures in Stage 3;
- definition of models – including forward-looking information – for the staging (with respect to the use of lifetime PD as a relative indicator of impairment) and for the calculation of the one-year ECL (to be applied to Stage 1 exposures) and lifetime ECL (to be applied to Stage 2 and Stage 3 exposures). In order to take into account forward-looking information and the macroeconomic scenarios in which the Group may find itself operating, the "Most likely scenario + Add-on" approach has been adopted.

With regard to the staging for securities, it must be considered that sales and purchases after initial recognition (made using the same ISIN) may form part of the ordinary management of the positions (with the consequent need to identify a methodology to be adopted for identifying the sales and repayments in order to determine the remaining quantities of the individual transactions that need to be allocated a credit quality/rating upon origination to be compared with that parameter at the reporting date). In this regard, in line with the choice adopted by the Intesa Sanpaolo Group from 2018, the insurance companies also use the "first-in-first-out" or "FIFO" method (for the recognition of the recorded ECL in the income statement, in the event of sales or repayments) which helps in providing a more transparent management of the portfolio, also for the front office operators, while also enabling the continued updating of the credit rating based on new purchases.
Moreover, a key element for the estimation of the expected losses is the inclusion of forward-looking factors and, in particular, macroeconomic scenarios. From a methodological perspective, the approach adopted by the Intesa Sanpaolo Group is the "Most likely scenario + Add-on". Under this approach, the calculation of the expected credit loss (ECL) and the stage assignment use the credit loss determined for the baseline scenario, which is considered the most likely scenario and is also used for other purposes within the Group (for example, for preparing the budget and the business plan), to which an add-on is applied to reflect the effects from the non-linearity of the variables used for the conditioning of the macro-economic parameters. A similar approach is therefore also applied to the insurance companies.
Lastly, with regard only to the initial application of the standard - i.e. 1 January 2023 - for performing debt securities recognised at fair value through other comprehensive income, the low credit risk exemption set out in IFRS 9 was used, based on which exposures that, at the date of transition to the new standard, had an investment grade (or similar) rating were identified as exposures with low credit risk and, therefore, to be considered in Stage 1.

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

C. Interaction between IFRS 17 and IFRS 9

In some cases, the interaction between IFRS 17 and IFRS 9 may generate accounting mismatches between the way insurance contracts and related financial assets are accounted for. In order to reduce these mismatches, IFRS 17 allows for a disaggregation of financial income and expenses from insurance contracts between the profit or loss (financial result) and other comprehensive income (OCI). The choice of disaggregation is made at portfolio level for the insurance contracts and must be made consistently with the valuation approach used for the assets. In particular:

– with regard to contracts valued using the General Model and the Premium Allocation Approach, the financial revaluation of future cash flows and risk adjustment at historical rates is recognised through profit or loss, while the difference between the revaluation at historical and current rates is recognised through other comprehensive income;
– for contracts valued under the Variable Fee Approach, IFRS 17 requires the financial result of insurance contracts to be disaggregated between profit or loss and other comprehensive income. In essence, the difference between the financial result of insurance contracts and the financial result through profit or loss arising from the underlying financial instruments, including the change in the expected credit loss recognised during the period, is reclassified to other comprehensive income (mirroring).

Pursuant to IFRS 9, the insurance companies finalised the definition of business models adopted: Hold To Collect and Sell for debt financial instruments, with the exception of those connected with linked products and open pension funds (to which the Other Business Model is applied, with the resulting measurement at fair value through profit or loss). With regard to the classification of equity instruments that come under the scope of IFRS 9, the insurance companies apply the fair value measurement through profit or loss. As a result, in order to reduce potential accounting mismatches, the Group has decided to adopt the OCI option on all the insurance contract portfolios, except for the unit-linked policies not connected to multi-line products and open pension funds.

Moreover, the introduction of IFRS 17 eliminates the shadow accounting treatment envisaged by IFRS 4, which approximated the correlation between two values that are not uniform: 1) the value of the technical reserve relating to contracts measured at cost (with discretionary participation features) and 2) the value of the related assets measured at fair value.

The application of IFRS 17 ensures greater correlation between the measurement of insurance liabilities and the underlying investments, both in periods of increases in fair values (decrease in market interest rates) and in periods of reduction of fair values (increase in market interest rates). IFRS 17 introduces a forward-looking approach also for measuring insurance liabilities, thereby guaranteeing comparison on a like-for-like basis with the fair value changes of the related assets, increasing the effectiveness compared to the past. Moreover, for the VFA measurement approach, the adoption of the OCI option (mirroring) means that such greater correlation than under IFRS 4 is contributed to shareholders' equity.

Implementation project: organisational and IT impacts

The IFRS 17 implementation project for the Insurance Division started in June 2019 and was divided into several strands that have been set up uniformly for all the insurance companies, taking into account the specific business characteristics of each company, as described in more detail in the 2022 Financial Statements.

From an organisational perspective, in addition to the process for the preparation of the financial statements, the IFRS 17 project included the implementation of systems and processes related to planning and control and asset and liability management, in order to ensure the Group companies' management capabilities according to the new metrics introduced by IFRS 17.

The presentation of the balance sheet and income statement amounts typical of IFRS 17 in the Consolidated Financial Statements of Intesa Sanpaolo was the subject of a specific project by the Parent Company, developed in complete synergy with the activities of the insurance companies and the related IFRS 17 implementation project.

The adoption of IFRS 9 also entailed both actions on the organisation, relating to the revision and adaptation of existing operating processes and the design and implementation of new processes, as well as on information systems, also to align the processes regarding staging and the expected credit losses forecast by the Group.

Effects of first-time adoption of IFRS 17 and IFRS 9 for the Group's insurance companies

The transition date to IFRS 17 is 1 January 2022, i.e. the start date of the financial year immediately preceding the date of first-time adoption (FTA) - 1 January 2023, given the obligation set out by the standard to present a modified comparative period.

As noted in the previous section, the transition date to the accounting standard IFRS 9 is 1 January 2022, save for the provisions relating to the ECL, which apply from 1 January 2023. Note that the Group decided to apply the classification overlay to present all financial assets in the comparison period.

The impact deriving from the changeover to the new accounting standards is represented by the First Time Adoption reserve and the effects recognised in the valuation reserves, calculated as at 1 January 2023, whose determination was the result of the transition to IFRS 17/IFRS 9 as at 1 January 2022, plus the additional changes deriving from the application of the new standards during 2022.

Qualitative information is provided below, illustrating the direction of the impact, and how the main phenomena deriving from the introduction of IFRS 17 and IFRS 9, described above, impacted the main balance sheet figures (Valuation reserves and Reserves) and income statement figures (Net income (loss)) of the Group at the transition date and the date of initial application of the standards.

Type of impact	01.01.2022	31.12.2022	01.01.2023
A. IFRS 17 Insurance Contracts			
Different measurement criterion for insurance liabilities	negative impact (-) caption 120. Valuation reserves negative impact (-) caption 150. Reserves	negative impact (-) caption 120. Valuation reserves positive impact (+) caption 200. Net income (loss) (+/-	
Derecognition of intangible assets (VoBA)	negative impact (-) caption 150. Reserves	positive impact (+) caption 200. Net income (loss) (+/-)	
B. IFRS 9 Financial Instruments			
Classification and Measurement	negative impact (-) caption 120. Valuation reserves positive impact (+) caption 150. Reserves	positive impact (+) caption 120. Valuation reserves negative impact (-) caption 200. Net income (loss) (+/-)	
Impairment			positive impact (+) caption 120. Valuation reserves negative impact (-) caption 150. Reserves
C. Interaction between IFRS 17 and IFRS 9			
	positive impact (+) caption 120. Valuation reserves negative impact (-) caption 150. Reserves	negative impact (-) caption 120. Valuation reserves positive impact (+) caption 200. Net income (loss) (+/-)	

Specifically, the following impacts are noted with regard to **1 January 2022**:

A. **IFRS 17 Insurance Contracts**:
   - the different measurement criterion for insurance liabilities was caused by the derecognition of the technical reserves and other components recognised pursuant to IFRS 4 with the concurrent recognition of new insurance liabilities in the components of PVFCF, RA and CSM, calculated pursuant to IFRS 17. The overall impact, also considering the effect of the interaction between IFRS 17 and IFRS 9 shown in point C, was a negative 731 million euro (505 million euro net of the tax effect), recognised through captions 120. Valuation reserves (mainly due to mirroring, as described in point C) and 150. Reserves;
   - reversal of intangible assets – VoBa – recognised pursuant to IFRS 3 on Purchase Price Allocation (PPA), which expressed the higher profitability incorporated in the portfolio of insurance policies at the time of their acquisition, now included in the Contractual Service Margin. The overall impact, a negative 685 million euro (480 million euro net of the tax effect) was recognised through caption 150. Reserves;

   The overall impact on shareholders' equity, net of the tax impact, was a negative 985 million euro (of which 847 million euro of caption 150.Reserves and 138 million euro of caption 120. Valuation reserves:

B. **IFRS 9 Financial Instruments**:
   - the reclassifications from financial assets available for sale pursuant to IAS 39 to financial assets measured at fair value through profit or loss under IFRS 9 resulted in a reallocation between caption 120. Valuation reserves previously recognised and caption 150. Reserves, with no effects on shareholders' equity.

C. **Interaction between IFRS 17 and IFRS 9**:
   - the valuation reserves are adjusted to take account of the different recognition of the portions of gains/losses on investments underlying liabilities of the insured parties which, due to IFRS 17, also include the shares pertaining to the insurance company. The measurement of insurance liabilities at present values, with specific reference to contracts with direct participation features, requires the substantially full recognition of the changes in fair value of the investments underlying insurance liabilities (Contractual Service Margin) in line with the accounting allocation of the underlying financial assets. That effect (mirroring) is also recognised on transition[78]. The effect of the interaction between the two standards is already recognised in the fair value measurement of insurance liabilities and the recognition of valuation reserves reported in point A above.

With regard to the effects recorded **during 2022**, the cases described above resulted in a different quantitative impact than that recorded pursuant to the previously applied criteria, mainly due to the strong correlation between IFRS 9 and IFRS 17. More specifically, the performance of the markets and, in particular, the increase in interest rates observed during 2022 resulted in significant capital losses on financial assets measured at fair value which, pursuant to the previous IFRS 4, were only partly recognised in the measurement of the technical reserves (Shadow Accounting). The new approach to measuring insurance liabilities introduced by IFRS 17 allowed for greater offsetting of the capital losses recorded on the underlying investments, by almost complete recognition of the change therein under insurance liabilities, mitigating the negative effects on shareholders' equity recorded pursuant to IFRS 4. Therefore, during 2022 there was a positive effect on shareholders' equity of 433 million euro, of which 25 million euro on caption 200. Net income (loss), which also includes the elimination of the amortisation of the VoBA according to the previous standards.

The combined effect of that illustrated above resulted in a negative impact on shareholders' equity as at 31 December 2022 of 552 million euro.

[78] Pursuant to paragraphs C18 b) and C19 b), if the insurance company chooses to disaggregate insurance finance income or expenses between amounts included in net income and amounts included in other comprehensive income applying paragraphs 88(b) or 89(b), it needs to determine the cumulative amount of insurance finance income or expenses recognised in other comprehensive income at the transition date.

In accordance with the reference standards, the application of the impairment approach to debt securities measured at fair value through other comprehensive income as at **1 January 2023** resulted in a transfer between caption 120. Valuation reserves and caption 150. Reserves for 59 million euro, with no effect on shareholders' equity.

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This section illustrates the reconciliation of the accounting balances as at 31 December 2022 adjusted due to the application of the new rules required by IFRS 17 and IFRS 9.
With regard to the representation of IFRS 17 in the consolidated financial statements of banks leading financial conglomerates, note that on 17 November 2022 the Bank of Italy published the 8th update to Circular no. 262 of 22 December 2005, applicable to financial statements ended or under way as at 31 December 2023.
In order to reduce the burden of preparation for banks, in drafting the update, the Bank of Italy considered the equivalent provisions issued by IVASS[79] with reference to IAS/IFRS insurance financial statements, providing a reference to those provisions for the aspects relating to insurance contracts pertaining to consolidated insurance companies. The changes introduced regard the alignment of the consolidated financial statements and the related disclosure in the notes to the consolidated financial statements to the provisions of IFRS 17, which amended IAS 1 and IFRS 7, and the alignment with the provisions issued by IVASS.
Specifically, with regard to the consolidated financial statements, in the consolidated balance sheet, the captions “80. Insurance assets” and “110. Insurance liabilities” provide information on the insurance contracts issued and reinsurance contracts held. With regard to the consolidated income statement, income from insurance business shall distinguish between revenues/expenses for insurance services – which are presented in caption “160. Insurance service result” – and net financial income/expenses relating to insurance contracts issued and reinsurance contracts held – presented in caption “170. Balance of financial income/expenses relating to insurance business”.

The Bank of Italy did not make changes regarding the presentation of IFRS 9 amounts. Therefore, financial instruments belonging to insurance companies (including insurance products to which IFRS 9 is applied) in the financial statements pursuant to Circular 262 are presented along with those of the Bank[80].
Specifically, the tables below provide the specific information:
– reconciliation tables for the Balance Sheet – assets, liabilities and shareholders' equity – which present the accounting balances as at 31 December 2022, at equivalent amounts, according to the layout introduced by the 8th update to the Bank of Italy Circular and with the reclassifications due to the introduction of the new standards, as illustrated in detail in the following section;
– tables illustrating the effects of the application of IFRS 9 and IFRS 17, in which the accounting balances as at 31 December 2022 are adjusted as a result of the new measurement criteria introduced by the two standards.

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

[80] Note that, due to the application of the deferral approach, in the consolidated financial statements of the Intesa Sanpaolo Group up to the 2022 Annual Report, specific captions were presented to represent the financial instruments in the insurance segment, classified and measured pursuant to IAS 39 which, thus, were derecognised with the transition to IFRS 9:
- Balance Sheet – Assets: “Caption 35. Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39”, which included financial assets held for trading, financial assets measured at fair value, financial assets available for sale and any derivatives with a positive fair value, as defined in accordance with IAS 39;
- Balance Sheet – Assets: “Caption 45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39”, which included investments held to maturity and loans to banks and customers, as defined in accordance with IAS 39;
- Balance Sheet – Liabilities: “Caption 15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39”, which included amounts due to banks, amounts due to customers and securities issued, in application of IAS 39;
- Balance Sheet – Liabilities: “Caption 35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39”, which included financial liabilities held for trading, financial liabilities measured at fair value and any derivatives with a negative fair value, as defined pursuant to IAS 39;
- Balance Sheet - - Shareholders’ Equity: “Caption 125. Valuation reserves pertaining to insurance companies”, which included valuation reserves on financial assets available for sale, the shadow accounting effects and the related tax impacts;
- Income statement – “Caption 115. Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39”, which included the income statement components of the above-mentioned balance sheet captions;
- Income statement – “Caption 135. Net losses/recoveries pertaining to insurance companies pursuant to IAS 39”, which included the impairment losses and recoveries carried out on financial instruments of the insurance companies measured pursuant to IAS 39.

Financial Instruments pertaining to insurance companies are presented in the captions already used by the Group’s banks, according to the scheme set out in Circular 262.

Reconciliation between the Consolidated Financial Statements of the Group published in the 2022 Annual Report and the Consolidated Financial Statements of the Group as per the new Circular 262 (updated for IFRS 17 and taking account of the application of IFRS 9 for the insurance companies) as at 31 December 2022 (reclassification of the IAS 39 balances pertaining to insurance companies and IFRS 4 balances)

The schedules below show the reconciliations between the Consolidated Financial Statements of the Group as per the 2022 Annual Report and the Financial Statements introduced by the 8th update to Bank of Italy Circular 262, which incorporates the adoption of the presentation criteria established by IFRS 17. In those tables, the accounting balances as at 31 December 2022 (amounts determined in accordance with IFRS 4 and IAS 39 for assets and liabilities of the Group's insurance companies) are attributed to the new accounting captions, according to the reclassifications required as a result of the new classification criteria introduced by IFRS 17 and IFRS 9 and based on the analyses conducted (described previously), without applying the new measurement criteria (i.e., with the same book value recognised as at 31 December 2022). Thus, the main changes that involve the captions highlighted in the tables are illustrated below, which present the balance sheet assets and liabilities attributable to the insurance segment and are, thus, impacted by the application of the two accounting standards.

Assets

(millions of euro)

31 December 2022 Published / 31 December 2022 New Circular 262		10. Cash and cash equivalents	20. Financial assets measured at fair value through profit or loss	30. Financial assets measured at fair value through other comprehensive income	35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	40. Financial assets measured at amortised cost	45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	50. Hedging derivatives	60. Fair value change of financial assets in hedged portfolios (+/-)	70. Investments in associates and companies subject to joint control	80. Technical insurance reserves reassured with third parties	90. Property and equipment	100. Intangible assets	110. Tax assets	120. Non-current assets held for sale and discontinued operations	130. Other assets	**TOTAL ASSETS**
10.	Cash and cash equivalents	112,924	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112,924
20.	Financial assets measured at fair value through profit or loss	-	47,577	-	102,775	-	-	-	-	-	-	-	-	-	-	264	150,616
	a) financial assets held for trading	-	*42,522*	-	*85*	-	-	-	-	-	-	-	-	-	-	-	*42,607*
	b) financial assets designated at fair value	-	*1*	-	-	-	-	-	-	-	-	-	-	-	-	-	*1*
	c) other financial assets mandatorily measured at fair value	-	*5,054*	-	*102,690*	-	-	-	-	-	-	-	-	-	-	*264*	*108,008*
30.	Financial assets measured at fair value through other comprehensive income	-	-	49,716	69,937	-	76	-	-	-	-	-	-	-	-	-225	119,504
40.	Financial assets measured at amortised cost	-	-	-	-	528,078	3	-	-	-	-	-	-	-	-	-	528,081
	a) due from banks	-	-	-	-	*32,884*	-	-	-	-	-	-	-	-	-	-	*32,884*
	b) loans to customers	-	-	-	-	*495,194*	*3*	-	-	-	-	-	-	-	-	-	*495,197*
50.	Hedging derivatives	-	-	-	13	-	-	10,062	-	-	-	-	-	-	-	-	10,075
60.	Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-	-	-	-9,752	-	-	-	-	-	-	-	-9,752
70.	Investments in associates and companies subject to joint control	-	-	-	-	-	-	-	-	2,013	-	-	-	-	-	-	2,013
80.	Insurance assets	-	-	-	-	-	1	-	-	-	163	-	-	-	-	108	272
	a) insurance contracts issued that are assets	-	-	-	-	-	*1*	-	-	-	-	-	-	-	-	*64*	*65*
	b) reinsurance contracts held that are assets	-	-	-	-	-	-	-	-	-	*163*	-	-	-	-	*44*	*207*
90.	Property and equipment	-	-	-	-	-	-	-	-	-	-	10,505	-	-	-	-	10,505
100.	Intangible assets	-	-	-	-	-	-	-	-	-	-	-	9,830	-	-	-	9,830
	of which: Goodwill	-	-	-	-	-	-	-	-	-	-	-	*3,626*	-	-	-	*3,626*
110.	Tax assets	-	-	-	-	-	-	-	-	-	-	-	-	18,273	-	-	18,273
	a) current	-	-	-	-	-	-	-	-	-	-	-	-	*3,520*	-	-	*3,520*
	b) deferred	-	-	-	-	-	-	-	-	-	-	-	-	*14,753*	-	-	*14,753*
120.	Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	638	-	638
130.	Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,704	22,704
TOTAL ASSETS		**112,924**	**47,577**	**49,716**	**172,725**	**528,078**	**80**	**10,062**	**-9,752**	**2,013**	**163**	**10,505**	**9,830**	**18,273**	**638**	**22,851**	**975,683**

With regard to **assets**, the main reclassifications resulted from the application of the new classification rules introduced by IFRS 9 (Business Model and SPPI test) and, with less material effects, the introduction of IFRS 17.
Specifically, as illustrated in greater detail below, the introduction of IFRS 9 entailed several reclassifications among the various categories of financial assets measured at fair value – mainly referring to financial assets available for sale pursuant to IAS 39, reclassified among financial assets measured at fair value through profit or loss – confirming the use of fair value as the main measurement method and, thus, without impacts on measurement.

Caption 35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39 included the following captions as at 31 December 2022, for an amount of around 172,725 million euro:

- 902 million euro in assets held for trading;
- 86,217 million euro in financial assets measured at fair value;
- 85,593 million euro in financial assets available for sale;
- 13 million euro in hedging derivatives.

Following the application of the classification criteria of IFRS 9 the financial assets pertaining to the insurance companies were attributed to the following captions:

- **Caption 20 Financial assets measured at fair value through profit or loss** for 102,775 million euro, of which:
  - **caption 20 a) Financial assets held for trading** for 85 million euro, referring to derivatives;
  - **caption 20 c) Other financial assets mandatorily measured at fair value** for 102,690 million euro. In addition to financial assets underlying investment products classified under the fair value option pursuant to IAS 39 and now attributed to the “Other” business model (86,217 million euro), that caption also includes the assets previously classified as available for sale which, pursuant to IFRS 9 do not have the necessary characteristics to pass the SPPI Test. Specifically, these are 12,657 million euro in units of UCI (open-ended and closed-end funds), 2,146 million euro in equity instruments and 1,646 million euro in debt securities. The caption also includes 24 million euro in derivatives (attributable to the management of the units and open pension funds);
- **caption 30. Financial assets measured at fair value through other comprehensive income** for 69,937 million euro, which include the financial assets previously recognised among assets available for sale, net of the components described above which no longer have the characteristics required by IFRS 9 to be recognised in this category;
- **caption 50. Hedging derivatives** for 13 million euro, in line with the classification pursuant to IAS 39.

Caption 45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 included, as at 31 December 2022, for a total amount of 80 million euro, due from banks for 40 million euro and loans to customers for 40 million euro.
Following the application of the classification criteria of IFRS 9, the caption was mainly attributed to:

- **caption 30. Financial assets measured at fair value through other comprehensive income** for around 76 million euro, as it related to debt securities that are included in a Hold to collect and sell business model and pass the SPPI test;
- **caption 40. Financial assets measured at amortised cost** for around 3 million euro.

Caption 80. Technical insurance reserves reassured with third parties, which, as at 31 December 2022 had a balance of 163 million euro, was fully attributed to the new caption **80. Insurance Assets,** as a result of the new presentation introduced by IFRS 17.

Caption 130. Other Assets, which as at 31 December 2022 had a total balance at consolidated level of 22,851 million euro, was mainly attributed to:

- **caption 20. Financial assets mandatorily measured at fair value** for 264 million euro, attributable to assets relating to unit-linked products and pension funds, previously recognised under other assets, without entailing the recognition of impacts due to measurement;
- **caption 80. Insurance assets** for 108 million euro, mainly attributable to receivables due from insured parties and reinsurers;
- **caption 130. Other assets** for 22,704 million euro.

Liabilities

(millions of euro)

31 December 2022 Published / 31 December 2022 New Circular 262		10. Financial liabilities measured at amortised cost	15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	20. Financial liabilities held for trading	30. Financial liabilities designated at fair value	35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	40. Hedging derivatives	50. Fair value change of financial liabilities in hedged portfolios (+/-)	60. Tax liabilities	70. Liabilities associated with non-current assets held for sale and discontinued operations	80. Other liabilities	90. Employee termination indemnities	100. Allowances for risks and charges	110. Technical reserves	**TOTAL LIABILITIES**
10.	Financial liabilities measured at amortised cost	667,586	2,550	-	-	-	-	-	-	-	4	-	-	-	670,140
	a) due to banks	*137,481*	*629*	-	-	-	-	-	-	-	*4*	-	-	-	138,114
	b) due to customers	*454,025*	*587*	-	-	-	-	-	-	-	-	-	-	-	454,612
	c) securities issued	*76,080*	*1,334*	-	-	-	-	-	-	-	-	-	-	-	77,414
20.	Financial liabilities held for trading	-	-	46,512	-	-	-	-	-	-	-	-	-	-	46,512
30.	Financial liabilities designated at fair value	-	-	-	8,795	54,214	-	-	-	-	-	-	-	-	63,009
40.	Hedging derivatives	-	-	-	-	171	5,346	-	-	-	-	-	-	-	5,517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-	-	-	-	-	-	-8,031	-	-	-	-	-	-	-8,031
60.	Tax liabilities	-	-	-	-	-	-	-	2,306	-	-	-	-	-	2,306
	a) current	-	-	-	-	-	-	-	*297*	-	-	-	-	-	297
	b) deferred	-	-	-	-	-	-	-	*2,009*	-	-	-	-	-	2,009
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	15	-	-	-	-	15
80.	Other liabilities	-	-	-	-	-	-	-	-	-	10,966	-	-	-	10,966
90.	Employee termination indemnities	-	-	-	-	-	-	-	-	-	-	852	-	-	852
100.	Allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	4,960	-	4,960
	a) commitments and guarantees given	-	-	-	-	-	-	-	-	-	-	-	*711*	-	711
	b) post-employment benefits	-	-	-	-	-	-	-	-	-	-	-	*139*	-	139
	c) other allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	*4,110*	-	4,110
110.	Insurance liabilities	-	-	-	-	17,359	-	-	-	-	90	-	50	100,117	117,616
	a) insurance contracts issued that are liabilities	-	-	-	-	*17,359*	-	-	-	-	*5*	-	*50*	*100,117*	117,531
	b) reinsurance contracts held that are liabilities	-	-	-	-	-	-	-	-	-	*85*	-	-	-	85
TOTAL		**667,586**	**2,550**	**46,512**	**8,795**	**71,744**	**5,346**	**-8,031**	**2,306**	**15**	**11,060**	**852**	**5,010**	**100,117**	**913,862**

With regard to **liabilities,** the introduction of the new standards resulted in the following reclassifications, mainly attributable to the new metrics for classifying insurance liabilities set out by IFRS 17.

Caption 15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39, which, as at 31 December 2022, included an amount of 2,550 million euro, has been fully reclassified to the new caption **10. Financial liabilities measured at amortised cost,** broken down as follows:

- **caption 10 a) due to banks** for 629 million euro;
- **caption 10 b) due to customers** for 587 million euro;
- **caption 10 c) securities issued** for 1,334 million euro.

Caption 35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39, which, as at 31 December 2022, included an amount of 71,744 million euro, mainly referred to investment products (unit-linked products, pension funds and multi-line products) issued by the insurance companies, for which the fair value option had been exercised, in order to mitigate the accounting mismatch with the related captions under assets, recorded at fair value.
In application of the new accounting standards, that caption was attributed to:

- **caption 30. Financial liabilities designated at fair value** for 54,214 million euro, referring to investment products (unit-linked products and pension funds), for which the fair value option was exercised, also pursuant to IFRS 9;
- **caption 110. Insurance liabilities** for 17,359 million euro, referring to multi-line products as, pursuant to IFRS 17, the Class III component with an investment nature is measured together with the insurance component of the product;
- **caption 40. Hedging derivatives** for 171 million euro.

Caption 80. Other liabilities, which amounted to 11,060 million euro at consolidated level as at 31 December 2022, remained substantially unchanged, with the exception of a portion of 90 million euro, mainly attributable to payables and deposits with reinsurers, which are attributed to **caption 110. Insurance liabilities.**

From caption **100. Allowances for risks and charges,** which amounted to 5,010 million euro as at 31 December 2022, 50 million euro was reclassified to caption **110. Insurance Liabilities,** due to the new approaches to measuring liabilities pursuant to IFRS 17.

Caption 110. Technical Reserves, which amounted to 100,117 million euro as at 31 December 2022, was fully attributed to the new caption **110. Insurance Liabilities.**

Shareholders' equity

(millions of euro)

31 December 2022 Published / 31 December 2022 New Circular 262		120. Valuation reserves	125. Valuation reserves pertaining to insurance companies	130. Redeemable shares	140. Equity instruments	150. Reserves	155. Interim dividend (-)	160. Share premium reserve	170. Share capital	180. Own shares (-)	190. Minority interests (+/-)	200. Net income (loss) (+/-)	TOTAL
120.	Valuation reserves	-1,939	-696	-	-	-	-	-	-	-	-	-	-2,635
130.	Redeemable shares	-	-	-	-	-	-	-	-	-	-	-	-
140.	Equity instruments	-	-	-	7,211	-	-	-	-	-	-	-	7,211
150.	Reserves	-	-	-	-	15,827	-	-	-	-	-	-	15,827
155.	Interim dividend (-)	-	-	-	-	-	-1,400	-	-	-	-	-	-1,400
160.	Share premium reserve	-	-	-	-	-	-	28,053	-	-	-	-	28,053
170.	Share capital	-	-	-	-	-	-	-	10,369	-	-	-	10,369
180.	Treasury shares (-)	-	-	-	-	-	-	-	-	-124	-	-	-124
190.	Minority interests (+/-)	-	-	-	-	-	-	-	-	-	166	-	166
200.	Net income (loss) (+/-)	-	-	-	-	-	-	-	-	-	-	4,354	4,354
TOTAL		**-1,939**	**-696**	**-**	**7,211**	**15,827**	**-1,400**	**28,053**	**10,369**	**-124**	**166**	**4,354**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY													**975,683**

With regard to **Shareholders' Equity**, **caption 125. Valuation reserves pertaining to insurance companies**, a negative 696 million euro as at 31 December 2022, was attributed to **caption 120. Valuation reserves** The aggregate included the valuation reserves on financial assets available for sale and the valuation reserves for cash flow hedges (overall, a negative 8,708 million euro), as well as the effects of shadow accounting (a positive 8,012 million euro).

Reconciliation of the Group's Consolidated Balance Sheet as at 31 December 2022 (which incorporates the new rules of presentation of IFRS 9 and IFRS 17 for insurance companies) and the Group's Consolidated Balance Sheet as at 1 January 2023 (which incorporates the new valuation rules of IFRS 9 and IFRS 17)

The schedules below show the Reconciliation between the Group's Consolidated Balance Sheet as at 31 December 2022, which incorporates the reclassification with equivalent accounting balances required by the classification rules established by IFRS 9 and IFRS 17, described above, and the Balance Sheet as at 1 January 2023. In those tables, the accounting balances as at 31 December 2022 (amounts determined pursuant to IFRS 4 and IAS 39 for the contribution of the insurance companies) have been adjusted due to the application of the measurement approaches of IFRS 9 and IFRS 17.

Specifically, the following details are provided:
- "Effect of transition to IFRS 9/IFRS 17": this column shows the effects due to the different classification and measurement introduced by IFRS 9 from 1 January 2022 as well as the application of IFRS 17, breaking them down into:
  - "Effect as at 1.1.2022": highlights the impacts of the two standards referring to the accounting balances existing at the transition date;
  - "Effect during 2022": highlights the cumulative valuation impacts deriving from the two standards in 2022;
- "Total assets as at 31.12.2022 Post IFRS 9 and IFRS 17 FTA Classification and Measurement": the column shows the accounting balances as at 31 December 2022 adjusted in application of IFRS 17 and IFRS 9 with the exception of the impairment model;
- "Total assets as at 1.1.2023": the column shows the accounting balances adjusted also in application of the impairment model pursuant to IFRS 9.

This key described above is also applicable to the following table of liabilities.

Assets

(millions of euro)

			Effect of transition to IFRS 9 / IFRS 17				Effect of transition to IFRS 9 (f)	
		TOTAL ASSETS as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	TOTAL ASSETS as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement	Impairment	TOTAL ASSETS as at 01.01.2023 (g) = (e) + (f)
10.	Cash and cash equivalents	112,924	-	-	-	112,924	-	112,924
20.	Financial assets measured at fair value through profit or loss	150,616	-	-	-	150,616	-	150,616
30.	Financial assets measured at fair value through other comprehensive income	119,504	-	4	4	119,508	-	119,508
40.	Financial assets measured at amortised cost	528,081	-	-	-	528,081	-	528,081
50.	Hedging derivatives	10,075	-	-	-	10,075	-	10,075
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9,752	-	-	-	-9,752	-	-9,752
70.	Investments in associates and companies subject to joint control	2,013	-	-	-	2,013	-	2,013
80.	Insurance assets	272	-149	28	-121	151	-	151
90.	Property and equipment	10,505	-	-	-	10,505	-	10,505
100.	Intangible assets	9,830	-685	92	-593	9,237	-	9,237
110.	Tax assets	18,273	163	-306	-143	18,130	-	18,130
120.	Non-current assets held for sale and discontinued operations	638	-	-	-	638	-	638
130.	Other assets	22,704	-84	-159	-243	22,461	-	22,461
TOTAL ASSETS		**975,683**	**-755**	**-341**	**-1,096**	**974,587**	**-**	**974,587**

Within the asset captions, the most significant impacts include, pursuant to the application of IFRS 17:
- a decrease in caption 80. Insurance assets of around 149 million euro as at 1 January 2022 due to the new IFRS 17 measurement criteria which result in a different method for measuring reserves reassured with third parties. During 2022, the change in that caption due to the change in standards was a positive 28 million euro;
- the derecognition from caption 100. Intangible assets of insurance intangible assets with a finite useful life (Value of Business Acquired – VoBA) for a total of 685 million euro before tax as at 1 January 2022 (transition date), of which 528 million euro relating to new business insurance intangible assets and 157 million euro relating to distribution insurance intangible assets. The derecognition was necessary because, according to IFRS 17, the amounts attributed

and recognised on Purchase Price Allocation (PPA) are presented in the Contractual Service Margin, i.e. the specific caption posted among insurance liabilities, representing the future profits of the insurance company. That derecognition on transition resulted in the reversal of the effects recorded during 2022, due to the elimination of the accumulated amortisation of those captions (equal to around 92 million euro);
– the derecognition of other assets as at 1 January 2022 of 84 million euro and 159 million euro during 2022 mainly includes the derecognition of deferred acquisition costs.

As stated, the introduction of IFRS 9 mainly resulted in reclassifications among the various captions of financial assets which are measured at fair value (essentially from fair value through other comprehensive income to fair value through profit and loss). As a result, the value at which those reclassifications were made remained unchanged, not resulting in total net impacts on Shareholders' Equity due to different measurement. The marginal impact recorded on Consolidated Shareholders’ Equity of the Intesa Sanpaolo Group as at 31 December 2022, of 4 million euro is attributable to the different measurement of some debt securities previously classified under loans to customers measured at amortised cost pursuant to IAS 39.

As a result of the overall adjustments recorded in the asset and liability captions, higher net deferred tax assets of 431 million euro as at 1 January 2022 were recognised, in reduction of 289 million euro during 2022.

Liabilities

(millions of euro)

			Effect of transition to IFRS 9 / IFRS 17				Effect of transition to IFRS 9 (f)	
		TOTAL LIABILITIES as at 31.12.2022 (a)	Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	TOTAL LIABILITIES as at 31.12.2022 (e) = (a) + (d)	Impairment	TOTAL LIABILITIES as at 01.01.2023 (g) = (e) + (f)
		POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS				POST IFRS9 and IFRS17 FTA Classification and measurement		
10.	Financial liabilities measured at amortised cost	670,140	-	-13	-13	670,127	-	670,127
20.	Financial liabilities held for trading	46,512	-	-	-	46,512	-	46,512
30.	Financial liabilities designated at fair value	63,009	-1	-1	-2	63,007	-	63,007
40.	Hedging derivatives	5,517	-	-	-	5,517	-	5,517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-8,031	-	-	-	-8,031	-	-8,031
60.	Tax liabilities	2,306	-268	-17	-285	2,021	-	2,021
70.	Liabilities associated with non-current assets held for sale and discontinued operations	15	-	-	-	15	-	15
80.	Other liabilities	10,966	-101	-102	-203	10,763	-	10,763
90.	Employee termination indemnities	852	-	-	-	852	-	852
100.	Allowances for risks and charges	4,960	-	-	-	4,960	-	4,960
110.	Insurance liabilities	117,616	600	-641	-41	117,575	-	117,575
TOTAL LIABILITIES		**913,862**	**230**	**-774**	**-544**	**913,318**	**-**	**913,318**
TOTAL SHAREHOLDERS' EQUITY		**61,821**	**-985**	**433**	**-552**	**61,269**	**-**	**61,269**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**975,683**	**-755**	**-341**	**-1,096**	**974,587**	**-**	**974,587**

Within liabilities, the application of the new IFRS 17 measurement criteria mainly impacted the caption Insurance liabilities, whose amount increased by 600 million euro as at 1 January 2022. That higher value was more than reabsorbed during 2022, due to the financial trends that characterised the year, which are directly represented in the measurement at present values of insurance liabilities. With specific reference to contracts with direct participation features, the capital losses recorded on the underlying investments are recognised in insurance liabilities, as an offsetting entry to valuation reserves and the income statement, in correlation with the accounting allocation of the underlying assets (mirroring).

In that regard, the Contractual Service Margin amounted to 9,069 million euro as at 31 December 2022, slightly down on 1 January 2022 (when it amounted to 9,274 million euro).

For an illustration of these, refer to the subsequent section. In terms of quantitative impacts, the most significant adjustments are attributable to Shareholders' Equity captions.

Shareholders' equity

(millions of euro)

		TOTAL as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect of transition to IFRS 9 / IFRS 17			TOTAL as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement	Effect of transition to IFRS 9 (f)	TOTAL as at 01.01.2023 (g) = (e) + (f)
			Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)		Impairment	
120.	Valuation reserves	-2,635	-138	315	177	-2,458	59	-2,399
130.	Redeemable shares	-	-	-	-	-	-	-
140.	Equity instruments	7,211	-	-	-	7,211	-	7,211
150.	Reserves	15,827	-847	93	-754	15,073	-59	15,014
155.	Interim dividend (-)	-1,400	-	-	-	-1,400	-	-1,400
160.	Share premium reserve	28,053	-	-	-	28,053	-	28,053
170.	Share capital	10,369	-	-	-	10,369	-	10,369
180.	Treasury shares (-)	-124	-	-	-	-124	-	-124
190.	Minority interests (+/-)	166	-	-	-	166	-	166
200.	Net income (loss) (+/-)	4,354	-	25	25	4,379	-	4,379
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**61,821**	**-985**	**433**	**-552**	**61,269**	**-**	**61,269**

With regard to the effects of the application of IFRS 17, as mentioned in the 2022 Financial Statements, at the transition date (1 January 2022), the Shareholders' Equity in the Group Consolidated Financial Statements decreased by 985 million euro, net of the tax effect, due to:

– greater insurance liabilities[81] for 731 million euro (505 million euro net of the tax effect) due to the different measurement criteria set out in IFRS 17 in place of the previous IFRS 4 and, in particular, the recognition of the present value of future profits on insurance contracts (Contractual Service Margin) under insurance liabilities and the adjustment for non-financial risk (Risk Adjustment);
– derecognition of intangible assets (new business and distribution) with a finite useful life, for a total of 685 million euro (480 million euro net of the tax effect), as illustrated above.

The complete implementation, also in terms of IT applications, of the mechanisms of combined application of IFRS 17 and IFRS 9, finalised in the first quarter 2023, determined, also in relation to the trend in the financial markets, a positive effects for 2022 on shareholders' equity of 433 million euro compared to that recognised as at 1 January 2022, of which 25 million euro in net income, which also includes the elimination of the amortisation of the VoBA in accordance with the previous standards. The overall effect is attributable to the new criteria introduced by IFRS 17 which, as previously stated, guarantee greater correlation between the measurement of insurance liabilities and the underlying investments.
The total effect on shareholders' equity as at 31 December 2022 deriving from the combined application of IFRS 9 and IFRS 17 was a negative 552 million euro net of the tax effect. As illustrated above, that effect is due to the impacts of transition to IFRS 17/IFRS 9 as at 1 January 2022 (a negative 985 million euro), partially offset during the year by greater income (25 million euro) and greater reserves (408 million euro) expressed in accordance with the new standards.

Impairment

For the insurance companies, the application of the new expected credit losses model is mainly relevant for the portfolio of debt securities classified in caption 30. Financial assets measured at fair value through other comprehensive income (HTCS business model). The application of those new impairment rules on those debt securities had an effect of 59 million euro net of the tax effect, with an overall nil effect on Shareholders' equity, given that it took the form of a reclassification from valuation reserves to retained earnings reserves, as these are financial instruments already measured at fair value. Instead, it was not significant for receivables, which are represented mainly by current accounts and other short-term types.

Effects on regulatory capital

The accounting effects described above also have consequences on the regulatory capital and prudential ratios.
Specifically, Shareholders' Equity in terms of own funds decreased as at 31 December 2022 by -408 million euro[82], with an impact of -11 basis points on the CET 1 ratio.

[81] Based on this, the effects of the derecognition of technical reserves and additional insurance captions were presented (e.g. DAC and specific allocations to allowances for risks). In detail, in the above tables of reconciliation of assets and liabilities, this is mainly broken down as follows: caption 110. Insurance Liabilities and caption 80. Insurance Assets + 749 million euro, caption 80. Other Liabilities and caption 130. Other Assets -17 million euro.

[82] That amount is calculated excluding from the overall impact on shareholders' equity of -552 million euro recorded as at 31 December 2022, 144 million euro in effects relating to the intangibles of the Banking Group derecognised, as they were already deducted for prudential purposes.

The impact as at 31 December 2022 derived from:

– a decrease in Shareholders' equity in terms of own funds (-14 basis points);
– lower absorption due to application of the Danish Compromise (+3 basis points) as a result of the decrease in the carrying amount of the insurance investment.

Note that, for the purpose of the prudential calculation, the investment in the insurance companies falls under the Danish Compromise regime, which allows the investment to be weighted at 370% instead of deducting it from CET1.

The table below shows the new standards and amendments to existing ones, together with the related European Commission endorsement regulations, which will become mandatory on 1 January 2024, and for which the Intesa Sanpaolo Group has not exercised the option of early adoption.

IFRS endorsed as at 31.12.2023 applicable subsequent to 31.12.2023

Regulation endorsement	Amendments	Effective date
2579/2023	Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback	01/01/2024 First financial year starting on or after 01/01/2024
2822/2023	Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	01/01/2024 First financial year starting on or after 01/01/2024

With reference to endorsement regulations that implement changes to existing accounting standards, Regulations no. 2579/2023 and 2822/2023, described below, will become applicable as from 1 January 2024.

Regulation no. 2579/2023 - amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback
Regulation no. 2579/2023 of 20 November 2023 was published in the Official Journal on 21 November 2023, amending IFRS 16 Leases with respect to lease liabilities in a sale and leaseback transaction. The IASB published these amendments on 22 September 2022.
The limited amendments concern the accounting of sale and leaseback transactions[83] by the seller-lessee in the event of variable lease payments and when the transfer of the asset is a sale pursuant to IFRS 15.
The amendment was requested by the IFRS-IC, which identified a gap in the rules governing the recognition of right-of-use assets and lease liabilities in sale and leaseback transactions with variable lease payments. Specifically, reference is made to variable lease payments that are not based on an index or rate, e.g., those based on a percentage of the lessee-seller's sales generated by the use of the asset.
The amendments clarify that:

– upon initial recognition, the seller-lessee shall also include variable lease payments, including those that are not based on an index or rate, in the measurement of the lease liabilities in sale and leaseback transactions;
– subsequent to initial recognition, the seller-lessee applies the provisions of IFRS 16 to subsequently measure lease liabilities in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

The seller-lessee may adopt different approaches in order to comply with the new provisions. Indeed, the IASB decided not to introduce specific requirements to measure the lease liability in a sale and leaseback, leaving the definition of an accounting policy to individual entities.
The amendments are mandatory for annual reporting periods beginning on or after 1 January 2024. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application of IFRS 16, i.e., 1 January 2019.
These amendments are not particularly significant for the Intesa Sanpaolo Group given the characteristics of its existing sale and leaseback agreements, which have no variable or insignificant variable payments.

Regulation no. 2822/2023 – amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Regulation no. 2822 of 19 December 2023 was published in December 2023, introducing some limited amendments to IAS 1 Presentation of Financial Statements.
The clarifications aim to promote consistency in applying IAS 1 across companies to determine whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date are to be classified as current (due or potentially to be paid within one year) or non-current.
Indeed, IAS 1 requires that an entity may classify a liability as non-current only where the entity has the right at the reporting date to defer settlement of the liability for at least 12 months. However, the right to defer settlement of a liability may be subject to covenants. The amendments to IAS 1 specify that covenants to be met after the reporting date (for example, a covenant based on the entity's financial position six months after the end of the reporting period), do not influence the classification of the payable as current or non-current at the reporting date.

[83] Sale and leaseback transactions are transactions in which an entity sells one of its assets and then immediately leases it back from the new owner.

On the other hand, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within 12 months after the reporting period.
The amendments are effective for reporting periods beginning on or after 1 January 2024.
Given the content of the amendment and the obligation to apply the formats set forth in Bank of Italy Circular no. 262/05 - the proposed limited amendments to IAS 1 are not particularly significant for banks.

The table below shows the new international financial reporting standards or amendments to existing standards that have not yet been endorsed by the European Commission.

IFRS not endorsed as at 31.12.2023

Standard/ Interpretation	Amendments	Date of issue
IAS 21	Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	15/08/2023
IAS 7	Amendments to IAS 7 Statement of Cash Flows: Supplier Finance Arrangements	25/05/2023
IFRS 7	Amendments to IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	25/05/2023

As regards the IASB documents amending existing accounting standards pending endorsement, the following is noted:

– *Amendments to IAS 21 The effects of Change in Foreign Exchange Rates: Lack of Exchangeability*
  The IASB published the amendments to IAS 21 "The effects of Change in Foreign Exchange Rates: Lack of Exchangeability" on 15 August 2023 that contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not, in addition to the required disclosure to be provided when a currency is not exchangeable.
  The amendments may be summarised as follows:
  - introduction of the definition of "exchangeability"[84] and of an application guidance to assist entities in determining when a currency is exchangeable;
  - examples of how a company estimates a spot rate when a currency lacks exchangeability, using an observable exchange rate or another estimation technique; and
  - the required disclosure that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

  The amendments will become effective for annual reporting periods beginning on or after 1 January 2025, subject to the European Commission endorsement. As noted by the IASB the cases subject to regulatory intervention are not frequent. Therefore, given the current context, these amendments are not expected to be particularly significant for the Intesa Sanpaolo Group.
– *Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements*
  In May 2023, the IASB published the amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures", to enhance transparency in supplier finance arrangements[85] in financial statements.
  The proposed amendments affect entities that, as acquiring companies, enter into supplier finance arrangements under which the entity, or its suppliers, can access financing equal to the amount of the trade payable. The case has no direct effect for the Intesa Sanpaolo Group, which acts solely as transferee.
  The amendments require an entity to provide quality-quantitative information on some aspects of the arrangements entered into (terms and conditions, the carrying amounts of financial liabilities and the terms of payment of invoices).

[84] IAS 21.8: "A currency is *exchangeable* into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations."

[85] Reverse factoring and similar agreements are an example of these arrangements. In a reverse factoring (supply chain) arrangement, an acquiring company, in partnership with a finance provider, offers its suppliers the possibility of receiving advance payment for their receivables by assigning them to the intermediary.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows, the Notes to the consolidated financial statements and the related comparative information; the Report on operations prepared by the Directors, on the economic results achieved and on the Intesa Sanpaolo Group's balance sheet and financial position has also been included.
In compliance with the provisions of Article 5 of Legislative Decree 38/2005, the financial statements have been drawn up in euro as functional currency.
The amounts indicated in the financial statements and in the Notes to the consolidated financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.
The financial statements are prepared with the application of the general principles set out by IAS 1 and the specific financial reporting standards endorsed by the European Commission and illustrated in Part A.2 of these Notes to the financial statements, as well as in compliance with the general assumptions set forth by the Conceptual Framework for the preparation and presentation of Financial Statements issued by IASB.
No exceptions to the application of IAS/IFRS have been made.
The Report on operations and the Notes to the consolidated financial statements contain all information required by the IAS/IFRS, by current regulations, by the Bank of Italy, by Consob (Italian Securities and Exchange Commission) and by the European Securities and Markets Authority - ESMA, in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair presentation of the Group's situation.

In accordance with IFRS 5, the balance sheet as at 31 December 2023 and the relevant disclosures in the Notes to the consolidated financial statements include among the components relating to discontinued operations, a portfolio of unlikely-to-pay loans and performing loans, with a gross book value of approximately 0.2 billion euro, which was involved in a de-risking action approved by the Board of Directors of Intesa Sanpaolo in December 2023 and expected to be closed in the first half of 2024.
In addition to the properties held for sale, this caption also includes the investment in Cronos Vita, in which Intesa Sanpaolo Vita holds a 22.5% interest, as part of the system-wide transaction aimed at protecting the policyholders of Eurovita, which, inter alia, involved five leading Italian insurance companies. Specifically, for the purposes of applying IFRS 5, the existence from the outset of a clear intention by the shareholder companies to hold the interest in Cronos Vita for a limited period, and in accordance with the agreements made within the overall approval of the transaction, was considered. It was also verified, in line with IFRS 5, that the fair value of the investment, net of costs to sell, was not lower than the carrying amount.
Conversely, with regard to the portfolios of non-performing loans classified among assets held for sale as at 31 December 2022, all the related project activities of the 2021-2022 de-risking plans were completed in March 2023, finalising the related sales. With regard to (i) the assets and liabilities pertaining to the PBZ Card business line dedicated to merchant acquiring and (ii) the investment in Zhong Ou Asset Management Co. Ltd, classified under assets held for sale at the end of 2022, the related sales were carried out on 28 February and 16 May 2023, respectively.

The financial statement forms and the Notes to the consolidated financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2022.

The Attachments include the reconciliation statements to the balance sheet and income statement originally published in the 2022 financial statements, together with specific reconciliations between the latter financial statements and the reclassified statements included in the Report on operations accompanying these financial statements.

Contents of financial statement forms

As already discussed in detail in the section on the transition to IFRS 17 Insurance Contracts, the consolidated financial statements have been updated in their structure to incorporate the new regulatory provisions of IFRS 17 in compliance with the 8th update to Bank of Italy Circular no. 262/2005 and to reflect the cessation of the Deferral Approach for the presentation of the financial assets and liabilities of the subsidiary insurance companies, and present the comparison periods adjusted following the retrospective application of the two standards.
For the balance sheet, a comparison with 1 January 2022, the date of transition to the new standards, has also been provided[86].

Balance sheet and income statement

The compulsory forms of the balance sheet and income statement are made up of captions, subcaptions and further detailed information (specified as the "of which" items in the captions and subcaptions).
In the interests of completeness, it should be noted that with regard to the compulsory forms defined by the Bank of Italy, captions which do not have amounts for the reporting year and the previous year have also been shown. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

[86] As noted above, IAS 1 paragraph 40A requires the presentation of a third statement of financial position for the preceding year, in addition to the minimum comparative statements required, if an accounting standard is applied retrospectively and this has a material effect. This third compulsory statement is not required for the preparation of interim reports prepared in accordance with IAS 34, and is therefore only presented in the Consolidated Financial Statements as at 31 December 2023.

Statement of comprehensive income

The statement of comprehensive income shows, starting from the net income/(loss) for the year, the income components recognised as a balancing entry in valuation reserves, net of the tax effect, in compliance with international financial reporting standards.

Consolidated comprehensive income is represented by providing separate recognition of the income components that will not be reversed to the income statement in the future and those which, conversely, could later be reclassified to income/(loss) for the year under specific conditions. The statement also distinguishes between the portion of income pertaining to the Parent Company and that pertaining to minority interests. Similarly to the balance sheet and the income statement, with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for the reporting year and the previous year are in any case included. Negative amounts are preceded by the minus sign.

Changes in shareholders' equity

The statement of changes in shareholders' equity presents shareholders' equity accounts and changes which occurred in the reference year and in the previous year, broken down in share capital, reserves, reserves from retained earnings, valuation reserves and net income. Treasury shares are deducted from shareholders' equity. The table is presented by inverting the rows and the columns with respect to the same form provided for by the updating of Bank of Italy Circular 262/2005.

Statement of cash flows

The statement of cash flows registered in the reference year and in the previous year is prepared using the indirect method, on the basis of which cash flows from operating activities are represented by net income adjusted for the effects of non-cash transactions.

Cash flows are broken down into flows from operating activities, from investing activities and from financing activities.

In the form, cash flows generated in the year are indicated without sign, whereas cash flows absorbed are preceded by the minus sign.

Contents of the Notes to the consolidated financial statements

The Notes to the consolidated financial statements include the information provided for by International Financial Reporting Standards and Circular 262 issued by the Bank of Italy on 22 December 2005 and subsequently amended, applicable for the preparation of these financial statements. They have been supplemented in accordance with the 8th update of Circular 262/2005, for the disclosure required by IFRS 17.

It should be noted that, in its Communication of 14 March 2023, the Bank of Italy repealed and replaced the previous Communication of 21 December 2021, which had supplemented the provisions of Circular 262 regarding the impacts of COVID-19 and the measures to support the economy. As a result of the change in the scenario linked to the pandemic, there is no longer a requirement to provide financial statement disclosures on loans subject to moratoria, whereas disclosures on loans backed by public guarantees are now required, in free form, at the bottom of several tables in the sections of the Notes on the balance sheet and on credit risk.

SECTION 3 – SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

Scope of consolidation

The Consolidated financial statements include Intesa Sanpaolo and the companies that it directly and indirectly controls and consider in the scope of consolidation – as specifically set out by IAS/IFRS – also the companies operating in dissimilar sectors from the Parent Company as well as private equity investments. Similarly, structured entities are included when the requisite of effective control recurs, even if there is no stake in the company.

Companies are considered subsidiaries where Intesa Sanpaolo is exposed to, or has rights to, variable returns from its involvement with them, and has the ability to affect those returns by exercising its own power over the entity in question.

Control only exists if all of the following conditions are met:

- the power to direct the relevant activities of the subsidiary;
- the exposure, or rights, to variable returns from the involvement with the investee;
- the ability to use the power over the investee to affect the amount of the investor's returns.

Companies are considered as subject to joint control if control is directly or indirectly contractually shared by the Parent Company with one or more other parties external to the Group, or where the decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Companies are considered associates, that is subject to significant influence, when Intesa Sanpaolo, directly or indirectly, holds 20% or more of the voting rights (including "potential" voting rights) or when the Parent Company – despite a lower percentage of voting rights due to specific legal agreements such as the participation of voting syndicates – has the power of participating in the determination of the financial and operating policies of the company.

Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital are excluded from the scope of consolidation and are classified based on the provisions of IFRS 9, since they are of limited absolute amount, or since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, and does not have access to management policies and may exercise limited governance rights to safeguard its economic interest.

Equity investments held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation. These equity investments are included in the category of Financial assets measured at fair value through profit or loss.

Companies for which the shares have been received as pledges with voting rights exceeding 20% are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.

Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

With respect to 31 December 2022, the changes in the line-by-line consolidation area involved the entry of:

- Reyl Finance (MEA) LTD wholly owned by Reyl & Cie S.A., following the exceeding of the immateriality limits that previously allowed its consolidation at equity;

and the exit of:

- Fideuram Bank Luxembourg, merged by incorporation into Intesa Sanpaolo Wealth Management S.A.;
- Intesa Sanpaolo Provis S.p.A., merged by incorporation into Intesa Sanpaolo S.p.A.;
- Intesa Sanpaolo Life Designated Activity Company, merged by incorporation into Intesa Sanpaolo Vita S.p.A.;
- Asteria Investment Managers S.A., which is now consolidated using the equity method in view of the negligible amounts of the balance sheet aggregates.

Lastly, for completeness, it is noted that Banca 5 S.p.A. changed its company name to Isybank S.p.A.

The following table lists the investments in exclusively controlled companies at 31 December 2023.

1. Exclusively controlled companies

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
1	Acantus S.p.A. Capital 1,000,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	80.00	
2	Anti Financial Crime Digital HUB S.c.a.r.l. (c) Capital 100,000 euro	Turin	Turin	1	Intesa Sanpaolo Innovation Center S.p.A.	10.00	
					Intesa Sanpaolo S.p.A.	60.00	
						70.00	
3	Banca Comerciala Eximbank S.A. Capital MDL 1,250,000,000	Chi?in?u	Chi?in?u	1	Intesa Sanpaolo S.p.A.	100.00	
4	Banca Intesa AD Beograd Capital RSD 21,315,900,000	Novi Beograd	Beograd	1	Intesa Sanpaolo Holding International S.A.	100.00	
5	Bank of Alexandria S.A.E. Capital EGP 5,000,000,000	Cairo	Cairo	1	Intesa Sanpaolo S.p.A.	80.00	
6	Banka Intesa Sanpaolo d.d. (d) Capital 22,173,218 euro	Koper	Koper	1	Intesa Sanpaolo S.p.A.	48.13	
					Privredna Banka Zagreb d.d.	51.00	
						99.13	
7	Carnegie Fund Services S.A. (c) Capital CHF 435,000	Geneva	Geneva	1	REYL & Cie S.A.	100.00	
8	CBP Quilvest PE Fund GP S.a r.l. (c) Capital USD 20,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Wealth Management (Luxembourg) S.A.	100.00	
9	Centai Institute S.p.A. (c) Capital 50,000 euro	Turin	Turin	2	Intesa Sanpaolo S.p.A.	49.00	
10	Cib Bank Ltd. Capital HUF 50,000,000,003	Budapest	Budapest	1	Intesa Sanpaolo S.p.A.	100.00	
11	CIB Insurance Broker Ltd. Capital HUF 10,000,000	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
12	CIB Leasing Ltd. Capital HUF 53,000,000	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
13	CIB Rent Operative Leasing Ltd. Capital HUF 5,000,000	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
14	Colline e Oltre S.p.A. (c) Capital 100,000 euro	Pavia	Pavia	1	Intesa Sanpaolo S.p.A.	51.00	
15	Compagnia Italiana Finanziaria - CIF S.r.l. in liquidation Capital 10,000 euro	Milan	Milan	1	IN.FRA - Investire nelle Infrastrutture S.r.l. in liquidazione	61.45	
16	Consorzio Studi e ricerche fiscali Gruppo Intesa Sanpaolo (c) Capital 258,228.45 euro	Rome	Rome	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	7.50	
					Eurizon Capital SGR S.p.A.	5.00	
					Intesa Sanpaolo Vita S.p.A.	7.50	
					Intesa Sanpaolo S.p.A.	80.00	
						100.00	
17	Duomo Funding Plc (e)	Dublin	Dublin	2	Intesa Sanpaolo S.p.A.	-	
18	Epsilon SGR S.p.A. Capital 5,200,000 euro	Milan	Milan	1	Eurizon Capital SGR S.p.A.	100.00	
19	Etoile François Premier S.a.r.l. (f) Capital 5,000 euro	Paris	Paris	1	Risanamento Europa S.r.l.	100.00	
20	Eurizon Asset Management Croatia D.O.O. Capital 663,614 euro	Zagreb	Zagreb	1	Eurizon Asset Management Slovakia Sprav. Spol. A.S.	100.00	
21	Eurizon Asset Management Hungary Ltd. Capital HUF 600,000,000	Budapest	Budapest	1	Eurizon Asset Management Slovakia Sprav. Spol. A.S.	100.00	
22	Eurizon Asset Management Slovakia Sprav. Spol. A.S. Capital 4,093,560 euro	Bratislava	Bratislava	1	Eurizon Capital SGR S.p.A.	100.00	
23	Eurizon Capital Asia Limited (formerly Eurizon Capital (HK) limited) (c) Capital HKD 95,000,000	Hong Kong	Hong Kong	1	Eurizon Capital SGR S.p.A.	100.00	
24	Eurizon Capital Real Asset SGR S.p.A. Capital 4,166,667 euro	Milan	Milan	1	Eurizon Capital SGR S.p.A.	19.98	51,00 (*)
					Intesa Sanpaolo Vita S.p.A.	40.01	24,50 (*)
						59.99	75,50 (*)
25	Eurizon Capital S.A. Capital 7,974,600 euro	Luxembourg	Luxembourg	1	Eurizon Capital SGR S.p.A.	100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
26	Eurizon Capital SGR S.p.A. Capital 99,000,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
27	Eurizon Slj Capital Ltd. Capital GBP 1,001,000	London	London	1	Eurizon Capital SGR S.p.A.	65.00	
28	Exelia S.r.l. (c) Capital RON 8,252,600	Brasov	Brasov	1	Intesa Sanpaolo Holding International S.A.	100.00	
29	Exetra S.p.A. (g) Capital 158,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	85.00	
30	Fideuram - Intesa Sanpaolo Private Banking S.p.A. Capital 300,000,000 euro	Rome	Turin	1	Intesa Sanpaolo S.p.A.	100.00	
31	Fideuram Asset Management (Ireland) Dac (formerly Fideuram Asset Management (Ireland) Ltd.) Capital 1,000,000 euro	Dublin	Dublin	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
32	Fideuram Asset Management SGR S.p.A. Capital 25,870,000 euro	Milan	Milan	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	99.52	
33	Fideuram Asset Management Uk Ltd (c) Capital GBP 1,000,000	London	London	1	Fideuram Asset Management (Ireland) Dac	100.00	
34	Fideuram Vita S.p.A.	Rome	Rome	1	Intesa Sanpaolo S.p.A.	80.01	
	Capital 357,446,836.42 euro				Fideuram Intesa Sanpaolo Private Banking S.p.A.	19.99	
						100.00	
35	Fondo Sviluppo ecosistemi di Innovazione (c) Capital 15,000,000 euro	Turin	Turin	1	Intesa Sanpaolo Innovation Center S.p.A.	100.00	
36	Gap Manco Sarl (c) Capital 12,500 euro	Luxembourg	Luxembourg	1	REYL & Cie S.A.	100.00	
37	Iberia Distressed Assets Manager Sarl (c) Capital 12,500 euro	Luxembourg	Luxembourg	1	REYL Finance (MEA) Ltd.	100.00	
38	IIF SME Manager Ltd. (c) Capital USD 1,000	George Town	George Town	1	REYL & Cie S.A.	100.00	
39	IMI Capital Market USA Corp. Capital USD 5,000	New York	New York	1	IMI Investments S.A.	100.00	
40	IMI Finance Luxembourg S.A. (c) Capital 100,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
41	IMI Investments S.A. Capital 21,660,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo S.p.A.	100.00	
42	IMMIT - Immobili Italiani S.r.l. Capital 185,680,000 euro	Bergamo	Bergamo	1	Intesa Sanpaolo S.p.A.	100.00	
43	Immobiliare Cascina Rubina S.r.l. (f) Capital 10,000 euro	Milan	Milan	1	Risanamento S.p.A.	100.00	
44	IN.FRA - Investire nelle Infrastrutture S.r.l. in liquidation Capital 10,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
45	Iniziative Logistiche S.r.l. in liquidation Capital 10,000 euro	Milan	Milan	1	IN.FRA - Investire nelle Infrastrutture S.r.l. in liquidazione	60.02	
46	InSalute Servizi S.p.A. (h) Capital 909,091 euro	Turin	Turin	1	Intesa Sanpaolo Vita S.p.A.	65.00	
47	Intesa Invest A.D. Beograd (c) Capital RSD 236,975,800	Beograd	Beograd	1	Banca Intesa AD Beograd	100.00	
48	Intesa Leasing (Closed Joint-Stock Company) Capital RUB 3,000,000	Moscow	Moscow	1	Joint-Stock Company Banca Intesa	100.00	
49	Intesa Leasing d.o.o. Beograd Capital RSD 960,374,301	Beograd	Beograd	1	Banca Intesa AD Beograd	100.00	
50	Intesa Sanpaolo (Qingdao) Service Company Ltd (c) Capital CNY 80,000,000	Qingdao	Qingdao	1	Intesa Sanpaolo S.p.A.	100.00	
51	Intesa Sanpaolo Assicura S.p.A. Capital 27,912,258 euro	Turin	Turin	1	Intesa Sanpaolo Vita S.p.A.	100.00	
52	Intesa Sanpaolo Bank Albania Sh.A. Capitale All 5,562.517,674	Tirana	Tirana	1	Intesa Sanpaolo S.p.A.	100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
53	Intesa Sanpaolo Bank Ireland Plc	Dublin	Dublin	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital 400,500,000 euro						
54	Intesa Sanpaolo Bank Luxembourg S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital 1,389,370,555.36 euro						
55	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina	Sarajevo	Sarajevo	1	Privredna Banka Zagreb d.d.	99.99	100,00 (**)
	Capital BAM 44,782,000						
56	Intesa Sanpaolo Brasil S.A. - Banco Multiplo	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo S.p.A.	99.90	
	Capital BRL 986,228,279.74				Intesa Sanpaolo Holding International S.A.	0.10	
						100.00	
57	Intesa Sanpaolo Expo Institutional Contact S.r.l. (c)	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital 50,000 euro						
58	Intesa Sanpaolo Funding LLC (formerly Intesa Funding LLC)	New York	Wilmington Delaware	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital USD 25,000						
59	Intesa Sanpaolo Harbourmaster III S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital 5,500,000 euro						
60	Intesa Sanpaolo Highline S.r.l. (c)	Turin	Turin	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital 500,000 euro						
61	Intesa Sanpaolo Holding International S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital 2,157,957,270 euro						
62	Intesa Sanpaolo House Luxembourg S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital 24,990,317 euro						
63	Intesa Sanpaolo Imi Securities Corp.	New York	New York	1	IMI Capital Market USA Corp.	100.00	
	Capital USD 44,500,000						
64	Intesa Sanpaolo Innovation Center S.p.A.	Turin	Turin	1	Intesa Sanpaolo S.p.A.	99.99	
	Capital 9,254,940 euro				Intesa Sanpaolo Vita S.p.A.	0.01	
						100.00	
65	Intesa Sanpaolo Insurance Agency S.p.A.	Turin	Turin	1	Intesa Sanpaolo Vita S.p.A.	100.00	
	Capital 500,000 euro						
66	Intesa Sanpaolo International Value Services d.o.o.	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital 13,270 euro						
67	Intesa Sanpaolo Private Argentina S.A. (c)	Buenos Aires	Buenos Aires	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	4.97	
	Capital ARS 13,404,506				REYL & Cie S.A.	95.03	
						100.00	
68	Intesa Sanpaolo Private Banking S.p.A.	Milan	Milan	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
	Capital 117,497,424 euro						
69	Intesa Sanpaolo RBM Salute S.p.A.	Venice	Venice	1	Intesa Sanpaolo Vita S.p.A.	100.00	
	Capital 305,208,000 euro						
70	Intesa Sanpaolo RE.O.CO. S.p.A.	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital 13,000,000 euro						
71	Intesa Sanpaolo Rent FORYOU S.p.A.	Turin	Turin	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital 630,000 euro						
72	Intesa Sanpaolo Romania S.A. Commercial Bank	Bucharest	Bucharest	1	Intesa Sanpaolo S.p.A.	99.73	
	Capital RON 1,216,639,410				Intesa Sanpaolo Holding International S.A.	0.27	
						100.00	
73	Intesa Sanpaolo Servicos e Emprendimentos Ltda. em Liquidacao (c)	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital BRL 3,283,320						
74	Intesa Sanpaolo Servitia S.A.	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital 1,500,000 euro						
75	Intesa Sanpaolo Vita S.p.A.	Milan	Turin	1	Intesa Sanpaolo S.p.A.	99.99	
	Capital 320,422,509 euro						
76	Intesa Sanpaolo Wealth Management (Luxembourg) S.A.	Luxembourg	Luxembourg	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
	Capital 123,813,000 euro						

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
77	ISP CB Ipotecario S.r.l. (c) Capital 120,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	60.00	
78	ISP CB Pubbico S.r.l. (c) Capital 120,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	60.00	
79	ISP OBG S.r.l. (c) Capital 42,038 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	60.00	
80	Isybank S.p.A. Capital 30,300,000 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
81	IW Private Investments SIM S.p.A. Capital 67,950,000 euro	Milan	Milan	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
82	Joint-Stock Company Banca Intesa Capital RUB 10,820,180,800	Moscow	Moscow	1	Intesa Sanpaolo Holding International S.A. Intesa Sanpaolo S.p.A.	53.02 46.98 100.00	
83	Lux Gest Asset Management S.A. Capital 200,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo Bank Luxembourg S.A.	100.00	
84	Morval Bank & Trust Cayman Ltd. in liquidation (c) Capital USD 7,850,000	Grand Cayman	Grand Cayman	1	REYL & Cie S.A.	100.00	
85	MSG Comparto Secondo S.r.l. (f) Capital 50,000 euro	Milan	Milan	1	Risanamento S.p.A.	100.00	
86	Neva S.G.R. S.p.A. (formerly Imi Fondi Chiusi S.p.a.) (h) Capital 2,000,000 euro	Turin	Turin	1	Intesa Sanpaolo Innovation Center S.p.A.	100.00	
87	Oro Italia Trading S.p.A. in liquidation (h) Capital 500,000 euro	Arezzo	Arezzo	1	Intesa Sanpaolo S.p.A.	100.00	
88	PBZ Card d.o.o. Capital 5,763,110 euro	Zagreb	Zagreb	1	Privredna Banka Zagreb d.d.	100.00	
89	PBZ Leasing d.o.o. Capital 1,990,842 euro	Zagreb	Zagreb	1	Privredna Banka Zagreb d.d.	100.00	
90	Porta Nuova Gioia (i) Capital 5,542,600 euro	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
91	Pravex Bank Joint-Stock Company Capital UAH 979,089,724	Kyiv	Kyiv	1	Intesa Sanpaolo S.p.A.	100.00	
92	Prestitalia S.p.A. Capital 205,722,715 euro	Bergamo	Bergamo	1	Intesa Sanpaolo S.p.A.	100.00	
93	Private Equity International S.A. Capital 101,000,000 euro	Luxembourg	Luxembourg	1	Intesa Sanpaolo S.p.A.	100.00	
94	Privredna Banka Zagreb d.d. Capital 243,954,711 euro	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International S.A.	100.00	
95	Qingdao Yicai Fund Distribution Co. Ltd. Capital CNY 691,000,000	Qingdao	Qingdao	1	Intesa Sanpaolo S.p.A.	100.00	
96	RB Partecipationes S.A. Capital CHF 100,000	Geneva	Geneva	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
97	Recovery Property Utilisation and Services Zrt. Capital HUF 20,000,000	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
98	REYL & Cie (Malta) Holding Ltd. (c) Capital 730,000 euro	Valletta	Valletta	1	REYL & Cie S.A.	100.00	
99	REYL & Cie (Malta) Ltd. (c) Capital 730,000 euro	Valletta	Valletta	1	REYL & Cie (Malta) Holding Ltd.	100.00	
100	REYL & Cie S.A. (j) Capital CHF 31,500,001	Geneva	Geneva	1	Fideuram Intesa Sanpaolo Private Banking S.p.A. RB Partecipations S.A.	41.00 30.00 71.00	
101	REYL & CO (UK) Llp. (c) Capital GBP 2,500,000	London	London	1	REYL & CO Holdings Ltd.	100.00	
102	REYL & CO Holdings Ltd. (c) Capital GBP 2,400,000	London	London	1	REYL & Cie S.A.	100.00	
103	REYL Finance (MEA) Ltd. Capital USD 2,875,000	Dubai	Dubai	1	REYL & Cie S.A.	100.00	
104	REYL Overseas AG (c) Capital CHF 2,000,000	Zurich	Zurich	1	REYL & Cie S.A.	100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
105	REYL Private Office Luxembourg Sarl (c)	Luxembourg	Luxembourg	1	REYL & Cie S.A.	100.00	
	Capital 50,000 euro						
106	REYL Singapore Holding Pte. Ltd. (c)	Singapore	Singapore	1	REYL & Cie S.A.	75.00	
	Capital SGD 1,201						
107	REYL Singapore Pte. Ltd. (c)	Singapore	Singapore	1	REYL & Cie S.A.	76.00	
	Capital SGD 500,000				REYL Singapore Holding Pte. Ltd.	24.00	
						100.00	
108	RI Ambiente S.r.l. (f)	Milan	Milan	1	Risanamento S.p.A.	100.00	
	Capital 20,000 euro						
109	RI Infrastrutture S.r.l. (f)	Milan	Milan	1	Risanamento S.p.A.	100.00	
	Capital 20,000 euro						
110	RI Rental S.r.l. (f)	Milan	Milan	1	Risanamento S.p.A.	100.00	
	Capital 10,000 euro						
111	Risanamento Europa S.r.l. (f)	Milan	Milan	1	Risanamento S.p.A.	100.00	
	Capital 10,000 euro						
112	Risanamento S.p.A. (f)	Milan	Milan	1	Intesa Sanpaolo S.p.A.	48.88	
	Capital 107,689,512.20 euro						
113	Romulus Funding Corporation (e)	New York	New York	2	Intesa Sanpaolo S.p.A.	-	
114	Società Benefit Cimarosa 1 S.p.A. (c) (l)	Milan	Milan	1	Intesa Sanpaolo S.p.A.	100.00	
	Capital 100,000 euro						
115	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A.	Milan	Milan	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
	Capital 2,600,000 euro						
116	SRM Studi e Ricerche per il Mezzogiorno (c)	Naples	Naples	1	Intesa Sanpaolo S.p.A.	60.00	14,29 (*)
	Capital 90,000 euro						
117	Sviluppo Comparto 3 S.r.l. (f)	Milan	Milan	1	Risanamento S.p.A.	100.00	
	Capital 50,000 euro						
118	UBI Finance S.r.l. (c)	Milan	Milan	1	Intesa Sanpaolo S.p.A.	60.00	
	Capital 10,000 euro						
119	Vseobecna Uverova Banka A.S.	Bratislava	Bratislava	1	Intesa Sanpaolo Holding International S.A.	100.00	
	Capital 510,819,064 euro						
120	Vub Generali Dochodkova Spravcovska Spolocnost A.S. (k)	Bratislava	Bratislava	1	Vseobecna Uverova Banka A.S.	55.26	
	Capital 10,090,976 euro						
121	Vub Operating Leasing	Bratislava	Bratislava	1	Vseobecna Uverova Banka A.S.	100.00	
	Capital 25,000 euro						

(a) Type of relationship:
1 - majority of voting rights at Ordinary Shareholders' Meeting;
2 - other forms of control.

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

(c) Company consolidated using the equity method given its limited materiality.

(d) Minority shareholders are subject to a legal commitment to purchase 0.7% of share capital.

(e) Company controlled pursuant to IFRS 10, although the Group does not hold any equity stake in the company capital.

(f) Company not subject to the management and coordination activities pursuant to Article 2497 and following of the Italian Civil Code.

(g) In the event of liquidation of the equity investment, the minority shareholder has the right to sell, and Intesa Sanpaolo is required to purchase, the entire minority investment.

(h) Please note that there are put and call option agreements on 35.00% of share capital held by minority shareholders.

(i) A closed-end alternative real estate investment fund managed by COIMA SGR S.p.A.

(j) Please note that there are put and call option agreements on 29% of share capital held by minority shareholders.

(k) Please note that there are put and call option agreements on 44.74% of share capital held by minority shareholders.

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

2. Significant evaluations and assumptions in determining the scope of consolidation

As stated above, companies are considered subsidiaries where Intesa Sanpaolo is exposed to, or has rights to, variable returns from its involvement with them, and has the ability to affect those returns by exercising its own power over the entity in question.
Control only exists if all of the following conditions are met:
- the power to direct the relevant activities of the subsidiary;
- the exposure, or rights, to variable returns from the involvement with the investee;
- the ability to use the power over the investee to affect the amount of the investor’s returns.

In particular, the Group considers the following factors in evaluating the existence of control:
- the purpose and the structure of the investee in order to identify its aims and relevant activities, or the activities that significantly affect the investee’s returns, and how those activities are governed;
- power, in order to understand whether the Group has the contractual right to manage the relevant activities;
- the exposure to variable returns from the investee in order to evaluate whether the return recognised by the Group is subject to variations depending on the investee's returns.

Furthermore, in order to evaluate the existence of control, potential principal-agent relationships are taken into consideration. In order to evaluate whether the investee is acting as a principal or an agent, the Group takes account of the following factors:
- the decision-making power on the relevant activities of the subsidiary;
- the rights of other parties;
- the payments to which the Group is entitled;
- the Group's exposure to variable returns resulting from any investment in the investee.

IFRS 10 identifies relevant activities as activities of the investee that significantly affect the investee's returns.
In general terms, when the relevant activities are managed through voting rights, the following factors determine evidence of control:
- direct ownership, or indirect ownership through its subsidiaries, of more than half the voting rights of an entity, unless in exceptional circumstances it can be clearly demonstrated that such ownership does not constitute control;
- ownership of half, or less, of the votes which can be cast at the shareholders' meeting, and the practical ability unilaterally to govern the relevant activities through:
  - the control of more than half the voting rights as enshrined in an agreement with other investors;
  - the power to determine the financial and operational policies of the entity, as conferred by the Articles of Association or by contract;
  - the power to nominate or remove the majority of the members of the Board of Directors or of the equivalent corporate governance body;
  - the power to cast the majority of the votes at meetings of the Board of Directors or of the equivalent corporate governance body.

In order to exercise power, it is necessary for the rights that the Group has over the investee to be material; to be material, the Group must have the ability to use its rights when decisions relating to relevant activities are taken.
The existence and the effect of potential voting rights, where material, are taken into consideration in evaluating whether power exists to shape the managerial and financial policies of another entity.
Sometimes the Group has "de facto" control over certain entities when it possesses rights to determine unilaterally the relevant activities of the investee, even though it does not have the majority of the voting rights.
On the contrary, cases may emerge where the Group, though holding more than half of the voting rights, does not control the investee since, consequently to agreements with other investors, the exposure to variable returns from the involvement with the investees is not considered significant.
Subsidiaries can also include "structured entities" in which the voting rights are not the dominant factor in deciding who controls the entity; this includes special purpose vehicles (SPEs/SPVs) and investment funds. Structured entities are considered to be controlled where:
- the Group has powers enshrined in contractual rights allowing it to govern the relevant activities; and
- the Group is exposed to the variable returns deriving from such activities.

3. Investments in subsidiaries with significant minority interests

3.1 Minority interests, minority voting rights and dividends distributed to minorities

	Companies	Minority interests %	Minority voting rights % (1)	Dividends distributed to minority shareholders
1	Acantus S.p.A.	20.00	20.00	-
2	Bank of Alexandria	20.00	20.00	-
3	Banka Intesa Sanpaolo D.D.	0.87	0.87	-
4	Compagnia Italiana Finanziaria - CIF S.r.l.	38.55	38.55	-
5	Eurizon Capital Real Asset SGR S.p.A.	40.01	24.50	-
6	Eurizon SLJ Capital Limited	35.00	35.00	-
7	Exetra S.p.A.	15.00	15.00	-
8	Fideuram Asset Management SGR S.p.A.	0.48	0.48	-
9	Iniziative Logistiche S.r.l.	39.98	39.98	-
10	InSalute Servizi S.p.A.	35.00	35.00	-
11	Intesa Sanpaolo Banka D.D. Bosna I Hercegovina	0.01	-	-
12	Intesa Sanpaolo Vita S.p.A.	0.01	0.01	-
13	REYL & Cie S.A.	29.00	29.00	-
14	Risanamento S.p.A.	51.12	51.12	-
15	VUB Generali Dochodkova Spravcovska Spolocnost A.S.	44.74	44.74	2

(1) Available voting rights at Ordinary Shareholders' Meeting.

3.2 Investments in companies with significant minority interests: financial highlights

(millions of euro)

	Companies	Total assets	Cash and cash equivalents	Financial assets	Property, equipment and intangible assets	Financial liabilities	Shareholders' equity	Interest margin	Net interest and other banking income	Operating expenses	Income (loss) before tax from continuing operations	Income (loss) after tax from continuing operations	Income (loss) after tax from discontinued operations	Net income (loss) (1)	Other comprehensive income (net of tax) (2)	Consolidated comprehensive income (3) = (1) + (2)
1	Bank of Alexandria	4,861	119	4,493	143	3,947	631	364	407	-142	194	121		121	-118	3

4. Significant restrictions

In terms of significant restrictions, it is noted that the Intesa Sanpaolo Group is subject to the supervisory rules provided for by Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR),amended by Directive 2019/878/EU (CRD V) and Regulation (EU) 876/2019 (CRR II), respectively, and controls financial institutions subject to the same or similar regulations aimed at maintaining an adequate level of regulatory capital in relation to risks taken; therefore, the ability of subsidiary banks or financial institutions to distribute capital or dividends is dependent on the fulfilment of the regulatory thresholds set in those regulations.

In view of the above, with regard to the disclosures to be made in accordance with IFRS 12, the limitations currently set by the Russian regulations essentially impose restrictions on repayments and payments to parties resident in unfriendly countries.

Those limitations specifically affect the subsidiary Banca Intesa Russia, which, again in 2023, was unable to directly route the repayments of past due instalments referring to intragroup exposures to the creditor banks and, therefore, routed the resources allocated for those repayments (for a total of around 24 million euro at the end of 2023) to specific accounts in Russia.

It should also be noted that the current legal restrictions on transferring monetary resources beyond the country's borders do not prejudice in any way the ownership of the amounts (due to the creditor banks), nor do they constitute an obstacle to maintaining control over the Russian subsidiary.

Lastly, within the Group, there are insurance companies subject to the Solvency Capital Requirements of insurance companies established by the Solvency II legislation.

5. Other information

In preparing the Intesa Sanpaolo consolidated financial statements, the financial statements of all subsidiaries have the same financial year-end, except for that reported below for the Ukrainian subsidiary Pravex Bank in the following paragraph on Consolidation methods.

Consolidation methods

Full consolidation

This method involves the "line by line" aggregation of the individual amounts reported in the balance sheets and income statements of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests, in a specific caption, in equity and in the result for the period, the residual value is eliminated against the book value of the subsidiaries concerned.

Any positive differences arising on consolidation, after the allocation to the assets and liabilities of the consolidated subsidiary, are recorded under Intangible assets as goodwill or other intangible assets. Negative differences are recognised in the income statement.

Assets, liabilities, income and expenses between consolidated companies are totally eliminated.

Business combinations must be accounted for using the "acquisition method" in accordance with IFRS 3, whereby identifiable assets acquired or liabilities assumed (including contingent liabilities) are recognised at their fair value at the acquisition date. Moreover, for each business combination, any minority interest in the acquired company can be recognised at fair value or in proportion to the minority investment in the net identifiable assets of the acquired company. Any excess of the consideration transferred (being the fair value of the assets sold, the liabilities incurred and the equity instruments issued) over the fair value recognition of minority interests with respect to the fair value of the assets acquired and the liabilities assumed is recognised as goodwill. If the consideration is lower, the difference is taken to the income statement.

The "acquisition method" is applied starting from the acquisition date, that is from the moment in which control of the acquired company is obtained. Therefore, the economic results of a subsidiary acquired in the reference period are included in the Consolidated financial statements starting from the acquisition date. Likewise, economic results of a subsidiary sold are included in the Consolidated financial statements until the date in which control ceased.

The difference between sale price and book value at the date of disposal (including foreign exchange differences recorded in shareholders' equity on consolidation, over time) is accounted for in the income statement.

Where necessary – and apart from entirely marginal cases – the financial statements of consolidated companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.

With regard to the Ukrainian subsidiary Pravex Bank, as a result of the continuation of the critical situation in Kyiv (where the subsidiary's offices are located) now since mid-October 2022, due to the repeated Russian bombings of the main Ukrainian power plants, it was decided, with a view to reducing "operational" risk, that it was best to retain, in December's consolidation, the accounting values produced by Pravex for the consolidation of September 2023. Thus, for the financial statements as at 31 December 2023, the balance sheet and income statement results of Pravex were included based on a consolidation package, drawn up in compliance with the IAS/IFRSs, as set out in the Group Accounting Policies, related to 30 September 2023, using the exchange rate as at 31 December 2023 for conversion into Euro.

The decision to use the data as at 30 September 2023 for the line-by-line consolidation of Pravex, also taken in light of the slight materiality of the subsidiary, and motivated by objective operational restrictions, is also based on the indications in IFRS 10, though for specific cases[87].

Measurement using the equity method

Associates and companies subject to joint control are consolidated with the equity method.
The equity method requires the initial recognition of the equity investment at cost and its subsequent value adjustment based on the stake in the shareholders' equity of the company.
Any difference between the value of the equity investment and the shareholders' equity of the company involved is recorded in the book value of the company.
The valuation of the portion of shareholders' equity does not consider any potential voting rights.
The portion of the company's results for the period pertaining to the Group is recorded in a specific caption of the consolidated income statement.
If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value. If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.
For the consolidation of the companies subject to joint control and investments in associates, the most recent approved (annual or interim) figures have been used. In certain marginal cases, the companies do not apply IAS/IFRS and, therefore, for such companies it was verified that the adoption of IAS/IFRS would not have produced significant effects on the Intesa Sanpaolo Group's Consolidated financial statements.

Conversion of financial statements in currencies other than the euro

The financial statements of non-Eurozone companies are translated into euro by applying the spot exchange rate at the year end to assets and liabilities in the Balance sheet, and the average exchange rate for the year to Income statement captions.
Foreign exchange differences from the conversion of the financial statements of such companies, deriving from the application of different foreign exchange rates to assets and liabilities and the income statement, are recorded in Valuation reserves under shareholders' equity. Foreign exchange differences on the shareholders' equity of the subsidiaries are also recorded in Valuation reserves.
All foreign exchange differences are reversed to the income statement of the year in which the foreign operation is sold.

SECTION 4 – SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 6 February 2024, at the time of the approval of the annual and consolidated results as at 31 December 2023, the Board of Directors of Intesa Sanpaolo resolved to submit a proposal to the forthcoming Ordinary Shareholders' Meeting of 24 April 2024 for the execution, subject to approval from the ECB, of a share buyback for subsequent annulment of the shares to be launched in June 2024, details of which will be disclosed in accordance with the applicable regulations, corresponding to around 55 basis points of the Common Equity Tier 1 Ratio as at 31 December 2023.

[87] IFRS 10 states that, where it is not possible to use the subsidiary's data updated to the same reporting date as the consolidated financial statements, it is permitted to use the previous accounting data, provided that previous date is no more than 3 months prior. For more details, see the following paragraphs of IFRS 10: IFRS 10.B92 "*The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall have the same reporting date. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so"; IFRS 10.B93 "If it is impracticable to do so, the parent shall consolidate the financial information of the subsidiary using the most recent financial statements of the subsidiary adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements. In any case, the difference between the date of the subsidiary's financial statements and that of the consolidated financial statements shall be no more than three months, and the length of the reporting periods and any difference between the dates of the financial statements shall be the same from period to period."*

SECTION 5 - OTHER ASPECTS

Note that, as a result of the changed scenario linked to the COVID-19 pandemic, Bank of Italy Communication dated 14 March 2023 (Update to the provisions of Circular no. 262 “Bank financial statements: layouts and preparation” with regard to the impacts of COVID-19 and measures in support of the economy) repealed and replaced the previous Communication dated 21 December 2021 (Update to the additions to the provisions of Circular no. 262 “Bank financial statements: layouts and preparation” with regard to the impacts of COVID-19 and measures in support of the economy). As a result, in this section, it is no longer required to report the information relating to the pandemic, which, instead, was required by the Communication dated 21 December 2021.

RISKS, UNCERTAINTIES AND IMPACTS OF THE RUSSIAN/UKRAINIAN CRISIS

On 24 February 2022, the gradually escalating tension between Russia and Ukraine erupted into a conflict, the intensity and size of which had not been seen in Europe since the end of the Second World War. The extremely serious situation resulting from the conflict was immediately closely monitored and assessed by Intesa Sanpaolo, also in light of the guidance provided by the regulators on the subject in 2022, given that the Group has:

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

In its lending activities, the IMI C&IB Division has over time financed counterparties resident in the Russian Federation. More than two-thirds of the loans to Russian customers disbursed before the conflict involved leading industrial groups, which have established commercial relationships with customers belonging to the main international supply chains, a significant amount of which derives from commodity exports. At the outbreak of hostilities, loans to Russian customers represented around 1% of the Intesa Sanpaolo Group’s total loans to customers, net of Export Credit Agency - ECA guarantees. Due to the existence of those guarantees, the credit risk on those exposures can be considered as not referring to either Russia or Ukraine.

That being said, in this section we note some information relating to the Russian and Ukrainian subsidiaries:

- Banca Intesa Russia: this is a Moscow-based corporate bank, 47% owned by Intesa Sanpaolo and 53% by Intesa Sanpaolo Holding International, part of the IMI Corporate & Investment Banking Division. It operates with 27 branches and 869 staff;
- Pravex is a small commercial bank, wholly-owned by Intesa Sanpaolo and based in Kyiv, part of the International Subsidiary Banks Division. It operates with 40 branches (mainly in the Kyiv region) and 666 staff.

Despite the critical situation, particularly for Pravex, the two subsidiaries resident in the warring countries are continuing to operate with the support of the Parent Company structures, albeit with the objective limits dictated by the contingent scenario.

Also for the purposes of the 2023 Financial Statements, as previously illustrated in the 2022 Financial Statements, Intesa Sanpaolo’s continuing control over the two entities has been confirmed, which can be evidenced from various points of view:

- in accounting/administrative terms, by acquiring the accounts for consolidation purposes. Specifically, as illustrated in greater detail in Part A: Section 3 - Scope of consolidation and consolidation methods, and also in line with the methodological choices made for the 2022 Annual Report, for the Russian subsidiary, the accounts as at 31 December 2023 were acquired accurately and in a timely manner, while for Pravex, it was decided to maintain the accounts produced for consolidation as at 30 September 2023, considering the specific operating difficulties of the subsidiary, as well as in light of the substantial immateriality of its balance sheet figures at Group level;
- in terms of statutory regulations, with specific regard to the Russian subsidiary, the Parent Company was able to exercise its power to determine, in compliance with Russian regulations, the composition of the management body of Banca Intesa Russia at the Shareholders’ Meeting of 30 June 2023. The turnover of officers was the result of appointments proposed by the Parent Company that passed the approval process of the Russian Central Bank. Also for the Ukraine subsidiary, there was routine turnover in the governance bodies in 2023, based on the nominations expressed by the Parent Company;
- in terms of steering the business, the two entities continue to move ahead with their business following the instructions of the Parent Company. Specifically, Banca Intesa Russia continues to comply with the instructions received from the Parent Company as regards its corporate operations;
- in terms of coordination and control, as the Parent Company’s control functions (including the support function of the Manager responsible for preparing the Company’s financial reports, namely Administrative and Financial Governance) continue to carry out their roles through the regular receipt and analysis of the planned information flows, interacting with the structures of the subsidiaries through the communication channels available, in line with any limitations that may arise over time, also handled using contingency solutions.

Moreover, the conclusions regarding the maintenance of control over Banca Intesa Russia are not invalidated by the limitations currently set by Russian regulations which, substantially, impose restrictions to repayments and payments to parties resident in “unfriendly” countries. Aware of the restrictions imposed by the specific regulatory framework, Banca Intesa Russia credited to specific Russian accounts, as provided by law, the monetary resources for the repayment of intragroup exposures that matured in the meantime.

The potential use of the resources credited to those accounts – equal to around 24 million euro at the end of December 2023 – is limited to several specific purposes within Russia.
In this context, it must be considered that, also based on specific legal opinions acquired, the current limitations do not constitute the “expropriation” of the amounts in any way (nor are they even indicators of a loss of control over the subsidiary’s

assets). Rather, they derive from the temporary legal "freezing" of the free availability of amounts which, based on economic rights, would otherwise be available for their owner.

Lastly, please note that the "valuation" approaches for the credit exposures to Russian and Ukrainian counterparties adopted for the 2023 Annual Report are consistent with those adopted for the 2022 Annual Report. For a more complete discussion of the quantitative and valuation aspects of the Group's exposures to Russian and Ukrainian counterparties, for which the de-risking already started in 2022 was continued in 2023, see Part E (Section 2 "Prudential Consolidation Risks") of these Consolidated Financial Statements.

Lastly, given the importance of these issues, the Report on operations contains a section specifically dedicated to "The military conflict between Russia and Ukraine", which summarises, inter alia, the initiatives of the Intesa Sanpaolo Group in favour of Ukraine, as well as the aspects regarding the framework of sanctions against the Russian Federation and cybersecurity.

ADDITIONAL INFORMATION ON THE INTEREST RATE BENCHMARK REFORM

Based on the instructions in Circular 262, this section sets out the disclosure in accordance with IFRS 7, paragraphs 24 I and 24 J relating to the Interest Rate Benchmark Reform (IBOR Reform).

Specifically, the table below shows the quantitative information on financial instruments – divided into financial assets, financial liabilities and derivative contracts – which still had to transition to an alternative benchmark rate as at 31 December 2023, broken down by significant interest rate benchmark index subject to IBOR Reform. The Group considers a contract as not having transitioned to an alternative benchmark when the interest under the contract is linked to a benchmark index that is still impacted by the IBOR Reform, even if this includes an adequate fallback clause for managing the cessation of the existing benchmark.

(millions of euro)

	Loans and advances - gross value	Debt securities (assets) - nominal value	Deposits (liabilities) - nominal value	Debt securities issued (liabilities) - nominal value	Derivatives - notional
Referenced to LIBOR USD	696	23	123	360	-
Other IBORs	59	-	-	-	-
Total	**755**	**23**	**123**	**360**	**-**

The disclosure does not include financial instruments linked to the Euribor, as that parameter was reformed in November 2019, through the adoption of a hybrid calculation method, which fully meets the requirements for critical benchmarks set out in the Benchmark Regulation EU 2016/1011 and the IOSCO principles. Therefore, it is not deemed that there is uncertainty on the timing or the amount of cash flows linked to the Euribor, and the financial instruments linked to this benchmark are not considered as instruments impacted by the reform.

Referring to Part E - Information on risks and relative hedging policies - for a more detailed analysis on the nature and risks the Group is exposed to with regard to the financial instruments impacted by the IBOR Reform and the methods for managing the transition, in light of the regulatory changes and the activities implemented by the Group, no critical issues emerged in completing the transition by the set 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.

With reference to the benchmarks being wound down by 31 December 2023, the transition activities have been successfully completed for all these benchmarks, with the exception of several residual positions for the USD LIBOR. During 2023 the Financial Conduct Authority (FCA) decided to request that the administrator 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).

There are residual positions in instruments linked to the USD Loans and Receivables, essentially regarding, in terms of loans, several loans disbursed (mainly by international branches of Intesa Sanpaolo), for which the renegotiations of the underlying benchmark interest rates were still underway as at 31 December 2023, envisaging the use of the respective published values of the USD LIBOR using the synthetic method. There are also residual positions in debt securities in the Group's assets (third party issues) and liabilities (own issues), for which the values of the USD LIBOR published using the synthetic method are being used up to disposal. For debt securities under assets, we are waiting to receive instructions about their linking from the issuers for the remaining coupons. For own issues in debt securities, the exposure is attributable to Fix-to-Float financial instruments currently linked at the USD LIBOR floating rate (as the period in which these issues provided fixed-rate returns has ended).

Financial instruments linked to other IBORs, which were of insignificant amount as at 31 December 2023, are attributable to loans linked to the Canadian Dollar Offered Rate (CDOR), whose transition should be finalised by 28 June 2024 - the date of wind-down of that benchmark. The date on which the CDOR will no longer be used does not give rise to specific uncertainties except for those linked to trading timescales, which could be deferred by the counterparties.

For a full overview of the disclosure required by IFRS 7, paragraph 24H, on the uncertainty arising from interest rate benchmark reform on hedging relationships and the notional amount of hedging derivatives, refer to the specific section set out in Part E – Information on risks and relative hedging policies.

SIGNIFICANT JUDGEMENTS IN APPLYING IFRS 17

With regard to the insurance companies included in the consolidation, the disclosure required by IFRS 17 Insurance Contracts, paragraphs 117 to 120, on significant judgments made in applying the standard, to ensure consistency of treatment, is provided in the Accounting Policies, Section A.2 Main financial statement captions in relation to the Insurance Assets and Liabilities, which describes, among others, the methods used to determine the discount rates and the risk adjustment for non-financial risk, and to estimate the future fulfilment cash flows for the insurance contracts. The quantitative details of the yield curve used to discount cash flows, required by paragraph 120 of IFRS 17, are provided in Part E in relation to the Insurance Risks.

Lastly, in view of the application of IFRS 17 starting from 1 January 2023, a comprehensive disclosure on the transition to IFRS 17 has been provided in Section 1 of the General Criteria detailing the effects of the application of the standard, as well as the main methodological approaches adopted by the Intesa Sanpaolo Group.

CLIMATE-RELATED MATTERS

For the purposes of preparing of the financial statements, the Intesa Sanpaolo Group has, as usual, taken into account the ESMA recommendations “European common enforcement priorities for 2023 annual financial reports” published in October 2023.

With specific regard to climate-related matters, in its communication ESMA reminded preparers of the importance of considering climate-related matters when preparing financial statements to the extent that those matters are material, also making reference to the IASB’s educational material, which gives illustrative examples of some potential financial implications of climate-related risks.

Given their growing importance, ESG risks, and in particular climate risk, are subject to constant attention by the ISP Group, with a view to possible further developments, both within the overall Risk Management framework – which, as described in more detail in Part E, involves a materiality analysis, the establishment of specific controls within the RAF, the performance of scenario analyses, and the monitoring of ESG risks divided across the different risk categories (e.g. credit, market, liquidity) – and within the measurement of the financial statement captions potentially impacted by climate risks and the related disclosures, also considering future regulatory developments or specific requests from standard setters and regulators. Indeed, the ISP Group recognises the importance of developing techniques that can more accurately identify how and to what extent environmental risks, and in particular climate-related risks, may translate into financial risks, by incorporating environmental forward-looking information into its valuation models.

When identifying the time horizon over which environmental risks may generate an impact, it is necessary to consider the difficulty in determining the timing of the related effects with reasonable certainty. In this regard, the EBA in its “Report on the role of environmental and social risks in the prudential framework” of October 2023 notes that chronic physical risks may reasonably have an impact over a relatively long-term time horizon and only some acute physical risks, as well as transitional risks, may materialise over a short to medium term time horizon. The results of the impact assessments conducted so far by the ISP Group (materiality assessment and climate scenario analysis) have shown that, due to its business sector, the Group is not exposed to a material extent to climate risks in the short term. Given the nature of the items recognised in the financial statements, credit is the category for which climate risk is potentially most significant for the Intesa Sanpaolo Group, in relation to which, as set out in Part E, the Group is continually developing its internal valuation models to include ESG and climate-related factors, within its credit risk, which currently do not appear to have an appreciable effect on the valuations produced by the models.

Alongside the management of the potential climate risks outlined above, the Group has undertaken a series of management actions primarily aimed at directing loans granted to customers towards activities that support the ecological transition, as detailed below.

"ESG" FINANCIAL INSTRUMENTS

The Intesa Sanpaolo Group supports customers in the ESG transition by granting new loans and opening credit lines for projects related to the green economy, circular economy and climate transition, the latter also in compliance with the regulations introduced by Regulation (EU) 2020/852 (the "EU Taxonomy"), which for the first time this year involves the publication of the regulatory GAR in the Pillar 3 Document.

With specific regard to the above-mentioned Pillar 3 Document, as at 31 December 2023, the Group had recognised the following with corporate counterparties:

– 4.7 billion euro relating to EU Taxonomy-aligned exposures;
– 2.4 billion euro relating to exposures to corporate counterparties arising from other climate change mitigation actions not covered by the "EU Taxonomy".

In view of the above, a specific framework of incentives/benefits in terms of the rate applied has been developed for loans aimed at supporting the ESG transition, based on the purposes of the initiative and the alignment with the European Taxonomy. These may entail a subsequent variation of the rate depending on whether or not the borrower achieves specific ESG KPIs, or may be definitively acquired at the time of signing and therefore do not entail subsequent variability of the interest rate.

With regard to the loans with possible subsequent variability of the interest rate, the Group's offering is made up of highly standardised products, mainly offered by the Banca dei Territori Division and amounting to around 4.3 billion euro, or more customised products, mainly offered by the IMI Corporate & Investment Banking Division and amounting to around 7.3 billion euro. Overall, these loans are subject to subsequent variability considered to be not significant, following analyses verifying the nature and impact, in absolute and relative terms, of these clauses on the contractual flows. They are also subject to Pillar 3 reporting when the economic activities carried out by borrowers meet climate change mitigation and/or adaptation objectives.

The support provided by Intesa Sanpaolo Group to its customers during the transition phase is further reflected in the investments in sustainable securities. As at 31 December 2023, the exposures arising from other climate change mitigation actions not covered by the "EU Taxonomy" classified in the Hold to Collect and Hold to Collect and Sell business models, amounted to 3.3 billion euro.
These were in addition to the securities in the Other business model amounting to 0.9 billion euro.
With regard to the overall exposure in securities, 0.2 billion euro were related to sustainable-linked bonds, which are subject to possible variability of the interest rate. The expected impacts on net interest income in subsequent years, resulting from the failure of issuers to achieve the KPIs, are considered minimal.

With regard to the SPPI tests on financial instruments subject to possible subsequent variability of the interest rate depending on whether or not the borrower or the issuer achieves specific ESG KPIs, these clauses are not considered critical when there are qualitative-quantitative analyses in place aimed at verifying the minimal nature of the related impact on the overall contractual cash flows of the instrument.

Lastly, with regard to Intesa Sanpaolo's institutional funding, as at 31 December 2023, the balance sheet liabilities included green and social bond issues with a total nominal value of 10.3 billion euro. These bonds do not entail a subsequent variability of the interest rate linked to specific KPIs of the issuer.

OTHER ASPECTS

Option for the national fiscal consolidation provisions

Intesa Sanpaolo and the Group’s Italian companies have adopted the "national fiscal consolidation", set forth by Articles 117-129 of the Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides an option, based on which the total net income or fiscal loss of every subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries) and, consequently, a sole tax debit/credit. Based on this option, Group companies that opted for the “national fiscal consolidation” determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent Company.

Set up of a VAT Group

Intesa Sanpaolo and all of the Group companies that meet the requirements for participation opted to set up the VAT Group, governed by Articles from 70-bis to 70-duodecies of Presidential Decree 633/1972.
This option takes effect from 1 January 2019 and has a duration of three years, automatically renewed each year, unless revoked.
As a result of this option, the tax will not apply to either the provision of services and sales of goods between participating parties, with a few exceptions. Sales of goods and provision of services by a participating party to an external party shall be considered made out by the Group. Sales of goods and provision of services by an external party to a participating party shall be considered made to the Group.

“Cooperative compliance” regime

Intesa Sanpaolo applied for and obtained from the Italian Revenue Agency admission to the “cooperative compliance” regime set out in Legislative Decree 128/2015. The admission is effective from the tax period 2017.
The purpose of this regime is to promote the use of enhanced forms of communication and cooperation based on the reciprocal trust between the tax authorities and the taxpayer, as well as favouring the prevention and resolution of tax disputes, in the common interest of the parties.
Under the regime, Intesa Sanpaolo is required to maintain an appropriate system of recognition, measurement and management of tax risk as well as act in a cooperative and transparent manner, and the Italian Revenue Agency is required to promote a relationship based on the principles of transparency, cooperation and fairness.
In addition to Intesa Sanpaolo, the following companies applied for admission and were admitted to the regime: Fideuram - Intesa Sanpaolo Private Banking S.p.A. (with effect from 2018), as well as Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Fideuram Vita, Eurizon SGR and Epsilon SGR (with effect from 2019). Fideuram - Intesa Sanpaolo Private Banking S.p.A., Fideuram Asset Management SGR and SIREF were admitted in 2021 with effect from 2020.

Auditing

EY S.p.A. audited the Consolidated financial statements, in execution of the Shareholders' Meeting resolution of 30 April 2019, which appointed the company as independent auditor for the years from 2021 to 2029, included.

Other aspects

A reformulation of the rules on the transparency of government grants laid down in Article 1, paragraphs 125-129 of Law No. 124/2017 has been introduced in Article 35 of Law Decree 34/2019 (the “Growth” Decree), converted by Law 58/2019. This reformulation indicates that the scope of transparency obligations applies to information regarding grants, subsidies, advantages, contributions or aid, in cash or in kind, “not of a general character and which do not represent consideration, remuneration or compensation” effectively disbursed by public authorities and the entities indicated in Article 2-bis of Legislative Decree 33/2013.
In the light of this reformulation, additional interpretative clarification provided in Assonime Circular No. 32 of 23 December 2019 has confirmed that the transparency obligation applies to awards of economic benefits arising from a bilateral relationship between a public entity and a specific beneficiary. Sums received by a company as consideration for a service rendered, as remuneration for an assignment received or as compensation for damages are expressly excluded. Economic advantages received in application of a general regime, such as tax or contribution relief accessible to all parties who meet certain conditions, are also excluded.
In consideration of the above, there were no cases to report in 2023 for the Group’s Italian companies.
In the interest of completeness, reference should also be made to the National State Aid Registry, available for public consultation on the relevant website, in which aid measures and the related individual aid packages granted and recorded in the system by the managing entities are published, although, given the foregoing, for the Group’s Italian companies the circumstances indicated therein for the year 2023 are not subject to financial statement transparency obligations pursuant to paragraphs 125 and 125-*bis*.

A.2 – MAIN FINANCIAL STATEMENT CAPTIONS

To ensure uniformity in the accounting policies used for the financial statements, the Intesa Sanpaolo Group has adopted an internal set of rules and policies for the various operational and organisational areas.

The methodological document used for the application of the accounting standards is the "Group Accounting Policies", which describes the application models adopted by the Group, within the framework of the standards and the legislation applicable to the various companies/subsidiaries, and sets out the choices made when the regulations envisage alternative or optional accounting treatments.

With regard to the valuation processes, the Group, in the document "Guidelines for the valuation of Balance Sheet Items", has drawn up the principles and regulatory framework for the valuation of the balance sheet items and the roles and responsibilities of the Corporate Bodies, the Manager responsible for preparing the Company's financial reports and the Parent Company's corporate functions involved in the valuation process; the prerequisites for the existing valuation processes and the control system necessary to ensure proper valuation; the general valuation processes based on accounting standards specific to the various categories of balance sheet items being measured (assets and liabilities); and the rules for guidance and coordination of Group Companies on the valuation of balance sheet items.

The guidelines and policies also include the Business Model Rules, the Rules on the measurement of expected credit loss in accordance with IFRS 9 (Impairment Policy), and the "Rules for Valuation of Financial Instruments at Fair Value" (former Fair Value Policy), in addition to more specific documents relating to non-performing loans, equity investments, and the management of hedging financial instruments.

Finally, with regard to prudential supervision, the Group has drawn up a specific document called Harmonised Prudential Supervision Rules.

In general, these documents are approved by the competent Corporate Bodies. They are updated by the management structures in response to needs arising both from external factors (e.g. changes in regulations) and from internal factors within the Group (e.g. new operations and products). Those documents are subject to a specific approval process, based on the significance and scope of the changes made.

For the purpose of preparing the 2023 Annual Report, also in line with that mentioned in the Interim Statement as at 31 March 2023, as well as the Half-yearly Report as at 30 June 2023 and the Interim Statement as at 30 September 2023, in addition to the accounting standards specified with regard to the insurance assets and liabilities, the accounting standards adopted with regard to the classification, recognition, measurement and derecognition of the financial assets and liabilities in the balance sheet, and the recognition methods for revenues and costs, were updated compared to those adopted for the Intesa Sanpaolo Group 2022 Annual Report, to implement the entry into force of IFRS 17 and IFRS 9 for the insurance companies of the Intesa Sanpaolo Group.

1. Financial assets measured at fair value through profit or loss (FVTPL)

Classification criteria

This category contains the financial assets not classified as Financial assets measured at fair value through other comprehensive income or as Financial assets measured at amortised cost. This caption includes in particular:
- financial assets held for trading, essentially consisting of debt securities and equity instruments and the positive value of derivative contracts held for trading;
- financial assets mandatorily measured at fair value through profit or loss, consisting of financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding (SPPI Test not passed) or that are not held under a Hold to Collect business model or a Hold to Collect and Sell business model;
- financial assets designated at fair value, i.e. financial assets that are defined as such upon initial recognition and when the conditions apply. In relation to this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss only if it eliminates or significantly reduces a measurement inconsistency.

This caption therefore includes:
- debt securities and loans that are included in an Other/Trading business model (i.e., that do not come under the Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are not part of a Hold to Collect and Sell business model. It also includes the debt securities of the Insurance Division covering the liabilities to insured parties represented by unit-linked products, multi-line products and pension funds;
- equity instruments – that do not qualify as investments in subsidiaries, associates or joint ventures – held for trading purposes or for which the option was not exercised, upon initial recognition, to designate them at fair value through other comprehensive income;
- quotas of UCI (Undertakings for Collective Investment).

This caption also includes the derivatives, recognised under financial assets held for trading, which are presented as assets if the fair value is positive and as liabilities if the fair value is negative. The positive and negative current values arising from transactions with the same counterparty – also between derivatives allocated to the trading book and hedging derivatives, as envisaged by the Bank of Italy Circular 262 – may be offset only when the legal right to offset amounts recognised for accounting purposes currently exists and the net settlement of positions subject to offsetting is carried out.
Derivatives also include those embedded in combined financial contracts – where the host contract is a financial liability – which are subject to separate accounting when:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments, even though separate, fully meet the definition of derivative;
- the combined instruments are not measured at fair value with changes in fair value recognised through profit or loss.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through profit or loss to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and that date is considered as the initial recognition date for the credit risk stage assignment for impairment purposes.
For more information regarding the classification criteria for the financial instruments see the paragraph below "Classification drivers for the financial assets".

Recognition criteria

Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments, at disbursement date for loans and at trade date for derivative contracts.
On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

Measurement criteria

After initial recognition, the financial assets measured at fair value through profit or loss are recorded at fair value. The effects of the application of this measurement criterion are recorded in the income statement.
For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc. For equities and derivative instruments that have equities as underlying assets, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.
For more information regarding the criteria for the determination of fair value, see the Section "A.4 – Information on Fair Value".

Derecognition criteria

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

2. Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria

This category includes the financial assets that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved both through the collection of expected contractual cash flows and through sale (Hold to Collect and Sell business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

This caption also includes equity instruments, not held for trading, for which the option was exercised upon initial recognition of their designation at fair value through other comprehensive income.

In particular, this caption includes:

- debt securities that can be attributed to a Hold to Collect and Sell business model and that have passed the SPPI test;
- equity interests, that do not qualify as investments in subsidiaries, associates or joint ventures and are not held for trading, for which the option has been exercised of their designation at fair value through other comprehensive income;

- loans that are attributable to a Hold to Collect and Sell business model and have passed the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are part of a Hold to Collect and Sell business model.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets.
In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through other comprehensive income to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is allocated as an adjustment to the fair value of the financial asset at the reclassification date. In the event of reclassification to the fair value through profit or loss category, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to net income (loss).
For more information regarding the classification criteria for the financial instruments see the paragraph below "Classification drivers for the financial assets".

Recognition criteria
Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

Measurement criteria
After initial recognition, the Assets classified at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with the recognition in profit or loss of the impact resulting from the application of the amortised cost, the impairment effects and any exchange rate effect, whereas the other gains and losses resulting from a change in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised. Upon the total or partial sale, the cumulative gain or loss in the valuation reserve is transferred, in whole or in part, to the income statement.
Equity instruments, for which the choice has been made to classify them in this category, are measured at fair value and the amounts recognised in other comprehensive income cannot be subsequently transferred to profit or loss, not even if they are sold. The only component related to these equities that is recognised through profit or loss is their dividends.
Fair value is determined on the basis of the criteria already described for Financial assets measured at fair value through profit or loss.
For the equity instruments included in this category, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.
For more information regarding the criteria for the determination of fair value, see the Section "A.4 – Information on Fair Value".

Financial assets measured at fair value through other comprehensive income – both in the form of debt securities and loans – are subject to the verification of the significant increase in credit risk (impairment) required by IFRS 9, in the same way as Assets measured at amortised cost, with the consequent recognition through profit or loss of a value adjustment to cover the expected losses. More specifically, for instruments classified as stage 1 (i.e., financial assets at origination, when not impaired, and instruments for which there has not been a significant increase in credit risk since the initial recognition date), a 12-month expected loss is recognised on the initial recognition date and at each subsequent reporting date. For instruments classified as stage 2 (performing for which there has been a significant increase in credit risk since the initial recognition date) and as stage 3 (credit-impaired exposures), a lifetime expected loss for the financial instrument is recognised.
Equity instruments are not subject to the impairment process.
See the paragraph below "Impairment of financial assets" for more details.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

3. Financial assets measured at amortised cost

Classification criteria

This category includes the financial assets (in particular loans and debt securities) that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Hold to Collect business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

More specifically, the following are recognised in this caption:

- loans to banks in their various forms that meet the requirements referred to above;
- loans to customers in their various forms that meet the requirements referred to above;
- debt securities that meet the requirements referred to above.

This category also includes the operating loans and receivables connected to the provision of financial activities and services as defined by the Consolidated Law on Banking and the Consolidated Law on Finance (e.g. for the distribution of financial products and servicing activities).

According to the general rules established by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the amortised cost category to one of the other two categories established by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. Gains and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised through profit or loss in the event of reclassification to Financial assets measured at fair value through profit or loss and under Shareholders' equity, in the specific valuation reserve, in the event of reclassification to Financial assets measured at fair value through other comprehensive income.

For more information regarding the classification criteria for the financial instruments see the paragraph below "Classification drivers for the financial assets".

Recognition criteria

Initial recognition of the financial asset occurs at settlement date for debt securities and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

In particular, for loans, the disbursement date is usually the same as the date of signing of the contract. Should this not be the case, a commitment to disburse funds is made along with the subscription of the contract, which will cease to exist upon disbursement of the loan. The loan is recognised based on its fair value, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.

Repurchase agreements and reverse repurchase agreements are recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as payables for the spot amount received, whereas reverse repurchase agreements are recognised as receivables for the spot amount paid.

Measurement criteria

After the initial recognition, these financial assets are measured at amortised cost, using the effective interest method. The assets are recognised in the balance sheet at an amount equal to their initial carrying amount less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest method) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income directly attributable to the individual asset) and adjusted by any provision for losses. The effective interest rate is the rate that exactly discounts estimated future cash payments of the asset, as principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to that financial asset. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/income directly attributable to a financial asset over its expected lifetime.

The amortised cost method is not used for assets, measured at historical cost, whose short duration makes the effect of discounting negligible, or for assets without a definite maturity or revocable loans.

The measurement criteria, as described in more detail in the paragraph "Impairment of financial assets", are closely linked to the inclusion of these instruments in one of the three stages of credit risk established by IFRS 9, the last of which (stage 3) consists of non-performing financial assets and the remaining (stages 1 and 2) of performing financial assets.

With regard to the accounting representation of the above measurement effects, the adjustments for this type of asset are recognised in profit or loss:

- on initial recognition, for an amount equal to the 12-month expected credit loss;
- on subsequent measurement of the asset, when the credit risk has not increased significantly since initial recognition, in relation to changes in the amount of adjustments for the 12-month expected credit losses;
- on subsequent measurement of the asset, when the credit risk has increased significantly since initial recognition, in relation to the recognition of adjustments for expected credit losses over the contractually agreed remaining lifetime of the asset;

- on subsequent measurement of the asset, where – after a significant increase in credit risk has occurred since initial recognition – the increase is no longer "significant" due to the alignment of the cumulative value adjustments to take account of the change from a lifetime expected credit loss to a 12-month expected credit loss for the instrument.

These financial assets, when they are performing, are subject to an assessment, aimed at establishing the value adjustments to be recognised in the financial statements, at the level of individual loan (or "tranches" of securities), according to the risk parameters consisting of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), derived from the AIRB models, and duly adjusted to take account of the provisions of IFRS 9.

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset – classified as "non-performing", like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss, to be recognised through profit or loss, is established based on individual measurement or determined according to uniform categories and, then, individually allocated to each position, and, as detailed in the paragraph "Impairment of financial assets", takes account of forward-looking information and possible alternative recovery scenarios.

Non-performing assets include financial assets classified as bad, unlikely-to-pay or past due by over ninety days according to the rules issued by the Bank of Italy, in line with the IAS/IFRS and EU Supervisory Regulations.

The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest.

If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement. The size of the recovery must not lead the carrying value of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Recoveries on impairment with time value effects are recognised in net interest income.

In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual conditions may be subsequently modified by the parties to the contract. When the contractual clauses are subject to change during the lifetime of an instrument, it is necessary to verify whether the original asset should continue to be recognised in the balance sheet or whether, instead, the original instrument needs to be derecognised and a new financial instrument needs to be recognised.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantial nature" of the change must be made using both qualitative and quantitative information. In some cases, in fact, it may be clear, without resorting to complex analysis, that the changes introduced substantially modify the characteristics and/or contractual flows of a particular asset while, in other cases, further analysis (including quantitative analysis) will need to be carried out to assess the effects of the changes and verify whether or not to derecognise the asset and recognise a new financial instrument.

The qualitative and quantitative analyses aimed at defining the "substantial nature" of contractual changes made to a financial asset must therefore consider:

- the purposes for which the changes were made: e.g. renegotiations for commercial reasons and forbearance measures due to financial difficulties of the counterparty:
  - the former, aimed at "retaining" the customer, involve a borrower that is not in financial difficulty. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These operations involve a change in the original conditions of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer could borrow from another intermediary and the bank would incur a decrease in expected future revenues;
  - the latter, carried out for "reasons of credit risk" (forbearance measures), relate to the bank's attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the changes, are not normally substantially transferred and, consequently, the accounting representation that provides the most relevant information for the readers of the financial statements (apart from the triggers discussed below) is "modification accounting" – which involves the recognition through profit or loss of the difference between the carrying value and the present value of the modified cash flows discounted at the original interest rate – rather than derecognition;
- the presence of specific triggers that affect the contractual characteristics and/or cash flows of the financial instrument (such as, for example, a change in currency or a modification of the type of risk the financial instrument is exposed to, when correlated to equity and commodity parameters), which are considered to result in derecognition due to their impact (expected to be significant) on the original contractual cash flows.

Conversely, the amendments to financial assets following the Interest Rate Benchmark Reform (so-called IBOR Reform), relating to the change in the basis for determining contractual cash flows (the replacement of the existing interest rate benchmark with an alternative benchmark rate), do not constitute a derecognition event, but are to be considered a modification from an accounting standpoint. Such amendments, if made as a direct consequence of the IBOR Reform and applied on equivalent economic bases, are represented with a prospective adjustment of the effective interest rate - by applying paragraph B5.4.5 of IFRS 9 instead of modification accounting, with impacts on net interest income in future periods.

Derecognition criteria

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.

When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.

Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

4. Hedging transactions

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

Classification criteria: type of hedge
Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.
The following types of hedging transactions are used:
- fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39 endorsed by the European Commission. Fair value macro hedges are aimed at reducing fluctuations in the fair value, as a result of interest rate risk, of a sum of money flowing from a portfolio of financial assets or liabilities. Net amounts resulting from mismatches between assets and liabilities cannot be subject to macro hedges;
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

Only hedging transactions which involve counterparties outside the Group may qualify for hedge accounting.
The choice made by the Group to take advantage of the possibility of continuing to fully apply the IAS 39 rules for hedging relationships means that the equity instruments classified as Financial assets measured at fair value through other comprehensive income (FVOCI) cannot be measured as hedged items for price or exchange rate risk, since these instruments are not recognised through profit or loss, not even if they are sold (except for dividends that are recognised through profit or loss).

Recognition criteria
Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.
A relationship qualifies as a hedging relationship, and is appropriately reported in the financial statements only if, all of the following conditions are met:
- at the inception of the hedge, the hedging relationship is formally designated and documented, including the company's risk management objectives and strategy in undertaking the hedge. This documentation includes the identification of the hedging instrument, the item or transaction hedged, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposures to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged;
- the hedge is expected to be highly effective;
- the planned transaction hedged, to hedge the cash flows, is highly probable and has an exposure to changes in cash flows that could have effects on the income statement;
- the effectiveness of the hedge can be reliably measured;
- the hedge is measured on an ongoing basis and is considered highly effective for all the financial years in which it was designated.

Measurement criteria
Hedging derivatives are measured at fair value. In particular:
- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (with regard to the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect. In case of fair value macro hedges, fair value changes related to the hedged risk of assets and liabilities in hedged portfolios are allocated to the balance sheet under caption 60. "Fair value change of financial assets in hedged portfolios" or under caption 50. "Fair value change of financial liabilities in hedged portfolios";
- in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction. A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.

Effectiveness is assessed at every close of annual or interim financial statements using:

- prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- retrospective tests, which demonstrate the effectiveness of the hedge for the reference period, or measure how much the effective results diverge from perfect coverage.

Fair value hedge accounting is discontinued prospectively in the following cases:
- the hedging instrument expires or is sold, terminated, or exercised;
- the hedge no longer meets the hedge accounting criteria described above;
- the entity revokes the designation.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet. If the assets or liabilities hedged are measured at amortised cost, the higher or lower value resulting from the fair value measurement due to the hedge becoming ineffective is recognised through profit or loss, using the effective interest rate method. When a fair value macrohedging relationship is discontinued, the cumulative change in fair value losses carried under caption 60 "Fair value change of financial assets in hedged portfolios" or caption 50. "Fair value change of financial liabilities in hedged portfolios" are transferred to the income statement among interest income or expense over the residual life of the original hedging relationships, without prejudice to verification that the requirements have been met.

An entity must discontinue cash flow hedge accounting prospectively in each of the following circumstances:
- the hedging instrument expires or is sold, terminated, or exercised (for this purpose the replacement or exchange of one hedging instrument with another hedging instrument is not a conclusion or termination if that replacement or exchange forms part of an entity's documented hedging strategy). In this case the total profit (or loss) on the hedging instrument continues to be recognised directly in shareholders' equity until the end of the reporting period in which the hedge became effective and it continues to be recognised separately until the programmed transaction, being hedged, occurs;
- the hedge no longer meets the criteria for hedge accounting. In this case the total profit or loss on the hedging instrument is recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective and continues to be recognised separately in shareholders' equity until the programmed transaction occurs;
- it is no longer considered that the future transaction will occur, in which case any related total profit or loss on the hedging instrument recognised directly in equity starting from the reporting period in which the hedge became effective must be recognised through profit or loss;
- the entity revokes the designation. For hedges of a programmed transaction, total profits or losses on the hedging instrument recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective continue to be recognised separately in shareholders' equity until the programmed transaction occurs or it is expected that it will no longer occur.

As an exception to the provisions of IAS 39 discontinuation following an update of the documentation of the hedging relationship (due to modification of the hedged risk, the hedged underlying or the hedging derivative, or of the method for verifying hedge effectiveness) does not apply in the case of modifications required as a direct consequence of the Interest Rate Benchmark Reform (so-called IBOR Reform) and applied on equivalent economic bases.

5. Investments in associates and companies subject to joint control

Classification, recognition and measurement criteria

The caption includes investments in companies subject to joint control and associates.
Entities are considered to be companies subject to joint control if control is contractually shared between the Group and one or more other parties, or where the decisions about the relevant activities require the unanimous consent from all parties sharing control.
Companies are considered subject to significant influence (associates) when the Group holds 20% or more of the voting rights (including "potential" voting rights) or if it – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates.
Certain companies in which the Group holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.

The investments in associates and companies subject to joint control are measured at cost and accounted for according to the equity method. If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.
If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

Derecognition criteria

The investments in associates and companies subject to joint control are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, substantially transferring all the risks and rewards connected to the assets.

6. Property and equipment

Classification criteria

Property and equipment include land, owner-occupied property, investment property, valuable art assets, technical plants, furniture and fittings and any type of equipment that are expected to be used during more than one period.
Property and equipment held for use in the production or supply of goods and services are classified as “Property and equipment used in operations”, in accordance with IAS 16. Real estate owned for investment purposes (to obtain rental income or gains on the capital invested) is classified as “Investment property” based on IAS 40.
This caption also includes property and equipment classified in accordance with IAS 2 - Inventories, which refer both to assets resulting from the enforcement of guarantees or from purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not meet the requirements for classification in the previous categories, and to the real estate portfolio of the Group’s real estate companies, including building sites, properties under construction, properties completed for sale and real estate development initiatives, held for sale.
Finally, this caption also includes the rights of use acquired through leases and relating to the use of an item of property and equipment (for the lessee companies) and the assets leased under operating leases (for the lessor companies).

Recognition criteria

Property and equipment are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be operational.
Extraordinary maintenance expenses which lead to a rise in future economic benefits are attributed to increase the value of assets, while other ordinary maintenance costs are recorded in the income statement.

Measurement criteria

Property and equipment are measured at cost, net of depreciation and impairment losses, except for owner-occupied properties and valuable art assets, which are measured according to the revaluation model.
The investment properties are measured with the fair value method.

For the property and equipment subject to assessment according to the revaluation model:
- if the carrying value of an asset is increased following a revaluation, the increase must be recognised in the Statement of comprehensive income and accumulated in the shareholders’ equity under the caption revaluation reserve; conversely, in the case where an impairment loss on the same asset recognised previously in the income statement is recovered, it must be recognised as income;
- if the carrying value of an asset is decreased following the revaluation, the decrease must be recognised in the Statement of comprehensive income to the extent in which there are possible credit balances in the revaluation reserve referring to this asset; otherwise, this reduction is recorded in the income statement.

Property and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount is the cost of the goods (or the net value recalculated if the method adopted for the valuation is the revaluation model) net of the residual value at the end of the depreciation period, if significant. Buildings are depreciated for a portion deemed to be suitable to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in the carrying value of the assets. In order to determine the useful life of the various types of assets and the corresponding depreciation rates, the Group’s real estate assets have been divided into four clusters: (i) Historical and particularly prestigious properties (useful life of 65 years), (ii) Entire buildings (useful life of 33 years), (iii) Banking branches (useful life of 20 years) and (iv) Other properties (useful life of 20 years). These clusters do not include the New Intesa Sanpaolo Headquarters in Turin, for which the useful life was estimated through a specific analysis which considered the peculiar architectural features of the building. Other property and equipment is depreciated based on the following useful lives: furniture from 5 to 10 years, plants from 4 to 10 years, hardware and IT equipment for a period from 4 to 8 years and, lastly, other assets from 3 to 13 years.

The following are not depreciated:
- land, irrespective of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life;
- the valuable art assets, the other historical, artistic and decorative assets, since their useful life cannot be estimated and their value is normally destined to increase over time;
- the investment properties, as required by IAS 40, are measured at fair value through profit or loss and therefore they must not be depreciated.

If there is some evidence that property and equipment measured at cost may have been impaired, the carrying amount of the asset and its recoverable amount are compared. Any impairment losses are recorded in the income statement.
If the reasons for impairment cease to exist, a value recovery is recorded and may not exceed the value that the asset would have had, net of depreciation, determined in the absence of previous impairment losses.

With regard to the property and equipment recognised in accordance with IAS 2, these are measured at the lesser of cost and net realisable value, without prejudice to the comparison between the asset’s carrying amount and its recoverable amount where there is an indication that the asset may have been impaired. Any impairment losses are recorded in the income statement.

Property and equipment consisting of the right-of-use of assets subject to leases

According to IFRS 16, a lease is a contract or part of a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

According to IFRS 16, leases are accounted for on the basis of the right of use model, where, at the initial date, the lessee has a financial obligation to make payments due to the lessor to compensate for its right of use of the underlying asset during the lease term.
When the asset is made available to the lessee for use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.
In particular, the right of use acquired with a lease is measured as the sum of the present value of the future payments over the term of the contract, the lease payments made at or before the commencement date, the lease incentives received, if any, the initial direct costs and any estimated costs of dismantling or restoring the underlying asset.
The financial liability recognised corresponds to the present value of the payments to be made for the lease.

With regard to the discount rate, based on the requirements of IFRS 16, the Group uses the implicit interest rate for each lease contract, when it is available. For leases from the lessee's point of view, in some cases, for example for rental agreements, the implicit interest rate cannot always be readily determined without using estimates and assumptions (the lessee does not have enough information about the unguaranteed residual value of the leased asset). In these cases, the Group has developed a methodology for setting the incremental interest rate as an alternative to the implicit interest rate and has decided to adopt the Funds Transfer Pricing (FTP) method. This is based on an unsecured and amortising rate curve, which envisages lease payments for the lease contract that are typically constant over the lease term, rather than a single payment upon maturity. The FTP method takes into account the creditworthiness of the lessee, the term of the lease, as well as the economic environment in which the transaction takes place and is therefore in line with the requirements of the standard.

The lease term is determined taking into account:
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;
- periods covered by an option to terminate the lease if the lessee is reasonably certain to exercise that option.

During the course of the lease term a lessee shall:
- measure the right-of-use at cost less accumulated depreciation and accumulated impairment losses determined and recognised based on the provisions of IAS 36 "Impairment of assets", adjusted to take account of any remeasurement of the lease liability;
- increase the liability arising from the lease following the accrual of interest expense calculated at the interest rate implicit in the lease or alternatively at the incremental borrowing rate, and decrease it for payments of principal and interest made.

If changes are made to the lease payments, then the lease liability must be remeasured and the impact of the remeasurement of the liability is recognised against the right-of-use asset.

Derecognition criteria
Property and equipment are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

7. Intangible assets

Classification criteria
Intangible assets consist of goodwill and other intangible assets governed by IAS 38. They may include the rights of use acquired under a lease and relating to the use of an intangible asset (for lessees) and assets leased under an operating lease (for lessors).
Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include goodwill, which represents the positive difference between purchase price and fair value of assets and liabilities pertaining to the acquired company.

Recognition and measurement criteria
Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. If this is not the case, the cost of the intangible asset is recorded in the income statement in the year in which it was incurred.
For assets with finite useful life, the cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected from the asset. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment testing.
If there is any indication that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the income statement, is equal to the difference between the carrying value of the assets and the recoverable amount.

In particular, intangible assets include:
- technology-related intangible assets, such as software applications, which are amortised mainly on the basis of their expected technological obsolescence or, if lower, their expected use, and in any case generally no longer than a period of seven years. An exception are the core banking system platforms, whose useful life is estimated on a case-by-case basis, and, as a result, amortised over longer periods (from 10 to 15 years). Moreover, the costs incurred for the development of software are considered as intangible assets and are recognised under assets only when all the following

conditions are met: i) the cost attributable to the intangible asset during its development can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability of making the intangible asset available for use or sale, iii) the future economic benefits to be generated by the asset can be demonstrated. Software development capitalised costs only comprise the costs directly attributable to the development process. Capitalised software development costs are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity from the beginning of production over the product's estimated life;

- customer-related intangibles mainly represented, in business combinations, by asset management relations, non-financial activities related to provision of services and insurance portfolios classified as investments. Such assets, with a finite life, are originally measured by the discounting, using a rate representing the time value of money and the asset's specific risks, of the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. For asset management relations and non-financial activities related to provision of services, they are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration and, for relations from insurance products classified as investments, generally in decreasing portions corresponding to the duration of the contract in case of relations with predetermined expiry (residual lives of the policies);
- marketing-related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered as having indefinite life since it is deemed to contribute for an indefinite period of time to the formation of income flows.

Lastly, intangible assets include goodwill.

With respect to business combinations, goodwill may be recorded when the positive difference between the consideration transferred and the fair value recognition, if any, of minority interests, and the fair value of shareholders' equity acquired is representative of the future income-generation potential of the equity investment.
If this difference is negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the income statement.
Once a year (or every time that there is evidence of impairment losses), an impairment test is carried out for goodwill. This requires the identification of the Cash Generating Unit (or CGU) to which goodwill is allocated. The cash-generating units of the Intesa Sanpaolo Group correspond to the operating divisions presented in segment reporting. Any impairment losses are determined on the basis of the difference between the recognition value of goodwill and its recoverable amount, if lower. The recoverable amount is equal to the higher between the fair value of the cash-generating unit, less any cost to sell, and the relative value in use. The consequent adjustments are posted in the income statement.
With regard to the intangible asset represented by the brand name, if the reference CGU does not have any goodwill allocated, then an independent and specific valuation is made of the intangible on the basis of the fair value certified by the appraisal of an independent expert. If the fair value of the brand name is not higher than its carrying amount, the recoverable amount of the CGU is estimated, calculated based on future cash flows.

It is also noted that, where a CGU which is allocated both goodwill and a brand name has a value in use lower than the carrying amount, by an amount that exceeds the total value of the intangibles with indefinite life allocated, without prejudice to the full write-down of goodwill, an autonomous valuation of the brand name is carried out based on the fair value stated in the specific appraisal.

Derecognition criteria
Intangible assets are derecognised from the balance sheet on disposal and if no future economic benefits are expected.

8. Other assets
Other assets essentially consist of items awaiting classification and items not attributable to the other balance-sheet captions, including receivables arising from the supply of goods and non-financial services, sundry tax items other than those recognised in their own caption (e.g., connected to withholding agent activities), gold, silver and precious metal, the tax credits connected with the "Cura Italia" and "Rilancio" Law Decrees and accrued income other than that capitalised on the related financial assets, including the income resulting from contracts with customers in accordance with IFRS 15, paragraphs 116 and following. As required by paragraphs 91 and following of IFRS 15, the costs incurred for the acquisition and fulfilment of long-term contracts with customers are capitalised and amortised when they are incremental and are expected to be recovered.

9. Non-current assets held for sale and discontinued operations
Non-current assets/liabilities for which a disposal process has commenced and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. These assets/liabilities are measured at the lower of the carrying amount and fair value less cost to sell, except for some type of assets (e.g., financial assets within the scope of IFRS 9) for which IFRS 5 specifically establishes that the measurement principles of the applicable accounting standard must be used.
Non-current assets held for sale and discontinued operations may include portfolios of assets for which there are no prices in an active market. In such case, where an agreement has been reached with the purchaser, they are measured at fair value by referring to the sale prices resulting from that agreement. Where there is no agreement, they are measured using specific valuation techniques based on the asset and, where necessary, by employing external fairness opinions.
The income and charges (net of tax effect) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the income statement in a separate caption.

10. Current and deferred tax

Taxes on income, calculated according to domestic tax regulations, are accounted for as a cost on an accruals basis, in line with the method followed to include, in the financial statements, the costs and income that generated them. Therefore, they represent the balance of current and deferred income taxes for the year. Current tax assets and liabilities include the balances of the Group companies due to the relevant Italian and foreign tax authorities relating to direct taxation. More specifically, these captions include the net balance of tax liabilities from previous years and the current year, calculated on the basis of a prudent estimate of the tax charges due for the year, assessed according to the tax regulations currently in force, and the current tax assets represented by advances, by withholding taxes borne or other tax credits. The risk inherent in such proceedings and the risks inherent in proceedings where preliminary disbursements have not been requested are evaluated in applying the principles contained in IAS 37 regarding the best estimate of the economic resources required.
Considering the Group's adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Group companies are managed separately from an administrative standpoint.
Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.
Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (so-called probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are offset.
If deferred tax assets and liabilities refer to items affecting the Income statement, the balancing entry is represented by taxes on income.
Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, measurements of financial assets recognised at fair value through other comprehensive income or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).
Latent taxation on equity reserves that will become taxable "however used" is charged against shareholders' equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited directly to a specific reserve named "Reserve pursuant to Article 21 of Legislative Decree 213/98", which qualify for deferred taxation, is charged directly against this reserve. No provision is made for reserves subject to latent taxation only in the event of distribution, since the size of the available reserves which have already been taxed leads to the belief that no transactions will be undertaken which may cause taxation of the untaxed reserves.
Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the accrual basis principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.
Latent taxation on shareholders' equity items of consolidated companies is not recorded in the financial statements if it is unlikely that any tax liability will actually arise, also bearing in mind the permanent nature of the investment.

11. Allowances for risks and charges

Allowances for risks and charges for commitments and guarantees given

This sub-caption of the allowances for risks and charges contains the allowances for credit risk recognised for loan commitments and guarantees given that come under the scope of the IFRS 9 impairment rules. For these cases, in general, the methods described for financial assets measured at amortised cost or at fair value through other comprehensive income are adopted for the assignment to the three credit risk stages and the calculation of the expected credit loss.
This aggregate also includes allowances for risks and charges made to cover other types of commitments and guarantees given that, due to their specific characteristics, do not fall under the scope of impairment pursuant to IFRS 9.

Post-employment benefits

Company post-employment benefits are based on agreements and qualify as defined benefit plans. Liabilities related to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected Unit Credit Method. This method sets out that future obligations are forecast using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each year of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The discounting rate is determined on the basis of market returns, surveyed as at the date of measurement, on high-quality corporate bonds, taking account of the residual average life of the liability. The present value of the liability at the reporting date is also adjusted by the fair value of any plan assets.

Actuarial profits and losses (namely the changes in the current value of the obligation resulting from changes in the actuarial assumptions and adjustments based on past experience) are recognised in the statement of comprehensive income.

Other allowances

Other allowances for risks and charges record provisions related to legal obligations or connected to labour relationships or to litigations, also of a fiscal nature, originating from a past event for which a disbursement will probably arise to settle the obligations, provided that the amount of the disbursement may be estimated reliably.
Consequently, a provision is recognised when, and only when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date and takes into account the risks and uncertainties that inevitably surround many events and circumstances. Where time value is significant, provisions are discounted using current market rates. Provisions and increases due to time value are recorded in the income statement.
If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation or when the obligation is settled, the provision should be reversed.
The caption also includes long-term benefits to employees, whose charges are determined with the same actuarial criteria described for post-employment benefits. Actuarial profits and losses are all immediately recognised in the income statement.

12. Financial liabilities measured at amortised cost

Classification criteria
Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.
It also includes the payables recorded by the entity in the capacity of lessee in lease transactions.

Recognition criteria
Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which usually coincides with the time of collection of the sums deposited or the issue of debt securities.
Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.
Lease payables are recognised at the present value of the future lease payments, discounted using the implicit interest rate of the transaction or, where it cannot be determined, the marginal financing rate.

Measurement criteria
After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.
An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.
Lease payables are remeasured when there is a lease modification (e.g. a change in the contract which is not accounted for/considered as a separate contract); the effect of the remeasurement will be a corresponding adjustment to the right-of-use asset.

Derecognition criteria
Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the income statement.
Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

13. Financial liabilities held for trading

Recognition criteria
These financial instruments are recognised at the subscription or issue date at the fair value of the instrument, without taking into account directly attributable transaction costs or revenues.
This liability category includes, in particular, the negative fair value of trading derivatives, as well as embedded derivatives with a negative fair value separated from liabilities measured at amortised cost.
It also includes liabilities determined by short selling generated by trading of securities and certificates forming part of the trading business model.

Measurement criteria
All financial liabilities held for trading are measured at fair value through profit or loss.

Derecognition criteria
Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed of with the substantial transfer of all the risks and rewards connected to it.

14. Financial liabilities designated at fair value

Classification criteria
Financial liabilities designated at fair value are recorded under this caption, on the basis of the fair value option given to companies by IFRS 9 and in compliance with the cases contemplated in the reference regulations.
With reference to the financial liabilities of the subsidiary insurance companies, which do not fall within the scope of application of IFRS 17, the Group has availed itself of the possibility of designating as fair value liabilities products of a financial nature without a significant insurance risk and which are not included in separate management and therefore do not provide elements of discretionary participation features. Investments relating to these forms of funding, as already set out above, are also measured at fair value through profit or loss as they are managed according to an "Other" Business Model.

This category of liabilities also includes certificates included in the banking book business model.

Recognition criteria
These liabilities are recorded at fair value as at the date of issue, including the value of any embedded derivatives, net of placement fees paid.

Measurement criteria
These liabilities are measured at fair value according to the following rules established by IFRS 9:
- changes in fair value attributable to changes in own credit risk must be recognised in the statement of comprehensive income (shareholders' equity);
- the remaining changes in fair value must be recognised in the income statement.

The amounts recognised in the statement of comprehensive income are not subsequently recycled to the income statement. This method of accounting must not be applied when recognition of the effects of own credit risk on shareholders' equity results in or accentuates an accounting mismatch in the income statement. In this case, gains and losses associated with the liability, including those resulting from changes in own credit risk, must be recognised in the income statement.

Derecognition criteria
The financial liabilities designated at fair value are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed with the substantial transfer of all the risks and rewards connected to it.

15. Foreign currency transactions

Definition
The foreign currency is a currency that is not the functional currency of the entity, which is in turn the currency of the primary economic environment in which the entity operates.

Initial recognition
Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

Subsequent measurement
At every close of annual or interim financial statements, captions in foreign currency are measured as follows:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit or loss in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit or loss, any exchange component of that gain or loss is recognised through profit or loss.

With regard to the "Conversion of financial statements in currencies other than the euro" for the purposes of consolidation and accounting for the related foreign exchange differences, reference is made to the specific paragraph of Part A: Section 3 - Scope of consolidation and consolidation methods of these Notes to the consolidated financial statements.

16. Insurance assets and liabilities

Classification criteria
This category contains the insurance assets and liabilities within the scope of application of IFRS 17 Insurance Contracts.
Specifically, the caption insurance liabilities presents the liabilities recognised by the Intesa Sanpaolo Group for contracts for which insurance risk is deemed significant and which include: temporary class I life policies and income and mixed policies with guaranteed fixed conversion rates at the time of issue, and certain types of unit-linked policies, insurance pension funds and damage cover, as well as reinsurance components.
This caption also includes liabilities recognised for investment products that entail discretionary participation features (separate management schemes) as well as mixed class I products and class V capitalisation policies.
Note that the financial products issued by insurance companies that do not have significant insurance risk and no not provide for discretionary participation features are recognised in the financial statements as financial liabilities and accounted for pursuant to IFRS 9. Specifically, the Group measures those products at fair value, exercising the option provided by the standards (Fair Value Option) to avoid accounting mismatches with the correlated investments measured at fair value. These financial products substantially include unit-linked policies without extra return clauses.
Their classification as assets or liabilities is based on the net balance of the portfolio the contracts belong to. Generically, the insurance contracts present a balance payable (insurance liabilities) while reinsurance contracts present a balance receivable (insurance assets).

Recognition criteria
When the contract is signed with the policyholder, a liability is recognised whose amount represents the sum of the value of all of the expected contractual cash flows (Present Value of Future Cash Flows), discounted and also including an appropriate

Risk Adjustment (for non-financial risks) and the Contractual Service Margin which represents the present value of the future profits.
Contracts are recognised by groups (units of account), not contract by contract. In order to identify the units of account, the contracts issued are firstly divided into "portfolios", or groups of contracts with similar risks, which are managed as a unit. Each portfolio is then divided into profitability buckets, distinguishing between onerous contracts at the time of initial recognition, contracts which have no significant possibility of becoming onerous at the time of initial recognition and groups composed of other contracts in the portfolio. A specific test is conducted to define the profitability classes (onerousness test).
Lastly, groups of contracts shall not contain contracts issued more than 12 months previously (grouping by "cohorts"), with the exception of contracts linked to separate management schemes, for which the European Commission's endorsement of IFRS 17 provided the option to depart from that requirement (carve-out).
The Intesa Sanpaolo Group aggregates the contracts belonging to the Non-Life Business based on the Solvency II Line of Business ("LoB") they belong to. For the Life Business, groups of contracts are aggregated for products included in the same Separate Management, Multi-Line products linked to the same Separate Management, Unit-Linked products, products linked to Pension Funds and pure risk products (e.g. temporary life policies).
With regard to contracts relating to Multi-Line products or linked to a Separate Management, the Group exercises the option not to apply the Annual Cohort requirement (so-called "carve-out"), as allowed in the IFRS 17 Endorsement Regulation at European level, and therefore aggregates these types of contracts only based on the concept of sharing similar risks and uniform management as well as belonging to the same profitability bucket.

Measurement criteria
IFRS 17 requires the measurement of insurance liabilities (or assets if of opposite sign) based on up-to-date information that reflects the conditions existing at the measurement date.
Specifically, the standard sets out:
- a reference accounting model (General Model) used for life insurance contracts without contractual links to other assets and liabilities (life policy products and credit protection insurance) and for long-term non-life contracts ineligible for the simplified model;
- a model that modifies the General Model called the Variable Fee Approach, which is mandatory for measuring certain specific types of liabilities (for example, contracts linked to separate management schemes); and
- an optional simplified approach called the Premium Allocation Approach.

For the General Model and the Variable Fee Approach, the standard requires, at the initial measurement date, the measurement of a group of contracts as the sum of the expected contractual cash flows (Present value Future Cash Flow), a risk adjustment – a liability that reflects the uncertainty of cash flows due to non-financial risks – and the Contractual Service Margin, which represents the unaccrued profits that the entity will recognise gradually as it provides the service provided for by the group of insurance contracts.

Insurance liabilities comprise:
- the liability for remaining coverage (LRC): this is the liability related to the hedged event and consists of the sum of the expected contractual cash flows (Present Value Future Cash Flows), the Risk Adjustment and the Contractual Service Margin;
- the liability for incurred claims (LIC): this is the liability representing events that have already occurred and is composed of the sum of the related expected contractual cash flows (Present Value Future Cash Flows) and Risk Adjustment.

To determine the expected cash flows, all flows directly linked to the performance of the insurance contracts are considered. Because the insurance products in the Intesa Sanpaolo Group are mainly distributed by Group companies other than those in the Insurance Division, to quantify the cash flows and thus, the Contractual Service Margin at consolidated level, only the real costs incurred by the Group due to third parties are considered.

Following initial recognition, the carrying amount of a group of insurance contracts at each reporting date must be revised based on the most up-to-date assumptions, both operational (i.e. costs of claims, expenses) and financial (i.e. interest rate).
At each accounting closing it is thus necessary to update the balances of the present value of future cash flows and the risk adjustment. In this context:
- the update of the present value of future cash flows or the risk adjustment attributable to operational assumptions (i.e. the update to the estimated future claims) is recorded as an offsetting entry to the contractual service margin (i.e. a reduction in the present value of future cash flows due to a decrease in expected claims is recorded as an increase in the contractual service margin);
- the update of the present value of future cash flows or the risk adjustment attributable to financial changes (i.e. the update to the interest rate) is recognised, instead, in the income statement (i.e. as a reduction in the present value of future cash flows due to an increase in the discount rate is recognised in the income statement).

Once the changes attributable to operational assumptions of the expected contractual cash flows and the risk adjustments have been applied, the Contractual Service Margin for the insurance service provided during the period is released to the income statement. The release method follows the service provided over the term of the contract (coverage unit), which the Group calculates using the projected and discounted insured amounts for the life business and the earned premiums for the non-life business. Vice versa, for groups of onerous contracts, the standard requires that the overall estimated loss over the entire life of the policies be immediately recognised to the income statement.
The differences between the expected cash flows for the period and the corresponding actual figure also contribute to the adjustment of the Contractual Service Margin. In particular, with respect to the benefits provided by the contracts, the following must be calculated:
- the actual/expected difference relating to the non-distinct investment component (amounts that are paid to the holder of the contract in all circumstances, net of any components relating to insurance risks), which was identified for all products in portfolio with reference to the surrender value payable by the Company at the request of the holder of the contract, net of any penalties;

- the actual / expected difference relating to the premiums paid by the holder of the contract and related commissions, with reference only to the component relating to future services.

For insurance contracts with direct participation features (life products whose value is influenced by the underlying assets), the standard requires the mandatory application of a modified version of the General Model called the Variable Fee Approach. A contract has direct participating features if its terms and conditions envisage that:
- the policyholder obtains returns linked to a clearly identified group of underlying items;
- the entity expects to pay out a substantial share of the fair value returns on the underlying assets;
- a substantial proportion of the cash flows that the issuer expects to pay the policyholder will vary with the change in the fair value of the underlying assets.

The Variable Fee Approach has the same rules of initial recognition as the General Model, but provides several variants on the changes in subsequent measurements.
Under the Variable Fee Approach, the contractual service margin includes, in addition to that set out in the General Model, the financial profits pertaining to the Group deriving from the management of the assets underlying contracts measured using the Variable Fee Approach.
To determine whether discretionary participation features are significant, the Group performs both a qualitative and quantitative test to verify the requirements. Within the Insurance Division's products, all the linked insurance contracts and pension funds and all the contracts linked to a separate management, both individual and Multi-Line, are measured using the Variable Fee Approach.

Lastly, IFRS 17 requires the application of the Premium Allocation Approach to simplify the measurement of a group of insurance contracts if the coverage period of each contract in the group (including the insurance services deriving from all premiums included within the contractual limit) does not exceed 12 months or if the application of that approach does not provide results that deviate significantly from the application of the General Model.
That approach does not require the identification of the single components of liabilities for future coverage (present value of future cash flows, risk adjustment and contractual service margin) but the identification of an "overall" insurance liability. The Intesa Sanpaolo Group applies this approach solely to the Non-Life Business, with the general rule being to use the Premium Allocation Approach for insurance policies with a duration of one year or less.

In some cases, the interaction between IFRS 17 and IFRS 9 may generate mismatches between the way insurance contracts and related financial assets are accounted for. In order to reduce these mismatches, IFRS 17 allows for a disaggregation of financial income and expenses from insurance contracts between the profit or loss (financial result) and other comprehensive income (OCI).
The decision to carry out disaggregation is made for groups of contracts in applying IFRS 17 with the following methods:
- with regard to contracts valued using the General Model and the Premium Allocation Approach, the financial revaluation of future cash flows and risk adjustment at historical rates is recognised through profit or loss, while the difference between the revaluation at historical and current rates is recognised through other comprehensive income;
- for contracts valued under the Variable Fee Approach, IFRS 17 requires the financial result of insurance contracts to be disaggregated between profit or loss and other comprehensive income. In essence, the difference between the financial result of insurance contracts and the financial result through profit or loss arising from the underlying financial instruments is reclassified to other comprehensive income (mirroring).

In line with the decisions to classify the securities under assets to cover the insurance products, and to reduce potential accounting mismatches, the Intesa Sanpaolo Group adopts the disaggregation illustrated above (also known as the "OCI option") on all portfolios of insurance contracts, except those relating to unit-linked policies not linked to multi-line products or open pension funds.

Modification and derecognition criteria
According to IFRS 17, an insurance contract is derecognised from the accounts when, and only when, the contract is extinguished, i.e., when the specific obligation in the insurance contract has expired or has been fulfilled or eliminated.

Moreover, following contractual modifications (agreed between the parties or due to changes in regulations) that reflect at least one of the following conditions:
- the modified contract would have been excluded from the scope of application of IFRS 17 if the modified terms had been included in the contract on initial recognition; the separation of the different components, bringing a different contract to be measured under IFRS 17; or a substantially different "contract boundary" or the assignment of a different group of contracts;
- the original contract meets the definition of insurance contract with direct participation features, but the modified contract no longer does, and vice versa;
- the original contract is measured using the simplified approach or the premium allocation approach, but the modified contract no longer meets the eligibility criteria to be measured using this approach;

IFRS 17 requires that the original contract be derecognised and the new contract be recognised. Conversely, if the contractual modifications meet none of the conditions listed above, they shall be treated as changes in the measurement assumptions of the present value of future cash flows and, as a result, shall modify the previously calculated risk adjustment and contractual service margin.

Use of estimates to determine the insurance liabilities pursuant to IFRS 17

Discount rate

In accordance with IFRS 17, the Intesa Sanpaolo Group defined a methodology for calculating discount rates and measure insurance contracts.
Specifically, the Intesa Sanpaolo Group follows a bottom-up approach, defining a discount rate structure that includes both risk-free interest rates and an adjustment to reflect the illiquid nature of insurance products.
In order to determine the risk-free interest rate structure, the Group first observes the market data on interest rates that are deemed sufficiently liquid. At present, the Intesa Sanpaolo Group considers sufficiently liquid the swap rate observations up to the 20-year maturity (LLP or Last Liquid Point). In order to ensure the use of a risk-free structure, the Group subsequently excludes the credit risk component from the valuation of swap rates, which is quantified (similarly to EIOPA) through the calculation of credit risk adjustment (CRA).
The risk-free rates calculated accordingly as swaps less CRA are extrapolated beyond the LLP, using specific market methodologies, also defining a risk-free interest rate on long maturities of the curve (60y), assessed by also considering inflation expectations[88].
On the other hand, with respect to the liquidity premium to be added to the risk-free rates calculated accordingly, the Intesa Sanpaolo Group first defines, for each insurance contract to be valued, the appropriate reference asset portfolio to calculate this premium. The Group elected to use the following reference portfolios for the different types of insurance contracts:

- for contracts relating to the non-life business, the asset portfolio of the company is used;
- for contracts relating to the life unit-linked business and pension funds, the company's total portfolio of assets relating to the unit-linked business and pension funds is used;
- for contracts relating to the traditional life business (separate management) or multi-line business, the investment portfolio of separate management to which the product is linked is used.

After identifying the reference asset portfolio, the Group calculates the average liquidity premium of the assets in the portfolio, equal to the difference between the spread observable at the measurement date for each asset and its probability of default. The default component is deducted in line with the provisions of IFRS 17 on credit risk correction.

Estimates of future cash flows for the performance of insurance contracts

Future cash flows represent future liabilities that the insurance company posts to cover its commitments regarding insurance business. These include cash flows to insured parties weighted by their probability of occurrence, including forward-looking returns on insurance products and expenses to be incurred to support the business in force.

Life business cash flows are calculated using the actuarial engine, based on future cash flow projection methods similar to those defined under Solvency II, with a higher level of granularity compared to the Unit of Account, in order to achieve an estimation level as close to reality as possible 200 scenarios were used for stochastic processing.
Management of the assets belonging to separate management schemes, used for projection purposes and implemented in the actuarial engine, is defined as Future Management Measures (FMG). These include, inter alia: the target return of the separate management scheme, strategic asset allocation, reinvestment/disposal policies, risk mitigation strategies and commercial actions.

With respect to the Non-Life business, the future cash flows relating to liability for incurred claims (LIC) are calculated without distinguishing between the different components included in the calculation (i.e., there is no need for a break down into the different components relating to claims, IBNR, external settlement costs, etc.).
With respect to the future cash flows relating to the liability for remaining coverage (LRC) measured using the General Model, the calculation is based on the definition of future cash flows under Solvency II, duly adjusted to reflect any differences with respect to the scope of the future cash flows to be considered (i.e., contract boundary) and the granularity required by IFRS 17.
The calculation of the liability for remaining coverage measured using the Premium Allocation Approach does not require future projections and is based on the simplified method envisaged by the standard.

To estimate the expected future cash flows within the scope of each group of contracts, the Group applies the following criteria:

- incorporating all available information obtained in a reasonable and justifiable manner, without superfluous costs or efforts, with regard to the amount, timing and uncertainty of the cash flows;
- maintaining consistency of the estimate of any market variables with the corresponding values observable on the market for those variables;
- reflecting the conditions existing at each measurement date, i.e. the estimate is based on current information, updated for each reporting period.

Specifically, the standard defines non-financial variables (so-called operational assumptions) as all variables that cannot be observed or derived directly from markets.
The operational assumptions mainly affect:

- the exercise by the insured parties of contractual options that modify the nature of the terms of the contract and the resulting cash flows (such as the conversion option);
- the frequency and amount of insured events (such as the operational mortality factor);
- the technical assumptions relating to non-life business (such as the definition of the loss ratio, the expense ratio, early termination rates with and without premium reimbursement, claim run-off rates).

[88] The Group's elections, both for the interest rate liquidity analysis component, the CRA adjustment and the extrapolation of long-term rates, are in line with the provisions of IFRS 17 on the definition of the risk free rate structure and the insurance practice defined by EIOPA (see EIOPA-BoS-22-409).

Where cash flows contain financial guarantees and contractual options (which do not change symmetrically with market charges), the methodology adopted by the Intesa Sanpaolo Group provides for appropriate modelling of the impact of financial guarantees and contractual options, using stochastic financial scenarios within the actuarial platform.
The companies belonging to the Insurance Division maintain and regularly update a list of all operational factors that may affect future liabilities.
For each operational factor selected and deemed material, the most appropriate, comprehensive and accurate data set (internal or external, or a combination of the two) is identified and will be used as an objective, stable and robust basis to define Best Estimate assumptions. For each of the selected operational factors, the most reliable, objective, appropriate and stable method is identified to derive Best Estimate assumptions, appropriately using the available information and possibly considering the impact of outliers and potential future trends. Finally, the validity is checked and the adequacy of the methods used to derive the Best Estimate assumptions is actively and regularly monitored.
With respect to the most significant operating assumptions, the companies belonging to the Insurance Division perform appropriate sensitivity analyses.

To identify the amount of expenses included in the scope of IFRS 17, reference is made to the expense captions, net of several expenses (e.g. training expenses, donations and fines etc…), in line with the provisions of the standard. Specifically, the expenses include those directly attributable to groups of contracts, including the allocation of fixed and variable general overhead costs. Moreover, under several methods used to measure claims incurred for Non-Life/Accident contracts, the estimate of future payments of claims are adjusted to take account of inflation. The Insurance Acquisition Cash Flows incurred in a lump-sum on issuing new contracts are not part of future cash flows, but are included in the measurement of the Contractual Service Margin of New Business, as a decrease thereto, by virtue of the fact that those costs were paid against the payment of the premium.
In defining projected cash flows, the Intesa Sanpaolo Group projects the real costs incurred to third parties, eliminating the intragroup costs incurred by the insurance companies.

With regard to the assumptions on mortality rates, the Italian national mortality tables published by ISTAT are considered. A survey on the Group's experience in the last ten years is conducted, and statistical methods are used to adjust the mortality tables in order to generate the expected mortality rates differentiated by macro-type of product (credit protection insurance, temporary life policies, savings/investment/pension) and by age and gender classes.

The other technical assumptions are also obtained starting with the historical data taken from ERP/management applications. Specifically, for redemption rates, a statistical analysis is conducted by claim duration of the historical frequencies recorded by the single insurance companies, suitably adjusted based on expert judgement, specifically regarding the claim durations not yet subject to observation.

To measure the future cash flows relating to the liability for incurred claims, the Group uses the most commonly used methods in the sector, also based on the availability of data and time series on claims. The estimate of liabilities for claims occurred includes the estimate of reimbursements and direct costs for claims occurred and reported, occurred but not yet reported, direct liquidation fees and management and liquidation fees allocated.

Methods used to measure the adjustment for non-financial risk
The non-financial risk adjustment is the compensation required to support the uncertainty on the amount and timing of cash flows deriving from non-financial risk at the time of performance of the insurance contract. As the risk adjustment compensates for uncertainty, estimates are made both on a proportionate approach to calculating the risk adjustment as the product of an average percentage applied to the expected contractual cash flows, where the percentage is obtained by leveraging an ex-ante VaR approach on a quarterly basis, based on the 75th percentile of the specific distribution of each risk considered. The analysis of the requirements of the standard entailed the selection, for the purposes of calculating the risk adjustment for the Life Business and the Non-Life Business, of the following underwriting risks:
- for the Life business, reference is made to the following risks: Mortality, Longevity, Expenses and the higher of the Lapse Up risk and Lapse Down risk;
- for the Non-Life business, reference is made to the following risks: Premium and Reserve and Lapse.

Both for the Life business and the Non-Life business, Catastrophic risk is excluded.

17. Other information

Own shares
Any own shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

Accruals, prepayments and deferrals
Accruals, prepayments and deferrals for the year that include income and charges for the year, accrued on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities to which they are related.

Leasehold improvements
The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. These costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

Employee termination indemnities
Employee termination indemnities qualify as a "post-employment benefit" classified as:
- a "defined contribution plan" to the extent of the portions accruing from 1 January 2007 (the date the reform of the supplementary pension schemes came into force pursuant to Legislative Decree 252 of 5 December 2005) when the employee opted for the complementary pension scheme or decided to allocate such portions to the INPS (the Italian Social Security Institute) Treasury fund. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation;
- a "defined benefit plan" to the extent of the portions of employee termination indemnities accrued until 31 December 2006. These amounts are recognised at their actuarial value determined using the "Projected Unit Credit Method", without applying the pro-rata of the service rendered. Indeed, the current service cost of employee termination indemnities is almost entirely accrued and its revaluation in the years to come is not expected to generate significant benefits for employees.

For the purposes of discounting, the rate used is the market yield of high-quality corporate bonds taking into account the average remaining life of the liability, weighted based on the percentage amount paid and advanced, for each maturity, with respect to the total to be paid and advanced until the expiry of the entire obligation.
The plan's costs are recorded under personnel expenses, while actuarial profits and losses are recognised in the statement of comprehensive income.

Share-based payments
Share-based payments are recorded in the income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.
In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned.
The combination of the two values supplies the fair value of the assigned instrument.
Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

Employee benefits
Employee benefits are defined as all forms of consideration given by an entity in exchange for service rendered by employees. Employee benefits are divided into:
- short-term benefits (other than termination benefits or equity compensation benefits) that are expected to be paid in full within twelve months after the end of the period in which the employees render the related service and recognised in full through profit or loss when they become due (this category includes, for example, wages, salaries and "extraordinary" benefits);
- post-employment benefits payable after the conclusion of employment that require the entity to provide future benefits to employees. These include employee termination indemnities and pension funds, which are in turn divided into defined contribution plans and defined benefit plans or company pension funds;
- termination benefits, i.e. compensation that the company recognises to the staff members upon termination of the employment agreement, following the company's decision to terminate the employment relationship prior to the normal retirement date;
- long-term benefits, other than those above, that are not expected to be paid in full within twelve months after the end of the period in which the employee rendered their service.

Offsetting of financial instruments
According to IAS 32, paragraph 42, financial assets and financial liabilities are offset and the net amount presented in the financial statements when an entity:
- has a legal enforceable right of set off which is currently exercisable in all circumstances, both in the ordinary course of business or in the event of default, insolvency or bankruptcy of the parties;
- intends to settle the transactions on a net basis or on a gross settlement basis whose substantive effects are equivalent to a net settlement.

For derivative instruments covered by netting agreements that meet the above requirements, Bank of Italy Circular 262 also requires the offsetting to be performed between trading and hedging derivatives, with the mismatches to be presented on a net basis. The net balance is usually allocated to the trading book rather than to the hedging derivatives, based on the actual amount of the mismatch between trading and hedging derivatives.
In compliance with the requirements of IFRS 7, more detailed information is provided in the tables contained in Part B – Other information of these Notes to the financial statements, which present the following:
- the carrying amounts of assets and liabilities that meet the requirements of IAS 32, paragraph 42, before and after offsetting;
- the exposures subject to master netting agreements that have not been offset but have the potential to be offset following specific circumstances;
- the collateral associated with them.

Tax credits related to the "Cura Italia" and "Rilancio" Law Decrees acquired as a result of transfer by direct beneficiaries or previous purchasers (e.g. ecobonus)
Law Decrees no. 18/2020 ("Cura Italia" Decree) and no. 34/2020 ("Rilancio" Decree) introduced tax incentives related to both investment expenditure (e.g. ecobonus and seismicbonus) and current expenditure (e.g. rents for non-residential premises). Additionally, the government once again intervened on the issue through Law Decree no. 50/2022 ("Decreto Aiuti"), mainly by

remodulating the base of potential re-assignees, and Law-Decree no. 11/2023, prohibiting, although with certain exceptions, the possibility of opting, instead of directly using the deduction, for the discount on invoices or transfer of credit.
These tax incentives apply to households or businesses, are linked to a percentage of the expenditure incurred (in some cases up to 110%) and are granted in the form of tax credits or tax deductions (with option for conversion into tax credits). The main features of these tax credits are: i) the possibility of using them for offsetting; ii) their transferability to third-party purchasers; and iii) their non-refundability by the Treasury.
The accounting for tax credits acquired from a third party (transferee of the tax credit) is not covered by a specific international accounting standard. IAS 8 requires, in cases where there is a circumstance not explicitly addressed by an IAS/IFRS accounting standard, that management develop an accounting policy to ensure relevant and reliable disclosure of such transactions.
To this end, the Intesa Sanpaolo Group, in view of the guidance provided by the Authorities, in the document "Accounting treatment of tax credits connected with the 'Cura Italia' and 'Rilancio' Law Decrees acquired following the assignment by the direct beneficiaries or previous purchasers" published on 5 January 2021 by the Coordination Committee between the Bank of Italy, Consob and IVASS concerning the application of IAS/IFRS has adopted an accounting policy that refers to the accounting rules established by IFRS 9, applying the provisions that are consistent with the characteristics of the transaction.
The Group attributes:

– to a Hold to Collect business model the loans that are acquired within the limits of its tax capacity, with the objective of holding and using them for future offsetting. Those credits are recognised at amortised cost, representing the remuneration of net interest income over the time frame of recovery;
– to a Hold to Collect and Sell business model the loans that are acquired within the limits of its tax capacity, which may be further reassigned. Those credits are measured at fair value through other comprehensive income. Given the particular nature of these instruments, their fair value fluctuations are linked to the changes in interest rates. The profitability is recognised on a pro-rata basis under net interest income in the income statement.
– to an Other business model, the loans acquired for trading, e.g., in the event of purchases above its tax capacity and the signing of related reassignment agreements. Those loans are measured at fair value through profit or loss. Their fair value fluctuations are linked to the changes in interest rates. The profitability is recognised on a pro-rata basis under net interest income in the Income statement.

In all the above cases, the initial recognition value matches the fair value at the date of purchase. Therefore, no day-one profit/loss is recognised.

The accounting framework set out in IFRS 9 for calculating expected credit losses is not deemed applicable to this specific case. The ECL need not be calculated on these tax credits, as no refund is expected from the tax authorities, as the extinction of the instrument is linked to the offsetting of the bearer's tax payables. Moreover, in cases where reassignment is planned, the sale will be finalised by collecting the price of the instrument, without recognising a receivable due from the assignee.

Lastly, considering the operating methods implemented by the Group, the risk of non-use of the tax credits, i.e. the risk that the Bank lacks the tax capacity to achieve the benefits associated with the asset, can be reasonably deemed as inexistent. Specifically:

– with regard to the Hold to Collect and Hold to Collect and Sell business models, the amounts acquired are consistent with the overall tax capacity, so that the Bank can offset its payables;
– with regard to the Other business model, for the loans acquired, reassignment agreements are gradually entered into for excess volumes, binding on the customer, with multiple counterparties, whose tax capacity is verified in advance.

As specified in the joint document from the Authorities, as mentioned above, given that the purchased tax credits do not qualify as tax assets, public subsidies, intangible assets or financial assets under the international accounting standards, the most appropriate classification, for their presentation in the financial statements, is the residual classification under Other Assets in the balance sheet.

TLTRO III

The TLTRO III (Targeted Longer Term Refinancing Operations) seek to preserve favourable bank lending conditions and support the defined monetary policy stance. Several of the parameters that characterise these operations, established by the ECB on 6 June 2019, were subsequently recalibrated in several steps, initially improving them for banks in light of the economic effects of the COVID-19 emergency and, 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:
    - the determination of the parameters for a significant increase in credit risk, essentially based on models for measuring the probability of default (PD) upon origination of the financial assets and at the reporting date;
    - the inclusion of forward-looking factors, including macroeconomic factors, for the determination of the PD and LGD;
    - the determination, 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:
    - 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;
    - 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 discretional parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final measurement.

The following are measured using level 2 input models:
- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- loans whose fair value is determined through the use of an appropriate credit spread which is estimated starting from market data of financial instruments with similar characteristics;
- derivatives 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 infoproviders or specialised platforms, where available, or are taken from the business plan of the transaction, supplemented with periodic reporting, such as the case of Non-Performing Loans (NPLs) and Unlikely to Pay (UTP); the spreads are gathered from prices available on the market/market info provider, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative value with respect to other similar structures.

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

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

V. Valuation of non-contributed equities

Level 2 equities include:

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

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

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

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

example, options) are classified in level 2 or 3 of the fair value hierarchy, according to the observability of the inputs used in the valuation. Specifically, if the negotiation of the clause resulted in strike prices or pre-defined algorithms and multiples, the instrument is classified in level 2.
The cost criterion as estimate of fair value is used to a lesser extent, where none of the previous methods are applicable due to lack of sufficient information, and in the cases where there is a wide range of possible fair value measurements and it is not possible to identify the most appropriate value among these.
This case also includes Equity Instruments which, in accordance with IAS 32, have the characteristics to be considered as equities.

VI. The valuation of hedge funds

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

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

These risks are assessed on the basis of the information contained in the documentation received periodically from the fund managers or administrators.
The fair value hierarchy level is Level 2, provided the Level 3 instruments do not exceed a set threshold.

VII. The valuation of private debt funds

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

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

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

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

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

With regard to closed-end funds resulting from sales of non-performing loans, where an information set is available that makes it possible to conduct an analysis of the business plan of the positions held by the fund, individually or by uniform cluster, to determine the fair value of the units of the fund, in general the Bank uses the support of an independent expert, who, among other duties, carries out a comparison of performance of the business plans of the underlying exposures, and states in its report, that the fair value determined by the expert complies with the indications from the main regulators[89].
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.

(thousands of euro)

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	Favourable changes in FV	Unfavourable changes in FV
Securities and loans	Discounting Cash Flows	Credit Spread	-3	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 standards[90] 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

(millions of euro)

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	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)*

(millions of euro)

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

(millions of euro)

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)

(millions of euro)

	Assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	TOTAL	*of which: a) Financial assets held for trading*	*of which: b) Financial assets designated at fair value*	*of which: c) Other financial assets mandatorily measured at fair value*				
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)*

(millions of euro)

	Assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	TOTAL	*of which: a) Financial assets held for trading*	*of which: b) Financial assets designated at fair value*	*of which: c) Other financial assets mandatorily measured at fair 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)*

(millions of euro)

	Assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	TOTAL	*of which: a) Financial assets held for trading*	*of which: b) Financial assets designated at fair value*	*of which: c) Other financial assets mandatorily measured at fair 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:
    - demand financial items (assets and liabilities) or financial items with an original maturity equal to or shorter than 12 months and residual maturity equal to or shorter than 12 months: in the table, the column corresponding to level 2 of the fair value hierarchy presents the short-term financial items and cash collateral for financial operations, while the column corresponding to level 3 of the fair value hierarchy presents demand loans;
    - non-performing assets which in the table are included in the column corresponding to level 3 of the fair value hierarchy.

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

Under IFRS 9, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument at initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities. The fact that, upon initial recognition, the fair value of a financial instrument normally coincides with the transaction price is usually intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Any differences between the price and the fair value are usually attributable to the so-called commercial margins, which are considered as not falling within the scope of Day One Profit (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

(millions of euro)

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

(millions of euro)

Captions	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
of which: insurance companies	*125*	*85*
e) Non financial companies	333	415
2. Equities	**1,915**	**882**
a) Banks	64	35
b) Other financial companies	243	133
of which: insurance companies	*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
of which: insurance companies	-	-
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

(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	**-**	**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

(millions of euro)

Captions	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	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
2. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total	**1**	**1**

2.5 Other financial assets mandatorily measured at fair value: breakdown

(millions of euro)

Captions	31.12.2023			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

(millions of euro)

Captions	31.12.2023	Of which:			31.12.2022
		Banking group	*Insurance companies*	*Other companies*	
1. Equities	**5,993**	**470**	**5,523**	**-**	**5,475**
of which: banks	*494*	*-*	*494*	*-*	*420*
of which: other financial companies	*324*	*133*	*191*	*-*	*294*
of which: non financial companies	*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
of which: insurance companies	*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
of which: insurance companies	*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)

(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	**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

(millions of euro)

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					Total adjustments				Total partial write-offs
		Stage 1	*of which: Instruments with low credit risk*	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		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					Total adjustments				Total partial write-offs
		Stage 1	*of which: Instruments with low credit risk*	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		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					Total adjustments				Total partial write-offs
		Stage 1	*of which: Instruments with low credit risk*	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		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

(millions of euro)

Transaction type/Amount	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	-
of which: insurance companies	*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*
of which: insurance companies	*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					Total adjustments				Total partial write-offs
	Stage 1	*of which: Instruments with low credit risk*	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities	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

(millions of euro)

	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	
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

(millions of euro)

Transactions / Type of hedge	Fair Value							Cash-flow		Foreign investm
	Specific						Generic			
	debt securities and interest rates	equities and stock indices	foreign exchange rates and gold	credit risk	commodities	other		Specific	Generic	
1. Financial assets measured at fair value through other comprehensive income	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

(millions of euro)

Fair value change of hedged assets / Amount	31.12.2023	31.12.2022
1. Positive fair value change	**16**	**-**
1.1 of specific portfolios:	16	-
a) financial assets measured at amortised cost	*16*	-
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative fair value change	**-5,711**	**-9,752**
2.1 of specific portfolios:	-5,666	-9,752
a) financial assets measured at amortised cost	*-5,666*	*-9,752*
b) financial assets measured at fair value through other comprehensive income	-	-
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 Direct ownership	% held	Votes available % (b)
	A. COMPANIES SUBJECT TO JOINT CONTROL						
1	Apside S.p.A. (c)	Turin	Turin	7	Intesa Sanpaolo S.p.A.	50.00	
	Capital Euro 50,000 in shares of Euro 1						
2	Augusto S.r.l.	Milan	Milan	7	Intesa Sanpaolo S.p.A.	5.00	
	Capital Euro 10,000 in shares of Euro 1						
3	Diocleziano S.r.l.	Milan	Milan	7	Intesa Sanpaolo S.p.A.	5.00	
	Capital Euro 10,000 in shares of Euro 1						
4	Mir Capital Management S.A.	Luxembourg	Luxembourg	7	Private Equity International S.A.	50.00	
	Capital Euro 31,000 in shares of Euro 1						
5	Mir Capital S.C.A. SICAR	Luxembourg	Luxembourg	7	Private Equity International S.A.	50.00	
	Capital Euro 65,365,000 in shares of Euro 1						
6	Mooney Group S.p.A.	Milan	Milan	7	Isybank S.p.A.	50.00	
	Capital Euro 10,050,000 in shares of Euro 0.20						
7	PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management	Zagreb	Zagreb	7	Privredna Banka Zagreb D.D.	50.00	
	Capital Euro 7,432,477.27 in shares of Euro 132.72						
	B. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE						
1	1875 Finance Holding AG	Sarnen	Sarnen	4	Reyl&Cie S.A.	40.00	
	Capital CHF 500,000 in shares of CHF 1						
2	Adriano Lease Sec S.r.l. in liquidation (d)	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	5.00	
	Capital Euro 10,000 in shares of Euro 1						
3	Alpian S.A.	Geneva	Geneva	4	Fideuram - Intesa Sanpaolo Private Banking S.p.A.	28.13	
	Capital CHF 27,540,251.94 in shares of CHF 0.01				Reyl&Cie S.A.	13.49	
						41.62	
4	Asteria Investment Managers S.A.	Geneva	Geneva	4	Fideuram - Intesa Sanpaolo Private Banking S.p.A.	49.00	
	Capital CHF 7,300,000 in shares of CHF 10						
5	Back2Bonis	Milan	Milan	4	Intesa Sanpaolo S.p.A.	43.82	35.00 (*)
	Capital Euro 1,029,741,200 in shares of Euro 500,000						
6	Backtowork24 S.r.l. (e)	Milan	Milan	4	Intesa Sanpaolo S.p.A.	30.58	
	Capital Euro 622,820 in quotas without nominal value						
7	Bancomat S.p.A.	Rome	Rome	4	Intesa Sanpaolo S.p.A.	31.55	
	Capital Euro 21,095,726 in shares without nominal value				Isybank S.p.A.	0.01	
						31.56	
8	Berica ABS 3 S.r.l. in liquidation (d)	Vicenza	Vicenza	4	Intesa Sanpaolo S.p.A.	5.00	5.00 (*) 95.00 (**)
	Capital Euro 10,000 in shares of Euro 1						
9	Brera Sec S.r.l. (d)	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	5.00	
	Capital Euro 10,000 in shares of Euro 1						
10	Camfin S.p.A. (f)	Milan	Milan	4	Intesa Sanpaolo S.p.A.	4.60	8.53 (*)
	Capital Euro 110,000,000 in shares of Euro 0.2						
11	Cassa di Risparmio di Fermo S.p.A.	Fermo	Fermo	4	Intesa Sanpaolo S.p.A.	33.33	
	Capital Euro 39,241,088 in shares of Euro 51.65						
12	Clara Sec S.r.l. (d)	Conegliano	Conegliano	4	Intesa Sanpaolo S.p.A.	5.00	
	Capital Euro 10,000 in shares of Euro 1						
13	Compagnia Aerea Italiana S.p.A.	Rome	Fiumicino	4	Intesa Sanpaolo S.p.A.	27.49	
	Capital Euro 3,526,846 in shares of Euro 0.00004						
14	Destination Gusto S.r.l.	Milan	Milan	4	Intesa Sanpaolo S.p.A.	49.00	
	Capital Euro 20,000 in shares of Euro 1						
15	Digit'ed Holding S.p.A.	Milan	Milan	4	Intesa Sanpaolo S.p.A.	19.70	20,00 (*)
	Capital Euro 2,179,286 in shares of Euro 1						

	Companies	Registered office	Place of business	Type of relationship (a)	INVESTMENT Direct ownership	% held	Votes available % (b)
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 Direct ownership	% held	Votes available % (b)
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.

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

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

(d) 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 Backtowork24 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).

(h) 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, Rsct 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
of which business combinations	-	-
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 Backtowork 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), Alpian 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 aggregation[91] 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**
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	*57*	*60*
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	*6*	*14*
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	*338*	*59*
110. INSURANCE LIABILITIES		
b) Reinsurance contracts held that are liabilities	**175**	**14**
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	*14*	*14*
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	*3*	*-*
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	*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					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	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 Measurement components of the carrying amount of reinsurance contracts held				31.12.2022 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**	**-**	**-**	**-1**	**1**	**-**	**-**	**1**
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			
	up to 3 years	4 to 5 years	over 5 years	Total
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
Of which - Property and equipment used in operations - Rights of use acquired under leases	*1,372*	*1,495*
2. Investment property measured at cost	-	-
3. Property and equipment used in operations, revalued	6,335	6,381
Of which - Property and equipment used in operations, revalued - Rights of use acquired under leases	-	-
4. Investment property measured at fair value	887	770
Of which - Investment property - Rights of use acquired under leases	-	-
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**
of which: resulting from the enforcement of guarantees	*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**
of which: resulting from the enforcement of guarantees	-	-	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**
of which: resulting from the enforcement of guarantees	*-*	*-*	*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

(millions of euro)

	31.12.2023	Of which:			31.12.2022
		Banking group	*Insurance companies*	*Other companies*	
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**
of which: measured at fair value less cost to sell	*4*	*4*	*-*	*-*	*6*

9.6 Property and equipment used in operations: annual changes

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
A. Gross initial carrying amount	**2,642**	**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
of which business combinations	-	-	-	-	-	-	-
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
a) shareholders' equity	*77*	*165*	-	-	-	-	*242*
b) income statement	*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
of which business combinations	-	-	-	-	-	-	-
C.2 Depreciation	-	-313	-32	-217	-	-93	-655
C.3 Impairment losses recognised in:	-	-3	-1	-8	-	-10	-22
a) shareholders' equity	-	*-2*	-	-	-	-	*-2*
b) income statement	-	*-1*	*-1*	*-8*	-	*-10*	*-20*
C.4 Negative fair value differences recognised in:	-36	-37	-	-	-14	-	-87
a) shareholders' equity	*-23*	*-8*	-	-	*-4*	-	*-35*
b) income statement	*-13*	*-29*	-	-	*-10*	-	*-52*
C.5 Negative foreign exchange differences	-9	-18	-1	-1	-	-1	-30
C.6 Transfer to:	-61	-126	-	-	-	-	-187
a) investment	*-58*	*-120*	*X*	*X*	*X*	*X*	*-178*
b) non-current assets held for sale and discontinued operations	*-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
of which business combinations	-	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-	-
B.4 Positive fair value differences recognised in:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	X	X	X	X	-
B.7 Other changes	-	252	-	3	-	61	316
C. Decreases	**-**	**-387**	**-**	**-25**	**-**	**-92**	**-504**
C.1 Sales	-	-1	-	-1	-	-	-2
of which business combinations	-	-	-	-	-	-	-
C.2 Depreciation	-	-202	-	-20	-	-84	-306
C.3 Impairment losses recognised in:	-	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-
C.4 Negative fair value differences recognised in:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-1	-	-	-	-1	-2
C.6 Transfer to:	-	-	-	-	-	-	-
a) investment	-	-	*X*	*X*	*X*	*X*	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-
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	-	-
of which business combinations	-	-
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
of which business combinations	-	-
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) property used in operations	*-1*	*-2*
b) non-current assets held for sale and discontinued operations	*-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

(millions of euro)

Assets/Amounts	Inventories of property and equipment resulting from the enforcement of guarantees					Other inventories of property and equipment	TOTAL
	Land	Buildings	Furniture	Electronic equipment	Other		
A. Initial carrying amount	**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)*

(millions of euro)

Assets/Amounts	Inventories of property and equipment resulting from the enforcement of guarantees					Other inventories of property and equipment	TOTAL
	Land	Buildings	Furniture	Electronic equipment	Other		
A. Initial carrying amount	**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)*

(millions of euro)

Assets/Amounts	Inventories of property and equipment resulting from the enforcement of guarantees					Other inventories of property and equipment	TOTAL
	Land	Buildings	Furniture	Electronic equipment	Other		
A. Initial carrying amount	**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

(millions of euro)

	31.12.2023		*Of which: Banking group*		*Of which: Insurance companies*		*Of which: 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**
of which: software	*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.

(millions of euro)

CGUs/Goodwill	**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
of which business combinations	*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
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-704	-	-269	-	-973
- Amortisation	X	-697	-	-260	-	-957
- Write-downs recognised in	-	-7	-	-9	-	-16
shareholders' equity	*X*	-	-	-	-	-
income statement	-	*-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
of which business combinations	-	-	-	-	-	-
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
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-697	-	-248	-	-945
- Amortisation	X	-690	-	-239	-	-929
- Write-downs recognised in	-	-7	-	-9	-	-16
shareholders' equity	*X*	-	-	-	-	-
income statement	-	*-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
of which business combinations	*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	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-7	-	-16	-	-23
- Amortisation	X	-7	-	-16	-	-23
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-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)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**18**	**-**	**-**	**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	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	2	-	2
C. Decreases	**-**	**-**	**-**	**-5**	**-**	**-5**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-5	-	-5
- Amortisation	X	-	-	-5	-	-5
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**-**	**-**	**-**	**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.

(millions of euro)

CGU	Financial Statements 2022	Introduction IFRS 17	Contribution of Blue Assistance to Insalute Servizi	Amortisation	Impairment losses	Other changes (1)	Financial Statements 2023
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	-	-	-	-	-
- Intangibile 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
- Intangibile 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.

(millions of euro)

CGU	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.

(millions of euro)

CGU	Financial statements 2022	Amortisation	Other changes (1)	Impairment losses	Financial statements 2023
BANCA DEI TERRITORI DIVISION					
Intangibile asset management - distribution	187	-14	-	-	173
Intangibile asset under administration	14	-1	-	-	13
PRIVATE BANKING DIVISION					
Intangibile asset management - produc. and distribut.	213	-15	4	-	202
Intangibile asset under administration	20	-1	-	-	19
ASSET MANAGEMENT DIVISION					
Intangibile asset management - produc. and distribut.	100	-6	-	-	94
INTERNATIONAL SUBSIDIARY BANKS DIVISION					
Intangibile 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);
- Hirose.

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

The criterion of the implicit value in estimating brands with comparable PPAs
The criterion of the implicit value in estimating brands with comparable PPAs determines the value of the brand based on the "Fair value of the brand/Operating income" multiples recorded on PPA and their fundamental drivers.
The multiple, calculated in relation to net operating income, is taken from the fair value of the brands recognised on PPA of commercial banks from the Markables database.

Criterion of the implicit value in the public estimates of brands provided by independent third parties (Brand Finance)
Brand Finance is a UK company specialising in valuing brands. Each year, Brand Finance publishes the updated estimated value of the brands of the top 500 global banks.
The valuation of brands carried out by Brand Finance is consistent with the relief from royalties criterion, widely used in valuation to estimate the value of brands. According to this criterion, the value of the brand corresponds to the current value of royalty flows saved. The royalty rates are determined based on the trademark license agreements of comparable companies and applied to the specific bank brand based on the strength of the brand estimated and discounted at an opportunity cost of capital in line with the assigned brand rating.

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

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

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

Impairment testing of CGUs and goodwill

Definition of Cash Generating Units (CGUs)
For impairment testing purposes, the estimation of the value in use relating to intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, as per IAS 36, requires the preliminary assignment of such intangible assets to relatively independent business units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them.
In IAS/IFRS terminology, such business units are known as Cash Generating Units (CGUs). The meaning of the impairment test is significant for identification of the CGUs.
IAS 36 indicates the necessity to correlate the level at which the goodwill is tested with the level of internal reporting at which management controls the increases and decreases of such value. Definition of the level closely depends on the organisational models adopted and on the managerial responsibilities governing the operating guidelines and monitoring activity. Organisational models may ignore (and in the case of the Intesa Sanpaolo Group they do ignore) the network of legal entities through which operations are carried out, and are instead very often closely designed around the definition of business operating segments as envisaged by IFRS 8. Furthermore, the identification of CGUs for goodwill impairment test purposes is consistent with the definition of the recoverable amount of an asset - which is in itself the base for impairment tests - according to which the relevant item is the amount that the company expects to recover from that asset, considering any synergies with other assets.
Therefore, in accordance with the criteria applied for the determination of the prices of the business combinations that gave rise to goodwill recognition, the recoverable amount for impairment testing purposes of the CGU to which goodwill is allocated must include not only the value of external (or universal) synergies but also the internal ones, the reason being that the specific acquirer may obtain additional value from the integration of activities obtained through business combinations, according to its business model.
The Intesa Sanpaolo Group's organisational model envisages that:
- management decisions are highly centralised at the level of the heads of the operational segments;
- strategies, identification of new products or services and commercial penetration initiatives are outlined and directed centrally for each operating division;
- planning processes and reporting systems are managed at the operational segment level;
- as a result of this centralisation, income flows are highly dependent on the policies set up at segment level, based on balanced development of the entire division and not of the individual operating areas or legal entities considered individually;
- specialised transversal areas are defined to provide support and develop products benefiting many subsidiaries;
- the management of financial risks is also highly centralised in order to maintain, also as a result of regulatory provisions, a balance between the capital allocation policies and the financial risks in development of the various business lines;
- the divisions operate in homogeneous markets or sectors in terms of economic characteristics and development level.

As a result of this centralisation, income flows are highly dependent on the policies set up at the operational segment level, based on balanced development of the entire division and not of the individual operating areas or legal entities considered individually.
The operating divisions identified in the Intesa Sanpaolo Group are as follows:

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

For the foregoing reasons, the operating divisions cited above correspond, in general terms, to the Group's CGUs, while also representing the core business areas considered for segment reporting.
These divisions are considered representative of cash generating units since each constitutes the smallest group of assets generating independent incoming cash flows and, as mentioned above, also the minimum level set by the Parent Company Intesa Sanpaolo for planning and reporting processes. Therefore, this is the minimum level to which goodwill may be allocated and monitored according to non-arbitrary criteria.
The International Subsidiary Banks Division needs specific comments, given the particular structure and conditions under which it operates.
It should firstly be mentioned that the cash flows of the various Group companies forming this business unit are strictly dependent upon policies formulated by the Division Governance Centres and Head Office Departments of the Parent Company.
These policies are defined and implemented in compliance with a management plan designed to develop the entire Division in an organised manner, and not focusing only on the individual companies' strategies. Specifically, the expansion strategies for the various operating units, the identification and development of new credit, savings and service products, limits to the assumption of financial risk, commercial penetration and operations specialisation initiatives are outlined and steered at central level, following a portfolio strategy, and not devolved to the individual subsidiaries. Therefore, there is strong interaction of the flows that, at the same time, requires both single and integrated governance of all companies in the Division, and the central monitoring and control of operations of the overall business activities of the Division.
However, it is important to consider that not all factors affecting the correlation and interdependence of cash flows within the Division can be controlled by the Division's Head Office Departments.
In fact, there are circumstances outside the Group that could have varying levels of impact on the capacity to systematically manage CGU flows and control over their generation. These are circumstances largely determined in the wider sense by the conditions of the environment in which the various entities are located.
Indeed, for Banks operating abroad, the effects of country risk must be considered: i.e. the risk linked to economic, political and institutional events in the country in which the subsidiary and its business activities are based.
In view of the above, if the cash flows that the Parent Company expects from activities generated by a foreign subsidiary are deeply influenced - in terms of extent, quality and trends - by institutional, economic and political circumstances in the country in which the subsidiary is based, this subsidiary cannot be considered an integral part of the single management model for the CGU which it belongs to. The company in such a situation must, therefore, even if only temporarily, be excluded from the CGU, regardless of the Group Management's willingness to keep it within the CGU, due to the above-mentioned factors over which the Bank and Group's management clearly have no influence. The flows of the company, in fact, would be influenced to a greater extent by the country's conditions than by the unitary and centralised management policy adopted by the Division and, therefore, for impairment testing purposes, the company must be subjected to independent valuation until the conditions for the systemic central control of cash flows of the subsidiary are restored.
With regard to the Ukrainian Pravex Bank, for the purposes of the 2008 impairment testing, careful consideration of the economic and institutional events unfolding in Ukraine, which was undergoing a deep economic and currency crisis, and prudent assessment of their impact on the operational variables of the subsidiary in question, especially from the point of view of their interdependence on variables of the entire CGU, resulted in classification of this company as a completely separate CGU, treating it separately from the Group's International Subsidiary Banks Division. Subsequently, Pravex Bank was functionally allocated to Capital Light Bank (now the NPE Head Office Department), to then be moved back to the International Subsidiary Banks Division in 2018.
With regard to the subsidiary Bank of Alexandria, for the purposes of the 2011 impairment testing the bank was separated from the International Subsidiary Banks CGU due to a profound political crisis in Egypt.

For the purposes of the 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)

	Values as at 31.12.2023			
CGU	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 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.

(values as a percentage)

Italy	**2023**	**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	Nominal growth rates for impairment test (2024-2028)	NOMINAL DISCOUNTING RATES				LONG-TERM "G" GROWTH RATES		INFLATION RATES
CGU		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		
CGU	Sensitivity to growth rate "g" - 10 bps	Sensitivity to discount rate + 10 bps	Sensitivity to Terminal value cash flows - 10%
IMI Corporate & Investment Banking	-0.68%	-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.

Sensitivity CGU	"g" growth rate	Difference compared to the "g" rate used	TV discounting rate	Difference compared to the Ke discounting rate used
IMI Corporate & Investment Banking	0.22%	-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)

(millions of euro)

	31.12.2023	Of which:			31.12.2022
		Banking group	*Insurance companies*	*Other companies*	
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)

(millions of euro)

	31.12.2023	Of which:			31.12.2022
		Banking group	*Insurance companies*	*Other companies*	
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
a) related to previous years	*3*	*3*	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*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
a) reversals	*-370*	*-370*	-	-	*-453*
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
d) other	*-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 2,638[92] 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 downsize 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 lives[93] ("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 9[94]. 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

(millions of euro)

Captions	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
of which: resulting from the enforcement of guarantees	*4*	*5*
A.4 Intangible assets	-	-
A.5 Other	-	38
Total A	**264**	**638**
of which measured at cost	***213***	***557***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***51***	***81***
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Investments in associates and companies subject to joint control	-	-
B.5 Property and equipment	-	-
of which: resulting from the enforcement of guarantees	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**-**	**-**
of which measured at cost	***-***	***-***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***
C. Liabilities associated with non current assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other	-2	-15
Total C	**-2**	**-15**
of which measured at cost	***-2***	***-15***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Allowances	-	-
D.5 Other	-	-
Total D	**-**	**-**
of which measured at cost	***-***	***-***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***

The table above contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of.

Caption A.1 Financial assets, amounting to 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

(millions of euro)

Captions		
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

(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. 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

(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
of which: - commitments to disburse funds	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
2. Due to customers	**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
of which: - commitments to disburse funds	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
3. Debt securities	**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
of which: *- commitments to disburse funds*	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
2. Due to customers	**5**	**-**	**4**	**-**	**4**	**5**	**-**	**4**	**-**	**4**
2.1 Structured	5	-	4	-	X	5	-	4	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which: *- commitments to disburse funds*	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
3. Debt securities	**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
of which: *- commitments to disburse funds*	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
2. Due to customers	**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
of which: *- commitments to disburse funds*	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
3. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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

(millions of euro)

	31.12.2023 Fair value			Notional value	31.12.2022 Fair value			Notional value
	Level 1	Level 2	Level 3	31.12.2023	Level 1	Level 2	Level 3	31.12.2022
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 Partecipations SA, based in Switzerland.

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

(millions of euro)

Transactions/Type of hedge	FAIR VALUE							CASH FLOW		FOREIGN INVESTM.
	Specific						Generic			
	debt securities and interest rates	equities and stock indices	foreign exchange rates and gold	credit risk	commodities	other		Specific	Generic	
1. Financial assets measured at fair value through other comprehensive income	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

(millions of euro)

Fair value change of hedged liabilities/Group members	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

(millions of euro)

Captions		
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

(millions of euro)

Captions	Allowances on other commitments and other guarantees given	Post-employment benefits	Other allowances for risks and charges	Total
A. Initial amount	**-**	**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)

	Allowances for credit risk associated with commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	**Total**
1. Commitments to disburse funds	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.

(millions of euro)

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**

(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 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

(millions of euro)

Captions/Components	31.12.2023	Of which: Banking group	Of which: Insurance companies	Of which: 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
incentive-driven exit plans	*945*	*944*	*1*	*-*	*1,306*
employee seniority bonuses	*162*	*154*	*8*	*-*	*177*
other personnel expenses	*935*	*912*	*23*	*-*	*747*
3. other risks and charges	977	*904*	*25*	*48*	911
other indemnities due to agents of the distribution network	*360*	*360*	*-*	*-*	*300*
other	*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 aggregation[95] 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.

(millions of euro)

	31.12.2023	31.12.2022
80. INSURANCE ASSETS		
a) Insurance contracts issued that are assets	**412**	**18**
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	*37*	*1*
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	*1*	*17*
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	*128*	*-*
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	*90*	*-*
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	*156*	*-*
110. INSURANCE LIABILITIES		
a) Insurance contracts issued that are liabilities	**119,674**	**117,561**
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	*117,249*	*115,028*
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	*758*	*951*
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	*594*	*632*
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	*171*	*182*
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	*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

(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	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**	**-**	**-**	**-**	**-**	**-**	**-**

(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	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

(millions of euro)

Captions/Groups of contracts	Contracts originated 31.12.2023			Contracts acquired in business combinations 31.12.2023			Contracts transferred from third parties 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	-	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)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(millions of euro)

Captions/Groups of contracts	Contracts originated 31.12.2022			Contracts acquired in business combinations 31.12.2022			Contracts transferred from third parties 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	-	-	-	-	-	-	-	-	-
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 31.12.2023			Contracts acquired in business combinations 31.12.2023			Contracts transferred from third parties 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 31.12.2022			Contracts acquired in business combinations 31.12.2022			Contracts transferred from third parties 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			
	up to 3 years	4 to 5 years	over 5 years	Total
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 31.12.2014	Year 31.12.2015	Year 31.12.2016	Year 31.12.2017	Year 31.12.2018	Year 31.12.2019	Year 31.12.2020	Year 31.12.2021	Year 31.12.2022	Year 31.12.2023	Total
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 31.12.2014	Year 31.12.2015	Year 31.12.2016	Year 31.12.2017	Year 31.12.2018	Year 31.12.2019	Year 31.12.2020	Year 31.12.2021	Year 31.12.2022	Year 31.12.2023	Total
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 euro[96], 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

(millions of euro)

Companies		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

(millions of euro)

	Commitments and financial guarantees given - 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

(millions of euro)

Portfolios	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	-	-
of which: property and equipment that constitute inventories	-	-

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

(millions of euro)

Type of service	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

(millions of euro)

Types		Gross amount of financial assets (a)	Amount of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c = a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount 31.12.2023 (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

(millions of euro)

Types		Gross amount of financial liabilities (a)	Amount of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c=a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount 31.12.2023 (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), GMRAs (for repurchase agreements) and GMSLAs (for securities lending).

With regard to securities lending transactions, only those transactions that require the payment of a cash guarantee fully available to the lender must also be reported in tables 6 and 7, as this is the only type of transaction recognised in the Balance Sheet. The Intesa Sanpaolo Group did not have any such transactions as at 31 December 2021.

For the purposes of preparing the tables and in compliance with the provisions of IFRS 7 and the new provisions that govern the financial statements of banks, the following are noted:

- the effects of the potential offsetting of the balance sheet values of financial assets and liabilities are indicated under column (d) “Financial instruments”, together with the fair value of financial collateral consisting of securities;
- the effects of the potential offsetting of the exposure with the relative cash collateral are included under column (e) “Cash deposits received/pledged as collateral”;
- repurchase agreement transactions are recognised in the tables based on the amortised cost measurement criterion, while the relative collateral is measured at fair value;
- derivatives transactions are recognised at fair value.

These effects are calculated for each individual counterparty included in a master netting arrangement, to the extent of the exposure indicated in column (c).
Based on the preparation methods indicated above, the netting arrangements between financial instruments and the relative collateral permit a significant reduction in credit/debt exposure to the counterparty, as indicated under column (f) “Net amount”.

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

(millions of euro)

Captions/Types	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	**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**
of which: interest income on impaired financial assets	*1*	*501*	*-*	*502*	*445*
of which: interest income on financial lease	*X*	*437*	*X*	*437*	*338*

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)*

(millions of euro)

Captions/Types	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**
of which: interest income on impaired financial assets	*1*	*501*	*-*	*502*	*445*
of which: interest income on financial lease	*X*	*437*	*X*	*437*	*338*

1.1. Interest and similar income: breakdown *(of which: Insurance companies)*

(millions of euro)

Captions/Types	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**
of which: interest income on impaired financial assets	*-*	*-*	*-*	*-*	*-*
of which: interest income on financial lease	*X*	*-*	*X*	*-*	*-*

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

(millions of euro)

Captions/Types	Debts	Securities	Other transactions	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**
of which: interest expense on lease liabilities	*24*	*X*	*X*	*24*	*22*

"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

(millions of euro)

Captions	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

(millions of euro)

Type of service/Amounts	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
of which: dealing on own account	*2*	*2*
of which: individual portfolio management	*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. Depositary 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
of which: individual portfolio management	*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**
of which: credit derivatives	*1*	*2*
o) Financing transactions	**779**	**922**
of which: for factoring transactions	*78*	*84*
p) Currency dealing	**14**	**16**
q) Commodities	**-**	**-**
r) Other fee and commission income	**1,448**	**1,588**
of which: for management of multilateral trading facilities	-	-
of which: for management of organised trading facilities	-	-
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**
of which: trading in financial instruments	*38*	*50*
of which: placement of financial instruments	*202*	*244*
of which: individual portfolio management	*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**
of which: credit cards, debit cards and other payment cards	*494*	*457*
f) Servicing related to securitisations	**-**	**-**
g) Commitments to receive funds	**-**	**1**
h) Financial guarantees received	**351**	**255**
of which: credit derivatives	*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

(millions of euro)

Captions/Income	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

(millions of euro)

Transactions/Income components	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)*

(millions of euro)

Transactions/Income components	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)

(millions of euro)

Transactions/Income components	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

(millions of euro)

Income component/Amount	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

(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	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)*

(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	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)*

(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**	**-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)*

(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	**-**	**-**	**-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

(millions of euro)

Transactions/Income components	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)

(millions of euro)

Transactions/Income components	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)

(millions of euro)

Transactions/Income components	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

(millions of euro)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				2023	2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-off	Other	Write-off	Other						
A. Credit to banks	**-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

(millions of euro)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				2023	2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-off	Other	Write-off	Other						
A. Debt securities	**-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)

(millions of euro)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				2023	2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-off	Other	Write-off	Other						
A. Debt securities	**-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)*

(millions of euro)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				2023	2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-off	Other	Write-off	Other						
A. Debt securities	**-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					
	Basis A1	Basis A2	Basis A3	Basis A4	Basis A5	Total
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					
	Basis A1	Basis A2	Basis A3	Basis A4	Basis A5	Total
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	Life Segment 31.12.2023	of which: DPF	Non-life Segment 31.12.2023	Total 31.12.2023	Life Segment 31.12.2022	of which: DPF	Non-life Segment 31.12.2022	Total 31.12.2022
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

(millions of euro)

Type of expense	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

(millions of euro)

	Provision	Reallocations	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

(millions of euro)

	Provisions	Reallocations	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

(millions of euro)

Assets/Income components	Depreciation	Impairment losses	Recoveries	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

(millions of euro)

Assets/Income components	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
of which: software	*-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

(millions of euro)

Type of expense/Amount	
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

(millions of euro)

Type of expense/Amount	
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

(millions of euro)

Income components/Sectors	2023	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

(millions of euro)

Assets/Income component	Revalutations	Write-downs	Foreign exchange differences		Net result
			Positive	Negative	
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

(millions of euro)

Income component/Amount	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

(millions of euro)

Income component/Amount	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 entities[97]).
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 committee[98].

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;

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[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 explicity 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.

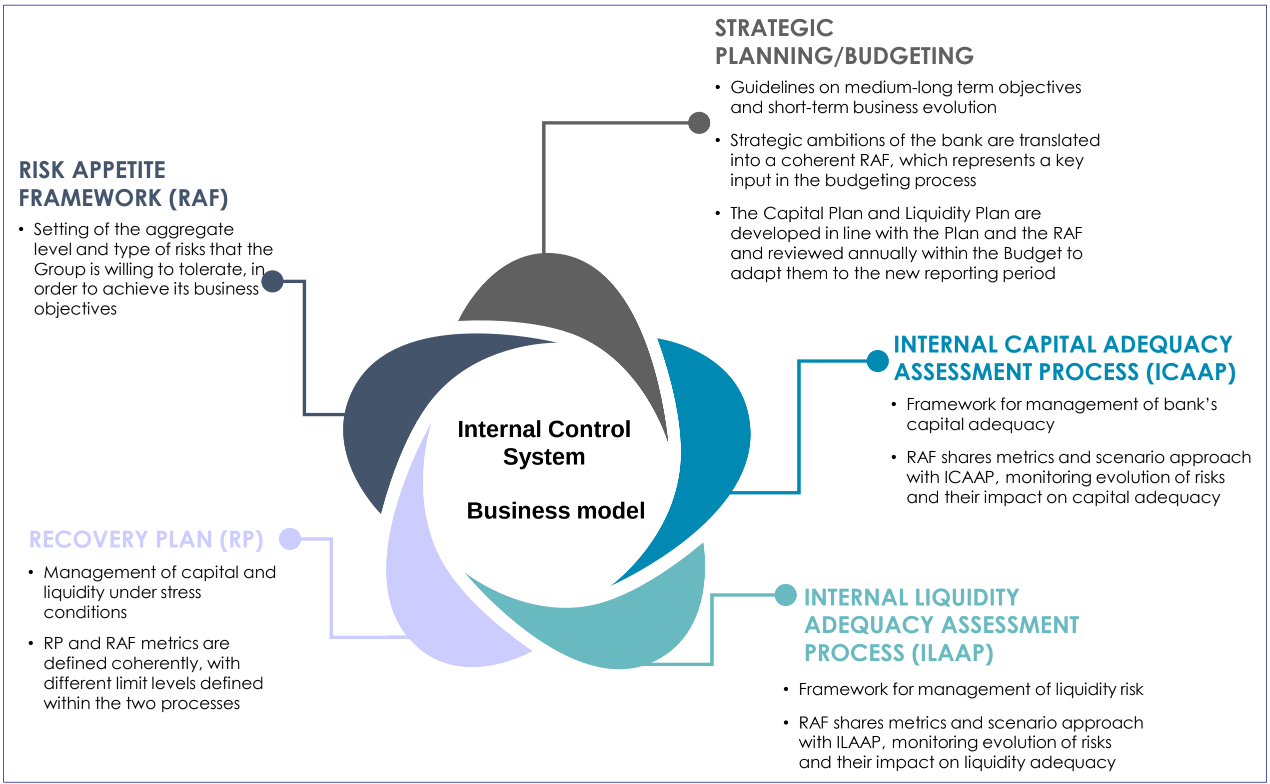
For 2023, in accordance with the applicable regulations, the Intesa Sanpaolo Group has developed four stress scenarios, one of which is purely idiosyncratic, with very rapid evolution, while the other three are "combined", as they are based on a macroeconomic scenario that is made more severe by the addition of systemic and idiosyncratic events. Two of the combined scenarios were developed also taking into account the potential economic and financial fallouts of the prolonged crisis caused by the Russia-Ukraine conflict.

Following the publication of the European Banking Authority's Final Report on Recommendation on the coverage of entities in a group recovery plan (EBA/Rec/2017/02), dated 1 November 2017, Intesa Sanpaolo has adopted specific criteria for the classification of Group companies among:

– Group-relevant;
– Locally relevant;
– Not relevant.

The application of these criteria to the Group scope has led to the Parent Company, as well as Fideuram ISPB Group, VUB Group, Banka 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:
  - 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;
  - the Management Guidelines and Operating Choices Session (ALCO), chaired by the Chief Financial Officer, provides the Group Companies operational guidelines in implementation of the strategic guidelines and risk management policies laid down by the Board of Directors, in respect of management of the banking book, liquidity, interest rate and exchange risk;
  - the ALCO session – Extended, chaired by the Chief Risk Officer, which analyses the performance of loans and deposits, in current and prospective terms, together with the expected trend in Risk-Weighted Assets (RWA) and financial assets (debt securities and loans) measured at Fair Value through Other Comprehensive Income (FVOCI reserves), in order to monitor and assess their impact on the Group's liquidity and capital profiles.
- the Credit Risk and Pillar 2 Internal Models Committee is a technical body with a decision-making, reporting and advisory role. In particular, with regard to the internal risk measurement systems, the Committee acts as the competent Management Committee for:
  - the internal models for the measurement and management of credit risk;
  - the internal models for Pillar 2 risks[99].
- the Group Control Coordination and Non-Financial Risks Committee is divided into specific and distinct sessions:
  - the Integrated Internal Control System session, with a reporting and advisory role, whose objective is to reinforce coordination and the interdepartmental cooperation mechanisms within the Group internal control system, thus promoting the integration of the risk management process, in relation to non-financial and reputational risks, to facilitate their effective management;
  - the Operational and Reputational Risk session, with a decision-making, reporting and advisory role, which has the task of supervising the implementation of operational and reputational risk management guidelines and policies in accordance with indications formulated by the Board of Directors and periodically reviewing the overall non-financial risk profile, monitoring the implementation of the mitigation actions identified in accordance with indications formulated by the Corporate Bodies and/or the Steering Committee;
  - the Compliance Risk Session, for reporting and consulting purposes, which is tasked with examining the results of the periodic compliance risk assessments.

  The sessions of the Committee are attended by, among others, the Heads of Corporate control functions, as well as the Manager responsible for preparing the Company's financial reports as a permanent member. This contributes to fulfilling the assigned legal obligations and the responsibilities established in the Company Regulations on the supervision of the financial reporting process. It also enables the promotion of the inter-functional coordination and integration of control activities, within its area of responsibility;
- the Group Credit Committee is a technical body with a decision-making and advisory role that has the task of ensuring the coordinated management of issues relating to credit risk, and is organised in two separate sessions (Performing Loans Session and Non-Performing Loans Session). Among other duties, the Committee resolves on the granting, renewal and confirmation of loans within the scope of the powers assigned to it;
- lastly, the Hold To Collect and Sell (HTCS) Sign-Off Committee is tasked with proposing the assumption of market risks

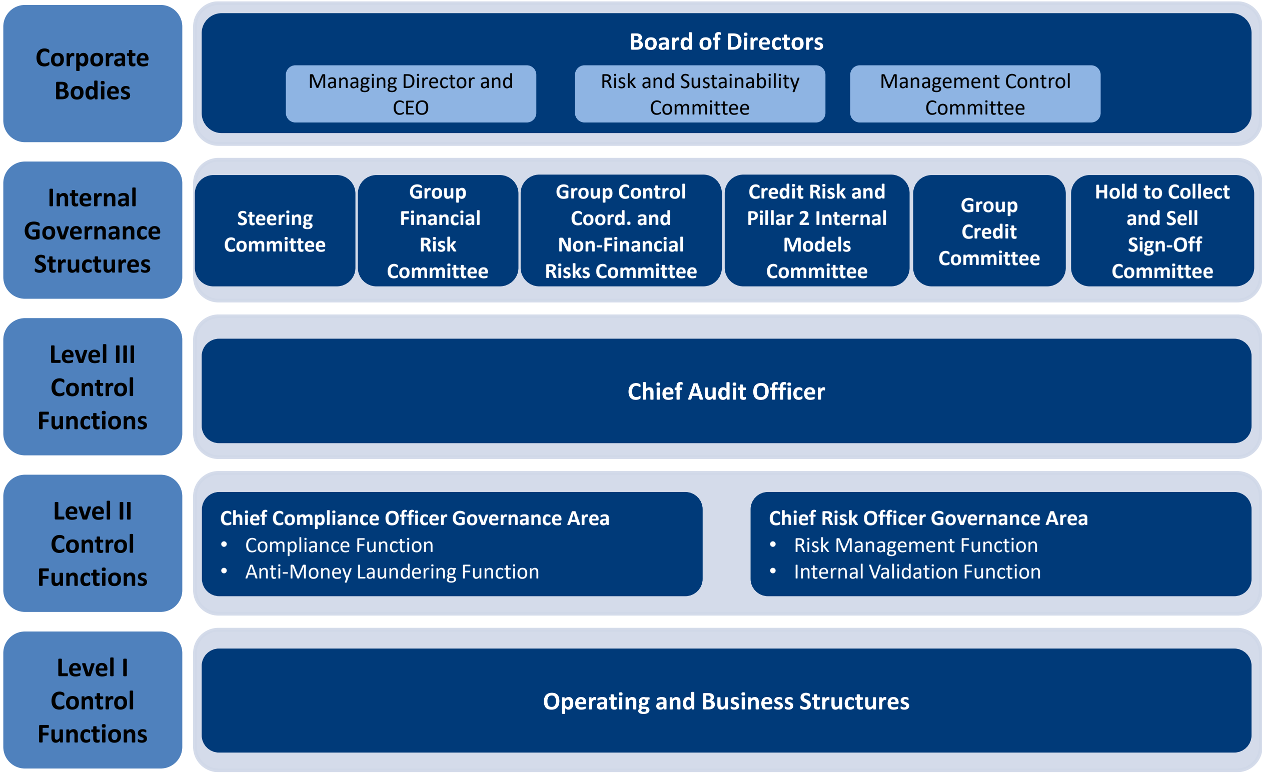
[99] The scope does not include the Pillar 2 models for the measurement and quantification of financial risks in the banking book, which already come under the scope of the Group Financial Risk Committee and the Pillar 2 models for the measurement and quantification of operational and reputational risks, 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 companies[100], 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;

  - o 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:
  - o Chief Compliance Officer Governance Area, which has the tasks and responsibilities of the "compliance function", as defined in the applicable regulations, and which includes the "anti-money laundering function", within the Anti Financial Crime Head Office Department, which has the tasks and responsibilities laid down in the regulations on anti-money laundering, counter-terrorism and monitoring of financial sanctions, and the "data protection officer function", within the Compliance Governance, Privacy and Controls Head Office Department, which performs the tasks assigned by data protection legislation;
  - o Chief Risk Officer Governance Area, which is assigned the role of the risk management function, as defined by the applicable regulations. The Chief Risk Officer Governance Area also includes the Internal Validation & 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 demands[101].
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.

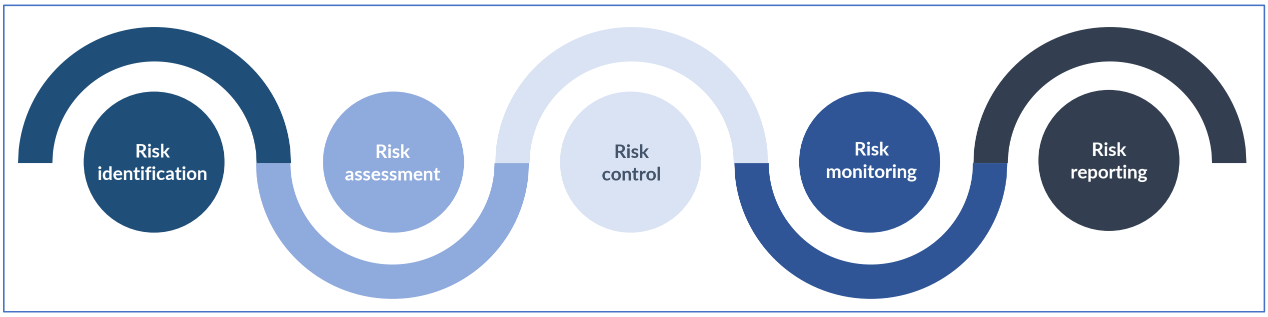
The scope of risks

The risks identified, covered and incorporated within the Economic Capital are as follows:

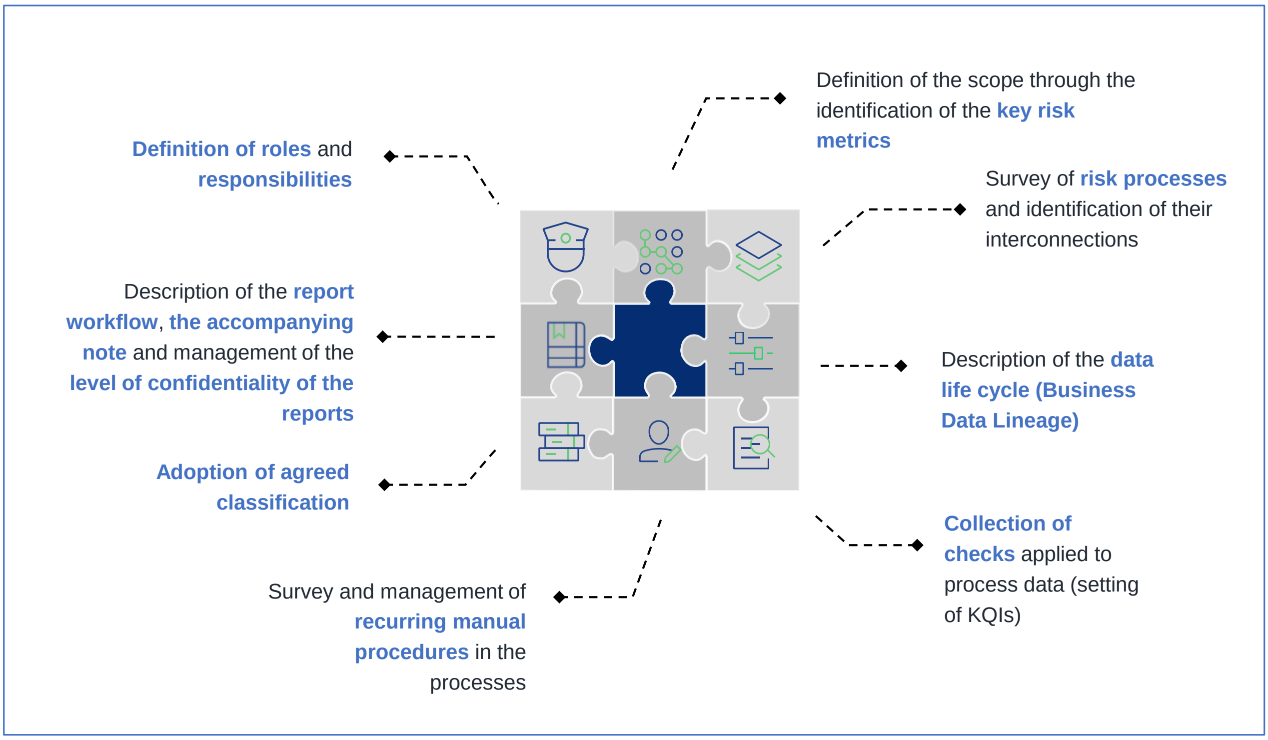
- credit and counterparty risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and from uncertainty about credit recovery rates;
- market risk (trading book), including position, settlement and concentration risk on the trading book;
- financial 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 (CO_2eq) 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 CO_2 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 ST(0-3y)	Timeframe MT(4-7y)	Timeframe LT(7-30y)	BdT	CIB	PB	ISB	AuM	INS	CC	Potential Impacts
Transition Risks **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 ST(0-3y)	Timeframe MT(4-7y)	Timeframe LT(7-30y)	BdT	CIB	PB	ISB	AuM	INS	CC	Implemented actions	Opportunities
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**	◷	◷	◷	○	○	○	○				• 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)	• 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	◷	◷	◷		○	○	○	○	○	○	• 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	• Increasing and expanding the range of investment products and services
	Operational risk	◷			○	○	○	○	○	○		• Assessment of ESG and climate risks through Materiality assessment, scenario analysis, Business Environment Scan analysis, and operational losses monitoring	
	Liquidity risk	◷	◷		○	○	○	○			○	• Assessment of ESG and climate risks through Materiality assessment and scenario analysis	• Increase in Green and ESG bond issuance
	Reputational risk	◷	◷	◷	○	○	○	○	○	○		• 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	• Improvement of the group's perception/image for both investors and clients
	Cross-risk actions											• 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 ST(0-3y)	Timeframe MT(4-7y)	Timeframe LT(7-30y)	BdT	CIB	PB	ISB	AuM	INS[(2)]	CC	Potential Impacts
Physical Risks – **Climate change risk:** *Risks related to the physical impacts of climate change*	**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.
Chronic / Acute	**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 ST(0-3y)	Timeframe MT(4-7y)	Timeframe LT(7-30y)	BdT	CIB	PB	ISB	AuM	INS[(2)]	CC	Implemented actions	Opportunities
Physical Risks	**Credit Risk**	✓	✓	✓	○	○	○	○				• 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	• 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	✓	✓	✓		○	○	○	○	○	○	• Assessment of ESG and climate risks in the investment portfolio through Materiality assessment, scenario analysis and Business Environment Scan analysis	
Chronic / Acute	**Liquidity risk**	✓	✓		○	○	○	○			○	• 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 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 ST(0-3y)	MT(4-7y)	LT(7-30y)	Potential Impacts	Implemented actions
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**				• 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	• 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)*	**Operational & Other risks**				• 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	• 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
	Increase or reduction in average temperatures, sea level rise, water stress and drought Chronic					• 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	• 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 Report[102], 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.

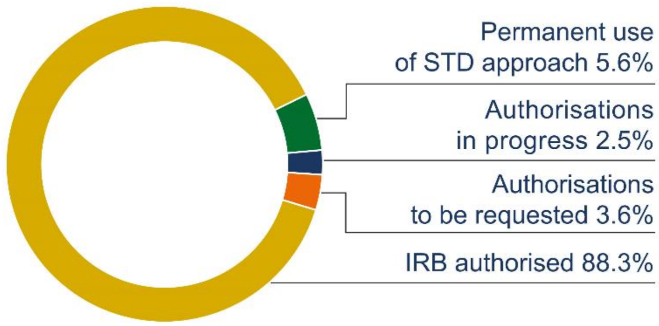
The Basel 3 regulations

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 Swisse Exchange Ltd.	Secured	interbank o/n report
EUR LIBOR	€STR	ECB	Unsecured	o/n wholesale deposits

Source: ICE Benchmark Administration, Intesa Sanpaolo

With regard to the LIBOR, in its announcement of 5 March 2021, the Financial Conduct Authority (FCA) established that the LIBOR would no longer be published or would lose validity immediately from 31 December 2021 for all maturities of Pound Sterling, Euro, Swiss Franc and Japanese Yen and 1-week and 2-month maturities for the US dollar. The final phase 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)

(millions of euro)

Portfolios/quality		Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	TOTAL
1. Financial assets measured at amortised cost		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)

(millions of euro)

Portfolios/quality		Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	TOTAL
1. Financial assets measured at amortised cost		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)

(millions of euro)

Portfolios/quality		Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	TOTAL
1. Financial assets measured at amortised cost		-	-	-	-	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)

(millions of euro)

Portfolios/quality		Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	TOTAL
1. Financial assets measured at amortised cost		-	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)

(millions of euro)

Portfolios/quality		NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (net exposure)
		Gross exposure	Collective adjustments	Net exposure	Total partial write-offs	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets measured at amortised cost		10,026	-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**

(millions of euro)

Portfolios/quality		ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS
		Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading		-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)

(millions of euro)

Portfolios/quality	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (net exposure)
	Gross exposure	Collective adjustments	Net exposure	Total partial write-offs	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets measured at amortised cost	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**

(millions of euro)

Portfolios/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-19	17	35,754
2. Hedging derivatives	-	-	6,980
Total 31.12.2023	**-19**	**17**	**42,734**
Total 31.12.2022	**-27**	**22**	**51,389**

A.1.2. Breakdown of financial assets by portfolio classification and credit quality (gross and net values)
(of which: Insurance companies)

(millions of euro)

Portfolios/quality	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (net exposure)
	Gross exposure	Collective adjustments	Net exposure	Total partial write-offs	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets measured at amortised cost	-	-	-	-	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**

(millions of euro)

Portfolios/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	27
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)

(millions of euro)

Portfolios/quality	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (net exposure)
	Gross exposure	Collective adjustments	Net exposure	Total partial write-offs	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets measured at amortised cost	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**

(millions of euro)

Portfolios/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-
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 Financial Statements**	**Effects of the deconsolidation and consolidation of counterparties other than those in the banking group (*)**	**31.12.2023 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
	a) financial assets held for trading	*38,163*	*49*	38,212
	b) financial assets designated at fair value	*1*	*-*	1
	c) other financial assets mandatorily measured at fair value	*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
	a) due from banks	*32,899*	*4*	32,903
	b) loans to customers	*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	-
	a) insurance contracts issued that are assets	*412*	*-412*	-
	b) reinsurance contracts held that are assets	*401*	*-401*	-
90.	Property and equipment	9,825	-541	9,284
100.	Intangible assets	9,524	-525	8,999
	of which:	-	-	-
	- goodwill	*3,672*	*-426*	3,246
110.	Tax assets	14,533	-571	13,962
	a) current	*1,932*	*-80*	1,852
	b) deferred	*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 Financial Statements**	**Effects of the deconsolidation and consolidation of counterparties other than those in the banking group (*)**	**31.12.2023 Regulatory-scope balance sheet**
10.	Financial liabilities measured at amortised cost	642,119	1,082	643,201
	a) due to banks	*93,242*	*-863*	92,379
	b) due to customers	*440,449*	*2,346*	442,795
	c) securities issued	*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
	a) current	*458*	*-100*	358
	b) deferred	*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
	a) commitments and guarantees given	*524*	*1*	525
	b) post-employment benefits	*98*	*-*	98
	c) other allowances for risks and charges	*3,901*	*-103*	3,798
110.	Insurance liabilities	119,849	-119,849	-
	a) insurance contracts issued that are liabilities	*119,674*	*-119,674*	-
	b) reinsurance contracts held that are liabilities	*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**
Banca Intesa Russia	*197*	*-*	*117*	*-*	*372*	*-*	*205*	*-*
Pravex	*-*	*62*	*-*	*-*	*-*	*112*	*-*	*-*
Cross-border exposures	*675*	*124*	*526*	*123*	*1,257*	*104*	*963*	*103*
Due from banks	**707**	**59**	**696**	**59**	**797**	**63**	**782**	**62**
Banca Intesa Russia	*691*	*-*	*683*	*-*	*751*	*-*	*740*	*-*
Pravex	*-*	*59*	*-*	*59*	*-*	*63*	*-*	*62*
Cross-border exposures	*16*	*-*	*13*	*-*	*46*	*-*	*42*	*-*
Securities	**12**	**53**	**10**	**49**	**73**	**11**	**41**	**2**
Banca Intesa Russia	*11*	*-*	*10*	*-*	*13*	*-*	*13*	*-*
Pravex	*-*	*48*	*-*	*47*	*-*	*-*	*-*	*-*
IMI C&IB Division	*-*	*-*	*-*	*-*	*31*	*-*	*14*	*-*
Insurance Division	*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 Russian[103] 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 exposures[104], as well as, in line with the treatment set out for capturing the critical issues of another recent emergency situation (COVID-19[105]), 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.

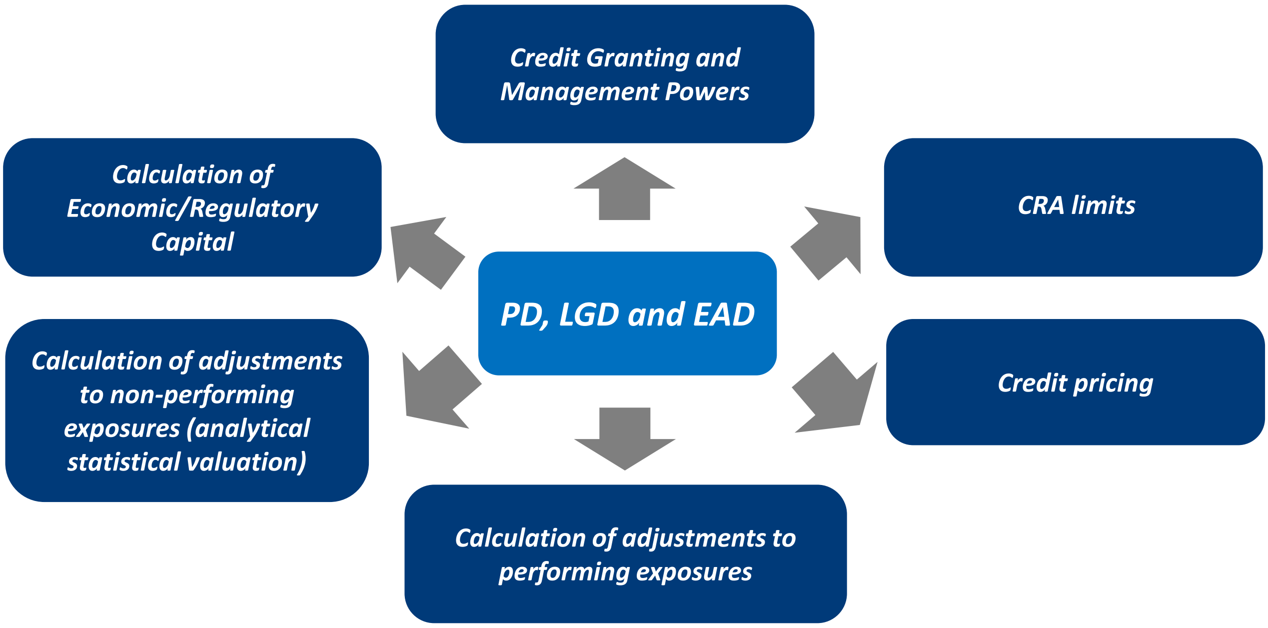
Lastly, as is the case for all the risk areas and above all for credit risk, the Chief Audit Officer performs internal audits aimed at identifying breaches of the procedures and regulations and periodically assessing the completeness, adequacy, functioning (in terms of efficiency and effectiveness) and 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 Isybank'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 IRSs 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 (GMRAs - Global Master Repurchase Agreements and GMSLAs - Global Master Securities Lending Agreements).
To mitigate the exposure to counterparties, mainly corporate customers, and the volatility arising from credit adjustments to derivative valuations (CVAs), the Bank also buys protection through credit default swaps, both on individual companies and credit indices.

In 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;

  - o 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 forborne unlikely-to-pay, the application of the cure period of at least 12 months shall prevail. At the end of this period, the position may be reclassified as performing, provided that there are no past due exposures of the borrower and the borrower has repaid a significant amount of the principal and interest and, more generally, the criteria for the counterparties returning to performing status are met.
Exposures classified as past-due return automatically to performing when the 90-day probation period has passed. The same mechanism is applied to exposures of moderate amounts previously automatically classified as unlikely to pay when automatic mechanisms detect that the conditions that triggered the classification no longer apply.
The Internal Validation & 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.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information about credit quality, the term "credit exposures" is understood to exclude equities and quotas of UCI.
The term "on-balance sheet credit exposures" refers to all the on-balance sheet financial assets due from banks or customers, irrespective of the accounting portfolio they are allocated to (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortised cost, or discontinued financial assets). On demand receivables due from banks and central banks come under the definition of on-balance sheet exposures but by convention are not included in the tables in Section 1, except in specifically identified cases where they must be considered.
The term "off-balance sheet exposures" refers to all the financial transactions that are not on the balance sheet (guarantees given, revocable and irrevocable commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of those transactions (trading, hedging, etc.). The off-balance sheet credit exposures also include the counterparty risk associated with any securities lending transactions. Where necessary, the counterparty risk associated with exposures relating to repurchase agreements, transactions involving the granting or assumption of goods on loan, and loans with margins falling within the notion of securities financing transactions defined by the prudential regulations, is also reported.
Non-performing credit exposures (on-balance sheet and off-balance sheet) do not include financial assets held for trading and hedging derivatives, which are therefore normally recognised as performing credit exposures.

A.1. Performing and non-performing credit exposures: amounts, adjustments, changes and economic breakdown

A.1.1. Prudential consolidation - Breakdown of financial assets by past-due brackets (book value)

(millions of euro)

Portfolios/risk stages	STAGE 1			STAGE 2			STAGE 3			PURCHASED OR ORIGINATED CREDIT-IMPAIRED		
	Between 1 and 30 days	Between 30 and 90 days	Over 90 days	Between 1 and 30 days	Between 30 and 90 days	Over 90 days	Between 1 and 30 days	Between 30 and 90 days	Over 90 days	Between 1 and 30 days	Between 30 and 90 days	Over 90 days
1. Financial assets measured at amortised cost	1,695	192	202	928	617	140	328	266	2,789	5	2	99
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Non-current financial assets held for sale	-	-	-	-	-	-	-	-	17	-	-	-
Total 31.12.2023	**1,695**	**192**	**202**	**928**	**617**	**140**	**328**	**266**	**2,806**	**5**	**2**	**99**
Total 31.12.2022	**1,868**	**168**	**321**	**686**	**466**	**129**	**364**	**192**	**3,190**	**10**	**4**	**148**

The values of assets more than 90 days past due, relating to exposures classified in stage 1 and 2 refer to loans that do not meet the conditions to be classified under non-performing past due exposures (below the materiality threshold).

A.1.2. Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions

(millions of euro)

Reasons/risk stages	TOTAL ADJUSTMENTS											
	Stage 1 assets						Stage 2 assets					
	On demand due from banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*	On demand due from banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*
Total opening adjustments	**-**	**707**	**34**	**-**	***521***	***220***	**-**	**1,988**	**47**	**-**	***1,588***	***447***
Changes in increase from financial assets acquired or originated	-	256	15	-	*192*	*79*	-	15	2	-	*3*	*14*
Cancellations other than write-offs	-	-76	-10	-	*-62*	*-24*	-	-278	-33	-	*-292*	*-19*
Net value adjustments / write-backs for credit risk	-	-162	-7	-	*-88*	*-81*	-	136	28	-	*104*	*60*
Contractual changes without cancellations	-	35	-	-	*-*	*35*	-	53	-	-	*41*	*12*
Changes in the estimation methodology	-	-	-	-	*-*	*-*	-	-	-	-	*-*	*-*
Write-offs non recorded directly in the income statement	-	-	-	-	*-*	*-*	-	-	-	-	*-*	*-*
Other variations	-	-10	-1	-	*-*	*-11*	-	-75	1	1	*-26*	*-47*
Total closing adjustments	**-**	**750**	**31**	**-**	***563***	***218***	**-**	**1,839**	**45**	**1**	***1,418***	***467***
Recoveries from financial assets subject to write-off	-	-	-	-	*-*	*-*	-	-	-	-	*-*	*-*
Write-offs recorded directly in the income statement	-	-	-	-	*-*	*-*	-	-	-	-	*-*	*-*

(millions of euro)

Reasons/risk stages	TOTAL ADJUSTMENTS										
	Stage 3 assets						Purchased or originated credit-impaired financial assets				
	On demand due from banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*
Total opening adjustments	**-**	**5,236**	**36**	**378**	***5,010***	***640***	**113**	**-**	**7**	***113***	***7***
Changes in increase from financial assets acquired or originated	-	2	-	-	*2*	*-*	X	X	X	*X*	*X*
Cancellations other than write-offs	-	-1,203	-	-375	*-1,553*	*-25*	-30	-	-8	*-38*	*-*
Net value adjustments / write-backs for credit risk	-	1,325	-	-	*1,242*	*83*	5	-	-	*6*	*-1*
Contractual changes without cancellations	-	25	-	-	*22*	*3*	-	-	-	*-1*	*1*
Changes in the estimation methodology	-	-	-	-	*-*	*-*	-	-	-	*-*	*-*
Write-offs non recorded directly in the income statement	-	-388	-	-3	*-336*	*-55*	-12	-	-	*-12*	*-*
Other variations	-	-105	-	41	*-38*	*-26*	22	-	1	*23*	*-*
Total closing adjustments	**-**	**4,892**	**36**	**41**	***4,349***	***620***	**98**	**-**	**-**	***91***	***7***
Recoveries from financial assets subject to write-off	-	32	-	-	*30*	*2*	-	-	-	*-*	*-*
Write-offs recorded directly in the income statement	-	-66	-	-	*-65*	*-1*	-5	-	-	*-5*	*-*

A.1.2. Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions – continued –

(millions of euro)

Reasons/risk stages	**TOTAL PROVISIONS ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN**				**TOTAL**
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given impaired purchased or originated	
Total opening adjustments	**153**	**155**	**267**	**-**	**9,121**
Changes in increase from financial assets acquired or originated	23	-	-	-	**313**
Cancellations other than write-offs	-6	-13	-3	-	**-2,035**
Net value adjustments / write-backs for credit risk	-15	-25	15	-	**1,300**
Contractual changes without cancellations	-	-	-	-	**113**
Changes in the estimation methodology	-	-	-	-	**-**
Write-offs non recorded directly in the income statement	-	-	-	-	**-403**
Other variations	-21	-4	-1	-	**-151**
Total closing adjustments	**134**	**113**	**278**	**-**	**8,258**
Recoveries from financial assets subject to write-off	-	-	-	-	**32**
Write-offs recorded directly in the income statement	-	-	-	-	**-71**

The Intesa Sanpaolo Group does not use the simplified method for the valuation of the loss allowance in relation to trade receivables, contract assets and lease receivables (method envisaged by IFRS 9, paragraph 5.5.15).

A.1.3. Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: transfers between stages of credit risk (gross and nominal amounts)

(millions of euro)

Portfolios/risk stages	**GROSS AMOUNTS/NOMINAL VALUE**					
	Transfers between Stage 1 and Stage 2		**Transfers between Stage 2 and Stage 3**		**Transfers between Stage 1 and Stage 3**	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
1. Financial assets measured at amortised cost	26,315	14,088	1,591	457	1,399	126
2. Financial assets measured at fair value through other comprehensive income	1,281	19	-	-	-	-
3. Non-current financial assets held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	10,719	8,240	82	101	192	20
Total 31.12.2023	**38,315**	**22,347**	**1,673**	**558**	**1,591**	**146**
Total 31.12.2022	**47,354**	**27,936**	**1,753**	**556**	**2,219**	**180**

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, in free format, on transfers between the various credit risk stages which involved the loans subject to public guarantees issued in response to the COVID-19 situation.

In that regard, it is noted that the loans subject to COVID-19 public guarantees measured at amortised cost that were transferred from stage 1 to stage 2 in 2023 amounted to 1,365 million euro, while those transferred from stage 2 to stage 1 amounted to 1,079 million euro.
Transfers from stage 2 to stage 3 amounted to 179 million euro, from stage 3 to stage 2 amounted to 14 million euro, from stage 1 to stage 3 amounted to 341 million euro and, lastly, from stage 3 to stage 1 amounted to 9 million euro.

A.1.4. Prudential Consolidation – On- and off-balance sheet credit exposures to banks: gross and net values

(millions of euro)

Type of exposure/amounts	**Gross exposure**					**Total adjustments and total provisions for credit risk**					**Net exposure**	**Total partial write-offs**
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE SHEET EXPOSURES												
A.1 ON DEMAND	**84,657**	**84,270**	**387**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**84,657**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	84,657	84,270	387	X	-	-	-	-	X	-	84,657	-
A.2 OTHERS	**47,438**	**42,272**	**2,398**	**112**	**-**	**-50**	**-8**	**-22**	**-20**	**-**	**47,388**	**1**
a) Bad loans	4	X	-	4	-	-4	X	-	-4	-	-	1
- of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	108	X	-	108	-	-16	X	-	-16	-	92	-
- of which: forborne exposures	*107*	*X*	-	*107*	-	*-15*	*X*	-	*-15*	-	*92*	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	47,326	42,272	2,398	X	-	-30	-8	-22	X	-	47,296	-
- of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
TOTAL (A)	**132,095**	**126,542**	**2,785**	**112**	**-**	**-50**	**-8**	**-22**	**-20**	**-**	**132,045**	**1**
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing	6	X	-	6	-	-	X	-	-	-	6	-
b) Performing	65,013	35,954	681	X	-	-48	-48	-	X	-	64,965	-
TOTAL (B)	**65,019**	**35,954**	**681**	**6**	**-**	**-48**	**-48**	**-**	**-**	**-**	**64,971**	**-**
TOTAL (A+B)	**197,114**	**162,496**	**3,466**	**118**	**-**	**-98**	**-56**	**-22**	**-20**	**-**	**197,016**	**1**

A.1.5. Prudential Consolidation – On- and off-balance sheet credit exposures to customers: gross and net values

(millions of euro)

Type of exposure/Amounts	Gross exposure					Total adjustments and total provisions for credit risk					Net Exposure	Total partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE SHEET EXPOSURES												
a) Bad loans	3,442	X	-	3,330	111	-2,502	X	-	-2,451	-51	940	1,435
- of which: forborne exposures	*745*	*X*	-	*719*	*26*	*-542*	*X*	-	*-529*	*-13*	*203*	*81*
b) Unlikely to pay	6,091	X	-	5,912	103	-2,399	X	-	-2,330	-39	3,692	356
- of which: forborne exposures	*2,538*	*X*	-	*2,442*	*58*	*-895*	*X*	-	*-872*	*-15*	*1,643*	*80*
c) Non-performing past due exposures	626	X	-	623	2	-169	X	-	-168	-	457	3
- of which: forborne exposures	*57*	*X*	-	*56*	*1*	*-15*	*X*	-	*-14*	-	*42*	-
d) Performing past due exposures	3,950	2,106	1,833	X	5	-166	-17	-148	X	-1	3,784	-
- of which: forborne exposures	*351*	-	*349*	*X*	*2*	*-29*	-	*-29*	*X*	-	*322*	-
e) Other performing exposures	545,120	491,238	44,657	X	95	-2,478	-756	-1,715	X	-7	542,642	-
- of which: forborne exposures	*4,785*	-	*4,730*	*X*	*30*	*-309*	-	*-305*	*X*	*-3*	*4,476*	-
TOTAL (A)	**559,229**	**493,344**	**46,490**	**9,865**	**316**	**-7,714**	**-773**	**-1,863**	**-4,949**	**-98**	**551,515**	**1,794**
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing	1,598	X	-	1,588	1	-278	X	-	-278	-	1,320	-
b) Performing	305,578	234,054	20,695	X	1	-199	-86	-113	X	-	305,379	-
TOTAL (B)	**307,176**	**234,054**	**20,695**	**1,588**	**2**	**-477**	**-86**	**-113**	**-278**	**-**	**306,699**	**-**
TOTAL (A+B)	**866,405**	**727,398**	**67,185**	**11,453**	**318**	**-8,191**	**-859**	**-1,976**	**-5,227**	**-98**	**858,214**	**1,794**

The dealings between the Banking Group and other non-banking companies included within the scope of consolidation amounted to:
- 11,319 million euro, adjusted by 28 million euro, included among gross performing on-balance sheet exposures to customers;
- 19 million euro, adjusted by 3 million euro, included among gross non-performing off-balance sheet exposures to customers;
- 8,563 million euro, adjusted by 16 million euro, included among gross performing off-balance sheet exposures to customers.

The exposures also include financial assets allocated to the accounting portfolio of discontinued operations.

The On- and off-balance sheet credit exposures to customers classified as stage 2 mainly include the positions for which a change (behind specific thresholds) was found in the lifetime probability of default compared to the time of initial recognition of the financial instrument in the financial statements. For the purpose of classification in stage 2 – without prejudice to the materiality thresholds identified by the regulations - exposures that are past due by at 30 days or subject to forbearance measures are important. Activating a forbearance measure implies a minimum probation period of 24 month in Stage 2. Moreover, starting from 2023, for the centralised scope (main Italian companies and foreign corporate banks), some of the indicators from the credit monitoring systems are now considered for the purposes of the transfer between stages (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.

To complement the above methodology, starting on 31 December 2023, 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, i.e. the change in the lifetime probability of default. 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, identified considering the definitions within the Group.

The gross amount of loans subject to COVID-19 public guarantees as at 31 December 2023 came to 24,522 million euro. The aggregate comprised performing exposures of 23,609 million euro gross, with 68 million euro in adjustments and non-performing exposures of 913 million euro gross, with 349 million euro in adjustments.

Performing exposures are broken down into (i) performing past due loans for 217 million euro gross, with 4 million euro in adjustments and (ii) performing loans not past due for 23,392 million euro gross, with 64 million euro in adjustments.

A.1.6. Prudential Consolidation – On-balance sheet credit exposures to banks: changes in gross non-performing exposures

(millions of euro)

Reasons/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	**4**	**48**	**1**
- of which: exposures sold not derecognised	-	-	-
B. Increases	**-**	**83**	**-**
B.1 inflows from performing exposures	-	80	-
B.2 inflows from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other non-performing exposures categories	-	-	-
B.4 changes in contracts without derecognition	-	-	-
B.5 other increases	-	3	-
- of which: business combinations			
C. Decreases	**-**	**-23**	**-1**
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	-	-	-
C.3 collections	-	-13	-
C.4 profits on disposal	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other non-performing exposure categories	-	-	-
C.7 changes in contracts without derecognition	-	-	-
C.8 other decreases	-	-10	-1
D. Final gross exposure	**4**	**108**	**-**
- of which: exposures sold not derecognised	-	-	-

A.1.6. Bis Prudential Consolidation – On-balance sheet credit exposures to banks: changes in gross forborne exposures broken down by credit quality

(millions of euro)

Description/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposure	**48**	**83**
- of which: exposures sold not derecognised	-	-
B. Increases	**82**	**2**
B.1 inflows from non-forborne performing exposures	-	-
B.2 inflows from forborne performing exposures	80	X
B.3 inflows from non-performing forborne exposures	X	-
B.4 inflows from forborne non-performing exposures	-	-
B.5 other increases	2	2
C. Decreases	**-23**	**-85**
C.1 outflows to non-forborne performing exposures	X	-
C.2 outflows to forborne performing exposures	-	X
C.3 outflows to non-performing forborne exposures	X	-80
C.4 write-offs	-	-
C.5 collections	-13	-3
C.6 profits on disposal	-	-
C.7 losses on disposal	-	-
C.8 other decreases	-10	-2
D. Final gross exposure	**107**	**-**
- of which: exposures sold not derecognised	-	-

A.1.7. Prudential Consolidation – On-balance sheet credit exposures to customers: changes in gross non-performing exposures

(millions of euro)

Reasons/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	**3,850**	**7,431**	**552**
- of which: exposures sold not derecognised	*93*	*507*	*172*
B. Increases	**1,875**	**2,951**	**768**
B.1 inflows from performing exposures	294	2,138	717
B.2 inflows from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other non-performing exposures categories	1,311	372	5
B.4 changes in contracts without derecognition	-	5	-
B.5 other increases	270	436	46
C. Decreases	**-2,283**	**-4,291**	**-694**
C.1 outflows to performing exposures	-28	-616	-112
C.2 write-offs	-349	-124	-1
C.3 collections	-420	-913	-97
C.4 profits on disposal	-257	-759	-2
C.5 losses on disposal	-136	-11	-
C.6 transfers to other non-performing exposure categories	-32	-1,217	-439
C.7 changes in contracts without derecognition	-	-11	-
C.8 other decreases	-1,061	-640	-43
D. Final gross exposure	**3,442**	**6,091**	**626**
- of which: exposures sold not derecognised	*101*	*549*	*247*

The “other increases” mainly include the increases in the amounts for charges and the increase in the amounts in foreign currency due to changes in the exchange rate.
The “other decreases” mainly include the portfolio of loans classified as “bad loans” and “unlikely to pay” sold during the year.

A.1.7. Bis Prudential Consolidation – On-balance sheet credit exposures to customers: changes in gross forborne exposures broken down by credit quality

(millions of euro)

Reasons/Quality	**Forborne exposures: non-performing**	**Forborne exposures: performing**
A. Initial gross exposure	**3,922**	**7,482**
- of which: exposures sold not derecognised	*260*	*1,335*
B. Increases	**1,286**	**2,558**
B.1 inflows from non-forborne performing exposures	249	1,602
B.2 inflows from forborne performing exposures	526	X
B.3 inflows from non-performing forborne exposures	X	401
B.4 inflows from forborne non-performing exposures	159	4
B.5 other increases	352	551
C. Decreases	**-1,869**	**-4,904**
C.1 outflows towards non-forborne performing exposures	X	-2,652
C.2 outflows towards forborne performing exposures	-401	X
C.3 outflows towards non-performing forborne exposures	X	-526
C.4 write-offs	-118	-
C.5 collections	-381	-473
C.6 profits on disposal	-290	-690
C.7 losses on disposal	-76	-40
C.8 other decreases	-603	-523
D. Final gross exposure	**3,339**	**5,136**
- of which: exposures sold not derecognised	*196*	*863*

The “other increases” mainly include the increases in the amounts for charges.
The “other decreases” mainly include the portfolio of loans classified as “bad loans” and “unlikely to pay” sold during the year.

A.1.8 Prudential Consolidation – On-balance sheet non-performing credit exposures to banks: changes in total adjustments

(millions of euro)

Reasons/Categories	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*
A. Initial total adjustments	**4**	**-**	**12**	***12***	**-**	**-**
- of which: exposures sold not derecognised	-	-	-	-	-	-
B. Increases	**-**	**-**	**9**	***7***	**-**	**-**
B.1 adjustments to purchased or originated credit-impaired assets	-	*X*	-	*X*	-	*X*
C.2 other adjustments	-	-	6	4	-	-
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfers from other non-performing exposures categories	-	-	-	-	-	-
B.5 changes in contracts without derecognition	-	-	-	-	-	-
B.6 other increases	-	-	3	3	-	-
C. Decreases	**-**	**-**	**-5**	**-4**	**-**	**-**
C.1 recoveries on impairment losses	-	-	-5	-4	-	-
C.2 recoveries on repayments	-	-	-	-	-	-
C.3 profits on disposal	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-	-	-
C.6 changes in contracts without derecognition	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Final total adjustments	**4**	**-**	**16**	**15**	**-**	**-**
- of which: exposures sold not derecognised	-	-	-	-	-	-

A.1.9 Prudential Consolidation – On-balance sheet non-performing credit exposures to customers: changes in total adjustments

(millions of euro)

Reasons/Categories	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*
A. Initial total adjustments	**2,672**	**518**	**2,956**	**1,129**	**139**	**11**
- of which: exposures sold not derecognised	*46*	*7*	*106*	*45*	*31*	*4*
B. Increases	**1,759**	***463***	**1,350**	***530***	**211**	***15***
B.1 adjustments to purchased or originated credit-impaired assets	-	*X*	-	*X*	-	*X*
C.2 other adjustments	775	*168*	1,036	*388*	166	*15*
B.3 losses on disposal	139	*71*	11	5	-	-
B.4 transfers from other non-performing exposures categories	618	*152*	118	13	1	-
B.5 changes in contracts without derecognition	-	-	37	*36*	-	-
B.6 other increases	227	*72*	148	*88*	44	-
C. Decreases	**-1,929**	**-439**	**-1,907**	**-764**	**-181**	**-11**
C.1 recoveries on impairment losses	-135	*-38*	-265	-163	-34	-
C.2 recoveries on repayments	-78	*-15*	-119	-35	-5	-
C.3 profits on disposal	-11	*-1*	-123	-7	-	-
C.4 write-offs	-349	*-48*	-124	-70	-1	-
C.5 transfers to other non-performing exposure categories	-11	*-4*	-593	-150	-133	-11
C.6 changes in contracts without derecognition	-	-	-14	*-13*	-	-
C.7 other decreases	-1,345	*-333*	-669	-326	-8	-
D. Final total adjustments	**2,502**	**542**	**2,399**	**895**	**169**	**15**
- of which: exposures sold not derecognised	*69*	*3*	*155*	*38*	*51*	*7*

The “other increases” mainly include the collections of loans derecognised in full (through “recoveries on repayments”) and increases in the balances of allowances in foreign currency due to changes in the exchange rate.
The “other decreases” mainly include the portfolio of loans classified as “bad loans” and “unlikely to pay” sold during the year. This caption also includes the collections of overdue interest applied in previous years, losses on disposal not covered by the allowance, the decrease in allowances in foreign currency due to changes in the exchange rate and the reduction in the allowances for adjustment due to the passing of time.

A.2. Classification of exposures based on external and internal ratings

A.2.1. Prudential Consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross amounts)

The Intesa Sanpaolo Group uses the ratings supplied by the following external rating agencies for portfolios subject to reporting: Standard & Poor's Ratings Services, Moody's Investors Service, Fitch Ratings and Morningstar DBRS. The ratings provided by those agencies are used in compliance with the authorisations received and the regulations in force for the different Group banks.
In compliance with the regulations, if there are two ratings for the same customer, the most prudential of the two is used, when three ratings are available, the middle rating is adopted, and when all ratings are available, the second-best is taken.

(millions of euro)

Exposures	EXTERNAL RATING CLASSES						UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**22,775**	**20,099**	**67,080**	**10,460**	**4,525**	**365**	**401,872**	**527,176**
- Stage 1	22,447	18,546	65,166	10,267	1,603	91	352,002	470,122
- Stage 2	328	1,553	1,914	191	2,811	124	40,039	46,960
- Stage 3	-	-	-	-	111	150	9,517	9,778
- Purchased or originated credit-impaired	-	-	-	2	-	-	314	316
B.Financial assets measured at fair value through other comprehensive income	**27,440**	**16,608**	**15,109**	**1,381**	**2,364**	**56**	**4,482**	**67,440**
- Stage 1	27,248	16,511	15,087	1,241	1,218	18	4,171	65,494
- Stage 2	192	97	22	140	1,146	24	289	1,910
- Stage 3	-	-	-	-	-	14	22	36
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Non-current financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**181**	**181**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	18	18
- Stage 3	-	-	-	-	-	-	163	163
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**50,215**	**36,707**	**82,189**	**11,841**	**6,889**	**421**	**406,535**	**594,797**
D. Commitments to disburse funds and financial guarantees given								
- Stage 1	11,976	25,022	56,178	14,959	2,819	123	160,813	271,890
- Stage 2	146	247	499	316	1,461	132	18,575	21,376
- Stage 3	-	-	-	-	7	3	1,584	1,594
- Purchased or originated credit-impaired	-	-	-	-	-	-	3	3
Total (D)	**12,122**	**25,269**	**56,677**	**15,275**	**4,287**	**258**	**180,975**	**294,863**
Total (A+B+C+D)	**62,337**	**61,976**	**138,866**	**27,116**	**11,176**	**679**	**587,510**	**889,660**

The following table shows the mapping of risk classes and the external ratings.

Mapping of ratings issued by external rating agencies

	ECAI							
	Moody's		Standard & Poor's		Fitch		Morningstar DBRS	
	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term
Credit quality step								
1	Aaa, Aa3	P-1	AAA, AA-	A1+, A1	AAA, AA-	F1+, F1	AAA, AA-	R-1
2	A1, A3	P-2	A+, A-	A2	A+, A-	F2	A+, A-	R-2
3	Baa1, Baa3	P-3	BBB+, BBB-	A3	BBB+, BBB-	F3	BBB+, BBB-	R-3
4	Ba1, Ba3	NP	BB+, BB-	less than A3	BB+, BB-	less than F3	BB+, BB-	less than R-3
5	B1, B3	NP	B+, B-	less than A3	B+, B-	less than F3	B+, B-	less than R-3
6	Caa1 or less	NP	CCC+ or less	less than A3	CCC+ or less	less than F3	CCC+ or less	less than R-3

A.2.2. Prudential Consolidation - Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross amounts)

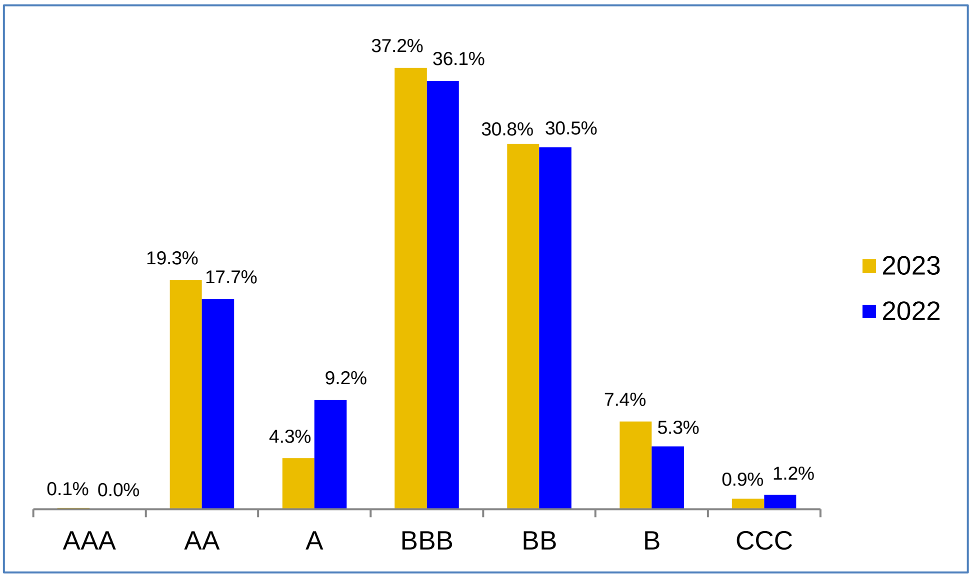
As indicated above in the paragraph entitled "Basel 3 Regulations", the Intesa Sanpaolo Group has a set of ratings for the various operating segments of the counterparties (Corporate, Corporate SME, Retail SME, Retail, Public Sector Entities and Banks).
The breakdown of exposures by internal rating classes shown in the following table is based on all ratings available in the credit risk management and control system, in addition to ratings for validated models. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.
Unrated exposures account for 8.7% of all exposures to performing counterparties and refer to customer portfolios for which a rating model is not available, to counterparties for which the roll-out of internal models is still underway (mainly international subsidiaries), as well as to Group companies whose mission is not related to credit and loans, which have been integrated into the credit risk management system, or to marginal exposures.

When unrated counterparties and non-performing loans are excluded, there is a high concentration of investment grade classes (classes 1, 2 and 3, representing ratings between AAA and BBB-) at 70.4% of the total, whilst 22.9% fall within the BB+/BB range (class 4) and 6.7% fall under higher risk classes (of which 0.8% are below B-).

(millions of euro)

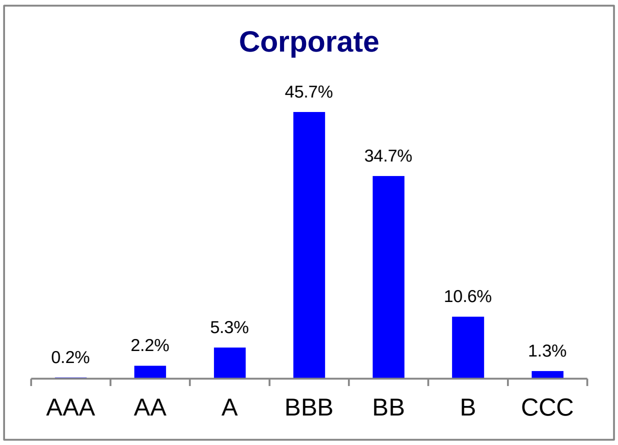
Exposures	Internal rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost	**91,987**	**45,782**	**172,111**	**118,909**	**34,738**	**7,033**	**56,616**	**527,176**
- Stage 1	91,562	45,545	166,906	106,842	15,812	424	43,031	470,122
- Stage 2	424	236	5,185	12,012	15,171	3,543	10,389	46,960
- Stage 3	-	1	2	4	3,603	3,014	3,154	9,778
- Purchased or originated credit-impaired	1	-	18	51	152	52	42	316
B. Financial assets measured at fair value through other comprehensive income	**23,672**	**16,981**	**15,184**	**2,430**	**2,171**	**537**	**6,465**	**67,440**
- Stage 1	23,649	16,886	15,005	2,154	920	530	6,350	65,494
- Stage 2	23	95	179	276	1,251	7	79	1,910
- Stage 3	-	-	-	-	-	-	36	36
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Non-current financial assets held for sale	**-**	**-**	**-**	**-**	**60**	**54**	**67**	**181**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	18	-	-	18
- Stage 3	-	-	-	-	42	54	67	163
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**115,659**	**62,763**	**187,295**	**121,339**	**36,969**	**7,624**	**63,148**	**594,797**
D. Commitments and financial guarantees given								
- Stage 1	28,235	36,517	130,906	56,859	9,726	745	8,902	271,890
- Stage 2	254	437	1,735	5,539	3,948	1,479	7,984	21,376
- Stage 3	-	-	1	1	676	447	469	1,594
- Purchased or originated credit-impaired	-	-	-	-	1	-	2	3
Total (D)	**28,489**	**36,954**	**132,642**	**62,399**	**14,351**	**2,671**	**17,357**	**294,863**
Total (A+B+C+D)	**144,148**	**99,717**	**319,937**	**183,738**	**51,320**	**10,295**	**80,505**	**889,660**

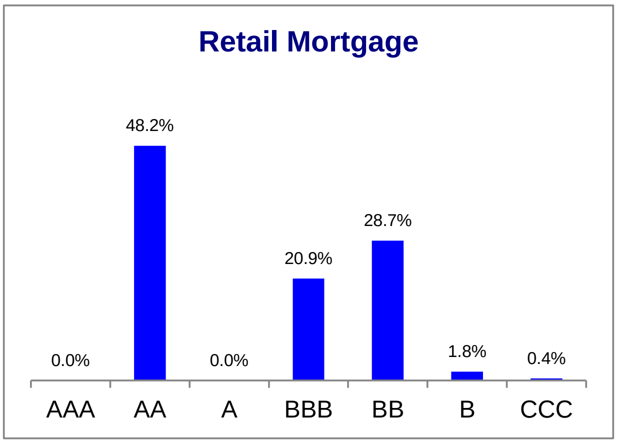
In addition to the tables required by the regulations, the rating allocation for performing loans to customers attributable to the main Group banks is shown below.
As at 31 December 2023, performing loans to customers assigned an individual rating internally or by an external agency accounted for 97% of the loans of the main Group banks.

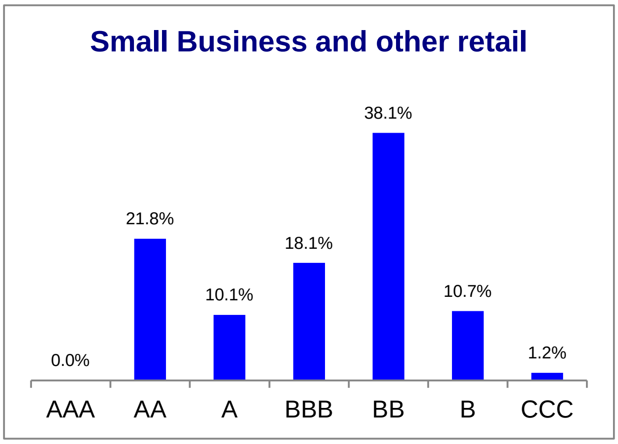


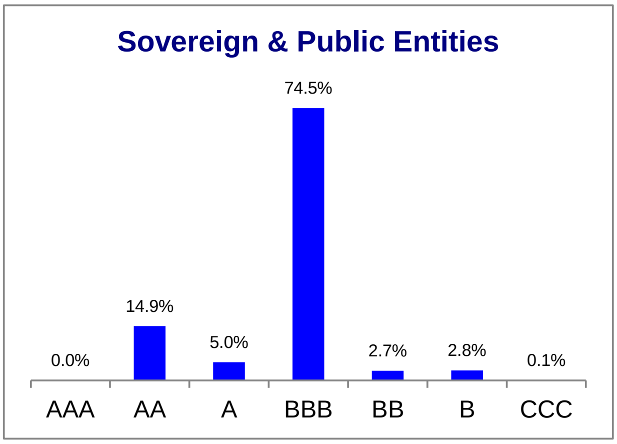
The allocation shows a level of investment grade exposures (from AAA to BBB inclusive), at 60.9%, down on the previous year (63.0%), mainly due to a revision in the master scale for certain types of counterparties rated using internal models. The same percentage calculated on the entire portfolio, net of Russian counterparties, came to 72.1%.
Movements between rating classes are mainly caused by changes in risk parameters as a result of the update of the models.

The breakdown of the following portfolios by rating is presented below: Corporate, Retail Mortgage (residential mortgages for individuals), Small Business and other retail, Sovereign & Public Entities.









Investment grade positions account for 53.4%, 69.1%, 50.0% and 94.4% of the above portfolios, respectively.

A.3. Breakdown of guaranteed credit exposures by type of guarantee

A.3.1. Prudential Consolidation – Guaranteed on- and off-balance sheet credit exposures to banks

(millions of euro)

	Gross exposure	Net exposure	Collaterals (*) (1)				Personal guarantees (*) (2)	
							Credit derivatives	
			Real estate assets - mortgages	Real estate assets - finance leases	Securities	Other	CLN	Other derivatives
								Central counterparties
1.Guaranteed on-balance sheet credit exposures:	**10,289**	**10,281**	**-**	**4**	**9,285**	**-**	**-**	**-**
1.1 totally guaranteed	8,627	8,625	-	4	8,418	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partly guaranteed	1,662	1,656	-	-	867	-	-	-
- of which non-performing	*75*	*69*	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**18,050**	**18,050**	**-**	**-**	**1,374**	**7,616**	**-**	**-**
2.1 totally guaranteed	3,408	3,408	-	-	1,372	952	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partly guaranteed	14,642	14,642	-	-	2	6,664	-	-
- of which non-performing	-	-	-	-	-	-	-	-

(*) Fair value of the guarantee or, if difficult to determine, its contractual value; as required by the regulations, the latter is stated up to the net exposure value.

(millions of euro)

	Personal guarantees (*) (2)							Total
	Credit derivatives			Commitments				
	Other derivatives			Public Administration	Banks	Other financial companies	Other counterparties	(1)+(2)
	Banks	Other financial companies	Other counterparties					
1.Guaranteed on-balance sheet credit exposures:	**-**	**-**	**-**	**452**	**191**	**-**	**76**	**10,008**
1.1 totally guaranteed	-	-	-	27	1	-	76	8,526
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partly guaranteed	-	-	-	425	190	-	-	1,482
- of which non-performing	-	-	-	*69*	-	-	-	*69*
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**17**	**191**	**-**	**53**	**9,251**
2.1 totally guaranteed	-	-	-	11	185	-	19	2,539
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partly guaranteed	-	-	-	6	6	-	34	6,712
- of which non-performing	-	-	-	-	-	-	-	-

(*) Fair value of the guarantee or, if difficult to determine, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

A.3.2. Prudential Consolidation - Guaranteed on- and off-balance sheet credit exposures to customers

(millions of euro)

	Gross exposure	Net exposure	Collateral (*) (1)				Personal guarantees (*) (2)	
							Credit derivatives	
			Real estate assets - mortgages	Real estate assets - finance leases	Securities	Other	CLN	Other derivatives
								Central counterparties
1. Guaranteed on-balance sheet credit exposures:	**304,215**	**299,567**	**159,859**	**4,327**	**28,728**	**9,905**	**-**	**-**
1.1 totally guaranteed	244,492	240,987	157,312	4,166	28,325	7,299	-	-
- of which non-performing	*5,188*	*3,095*	*1,860*	*208*	*16*	*89*	-	-
1.2 partly guaranteed	59,723	58,580	2,547	161	403	2,606	-	-
- of which non-performing	*1,699*	*873*	*169*	*52*	*11*	*22*	-	-
2. Guaranteed off-balance sheet credit exposures:	**50,767**	**50,650**	**2,001**	**46**	**6,908**	**3,788**	**-**	**-**
2.1 totally guaranteed	37,641	37,560	1,586	2	6,612	2,019	-	-
- of which non-performing	*264*	*228*	*31*	-	*6*	*28*	-	-
2.2. partly guaranteed	13,126	13,090	415	44	296	1,769	-	-
- of which non-performing	*114*	*95*	*20*	-	-	*30*	-	-

(*) Fair value of the guarantee or, if difficult to determine, its contractual value; as required by the regulations, the latter is stated up to the net exposure value.

(millions of euro)

	Personal guarantees (*) (2)							Total
	Credit derivatives			Commitments				
	Other derivatives			Public administration	Banks	Other financial companies	Other counterparties	(1)+(2)
	Banks	Other financial companies	Other counterparties					
1. Guaranteed on-balance sheet credit exposures	**-**	**-**	**-**	**45,420**	**575**	**2,610**	**23,209**	**274,633**
1.1 totally guaranteed	-	-	-	21,916	205	2,143	18,011	239,377
- of which non-performing	-	-	-	*493*	*4*	*20*	*338*	*3,028*
1.2 partly guaranteed	-	-	-	23,504	370	467	5,198	35,256
- of which non-performing	-	-	-	*413*	*1*	*6*	*47*	*721*
2. Guaranteed off-balance sheet credit exposures:	**117**	**-**	**-**	**3,994**	**555**	**3,507**	**24,463**	**45,379**
2.1 totally guaranteed	117	-	-	2,694	511	1,738	21,561	36,840
- of which non-performing	-	-	-	*12*	-	*1*	*146*	*224*
2.2. partly guaranteed	-	-	-	1,300	44	1,769	2,902	8,539
- of which non-performing	-	-	-	*4*	-	-	*16*	*70*

(*) Fair value of the guarantee or, if difficult to determine, its contractual value; as required by the regulations, the latter is stated up to the net exposure value.

A.4. Prudential consolidation – Financial assets and non-financial assets resulting from the enforcement of guarantees

(millions of euro)

	Derecognised credit exposure	Gross amount	Total adjustments	Book value	of which obtained during the year
A. Property and equipment	**297**	**324**	**-60**	**264**	**5**
A.1 Used in operations	1	2	1	3	-
A.2. Investment	119	113	-13	100	5
A.3 Inventories	177	209	-48	161	-
B. Equities and debt securities	**466**	**466**	**-225**	**241**	**108**
C. Other assets	**-**	**-**	**-**	**-**	**-**
D. Non-current assets held for sale and discontinued operations	**5**	**5**	**-1**	**4**	**1**
D.1 Property and equipment	5	5	-1	4	1
D.2. Other assets	-	-	-	-	-
Total 31.12.2023	**768**	**795**	**-286**	**509**	**114**
Total 31.12.2022	**710**	**749**	**-247**	**502**	**15**

For the Group, the assets seized (book value) are mainly represented by:

- Property and equipment used in operations: buildings (2 million euro) and land (1 million euro).
- Investment property: buildings (74 million euro); land (26 million euro).
- Property and equipment – Inventories: buildings (160 million euro) and land (1 million euro).
- Equities and debt securities:
  - equity investments of 24 million euro (primarily relating to the equity investment in Risanamento);
  - financial assets mandatorily measured at fair value of 69 million euro;
  - financial assets measured at fair value through other comprehensive income of 148 million euro.

  These are financial assets not previously provided by the borrower as security for pre-existing loans, but acquired under bilateral agreements with the borrower, following which the Group has derecognised the credit exposure. The aggregate includes the amount referring to newly-issued Participatory Financial Instruments, deriving from an operation, finalised in the second half of 2023, to sell performing on-balance sheet exposures due from the Italian Commercial Real Estate sector, which, inter alia, entailed converting part of the original exposure into those instruments.
- Non-current assets held for sale and discontinued operations: buildings (4 million euro).

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1. Prudential Consolidation - Breakdown by sector of on- and off-balance sheet credit exposures to customers

(millions of euro)

Exposures/Counterparties		Public administration		Financial companies		Financial companies (of which: insurance companies)	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures							
A.1 Bad loans		70	-158	4	-22	-	-
- of which: forborne exposures		-	-	*1*	-	-	-
A.2 Unlikely to pay		159	-28	164	-176	-	-
- of wich: forborne exposures		*20*	*-4*	*111*	*-67*	-	-
A.3 Non-performing past due exposures		-	-	1	-	-	-
- of which: forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		109,003	-166	78,853	-160	1,551	-
- of which: forborne exposures		*112*	*-13*	*256*	*-7*	-	-
Total (A)		**109,232**	**-352**	**79,022**	**-358**	**1,551**	**-**
B. Off-balance sheet exposures							
B.1 Non-performing exposures		9	-1	13	-	-	-
B.2 Performing exposures		27,541	-11	50,483	-22	4,296	-
Total (B)		**27,550**	**-12**	**50,496**	**-22**	**4,296**	**-**
Total (A+B)	**31.12.2023**	**136,782**	**-364**	**129,518**	**-380**	**5,847**	**-**
Total (A+B)	**31.12.2022**	**118,594**	**-351**	**139,579**	**-341**	**11,627**	**-**

(millions of euro)

Exposures/Counterparties		Non-financial companies		Households	
		Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures					
A.1 Bad loans		588	-1,579	278	-743
- of which: forborne exposures		*150*	*-440*	*52*	*-102*
A.2 Unlikely to pay		2,355	-1,586	1,014	-609
- of which: forborne exposures		*1,061*	*-663*	*451*	*-161*
A.3 Non-performing past due exposures		154	-58	302	-111
- of which: forborne exposures		*12*	*-6*	*30*	*-9*
A.4 Performing exposures		184,519	-1,493	174,051	-825
- of which: forborne exposures		*3,078*	*-212*	*1,352*	*-106*
Total (A)		**187,616**	**-4,716**	**175,645**	**-2,288**
B. Off-balance sheet exposures					
B.1 Non-performing exposures		1,263	-266	35	-11
B.2 Performing exposures		211,413	-151	15,571	-15
Total (B)		**212,676**	**-417**	**15,606**	**-26**
Total (A+B)	**31.12.2023**	**400,292**	**-5,133**	**191,251**	**-2,314**
Total (A+B)	**31.12.2022**	**423,425**	**-5,518**	**199,255**	**-2,807**

B.2. Prudential Consolidation - Breakdown by geographical area of on- and off-balance sheet credit exposures to customers

(millions of euro)

Exposures/Geographical areas	Italy		Other european countries	
	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures				
A.1 Bad loans	752	-1,653	159	-548
A.2 Unlikely to pay	3,101	-2,093	400	-245
A.3 Non-performing past due exposures	389	-116	62	-50
A.4 Performing exposures	357,344	-1,568	131,213	-926
Total (A)	**361,586**	**-5,430**	**131,834**	**-1,769**
B. Off-balance sheet exposures				
B.1 Non-performing exposures	1,220	-249	74	-27
B.2 Performing exposures	168,805	-95	91,771	-79
Total (B)	**170,025**	**-344**	**91,845**	**-106**
Total (A+B) 31.12.2023	**531,611**	**-5,774**	**223,679**	**-1,875**
Total (A+B) 31.12.2022	**552,783**	**-6,415**	**231,743**	**-2,160**

(millions of euro)

Exposures/Geographical areas	America		Asia		Rest of the world	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures						
A.1 Bad loans	18	-153	10	-75	1	-73
A.2 Unlikely to pay	18	-7	24	-3	149	-51
A.3 Non-performing past due exposures	-	-	-	-	6	-3
A.4 Performing exposures	32,927	-48	14,499	-35	10,443	-67
Total (A)	**32,963**	**-208**	**14,533**	**-113**	**10,599**	**-194**
B. Off-balance sheet exposures						
B.1 Non-performing exposures	11	-	7	-	8	-2
B.2 Performing exposures	30,910	-13	10,268	-2	3,254	-10
Total (B)	**30,921**	**-13**	**10,275**	**-2**	**3,262**	**-12**
Total (A+B) 31.12.2023	**63,884**	**-221**	**24,808**	**-115**	**13,861**	**-206**
Total (A+B) 31.12.2022	**57,718**	**-191**	**26,159**	**-84**	**12,450**	**-167**

B.2.Bis Prudential consolidation – Breakdown of relations with customers resident in Italy by geographical area

(millions of euro)

Exposures/Geographical areas		North West		North East		Centre		South and islands	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures									
A.1 Bad loans		218	-494	114	-264	186	-345	234	-550
A.2 Unlikely to pay		1,076	-653	525	-364	791	-570	709	-506
A.3 Non-performing past due exposures		108	-31	59	-19	88	-24	134	-42
A.4 Performing exposures		123,393	-546	64,336	-290	113,849	-406	55,766	-326
Total A		**124,795**	**-1,724**	**65,034**	**-937**	**114,914**	**-1,345**	**56,843**	**-1,424**
B. Off-balance sheet exposures									
B.1 Non-performing exposures		372	-58	481	-92	247	-80	120	-19
B.2 Performing exposures		75,710	-47	30,978	-25	47,995	-15	14,122	-8
Total B		**76,082**	**-105**	**31,459**	**-117**	**48,242**	**-95**	**14,242**	**-27**
Total (A+B)	**31.12.2023**	**200,877**	**-1,829**	**96,493**	**-1,054**	**163,156**	**-1,440**	**71,085**	**-1,451**
Total (A+B)	**31.12.2022**	**207,915**	**-2,315**	**106,012**	**-1,087**	**164,911**	**-1,464**	**73,945**	**-1,549**

B.3. Prudential Consolidation - Breakdown by geographical area of on- and off-balance sheet credit exposures to banks

(millions of euro)

Exposures / Geographical Areas		Italy		Other european countries	
		Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures					
A.1 Bad loans		-	-	-	-1
A.2 Unlikely to pay		-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-
A.4 Performing exposures		80,919	-2	37,309	-18
Total (A)		**80,919**	**-2**	**37,309**	**-19**
B. Off-balance sheet exposures					
B.1 Non-performing exposures		-	-	-	-
B.2 Performing exposures		5,058	-	36,802	-48
Total (B)		**5,058**	**-**	**36,802**	**-48**
Total (A+B)	**31.12.2023**	**85,977**	**-2**	**74,111**	**-67**
Total (A+B)	**31.12.2022**	**112,423**	**-2**	**83,974**	**-92**

(millions of euro)

Exposures / Geographical Areas		America		Asia		Rest of the world	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures							
A.1 Bad loans		-	-	-	-3	-	-
A.2 Unlikely to pay		92	-16	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-	-
A.4 Performing exposures		7,910	-	2,732	-	3,083	-10
Total (A)		**8,002**	**-16**	**2,732**	**-3**	**3,083**	**-10**
B. Off-balance sheet exposures							
B.1 Non-performing exposures		5	-	-	-	1	-
B.2 Performing exposures		8,026	-	10,348	-	2,549	-
Total (B)		**8,031**	**-**	**10,348**	**-**	**2,550**	**-**
Total (A+B)	**31.12.2023**	**16,033**	**-16**	**13,080**	**-3**	**5,633**	**-10**
Total (A+B)	**31.12.2022**	**13,321**	**-13**	**14,063**	**-3**	**5,152**	**-11**

B.3.Bis Prudential consolidation – Breakdown of relations with banks resident in Italy by geographical area

(millions of euro)

Exposures/Geographical areas	NORTH WEST		NORTH EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	7,032	-2	2,399	-	71,481	-	7	-
Total A	**7,032**	**-2**	**2,399**	**-**	**71,481**	**-**	**7**	**-**
B. Off-balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	3,282	-	503	-	1,270	-	3	-
Total B	**3,282**	**-**	**503**	**-**	**1,270**	**-**	**3**	**-**
Total (A+B) 31.12.2023	**10,314**	**-2**	**2,902**	**-**	**72,751**	**-**	**10**	**-**
Total (A+B) 31.12.2022	**10,310**	**-1**	**3,764**	**-**	**98,338**	**-1**	**11**	**-**

B.4 Large exposures

Large exposures	
a) Book value (millions of euro)	267,332
b) Weighted value (millions of euro)	20,351
b) Number	11

Based on regulatory provisions, the number of large exposures presented in the table was determined by the reference to unweighted “exposures” in excess of 10% of Tier 1 Capital as defined by Regulation (EU) 876/2019 (CRR2) and Regulation (EU) 575/2013 (CRR). The “exposures” are defined as the sum of on-balance sheet assets at risk and off-balance sheet transactions (excluding those deducted from Tier 1 Capital) with a customer or a group of related customers, without applying weighting factors. These presentation criteria result in the inclusion in the financial statement table for large exposures of entities that – even with a weighting of 0% – present an unweighted exposure in excess of 10% of Tier 1 Capital for the purposes of large risks.

In accordance with the provisions of the EBA document "Guidelines on connected clients under Article 4(1)(39) of Regulation (EU) 575/2013", the supervisory reports have standard methods of presentation of groups of connected clients that (in the case of silos) require exposures to the central governments to be repeated within each corresponding economic group directly controlled by a central government or connected to it by economic dependence.
However, the amounts shown in points a) and b) and the number shown in point c) in the table above include the exposure to the various central governments, to which the Intesa Sanpaolo Group is exposed, only once.

C. SECURITISATIONS

This section does not include securitisations where the originators are Intesa Sanpaolo Group banks and all the liabilities (e.g. ABS securities, loans at the warehousing stage) issued by the vehicle companies are subscribed at the time of issue by one or more Group companies. For a description of these types of transaction, see the section on liquidity risk in Part E of the Notes to the consolidated financial statements.

Qualitative information

The securitisations carried out in 2023 are summarised below:

GARC Securitisations

Within the "GARC" (*Gestione Attiva Rischio di Credito* - Active Credit Risk Management) transactions, Intesa Sanpaolo completed six new synthetic securitisations during the year: GARC New Origination-1, GARC USD Corp-1, GARC ESG & CE-1, GARC Residential Mortgages-4, GARC SME-11, and GARC Corp-6. Specifically:

i) for the GARC New Origination-1 transaction (second quarter), the junior risk was sold relating to an initial portfolio of around 0.5 billion euro in loans to around 880 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB).This portfolio is increased with new loans on a quarterly basis during a ramp-up period not exceeding 12 months until a maximum portfolio of 2 billion euro is reached;

ii) for the GARC USD Corp-1 transaction (second quarter), the junior risk relating to a total portfolio of around 4.2 billion euro in loans denominated in US dollars to around 100 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors.

iii) for the GARC ESG & Circular Economy-1 (third quarter), the junior and mezzanine risk relating to a portfolio of around 2.7 billion euro in loans to around 100 businesses in the Corporate and Corporate SME regulatory segment with a high ESG score and/or assessed within the circular economy framework, valued using internal models (Advanced IRB), was sold to specialist investors.

iv) for the GARC Residential Mortgages-4 transaction (fourth quarter), the upper junior and mezzanine risk relating to a portfolio of around 1.6 billion euro of high LTV residential mortgages to around 13,500 retail customers, valued using internal models (Advanced IRB), was sold to specialist investors;

v) for the GARC SME-11 transaction (fourth quarter), the mezzanine risk relating to a total portfolio of 1 billion euro in loans to around 2,500 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to a specialist investor;

vi) for the GARC Corp-6 transaction (fourth quarter), the junior risk relating to a total portfolio of around 3.4 billion euro in loans to around 180 businesses in the Corporate and Corporate SME regulatory segment, valued using internal models (Advanced IRB), was sold to specialist investors.

In compliance with the retention rule laid down by the supervisory regulations, for the above transactions Intesa Sanpaolo holds at least 5% of the securitised portfolio.

The portfolios of the transactions mainly consist of customers operating in Northern Italy. The portfolio of the GARC USD Corp-1 transaction consists of US dollar-denominated loans mainly provided to foreign customers.

Andor Securitisation

As part of the derisking strategy envisaged in the 2022-2025 Business Plan, on 18 December 2023 Intesa Sanpaolo completed a process to deconsolidate a loan portfolio of Intesa Sanpaolo consisting of "bad loans", through a securitisation with the assignment of an investment grade rating to the senior notes.

The portfolio to be sold, identified as at 31 March 2023 (cut-off date), has a Gross Book Value (GBV) of around 0.9 billion euro (accounting GBV at pre-closing values, before PPA) and consists of "bad" loans mainly of the Corporate SME segment.

Within the transaction, Intrum Italy S.p.A. acts as special servicer of the securitisation.

The securitised assets were broken down as follows by geographical area:

– 28.6% North-West;
– 26.8% South and Islands;
– 25.3% Centre;
– 18.9% North-East;
– 0.4% Outside Italy.

The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:

– 64.4% Non-financial companies;
– 25.9% Consumer households;
– 9.3% Family businesses;
– 0.4% other business sectors.

The sale transaction was structured in two main concurrent phases:

(i) "Self-securitisation and Rating": in this phase, the sale of the portfolio to a securitisation vehicle, Andor SPV S.r.l. (SPV), established pursuant to Italian Law 130/99, was completed, with Intesa Sanpaolo fully subscribing the senior, mezzanine and junior notes issued by the SPV to finance the purchase price of the portfolio. At the time of issue of the notes, Intesa Sanpaolo disbursed a loan with limited recourse as a liquidity facility for said SPV. In this phase of the transaction, as the risks and rewards of the assets sold had not yet been transferred, the portfolio continued to be consolidated in the Intesa

Sanpaolo financial statements. In this phase, Moody’s, DBRS and Scope also issued a rating of 'BBB+' for the senior class.

(ii) “Placement of the subordinated securities and deconsolidation of the portfolio sold”: in this phase, the sale of 95% of the mezzanine and junior notes was finalised to a third party investor selected through syndication on the market and, following the sale, the accounting and regulatory derecognition of the portfolio was also finalised.

The SPV financed the acquisition of the portfolio by issuing three classes of securities, of which the senior tranche was subscribed entirely by Intesa Sanpaolo, while the mezzanine and junior tranches were subscribed 95% by a third party investor and 5% by Intesa Sanpaolo, in compliance with the retention rule laid down in the supervisory regulations:
– senior notes of 208 million euro, fully subscribed by Intesa Sanpaolo;
– mezzanine notes of 40 million euro, of which 2 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.
– junior notes of 5 million euro, of which 0.25 million euro subscribed by Intesa Sanpaolo and the remainder by a third-party investor.

Taking into account the subscription by Intesa Sanpaolo of 100% of the senior notes and 5% of the mezzanine and junior notes in compliance with the retention rule, the variability connected to the cash flows of the underlying portfolio retained by the Group enabled it to establish that the Group has substantially transferred all the risks and rewards of the financial assets transferred, meeting the conditions under point a) of IFRS 9.3.2.6, as a result of which it has “derecognised the financial asset and recognised separately as assets or liabilities any rights and obligations originated from or maintained with the transfer”.

In this regard, the notes subscribed by Intesa Sanpaolo, due to the business model used and the look-through test carried out, have been classified as follows:
– the senior tranche, under securities at amortised cost;
– the mezzanine and junior tranches under securities measured at FVTPL.

With the completion of the transaction, Intesa Sanpaolo achieved full accounting and prudential deconsolidation of the portfolio.

The transaction was carried out in accordance with the Group’s income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2022-2025 Business Plan.

Chewbecca Securitisation

As part of the broader Starfighter Project for the turnaround of the Risanamento Group, which included:
– the deconsolidation of Intesa Sanpaolo's exposure by means of transfer to the closed-end investment fund MSG Heartbeat (managed by Lendlease SGR S.p.A.); and
– the granting of new loans to the Fund by a pool of Banks, including Intesa Sanpaolo S.p.A., for the implementation of the real estate project in the Milano Santa Giulia area,

in July 2023, Intesa Sanpaolo structured a securitisation aimed at the sale to the vehicle Chewbecca SPV S.r.l. of part of the loans from the pool of banks to the Fund.

This securitisation is a multi-originator and partially paid securitisation, as the loans transferred to the vehicle are derived from the disbursements of new loans granted to the Fund from time to time by the pool. The notes are also untranched and subscribed in part by Intesa Sanpaolo and in part by a third-party investor. The transaction will allow Intesa Sanpaolo to obtain the accounting and prudential derecognition of the portion of the exposure subscribed by the third-party investor.

The transaction was carried out in accordance with the Group’s income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2022-2025 Business Plan.

Quantitative information

C.1. Prudential consolidation - Breakdown of exposures deriving from the main “originated” securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

Type of securitised asset/ Exposure	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**6,119**	**-44**	**39**	**-6**	**20**	**5**
– Loans to businesses (including SMEs) (*)	3,025	-7	27	-6	5	-
– Leases (**)	2,674	-5	11	-	14	5
– Residential mortgage loans (*)	420	-32	1	-	-	-
– Consumer credit	-	-	-	-	1	-
B. Partly derecognised	-	-	-	-	-	-
C. Not derecognised	**24,883**	**-13**	**102**	**-**	**314**	**-1**
- Loans to businesses (including SMEs) (***) (****)	19,264	-10	95	-	263	-1
– Residential mortgage loans (****)	2,259	-3	7	-	25	-
– Leases (****)	1,833	-	-	-	11	-
– Commercial mortgage loans (****)	1,527	-	-	-	15	-
TOTAL	**31,002**	**-57**	**141**	**-6**	**334**	**4**

(*) The entire amount refers to non-performing financial assets. “Loans to businesses (including SMEs)” refer to the Savoy, Kerma, Yoda, Sirio, Grogu, Kerdos and Organa securitisations (see the 2018, 2019, 2020, 2021 and 2022 Consolidated Financial Statements, respectively, for details about the transactions) and the Andor transaction (described in the paragraph on “Qualitative information” of this Section). “Residential mortgage loans" refer to the Maior and Iseo securitisations (deriving from the business combination with the former UBI Group).

(**) The amounts refer to the Portland securitisation relating to credit-impaired financial assets for amounts of 4 million euro – senior and 4 million euro – mezzanine, respectively (see the 2021 Consolidated Financial Statements for a description of the transaction) and the Teseo transaction relating to performing financial assets (see the 2022 Consolidated Financial Statements).

(***) The amounts include non-performing financial assets amounting to 11 million euro in senior exposures, 55 million euro in mezzanine exposures and 17 million euro in junior exposures. The performing exposures include the Chewbecca securitisation (described in the “Qualitative Information” paragraph of this Section).

(****) The captions also include performing amounts associated with the synthetic securitisations originated by the Intesa Sanpaolo Group.

Off-balance sheet

This type of exposure did not exist as at 31 December 2023.

C.2. Prudential consolidation - Breakdown of exposures deriving from the main "third-party" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

Type of securitised asset/ Exposure	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Leases	32	-	-	-	-	-
Commercial mortgage loans	92	-2	22	-2	-	-
Covered bonds	109	-	10	-	-	-
Securitisations	168	-	-	-	-	-
Trade receivables	343	-1	3	-	-	-
Consumer credit	465	-	2	-	4	-
Residential mortgage loans	680	2	21	-	-	-
Loans to businesses (including SMEs)	2,375	9	151	1	2	-
Other assets (*)	10,158	-7	-	-	-	-
TOTAL	**14,422**	**1**	**209**	**-1**	**6**	**-**

(*) The amount also includes the Romulus securities for 6,878 million, held by the Banking Group, generally represented among third-party securitisations, as well as loans to the vehicle Duomo Funding Plc for 2,907 million as a result of the use of credit lines. For more information regarding the type of underlying assets, reference is made to Section 4 – Risks of other companies, of this Part E.

Off-balance sheet

(millions of euro)

Type of securitised asset/ Exposure	GUARANTEES GIVEN						CREDIT LINES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
Duomo ABCP Conduit transactions (*)	-	-	-	-	-	-	(*)	(*)	-	-	-	-
Loans to businesses (including SMEs)	-	-	-	-	-	-	132	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**132**	**-**	**-**	**-**	**-**	**-**

(*) With regard to the transactions carried out through Duomo Funding Plc and funded by ABCP, Intesa Sanpaolo has granted credit lines (amounting to 7,259 million euro in terms of net exposures and around 1 million euro of net adjustments) to secure the assets included under "Other assets" in Table C.2 on-balance sheet exposures.

C.3. Prudential consolidation - Stakes in securitisation vehicles

(millions of euro)

SECURITISATION/ SPECIAL PURPOSE VEHICLE	REGISTERED OFFICE	CONSOLIDATION (a)	ASSETS (b)			LIABILITIES (b)		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Augusto S.r.l. (d)	Milano	(e)	-	-	2	13	-	-
Brera Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	15,026	-	577	12,586	-	2,652
Clara Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	5,696	-	1,694	6,350	-	824
Diocleziano S.r.l. (d)	Milano	(e)	2	-	1	48	-	-
Giada Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	19,820	-	7,282	16,860	-	8,425
ISP CB Ipotecario S.r.l. (f)	Milano	(e)	22,981	-	5,625		26,120	
ISP CB Pubblico S.r.l. (f)	Milano	(e)	1,792	-	2,107		3,736	
ISP OBG S.r.l. (f)	Milano	(e)	43,510	-	7,974		50,933	
UBI Finance S.r.l. (f)	Milano	(e)	7,395	-	1,239		8,561	

(a) Consolidation method referring to the so-called "prudential" scope.

(b) Figures gross of any intragroup relations. The amounts shown under assets and liabilities refer to the total values reported in the financial statements of the special purpose vehicles.

(c) Self-securitisation vehicle described in Section 1.4 Banking Group - Liquidity Risk, Quantitative Information, paragraph 2 of these Notes to the consolidated financial statements.

(d) The amounts shown under assets and liabilities refer to the latest financial statement data available (31 December 2022).

(e) Vehicle consolidated at equity.

(f) Vehicle used for the covered bond issue by the Intesa Sanpaolo Group. For more information, see Section D in Part E of these Notes to the consolidated financial statements.

The securitisations structured by the Intesa Sanpaolo Group on its own assets include those named Towers, K-Equity, Savoy, Kerma, Yoda, Maior, Iseo, Sirio, Kerdos, Grogu, Portland, Organa, Andor, Teseo and Chewbecca, for which special purpose vehicles were used that are third-party and independent entities with respect to the Group, and in which the Group does not hold any investments. For that reason, these vehicles are not shown in the table above.

C.4 Prudential consolidation – Unconsolidated securitisation vehicles

This paragraph contains the disclosure on the unconsolidated securitisation vehicles, other than those used in self-securitisations, which the Intesa Sanpaolo Group does not hold any stake in the capital and those in which it holds a residual stake.

As at 31 December 2023, the structured entities in which the Intesa Sanpaolo Group held residual stakes included the vehicles Augusto and Diocleziano consolidated at equity. These vehicles are entities used in securitisations of assets, primarily land and public works financing, of a company subject to joint control sold in previous years. The Group holds a residual stake in these vehicles. There are no agreements in place which could result in the obligation of the Group to provide financial support to said vehicles.
The Intesa Sanpaolo Group controls the companies Romulus Funding Corporation and Duomo Funding Plc (included solely in the scope of consolidation pursuant to IFRS 10), which are used for transactions in which the Intesa Sanpaolo Group acts as sponsor and whose operations are described in Section 4 - Risks of other companies, of this Part E.

C.5. Prudential consolidation - Servicer activities – originated securitisations: collection of securitised loans and repayment of securities issued by the securitisation vehicle

SERVICER	SPECIAL PURPOSE VEHICLE	SECURITISED ASSETS (end-of-period figure) (millions of euro)		COLLECTIONS OF LOANS IN THE YEAR (millions of euro)		PERCENTAGE OF REIMBURSED SECURITIES (period-end figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa Sanpaolo	Brera Sec S.r.l. (*)	33	14,993	4	1,590	0%	36%	0%	0%	0%	0%
Intesa Sanpaolo	Clara Sec S.r.l. (*)	36	5,660	7	2,103	0%	0%	0%	0%	0%	0%
Intesa Sanpaolo	Giada Sec S.r.l. (*)	268	19,552	28	7,742	0%	0%	0%	0%	0%	0%
Intesa Sanpaolo	Teseo SPV S.r.l. (**)	8	3,017	-	813	0%	17%	0%	17%	0%	8%
Total		**345**	**43,222**	**39**	**12,248**						

During 2023 the Berica ABS 3 S.r.l. securitisation was extinguished.

(*) Vehicle used for self-securitisations.

(**) Vehicle used for the traditional securitisation of performing lease receivables described in the 2022 Consolidated Financial Statements.

C.6. Prudential consolidation – Consolidated securitisation vehicles

There were no transactions that used consolidated securitisation vehicles during 2023.

D. SALES

A. Financial assets sold not fully derecognised

Qualitative information

For a description of the operations shown in the tables below, reference is made to the information shown below the relevant tables.

Conversely, for operations in debt securities against medium/long-term repurchase agreements, reference is made to the information in Part B of the Notes to the consolidated financial statements.

Quantitative information

Prudential consolidation - Financial assets sold fully recognised and related financial liabilities: book value

(millions of euro)

	Financial assets sold fully recognised				Related financial liabilities		
	Book value	*of which: securitisations*	*of which: subject to sales contracts with repurchase clauses*	*of which: non-performing*	Book value	*of which: securitisations*	*of which: subject to sales contracts with repurchase clauses*
A. Financial assets held for trading	**1,568**	**-**	***1,568***	***X***	**1,563**	**-**	***1,563***
1. Debt securities	1,320	-	*1,320*	*X*	1,298	-	*1,298*
2. Equities	248	-	*248*	*X*	265	-	*265*
3. Loans	-	-	-	*X*	-	-	-
4. Derivatives	-	-	-	*X*	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	*X*	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**15,013**	**-**	***15,013***	**-**	**14,396**	**-**	***14,396***
1. Debt securities	15,013	-	*15,013*	-	14,396	-	*14,396*
2. Equities	-	-	-	*X*	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**15,120**	**-**	***15,120***	**-**	**13,480**	**-**	***13,480***
1. Debt securities	15,120	-	*15,120*	-	13,480	-	*13,480*
2. Loans	-	-	-	-	-	-	-
TOTAL 31.12.2023	**31,701**	***-***	***31,701***	***-***	**29,439**	***-***	***29,439***
TOTAL 31.12.2022	**13,702**	***27***	***13,675***	***3***	**13,504**	***18***	***13,486***

The table above does not include covered bond transactions in which the Intesa Sanpaolo Group is both the seller and lender for the vehicle issuing the debt securities.

The aggregates of the sales contracts with repurchase clauses relate to repurchase agreements entered into by the Group for assets sold and not derecognised. However, repurchase agreements relating to securities received under reverse repurchase agreements are not included in the related financial liabilities.

Prudential consolidation – Financial assets sold partly recognised and related financial liabilities: book value

These are not present in the Intesa Sanpaolo Group.

Prudential consolidation - Sales with liabilities having recourse exclusively on the assets sold and not fully derecognised: fair value

(millions of euro)

	Fully recognised	Partly recognised	31.12.2023	31.12.2022
A. Financial assets held for trading	**1,568**	**-**	**1,568**	**599**
1. Debt securities	1,320	-	1,320	391
2. Equities	248	-	248	208
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**15,013**	**-**	**15,013**	**7,645**
1. Debt securities	15,013	-	15,013	7,645
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost (fair value)	**14,205**	**-**	**14,205**	**4,812**
1. Debt securities	14,205	-	14,205	4,785
2. Loans	-	-	-	27
Total financial assets	**30,786**	**-**	**30,786**	**13,056**
Total related financial liabilities	**29,439**	**-**	**29,439**	**13,504**
Net value 31.12.2023	**1,347**	**-**	**1,347**	**X**
Net value 31.12.2022	**-448**	**-**	**X**	**-448**

The table above does not include covered bond transactions in which the Intesa Sanpaolo Group is both the seller and lender for the vehicle issuing the debt securities.

B. Financial assets sold fully derecognised with recognition of continuing involvement

This type of exposure did not exist as at 31 December 2023.

C. Financial assets sold and fully derecognised

Qualitative information

The disclosure is provided below regarding the multioriginator sale transactions involving loan portfolios – classified as unlikely to pay in particular – attributable to the sale of loans to a mutual investment fund with the assignment of the units in the fund to the selling intermediaries.

Back2Bonis Fund

In implementation of the derisking envisaged in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, in the third quarter of 2020 the Intesa Sanpaolo Group begun the deconsolidation of a portfolio of credit exposures (including real estate assets and contracts) classified as unlikely to pay with real estate underlying held by the Parent Company, accompanied by their conversion into units of the securities fund called Back2Bonis. The transaction, the closing of which took place at the end of 2020, took the form for the Bank (including the transactions undertaken in 2019 and 2020 by UBI Banca, merged in 2021) of the sale of a portfolio of loans, short-term legal relationships and legal relationships and assets from lease receivables for a total gross amount of 351 million euro and net exposure of 164 million euro, accompanied by the subscription of the units of the Back2Bonis Fund for an amount of 164 million euro, substantially in line with the net value of the loans and receivables sold. The transaction was completed through: (i) the sale to the securitisation vehicle Ampre S.r.l. of the bank receivables and the lease receivables; (ii) the sale to Ampre LeaseCo S.r.l. of the legal relationships and assets arising from the leases; (iii) the sale of the short-term revolving contracts and the related legal relationships and receivables of ISP, together with the medium/long-term contracts with residual disbursements and the related legal relationships, other than the lease relationships and assets through the fronting bank provided by Banca Finanziaria Internazionale S.p.A.; (iv) the subscription by the Back2Bonis Fund of all the securities issued by the securitisation vehicle; and (v) the acquisition by Intesa Sanpaolo of the units of the Fund in exchange for the loans and receivables sold. In 2022, additional loans were sold, for a gross amount of 1 billion euro and net exposure of 216 million euro, accompanied by the subscription of units of the Back2Bonis Fund, for an amount of 216 million euro, with the sale price offset against the subscription price of the Fund's units, without significant effects on the income statement for 2022.

The Back2Bonis fund, established in the form of a closed-end mutual fund whose units can only be subscribed by professional investors, is a multi-originator platform for the management of Real Estate Small & Medium Size loans classified as UTP, deriving from loans and credit lines granted to companies operating in the real estate sector or to real estate funds (including those not fully disbursed/drawn down at the time of sale). Following the completion of the transfer of the loans and receivables to the platform, ISP had deconsolidated the loans and receivables and recognised the Fund's units in place of those loans and receivables. The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:

– "Production companies" at 79.9%;
– "Construction companies" at 12.9%;
– "Real estate business" at 3.5%;
– "Financial and insurance business" at 2.6%;
– and a residual amount in other business sectors (Services, Transport and Manufacturing Activities).

The assets of the assigned debtors were broken down as follows by geographical area:

– 92.2% North-West;
– 3.5% North-East;
– 3.2% South and Islands;
– 1.1% Centre.

At 31 December 2023, the Parent Company held a 43.82% stake (with voting rights limited to 35%) in the Back2Bonis Fund, classified among investments subject to significant influence, for a book value of 360 million euro. The measurement of the Back2Bonis Fund yielded a negative effect for the year of 16 million euro.

FI.NAV. Fund SUB-FUND A - LOANS

In pursuit of the de-risking activities provided for in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, in the fourth quarter of 2018 the Intesa Sanpaolo Group had launched the contribution to the FI.NAV. fund (a closed-end Italian securities umbrella fund) of a portfolio of non-performing secured and unsecured loans attributable to the shipping sector. The Fund, reserved for institutional investors, is managed by the asset management company IQ EQ Fund Management (Ireland) Limited, not a member of the Intesa Sanpaolo Group, based in Ireland, and is divided into two autonomous sub-funds: FI.NAV. Sub-Fund A – Loans, dedicated to receiving the loans transferred by the Intesa Sanpaolo Group and Unicredit, and FI.NAV. Sub-Fund B – New Finance, dedicated to receiving the capital of third-party investors to relaunch the "repossessed" ships. The transaction, formulated in 2018, was closed in 2019 through a sale of receivables without recourse for total gross consideration of 155 million euro and a net exposure of 102 million euro, equal to the sale price, set off against the price of subscription of the Fund units and, therefore, without any effects on the income statement for 2019. In the first quarter of 2020, a further tranche was sold without recourse for a gross amount of 37 million euro and a net value of 34 million euro, in line with the sale price and, therefore, with no impact on the income statement for 2020. Pursuant to IFRS 9, for the Intesa Sanpaolo Group the transaction entailed the derecognition of the loans sold since the Fund has become solely responsible for managing them following the sale; the Intesa Sanpaolo Group had therefore derecognised the loans concerned, while recognising the corresponding fair value of the units of the Fund assigned. The Group companies involved in the transaction were the Parent Company Intesa Sanpaolo and some of its subsidiaries merged in 2019 and 2020 (Cassa di Risparmio in Bologna and Mediocredito, both merged in 2019, and Banca IMI, merged in 2020). In December 2022 the sale of a loan portfolio was finalised for a gross amount of 74 million euro and net exposure of 37 million euro, accompanied by the subscription of the units of the fund for an amount essentially in line with the value of the exposure sold, without significant effects on the income statement for 2022.

The economic sector of the assigned debtors was mainly concentrated in Transport. The transferred financial assets are primarily in the South and Islands area.
At 31 December 2023, the Parent Company held a 50.54% stake in the FI.NAV. Fund, classified among investments subject to significant influence, for a book value of 141 million euro. The measurement of the FI.NAV. Fund yielded a positive effect, as a writeback during the year, of 19 million euro and the recognition of a foreign exchange effect of -5 million euro allocated, in accordance with the IAS 28 investment policy, to a specific shareholders' equity reserve.

RSCT Fund – Loans Sub-Fund
As part of the derisking envisaged in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, the Intesa Sanpaolo Group had identified the opportunity to transfer assets (loans and securities) relating to non-performing positions to the closed-end RSCT Fund, in exchange for units of the fund. The project was managed by Pillarstone, which had selected a portfolio of industrial and commercial companies with the objective of helping each of them to identify a strategy for maximising the potential for debt recovery, also through injections of new finance. The transaction took place in May 2020 with the transfer of a portfolio of loans with 18 companies originated by the Group (Intesa Sanpaolo and Banca IMI, subsequently merged into Intesa Sanpaolo on 20 July 2020), Unicredit, BPER Banca and Crédit Agricole to the newly established closed-end alternative investment RSCT Fund, managed by IQ EQ Fund Management (Ireland) Limited, an alternative fund manager authorised by the Central Bank of Ireland. The RSCT Fund is made up of two separate sub-funds: sub-fund A for the management of loans acquired from the selling banks and sub-fund B for the management of the new finance. The May 2020 sale involved a portfolio of loans, Sirti notes and PS Reti equity instruments for a gross amount of 339 million euro (Intesa Sanpaolo and Banca IMI) at a net value of 255 million euro, substantially in line with the sale price. In July 2020, a further sale was completed of a loan position for a gross amount of 6.3 million euro at a value of 4.5 million euro, with the sale price offset against the subscription price of the Fund's units. In February 2021, a sale was completed of a loan position for a gross amount of 21.3 million euro at a value of 13.9 million euro, with the sale price offset against the subscription price of the Fund's units. In March 2021, a sale was completed of a loan position deriving from the absorption of UBI Banca for a gross amount of 3.1 million euro and a net exposure of 1.2 million euro, with the concurrent subscription of units of the RSCT Fund for 1.3 million euro, essentially aligned with the net value of the transferred loans. In June 2021, a further sale was completed of a loan position for a gross amount of 0.4 million euro at a value of 0.1 million euro, with the sale price offset against the subscription price of the Fund's units. By economic sector, the assigned debtors are 72% concentrated in "Companies that install electrical equipment", 18% in "Amusement and theme parks" and 10% in "Retail sale of footwear and accessories". The transferred financial assets are primarily in the North-west area.
As at 31 December 2023, the Parent Company held a 70.07% stake in the RSCT Fund, classified among investments subject to significant influence, for a consolidated book value of 271 million euro. The measurement of the RSCT Fund yielded a positive effect, as a writeback during the year, of 22 million euro.

IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-fund
In 2018, the Intesa Sanpaolo Group (specifically Intesa Sanpaolo and the banks subsequently merged into Intesa Sanpaolo: Cassa di Risparmio del Veneto, Cassa di Risparmio di Firenze, Cassa di Risparmio del Friuli Venezia Giulia, Cassa di Risparmio in Bologna, and Mediocredito) participated in the closed-end Italian fund IDEA CCR Corporate Credit Recovery II - Loans Sub-fund, managed by Dea Capital Alternative Funds S.G.R. S.p.A. and dedicated to the recovery of mid-size Italian companies in situations of financial tension but with solid industrial fundamentals. The transaction, which was completed in 2018, was undertaken by contributing non-performing loans with a nominal value of 59 million euro and a net exposure to the sale price of 39.2 million euro, with the price of sale offset against the subscription price, of equal amount, of the units of the IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-Fund. In 2021, the Group's investment in the IDEA CCR Fund increased further, due to the merger of UBI Banca, which had sold loan positions to the IDEA CCR Corporate Credit Recovery II Fund, Loans Sub-Fund, managed by Dea Capital Alternative Funds SGR, in 2020, 2019, 2018 and 2017 for a total gross amount of 231 million euro and a net exposure of 144 million euro, with concurrent subscription of the units of the IDEA CCR II Fund for an amount of 148 million euro, with the price of sale offset against the price of subscription of the Fund units. The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
– "Real estate activities" at 31.6%;
– "Transport and storage" at 28%;
– "Professional, scientific and technical activities" at 10%;
– "Metallurgy and metal product manufacturing" at 9.4%;
– "Car and other vehicle production" at 5.6%;
– and a residual amount in other business sectors (Services, Transport and Manufacturing Activities).

The assets of the assigned debtors were broken down as follows by geographical area:
– 28.8% North-West;
– 11.8% North-East;
– 31.2% South and Islands;
– 23.8% Centre;
– 4.4% Outside Italy.

In 2022, the investment of the Bank in the IDEA CCR Fund changed due to: i) the inclusion of the stake held by UBI Leasing S.p.A., merged into Intesa Sanpaolo in May 2022, which had sold loan positions to the IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-Fund in 2019 for a total gross amount of 5 million euro and a net exposure of 3 million euro, with the sale price offset against the subscription price, in the same amount, of the Fund units, and ii) the sale of A1 units held by Intesa Sanpaolo in the Fund to Banca Nazionale del Lavoro S.p.A. The receivable held by Intesa Sanpaolo in relation to the sale was settled by offsetting with the purchase of units of Back2Bonis. The swap generated a profit recognised in the income statement of 4 million euro.
As at 31 December 2023, Intesa Sanpaolo held a 18.01% stake in the IDEA CCR Corporate Credit Recovery II Fund, Loans Sub-Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 38 million euro. The fair value measurement of the IDEA CCR II Fund yielded an immaterial positive effect on the income statement for the year.

IDEA CCR Corporate Credit Recovery II Fund - Shipping Sub-fund

The Shipping Loans Sub-Fund refers to single-name, unlikely-to-pay non-performing loans with a sector focus on shipping companies. The Fund consists of three sub-funds: loans, new finance and shipping. Following the merger of UBI Banca, Intesa Sanpaolo also has an interest in the Shipping Sub-Fund, with a stake in the IDEA CCR II Fund - Shipping Sub-Fund. In 2018, UBI Banca, which during 2021 was merged into Intesa Sanpaolo, had sold loans with a total gross amount of 45 million euro and a net exposure of 31 million euro.
As at 31 December 2023, Intesa Sanpaolo held a 20.37% stake in the IDEA CCR II Fund, Shipping Sub-Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 2 million euro. The fair value measurement of the IDEA CCR Corporate Credit Recovery II Fund - Shipping Sub-Fund yielded a positive effect of 1 million euro during the year.

Clessidra Restructuring Fund

Clessidra Restructuring Fund (CRF Fund) is a closed-ended alternative investment fund reserved for institutional investors, dedicated to investing in loans classified as unlikely to pay to previously identified industrial companies. In September 2019, UBI Banca, which during 2021 was merged into Intesa Sanpaolo, had sold loans to five borrowers with a total gross amount of 17 million euro and a net exposure of 11 million euro, with concurrent subscription of the units of the CRF Fund for an amount essentially in line with the net value of the transferred loans. The economic sector of the assigned debtors was mainly concentrated in “Manufacture of wooden doors and manufacture of furniture”. The transferred financial assets are primarily in the North-west area.
As at 31 December 2023, Intesa Sanpaolo held a 4.34% stake in the CRF Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 8 million euro. The fair value measurement of the Clessidra Restructuring Fund yielded an immaterial negative effect during the year.

UTP Italia Fund – Loans Sub-Fund

The UTP Italia Fund is an alternative closed-end Italian securities umbrella fund (AIF) in charge of managing loans classified as unlikely-to-pay (UTP) and whose target is credit exposures to small and medium-sized enterprises and individuals. In November 2022, the Group finalised the sale of a loan portfolio (mainly UTP) to the UTP Italia Fund managed by Sagitta S.G.R., with Intrum Italy S.p.A. as special servicer. Specifically, the transaction entailed: i) the sale of loans owed for a gross amount at the cut-off date of 42 million euro and net exposure of 25 million euro, to Finn SPV S.r.l. (SPV 130), without significant effects on the income statement for 2022; ii) the recognition of the receivable of 25 million euro from the SPV 130; iii) the contribution to the UTP Italia Fund of the receivable from the SPV 130 in exchange for units of the fund by way of price; and iv) issue of Asset-Backed Securities (ABS) by the vehicle, subscribed by the Fund, derecognising the receivable from the SPV 130.
Effective 20 March 2023, Intesa Sanpaolo finalised the sale of a loan portfolio with gross exposure of 366 million euro and net exposure of 147 million euro to the securitisation vehicle Finn SPV S.r.l., with the sale price netting the subscription price of the Fund units.
The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
– “Consumer Households” at 57%;
– "Production Companies" at 17%;
– “Family Businesses” at 16.1%;
– and, to a residual extent, other business sectors.

The assets of the assigned debtors were broken down as follows by geographical area:
– 35.1% South and Islands;
– 29.1% North-West;
– 21.5% Centre;
– 14.3% North-East.

Following the March transaction, Intesa Sanpaolo now holds 60.73% of the Fund and has reclassified the fund from financial assets mandatorily measured at fair value to interests subject to significant influence.
As at 31 December 2023, Intesa Sanpaolo held a 44.52% stake (with voting rights limited to 35%) in the UTP Italia Fund, classified among investments subject to significant influence, for a book value of 155 million euro. The measurement of the UTP Italia Fund yielded a negative effect for the year of 17 million euro.

Efesto

Efesto is an alternative closed-end Italian securities fund (AIF). In July 2022, the sale of loans was finalised for a gross amount of 17 million euro and net exposure of 9 million euro, accompanied by the subscription of the units of the fund for an amount of 7 million euro, without significant effects on the income statement for 2022.
Effective 20 March 2023, Intesa Sanpaolo finalised the sale of a loan portfolio with gross exposure of 320 million euro and net exposure of 181 million euro to the securitisation vehicle Esino SPV S.r.l., with the sale price netting the subscription price of the Fund units.
The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
– “Consumer Households” at 83.3%;
– “Production Companies” at 12.5%;
– and, to a residual extent, other business sectors.

The assets of the assigned debtors were broken down as follows by geographical area:
– 34.9% South and Islands;
– 32.7% North-West;
– 21.2% Centre;
– 11.2% North-East.

Following the March transaction, Intesa Sanpaolo now holds 36.48% of the Fund and has reclassified the fund from financial assets mandatorily measured at fair value to interests subject to significant influence.

As at 31 December 2023, Intesa Sanpaolo held a 31.61% stake in the Efesto fund, classified among investments subject to significant influence, for a book value of 173 million euro. The valuation of Efesto had no impact on the income statement during the year.

Lendlease MSG Heartbeat

In 2022, a complex transaction was initiated involving the Risanamento Group, as part of the "Starfighter Project" aimed at: i) enabling the implementation of the real estate project in the Milano Santa Giulia area; ii) enabling the company to meet the commitments made with the public and private parties; and iii) deconsolidating the on-balance sheet credit exposure of the banks involved to Risanamento.

The Board of Directors of ISP approved the transaction on 2 February 2023, which was completed on 30 June following the fulfilment of the conditions precedent attached to the Term Sheet General Framework Agreement. The complex transaction aimed at the financial and corporate restructuring of the Risanamento Group included:

– the establishment of a closed-end Alternative Real Estate Investment Fund;
– the commitment by Intesa Sanpaolo and the other banks involved, and by the other stakeholders involved in the transaction, to subscribe to the units of the Fund;
– the deconsolidation of ISP's credit exposure and shareholders' loan with the Risanamento Group through the discharge by the Fund and simultaneous offsetting of the related loans, due to Intesa Sanpaolo Group and the other banks, with the commitments made by the banks towards the Fund against the subscription of units;
– the disbursement of new performing loans to the Fund;
– the maintenance of Risanamento's business operations.

The economic sector of the assigned debtors was mainly concentrated in "Non-financial companies". The transferred financial assets are primarily in the North-West area.

The Bank's credit exposure to the Risanamento Group was offset against the latter's commitments made in exchange for the subscription of class A1 and B2 units of the Lendlease MSG Heartbeat Fund.

Therefore, at the closing completed on 30 June 2023, Intesa Sanpaolo derecognised the loans due from Risanamento, including the shareholders' loan, recognising respectively the B2 and A1 units of the fund received at fair value, at a value substantially aligned with the net value of the loans sold.

As at 31 December 2023, the Parent Company held a 60.9% stake in the Lendlease MSG Heartbeat fund, classified among investments subject to significant influence, for a book value of 212 million euro.

Other information

Lastly, for completeness, it should be noted that during the second half of 2023 Intesa Sanpaolo completed a transaction for the sale of performing on-balance sheet exposures (amounting to around 800 million euro in terms of Gross Book Value) to the Italian Commercial Real Estate sector, with a substantially neutral effect on the income statement. 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.

Prudential consolidation - Covered bond transactions

Covered bond transactions where the selling bank and the lending bank are the same must be reported under this section. Intesa Sanpaolo uses covered bonds mainly as a type of funding through securities guaranteed by assets originated by Intesa Sanpaolo or by other companies of the Group.

Intesa Sanpaolo has four programmes for the issuance of Covered Bonds (CB).

The first programme, launched in 2009, has a maximum amount of 20 billion euro (the original maximum amount was 10 billion euro). The guarantor of the Covered Bonds is the vehicle ISP CB Pubblico, to which a portfolio of performing loans and securities to the public sector, originated by the former subsidiary Banca Infrastrutture Innovazione e Sviluppo, now Intesa Sanpaolo, was transferred. The Bank gradually sold the vehicle assets with a total original nominal value of 13.2 billion euro (net of retrocessions of assets of 1.7 billion euro). The last sale (amounting to around 1 billion euro) took place in April 2013.

In the last ten days of November 2023, Intesa Sanpaolo repurchased the entire portfolio of bonds segregated in the vehicle for an amount of 1.1 billion euro. As a result, only the loan portfolio remained as collateral, which had a book value as at 31 December 2023 of 1.8 billion euro.

Against these sales, Covered Bonds were issued over time for a total nominal value of 25.2 billion euro (of which 19.9 billion euro relating to issues acquired in full by the Parent Company and subject to early redemption or matured and 3.5 billion euro relating to an exchange offer to investors during 2012, of which 2 billion euro that matured in the second quarter of 2017 and the remaining 1.5 billion euro in January 2021).

As at 31 December 2022, a total nominal amount of 3.1 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP CB Pubblico was outstanding, fully subscribed by the Bank.

In 2023, the twelfth retained series was partially redeemed in advance and reached maturity for a total nominal amount of 1,050 million euro, and the fourteenth retained series was also partially redeemed for 200 million euro.

Therefore, as at 31 December 2023, a total nominal amount of 1.85 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP CB Pubblico was outstanding, fully subscribed by Intesa Sanpaolo. All the securities issued under the programme are listed on the Luxembourg Stock Exchange and have a Moody's A2 rating.

In the second programme, launched in 2010, amounting to a maximum of 25 billion euro (the original maximum amount was 20 billion euro), the guarantor of the covered bonds is the vehicle ISP CB Ipotecario S.r.l., to which Italian residential mortgage loans and, initially bonds issued by Adriano Finance S.r.l., originated by Intesa Sanpaolo, were transferred.

The Bank gradually sold the vehicle mortgage loans with an original total nominal value of 46.8 billion euro (net of retrocessions).
During 2023, the following additional transactions were also finalised:
– in April, repurchases for an amount of 30 million euro;
– in July, sales for an amount of 8.5 billion euro.
As at 31 December 2023, the loans sold to the vehicle had a book value of 23 billion euro.
Over time, against the sale of these assets, Intesa Sanpaolo has carried out issues of Covered Bonds for a total nominal value of approximately 41.7 billion euro (of which a total of 22.9 billion euro subject to early redemption or matured at December 2023).
As at 31 December 2022, a total nominal amount of 14.3 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 8.4 billion euro placed with third party investors and 5.9 billion euro subscribed by Intesa Sanpaolo. Part of the latter was subsequently used in repurchase agreements for an amount of 343 million euro.
In 2023, the nineteenth series matured for 1,250 million euro and the twenty-first retained series was partially redeemed for 1 billion euro. In addition, five series were issued, three of which retained, for a total amount of 6.8 billion euro. Accordingly, as at 31 December 2023, a total nominal amount of 18.9 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 8.4 billion euro placed with third party investors and 10.5 billion euro subscribed by Intesa Sanpaolo. Part of the latter was subsequently used in repurchase agreements for an amount of 5.8 billion euro.
All the securities issued under the programme are listed on the Luxembourg Stock Exchange and have a Moody's Aa3 rating.

The third multi-originator Covered Bond issue programme, launched in 2012, has the vehicle ISP OBG S.r.l. as the guarantor of its securities. This programme is secured by mortgages for a maximum amount of 55 billion euro (the original maximum amount was 30 billion euro) and is aimed at realising the retained issues.
The portfolio used to collateralise the issues of Covered Bonds is composed of mortgages originated by Intesa Sanpaolo, Banco di Napoli, Cassa di Risparmio del Veneto, Cassa di Risparmio in Bologna and Banca CR Firenze (merged by incorporation into Intesa Sanpaolo between July 2018 and February 2019).
Over time, the Intesa Sanpaolo Group sold mortgages to the vehicle for an original total nominal value of 89.4 billion euro (net of retrocessions).
In 2023, Intesa Sanpaolo did not sell any mortgages to the vehicle, while loans were repurchased:
– in April, for an amount of 118 million euro;
– in June, for an amount of 5.1 billion euro.
As at 31 December 2023, the loans sold to the vehicle by Intesa Sanpaolo had a book value of 43.5 billion euro.
Over time, against the sales of these assets, the Bank has carried out issues of Covered Bonds for a total nominal value of around 86.3 billion euro (of which 44.275 billion euro subject to early redemption and reimbursed). All the securities issued as part of the programme are listed on the Luxembourg Stock Exchange and have a Morningstar DBRS A rating.
As at 31 December 2022, a total nominal amount of 45.9 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP OBG was outstanding, fully subscribed by Intesa Sanpaolo.
In 2023, the nineteenth and twentieth series, both retained, matured for a total amount of 2,975 million euro and the forty-first and forty-second series, both retained, were partially redeemed for a total amount of 1,100 million euro.
Therefore, as at 31 December 2023, there were issuances made under the programme guaranteed by the vehicle ISP OBG for a total nominal amount of 41.8 billion euro, fully subscribed by Intesa Sanpaolo, a part of which was subsequently used in repurchase agreements for an amount of 5.8 billion euro.

The fourth programme was launched by the former UBI Banca Group in 2008.
Former UBI Banca, merged into Intesa Sanpaolo S.p.A. during 2021, included two covered bond programmes, run by two special purpose vehicles named UBI Finance S.r.l. and UBI Finance CB2 S.r.l., respectively. The latter was closed in January 2021.
The programme still provides Intesa Sanpaolo with the right to issue securities, targeted to institutional investors, for a maximum amount of 15 billion euro. The Programme includes residential mortgage loans assigned by the former UBI Group's network banks. These banks participated in the programme as Originator Banks and Lending Banks.
As at 31 December 2022 a total nominal amount of 7.7 billion euro of issues made as part of the covered bond programme of the vehicle UBI Finance was outstanding, of which 7.5 billion euro placed with third party investors and 0.2 billion euro retained.
In 2023, the eighteenth series matured for an amount of 1,250 million euro.
As at 31 December 2023 a total nominal amount of 6.4 billion euro of issues made as part of the covered bond programme of the vehicle UBI Finance was outstanding, of which 6.2 billion euro placed with third party investors and 0.2 billion euro retained.
As at 31 December, the bonds under the programme were assigned an Aa3 rating from Moody's and AA (Low) from Morningstar DBRS.
Following the incorporation of the former UBI Banca, Intesa Sanpaolo sold mortgages to the vehicle for an original total nominal value of 694 million euro (net of retrocessions).
In 2023, Intesa Sanpaolo repurchased loans in April for an amount of 57 million euro.
As at 31 December 2023, the loans sold to the vehicle had a book value of 7.4 billion euro.

The key figures for ISP CB Pubblico, ISP CB Ipotecario, ISP OBG, and UBI Finance as at 31 December 2023 are shown in the table below.

(millions of euro)

COVERED BOND		VEHICLE DATA		SUBORDINATED LOAN (1)	COVERED BONDS ISSUED	
		Total assets	Cumulated write-downs on securitised portfolio	amount	Nominal amount (2)	Book value (2)
ISP CB PUBBLICO	Performing loans to public sector entities	3,899	3	3,736	-	-
ISP CB IPOTECARIO	Residential mortgages	28,606	35	26,120	14,166	13,513
ISP OBG	Residential mortgages	51,484	161	50,933	5,787	5,422
UBI FINANCE	Residential mortgages	8,634	76	8,561	6,241	6,047

(1) This caption includes the subordinated loan granted to the vehicles for the purchase of the portfolio lodged as collateral for the CB. This loan is derecognised in the IAS-compliant separate financial statements. The amount of the loan refers to the issue already executed as part of an issue programme with a higher maximum amount.

(2) The nominal amount and the book value shown in the table are to be considered net of securities repurchased.

In addition to this type of Covered Bonds, provided for by Italian law (Law 80/2005), there are some mortgage bonds issued by the Slovak investee VUB. These are securities whose nominal value and returns are guaranteed by mortgage loans, i.e. loans to individuals with residual maturities up to 30 years, backed by a pledge on property located in the Slovak Republic, with a maximum loan-to-value of 80%.
Each issue has specific coverage, and the entire nominal value of the issue, including interest, must be backed by mortgage loans on local properties on at least 90% of their nominal value, and the remaining 10% possibly by liquidity or deposits with the National Bank of Slovakia, the European Central Bank, other European central banks or banks that meet the criteria set out in Art. 129(1)(c) of Regulation (EU) 575/2013.
To cover the negative net cash flows expected from the covered bonds at 180 days, the issuer must maintain high-quality liquid assets pursuant to Articles 10 and 11 of Regulation (EU) 61/2015.
As at 31 December 2023, the subsidiary VUB had issued 4.6 billion euro in this type of securities, booked in the financial statements at a value of approximately 4.4 billion euro.

E. PRUDENTIAL CONSOLIDATION - MODELS FOR THE MEASUREMENT OF CREDIT RISK

As at 31 December 2023, the expected management loss on performing loans to customers (which takes into account cash and unsecured loans) was 0.38%, down from 0.40% in 2022. The decrease was linked to the improvement in credit quality partially offset by the model effect attributable to the implementation of the ECB authorisations.
As at 31 December 2023, economic capital was 2.12% of disbursed loans, up slightly, considering performing loans to customers only, on the figure for 2022 (+2.00%). This change was mainly attributable to the model changes mentioned above.
For the companies included in the roll out plan, the LGD and EAD internal regulatory rating models are subject to a second level of control by the Validation function, as described in paragraph 2.3 of this Section, and a third level of control by the Internal Auditing function. The control functions produce annual reports for the Supervisory Authority on the compliance of the models with the supervisory regulations, which also includes a verification on the deviations of the ex-ante estimates and the effective ex post values. These reports, approved by the Board of Directors of Intesa Sanpaolo, confirm the compliance to the regulatory requirements.

1.2. MARKET RISKS

As already mentioned in the Introduction, the Intesa Sanpaolo Group policies on financial risk taking are defined by the Parent Company's Management Bodies, with the support of specific Committees, including the Steering Committee, chaired by the Managing Director and CEO and composed of the heads of the main corporate departments, and the Group Financial Risk Committee.
The Steering Committee, a Group body with a decision-making, reporting and consulting role, is also assigned the functions of assisting the Managing Director and CEO in the performance of his duties, strengthening the coordination and cooperation mechanisms between the various business, governance and control areas of the Group, with a view to sharing the main business choices, and helping ensure coordinated and integrated risk management and the safeguarding of business value at Group level, including the correct functioning of the internal control system.
The Group Financial Risk Committee, chaired by the Chief Risk Officer and the Chief Financial Officer, is responsible for setting out the methodological and measurement guidelines for financial risks, establishing the operational limits and assessing the risk profile of the Group and its main operational units. The Committee also sets out the strategies for the management of the banking book to be submitted to the competent Bodies and establishes the guidelines on liquidity, interest rate and foreign exchange risk. The Committee operates on the basis of the operating and functional powers delegated by the Corporate Bodies and coordination of the Steering Committee.
The Group's overall financial risk profile and the eventual necessary changes are examined periodically by the Group Financial Risk Committee.
The Parent Company's Market and Financial Risk Management Head Office Department is responsible for the development of corporate risk measurement and monitoring methodologies as well as for the proposals on the Group's system of operational limits. It is also responsible in outsourcing for the risk measurement for certain operating units on the basis of specific service contracts.

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

(millions of euro)

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

REGULATORY TRADING BOOK

1.2.1. INTEREST RATE RISK AND PRICE RISK

Qualitative information

General aspects

The regulatory requirements for the trading book are established in Regulation (EU) 876/2019 (CRR2 - Part Three, Title I, Chapter 3, in Articles 102, 103, and 104 respectively). The combined provisions of those articles lay down the set of minimum requirements for the identification of the trading strategies and the measurement and control of the associated risks.
In accordance with the requirements of the applicable regulations, the Intesa Sanpaolo Group has established an internal policy that identifies the trading book based on:

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

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

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

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

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

Risk management processes and measurement methods

The allocation of capital for trading activities is set by the Parent Company’s Board of Directors, through the attribution of operating limits in terms of VaR to the various Group units.
The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The functioning of the system of limits and delegated powers is underpinned by the basic concepts of hierarchy and interaction.
The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

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

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

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

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

Managerial VaR
Definition: Value at Risk is a monetary estimate of risk based on statistical techniques capable of summarising the maximum probable loss, with a certain confidence level, that a financial position or portfolio may suffer in a given period (holding period) in response to changes in the risk factors underlying the measurement models caused by market dynamics.
Method: the mathematical and statistical models that make it possible to calculate VaR can be divided into two general categories: parametric approaches (variance/covariance) and approaches based on simulation techniques, such as that in use at Intesa Sanpaolo.
Specifically, the approach used in Intesa Sanpaolo has the following characteristics:

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

Historical simulation scenarios are calculated internally on time series of one-year risk factors (250 observations). For management purposes, a non-equal probability of occurrence is associated with each scenario, decreasing exponentially as a function of time, to privilege the informational content of the most recent data. For regulatory purposes, scenarios are equally weighted when calculating the capital requirement.
Please note that, in the first quarter of 2023, on the ordinary annual update of the market risk managerial framework, the Board of Directors (as part of the 2023 Group Risk Appetite Framework) confirmed the specific limit for trading within an overall limit for trading and the hold to collect and sell (HTCS) business model.

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

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

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

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

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

Level measures
Definition: Level measures, used also as ratios, are indicators supporting synthetic risk metrics which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. In particular, level measures make it possible to monitor the nature of exposures to certain issuers and economic groups.
The main level measure indicators are nominal (or equivalent) position and average duration metrics; level indicators also include the Negative Maximum Exposure of the Valuation Reserve measures characteristic of the HTCS business model.
Method: nominal (or equivalent) position is determined by identifying:

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

When determining the equivalent position, risk is defined as the value of the various assets, converted into an aggregate position that is "equivalent" in terms of sensitivity to the change in the risk factors investigated.
At Intesa Sanpaolo the approach is characterised by extended use of ceilings in terms of MtM, as representative of the value of the assets as recognised.

Stress tests
Definition: stress tests are conducted periodically to identify and monitor potential vulnerabilities in trading books upon the occurrence of extreme, rare events not fully captured by VaR models.
Method: Stress tests for management purposes are applied periodically to market risk exposures, typically adopting:

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

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

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

and scenarios, requires the full revaluation of the impacts with the resulting need of contributions from the specialist departments of the Chief Risk Officer and Chief Financial Officer Governance Areas;

- situational exercise, ordered by the top management or by the supervisor/regulator in order to assess the impact of particular events (relating to the geopolitical, financial, economic, competitive environment, etc.) from a forward-looking perspective;
- a single or specific risk exercise to assess the impact of scenarios (or single or more specific risk factors) on specific risk areas.

Stressed VaR

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

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

While using the historical simulation approach for VaR calculation, the latter point is a discriminating condition in the selection of the holding period. Actually, in order to ensure that the scenario adopted is effectively consistent and to avoid the use of driver or comparable factors, the historical period must ensure the effective availability of market data.
As at the date of preparation of the 2023 Financial Statements, the period for the measurement of Stressed VaR for Intesa Sanpaolo was from 1 April 2022 to 21 March 2023.
For managerial purposes, the stressed VaR metric is calculated on the entire set of the Group’s portfolios measured at fair value (trading and FVOCI in the banking scope) and the stressed period is revised at least annually, together with the annual update to the market risk management framework (Risk Appetite Framework).

Incremental Risk Charge (IRC)

Definition: The Incremental Risk Charge (IRC) is the maximum potential loss in the credit trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level. This measure, which is additional to the VaR, is applied to the entire trading book of Intesa Sanpaolo (just as for the other regulatory metrics, it is not applied to the sub-portfolios).
The IRC enables the correct representation of the specific risk on debt securities and credit derivatives because, in addition to idiosyncratic risk, it also captures event and default risk.
This measure applies to all financial products that are sensitive to credit spreads included in the trading book except for the securitisations.
Method: The simulation is based on a Modified Merton Model. The probabilities of transition and default are those observed through the historical matrices of the main rating agencies, applying a probability of default minimum value higher than zero. The asset correlation is inferred from the equity correlation of the issuers. The model is based on the assumption of a constant position with a holding period of one year.
A regular stress program is applied to the model’s main parameters (correlation, and transition, default and credit spread matrices).

Quantitative information

Daily managerial VaR evolution

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

Daily managerial VaR of the trading book

(millions of euro)

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

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

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

In the fourth quarter of 2023, as shown in the table above, compared to the average of the third quarter of 2023, there was a reduction in the trading managerial risks (26.4 million euro in the fourth quarter of 2023 and 33.7 million euro in the third quarter of 2023) mainly attributable to the management of the exposure to interest rate risk of the trading book and the scenario “rolling effect”.
With regard to the overall performance in 2023, compared to 2022, there was a marginal increase in the trading managerial VaR mainly attributable to a higher exposure to interest rate risk.

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

(millions of euro)

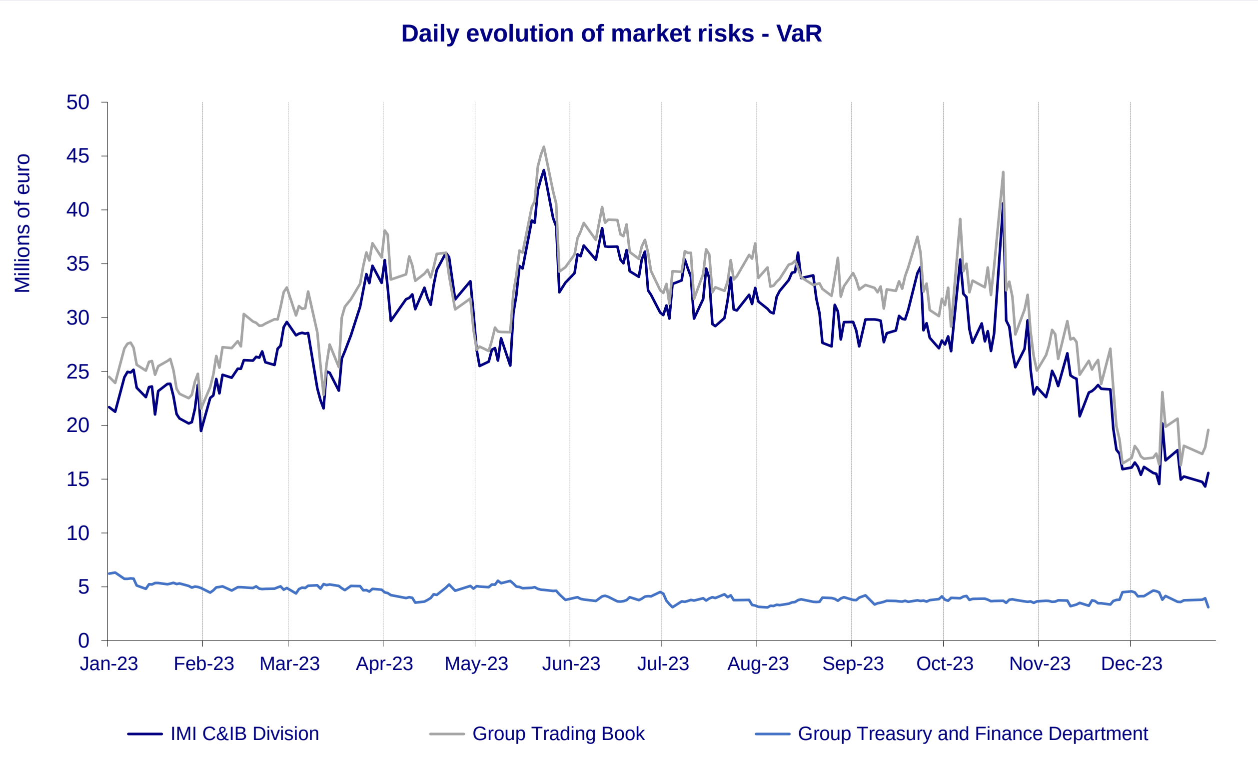
	2023				2022		
	average	minimum	maximum	last day	average	minimum	maximum
Total GroupTrading Book (a)	30.8	16.3	45.9	19.6	24.1	15.4	32.5
of which: Group Treasury and Finance Department	4.2	3.1	6.3	3.1	5.9	2.4	9.4
of which: IMI C&IB Division	*28.3*	*14.3*	*43.7*	*15.6*	*22.3*	*13.9*	*34.1*

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

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

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

The movements are shown in the chart below:



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

Contribution of risk factors to total managerial VaR

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

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

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

(millions of euro)

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

In particular:

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

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

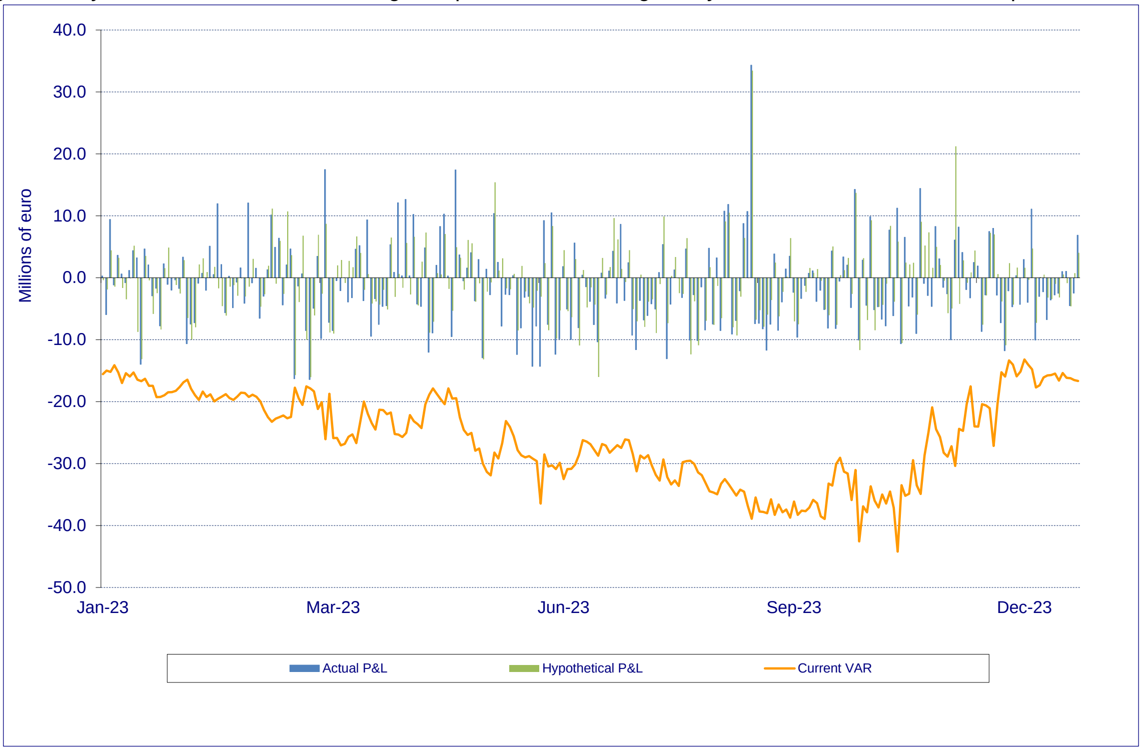
Backtesting

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

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

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

During the last year there were no backtesting exceptions[106] for the regulatory VaR measure for Intesa Sanpaolo.



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

Issuer risk

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

Breakdown of exposures by type of issuer

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

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

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

Impacts of the Russia-Ukraine conflict

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

BANKING BOOK

1.2.2 INTEREST RATE RISK AND PRICE RISK

Qualitative information

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

The "banking book" is defined as the commercial portfolio consisting of all the on-balance sheet and off-balance sheet items that are part of the Intesa Sanpaolo Group's lending and deposit collecting activities. Therefore, the interest rate risk of the banking book (hereinafter "interest rate risk" or IRRBB) refers to the current and prospective risk of changes in the economic value and the net interest income of the Group's banking book due to adverse changes in interest rates.
The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated, mainly held by the Parent Company.
The internal system for measuring interest rate risk assesses and describes the effect of changes in interest rates on the economic value and the net interest income and identifies all significant sources of risk that affect the banking book:

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

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

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

The economic value perspective assesses the medium-to-long term impacts of interest rate fluctuations, while the net interest income perspective provides a short-term assessment.
Interest rate risk is managed by setting limits to both perspectives. Said limits comprise:

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

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

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

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

The **sensitivity of the economic value** measures the change in the economic value of the banking book and is calculated at individual cash flow level for each financial instrument, based on different instantaneous rate shocks and based on historical stress simulations aimed at identifying the worst and best cases. It reflects the changes in the present value of the cash flows of the positions already in the balance sheet for the entire remaining duration until maturity (run-off balance sheet). The cash flows used to determine the present value are developed at the risk-free rate (Euribor/Libor) and discounted according to risk-free discount curves.
To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the sensitivities of the positions in the various currencies by applying a parallel shock of +100 basis points to the interest rate curves in the various currencies. The calculation for non-parallel shocks for the purposes of controlling the exposure and monitoring the early warning level is performed similarly. The sensitivity of the relevant currencies is then

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

The **sensitivity of net interest income** focuses the analysis on the impact that changes in interest rates can have on the Group's ability to generate stable profit levels. The component of profits measured is represented by the difference between the net interest income generated by interest-bearing assets and liabilities, including the results of hedging activities through the use of derivatives. The time horizon of reference is commonly limited to the short and medium term (from one to three years) and the impact is assessed on a going concern basis. The change in net interest income is estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions are made regarding customer behaviour (differentiated according to interest rate scenarios) and market behaviour and the response of Group/Bank management to changes in the economy. Thus, the projection of the net interest income and its sensitivity to changes in market factors require a series of modelling assumptions for the development of volumes and rates (fixed/floating), the reference time horizon, the relevant currencies, as well as the behavioural models introduced (prepayment, core deposits, etc.) and the assumptions regarding the evolution of the portfolio (run-off, constant or dynamic balance sheet).
The net interest income sensitivity limits are set on the basis of an instantaneous and parallel interest rate shock of +/-50 basis points, with a reference time horizon of 1 year and assuming a constant balance sheet. The net interest income sensitivity limit is defined as the limit on the loss in the income statement and, therefore, is exclusively negative (limit on the potential reduction in the net interest income): the use of the limit is represented by the sensitivity that generates a greater reduction in net interest income in the two scenarios of a parallel rise and fall in interest rates. The total sensitivity exposure of net interest income is given by the algebraic sum of the exposure of individual currencies.

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

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

In calculating the above risk measures, Intesa Sanpaolo adopts behavioural models for representing capital items.
For mortgages, statistical techniques are used to determine the probability of prepayment, in order to reduce the Group's exposure to interest rate risk (overhedging) and to liquidity risk (overfunding). The prepayment ratios for Retail mortgages are estimated through a Survival Analysis that expresses the repricing portfolio of each single mortgage, based on several fundamental variables:
- macroeconomic variables (consumer price index (CPI) - inflation, trend in market IRS rates, etc.);
- personal details of the counterparty (age, region of location);
- financial variables (original duration, seasoning, type of rate, unpaid instalments, incentive).

For core deposits (customer current accounts), a financial representation model is adopted aimed at reflecting the behavioural features of stability of deposits and partial and delayed reaction to market interest rate fluctuations. The model is continuously monitored and periodically revised to promptly reflect changes in volumes and customer characteristics over time, as well as in the relevant regulatory framework.
In order to measure the Group's vulnerability to market turbulence, the interest rate risk measurement system measures the impacts on the bank's economic value and net interest income produced by strains on the market (“scenario analysis”), i.e. sudden changes in the general level of interest rates, changes in the relationships between fundamental market rates (basis risk), in the slope and shape of the yield curve (yield curve risk), in the liquidity of the main financial markets or in the volatility of market rates.
These analyses are conducted by subjecting the portfolio to various interest rate change scenarios:
- regulatory scenarios produced by the Supervisory Outlier Test (SOT), which introduces an Early Warning referring to changes in economic value of 15% of Tier 1, calculated with reference to the BCBS scenarios (Parallel shock up, Parallel shock down, Steepener shock, Flattener shock, Short rates shock up and Short rates shock down) and changes in net interest income equal to 5% of Tier 1, calculated solely with reference to the parallel scenarios (parallel shock up and parallel shock down);
- shocks diversified by reference curve of the main risk factors and calculated as the difference between the yields of the curves of the individual factors and those of a curve relating to the selected pivot parameter (basis risk);
- stress scenarios in historical simulation.

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

Impacts of the Russia-Ukraine conflict

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

Quantitative information

Banking book: internal models and other sensitivity analysis methodologies

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

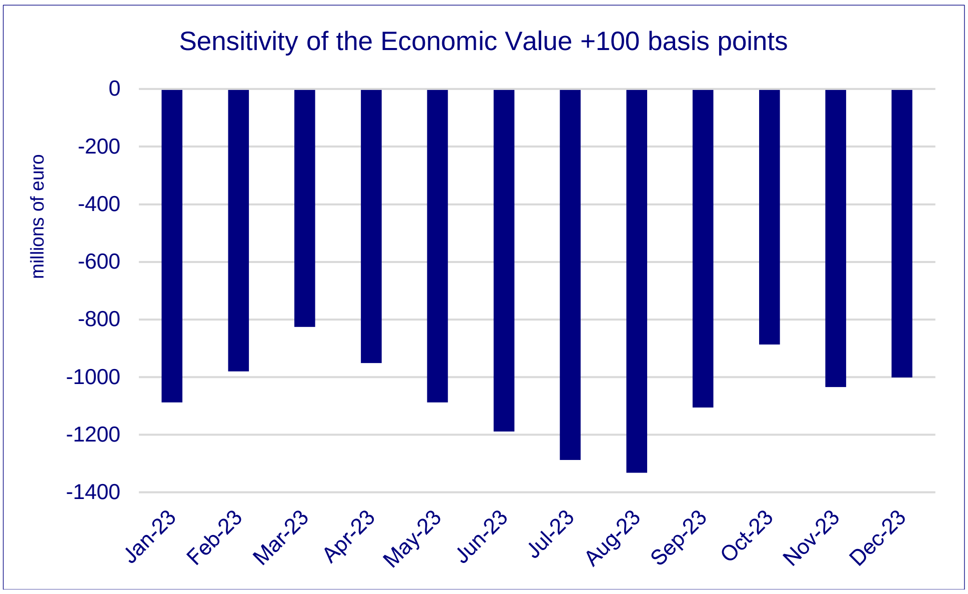
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 350 million euro, -332 million euro and 614 million euro, respectively, at the end of December 2023 based on the new internal reactivity model representing the Bank's best forward-looking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

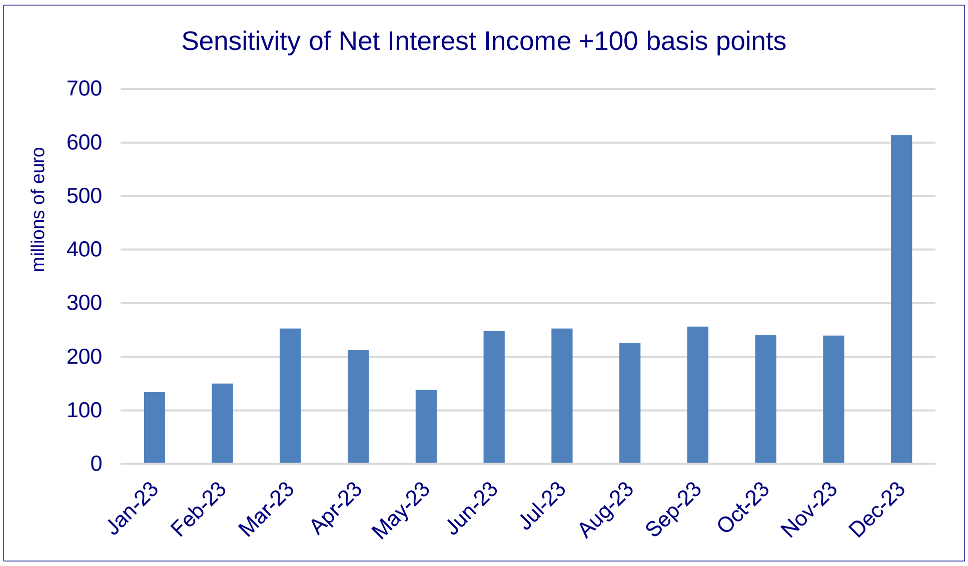
The latter figure was up (+363 million euro) from 251 million euro at the end of 2022, mainly due to the decline in the implicit reactivity of the core deposits from customers, in particular from March. This effect was partly offset by the reduction in volumes of on demand deposits, by new derivatives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

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

(millions of euro)

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





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

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

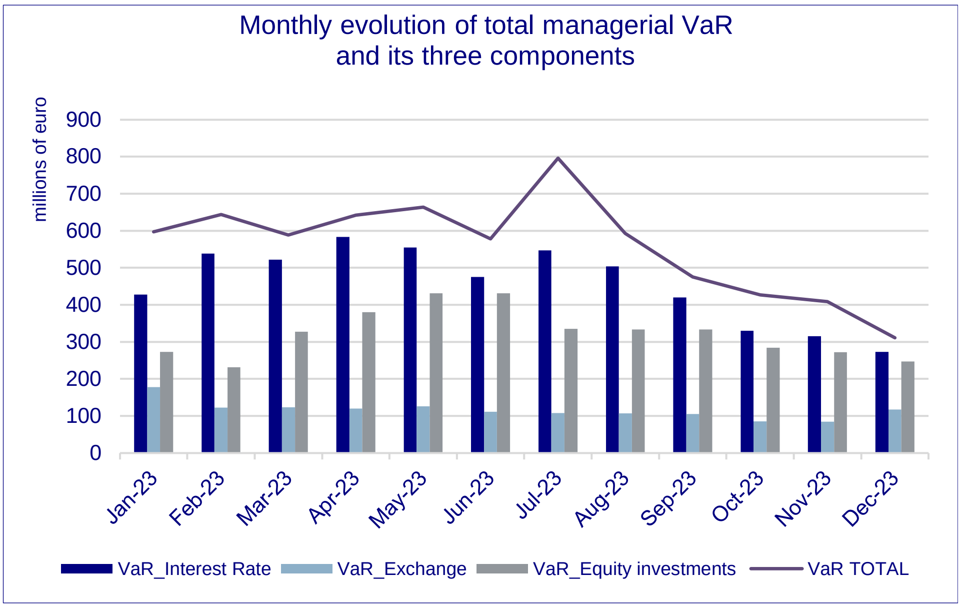
Price risk generated by the equity portfolio, measured in terms of VaR, recorded an average level during 2023 of 323 million euro, with maximum and minimum values of 431 million euro and 232 million euro, respectively, and came to 247 million euro at the end of December, down by 87 million euro on 334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

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

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

(millions of euro)

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



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

Price risk: impact on Shareholders' Equity

(millions of euro)

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

1.2.3. FOREIGN EXCHANGE RISK

Qualitative information

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

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

Foreign exchange risks are traditionally divided into:

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

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

B. Foreign exchange risk hedging activities

The Intesa Sanpaolo Group's management of the Structural Foreign Exchange Risk assigns the Parent Company the related management and coordination powers in order to achieve a consistent Group strategy.
This choice, which is consistent with the Parent Company's role as the liaison with the Supervisory Authority, allows the activities to be performed based on the specific responsibilities set out in the prudential supervision regulations, in addition to suitably mitigating and/or managing this type of risk.
The monitoring and management of the Structural Foreign Exchange Risk are carried out at central level by the Group Treasury and Finance Head Office Department of the Parent Company, which manages it with a view to risk/return and to optimising capital requirements.

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

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

Impacts of the Russia-Ukraine conflict

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

Quantitative information

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

(millions of euro)

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

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

2. Internal models and other sensitivity analysis methodologies

As already noted, the management of Transaction Foreign Exchange Risk relating to trading activities is included in the operating procedures and in the estimation methodologies of the managerial VaR.
Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 118 million euro as at 31 December 2023. This potential impact would only be reflected in the Shareholders' Equity.

1.3. DERIVATIVES AND HEDGING POLICIES

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

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

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

(millions of euro)

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

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

1.3.1. Trading derivatives

A. FINANCIAL DERIVATIVES

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

(millions of euro)

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

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

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

(millions of euro)

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

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

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

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

(millions of euro)

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

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

(millions of euro)

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

B. CREDIT DERIVATIVES

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

(millions of euro)

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

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

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

(millions of euro)

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

As at 31 December 2023, none of the contracts shown in the table above have been included within the structured credit products.
The Total Rate of Return Swap (TRS) refers to a protection sale operationally correlated with short positions in debt securities represented under Financial liabilities held for trading.

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

(millions of euro)

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

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

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

(millions of euro)

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

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

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

1.3.2. Accounting hedges

Qualitative information

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

A. Fair value hedging

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

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

The main types of derivative contracts used are plain and structured interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS), forward sales and options on interest rates stipulated with third parties.
The derivatives are not listed on regulated markets but are traded in OTC (over the counter) circuits. The OTC contracts also include contracts entered into through clearing houses, which account for the majority of derivatives.

B. Cash flow hedging

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

The Group uses both micro cash flow hedges and macro cash flow hedges. The micro cash flow hedges mainly hedge bonds issued.
The macro cash flow hedges are used for:
- floating-rate funding when it is used to finance fixed-rate loans;
- floating-rate loans hedging fixed-rate funding.

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

C. Hedging of foreign investments

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

D. Hedging instruments

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

The ineffectiveness of the hedge is promptly recognised for the purposes of:
- the determination of the effect on the income statement;
- the assessment of the possibility of continuing to apply the hedge accounting rules.

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

E. Hedged items

The main types of hedged items are:

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

E.1 Debt securities under assets

The debt securities under assets are hedged by micro fair value hedges, involving the use of IRS (interest rate swaps), OIS (overnight index swaps) and CCS (cross-currency swaps) as hedging instruments.
The interest rate risk is usually hedged for the entire portfolio holding period of the debt instrument.
The Dollar Offset Method is used to verify the hedge effectiveness. This method is based on the ratio between the cumulative changes (from the inception of the hedge) in the fair value of the hedging instrument, attributable to the hedged risk, and cumulative changes in the fair value of the hedged item (fair value change), net of the accrual component of the earned interest.
Micro fair value hedges also include forward sales on debt securities in the Financial assets at fair value through other comprehensive income (HTCS) portfolio, carried out to hedge fair value risks from movements in credit spreads and interest rate curves. With regard to the forward sale contract, which is a derivative because it is a non-regular way transaction, the spot component is separated from the interest component by designating only the spot component as the hedging instrument in a fair value hedging relationship.

E.2 Debt securities issued and non-securities funding

The Group establishes micro fair value hedges in place on fixed- or structured-rate funding and micro cash flow hedges or macro cash flow hedges on floating-rate funding, using IRS (interest rate swaps), OIS (overnight index swaps) and CCS (cross-currency swaps) as hedging instruments.
The interest rate risk is usually hedged throughout the life of the bond.
For the micro hedges, the hedge effectiveness is verified using the Dollar Offset Method. This method is based on the ratio between the cumulative changes (from the inception of the hedge) in the fair value or the cash flows of the hedging instrument, attributable to the hedged risk, and cumulative changes in the fair value or the cash flows of the hedged item (fair value change), net of the accrual component of the earned interest.
For the macro hedges, the hedge effectiveness is verified by means of a capacity test. This test involves a comparison of the consistency between the hedged items, referring to existing and expected floating-rate funding (so-called highly probable future transactions), and the hedging instruments, which must always be confirmed throughout the life of the hedging relationship and for each time band. In this case, the hedged item is represented by the expected cash flows from funding that will arise over the life of the issues. The estimate of the expected upcoming and highly probable funding is subject to annual approval by the Group Financial Risk Committee.

E.3 Fixed-interest loans

The Group establishes micro fair value hedges for fixed-rate loans and macro fair value hedges for mortgage loans disbursed to retail counterparties, mainly using IRS (interest rate swaps) as hedging instruments.
In a micro fair value hedge, the interest rate risk is hedged throughout the life of the underlying.
For the micro hedges, the hedge effectiveness is verified using the Dollar Offset Method.
For the macro hedges, the loan portfolio hedged is open, i.e. it is dynamically composed of fixed-loans hedged, at aggregate level, through hedging derivatives entered into over time.
The effectiveness of the macro hedges on fixed-rate loans is periodically verified through specific prospective and retrospective tests aimed at demonstrating that the hedged portfolio contains an amount of assets whose sensitivity profile and changes in fair value due to interest rate risk reflect those of the derivatives used for the hedge.

E.4 Floating-rate loans

The Group establishes macro cash flow hedges on floating-rate loans, mainly using interest rates swaps (IRSs) as hedging instruments.
The hedge effectiveness is verified by means of a capacity test. This test involves a comparison of the consistency between the hedged items, referring to the floating-rate loans outstanding, and the hedging instruments, which must always be confirmed throughout the life of the hedging relationship and for each time band. In this case, the hedged item is represented by the expected cash flows originating from the loans that will arise over the life of the assets.

E.5 Optional embedded component of floating-rate mortgages

The Group hedges the optional embedded components (interest rate options) of floating-rate mortgages through micro fair value hedges, using options (cap, floor, collar) as hedging instruments.
The underlying assets may be partially or totally hedged, over time and in terms of amount.
The hedge effectiveness is verified using the Dollar Offset Method.

E.6 Already set coupon of floating-rate loans

The Group establishes macro fair value hedges on coupons already set for floating-rate loans using OIS (overnight index swaps) as hedging instruments.
The purpose of this type of hedge is to neutralise the interest rate risk generated by the coupons already set for floating-rate loans.

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

E.7 Modelled on demand deposits.
Modelled on demand deposits are hedged by macro fair value hedges, as required by the "carve out" of IAS 39, using IRS (interest rate swaps) and OIS (overnight index swaps) as hedging instruments.
The purpose of the hedge is to protect net interest income from possible falls in interest rates that reduce the spread generated by the Group's core deposits.
The model is subject to continuous monitoring and verification by the Market and Financial Risk Management Head Office Department, in order to promptly incorporate changes in the main characteristics of the model (volumes, stability, reactivity) and make the necessary adjustments where appropriate.
The hedge effectiveness is verified using the Dollar Offset Method.

E.8 Foreign investments
The Group establishes hedges of net investments in foreign currency that use outright currency forward contracts as the hedging instruments.
The purpose of the hedging is to protect the Group from the effects of changes in the exchange rate that could have impacts on the foreign exchange reserves that are part of the Group's consolidated shareholders' equity.
Of the currency forward derivative contract, only the change relating to the spot exchange rate (spot component) is designated a hedge subject to hedge accounting; this change is separated from the total fair value of the instrument.
In the Parent Company's financial statements, these hedging relationships are accounted for as micro fair value hedges, whereas in the consolidated financial statements they are treated as hedges of a net investment in a foreign currency.
The Dollar Offset Method is used to verify the hedge effectiveness at the Parent Company level, while at the Group level the actual consistency of the hedged items is verified by a capacity test.

Quantitative information

A. Financial hedging derivatives

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

(millions of euro)

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

The average notional amount in the year of the financial hedging derivatives was 392,430 million euro.
The notional amounts shown as at 31 December 2023 in the column "Over the counter" with central counterparties relate to notional amounts of the financial hedging derivatives settled through legal clearing for a total of 388 billion euro.

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

(millions of euro)

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

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

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

(millions of euro)

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

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

(millions of euro)

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

Information on the uncertainty deriving from hedging derivative benchmark indices

As illustrated in Part A – Accounting policies, the Intesa Sanpaolo Group, from the 2019 Financial Statements, has applied Regulation (EU) 34/2020 of 15 January 2020, which adopted the document issued by the IASB in September 2019 on "Interest Rate Benchmark Reform (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)". This regulation introduced several amendments regarding hedge accounting designed to prevent uncertainties about the amount and timing of the cash flows arising from the rate reform resulting in the discontinuation of existing hedges and difficulties in designating new hedging relationships.
The Intesa Sanpaolo Group's hedges are mainly index-linked to the Euribor, whose calculation method was revised during 2019 through the adoption of a hybrid calculation method, which fully meets the requirements for critical benchmarks set out in the Benchmark Regulation EU 2016/1011 and the IOSCO principles. Therefore, the Group does not deem there to be uncertainty on the timing or cash flows linked to the Euribor, and the hedges linked to the Euribor are not deemed to be impacted by the reform, in line with the approach already adopted in previous years.
With regard to hedging derivative contracts, as at 31 December 2023 there were no remaining hedges index-linked to benchmarks impacted by the reform. For the hedges indexed-linked to USD LIBOR – which were subject to disposal on 30 June 2023 – the transition was completed in 2023.
Reference should also be made to the Notes to the consolidated financial statements, in the Introduction of Part E – Information on risks and relative hedging policies, for details of how the Group has managed the process of transition to the alternative benchmark rates.

B. Credit hedging derivatives

B.1 Credit hedging derivatives: period-end notional amounts

B.2 Credit hedging derivatives: gross positive and negative fair value - breakdown by product

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

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

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

C. Non-derivative hedging instruments

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

The Intesa Sanpaolo Group has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges).
For this reason, the Intesa Sanpaolo Group does not hold financial instruments to be shown in table "C.1 Non-derivative hedging instruments: breakdown by accounting portfolio and type of hedge".

D. Hedged items

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

D.1 Fair value hedges

(millions of euro)

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

D.2 Cash flow hedges and hedges of foreign investments

(millions of euro)

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

E. Effects of hedging on shareholders' equity

E.1 Reconciliation of components of shareholders' equity

(millions of euro)

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

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

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

A. Credit and financial derivatives

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

(millions of euro)

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

The table shows the values resulting from the offsetting in the balance sheet for the derivatives whose netting agreements meet the criteria set out in IAS 32 paragraph 42.
In particular, the above refers to over-the-counter (OTC) trading and hedging financial and credit in place with the legal clearing agent LCH Ltd., for which the fair values attributable to transactions on own account and transactions on behalf of customers have been offset separately in the financial statements.
The clearing amount, which had a total net negative value of 3,227 million euro (positive fair value of 65,130 million euro and negative fair value of 68,357 million euro), attributable to a negative result of 3,306 million euro from trading derivatives and a positive result of 79 million euro from hedging derivatives, is presented in Part B of the Notes to the financial statements, for operations on behalf of customers (trading derivatives) among Financial assets held for trading for 1,793 million euro and operations on own account (trading derivatives and hedging derivatives) among Financial liabilities held for trading for 5,020 million euro, respectively.

1.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

General aspects, liquidity risk management processes and measurement methods

Liquidity risk is defined as the risk that the Bank may not be able to meet its payment obligations due to the inability to obtain funds on the market (funding liquidity risk) or liquidate its assets (market liquidity risk).
The arrangement of a suitable control and management system for that specific risk has a fundamental role in maintaining stability, not only at the level of each individual bank, but also of the market as a whole, given that imbalances within a single financial institution may have systemic repercussions. Such a system must be integrated into the overall risk management system and provide for incisive controls consistent with developments in the context of reference.

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

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

The "Group Liquidity Risk Management Guidelines" of the Intesa Sanpaolo Group – in addition to referring to the Bank of Italy's indications regarding liquidity risk contained in the "Supervisory regulations for banks" – have gradually incorporated all the above regulatory provisions, in implementation of the applicable regulatory provisions.
In this framework, the Group Liquidity Risk Management Guidelines approved by Intesa Sanpaolo's Corporate Bodies illustrate the tasks of the various corporate functions, the rules and the set of control and management processes aimed at ensuring prudent monitoring of liquidity risk, thereby preventing the emergence of crisis situations. To this end, they include procedures for identifying risk factors, measuring risk exposure and verifying observance of limits, conducting stress tests, identifying appropriate risk mitigation initiatives, drawing up emergency plans and submitting informational reports to company bodies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Group liquidity position

The Group's liquidity position - supported by suitable high-quality liquid assets (HQLA) and the significant contribution from retail stable funding - remained within the risk limits set out in the current Group Liquidity Policy for all of 2023.
Both regulatory indicators, LCR and NSFR, were above the regulatory requirements. In 2023, the Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average[107] of 168.1% (181.9% in 2022). The NSFR was also significantly higher than 100%, supported by a solid base of stable deposits from customers, in addition to adequate wholesale medium/long-term securities funding. The remaining component of TLTRO funding no longer contributes to the support of the indicator, as it is now almost entirely maturing by 28 June 2024. As at 31 December 2023, the Intesa Sanpaolo Group's NSFR, measured in accordance with regulatory instructions, was 121.1% (126% at the end of 2022).

The surpluses of both regulatory indicators, LCR and NSFR, are mainly originated within the Eurozone sub-consolidation scope. For the purposes of the LCR indicator, individual surpluses recorded at some international subsidiaries are also sterilised on consolidation due to constraints on the circulation of liquidity at those subsidiaries.
At the end of December 2023, the value of the total unencumbered HQLA reserves, at the various Treasury Departments of the Group, amounted to 160.3 billion euro (172.5 billion euro at the end of 2022). These reserves consisted of around 54% cash as a result of the temporary excess liquidity payments in the form of unrestricted deposits held at central banks. Adding the other marketable reserves and/or eligible reserves for Central Banks, including retained self-securitisations, the Group's total unencumbered liquidity reserves amounted to 202.2 billion euro (177.7 billion euro at the end of 2022), of which 85% held at the Parent Company's Central Treasury and 15% at decentralised treasuries, based on the local needs of the Group's various subsidiaries.
The Group's total reserves increased in relation to the ECB's return of the collateral underlying the TLTROs repaid during the year, a change only partially offset by the decrease in available cash among HQLAs, thanks to the new medium and long-term (MLT) funding volumes in the financial markets and liquidity surplus resulting from the commercial operations of the Networks.

(millions of euro)

	Unencumbered (net of haircut)	
	31.12.2023	**31.12.2022**
HQLA Liquidity Reserves	**160,309**	**172,528**
Cash and Deposits held with Central Banks (HQLA)	80,461	109,792
Highly liquid securities (HQLA)	68,522	55,931
Other HQLA securities not included in LCR	11,326	6,805
Other eligible and/or marketable reserves	41,877	5,222
Total Group's Liquidity Buffer	**202,186**	**177,750**

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

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

Intesa Sanpaolo's funding strategy is based on maintaining diversity in terms of customers, products, maturities and currencies. Intesa Sanpaolo's main sources of funding consist of: (i) deposits from the domestic Retail and Corporate market, which represent the stable portion of funding, (ii) medium/long-term funding, mainly composed of own issues (senior debt securities in the euro and US markets, in addition to subordinated securities and covered bonds/ABSs), (iii) short-term funding on wholesale markets, largely consisting of repurchase agreements and CD/CP funding; and (iv) repurchase agreements on eligible retained assets. The Eurosystem refinancing operations (TLTROs) mature within the year.
The Group Liquidity Risk Management Guidelines require the regular monitoring of the concentration analyses for the funding (by counterparty/product) and for the liquidity reserves (by issuer/counterparty).

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

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

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

Impacts of the Russia-Ukraine conflict

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

QUANTITATIVE INFORMATION

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

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

Currency of denomination: Euro

(millions of euro)

Type/Residual maturity	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
A. Cash assets	**123,904**	**17,541**	**7,378**	**15,921**	**21,424**	**24,471**	**34,842**	**164,248**	**207,027**	**5,124**
A.1 Government bonds	29	-	192	437	370	1,250	2,127	14,053	50,694	-
A.2 Other debt securities	452	1,082	957	4,942	238	855	861	12,740	25,192	-
A.3 Quotas of UCI	3,126	-	-	-	-	-	-	-	9	-
A.4 Loans	120,297	16,459	6,229	10,542	20,816	22,366	31,854	137,455	131,132	5,124
- Banks	77,424	7,659	179	960	1,450	1,401	984	3,394	193	5,066
- Customers	42,873	8,800	6,050	9,582	19,366	20,965	30,870	134,061	130,939	58
B. Cash liabilities	**384,911**	**14,967**	**7,347**	**5,746**	**52,732**	**25,546**	**17,085**	**69,635**	**29,887**	**-**
B.1 Deposits and current accounts	354,581	2,834	4,534	4,001	7,273	9,412	5,000	2,666	728	-
- Banks	2,685	511	182	136	389	197	149	585	275	-
- Customers	351,896	2,323	4,352	3,865	6,884	9,215	4,851	2,081	453	-
B.2 Debt securities	25	170	1,776	1,612	6,875	5,964	10,592	60,391	23,324	-
B.3 Other liabilities	30,305	11,963	1,037	133	38,584	10,170	1,493	6,578	5,835	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	425	8,868	4,640	7,325	19,872	6,816	5,512	14,932	10,574	-
- Short positions	1,217	8,695	3,630	5,395	10,846	4,279	5,279	12,697	16,747	-
C.2 Financial derivatives without exchange of capital										
- Long positions	19,523	168	3	414	486	1,735	2,045	211	9	-
- Short positions	22,245	43	20	191	398	772	1,145	211	9	-
C.3 Deposits and loans to be settled										
- Long positions	58,469	-	-	-	-	-	-	-	-	-
- Short positions	2	56,321	1,390	545	2	2	29	33	144	-
C.4 Irrevocable commitments to lend funds										
- Long positions	3,695	9,215	8	120	543	1,419	2,045	20,681	3,028	-
- Short positions	37,824	3	7	45	33	64	105	74	7	-
C.5 Financial guarantees given	1,135	4	9	27	132	152	306	477	149	-
C.6 Financial guarantees received	139	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	19	-	524	679	-
- Short positions	-	-	-	-	-	19	-	524	679	-
C.8 Credit derivatives without exchange of capital										
- Long positions	963	-	-	-	-	-	-	-	-	-
- Short positions	772	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(millions of euro)

Type/Residual maturity	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
A. Cash assets	**11,472**	**4,278**	**4,048**	**5,496**	**4,973**	**3,811**	**3,846**	**23,709**	**21,492**	**2,660**
A.1 Government bonds	7	145	72	422	1,146	498	653	5,471	15,224	-
A.2 Other debt securities	216	53	792	218	220	364	171	4,889	2,048	-
A.3 Quotas of UCI	681	-	-	-	-	-	-	-	-	-
A.4 Loans	10,568	4,080	3,184	4,856	3,607	2,949	3,022	13,349	4,220	2,660
- Banks	8,218	1,956	1,941	908	551	214	401	599	43	2,635
- Customers	2,350	2,124	1,243	3,948	3,056	2,735	2,621	12,750	4,177	25
B. Cash liabilities	**20,269**	**5,725**	**5,282**	**5,465**	**5,010**	**3,448**	**3,085**	**8,004**	**15,862**	**-**
B.1 Deposits and current accounts	18,668	1,633	1,933	1,457	1,859	877	1,097	1,592	129	-
- Banks	1,675	641	331	306	231	93	78	679	61	-
- Customers	16,993	992	1,602	1,151	1,628	784	1,019	913	68	-
B.2 Debt securities	68	317	725	418	855	2,465	1,870	5,445	12,908	-
B.3 Other liabilities	1,533	3,775	2,624	3,590	2,296	106	118	967	2,825	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	70	15,470	5,756	8,987	11,261	7,072	8,327	17,922	10,369	-
- Short positions	126	15,909	5,979	10,755	20,004	9,488	8,391	19,715	5,374	-
C.2 Financial derivatives without exchange of capital										
- Long positions	2,631	4	-	-	6	9	-	17	29	-
- Short positions	6,618	-	-	2	3	-	-	19	29	-
C.3 Deposits and loans to be settled										
- Long positions	800	-	-	-	-	-	-	-	-	-
- Short positions	5	6	3	-	2	-	1	370	411	-
C.4 Irrevocable commitments to lend funds										
- Long positions	929	42	19	44	1,288	475	1,284	12,369	1,883	-
- Short positions	17,812	38	-	281	1	1	4	27	50	-
C.5 Financial guarantees given	844	16	7	23	61	78	169	268	48	-
C.6 Financial guarantees received	75	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	36	9	-	-
- Short positions	-	-	-	-	-	-	36	9	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	322	-	-	-	-	-	-	-	-	-
- Short positions	344	-	-	-	-	-	-	-	-	-

2. Self-securitisations

A brief illustration of the securitisations originated by Intesa Sanpaolo outstanding as at 31 December 2023 is shown below, in which the Bank subscribed all the securities issued by the related vehicle (self-securitisations), and which need not be shown in the tables of Part E, section C “Securitisations” of the Notes to the financial statements.

Brera Sec S.r.l.

In October 2017, a self-securitisation was structured, carried out through the sale of five loan portfolios to the vehicle company Brera Sec S.r.l. and originated by the Parent Company and by four banks of the Group subsequently incorporated into Intesa Sanpaolo (Banco di Napoli, Cassa di Risparmio di Forlì e della Romagna and Cassa di Risparmio del Friuli Venezia Giulia, incorporated in the second half of 2018 and Cassa di Risparmio in Bologna, incorporated in the first half of 2019). The underlying consisted of residential mortgage loans held by households and/or family businesses. This transaction was the Group’s first Multi-Originator Residential Mortgage Backed Security (“RMBS”) securitisation.
Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, purchased on the market, and control (95%) is held by a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody’s and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed pro rata by each individual selling bank based on the sale price of each portfolio, and therefore today they have been fully subscribed by Intesa Sanpaolo.

The senior security issued through the transaction, with a Moody's Aa3 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
The total sale consideration was 7.1 billion euro. The sale price of each portfolio sold was settled through the issuance of securities on 11 December 2017 for a total of 7.1 billion euro.
A buyback of non-performing loans of 40.6 million euro was finalised in April 2023.
As at 31 December 2023, the value of the outstanding subscribed securities was 2,378 million euro for the senior securities and 1,067 million euro for the junior securities.

Brera Sec S.r.l. (SEC 2)
In September 2019, a self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's second Residential Mortgage Backed Security ("RMBS") securitisation.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's Aa3 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 7.5 billion euro. The sale price of the portfolio was settled through the issuance of securities on 27 November 2019 for a total of 7.5 billion euro.
As at 31 December 2023, the value of the outstanding securities was 4,069 million euro for the senior securities and 860 million euro for the junior securities.

Brera Sec S.r.l. (SEC 3)
In October 2021, an additional self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's third Residential Mortgage Backed Security ("RMBS") securitisation.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's Aa3 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 7.7 billion euro. The sale price of the portfolio was settled through the issuance of securities on 1 December 2021 for a total of 7.7 billion euro.
As at 31 December 2023, the value of the outstanding securities was 6,139 million euro for the senior securities and 725 million euro for the junior securities.

Clara Sec S.r.l.
In 2020, a self-securitisation was structured involving receivables arising from performing personal loans within the consumer credit area and disbursed to consumer households.
The securitisation is a revolving transaction and Intesa Sanpaolo has the option to sell the vehicle further loan portfolios with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
The transaction took place with the sale of the portfolio of loans originated by Intesa Sanpaolo to the vehicle company Clara Sec S.r.l.
Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with an entity from outside the Group (Dutch-registered foundation known as a Stichting).
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The transaction involved the issuance by the vehicle company of two tranches of securities: a listed senior tranche, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's A1 and a Morningstar DBRS AA (Low) rating, was used as collateral for refinancing operations in the Eurosystem.
The total sale consideration was 7.6 billion euro. The sale price of the portfolio was settled through the issuance of securities on 23 June 2020 for a total of 7.2 billion euro.
A buyback of non-performing loans of 32 million euro was finalised in February 2023, and a sale of 984 million euro was finalised in July.
As at 31 December 2023, the value of the outstanding securities was 6,350 million euro for the senior securities and 824 million euro for the junior securities.

Giada Sec S.r.l.

In November 2020, a self-securitisation was structured, implemented through the sale of a portfolio of loans, disbursed to companies belonging to the small business, SME and Corporate segment and originated by Intesa Sanpaolo, to the vehicle company Giada Sec S.r.l.
The securitisation is a revolving transaction and Intesa Sanpaolo has the option to sell the vehicle further loan portfolios with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, purchased on the market, and control (95%) is held by a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's A1 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
The total sale consideration was 10.1 billion euro. The sale price of the portfolio was settled through the issuance of securities on 21 December 2020 for the same amount.
A sale of 2.1 billion euro was finalised in March 2023. A buyback of non-performing loans of 95.6 million euro and a retrocession of 5.3 million euro were finalised in April, and a sale of 1.4 billion euro was finalised in November.
As at 31 December 2023, the value of the outstanding securities was 6,610 million euro for the senior securities and 3,485 million euro for the junior securities.

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

In October 2022, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo, disbursed to small and medium enterprises ("SMEs"), including sole proprietorships and loans granted to corporate customers not belonging to the large corporate segment, to the special purpose vehicle Giada Sec S.r.l.
The securitisation is a revolving transaction and Intesa Sanpaolo has the option to sell the vehicle further loan portfolios with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's A1 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 15.2 billion euro. The sale price of the portfolio was settled through the issuance of securities on 5 December 2022 for a total of 15.2 billion euro.
A sale of 1.8 billion euro was finalised in July 2023.
As at 31 December 2023, the value of the outstanding securities was 10,250 million euro for the senior securities and 4,940 million euro for the junior securities.

(millions of euro)

Vehicle	Type of security issued	Type of asset securitised	External rating	Principal as at 31.12.2023
BRERA SEC S.r.l.				
of which issued in euro				**3,445**
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / Morningstar DBRS AH	2,378
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	1,067
BRERA SEC S.r.l. (SEC 2)				
of which issued in euro				**4,929**
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / Morningstar DBRS AH	4,069
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	860
BRERA SEC S.r.l (SEC 3)				
of which issued in euro				**6,864**
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / Morningstar DBRS AH	6,139
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	725
CLARA SEC S.r.l.				
of which issued in euro				**7,174**
Class A Asset Backed F/R Notes	Senior	Personal loans	Moody's A1 / Morningstar DBRS AAL	6,350
Class B Asset Backed F/R Notes	Junior	Personal loans	no rating	824
GIADA SEC S.r.l.				
of which issued in euro				**10,095**
Class A Asset Backed F/R Notes	Senior	Receivables from Small business, SME and corporate customers	Moody's A1 / Morningstar DBRS AH	6,610
Class B Asset Backed F/R Notes	Junior	Receivables from Small business, SME and corporate customers	no rating	3,485
GIADA SEC S.r.l. (GIADA BIS)				
of which issued in euro				**15,190**
Class A Asset Backed F/R Notes	Senior	Receivables from Small business, SME and corporate customers	Moody's A1 / Morningstar DBRS AH	10,250
Class B Asset Backed F/R Notes	Junior	Receivables from Small business, SME and corporate customers	no rating	4,940
TOTAL				**47,697**

OTHER INFORMATION ON FINANCIAL RISKS

SOVEREIGN RISK EXPOSURE BY COUNTRY OF RESIDENCE OF THE COUNTERPARTY

The following table illustrates the details of the net exposures of the Intesa Sanpaolo Group to sovereign risk in banking business, based on management data. Financial assets measured at fair value through profit or loss are posted net of short positions on debt securities (on-balance sheet payables included in financial liabilities held for trading).

(millions of euro)

	DEBT SECURITIES				LOANS
	BANKING GROUP			TOTAL (1)	
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss		
EU Countries	**35,748**	**31,896**	**-2,279**	**65,365**	**10,716**
Austria	616	834	9	1,459	-
Belgium	3,225	3,284	87	6,596	391
Bulgaria	-	-	-	-	-
Croatia	170	545	51	766	1,419
Cyprus	-	-	-	-	-
Czech Republic	-	-	-	-	-
Denmark	-	-	-	-	-
Estonia	-	-	-	-	-
Finland	254	190	-	444	-
France	6,656	3,145	-577	9,224	2
Germany	49	1,250	388	1,687	-
Greece	-	-	-	-	-
Hungary	384	1,443	39	1,866	216
Ireland	335	48	20	403	-
Italy	16,241	9,068	-2,809	22,500	8,170
Latvia	-	-	-	-	16
Lithuania	-	-	-	-	-
Luxembourg	312	540	30	882	-
Malta	-	-	-	-	-
The Netherlands	828	79	68	975	-
Poland	26	65	6	97	-
Portugal	386	361	-29	718	74
Romania	64	353	-	417	3
Slovakia	107	747	11	865	171
Slovenia	1	187	-	188	180
Spain	6,094	9,757	427	16,278	74
Sweden	-	-	-	-	-
Non-EU Countries					
Albania	69	657	1	727	-
Egypt	138	1,087	-	1,225	711
Japan	-	1,783	-	1,783	-
Russia	-	10	-	10	-
Serbia	7	515	-	522	347
United Kingdom	-	230	-2	228	-
U.S.A.	3,332	8,185	330	11,847	-

Management accounts

(1) Debt securities from insurance business (excluding securities in which gathered amounts are invested from insurance policies where the total risk is borne by the policyholders) relating to Italy amounted to 48,756 million euro.

As illustrated in the table, the Banking Group's exposure to securities issued by Italian central and local governments at the end of 2023 totalled 22.5 billion euro (27 billion euro at 31 December 2022), in addition to around 8 billion euro represented by loans (8 billion euro at the end of 2022).

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products came to 4,468 million euro as at 31 December 2023, a net increase of 1,165 million euro compared to the stock of 3,303 million euro as at 31 December 2022. The exposure includes investments in CLOs (Collateralised Loan Obligations) of 2,448 million euro, in ABSs (Asset-Backed Securities) of 1,949 million euro and in CDOs (Collateralised Debt Obligations) of 71 million euro, which continued to be a marginal activity also in 2023.

(millions of euro)

Accounting categories	**31.12.2023**				**31.12.2022**	**Changes**	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	**Total**		**absolute**	**%**
Financial assets held for sale	329	446	-	**775**	**817**	-42	-5.1
Financial assets mandatorily measured at fair value	-	3	-	**3**	**3**	-	-
Financial assets measured at fair value through other comprehensive income	1,392	714	-	**2,106**	**1,545**	561	36.3
Financial assets measured at amortised cost	727	786	71	**1,584**	**938**	646	68.9
Total	**2,448**	**1,949**	**71**	**4,468**	**3,303**	**1,165**	**35.3**

In this disclosure, structured credit products include debt securities held by the Group divided into tranches upon issue consisting of various degrees of subordination and not issued within the framework of transactions originated by entities of the Intesa Sanpaolo Group or by public entities, in addition to transactions whereby the Group finances its corporate and financial institution customers (operations implemented by the Group through the subsidiary Duomo Funding Plc).
The trend in the portfolio in 2023, in a scenario of market recovery on the segment, showed greater investments overall compared to sales and reimbursements, for a total change of 1,165 million euro.
Exposures measured at fair value (ABS and CLO debt securities) increased by 519 million euro, from 2,365 million euro in December 2022 to 2,884 million euro in December 2023, attributable to higher investments for a total of 1,300 million euro, attributable to financial assets measured at fair value through other comprehensive income of 800 million euro and to financial assets held for trading of 500 million euro, offset by redemptions and disposals totalling 781 million euro, substantially made up of 238 million euro for the first segment and 543 million euro for the second segment.
Exposures classified among assets measured at amortised cost (CLO, ABS and CDO debt securities) amounted to 1,584 million euro in December 2023, compared with a balance of 938 million euro in December 2022, a net increase of 646 million euro, due to higher investments of 804 million euro, only partially offset by sales and reimbursements of 158 million euro.
From the perspective of the income statement, the overall profit of +5 million euro as at 31 December 2023 compares with a loss of -49 million euro in 2022.
The performance of assets held for trading, caption 80 of the income statement, amounted to +5 million euro and related to the CLO and ABS exposures, +8 million euro from realisation impacts and -3 million euro from valuation effects, whereas as at 31 December 2022 it amounted to -49 million euro (regarding exposures in CLO and ABS, -27 million euro from valuations and -22 million euro on disposals).
The profit from financial assets mandatorily measured at fair value was +1 million euro, as at 31 December 2023, compared to nil in the previous year.
The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded an increase in fair value as at 31 December 2023 of +14 million euro through a shareholders' equity reserve (from a reserve of -44 million euro in December 2022 to -30 million euro in December 2023). During the year, there have been no impacts from sales on the portfolio (-3 million euro in December 2022).
On the debt securities classified as assets measured at amortised cost, the result as at 31 December 2023 of -1 million euro was substantially attributable to losses on disposals, compared with the impact of +3 million in 2022 (+1 million euro from valuation components and +2 million euro from disposals).

(millions of euro)

Income statement results broken down by accounting category	**31.12.2023**				**31.12.2022**	**Changes**	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	**Total**		**absolute**	**%**
Financial assets held for sale	4	1	-	**5**	**-49**	54	
Financial assets mandatorily measured at fair value	-	1	-	**1**	**-**	1	-
Financial assets measured at fair value through other comprehensive income	-	-	-	**-**	**-3**	-3	
Financial assets measured at amortised cost	-	-1	-	**-1**	**3**	-4	
Total	**4**	**1**	**-**	**5**	**-49**	**54**	

INFORMATION ON LEVERAGED TRANSACTIONS

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

As at 31 December 2023, for the Intesa Sanpaolo Group, the transactions that meet the definition of Leveraged Transactions as per the ECB Guidance amounted to around 25.4 billion euro, relating to 1,780 credit lines. The stock was down compared to the end of the previous year (26.2 billion euro as at 31 December 2022). That trend, mainly due to the Parent Company, was influenced by incoming and outgoing turnover - with flows substantially offsetting each other - and by a decrease of around 1 billion euro mainly due to the reduction in balances on positions remaining in scope. The geographical distribution and breakdown by sector was substantially stable, mainly concentrated on Italy (around 60% as at 31 December 2023) and on manufacturing, services and financial sectors. In the last quarter, stock increased by 0.2 billion euro, mainly attributable to the inflows into the scope of the ISB Division and, to a lesser extent, to the Luxembourg subsidiary.

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

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Parent Company's hedge fund portfolio as at 31 December 2023 amounted to 163 million euro for the trading book and 184 million euro for the banking book for a total of 347 million euro, compared to 173 million euro and 184 million euro, respectively, as at 31 December 2022, for a total of 357 million euro.

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

In 2023, there was a decrease of 10 million euro on the end of the previous year, including disposals of 82 million euro, partially offset by investments of 52 million euro and increases in fair value of 20 million euro.

Specifically, the disposals undertaken during the year referred to the banking book for 17 million euro and the trading book for 65 million euro. The investments made exclusively on the hedge fund UCITS trading book, which better meet the capital absorption requirements, follow from the action implemented in 2022 and are consistent with the CRR2, which entered into force on 30 June 2021, while the increases in fair value related to the banking book for 17 million euro and the trading book for 3 million euro.

In terms of effects on the income statement, as at 31 December 2023 overall profit amounted to +21 million euro, attributable to the valuation effects of funds in the portfolio, including financial assets mandatorily measured at fair value (+17 million euro) and financial assets held for trading (+3 million euro), in addition to realisation impacts of +2 million euro on the first sub-fund and -1 million euro on the second, respectively. As at 31 December 2022, the loss came to -9 million euro, fully regarding the valuation effects of funds in the portfolio, including financial assets mandatorily measured at fair value (-7 million euro) and financial assets held for trading (-2 million euro).

At the Intesa Sanpaolo Group, as at 31 December 2023 the portfolio of Eurizon Capital SGR held hedge funds for 14 million euro, which compare to the amount of 50 million euro as at 31 December 2022, decreased due to disposals and partial reimbursements during 2023. During the year +2 million euro was recognised in the income statement from realisations (-3 million euro as at 31 December 2022, from the valuation components). Hedge funds are held according to a seeding approach that involves setting up a service portfolio consisting of shares of mutual funds for which marketing has begun in support of the funds.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 31 December 2023, the Intesa Sanpaolo Group, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies), presented a positive fair value, not having applied netting agreements, of 2,830 million euro (3,049 million euro as at 31 December 2022). The notional value of these derivatives totalled 40,555 million euro (29,872 million euro as at 31 December 2022).

In particular, the notional value of plain vanilla contracts was 37,575 million euro (26,826 million euro as at 31 December 2022), while that of structured contracts was 2,980 million euro (3,046 million euro as at 31 December 2022).

The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 1,628 million euro (1,726 million euro as at 31 December 2022).

Conversely, the negative fair value referring to total contracts outstanding, determined with the same criteria, for the same types of contracts and with the same counterparties, totalled 3,545 million euro as at 31 December 2023 (6,149 million euro as at 31 December 2022). The notional value of these derivatives totalled 60,349 million euro (74,174 million euro as at 31 December 2022).

In particular, the notional value of plain vanilla contracts was 56,166 million euro (69,140 million euro as at 31 December 2022), while that of structured contracts was 4,183 million euro (5,034 million euro as at 31 December 2022).

The fair value of derivative financial instruments entered into with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty ("Bilateral Credit Value Adjustment"). With regard to contracts outstanding as at 31 December 2023, this led to a negative impact of 18 million euro under Profits (Losses) on trading in the income statement (positive impact of 102 million euro as at 31 December 2022).

As regards the methodologies used in determining the fair value of financial instruments, see the specific paragraphs in the Notes to the financial statements - Part A – Accounting policies.
Please note that the figures reported above do not include fair value of derivatives embedded in structured bond issues as well as the related hedges taken out by the Group.

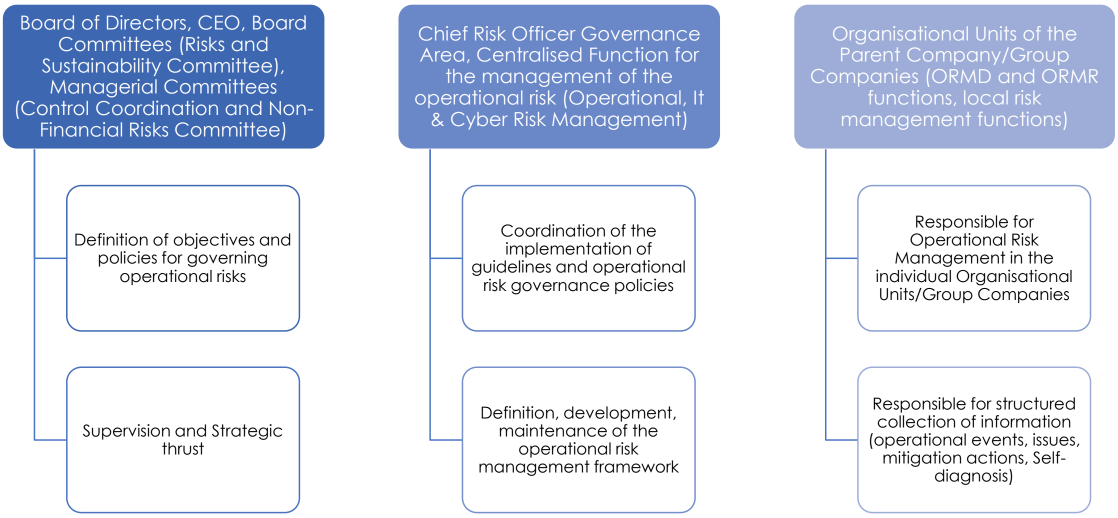
1.5. OPERATIONAL RISKS

QUALITATIVE INFORMATION

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

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[108].
The Intesa Sanpaolo Group adopts an undertaking and management strategy of operational risk based on prudent management principles and aimed at guaranteeing long-term solidity and continuity for the company. In addition, the Group pays particular attention to achieving an optimal balance between growth and profitability and the resulting risks.
In line with these objectives, the Intesa Sanpaolo Group has long since established an overall operational, ICT and security risk governance framework, by setting up a Group policy and organisational processes for measuring, managing and controlling these risks.
For regulatory purposes, the Group adopts the Advanced Measurement Approach (AMA), in partial use with the standardised (TSA) and basic approaches (BIA), to determine the capital requirement. As at 31 December 2023, the scope of the Advanced Measurement Approach (AMA) was comprised of Intesa Sanpaolo (including the former Banks and Companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka, VUB Operating Leasing and PBZ Banka.

Governance Model
An effective and efficient framework for managing operational, ICT and security risks must be fully integrated into decision-making processes and management of business operations. Accordingly, the Intesa Sanpaolo Group has chosen to involve the organisational units (business units, head-office/support structures) of the Parent Company, the Banks and Group companies with direct responsibility in the operational, ICT and security risk management process.
The operational, ICT and security risk governance model has been developed with a view to:
- optimising and maximising organisational safeguards, interrelations and information flows between the existing organisational units and integration of the operational, ICT and security risk management approach with other company models developed for specific risks (Business Continuity, IT Security, etc.);
- guaranteeing transparency and spread of the models, methods and criteria of analysis, assessment and measurement criteria used to facilitate the process of cultural diffusion and comprehension of the logic underlying the choices made.



The Group has a centralised management function for operational, ICT and security risk in the form of the Operational, IT & Cyber Risk Management structure, which is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profiles, the verification of mitigation effectiveness and reporting to Top Management. In compliance with current requirements, the individual organisational units

108 As far as the financial losses component is concerned, the Operational Risk includes the following risks: legal, conduct, compliance, financial crime, fiscal, IT and Cyber, physical security, business continuity, third-party, data quality, fraud, process and employer. Strategic and reputational risk are not included.

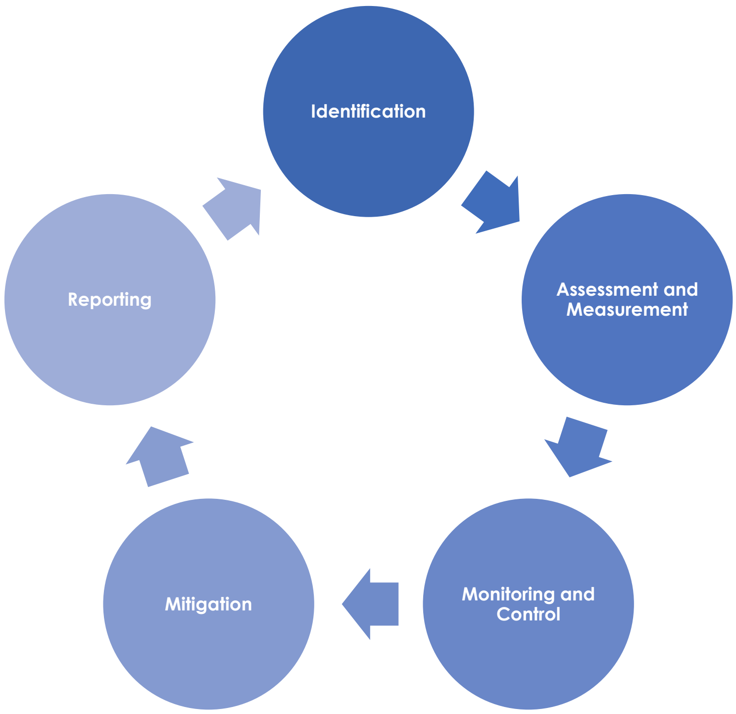
are responsible for identifying, assessing, managing and mitigating risks. Specific officers and departments have been identified within these organisational units to be responsible for Operational, ICT & Security Risk Management (structured collection of information relative to operational events, detection of issues and related mitigation actions, scenario analyses and evaluation of the business environment and internal control factors). In order to support the operational, ICT and security risk management process on a continuous basis, a structured training programme has been implemented for employees actively involved in this process.

ICT and security risk

The Intesa Sanpaolo Group considers its information system a tool of primary importance to the achievement of its strategic, business and social responsibility objectives, including in the light of the critical nature of the company processes that depend on it. Accordingly, it undertakes to create a resilient environment and to invest in assets and infrastructure designed to minimise the potential impact of ICT and security events and to protect its business, image, customers and employees.
The Group has therefore adopted a system of principles and rules intended to identify and measure the ICT and security risk to which company assets are exposed, assess the existing safeguards and identify adequate methods of managing such risks, in accordance with the operational, ICT and security risk management process.
In line with the methodological framework established for the governance of operational risks, the ICT and security risk management framework has been developed with a view to integrating and coordinating the specific expertise of the structures involved.
ICT and security risk is defined as the risk of incurring losses due to breaches of confidentiality, lack of integrity and inadequacy of systems and data, unavailability of systems and data, or the inability to replace information technology within reasonable time and cost limits, in the event of changes in the requirements of the external environment or the business (agility). It also includes security risk resulting from inadequate or incorrect internal processes or external events, including cyber attacks, or an inadequate level of physical security. In the integrated view of corporate risk for supervisory purposes (ICAAP), this risk is considered, according to specific aspects, as operational, reputational and strategic risk.

Group Operational, ICT and Security Risk Management Process

The Intesa Sanpaolo Group's operational, ICT and security risk management process is divided into the following phases:



Identification

The identification phase includes the collection and classification of qualitative and quantitative information that allows to identify and describe the Group's potential areas of operational, ICT and security risk. Specifically, this phase involves the:

- collection and updating of data on operational events (Loss Data Collection), decentralised to the Organisational Units;
- identification of the company processes and components of the IT system at highest potential risk;
- determination of the applicability and relevance of the operational risk factors defined;
- identification of projects that will involve relevant changes to the IT system or changes to critical components of the IT system;
- identification of significant risk scenarios, also based on the external context (e.g., external loss data, regulatory development, emerging trends, strategic and threat intelligence);
- identification and analysis of issues affecting the Group's areas of operation.

Assessment and measurement

The assessment and measurement phase includes the process of qualitative and quantitative determination of the Group's exposure to operational, ICT and security risks.

It includes:

- at least annual performance of the process of self-assessment of exposure to operational, ICT and security risk (Self-diagnosis);
- performance of preventive analyses of operational, ICT and security risks deriving from agreements with third parties (e.g., outsourcing of activities), business operations or project initiatives, introduction or revision of new products and services, launch of new activities and entry into new markets;
- the definition of the relevance of identified issues;
- transformation of the evaluations collected (e.g., internal and external operational loss data, management levels of risk factors, probability and impact in the event of occurrence of risk scenarios) into synthetic risk measures;
- determination of economic and regulatory capital for operational risk, through the internal model and the simplified methods defined by the regulations.

Monitoring and control

The aim of the monitoring phase is the ongoing analysis and control of:

- the development of the exposure to operational, ICT and security risks on the basis of the structured organisation of the results of the identification, assessment and measurement processes and the observation of indicators that represent a valid proxy of the exposure to operational, ICT and security risks (e.g., limits, early warnings and indicators established within the RAF);
- the development of the risk profile inherent in the use of new technologies or in the implementation of significant changes to existing systems.

Mitigation

The mitigation phase includes activities aimed at containing the exposure to operational, ICT and security risks, defined on the basis of the results of the identification, measurement, assessment and monitoring phases. It includes:

- identification, definition and implementation of the corrective measures (mitigation actions) necessary to solve the identified gaps or to bring back the relevance of the identified issues within the defined risk tolerance;
- promotion of initiatives designed to spread a culture of operational risk within the Group;
- definition of strategies for transferring operational, ICT and security risks, in terms of optimisation of insurance coverage and any other forms of risk transfer adopted by the Group from time to time.

In this regard, in addition to a traditional insurance programme (to protect against offences such as employee infidelity, theft and damage, transport of valuables, computer fraud, forgery, cyber-crimes, fire and earthquake, and third-party liability), the Group has taken out an insurance coverage policy named Operational Risk Insurance Programme, in compliance with the requirements established by the regulations and to have access to the capital benefits provided for by the policy, which provides specific cover for Companies included in the AMA scope, significantly increasing the limits and transferring the risk of significant operational losses to the insurance market.

In addition, with respect to risks relating to real estate and infrastructure, with the aim of containing the impacts of phenomena such as catastrophic environmental events, situations of international crisis, and social protest events, the Group may activate its business continuity solutions.

Reporting

The reporting phase includes the preparation of appropriate information flows associated with operational, ICT and security risk management, designed to provide disclosures useful, for example, for:

- analysis and understanding of any dynamics underlying the trend in the level of exposure to operational, ICT and security risks;
- analysis and understanding of the main issues identified;
- defining the mitigation actions and intervention priorities.

Self-diagnosis

Self-diagnosis is the annual process through which the Organisational Units identify their level of exposure to operational, ICT and security risk. It includes the Operational Risk Assessment and the ICT & Security Risk Assessment, in turn consisting of:

- Business Environment Evaluation (VCO): activities used to identify significant risk factors and assess[109] the related management level, also through level II controls.
- Scenario analysis (SA): a method of prospective analysis that takes the form of a systematic process, which is typically repeated at predefined intervals, but which may also be conducted on an ad hoc basis, and which consists in imagining the occurrence of particular situations (or scenarios) and imagining their consequences. Once scenarios have been identified and appropriately characterised, they must be assessed: i.e., one must determine the probability of occurrence (frequency) and potential impact (average impact and worse case) in the event of occurrence of the situation described in the scenario.

The 2023 Self-Diagnosis identified a High level of control of operational risk at Group level, in line with previous years, both for the Operational Risk Assessment and the ICT & Security Risk Assessment.

[109] The applicability and significance of risk factors are assessed, in the case of ICT and security risk, by the technical functions, cybersecurity functions and business continuity functions, and, with regard to operational risk, by the Decentralised Operational Risk Management functions.

Internal model for the measurement of operational risk

The Intesa Sanpaolo Group's internal model for calculating capital absorption is designed to combine all the main sources of quantitative information (operational losses: internal and external events, estimates deriving from the Scenario Analysis) and qualitative information (Business Environment Evaluation).
Capital-at-risk is therefore identified as the minimum amount at Group level required to bear the maximum potential loss (worst case). It is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-risk of operational losses), applied to historical data and the results of the scenario analysis assuming a one-year estimation period, with a confidence level of 99.9%. The methodology also applies a corrective factor, which derives from the qualitative analyses of the risk level of the operational environment (VCO), to take into account the effectiveness of internal controls in the various Organisational Units.
The internal model's insurance mitigation component was approved by the Bank of Italy in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

Impacts of the Russia-Ukraine conflict

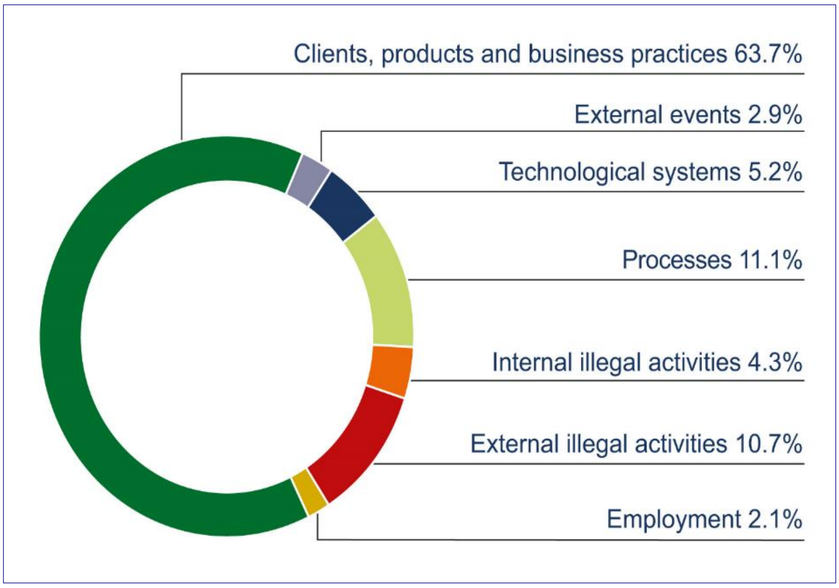
As regards operational risks, the impacts of the Russia-Ukraine conflict regard several actions implemented to ensure the Group's business continuity operations, particularly the extra costs incurred for Business continuity and the losses resulting from physical damage directly caused to offices/branches located in the conflict zone. That information is used to monitor exposure to operational risk, including that regarding the Risk Appetite Framework.

QUANTITATIVE INFORMATION

To determine its capital requirements, the Group uses a combination of the methods (AMA, TSA and BIA) allowed under applicable regulations.
The capital requirement amounted to 2,278 million euro as at 31 December 2023, up from 2,039 million euro as at 31 December 2022. The increase was mainly attributable to the update of the historical component affected by the deterioration of the risk profile of the Clients, Products and Businesses Practices - Retail category, as described in more detail below.

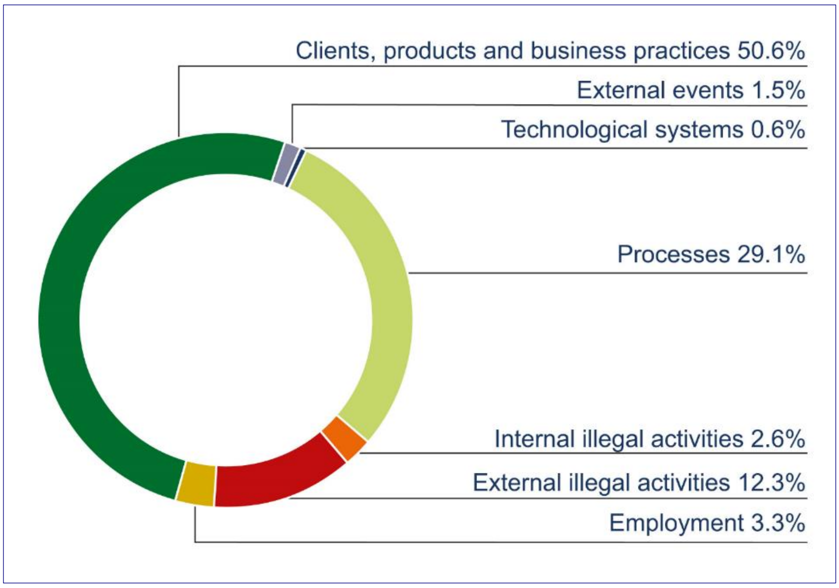
The capital requirement relating to the Advanced Measurement Approach (AMA), amounting to 1,962 million euro, broken down by type of operational event, is shown below.

Breakdown of 2023 capital requirement (Advanced Measurement Approach - AMA) by type of operational event



With regard to the sources of operational risk, the chart below shows the impact of the operational losses recorded during the year, based on event type.
In 2023, the most significant event type was *Clients, Products and Business Practices*, which included losses related to defaults connected with professional obligations towards customers, suppliers or outsourcers and to the provision of services and products to customers performed improperly or negligently.

Breakdown of operational losses recorded in 2023, by type of event



LEGAL RISKS

As at 31 December 2023, there were a total of around 11,000 non-tax related disputes – excluding those involving Risanamento S.p.A., which is not subject to management and coordination by Intesa Sanpaolo – pending at Group level (in addition to around 23,400 "mass" disputes at the international subsidiary banks, which limited aggregate represent a very small remedy sought), with a total remedy sought[110] of around 3,300 million euro. This amount includes all disputes for which the risk of a disbursement of financial resources resulting from a potential negative outcome has been deemed possible or likely and therefore does not include disputes for which risk has been deemed remote.

The risks associated with these disputes are thoroughly and individually analysed by the Parent Company and Group companies. Specific and appropriate provisions have been made to the Allowances for Risks and Charges in the event of disputes for which there is an estimated probability of a disbursement of more than 50% and where the amount of the disbursement may be reliably estimated (disputes with likely risk). Without prejudice to the uncertainty inherent in all litigation, the estimate of the obligations that could arise from the disputes and hence the amount of any provisions recognised are based on the forward-looking assessments of the outcome of the trial. These forward-looking assessments are, in any event, prepared on the basis of all information available at the time of the estimate.

The disputes with likely risk are about 26,300 (of which around 19,200 relating to the above-mentioned "mass" disputes) with a remedy sought of 1,775 million euro and provisions of 695 million euro. Compared to last year, there was a decrease in the number of disputes, which mainly concerned disputes certain loan contractual topics relating to the subsidiary Banca Intesa Beograd, details of which are provided in a specific section. The component referring to the Parent Company Intesa Sanpaolo, which also includes the dispute relating to the subsidiary Intesa Sanpaolo Provis S.p.A. merged in April, totals around 5,690[111] disputes, with a remedy sought of 1,516 million euro and provisions of 496 million euro. These include around 2,900 positions relating to disputes concerning anatocism, illustrated in greater detail below.

There were around 600 disputes relating to other Italian subsidiaries, with a remedy sought of 144 million euro and provisions of 77 million euro. There were around 20,000 disputes relating to international subsidiaries, with a remedy sought of 115 million euro and provisions of 121 million euro, impacted by the mass disputes[112]: specifically, there were around 16,400 disputes referring to the subsidiary Banca Intesa Beograd, regarding two areas of litigation which are illustrated in the specific section.

The breakdown according to the main categories of disputes with likely risk shows the prevalence of cases related to the Group's ordinary banking and credit activities, involving claims relating to banking and investment products and services or on credit positions and revocatory actions, which account for around 74% of the remedy sought and 76% of the provisions. The remaining disputes mainly consist of other civil and administrative proceedings and labour disputes or criminal proceedings or proceedings related to operational violations.

The paragraphs below provide summary information on the significant disputes (mainly those with a remedy sought of more than 20 million euro and where the risk of a disbursement is currently considered likely or possible), together with the cases considered significant.

Disputes relating to anatocism and other current account and credit facility conditions, as well as usury

In 2023, the number of disputes with likely or possible risk, within the disputes of this type, which for many years have been a significant part of the civil litigations brought against the Italian banking industry, amounted to 3,765, with a remedy sought of 643 million euro, and have shown a progressive reduction in claims compared to the previous year both in number and in overall value.

The number of disputes, including mediations, with likely risk was stable at around 2,900. The remedy sought amounted to 509 million euro, with provisions of 168 million euro.

As is the case for the other civil disputes, the assessment of the risk related to this type of litigation is carried out individually, taking into account the claims made, the defences submitted, the progress of the proceedings and case-law decisions, for each dispute.

You are reminded that in 2014 and 2016, Article 120 of the Consolidated Law on Banking, which governs the compounding of interest in banking transactions, was amended with the establishment of the ban on anatocism and the delegation of the ICRC (Interdepartmental Committee for Credit and Savings) to regulate this matter. In February 2017, the Italian Antitrust Authority initiated proceedings against Intesa Sanpaolo for alleged unfair business practices involving, among other things, the methods used to request the above-mentioned authorisation from customers for the charging of the interest to the account imposed by the new regulations introduced in 2016. The Authority completed the proceedings in October 2017, ruling that Intesa Sanpaolo had implemented an "aggressive" policy aimed at acquiring the authorisation, by soliciting customers to provide it through various means of communications and without putting them in a position to consider the consequences of that choice in terms of the interest calculation on the compounded debt interest. As a result, the Authority issued a fine of 2 million euro against Intesa Sanpaolo. Intesa Sanpaolo has submitted an appeal with the Lazio Regional Administrative Court, on the grounds that the ruling was unfounded. By ruling of 2 January 2023, the Regional Administrative Court upheld the fine. The Bank lodged an appealed with the Council of State and the case is pending.

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110 The figures for the remedy sought do not include claims of indeterminate value, i.e. those that do not contain a specific financial claim when the dispute is initiated; the value of these disputes is determined during the course of the proceedings when sufficient information emerges for the valuation.

111 These include disputes arising from the acquisition of certain assets, liabilities and legal relationships of Banca Popolare di Vicenza S.p.A. in compulsory administrative liquidation and Veneto Banca S.p.A. in compulsory administrative liquidation, so-called Excluded Disputes covered by public guarantee ("Indemnification Guarantee").

112 For those cases, the provisions are relatively higher than the remedy sought (which is determined based on the customer's original claim) to take account of the interest and legal fees to be paid to the adverse party and the potential increase of the original claim submitted in the legal proceedings.

Disputes relating to investment services

There were a total of around 750 disputes with likely risk relating to investment services. The total remedy sought amounted to around 305 million euro, with provisions of 140 million euro, and the most significant subgroup was disputes concerning derivatives. As is the case for the other civil disputes, the assessment of the risk related to this type of litigation is carried out individually, taking into account the claims made, the defences submitted, the progress of the proceedings and the case-law guidance, for each dispute. We also note approximately 32 disputes with a remedy sought of 75 million euro initiated by "wiped out" shareholders and subordinated bondholders of the former "Old Banks" of Banca delle Marche, Banca Popolare dell'Etruria e del Lazio and Cassa di Risparmio della Provincia di Chieti, deemed to be of possible risk. Those disputes are backed by the warranties and obligations to indemnify by the Seller (National Resolution Fund) for the benefit of the former UBI Banca, and now Intesa Sanpaolo, and therefore also cover any liabilities arising from the activities carried out by the Banks (the "Old Banks") before they were subject to the resolution procedure, in relation to, *inter alia*, risks of a legal nature or generally related to ongoing or threatened disputes, or violations of the law and any potential liabilities.

Dispute regarding financial derivative instruments

With regard to derivative transactions, the legal risks linked to legal proceedings with local authorities, their subsidiaries and individuals continue to be subject to careful monitoring.

Specifically, disputes are pending with 19 local authorities, with possible or likely risk, for total claims of 60.6 million euro, down on the previous year as a result of favourable rulings in significant disputes, and disputes with 4 Companies controlled by public entities, with total claims of 55.1 million euro. Disputes with individuals, assessed as having possible or likely risk, total 197, and of these, 53 positions also regard requests for refunds of amounts on other accounts held with the Bank. Net of those latter positions, the total value of the claims lodged in the proceedings regarding only derivatives amounts to around 146.7 million euro.

With regard to the contracts entered into with local authorities, in 2023, two new disputes were initiated against the Bank (Municipality of Ancarano and Municipality of Torrebelvicino) with total claims of 1 million euro.

A summary of the most significant disputes with local authorities is provided below:

- Municipality of Venice: the dispute regards a derivative contract governed by the ISDA, with remedy sought of 71 million euro. By ruling filed on 13 December 2023, the Court of Appeal – in a total reversal of the first instance ruling of the High Court of Justice of London, which had held that the Municipality did not have the capacity to enter into speculative derivative contracts involving debt – declared that the derivative contracts were valid, effective and binding on the Local Authority, stating in particular that they:
  - were not speculative in nature (similarly to the previous transaction that the municipality had carried out with Bear Stearns and which Intesa Sanpaolo took over on a *pro rata* basis with Dexia);
  - could not be equated to debt transactions in breach of the limits set in Article 119 of the Constitution.

  As a result, the Local Authority was ordered to pay the outstanding differentials, to reimburse the amount paid for the legal expenses of the Municipality, and to cover the legal defence costs of the banks for both instances of proceedings (around 5.3 million euro for ISP's share).

  Lastly, the Local Authority filed a permission to appeal directly with the Supreme Court (previously rejected by the Court of Appeal), which can only be made regarding matters of public significance, which do not appear to have been raised in this case.

  With regard to the second proceedings involving the Municipality of Venice before the Court of Venice concerning breaches deriving from the mandate and investment services agreements, which were suspended pending the above-mentioned English appeal court ruling, the Court scheduled a new hearing for the admission of any items of evidence.

With regard to the disputes with companies controlled by Public Entities, the following changes occurred during the year:

- in the proceedings brought by EUR S.p.A. concerning ISDA derivatives entered into in connection with a syndicated loan granted by ISP and other intermediaries, on 21 April 2023, the Court of Rome filed its ruling declaring the lack of jurisdiction of the Italian Court in favour of the English Court, with each party paying its own legal fees. The adverse party has appealed against the ruling. Intesa Sanpaolo's risk amounts to 22 million euro;
- in the proceedings brought by Terni Reti Sud S.r.l.[113], concerning a derivative contract entered into in August 2007 by the former Banca delle Marche, a settlement agreement was made that provides for a total payment of 8.9 million euro to be made by the Bank, which will be fully indemnified by the National Resolution Fund managed by the Bank of Italy, which gave its prior approval to the settlement.

Dispute relating to loans in CHF to the Croatian subsidiary Privredna Banka Zagreb Dd

As already noted in the previous financial statements, Potrošač - Croatian Union of the Consumer Protection Association initiated an action against the subsidiary Privredna Banka Zagreb ("PBZ") and seven other Croatian banks. According to the plaintiff, the defendant banks engaged in an unfair practice by allegedly using unfair contractual provisions on variable interest rate, which could be changed unilaterally by the bank, and by denominating the loans granted in Swiss francs (or indexing them to Swiss francs) without allegedly appropriately informing consumers of the risks prior to entering into the respective loan agreements. In September 2019, the Croatian Supreme Court rendered a ruling in the collective action proceedings brought by Potrošač, rejecting the appeals filed by the sued banks against the High Commercial Court ruling from 2018 and confirming the position of courts of lower instance that banks had breached collective interests and rights of consumers by incorporating unfair and null and void provisions on CHF currency clause. In connection with the mentioned proceedings for the protection of the collective interests of consumers, numerous individual proceedings have been brought by customers against PBZ, despite the fact that most of them voluntarily accepted the offer to convert their CHF loans into EUR

[113] Note that this dispute is backed by the warranties and obligations to indemnify by the Seller (National Resolution Fund) for the benefit of UBI Banca in relation to the acquisition of the New Banks deriving from the resolution of Banca delle Marche, Banca Popolare dell'Etruria e del Lazio and Cassa di Risparmio della Provincia di Chieti and therefore also cover any liabilities arising from the activities carried out by the Banks (the "Old Banks") before they were subject to the resolution procedure, in relation to, *inter alia*, risks of a legal nature or generally related to ongoing or threatened disputes, or violations of the law and any potential liabilities.

denominated loans retroactively, in accordance with the Act on the Amendments to the Consumer Credit Act (Croatian Official Gazette 102/2015 – the "Conversion Law"). In March 2020, the Croatian Supreme Court, within model case proceedings (a Supreme Court proceedings with obligatory effect on lower instance courts with the aim of unifying/harmonising case law), ruled that the conversion agreements concluded between banks and borrowers under the Croatian Conversion Law of 2015 produce legal effects and are valid even in the case when the provisions of the underlying loan agreements on variable interest rate and CHF currency clause are null and void. In May 2022, the EU Court of Justice, in proceedings regarding reference for a preliminary ruling involving another intermediary, established that the Court of Justice has jurisdiction over the conversion agreements concluded under the Conversion Law, as they occurred after Croatia joined the European Union, and that the EU Directive on unfair terms in consumer contracts does not apply to those conversion agreements, whose content reproduces provisions of national law.

On 20 December 2022, the Civil Law Department of the Croatian Supreme Court provided an interpretation of the legal effects of the agreements for the conversion of loan agreements from CHF to EUR and on consumers' rights. By virtue of that interpretation, consumers that entered into a conversion agreement pursuant to the aforementioned Conversion Law of 2015 have the right to receive legal interest on excess amounts paid that the Bank calculated on converting the loans, from the date of each single payment up to the date of conversion. Once this judicial interpretation is recorded with the Court Practice Records Department, it will be final and binding for lower instance courts.

The number of new individual lawsuits filed against PBZ in 2023 was higher than in 2022. In the central part of 2023, close to the end of the limitation period for filing compensation claims based on the invalidity of the "currency clause" (June 2023), there was an increase in new lawsuits with respect to the previous trend, which fell off significantly at the end of the year. At the end of 2023, the total pending cases amounted to few thousand.

Dispute with the foreign subsidiary Banca Intesa Beograd (Serbia)

The following areas of the mass disputes that have impacted the entire Serbian banking system are shown below.

1) Processing fees

Legal dispute regarding processing fees applied by banks at the time of disbursing loans. The claimants, individuals and legal persons, are requesting the repayment of those charges, as they are deemed as not owed. The first claims arose in 2017 and a significant increase in lawsuits was recorded in the following years, though for modest amounts on average. At the end of 2023, Banca Intesa Beograd had been summoned in around 15,200 lawsuits deemed as having possible or likely risk (at the end of 2022, these amounted to around 18,600); the related total amounts of principal requested to be repaid by the Bank came to around 0.96 million euro. In September 2021, the Supreme Court of Serbia recognised the legitimacy of the costs and fees applied to loans at the time of their disbursement, provided they are indicated in the contract proposal. In 2023, there was a further significant reduction in the flows of new disputes. Most of the lawsuits closed during the year were either won by the Bank or abandoned by the plaintiffs.

2) NKOSK

Legal dispute relating to real estate loans insured through the National Housing Loan Insurance Corporation (NKOSK), whose premium is paid by the borrowers. The borrowers deem that, as the Bank is the Beneficiary of the insurance, the premium should be paid by the Bank. At the end of 2023, Banca Intesa Beograd had been summoned in 1,155 lawsuits deemed as having possible or likely risk (at the end of 2022, these amounted to around 1,100); the related total amounts of principal requested to be repaid by the Bank came to around 1.1 million euro. In September 2021, the Supreme Court of Serbia recognised the legitimacy of requiring the insurance premium to be paid by the borrowers, provided that the obligation is clearly described to the borrowers during precontractual procedures. Most of the disputes closed during the year were either won by the Bank or abandoned by the plaintiffs.

Ruling of the EU Court of Justice of 11 September 2019 on credit agreements for consumers – so-called Lexitor ruling

This strand of litigation relating to consumer credit concerns the reimbursement of unearned charges following the termination of loan agreements (specifically, application costs and fees paid to intermediaries).

There were also a significant number of disputes ongoing in the period before the CJEU Lexitor ruling concerning contracts (referred to as "old contracts") entered into before the transposition of the Consumer Credit Directive 2008/48/EC by Legislative Decree no. 141 of 2010, which does not make a clear distinction between recurring and up-front charges.

There was a new increase in this strand of litigation following the "Lexitor" ruling of 11 September 2019, in Case C-383/18, in which the Court of Justice of the European Union interpreted Article 16(1) of the Consumer Credit Directive, establishing that, in the event of early repayment of credit, the customer is entitled to a proportional reduction of the total cost of the credit, including not only the recurring costs, but also the up-front costs incurred by the customer.

In Italy, the rule introduced by Directive 2008/48/EC was transposed by Article 125 sexies of the Consolidated Law on Banking.

This rule had always been interpreted, both in the provisions and guidelines issued by the Bank of Italy and by the relevant case law and by the Italian Banking and Financial Ombudsman (ABF), to the effect that contracts had to distinguish between up-front and recurring charges, and when this distinction was clear, only the latter were recognised as reimbursable.

In light of the Lexitor ruling, the Bank of Italy issued a communication on 4 December 2019, which contained "guidance" consistent with the principle established by the EU Court, to the effect that all costs (therefore including up-front costs) should be included in the charges to be reimbursed in the event of early repayment, both for new relationships and for the termination of existing relationships.

Intesa Sanpaolo has decided to follow the Bank of Italy "guidance", even though it believes that the legal arguments set out above regarding the fact that Article 125 sexies of the Consolidated Law on Banking cannot be interpreted in a manner that complies with the Lexitor ruling are well founded. A provision has therefore been made in the Allowance for Risks and Charges corresponding to the estimated higher charges resulting from the decision to follow the Bank of Italy "guidance".

The case law in this regard was still uncertain.

In this context, the Italian legislation was changed, in order to protect the legitimate expectations of intermediaries, by amending Article 125-sexies of the Consolidated Law on Banking. Specifically, for contracts entered into after the conversion of the decree (25 July 2021), it stipulated that the cost reduction criterion laid down in the Lexitor ruling should be applied.

At the same time, the legislation established that, for contracts prior to that date, the regime previously in force would continue to apply, namely that arising from the original wording of Article 125-sexies of the Consolidated Law on Banking, as well as the "Bank of Italy's transparency and supervisory provisions in force at the date the contracts were signed" (Article 11-octies, paragraph 2).
By ruling no. 263 of 22 December 2022, the Constitutional Court examined the question of constitutionality concerning the "Lexitor amendment" raised by the Court of Turin by order issued on 2 November 2021, in a case brought against another intermediary specialised in the salary-backed loans, in a lawsuit for the restitution of up-front costs not reimbursed upon early repayment. Specifically, the Court dismissed the detailed arguments in support of the constitutionality of the legislation set out in the intermediary's brief and, instead, expressly established "the unconstitutionality of Article 11 octies, paragraph 2, of Law Decree no. 73 of 25 May 2021, converted with amendments into Law no. 106 of 23 July 2021, limited to the words 'and the secondary rules contained in the Bank of Italy's transparency and supervisory provisions'".
As a result, following the Constitutional Court's ruling, the Lexitor ruling is again fully applicable to contracts entered into before 25 July 2021.
In light of the ruling of the Constitutional Court, the Bank made an estimate of the potential charge connected with the effects of the partial declaration of unconstitutionality of Article 11 octies, paragraph 2 of Law Decree no. 73 of 25 May 2021, making a specific provision to the allowance for risks and charges.

On 9 February 2023, the European Court of Justice, within proceedings originating from a reference for a preliminary ruling from the Austrian Supreme Court, ruled on the applicability of the Lexitor principle to mortgage lending to consumers. The Austrian Court asked the European Court of Justice whether Directive 2014/17 on mortgage lending to consumers precluded national legislation providing that the right of the consumer to a reduction in the total cost of the credit in the event of early repayment of the credit covers only interest and costs that are dependent on the duration of the agreement. The Court declared that Directive 2014/17 does not preclude such legislation.
According to the Court, that right to reduction does not, therefore, include costs which, irrespective of the duration of the agreement, are payable by the consumer to either the creditor or third parties for services previously rendered in their entirety at the time of early repayment (such as processing and appraisal fees).
The decision rekindled the debate, also in case law, on the Italian Constitutional Court's ruling and on the effective significance of the Lexitor principle for consumer credit, without this having as yet led to a change in case law.

Lastly, in relation to consumer credit, the text of the new Directive (2023/2225/EU) was published in the EU Official Journal on 31 October 2023, with a deadline of 20 November 2025 for the adoption of the transposition legislation by the Member States.

Italian Antitrust Authority proceedings and representative action of the consumer association "Associazione Movimento Consumatori" against Intesa Sanpaolo and Isybank
In November 2023, the Italian Antitrust Authority (AGCM) announced the initiation of proceedings against Intesa Sanpaolo and Isybank aimed at verifying the existence of an unfair commercial practice regarding the transfer of relationships of around 2.4 million "predominantly digital" customers from Intesa Sanpaolo to Isybank as part of a transfer of business lines, with the accompanying unilateral amendment of the transferred contracts. The transfer of the first business line, comprising around 275,000 customers, had already been made on 16 October 2023, while the transfer of the second business line is scheduled for 18 March 2024.
According to the arguments made by the Authority in initiating the proceedings, the communication sent to the customers concerned was inadequate and the manner and timing of its sending was not commensurate with the importance of the matter addressed. Customers were therefore not fully aware of the transfer and often only became aware of it after the date set by Intesa Sanpaolo for them to be able to express their refusal of the transfer. In addition, the transfer entailed major changes in contractual conditions and the access to the services. According to the AGCM, the transfer also led to increased account maintenance costs, at least for some account holders.
In November 2023, the AGCM announced that, on a precautionary basis, it had ordered the suspension of the commercial practice considered unfair, specifically instructing the two banks to provide clear and comprehensive information on the characteristics of the new relationship in Isybank and to provide customers a reasonable period of time to give their express consent to the transfer.
In December 2023, Intesa Sanpaolo and Isybank filed a report setting out the measures envisaged to comply with the precautionary measure, and specifically:
– for customers whose transfer to Isybank had already taken place on 16 October 2023, the possibility of opening a new account with Intesa Sanpaolo on terms at least similar to the original terms, with the option to close the Isybank account;
– for customers whose transfer to Isybank is scheduled to take place on 18 March 2024, exclusion from the transfer unless they give their express consent.

In December 2023, the two banks submitted a proposal of commitments to the AGCM, detailing what they had already outlined in the report of compliance with the precautionary measure, for the purpose of reaching a positive conclusion of the proceedings.
The Authority has indicated that it has taken note of the measures adopted to comply with the precautionary measure and must now decide on whether or not to accept the commitments submitted. If the Authority considers the commitments to be sufficient to rectify the claimed unlawfulness of the commercial practice, it will close the proceedings without a finding of infringement (proceedings that would continue if the commitments were to be rejected).
Also with regard to the above-mentioned operation, the consumer association "Associazione Movimento Consumatori" brought a representative action against Intesa Sanpaolo and Isybank (with a petition served in January 2024) before the Court of Turin for alleged "violations of the collective interests of consumers". The association is asking the court to prohibit the use of the new clauses in the transferred contracts, without the consent of the consumers, and the prohibition of the repetition of the unlawful conduct, as well as the adoption of appropriate measures to eliminate or reduce the effects of the violations if the unlawful conduct is confirmed. The first hearing has been set for March 2024. Several aspects raised in the complaint as being critical or detrimental to the consumers appear to have been addressed by the initiatives the two Banks

are already implementing in compliance with the AGCM's precautionary measure or in response to needs expressed by customers.

Dispute between Intesa Sanpaolo Vita S.p.A. and RB Holding S.p.A. and the Favaretto family
In May 2020, Intesa Sanpaolo Vita S.p.A. finalised an investment in RBM Assicurazioni Salute S.p.A., the leading Italian insurance company in the healthcare class held by RB Holding S.p.A. referring to the family of Roberto Favaretto, an operation that resulted in Intesa Vita S.p.A. currently controlling the insurance company, now named Intesa Sanpaolo RBM Salute S.p.A.
In May 2022, Intesa Sanpaolo Vita sent the minority shareholder RB Holding S.p.A. an indemnity request pursuant to and in accordance with the investment contract, in relation to the emerging situations that gave rise (or could give rise) to liabilities currently quantifiable at over 129 million euro, which substantially involve:

- the increase in the charges for claims concerning the MètaSalute Policy due to the elimination of unfair business practices subject to proceedings launched by the Italian Antitrust Authority (AGCM);
- credit positions (for "premium settlements") posted to balance sheet assets at the time of closing and fully written down following the closing, due to their verified uncollectibility;
- penalties for delays in payments of claims relating to the ASDEP – Healthcare for Employees of Public Entities Policy.

RB Holding S.p.A. rejected all charges and, in the third week of July 2022, along with the Favaretto family, submitted a petition to the Arbitration Chamber of Milan, claiming the invalidity of several clauses in the investment contract and shareholders' agreement of 2020 (including those relating to the put and call options on the minority interest and the non-competition agreement), breaches by Intesa Sanpaolo Vita of contractual commitments (such as the consultation clause relating to the renewal of the MètaSalute contract and the termination of the relationship with the previous Managing Director), the breach by the latter of the rules of good faith and fairness, with a request for compensation for damages totalling 423.5 million euro.
Intesa Sanpaolo Vita S.p.A. filed its defence to the Arbitration Chamber by the assigned deadline of 5 September 2022, fully contesting the adverse party's arguments and also making a counterclaim for the payment of a total amount of 129.4 million euro, for the breach, by RB Hold S.p.A., of the representations and warranties issued and commitments undertaken through the investment contract, as well as the obligation to act in accordance with fairness and good faith, making full reference to the claims set out in the indemnity request of May 2022.
In March 2023, ISP Vita, RB Hold and the Favaretto family reached an agreement, by which, in addition to regulating the immediate transfer by RB Hold of the residual shareholding in Intesa Sanpaolo RBM Salute in favour of ISP Vita, now 100% owner, the parties agreed to amicably resolve, without any admission of the claims mutually advanced, the Arbitration referred to above, agreeing to proceed to formalize the Milan Chamber of Arbitration the waver of the claims respectively introduced. The waivers have been formalised and the arbitration proceedings have been closed.

Italian Antitrust Authority proceedings against Intesa Sanpaolo RBM Salute
In May 2023, the Italian Antitrust Authority (AGCM) initiated proceedings against Intesa Sanpaolo RBM Salute (ISP RBM) for alleged unfair business practices, purported to have been adopted from January 2023, aimed at hindering the exercise of consumers' rights arising from the contractual relationship, leading them to give up financial and welfare benefits provided by the insurance coverage held by them.

In the course of the proceedings, ISP RBM submitted commitments in order to obtain the closure of the proceedings without a finding of infringement. The Authority did not accept these commitments and issued its conclusions on the preliminary findings in a communication dated 15 February 2024. Based on these findings it confirmed the claims made in the decision to initiate proceedings and also considered that the unfair business practice was still ongoing.

ISP RBM will submit its defence brief, which will also highlight the strategic and operational measures it had already taken prior to the commencement of the proceedings – such as the new agreement signed in March 2023 with Previmedical (which provides ISP RBM a series of services related to the management of the relationship with policyholders) that established stricter rules with respect to the previous agreement concerning, among other aspects, the measurement of service levels, their monitoring, and penalties in the event of underperformance – and the further improvements these measures have brought to the services provided to the policyholders.

The conclusion of the proceedings is set for 9 April 2024, by which time the Authority should have made its final decision known. In the event of an unfavourable decision, ISP RBM has the possibility of appealing it at the Lazio Regional Administrative Court.

In November 2020, the AGCM had initiated similar proceedings against ISP RBM for unfair business practices, which concluded in July 2021 with a fine of 5 million euro and a warning to cease the unfair practice. ISP RBM appellead the AGCM's decision before the Lazio Regional Administrative Court, which, in November 2022, after having considered the complaint made regarding the lateness of the Authority's intervention to be valid, upheld the appeal and annulled the penalty measure in full. The AGCM appealed the judgement of the Regional Administrative Court before the Council of State, which suspended the judgement in January 2024, pending the ruling of the Court of Justice of the European Union on a number of preliminary questions relevant to the judgement. Following the Lazio Regional Administrative Court's judgement, the Italian Antitrust Authority issued an order of "no grounds for further action" in the non-compliance proceedings, which it had initiated on the grounds that ISP RBM was not complying with the warning contained in the penalty measure. However, the Authority has reserved the right to defer any decisions until the outcome of the proceedings before the Council of State.

Disputes arising from the acquisition of certain assets, liabilities and legal relationships of Banca Popolare di Vicenza S.p.A. in compulsory administrative liquidation and Veneto Banca S.p.A. in compulsory administrative liquidation
By order no. 35820 of 21 December 2023, issued in a dispute falling within the Excluded Disputes, the Court of Cassation expressly dealt for the first time with the matter of the Bank's liability for the misselling of shares of the Venetian Banks at the former parent companies.
The Court ruled out the Bank's liability in relation to the compensation claim, attributing the complaint to the marketing of shares/breach of regulations on investment services, envisaged as an exemption by Article 3, paragraph 1, letter b) of Law Decree no. 99/2017.
In January 2018, as part of a criminal proceeding before the Court of Rome for the alleged market rigging and obstructing the Supervisory Authorities in the performance of their functions with respect to officers and executives of Veneto Banca, the preliminary hearing judge decided that Intesa Sanpaolo could be charged with civil liability, assuming that the exclusion from the sale to Intesa Sanpaolo of the debts, responsibilities and liabilities deriving from the sale of shares and subordinated bonds – envisaged by Law Decree 99/2017 – would not be objectionable by third parties, while Article 2560 of the Italian Civil Code would be applicable in the case in question and Intesa Sanpaolo should therefore take on those liabilities.
As a result of this decision, more than 3,800 civil plaintiffs holding Veneto Banca shares or subordinated bonds joined the proceedings. Intesa Sanpaolo thus filed an appearance, requesting that it be excluded from the proceedings. In turn, Veneto Banca in compulsory administrative liquidation intervened voluntarily affirming its exclusive, substantial and procedural capacity to be sued.
In March 2018, the preliminary hearing judge declared his lack of territorial jurisdiction, transferring the files to the Public Prosecutor's Office of Treviso. The charge of civil liability and the joinders of the civil parties were therefore removed.
After the case documents were forwarded to the Public Prosecutor's Office of Treviso, the former Managing Director of Veneto Banca, Vincenzo Consoli, was committed to trial for the offences of market-rigging, obstructing banking supervisory authorities and financial reporting irregularities.
The Judge for the Preliminary Hearing rejected the motion to authorise the summons of Intesa Sanpaolo as civilly liable party.
A similar motion was rejected in the criminal proceedings before the Court of Vicenza against management board members and key function holders and executives of Banca Popolare di Vicenza.

Andrea Abbà + 207
This is a dispute pending before the Court of Milan, Business Section, initiated in 2019 by Mr. Abbà and 207 subordinated bondholders of Banca delle Marche[114]. The claimants seek a declaration voiding the bonds and compensation for the damages suffered. The claim was quantified at around 31 million euro.
The Bank filed its appearance, objecting that it lacked the capacity to be sued, arguing in particular that the bonds in question were outside the scope of the sale by the Bridge Entity to the former UBI Banca. The former UBI Banca also argued that the claimant's claims had become time barred and that the adverse parties lacked capacity, since they were not the "first borrowers" and thus by law were not entitled to claim that the original bonds were inherently flawed. Finally, the lack of grounds to void the bonds and of evidence of the causal relationship between the Bank's conduct at issue and the damages was underscored.
As the manager of the National Resolution Fund, the Bank of Italy intervened in the proceedings, upholding the arguments and conclusions formulated by the former UBI Banca.
In the course of the proceedings, settlement agreements were reached with 164 plaintiffs, with withdrawal of the lawsuit by those parties and with each party bearing their own costs. At present, therefore, the value of the dispute has been reduced to 12.09 million euro as a result of the agreements reached. In procedural terms, the proceedings are still at the preliminary enquiry stage.

Città Metropolitana di Roma Capitale (formerly Provincia di Roma)
Criminal proceedings are pending before the Rome Public Prosecutor's Office against a former Banca IMI manager for co-commission of aggravated fraud against the Metropolitan City of Rome Capital (formerly the Province of Rome).
The proceedings relate to the overall transaction for the purchase by the local authority, through the real estate fund Fondo Immobiliare Provincia di Roma (fully owned by the Province of Rome), of the new EUR premises.
The real-estate transaction received financing of 232 million euro from UniCredit, BNL and Banca IMI (each with 1/3).
The former Banca IMI employee is accused of having misled – with three other managers of the two other lending banks, seven managers of the asset management company that manages the provincial fund and two public officials – the fund's internal control bodies and representatives of the Province, allowing the lending banks to obtain an unjust profit and thus causing significant damages to the public authority. In addition, the Public Prosecutor claims that the lending banks and the Fund entered into a loan under different, more burdensome conditions than those provided for in the call for tenders held by the public entity for the transaction.
Intesa Sanpaolo (as the company that absorbed Banca IMI) is investigated in the criminal proceeding pursuant to Legislative Decree 231/01 together with the other two lending banks and the real-estate fund management company.
By order dated 27 June 2022, which became final in December, the Public Prosecutor's Office ordered the dismissal of the proceedings against the Bank, and by order of 30 May 2023, the Preliminary Investigation Judge also ordered the dismissal of the proceedings against the former manager of Banca IMI.

[114] See the previous note.

Disputes regarding tax-collection companies

In the context of the government's decision to re-assume responsibility for tax collection, Intesa Sanpaolo sold to Equitalia S.p.A., now the Italian Revenue Agency - Collections Division, full ownership of Gest Line and ETR/ESATRI, companies that managed tax-collection activities, undertaking to indemnify the buyer against any expenses associated with the collection activity carried out up to the time of purchase of the equity investments.

In particular, such expenses refer to liabilities for disputes with tax authorities, taxpayers and employees and out-of-period expenses and capital losses with respect to the financial situation at the time of the sale.

Overall, claims of around 74.9 million euro were made, later reduced to around 74.6 million euro, which were resolved by amicable settlement in the second quarter of 2023.

Isoldi Holding Bankruptcy

The Isoldi Holding Bankruptcy Receiver sued the former UBI Banca (which absorbed Nuova Banca Etruria and Centrobanca), Intesa Sanpaolo and five other banks in June 2020, before the Court of Bologna, claiming that they were liable, jointly and severally with the management body of Isoldi Holding, for a series of acts of diversion of assets that are claimed to have contributed to the company's artificial survival in the period June 2011 – June 2013, due to conduct claimed to have been implemented by preparing a turnaround plan pursuant to Article 67, para. 3, letter d), of the Bankruptcy Law based on unlawful acts and a connected agreement governing the disbursement of new finance, acts that are argued to have artificially deferred the company's crisis and concealed the irreversibility of its default.

The Isoldi Bankruptcy Receiver also formulated a joint claim against Intesa Sanpaolo (prior to the incorporation of UBI Banca) and MPS, claiming their liability, jointly with the Sole Director of Isoldi Holding, for allegedly unlawful conduct connected with the bail-in of Aedes, in which Isoldi Holding was interested in taking over the majority shareholding.

Intesa Sanpaolo and the former UBI Banca filed regular appearances and the assigned Court, with order dated 1 July 2021, declared that it lacked jurisdiction. The adverse party resumed the proceedings, submitting the same claims before the Court of Turin and the Bank duly filed an appearance. At the hearing in February 2023, set for the admission of evidence, the judge reserved the right to decide on the preliminary objections.

In the meantime, a third company filed an application for a bankruptcy arrangement, which was then endorsed.

Having lifted the reservation, the judge appointed an expert panel to carry out the technical appraisal aimed at identifying both the existence and the amount of the damage claimed, which therefore cannot yet be determined. Having completed the formalities for the start of the appraisal work, the judge postponed the examination of the witnesses to October 2024 and the examination of the technical appraisal report to 16 January 2025.

Società Italiana per le Condotte d'Acqua S.p.A. under Extraordinary Administration

By writ of summons of 23 December 2022, Società Italiana per le Condotte d'Acqua S.p.A. (admitted to the "Marzano" proceedings by way of Italian Ministerial Decree of 6 August 2018) asked the Court of Rome to order compensation for damages in the amount of 389.3 million euro (or a different amount that will arise during the proceedings), in addition to monetary revaluation, legal interest and expenses.

The claim has been filed, jointly, against Intesa Sanpaolo (also as the merging company of Mediocredito Italiano, Banca IMI and UBI Banca, as well as "the purchaser of" Veneto Banca and Banca Popolare di Vicenza), the members of the Management Board and the Supervisory Board of Condotte and numerous other banks and factoring companies.

The claim is based on the alleged conduct engaged in for various reasons by the defendants, considered a source of harm to the company's assets and its creditors. Specifically, the banks and factoring companies are allegedly liable for having unlawfully granted to and/or maintained credit for Condotte, thereby contributing to the continuation of its business at a loss and the worsening of its default.

At the first hearing in September 2023, the proceedings were interrupted due to the death of the defence counsel of one of the defendants.

The new hearing, following the resumption, was set for April 2024.

As things stand, it is not possible to estimate the risk attributable to Intesa Sanpaolo, also taking account of the different conduct claimed against the numerous defendants.

The Company has also promoted against Intesa Sanpaolo three bankruptcy revocatory actions before the Court of Rome, with a request to reimburse amounts of around 16 million euro, two of which were settled through favourable settlement agreements. In relation to the remaining revocatory action still pending, concerning a claim of around 3 million euro, the Bank raised an objection of invalidity due to the vagueness of the adverse claim.

Fondazione Cassa di Risparmio di Pesaro

In 2018, the Fondazione Cassa di Risparmio di Pesaro brought a compensation claim against the former UBI Banca (as the alleged successor-in-interest to the issuer Banca delle Marche S.p.A.[115]) and PwC (the independent auditors that certified the financial statements and the figures presented in the prospectus relating to the 2012 capital increase of Banca delle Marche S.p.A.) alleging that the defendants published data and information regarding the financial performance and the income outlooks of Banca delle Marche S.p.A. that later proved to be totally incorrect and misleading. This information, contained in the financial statements as at 31 December 2010 and 30 June 2011 and included in the above-mentioned prospectus, is claimed to have led the Foundation to subscribe for the Bank's shares issued as part of the capital increase in March 2012. The value of these shares then fell to zero, resulting in a loss quantified by the adverse party at around 52 million euro.

During the trial the Bank of Italy joined the suit, upholding the lack of capacity to be sued invoked by UBI, by virtue of the provisions of Legislative Decree 180/2015 governing the resolution procedure for Banca delle Marche.

The Court of Milan, in a ruling published in May 2023, having ascertained and declared the lack of capacity to be sued of Intesa Sanpaolo, as the company that absorbed UBI, rejected the Foundation's claim and ordered that each party pay its own legal fees.

The Foundation appealed the first instance ruling before the Court of Appeal of Milan and the first hearing has been set for October 2024.

[115] See the previous note.

Fondazione Cassa di Risparmio di Jesi

In January 2016, Fondazione Cassa di Risparmio di Jesi brought a compensation claim against UBI Banca (as the alleged successor-in-interest to the issuer Banca delle Marche S.p.A.[116]) and PwC (the independent auditors that certified the financial statements and the figures presented in the prospectus relating to the 2012 capital increase of Banca delle Marche S.p.A.) alleging that the defendants published data and information regarding the financial performance and the income outlooks of Banca delle Marche S.p.A. that later proved to be totally incorrect and misleading. This information, contained in the financial statements as at 31 December 2010 and 30 June 2011 and included in the above-mentioned prospectus, is claimed to have led the Foundation to subscribe for the Bank's shares issued as part of the capital increase in March 2012. The value of these shares then fell to zero, resulting in a loss quantified at around 25 million euro by the adverse party.
During the trial the Bank of Italy joined the suit, upholding the lack of capacity to be sued invoked by the former UBI Banca, by virtue of the provisions of Legislative Decree 180/2015 governing the resolution procedure for Banca delle Marche.
By judgment rendered on 18 March 2020, the Court of Ancona granted the objection of lack of capacity to be sued raised by the Bank, rejecting the Foundation's claims lodged. In the appeal brought by the Foundation, the Court of Appeal of Ancona, by judgment filed on 17 July 2023, rejected the appeal and upheld the first instance judgment, ordering the appellant to pay the costs of the proceedings to Intesa Sanpaolo, as the absorbing company of UBI Banca. The Foundation challenged the second instance ruling before the Court of Cassation with an appeal submitted in February 2024.

Auditors Italiana S.r.l. in compulsory administrative liquidation

In October 2023, the fiduciary and audit company Auditors Italiana Srl in compulsory administrative liquidation brought an action for damages against Intesa Sanpaolo (as the absorbing company of UBI Banca, which had previously acquired Nuova Banca dell'Etruria e del Lazio[117]) for alleged damages of over 32 million euro. According to the reconstruction by the plaintiff, those damages arose from wrongdoings committed by the former Banca Popolare dell'Etruria e del Lazio in relation to a current account in its name, which facilitated the diversion of sums to the detriment of the trustees and of the company, leading to its financial distress and consequent compulsory administrative liquidation.
The Bank filed an appearance in the proceedings, preliminarily asserting (i) its lack of capacity to be sued and (ii) the expiry of the limitation period, in addition to submitting a series of defence arguments on the merits. The first hearing has been set for March 2024.

Mariella Burani Fashion Group S.p.A. in liquidation and bankruptcy

In January 2018, the receiver to Mariella Burani Fashion Group S.p.A. sued its former directors and statutory auditors, its independent auditors and the former UBI Banca (as the company that absorbed Centrobanca), seeking a judgment ordering compensation for alleged damages suffered due to the many acts of mismanagement of the company while in good standing.
According to the claimant's arguments, Centrobanca, which was merged into the former UBI Banca, provided financial support to the parent company of the bankrupt company (Mariella Burani Holding S.p.A.) in 2008, in an operation on its subsidiary, despite the signs of insolvency that the latter began to show in September 2007, causing damages quantified at approximately 92 million euro.
On a preliminary level, the Bank argued that the receiver lacked capacity to sue since the disputed loan had been disbursed to the parent company of Mariella Burani Fashion Group S.p.A.; moreover, the alleged damages for which the receiver claims compensation were argued to have been in fact sustained by the company's creditors (and not by the procedure).
With regard to the merit of the claims, the Bank stressed that it had acted properly and the borrower in good standing was solely liable since it bore exclusive responsibility for preparing the untrue financial statements, circulating the misinformation and continuing to operate the company in an alleged situation of insolvency.
During the second quarter of 2023, the Bank settled the dispute by means of disbursement covered by a previous provision and the subsequent waiver of the claims by the receiver.

SIM Bankruptcy

By writ of summons served in October 2022, the receiver to SIM S.p.A. summoned Intesa Sanpaolo (along with another 7 banks) before the Court of Catania, with the first hearing scheduled for 31 March 2023.
This is a compensation claim brought for damages allegedly suffered by the company and its creditors due to conduct by the banks defined by the adverse party as "unlawful", which allegedly resulted in the unlawful granting of credit.
The claim for damages has been quantified at around 47 million euro, requesting that the defendant banks be jointly ruled against.
The Bank argued in Court lack of legal standing of the receiver and expiry of the limitation period, among other things, in addition to contesting the factual and legal grounds of the adverse party's claims, with a series of defence arguments on the merits. The President of the Court did not consider that the conditions had been met for the joinder of the action with another action brought by the receiver pursuant to Article 146 of the Bankruptcy Law against the directors of the bankrupt company SIM S.p.A.
The Judge therefore ordered the continuation of the proceedings.

[116] See the previous note.

[117] See the previous note.

Offering of diamonds

In October 2015, the Bank signed a partnership agreement with Diamond Private Investment (DPI) governing how diamond offerings were made by DPI to the customers of Intesa Sanpaolo. The aim of this initiative was to provide customers with a diversification solution with the characteristics of a "safe haven asset" in which to allocate a marginal part of their assets over the long-term. Diamonds had already been sold for several years by other leading national banking networks.

This recommendation activity was carried out primarily in 2016, with a significant decline starting from the end of that year.

A total of around 8,000 customers purchased diamonds, for a total amount of over 130 million euro. The marketing process was based on criteria of transparency, with safeguards progressively enhanced over time, including quality controls on the diamonds and the fairness of the prices applied by DPI.

In February 2017, the Italian Antitrust Authority (AGCM) initiated proceedings against companies that marketed diamonds, (DPI and other companies), for alleged conduct in breach of the provisions on unfair business practices.

In April, those proceedings were extended to the banks that carried out the recommendation of the services of those companies.

At the end of those proceedings, on 30 October 2017, the AGCM notified the penalties imposed for the alleged breach of the Consumer Code through the conduct of DPI and of the banks which the proceedings had been extended to, consisting - in short - of having provided partial, deceptive and misleading information on the characteristics of the diamond purchases, the methods used to calculate the price - presented as being the market price - and the performance of the market. The Authority issued a fine of 3 million euro against Intesa Sanpaolo, reduced from the initial fine of 3.5 million euro, after the Authority had recognised the value of the measures taken by the Bank from 2016 to strengthen the safeguards on the offering process aimed, in particular, at ensuring proper information to customers.

Following the order by the AGCM, the Bank paid the amount of the fine and filed an appeal against the order with the Lazio Regional Administrative Court, which rejected the appeal on November 2022, upholding the fine. The Bank filed an appeal with the Council of State and the case is still pending.

From November 2017, the Bank:

- terminated the partnership agreement with Diamond Private Investment (DPI) and ceased the activity, which had already been suspended in October 2017;
- started a process that provides for the payment to customers of the original cost incurred for the purchase of the diamonds and the withdrawal of the stones, in order to satisfy the customers' resale needs which, due to the illiquidity that had arisen in the market, are not met by DPI;
- sent a communication in January 2018 to the diamond-holding customers reiterating the nature of the stones as durable goods, and also confirming the Bank's willingness to intervene directly in relation to any realisation needs expressed by the customers and not met by DPI.

In 2023, 36 requests were received for around 0.5 million euro. At the end of the year, a total of 6,890 repurchase requests had been received from customers and met by the Bank, for a total value of 116.9 million euro.

In February 2019, an order for preventive criminal seizure of 11.1 million euro was served, corresponding to the fee and commission income paid by DPI to the Bank.

The preliminary investigations initiated by the Public Prosecutor's Office of Milan also concern four other banks (more involved) and two companies that sell diamonds.

In October 2019, the notice of conclusion of the investigation was served, which stated that two of the Bank's operators were currently under investigation for alleged aggravated fraud (in collusion with other parties to be identified) and other persons are being identified for allegations of self-laundering, while ISP is being charged with the administrative offence pursuant to Italian Legislative Decree 231/2001 in relation to this latter predicate offence.

In reaction to the latter claims, in July 2021, the hearing was held, in which the Preliminary Investigation Judge accepted the plea bargain request – which Intesa Sanpaolo had submitted solely to bring to an end the lengthy legal proceedings and which had been supported by the Public Prosecutor's Office – issuing a ruling which ordered only a financial penalty of 100,000 euro, and the confiscation of only the sums constituting the profit from the offence of self-laundering, calculated at 61,000 euro.

Following the partial transfer of the proceedings to the Court of Rome, for reasons of territorial jurisdiction, in August 2022 the revocation of the preventive seizure ordered in February 2019 regarding the profit from the alleged crime of fraud was served, with full restitution to the Bank of the amount of 11.1 million euro.

In January 2023 the filing was confirmed of the request to dismiss the case against the two relationship managers under investigation, on the grounds of "the act not constituting an offence". The request for dismissal was also made in respect of two other employees, on the grounds of "not having committed the act", as no evidence against them had emerged during the investigation. The Preliminary Investigation Judge will now need to rule on the requests for dismissal.

Private banker (Sanpaolo Invest SIM, incorporated into its parent company Fideuram - Intesa Sanpaolo Private Banking)

An inspection conducted by the Audit function identified serious irregularities by a private banker of the former Sanpaolo Invest SIM. The checks carried out revealed serious irregularities affecting several customers, including misappropriation of funds and reports with false incremental amounts.

On 28 June 2019, the Company terminated the agency agreement with the private banker and reported the findings to the Public Prosecutor's Office of Parma and the Supervisory Authority for financial advisors, which first suspended and then removed the private banker from the Register of Financial Advisors in December 2019.

Following the unlawful actions, the company received a total of 279 compensation claims (including complaints, mediation proceedings and lawsuits), for a total amount of approximately 62.9 million euro, mostly based on alleged embezzlement, losses due to disavowed transactions in financial instruments, false account statements and the debiting of fees relating to advisory service.

There are currently 14 pending compensatory claims, with a present value of approximately 7 million euro, following the resolution of 265 positions.

The total amount of 8.6 million euro was recovered from the improperly credited customers (and already returned to the customers harmed) and there are currently attachment orders, on those customers, for around 1 million euro.

Within the criminal proceedings against the former private banker for fraud, embezzlement and theft aggravated by fraudulent means and misuse of professional position, at the preliminary hearing in November 2023, Fideuram joined the action as a civil plaintiff together with other aggrieved customers, who requested that Fideuram be summoned as a civilly liable party.
A precautionary attachment was ordered against the private banker for an amount equal to the balance found in the accounts and deposits held with credit institutions and the social-security position with Enasarco. In the ensuing case on the merits, the former private banker filed a counterclaim in the total amount of 0.6 million euro by way of non-payment of indemnity for termination of the relationship.
Another lawsuit was also brought against former private banker to recover the claims arising from withdrawal from the agency contract, in the total amount of 1.6 million euro, in addition to interest by way of indemnity in lieu of notice, penalty relating to a loan agreement and reimbursement of advances of bonuses.
Adequate provisions have been set aside for the risks associated with the unlawful conduct discussed above, mainly for the damages verified relating to compensation claims and pending lawsuits.
The above provisions do not consider the coverage envisaged by the specific insurance policy in force, under which the insurance company has already paid an initial advance of 744 thousand euro.

Litigation against Fideuram concerning investment transactions
In October 2022, Fideuram - Intesa Sanpaolo Private Banking S.P.A. was summoned before the Court of Naples with a request for: (i) a declaration of the alleged invalidity of the current account and investment services master agreement entered into by the plaintiff with Fideuram, the consequent invalidity of all the investment transactions carried out and the alleged contractual and non-contractual liability of the Bank, and, as a result, (ii) an order for the Bank to pay compensation for the alleged damages suffered totalling around 29 million euro.
The Bank duly filed an appearance, contesting the factual and legal validity and admissibility of the claims made and confirming the correctness and compliance of its actions with the applicable regulations, also in terms of profiling and customer information.
The first appearance hearing was postponed to April 2024.

Unicredit against Fideuram on the transfer of private bankers
In July 2023, Unicredit S.p.A. initiated legal proceedings against Fideuram - Intesa Sanpaolo Private Banking S.p.A. at the Court of Turin, seeking compensation for alleged damage of approximately 23 million euro, plus interest and revaluation. This claim is based on alleged acts of unfair competition by Fideuram, related to the resignation of several private bankers from Unicredit during the period 2022-2023, who were subsequently employed by Fideuram, as well as alleged unlawful acts committed by those private bankers in the course of their transition to the defendant, for which Fideuram is allegedly also liable.
Fideuram filed an appearance, fully contesting the adverse party claims and requesting the dismissal of the petitions on the grounds that they were baseless in both fact and law, also pointing out that the situations cited in the proceedings were common in the industry, which is characterised by strong competition and mobility of financial advisors, and that Fideuram itself was not immune to this phenomenon.
With regard to the compensation claim, it was fully contested both in terms of its basis and its quantification because it had been calculated using inappropriate methods based on a distorted representation of the profitability of the assets managed by the parties in dispute.
Following the first appearance hearing in January 2024, the case was adjourned to April 2024 for the preliminary investigations.

Reyl & Cie (Switzerland) – Proceedings pursuant to Legislative Decree 231/2001 of the Public Prosecutor's Office of the Court of Milan
The Public Prosecutor's Office of Milan initiated criminal proceedings pursuant to Legislative Decree 231/2001 against Reyl & Cie (a Swiss subsidiary of Fideuram – Intesa Sanpaolo Private Banking) for the predicate offence of money laundering, allegedly committed by one of its former employees (dismissed in 2020), and ordered the seizure of securities owned by Reyl for around 1.1 million euro. The proceedings also involve the Swiss bank Cramer & Cie. Neither Fideuram ISPPB nor ISP are currently involved in the proceedings. The circumstances alleged relate to events that took place in 2018, before Reyl & Cie joined the Intesa Sanpaolo Group in May 2021. According to the prosecution, the former employee, together with his brother, an employee of the bank Cramer & Cie, and an external advisor, allegedly engaged in practices aimed at facilitating tax evasion by Italian customers through the transfer of accounts from Switzerland to branches located in the Bahamas, in order to allow those customers to withdraw money from those accounts without the possibility of being traced by the Italian authorities. Within the criminal proceedings pursuant to Legislative Decree 231/01, pending in Italy, the notification of the conclusion of the preliminary investigations was issued at the end of June 2023, thereby granting access to the full content of the investigative files. The examination of this notice and the documentation obtained did reveal any new findings or challenges beyond those identified during the attachment order and it confirmed the information that, unlike for Banca Cramer & Cie, the Milan Public Prosecutor's Office had not submitted a request for a ban against Reyl & Cie conducting operations in Italy.
Although it is possible for Reyl to submit an application to revoke or reduce the attachment order, also considering that it was the Swiss company that reported the suspicious transactions to the Authorities, the Milan Public Prosecutor's Office has rejected a similar petition made by Banca Cramer.
Any consequential damages (for possible fines and/or confiscations) could be covered by the various warranties provided by the seller, for which a reserve claim was made within the terms of the Reyl acquisition agreement.

Lawsuit against two Hungarian subsidiaries of Intesa Sanpaolo

The lawsuit is connected with a lease agreement terminated by one of the subsidiaries in 2010. During 2011, the tenant initiated proceedings in civil court, and during 2021, it supplemented its initial claim, formulating new claims and, as a result, increasing the total of the claims to around 31 million euro.

In July 2022, the Court rejected all the plaintiff company's claims, finding that it lacked standing. The plaintiff filed an appeal against that decision.

In December 2022, the Court of Appeal partially upheld the adverse party's appeal, ordering one of the two defendant companies to pay around 9.5 million euro. The subsidiary filed an appeal with the Supreme Court, which first suspended the execution of the contested judgment and then annulled it, upholding the first instance Court's ruling. Subsequently, the plaintiff instituted proceedings before the Constitutional Court, claiming that the Supreme Court's decision violated the principles of the Fundamental Charter, and initiated review proceedings before the first instance Court. The two proceedings are currently under review for admissibility.

Intesa Sanpaolo's subsidiaries took action in 2012 for the recognition of their receivables claimed against the tenant resulting from unpaid lease rentals. These proceedings are currently pending.

IMI/SIR

With regard to the IMI/SIR dispute, you are reminded that following the final judgment in 2006 establishing the criminal liability of the corrupt judge Metta (and his accomplices Rovelli, Acampora, Pacifico, and Previti), the defendants were ordered to pay compensation for damages, with the determination of those damages referred to the civil courts. Intesa Sanpaolo then brought a case before the Court of Rome to obtain an order of compensation for damages from those responsible.

In its ruling of May 2015, the Court of Rome quantified the financial and non-financial damages for Intesa Sanpaolo and ordered Acampora and Metta – the latter also jointly liable with the Prime Minister's Office (pursuant to Law no. 117/1988 on the accountability of the judiciary) – to pay Intesa Sanpaolo 173 million euro net of tax, plus legal interest accruing from 1 February 2015 to the date of final payment, plus legal expenses. The amount ordered took account of the amounts received in the meantime by the Bank as part of the settlements with the Rovelli family and with the adverse parties Previti and Pacifico.

In July 2016, the Rome Court of Appeal stayed the enforcement of the judgment of first instance with respect to the amount in excess of 130 million euro, in addition to ancillary charges and expenses. As a result of this decision, in December 2016 the Office of the President of the Council of Ministers credited Intesa Sanpaolo with the sum of 131,173,551.58 euro (corresponding to the 130 million euro of the order, in addition to legal interest and reimbursement of expenses). To avoid dispute, only the exact amount of the order, without applying the gross-up, was demanded and collected. On 16 April 2020, the ruling of the Rome Court of Appeal was filed, which essentially upheld the Court's ruling, while reducing the sum of non-financial damages to 8 million euro (compared to 77 million euro that had been awarded by the court of first instance), and set the amount to be paid at 108 million euro (instead of 173 million euro), to be considered net of tax, plus legal interest and expenses.

In the second quarter of 2020, the Bank filed a petition for the correction of a material error contained in the finding regarding the calculation of the damages liquidated; the Court of Appeal rejected the petition by ruling filed on 7 December 2020, holding that the error claimed by the Bank could be remedied by means of an appeal before the Court of Cassation. In May 2021, the Bank filed an appeal with the Court of Cassation against the Rome Court of Appeal's ruling of 16 April 2020 on the following main grounds:

- the reduction to 8 million euro of the non-financial damages made by the Court of Appeal, compared to the 77 million euro recognised in the first instance ruling was arbitrary and devoid of any sound legal or logical reasoning;
- even accepting the reduction under point a), the Court made a miscalculation when redetermining the amount of total damages. That aspect was already the subject of an application for material correction filed in 2020, rejected by the Court as it was deemed to be an issue that could be remedied through appeal.

By ruling no. 5682/2023, the Court of Cassation partially upheld the grounds of appeal filed by Acampora and the Prime Minister's Office, overturning the second instance ruling, in relation to the claims upheld, and referring the case back to the Rome Court of Appeal for the application of the principles of law set forth in the ruling. The outcome differs both from the rulings made at the previous instances and from the conclusions, consistent with them, filed last December by the General Prosecutor at the Court of Cassation.

The Court applied a rule of pre-emption according to which the action for revocation, aimed at obtaining the return of the sums unduly paid, should precede the exercise of the action for damages, in clear conflict with the principles set out in the criminal proceedings in 2006 according to which the independence and dissimilarity of the two actions (the action for damages and the action for extraordinary revocation) "rule out any interference between them and place each in its own sector, with the only limitation of not allowing the duplication of coinciding outcomes in terms of compensation and, therefore, undue enrichment".

In addition, it introduced a further and unprecedented rule of a procedural nature according to which, without prejudice to the right to obtain lost earnings and non-pecuniary damage, in order to claim compensation from the perpetrators of the offence (i.e. Acampora, Metta and the Government) for the damage arising, the injured party, Intesa Sanpaolo, must prove that it had unsuccessfully enforced its claim against the party benefiting from the corrupt ruling.

On 19 May 2023, the Bank notified the other parties involved (Metta, the Prime Minister's Office and Acampora) of the appeal, requesting:

i. as the main claim, on the merits, the award, in addition to the other damages, of the damage arising, subject to correction of the miscalculation made at the time by the Rome Court of Appeal, in consideration of the fact that the "prejudicial conditions" set out by the Court of Cassation had been met because the Bank had pursued the recovery, both in and out of court, of the sums paid to the beneficiary as a result of the revoked ruling. In the event that the main claim is not upheld, the Bank requested at least the award of the lost earnings and non-pecuniary damage;

ii. subordinately to the merits, a reference for a preliminary ruling to the Court of Justice of the European Union (CJEU) pursuant to Article 267 of the Treaty on the Functioning of the European Union (TFEU) for breach of the Treaty on European Union (TEU), highlighting the arbitrary limitation of the right to compensation provided for by the Special Law on damages

caused by judges in the performance of their duties (Law 117/88) resulting from the application of the principles set out by the Court of Cassation in its recent ruling.
The Prime Minister's Office and Giovanni Acampora filed an appearance in the review proceedings, responding to the arguments submitted by the Bank. Following the first hearing, which took place in writing on 31 October, the Court declared Vittorio Metta *in absentia* and adjourned the case for closing arguments to 1 October 2024, without ruling on the petitions from the parties.
After passing an initial summary examination to ensure that it was not clearly inadmissible, the appeal to the European Court of Human Rights (ECHR) was declared inadmissible with a very short statement of reasons that did not consider the points made in the defences. Considering that the ECHR, among its reasons for rejecting the appeal, also mentioned the lack of immediate enforceability of the claim because of the pending compensation proceedings before the Court of Appeal, the appeal could be submitted again after the entire national legal process has concluded.

The Bank has also brought proceedings before the Tax Court to obtain the credit claim of 33.2 million euro, at the time paid as withholding tax for overdue interest on the compensation for damages under the 1994 ruling paid to Ms Battistella, as Nino Rovelli's heir. The Italian Revenue Agency filed an appearance on 20 December 2023, arguing that the request for reimbursement was unfounded. In short, the adverse argument is that since the Bank had entered into a settlement agreement with Ms Battistella, it would not have obtained the repayment of the interest on which the deductions were applied, and therefore the condition for undue payment would not have been fulfilled. The Bank will prepare a defence brief countering the Agency's arguments ahead of the hearing of the case, which has not yet been set by the courts of first instance.

Labour litigation
In line with the situation as at 31 December 2022, as at 31 December 2023 there were no significant cases of labour litigation from either a qualitative or quantitative standpoint. In general, all labour litigation is covered by specific provisions adequate to meet any outlays.

GOVERNANCE OF TAX RISK

Introduction
Good tax governance requires the proper management of tax risk and the related company processes. Accordingly, it is not enough just to have company compliance processes in place, but a tax strategy is required that clearly guides the company towards tax risk mitigation objectives, with a focus on sustainability. Indeed, Intesa Sanpaolo's tax risk management and mitigation takes into account not only the letter of the tax laws (which must be complied with through processes), but also their spirit (which must guide the strategy). Moreover, the Group's good tax governance does not just involve securing against the risks of tax evasion (letter – compliance), but also against the risks of abuse of rights and aggressive tax planning (spirit – strategy).
More information on how Intesa Sanpaolo controls tax matters, both in terms of strategy and processes, is provided in the "Principles of conduct in fiscal matters", published on the Intesa Sanpaolo Group's website and in the Non-Financial Statement, which can also be found on the website.

Intesa Sanpaolo Group - The Tax Control Framework
In compliance with the *Code of Ethics*, the Group is committed to upholding principles based on values of honesty and integrity in the management of tax matters, to complying with the tax rules applicable in the countries where it operates, and to maintaining a collaborative and transparent relationship with the tax authorities, also by subscribing to cooperative compliance schemes (in Italy, Intesa Sanpaolo and the main Italian entities have been admitted by the Italian Revenue Agency to the Cooperative Compliance scheme, under which it is possible to carry out joint assessments of situations likely to generate tax risks through ongoing and proactive discussions aimed at resolving potential disputes in advance).

Intesa Sanpaolo recognises the importance of contributing to the communities of the jurisdictions where it operates by paying the right amount of tax and, to this end, it closely monitors the developments in both domestic and international tax legislation aimed at combating tax base erosion and profit shifting, with a constant commitment to upholding the related principles.
The Intesa Sanpaolo Group has an internal control system for tax risk, referred to as the Tax Control Framework (TCF), designed to manage the strategic nature of tax risk and to meet the requirements for access to the above-mentioned Cooperative Compliance scheme. This is accompanied by an Organisational, Management and Control Model, for the purposes of liability of institutions for tax offences, as prescribed by Legislative Decree no. 231 of 2001, in order to safeguard against the risk of tax fraud.
In keeping with its low propensity to tax risk, the Group aims to use the Tax Control Framework to ensure the level of risk appetite declared in the above-mentioned "Principles of conduct in fiscal matters", adopting controls designed to ensure ongoing compliance with the tax and fiscal rules of the countries where it operates and to safeguard the financial and reputational integrity of all the Group Companies.
Intesa Sanpaolo has also drawn up the *Guidelines for the management of tax risk* under the Cooperative Compliance scheme with the Italian Revenue Agency, which set out the criteria and processes that Intesa Sanpaolo must adopt to ensure the adequacy and effectiveness of its Tax Control Framework, in addition to identifying the appropriate monitoring processes and consequent reporting to the Board of Directors, as well as the related Rules. The Tax Control Framework also involves the Business Functions and Head Office Departments that carry out operations with potential tax impacts, providing for the prior involvement of the Tax Function to enable a proper assessment of the tax effects and risks resulting from the implementation of those operations.

In addition, the Group prepares and publishes an annual *Consolidated Non-Financial Statement (CNFS)*, which includes a description of the Group's approach to taxation, tax governance, tax risk control and management, and tax reporting divided across Italy, Europe and the rest of the world.
In compliance with the applicable regulations and, more specifically, in accordance with Article 89 of Directive 2013/36/EU of the European Parliament and of the Council (CRD IV), the Group also publishes a "*Country by Country" disclosure* on its website, which, in accordance with the rules established by the Bank of Italy, provides the following information for each country where the Group operates: net interest and other banking income, number of employees, profit or loss before tax, and taxes for the year.

TAX LITIGATION

At Group level, the total value of the claims for tax disputes (taxes, penalties and interest) was 155 million euro at the end of 2023, down sharply on 219 million euro as at 31 December 2022.
The Group's tax litigation risks are covered by adequate provisions to the allowances for risks and charges (51 million euro in 2023 compared to 70 million in 2022).
The Parent Company had 459 pending litigation proceedings (473 as at 31 December 2022) for a total amount claimed (taxes, penalties and interest) of 108 million euro (126 million euro as at 31 December 2022), considering both administrative and judicial proceedings at various instances.
In relation to these proceedings, the actual risks were quantified at 41 million euro as at 31 December 2023 (57 million euro as at 31 December 2022).
Compared to 31 December 2022, for the Parent Company, the main events that gave rise to significant movements consisted of:

- an increase (about 12 million euro) from: i) 4.8 million euro in respect of a long-standing claim by the Portuguese tax authorities on the discontinued Sanpaolo IMI Bank International S.A. (based in Madeira), which was charged with having failed to apply withholding taxes in 2002, 2003 and 2004 on interest paid to foreign bondholders. The increased risk was determined to take into account the most recent certificate of pending tax charges issued by the Portuguese tax authorities, which for the first time sets out the criteria for calculating interest on the principal tax claim; ii) 3.6 million euro for new municipal property tax (IMU) claims on properties from both terminated and current lease contracts, including disputes relating to the absorbed Intesa Sanpaolo Provis; iii) 2.2 million euro for new disputes relating to registration tax on judicial documents; iv) 0.8 million euro for a new dispute relating to the recovery of interest on VAT for the years 2008 and 2009 of the former Medioleasing (merged in 2016 into Nuova Banca delle Marche, with the latter merged in 2017 into UBI Banca) reimbursed in December 2020; v) 0.2 million euro for a dispute relating to the recovery of interest on VAT for the third quarter of 2009 reimbursed in April 2021; vi) 0.2 million euro for interest accrued on the outstanding dispute; and vii) 0.2 million euro for other minor disputes;
- a decrease (around 30.4 million euro), made up of: i) 8.0 million euro in respect of the favourable final judgment of the Court of Cassation in July 2023 on the dispute concerning registration tax on the demerger of a business line from Intesa Sanpaolo to State Street Bank, as the Court deemed that the transaction should not have been reclassified as a transfer of a going concern; ii) 2.0 million euro for a payment notice for penalty and related collection costs for late payment of tax, following an unfavourable ruling by the Court of Cassation in connection with the dispute concerning the registration tax for the demerger of a business line from Intesa Sanpaolo to State Street Bank; iii) 4.1 million euro for the closure of disputes on municipal property tax (IMU) on properties from both terminated and current lease contracts; iv) 8.0 million euro for the closure of various disputes settled by means of "tax truce" finalised on 30 September 2023; v) 3.9 million euro for a further dispute whose settlement was finalised on 2 October 2023; vi) 0.4 million euro for the settlement of tax positions of Intesa Sanpaolo and the subsidiaries Carifriuli, Banca IMI and Banca Fideuram with regard to Corporate Income Tax (IRES) assessments for 2004; vii) 1.1 million euro for the settlement of disputes concerning registration tax mainly relating to registration for judicial documents (0.6 million euro), as well as registration for adjustment of the value of leased property purchase (0.3 million euro); viii) 0.5 million for the settlement of two disputes concerning regional motor vehicle tax; ix) 0.2 million for the settlement of a dispute of the former Banca Carime following the final decision of the Court of Cassation concerning the year 2005; x) 1.8 million euro for the settlement of a dispute resulting from a tax audit report regarding VAT on boat lease transactions following the notice of assessment; and xi) 0.4 million euro for the settlement of various cases involving small amounts.

Again with respect to 31 December 2022, for the Parent Company, the main changes in provisions (-15.4 million euro), including legal expenses, related to:

- an increase (10.3 million euro) attributable to: i) 4.8 million euro in respect of a long-standing claim by the Portuguese tax authorities on the discontinued Sanpaolo IMI Bank International S.A. (based in Madeira), which was charged with having failed to apply withholding taxes in 2002, 2003 and 2004 on interest paid to foreign bondholders. The increase in the provision was necessary to take into account the most recent certificate of pending tax charges issued by the Portuguese tax authorities, which for the first time sets out the criteria for calculating interest on the principal tax claim; ii) 3.9 million euro for disputes concerning municipal property tax (IMU) on properties from both terminated and current lease contracts, including disputes relating to the absorbed Intesa Sanpaolo Provis (of which 3 million euro with no impact on the income statement as it relates to the provision for tax litigation risks allocated following the merger); iii) 1 million euro for the above-mentioned new disputes relating to the recovery of interest on VAT for the former Medioleasing respectively for the years 2008 and 2009 (0.8 million euro) and the former UBI Banca for the third quarter of 2009 (0.2 million euro); and iv) 0.6 million euro for accrued interest on outstanding disputes and legal expenses.
- a decrease (25.7 million euro) attributable to:
  - utilisation (4.6 million euro) of: i) 1.9 million euro for penalty and related collection costs, following the above-mentioned unfavourable ruling by the Court of Cassation in connection with the dispute concerning the registration tax for the demerger of a business line from Intesa Sanpaolo to State Street Bank; ii) 2.1 million euro as the total cost of the settlement of disputes by means of "tax truce"; iii) 0.3 million euro for payment of advisory fees; iv) 0.3 million euro for the settlement of the tax positions of Intesa Sanpaolo and the subsidiaries Carifriuli, Banca IMI and

Banca Fideuram with regard to IRES tax assessments for the year 2004;
- releases to the income statement (21.1 million euro) of: (i) 8.0 million euro with regard to the favourable and final ruling of the Court of Cassation in July 2023 in relation to the dispute concerning registration tax on the demerger of a business line from Intesa Sanpaolo to State Street Bank whose reclassification as a transfer of a going concern was considered incorrect by the Court; ii) 6.3 million euro for the settlement of various disputes concerning state and local taxes by means of "tax truce"; iii) 2.9 million euro for the settlement of disputes concerning municipal property tax (IMU) on property from both terminated and current leases, including 0.4 million euro for the release of the allowance for risks of the former Provis; iv) 1.6 million euro as the release of the provision for a dispute concerning registration tax on the demerger of a business line from Intesa Sanpaolo to Credit Agricole Italia following the consolidation of favourable case law regarding the inability to classify this transaction as a transfer of a going concern and subsequent sale of equity investments as a direct sale of a going concern; v) 1.8 million euro for the settlement of a dispute resulting from a tax audit report regarding VAT on boat lease transactions following the notice of assessment; vi) 0.1 million euro related to the settlement of a VAT dispute concerning leased medical equipment; vii) 0.3 million euro for the settlement of various disputes involving small amounts and release of fees no longer due; and viii) 0.1 million euro for the settlement of disputes concerning registration tax.

In 2023, a total of 161 disputes were settled for a total amount claimed of 29.6 million, with a disbursement of 6.7 million euro.
The Parent Company took advantage of the "tax truce/amnesty" provided for in the 2023 Budget Law (Law no. 197/2022) settling disputes for 13.2 million euro, at a "cost" of 2.7 million euro, with 5.8 million euro released to the income statement.
With regard to the Italian subsidiaries, tax disputes totalled 39 million euro as at 31 December 2023 (85 million euro as at 31 December 2022), covered by specific provisions amounting to 5 million euro (9 million euro as at 31 December 2022).
The decrease in provisions with respect to 31 December 2022, amounting to 46 million euro, mainly consisted of:
- +1.3 million euro for new disputes for Siref and Fige (automated checks on 770 form withholding taxes for the years 2015 to 2018);
- +3.3 million euro for the Cargeas disputes in respect of the contested penalties, which were previously considered at a reduced rate;
- +1 million euro for the dispute for the year 2012 of Intesa Sanpaolo Private Banking for higher interest;
- -47.4 million euro relating to disputes of Intesa Sanpaolo Private Banking for IRES and Regional Business Tax (IRAP) for the years 2011, 2013, 2014, 2015 and 2017 for the post-transfer tax realignment pursuant to Article 15 paragraph 10 of Law Decree 185/2008 subject of the pending disputes settled under the "tax truce";
- -3.8 million euro following the absorption of Provis.

The decrease in provisions compared to 31 December 2022, amounting to 4 million euro, was mainly due to the absorption of Intesa Sanpaolo Provis.
The Italian subsidiary Intesa Sanpaolo Private Banking also took advantage of the "tax truce/amnesty", settling 47.4 million disputes at a "cost" of 5.9 million euro.

The tax disputes of the international subsidiaries involve small amounts. Specifically, the claims have a total value of 8 million euro (unchanged from 31 December 2022) for which provisions of 5 million euro have been set aside (4 million euro as at 31 December 2022).

With regard to the disputes, in addition to decreases due to exchange rate differences amounting to 0.9 million euro (mainly relating to positions pertaining to Alex Bank), the following events are noted:
- +1.2 million euro relating to the VAT assessment for the years 2018-2021 of Intesa Sanpaolo Banka D.D. Bosna I Hercegovina;
- +1 million euro relating to the possible extension of the VAT assessment for the years 2021-2023 of Intesa Sanpaolo Banka D.D. Bosna I Hercegovina;
- +0.5 million euro for Brazil interest;
- -2.1 million euro for the successful settlement by the trusts and the related beneficial owners of the notification of penalties for the years 2014 and 2015 of the foreign subsidiary UBI Trustee S.A., with respect to four trusts managed by the company, which impose penalties for breaches of the rules on the "tax monitoring" of capital held abroad by persons resident in Italy.

In the following paragraphs, information is provided regarding the most important ongoing disputes, and on several orders to file appearances and questionnaires served in December 2023.

Parent Company

Disputes regarding registration tax on the reclassification of business contributions and subsequent sale of the participations as sales of business units and the consequent assessment of a higher enterprise value
These are disputes concerning the recovery of registration tax paid on business contributions and the subsequent sales of the equity investments, which were reclassified by the tax authorities as sales of business lines and then also subject to assessment of a higher value for the business line (total remedy sought of 21 million euro). These disputes were not settled through the "tax amnesty" because the Bank had already provisionally paid the full amount assessed and as a result of the settlement would not have been entitled to the repayment of the sums in excess of the amount due for the settlement, or because there were sound prospects of a favourable outcome to the proceedings pending before the Court of Cassation.

Dispute regarding the municipal property tax ("IMU") on real estate not repossessed following the termination of the related lease contracts
The dispute regarded the identification of the taxpayer liable for the municipal property tax (IMU) in relation to real estate assets owned by the lease companies or banks and leased out to third parties, where the lease was terminated early due to default by the lessee, or as a result of insolvency proceedings involving the lessee, but without the lessee having returned the asset to the lessor. Over the years a tax dispute arose on this matter (also affecting the former Mediocredito Italiano and

Provis) relating to whether the lessee is (still) liable for the municipal property tax rather than (already) the lease company/bank in the period between the date of termination (or dissolution) of the lease and the date of physical return of the asset to the lessor. In 2020, the Court of Cassation settled on the view that the lease company/bank was liable for municipal property tax (IMU) from the date of legal termination of the contract, regardless of repossession of the asset. In addition, the 2020 Budget Law provided for the abolition of the single municipal tax (IUC), with regard to its components relating to IMU and TASI, and the unification of the two taxes into the new municipal property tax (IMU). On 18 March 2020, the Ministry of the Economy and Finance – Finance Department – Tax Legislation and Tax Federalism Unit, with circular no. 1/DF, commenting on the latter changes, provided precise indications regarding the liability for the new municipal property tax (IMU) with regard to the date of termination of the lease agreement in accordance with the prevailing case law. Accordingly, starting from 2020, the bank decided to proceed with the payment of municipal property tax for all leased real estate assets with terminated contracts, regardless of repossession of the asset, seeking recovery from the former users, where possible. It was also decided to gradually withdraw from all pending disputes on assessments relating to years up to 2019, following an attempt at settlement with the interested municipalities to quash the penalties and offset trial fees.
The total remedy sought is 6 million euro.

Dispute regarding VAT on boat lease transactions
With respect to 31 December 2022, the disputes relating to boat lease transactions that arose as a result of the audit commenced during 2019 by the Milan Tax Police (*Guardia di Finanza*) on the merged company Mediocredito Italiano S.p.A., which initially concerned the tax years 2014 and 2015 and was then extended by the Italian Revenue Agency to the years 2016, 2017 and 2018, were definitively settled. The disputes concerned the issuance of a series of invoices for lease payments under the VAT non-taxable regime pursuant to Article 8-bis of Presidential Decree 633/72 established for lease transactions on vessels “used for navigation on the high seas and intended for the exercise of commercial activities”. Specifically, the disputes for the years 2014 and 2016 respectively pending before the Lombardy Court of Second Instance and the Milan Court of First Instance, were settled through the tax amnesty with zero penalties and interest for both years. For the years 2017 and 2018, notices of assessment of immaterial amounts were served in 2023, both of which were settled through acceptance with full payment of taxes and interest and with penalties reduced to one-third of the minimum imposed.

Banco Sudameris Brasil - Direct taxes year 1995 (PDD1 dispute)
With regard to the dispute with the Brazilian tax authorities (value of around 41.6 million euro and provision of 8.1 million euro), concerning income tax and social security contributions for the year 1995, of the company Banco Sudameris Brasil (now Banco Santander Brasil) – better known as the “PDD1 dispute” – the ordinary civil proceedings are pending in second instance. For a detailed analysis of this dispute, see the Notes to the previous consolidated financial statements.
A payment notice served by the Brazilian tax authorities in October 2022 for the alleged failure of the taxpayer to provide a deposit by order of the court to cover the tax debt, which is still being challenged, was cancelled following the submission of an opposition statement highlighting the clear error in the calculation of the interest accrued on the deposit by the Brazilian tax authorities.

* * *

At the end of December 2023, several Regional and Provincial Directorates of the Italian Revenue Agency (Regional Revenue Office) served “orders to file an appearance” pursuant to Article 5 of Legislative Decree no. 218/1997 on Intesa Sanpaolo, in its capacity as the consolidating entity and then absorbing company of six Group companies, raising doubts concerning the IRES tax treatment that these former subsidiaries had applied in 2017 on the Parent Company’s commitment to make shareholder payments to cover the expenses of the subsidiaries for the integration of Banca Popolare di Vicenza and Veneto Banca (below also the “Venetian Banks”). The companies that received the orders by 31 December 2023 were: Cassa di Risparmio di Bologna, Cassa di Risparmio di Forlì e della Romagna, Cassa di Risparmio del Friuli e Venezia Giulia, Cassa di Risparmio di Firenze, Cassa di Risparmio di Pistoia e della Lucchesia, and IMI Investimenti. With the order to file an appearance, the Italian Revenue Agency initiated administrative proceedings involving a 120-day extension of the time limit for the service of a notice of assessment, thereby allowing the Agency to exceed the five-year limitation period set to end on 31 December 2023 for the 2017 tax year. Other orders (and questionnaires) were served in January 2024 to other Group Companies, as the Italian Revenue Agency considers that the time limit for the assessment on 2017 will expire on 26 March 2024 (rather than 31 December 2023), applying the 85-day extension inferable from the provision in Article 67 of Law Decree 18/2020 converted by Law 27/2020.
No notice of assessment has been received.
In this regard, you are reminded that with effect from 26 June 2017, Intesa Sanpaolo signed an agreement with the liquidators of the Venetian Banks to purchase certain assets, liabilities and legal relationships of the two banks. The terms and conditions of the agreement guaranteed the total neutrality of the acquisition with respect to, among other things, the Intesa Sanpaolo Group’s dividend policy, providing for a public contribution to cover the charges for integration and rationalisation associated with the acquisition. According to the provisions of Article 7, paragraph 4, of Law Decree no. 99 of 25 June 2017, converted with amendments by Law no. 121 of 31 July 2017, the aforementioned contribution does not contribute to the generation of the overall income for IRES tax and IRAP tax purposes for ISP, without prejudice to the deductibility of the expenses incurred in connection with the corporate restructuring measures. The commitments made by Intesa Sanpaolo entailed incurring charges for the integration of the going concerns acquired, including, for example, charges for IT integration, charges for exit incentives for employees, and charges for the closure, merger and standardisation of branches. These integration activities involved the entire Intesa Sanpaolo Group.
In this context, Intesa Sanpaolo, which managed the integration initiatives at Group level in performance of its management and coordination activities over its subsidiaries, took responsibility for safeguarding the subsidiaries from the impact that would have been caused to them by incurring such charges, unilaterally undertaking to make a contribution, in the form of one or more shareholder cash payments, without any obligation of repayment and/or reimbursement, equal in amount to the estimated costs, net of tax.
The manner in which the Parent Company took responsibility for offsetting the impact of those charges on its subsidiaries and

the consequent tax treatment were in line with the indications also contained in the answer provided to the ruling request no. 954-1528/2017 filed by ISP, in which the Italian Revenue Agency specified that "*any disbursement Intesa Sanpaolo is required to make to other Group Companies, regardless of the reasons, would in any case represent a 'shareholder payment/intragroup loan' from the parent company*".
The various Regional Revenue Offices theorize a claim regarding the reduction applied by the subsidiaries with regard to the income deriving from ISP's commitment to make a non-refundable payment (higher total taxable income of 69.5 million euro, corresponding to IRES of 16.4 million euro).
It is important to note the consistency of the approach adopted by the subsidiaries, which did not tax the payment received from the parent company, and by the parent company, which did not deduct the payment made.
As also confirmed by the opinion of the advisor that assisted the Group in the analysis of the acquisition of the Venetian Banks in 2017, the Italian Revenue Agency's arguments are unfounded for the following reasons: i) the commitments to make "non-refundable" payments assumed by ISP as a shareholder to its subsidiaries are not relevant for the purposes of IRES tax, and for the related additional tax, based on the express provision in Article 88, paragraph 4, of the Combined Tax Regulations; ii) the income in question cannot be classified as grants related to income and therefore be relevant for tax purposes because, pursuant to Article 85 of the Combined Tax Regulations, they must originate from a provision of law or a contractual provision, whereas in this particular case the contribution was not due to the subsidiaries by law or by contract; iii) the argument made by the Italian Revenue Agency conflicts with the rationale underlying the 2017 legal provisions, aimed at ensuring the economic neutrality for the ISP group of the corporate restructuring, necessary following the acquisition of the business lines of the Venetian Banks; and iv) the argument put forward by the Regional Revenue Offices of taxing the income at the subsidiaries should in any case also lead to the recognition of the deduction of the cost for the Parent Company, and considering that the IRES tax rate of some of the subsidiaries was 24% while ISP's was 27.5%, the approach adopted by the Group did not result in any tax revenue loss but rather in an overall net favourable effect for the Tax Authorities.

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The disputes settled during the period included the dispute relating to the business contribution and subsequent sale of the equity investment from Intesa Sanpaolo to State Street Bank, which was reclassified by the Italian Revenue Agency as a direct sale of a business (pursuant to Article 20 of Presidential Decree no. 131/1986) with a request for proportionate registration tax (8 million euro). In a definitive ruling filed in July 2023, the Court of Cassation found that the reclassification of the deed of contribution of a business line, followed by the sale of the equity investments in the contributed company is no longer permitted by law (pursuant to Article 20 of Italian Presidential Decree no. 131/1986) and that the tax nature of the deed requires registration tax, as also observed by the Court of Cassation in ruling no. 158/2020. As a result, the allowance for risks made at the time (8 million euro) to fully cover the claim from the Italian Revenue Agency was released.

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With regard to Intesa Sanpaolo's international branches, the following is noted.
The VAT tax audit on the London branch, for the tax years 2016, 2017 and 2018, was closed without further observations and without any further amounts being due. On 4 January 2023, the London branch received a questionnaire from the UK Inland Revenue regarding the year 2020. The questions mainly concerned international transfer pricing matters. In June 2023, the UK authority (HMRC) acquired a substantial quantity of documents from our branch in response to the questions raised, which are still currently being analysed by the authority and in relation to which one or more discussion meetings with the auditors are anticipated. So far, the auditors have not yet issued any findings.
Two tax audits are in progress concerning direct taxes of the New York branch. In detail: i) the first audit, which began in January 2021, is being conducted by the Internal Revenue Service (IRS) with regard to the income tax return filed for the tax period 2018. No claims have been made for the time being; ii) the second audit, served in July 2021, is being conducted by the City of New York, with regard to the tax periods 2018 and 2019. No claims have been made for the time being. The audits conducted by the State of New York, regarding the tax periods 2015 and 2016, and by the IRS regarding the tax period 2016, were closed with no claims.
The audit, initiated in 2021, on the Munich branch of the former UBI Banca for the years 2015 to 2018, is in progress. The auditors have obtained the accounting and tax documentation requested. No claims have been made for the time being.

Group Companies

For Banca Fideuram, as a result of the Bank's appeal, three lawsuits are pending before the Court of Cassation concerning the failure to withhold 27% of the interest accrued in 2009, 2010 and 2011 on foreign bank accounts held at Fideuram Bank (Luxembourg) by two "historic" Luxembourg mutual funds (Fonditalia and Interfund SICAV), for which Banca Fideuram was only the placement bank and correspondent bank in the years in question (total value of the disputes of 9.3 million euro).

Intesa Sanpaolo Private Banking has long had pending IRES and IRAP disputes relating to the deduction (in 2011 and the following years) of the amortisation charge for the goodwill arising from the transfers of the private banking business lines of Intesa Sanpaolo and Cassa dei Risparmi di Forlì e della Romagna in 2009, Banca di Trento e Bolzano and Cassa di Risparmio di Firenze in 2010 and Cassa di Risparmio Pistoia e Lucchesia and Cassa di Risparmio dell'Umbria in 2013, realigned by the transferee in accordance with Article 15, paragraph 10, of Law Decree no. 185 of 29 November 2008.
ISPB made use of the settlement of disputes pursuant to Law no. 197 of 29 December 2022 ("2023 Budget Law"), referred to as the "tax truce" for 5 of the 7 pending disputes. For these years, taking into account the payments already made on a provisional basis and the deduction, recognised by the Italian Revenue Agency, from the cost of the settlement of the substitute tax of 16% paid at the time, the small disbursement resulting from the settlement was considered positive compared to the continuation of a lengthy dispute.
For the disputes still pending, relating to 2012 and 2016, also based on the opinion issued by the advisor, the risk of an

adverse ruling is classified as "possible", since the lawfulness of realigning the tax value of the goodwill newly generated for the transferee – something which in the past was done by other Group companies without incurring in tax disputes – has been expressly acknowledged by the Italian Revenue Agency in Circular no. 8/E of 2010 and is consistent with the provisions of Article 15, paragraph 10 of Law Decree 185/2008.

Cargeas Assicurazioni, an insurance company acquired by Intesa Sanpaolo Vita on 27 May 2021, underwent a tax audit by the Italian Revenue Agency, Lombardy Regional Directorate, Large Taxpayers Office, aimed at verifying the correct application, for the years from 2010 to 2018, of the tax rules on private insurance and life annuity contracts pursuant to Law no. 1216 of 29 October 1961.
As a result of the audit, the authorities claimed that redundancy insurance policies (which are mandatorily associated with salary-backed loans and optional with other mortgages, loans and consumer credit), should not be subject to tax on insurance premiums at a rate of 2.5%, but should be classified as credit risk insurance policies, subject to a tax rate of 12.5%. The Revenue Agency maintains that although the risk insured (on the basis of which the premium is determined with statistical/actuarial criteria) is the loss of employment, redundancy policies should be charged the 12.5% rate applicable to credit risk insurance, given that the policy would protect the lending institution's interest in collecting its credit.
The dispute is nothing new for the insurance industry; in fact, insurance companies have been maintaining that the Agency's reasoning is unsubstantiated and biased for years now. ANIA has also given its opinion on the matter through circular no. 0082 of 5 March 2021 (which refers to circular no. 127 of 21 April 2005), pointing out that the Agency's position produces a series of unsystematic and abnormal consequences which certainly do not reflect the intention of the legislator in Law no. 1216, and diverge from the guidance of the financial administration itself which, on this point, had supported application of the 2.5% rate in circular no. 29/E of 2001.
On the merits, ANIA specified that in the policies, the insured party is identified as the natural person who subscribed, in full autonomy, the collective policy proposed by the lending institution, and that contractual structure recognises the natural person debtor as the party in the interest of whom the policy is underwritten, as the risk covered (loss of employment, which results in the impossibility to pay the debt) is specifically borne by the latter.
Moreover, the contractual framework shows that the lender is the contracting party of the policy exclusively in terms of the form, while, by virtue of demonstrating his/her intention to subscribe the contract and due to the cost charged to him/her, which refers exclusively to the insurance premium paid, the financed worker can be effectively classified as the contracting party, as well as the insured party.
Lastly, as additional support, it should also be considered that the communication of data and information regarding the contracting parties, sent annually to the Tax Register contemplates the indication of the individual subscribers of collective policies, as they are the parties that bear the cost of the premium.
Following the audit, Cargeas received the following:
- on 25 May 2021, the notice of assessment no. TMB032S00039/2021 for the year 2010 claiming a higher tax of 1.7 million euro, 0.6 million euro in interest and 3.4 million euro in penalties, for a total of 5.7 million euro. The notice was appealed in 2021 and by ruling no. 2396/2022 the Milan Provincial Tax Commission upheld Cargeas' appeal annulling the notice. In February 2023, the Italian Revenue Agency filed an appeal with the Lombardy Tax Court against the aforementioned ruling no. 2396/2022, in response to which counterclaims were filed by the absorbing company Intesa Sanpaolo Assicura S.p.A. in April 2023. In July 2023, following a partial internal review, the claim was recalculated at 1.5 million euro for higher tax and 3.0 million euro for penalties (plus interest). The Company considered it appropriate to continue the dispute also with regard to the reduced penalty and therefore did not make use of the option of simplified settlement;
- on 6 June 2022, the notice of assessment no. TMB032S00216/2022 for the year 2011 claiming a higher tax of 1.3 million euro, 0.5 million euro in interest and 2.8 million euro in penalties, for a total of 4.6 million euro. This notice was also appealed in 2022, and in its ruling no. 967 of 20 March 2023, the Milan First Instance Tax Court upheld the company's appeal annulling the notice. The term for the Office's appeal is pending. In July 2023, following a partial internal review, the claim was recalculated at 1.1 million euro for higher tax and 2.4 million euro for penalties (plus interest), further reducible to 0.8 million euro in the event of simplified settlement pursuant to Article 17 of Legislative Decree 472/1997. The Company considered it appropriate to continue the dispute also with regard to the reduced penalty and therefore did not make use of the option of simplified settlement;
- on 19 May 2023, the absorbing company Intesa Sanpaolo Assicura received the notice of assessment no. TMB032S00021/2023 for the year 2012 which claimed a higher tax of 0.2 million euro and penalties of 0.4 million euro, plus interest of 0.1 million euro. An appeal was filed in June 2023.

In view of the arguments clearly expressed by ANIA, and due to the assessments formalised by the defence counsel, the Company considers that the risk of a negative outcome is possible, but not probable.
Lastly, regarding the same case, it should be noted that Intesa Sanpaolo Assicura received the following two questionnaires in April 2021: a) one relating to 2012 and 2013 for the former Bentos Assicurazioni, merged into Intesa Sanpaolo Assicura in December 2013; b) the second for 2012 for Intesa Sanpaolo Assicura. As a result of these questionnaires, in May 2023, the Italian Revenue Agency served three notices of assessment of which two related to the former Bentos Assicurazioni for 2012 (tax of 5 thousand euro, penalties of 12 thousand euro, plus interest) and 2013 (tax of 30 thousand euro, penalties of 75 thousand euro, plus interest) and one related to Intesa Sanpaolo Assicura for 2012 (tax of 0.3 million euro, penalties of 0.8 million euro, plus interest of 0.1 million euro). The positions of the former Bentos have been settled, while for the positions of Intesa Sanpaolo Assicura an appeal is currently pending at first instance.

On 28 December 2023, Fideuram ISPB Asset Management SGR (Fideuram SGR) received from the Italian Revenue Agency – Lombardy Regional Directorate an order to file an appearance for 28 December regarding the year 2017 for IRES and IRAP, following the delivery of documentation in response to a questionnaire served on 4 August 2023, in order to establish a cross-examination on the alleged transfer pricing issues arising in relation to the consideration for fees received by Fideuram SGR in delegated manager activities for investment funds performed in favour of the Irish associate Fideuram Asset Management Ireland (principal). With specific regard to those management fees, the Revenue Agency has repeated the same adjustments made for the years 2011 to 2013 (which gave rise to tax settlement proposals for those years) as well as for the year 2016, which Fideuram accepted by signing the settlement proposal on 15 December 2022 and paying the amount due (0.22 million euro) on 20 December 2022. In this order, the Agency adjusted Fideuram SGR's 2017 taxable income upwards by 1.14 million euro, resulting in higher IRES of 0.27 million euro (plus interest of 0.05 million euro) and higher IRAP of 0.06 million euro (plus interest of 0.01 million euro), for a total of around 0.3 million euro. In addition, the bilateral agreements submitted to the Irish and Italian authorities in 2020 (and therefore applicable from that period for 5 years) concerning the disputed activities are close to be finalised.

With regard to Eurizon Capital SGR (EC ITA) concerning the order received on 22 December 2022 relating to 2016 IRES tax and IRAP tax, in 2023 intensive discussions took place with the Assessment Office, at the end of which the Office revised its initial position.
Note that, in the order to file an appearance, the Office had: 1) identified the presence within Eurizon Capital SA (EC LUX) of an intangible asset (amortisable solely for tax purposes and until the year 2018) alleged to have been transferred by EC ITA to EC LUX, which would have affected the correct quantification of the price to be paid by EC LUX to EC ITA for the services provided by the latter to EC LUX; 2) refuted the reliability of the Transfer Pricing (TP) documentation produced by the company, also due to the absence of references to the above-mentioned intangible asset; 3) and therefore denied the penalty protection guaranteed by appropriate TP documentation; and 4) held that the Transactional Net Margin Method (TNMM) was applicable in this particular case, rather than the Comparable Uncontrolled Price (CUP) method adopted by the company. As a result, the Italian Revenue Agency proposed the transfer for taxation in Italy applicable to EC ITA of 151.1 million euro (out of 208 million euro) of EC LUX's income, resulting in higher IRES and IRAP of 50 million euro, penalties reduced to a third in the event of acceptance, amounting to 15 million euro, and interest of 9.6 million euro, for a total initial claim of 104.6 million euro.
Following a detailed exchange, the Office, in effectively accepting the request submitted by the company: 1) abandoned the claim of materiality of the intangible asset; 2) accepted the suitability of the TP documentation produced by the company; and 3) ruled out the applicability of the penalties; then the Office first extended the sample of transactions considered comparable (whereas EC ITA had excluded certain transactions from the analysis because they were not considered comparable) and then moved the placement of the correct transfer price from the first to the third quartile.
The settlement proposal – based on higher Italian taxable income of 26.8 million euro (compared to 151.1 million euro) with respect to a total of 208 million euro for EC LUX, resulting in higher IRES and IRAP due of 8.8 million euro (compared to 50 million euro), plus interest of 1.8 million euro (compared to 9.6 million euro), without the application of penalties (compared to 45 million euro), for a total of 10.6 million euro (compared to 104.6 million euro) – was accepted by the company in order to prevent a tax dispute for significant amounts, whose outcome was not completely certain (because it concerned valuation issues and was therefore inevitably subject to margins of discretion) and which would have lasted years. As a result, EC ITA concluded the dispute concerning its transactions in 2016 with its Luxembourg subsidiary EC SA by means of tax settlement agreement.
Following this settlement, the Italian Revenue Agency - Lombardy Regional Directorate sent EC ITA a new questionnaire concerning IRES and IRAP for the year 2017 "in order to check for any continuing tax issues related to intragroup transfer pricing in relation to the 2016 tax period". EC ITA sent the "Master File" and "National Documentation" to the Agency on 22 June, followed by the requested documentation (audit report and summary statement of increases and decreases in IRES tax and IRAP tax) on 27 June.
Following the receipt of a similar questionnaire on 23 November 2023 for the year 2018, EC ITA also sent the Italian Revenue Agency - Lombardy Regional Directorate a copy of the "National Documentation" on the transfer pricing for the 2018 tax period, together with the audit report and the details of the increases and decreases for IRES tax and IRAP tax purposes.
In addition, on 4 April 2023, the Italian Revenue Agency – Lombardy Regional Directorate – Large Taxpayers Office initiated a similar tax audit on Epsilon SGR S.p.A. ("Epsilon") regarding the year 2017 and concerning direct taxes, IRAP, VAT and obligations of tax collection agents. During the audit, the verification was formally extended to the year 2018 solely for intragroup transactions with non-resident parties. In its tax audit report drawn up on 6 October 2023, in relation to the years 2017 and 2018 concerned, the Office i) found that the cross-border transaction concerning the UCI management service provided by Epsilon to its Luxembourg subsidiary EC LUX was not aligned with arm's length conditions and ii) determined a higher taxable amount of 29.6 million euro over the two years, calculated on the assumption that the correct transfer price corresponded to the third quartile of the price range applied in comparable transactions with independent parties, based on the same stance adopted by EC ITA in accepting the settlement agreement for the year 2016.
Discussions were then initiated with the Agency to ensure that the transactions between EC ITA, Epsilon SGR and EC LUX were examined in a consistent and coordinated manner.
To avoid forfeiting the power of assessment for the 2017 tax period (2018 will expire by 31 December 2024), on 22 December 2023 the Regional Directorate sent EC ITA and Epsilon each two orders to file an appearance for IRES tax and IRAP tax purposes on 28 December 2023 in which it claimed:

- for EC ITA, higher taxable income for IRES tax and IRAP tax of 34.3 million euro for the year 2017 (corresponding to higher IRES tax of 8.2 million euro, plus interest of 1.6 million euro, and higher IRAP tax of 1.9 million euro, plus interest of 0.4 million euro; without any penalty imposed);
- for Epsilon, higher taxable income for IRES tax and IRAP tax of 15.2 million euro for the year 2017 (corresponding to higher IRES tax of 3.6 million euro, plus interest of 0.7 million euro, and higher IRAP tax of 0.8 million euro, plus interest of 0.2 million euro; without any penalty imposed).

The procedure was initiated on the date set and should be concluded by 29 April 2024.
However, based on the numerous meetings between the companies and the Lombardy Regional Directorate during 2023, it is considered possible that the assessments can be settled for significantly lower amounts than those claimed.

With regard to the international subsidiaries, details are provided below of the main outstanding disputes and tax audits in progress.
Intesa Sanpaolo Brasil S.A. - Banco Multiplo, was audited by Receita Federal do Brasil (RFB). The audit was followed by a notice of assessment for direct taxes for the years 2015 and 2016. This dispute mainly concerns the improper use of carried forward tax losses of Indosuez W.I. Carr Securities Brazil Distribuidora de Titulos e Valores Mobiliarios S.A., which in the opinion of the Brazilian tax authorities could not be used, because they were generated before the reorganisation of Intesa Sanpaolo Brasil S.A. - Banco Multiplo, which would have modified the business activities carried out and the corporate structure. The RFB's claim amounts to 1.9 million euro in principal, plus interest of 0.6 million euro.
Alexbank has a corporate income tax audit in progress concerning the 2018 and 2019 tax periods. At present no claims have been put forward. In addition, there is a pending dispute concerning the non-payment of stamp duty by the bank's branches for a total value of approximately 1.2 million euro for tax periods 1984 – 2008. The tax audit on stamp duty relating to the tax period 2020 was closed with no findings.
The tax audit on IMI SEC in relation to direct taxes for the years 2015 and 2016 was closed without any findings. Instead, an audit by the State of New York is under way regarding income tax, for the years 2015, 2016 and 2017.
Lastly, since April 2022, EXELIA has been subject to a tax audit by the Romanian tax authorities with regard to corporate income tax relating to the tax periods 2016 and 2017. No findings are noted for the time being.

* * *

In connection with all the tax disputes outstanding as at 31 December 2023, for a total value, as stated above, of 155 million euro, of which 108 million euro relating to Intesa Sanpaolo, the Group has recognised receivables of around 40 million euro in its balance sheet assets to account for amounts paid on a provisional basis due to tax assessments, of which 12.3 million euro related to the Parent Company.
The portion of the allowance for risks, which relates to provisional tax assessments, amounts to around 19 million euro, of which 11.7 million euro for Intesa Sanpaolo.
The provisional payments in question were made in compliance with specific legal provisions, which provide for the mandatory payment based on an automatic mechanism totally independent of whether the related tax claims are actually founded and, thus, irrespective of the higher or lower level of risk of a negative outcome in the related proceedings. Thus, these payments were made solely because of the enforceable nature of the administrative acts that set forth the related tax claim, which does not lose its effectiveness even in the event of an appeal (no suspensive effect) and has no impact on the assessment of the actual risk of a negative outcome, which is measured using the criterion set forth in IAS 37 for liabilities.

SECTION 3 – RISKS OF INSURANCE COMPANIES

INTRODUCTION

The Insurance Division oversees management of the subsidiaries Intesa Sanpaolo Vita (which incorporated Intesa Sanpaolo Life on 1 December 2023), Intesa Sanpaolo Assicura, Fideuram Vita, Intesa Sanpaolo RBM Salute, InSalute Servizi and Intesa Sanpaolo Insurance Agency, with the mission of synergically developing the insurance product mix targeting customers of the Intesa Sanpaolo Group and expanding the concept of Bancassurance.
In managing insurance company risks, the Intesa Sanpaolo Vita Group (hereinafter, also the "Insurance Group") has set up an effective risk management system, proportionate to the nature, scope and complexity of the business conducted by the companies, which helps keep the risks the company is exposed to at an acceptable level, in line with the capital provisions.
The control system of risk management, for the entire scope of the Insurance Group, complies with the provisions of insurance supervisory regulations and is consistent with the corresponding internal regulations of the Intesa Sanpaolo Group on the control system, by setting out the reference principles and defining the responsibilities of the corporate bodies and control functions that contribute to the correct operation of the internal control system.
The Intesa Sanpaolo Vita Group risk management process is governed in line with the own risk profile self-assessment (Own Risk and Solvency Assessment – ORSA) and Risk Appetite Framework (RAF). The first level documentation above is joined by policies and operating guides regarding the processes for managing all the risks to which the Insurance Group is exposed.
There are four macro-stages of the risk management process:
- identifying and assessing risks;
- managing risks;
- monitoring risk exposure;
- reporting.

The specific risk assessment, in the first macro-stage, provides the top management with an immediate overview of risk exposure, making it possible to steer the decision-making processes and to define priorities for action, including at the strategic planning level.
The risk assessment process is composed of four stages to be carried out at least annually (or when specific events occur):
- analysis: includes all the activities of collecting information, identifying and surveying risks, associating them with an owner and involving other specialised functions to identify and assess the risk profiles that they directly oversee;
- assessment: includes the self-assessment of the probability, impact and mitigation of risk by the risk owner. At this stage, the owner identifies any actions to implement or already implemented to mitigate the risk;
- validation: includes the stage in which the risk owner validates the results of the analysis and the risk management function dialogues with the other fundamental functions to verify that the assessment result is in line with their evidence;
- risk map: includes the preparation of a dedicated report on the exposure to risk of each company in the Insurance Group (Intesa Sanpaolo Vita, Fideuram Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo RBM Salute) and the Insurance Group as a whole.

This process also includes risks that are difficult to quantify but are deemed material for the Insurance Group, and mitigation actions may be proposed to manage them.

Once the risk assessment process is completed, the identified risks are managed according to the operational methods and limits of tolerance shown in the Risk Appetite Framework and in the policies that comprise the risk management framework.
The last stage entails the monitoring and quantification of risks.

The activities in the stage of monitoring risk exposure include performing several stress tests. Stress tests are represented by a set of techniques used by the companies in the Insurance Group to:
- measure their vulnerability in the event of exceptional, but plausible events;
- enable the top management in understanding the relationship between the risk taken and the risk appetite of the company, as well as the adequacy of the available capital.

Where the results of the stress tests show the potential non-compliance with the minimum regulatory requirements and/or the inadequacy of the controls set up for each risk, the Internal Control and Risk Committee of each company in the Intesa Sanpaolo Vita Group shall discuss and propose to Board of Directors any improvement measures to consolidate the company's capital stability, taking into consideration the solvency also at Insurance Group level.
This activity is joined by a structured process of gathering the information needed to calculate the indicators and metrics defined for the risk aspects in the Risk Appetite Framework to control the limits and early warning thresholds.

Under the Risk Appetite Framework, the Insurance Group has set up limits and early warning thresholds on the main risk factors to which it is exposed. Specifically, the main limits and thresholds set out regard risks linked to:
- solvency: Solvency Ratio levels, levels of single risk modules as a ratio to Own Funds, level of Economic Capital (ECAP);
- liquidity: level of highly liquid assets, cash flow matching and insurance liquidity coverage ratio;
- stability of profits: level of IAS/IFRS profits and Combined Ratio for the Non-life business;
- investments;
- operational risks: level of operating losses;
- compliance risks: number of customer complaints compared to the number of policies, by type of insurance product.

The Insurance Group has also set up rules on the concentration of risks which defines the concentrations to deem material and their calculation methods, to mitigate the risk that they could have negative impacts on solvency and the financial situation.
Specifically, the objective is to define risk concentrations that are consistent with the risk management strategy and policy and the investment policies.
Risk concentrations are identified by assessing the impact they may have on company's financial position and solvency, following adverse scenarios on the main risk factors, both financial and technical.

3.1 INSURANCE RISKS

QUALITATIVE AND QUANTITATIVE INFORMATION

The typical risks of the Life insurance portfolio (managed through Intesa Sanpaolo Vita and Fideuram Vita) may be summarized into three main categories: premium risks, actuarial and demographic risks and reserve risks.
Instead, the typical risks of the Non-life insurance portfolio (managed through Intesa Sanpaolo Assicura, Intesa Sanpaolo RBM Salute and Intesa Sanpaolo Vita) are mainly related to premium and reserve risks.

Premium risks are managed initially during definition of the technical features and product pricing, and over time through periodic verification on sustainability and profitability (both at product level and at portfolio level, including liabilities). With specific regard to the Life insurance portfolio, on defining a product, profit testing is used, aimed at measuring profitability and identifying any weaknesses beforehand, by means of specific sensitivity analyses.

Reserve risk is monitored on determining the expected contractual cash flows (Present Value of Future Cash Flows - PVFCF), both by correctly verifying the determination of the value representing the commitments to policyholders and by conducting appropriate checks on the projected cash flows, including performance and consistency checks in relation to any impact analyses/estimates carried out prior to the valuation date or in relation to the movement analysis.
With regard to risk assumption of policies in the Non-life portfolio, policies are checked when acquired through an automatic system aimed at detecting the underwriting parameters associated with the applicable tariff. The check, both formal and substantive, allows the identification of exposures in terms of capital and limits of liability, in order to verify that the portfolio matches the technical and tariff scheme agreed upon with the sales network. Subsequently, also regarding the risk assumption of policies in the Non-life portfolio, statistical checks are carried out to verify potentially anomalous situations (such as concentration by area or by type of risk) and to keep under control accumulation at the individual level (with particular reference to policies covering accident and health risks). This is also carried out in order to provide the Actuarial and Reinsurance Unit with suitable indications of the portfolio characteristics in order to prepare the annual reinsurance plan.

Lastly, actuarial and demographic risks, typical of the Life business, arise when an unfavourable trend in the actual loss ratio is measured compared to the one estimated in the tariff construction and are reflected in the level of "reserves". The loss ratio refers not only to actuarial loss, but also to financial one (guaranteed interest rate risk). The company monitor these risks by means of systematic statistical analysis of the evolution of liabilities in its own contract portfolio, splitted by risk type, and through simulations of expected profitability of the assets hedging technical reserves.

The Insurance Group companies, pursuant to Article 1, letter r-bis of the Private Insurance Code, adopt the "standard formula" for the calculation of the solvency capital requirement (Articles 45-quinquies to 45-undecies), with the additional use of company specific parameters for premium and reserve risk in the Non-life business. At Insurance Group level, the capital requirement is calculated by consolidating the data of the individual companies.
In carrying out the aforementioned calculation and in line with the reference regulations, the main elements of the requirement are defined as follow:

- underwriting risk, such as the risk of loss or adverse changes in the value of insurance liabilities due to inadequate assumptions regarding price setting (premium risk) or establishment of technical reserves;
- market risk, such as the risk of a loss or adverse change in financial positon resulting directly or indirectly from fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments;
- credit or counterparty risk, such as the risk of loss arising from counterparty default on deposits, derivative instruments and any credit exposures;
- operational risk, such as the risk of loss deriving from the inadequacy or incorrect functioning of internal procedures, human resources or systems, or due to external events. As far as the financial losses component is concerned, the operational risk includes: legal and compliance risk, conduct risk, IT and Cyber risk, physical security risk, business continuity risk, financial crime and financial reporting risk, third-party and model risk. Strategic and reputational risk are not included.

The table below summarises insurance liabilities (for which IFRS 17 principle is thus applied), both for direct and reinsurance business, gross of intercompany netting, broken down by product macro-type.

(millions of euro)

Concentration of underlying risks by product type	**2023**
Life	**118,021**
Multi-line	33,041
Separately managed account	67,300
Pure risk contracts	778
Unit-linked/Pension funds	16,902
Non-life	**1,828**
Motor	171
Non-Motor	1,657
Total	**119,849**

Below are the details of the breakdown by maturity of financial liabilities (measured in accordance with IFRS 9 principle) for the Life segment, before intercompany netting, represented by assets covering commitments arising under unit- and index-linked policies, other insurance products (specifically, the "Risparmio Insurance" product) and subordinated liabilities.

(millions of euro)

Breakdown of financial liabilities by maturity	**Within 12 months**	**Over 12 months**	**Total as at 31.12.2023**	**Total as at 31.12.2022**
Unit linked	24	52,038	52,062	70,583
Index linked	-	-	-	-
Other payables to insured parties	-	-	-	1,562
Subordinated liabilities	-	2,223	2,223	2,222
Total	**24**	**54,261**	**54,285**	**74,367**

The following tables show the results of the sensitivity analysis using the main insurance risk parameters on the main balance sheet items. The impacts on the Contractual Service Margin (CSM) and, as a result, on the financial position and income statement are provided.

The analysis has identified the risk factors that the companies in the Insurance Group are exposed to, identifying the operational assumptions to be stressed, as follows:

- for the Life business:
  - increase of 10% in expense assumptions (Expenses +10%);
  - increase of 10% in lapse assumptions (Lapse +10%).
- for the Non-life business:
  - increase of 5% in assumptions linked to the claims (Loss Ratio +5%);
  - decrease of 5% in assumptions linked to the claims (Loss Ratio -5%).

With regard to the Life business, the impact of the various stressed scenarios was exclusively determined gross of reinsurance, as the effect of this is considered insignificant. Conversely, for the Non-life business, the results are shown gross and net of reinsurance.

(millions of euro)

Sensitivity analysis		**31.12.2023**	
	CSM Change [(a)]	**Net income [(b)]**	**Shareholders' equity [(b)]**
Life			
Expenses + 10%	-168	-21	-21
Lapse + 10%	-449	-22	-22

(a) Gross of tax

(b) Net of tax

(millions of euro)

Sensitivity analysis	**31.12.2023**					
	CSM Change (a)		**Net income (b)**		**Shareholders' equity (b)**	
	Gross (c)	**Net (d)**	**Gross (c)**	**Net (d)**	**Gross (c)**	**Net (d)**
Non-life						
Loss Ratio +5%	-17	-16	-4	-4	-6	-6
Loss Ratio -5%	17	16	4	3	5	5

(a) Gross of tax

(b) Net of tax

(c) Gross of reinsurance

(d) Net of reinsurance

3.2 FINANCIAL RISKS

QUALITATIVE AND QUANTITATIVE INFORMATION

These risks derive from the level or volatility of market prices of financial instruments that impact the balance sheet value of both assets and liabilities. The risk factors identified by the company are as follows:
- interest rate risk: it impacts assets and liabilities whose value is sensitive to changes in the forward structure of interest rates or the volatility of interest rates;
- equity risk: it derives from the level or volatility of market prices of equities and impacts assets and liabilities whose value is sensitive to changes in equity prices;
- real estate risk: it derives from the level or volatility of market prices of real estate properties and impacts assets and liabilities sensitive to such variations;
- foreign exchange risk: it derives from changes in the level or volatility of foreign exchange rates;
- spread risk: it impacts assets and liabilities whose value is sensitive to adverse changes in credit spreads;
- concentration risk: reflects the risk of holding high percentages of financial assets of the same counterparty.

Investment portfolios

The investments of the insurance companies of the Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Fideuram Vita and Intesa Sanpaolo RBM Salute) are made with shareholders' fund and to cover contractual obligations with customers. The latter refers to traditional adjustable Life insurance policies, index- and unit-linked policies, pension funds and Non-life policies.
As at 31 December 2023, the investment portfolios of Group companies, recorded at book value, amounted to 174,645 million euro. Of these, a part amounting to 89,080 million euro relates to traditional adjustable Life policies (the financial risk of which is shared with policyholders due to the mechanism whereby the returns on assets subject to separately managed account are determined), Non-life policies and shareholder fund. The other component, whose risk is borne solely by the policyholders, consists of investments related to index-linked policies, unit-linked policies and pension funds and amounted to 85,565 million euro.
Considering the different levels of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional adjustable Life policies, Non-life policies and shareholders' fund.

Financial assets under segregated funds and shareholder fund

In terms of breakdown by asset class, net of derivative financial instruments, 84.23% of assets, i.e. 75,062 million euro, were bonds, whereas assets subject to equity risk represented 2.06% of the total and amounted to 1,838 million euro. The remainder (12,218 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (13.71%).
The carrying value of derivatives came to approximately -39 million euro, almost entirely relating to hedging derivatives, while the portion of effective management derivatives[118] is positive for approximately 20 million euro.
At the end of 2023, investments made with the shareholder fund of Intesa Sanpaolo Vita and Fideuram Vita amounted to around 727 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of around 16 million euro.

[118] ISVAP Regulation 36 of 31 January 2011 on investments defines as "effective management derivatives" all derivatives aimed at achieving pre-established investment objectives in a faster, easier, more economical or more flexible manner than would have been possible acting on the underlying assets.

Interest rate risk exposure

The breakdown by maturity of bonds showed 9.16% short-term (under 1 year), 25.62% medium-term and 49.45% long-term (over 5 years).

(millions of euro)

Financial assets	Book value	%	Duration
Fixed-rate bonds	**63,779**	**71.57**	**6.49**
up to 1 year	7,929	8.90	
1 to 5 years	19,976	22.42	
over 5 years	35,874	40.25	
Floating rate/indexed bonds	**11,283**	**12.66**	**6.18**
up to 1 year	236	0.26	
1 to 5 years	2,849	3.20	
over 5 years	8,198	9.20	
TOTAL	**75,062**	**84.23**	**-**
Equities or similar capital securities	**1,838**	**2.06**	
UCI, Private Equity, Hedge Fund	**12,218**	**13.71**	
TOTAL AS AT 31.12.2023	**89,118**	**100.00**	

The sensitivity of the fair value of the portfolio of financial assets to interest rate movements, summarised in the table below, highlights the exposure of the portfolio: for example, a parallel shift in the yield curve of +100 basis points leads to a negative fair value change in the bond portfolios of 4,470 million euro.

(millions of euro)

	Book value	%	Fair value changes due to interest rate fluctuations	
			+100 bp	-100 bp
Fixed-rate bonds	63,780	84.97	3,854	4,367
Floating rate/indexed bonds	11,282	15.03	616	734
Interest rate risk hedging effect	-	-	-	-
TOTAL	**75,062**	**100.00**	**4,470**	**5,101**

In accordance with IFRS 17 principle, the Intesa Sanpaolo Vita Group defined a methodology for calculating discount rates and measure insurance contracts (for details, see the indications in Part A.2 – Main financial statement captions). The table below summarises the discount rates applied by the various companies in the Insurance Group:

Discount rates	2023					2022				
	1 year	5 years	10 years	15 years	20 years	1 year	5 years	10 years	15 years	20 years
	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2022	31.12.2022	31.12.2022	31.12.2022	31.12.2022
VFA	4.09%	2.90%	2.90%	2.96%	2.89%	4.01%	3.87%	3.84%	3.77%	3.53%
GMM/PAA	3.86%	2.68%	2.68%	2.74%	2.67%	3.72%	3.58%	3.55%	3.48%	3.23%

VFA – Variable Fee Approach
GMM – General Measurement Model
PAA – Premium Allocation Approach

The table below shows the results of the sensitivity analysis of interest rate risk on the CSM (Contractual Service Margin), on the statement of financial position and on the income statement.

The analysis in question identified the risk factors that the companies in the Intesa Sanpaolo Vita Group are exposed to, identifying the financial assumptions to be stressed, as follows:

– for the Life business:
  - parallel increase of the discount curve of 100 basis points (Interest Rate Up +100 basis points);
  - parallel decrease of the discount curve of 100 basis points (Interest Rate Down -100 basis points).

(millions of euro)

Sensitivity analysis	31.12.2023		
	CSM Change [(a)]	Net income [(b)]	Shareholders' equity [(b)]
Life			
Interest Rate Up + 100 bps	-178	-38	-56
Interest Rate Down - 100 bps	36	-10	11

(a) Gross of tax

(b) Net of tax

With regard to the Life business, the impact of the various stressed scenarios was exclusively determined before reinsurance, as the effect of this was deemed insignificant. For the Non-life business, the sensitivity to changes in the discount rate levels is deemed immaterial.

Credit risk exposure

The table below sets forth the distribution of the bond portfolio by rating class: AAA/AA bonds represented 4% of total investments and A bonds approximately 9.2%. Low investment grade securities (BBB) were 68.1% of the total, while the portion of speculative grade or unrated was minimal (2.9%).
With regard to exposure to BBB rated securities, the majority of the exposure related to bonds issued by the Republic of Italy.

(millions of euro)

Breakdown of financial assets by issuer rating	Book value	%
Bonds	**75,062**	**84.23**
AAA	1,395	1.57
AA	2,094	2.35
A	8,220	9.22
BBB	60,713	68.13
Speculative grade	2,426	2.72
Unrated	214	0.24
Equities or similar capital securities	**1,838**	**2.06**
UCI, Private Equity, Hedge Fund	**12,218**	**13.71**
TOTAL	**89,118**	**100.00**

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by governments, central banks and other public entities made up 75.3% of the total investments, whereas the securities of corporate issuers contributed around 24.7%.

The sensitivity values of the fair value of the bonds with respect to a variation in the creditworthiness of the issuers, namely a market credit spread shock of ±100 basis points, as at end of 2023, are shown in the table below.

(millions of euro)

	Book value	%	Fair value changes due to credit spread fluctuations	
			+100 bp	-100 bp
Government bonds	56,555	75.34	-3,948	4,545
Corporate bonds	18,507	24.66	-784	730
TOTAL	**75,062**	**100.00**	**-4,732**	**5,275**

In addition, the amount of receivables arising out of direct insurance operations as at 31 December 2023 came to 427 million euro, which receivables arising from reinsurance operations came to around 41 million euro.

Below is the breakdown of the amount of exposure to credit risk of the companies in the Insurance Group for outstanding reinsurance contracts.

	Insurance Group
Asset for remaining coverage	79
Asset for incurred claims	157
Receivables arising from reinsurance contracts (Non-Life)	41
Total	**277**

Reinsurance coverage was finalised with leading market operators, who meet the requirements on capital and financial position outlined in the guidelines of each company, and in compliance with IVASS Regulation No. 38 of 3 July 2018 on corporate governance systems.

Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to -184 million euro, as shown in the table below.

(millions of euro)

	Book value	%	Fair value changes due to stock price fluctuations
			-10%
Equities - Financial institutions	310	16.87	-31
Equities - Non-financial companies and other counterparties	1,528	83.13	-153
TOTAL	**1,838**	**100.00**	**-184**

Foreign exchange risk exposure

Approximately 97.9% of investments is made up of assets denominated in the EU currency. The residual exposure to foreign exchange risk was hedged by positions in derivative financial instruments, particularly domestic currency swaps, in the same currency.

Derivative financial instruments

Financial derivative instruments are used to hedge the financial risks of the investment portfolio or for effective management. The table below shows the book values of the financial derivative instruments as at 31 December 2023.

(millions of euro)

Type of underlying	DEBT SECURITIES/ INTEREST RATES		EQUITIES, EQUITY INDICES, COMMODITIES, EXCHANGE RATES		TOTAL	
	Quoted	**Unquoted**	**Quoted**	**Unquoted**	**Quoted**	**Unquoted**
Hedging derivatives	-	-59	-	-	-	-59
Effective management derivatives	-	-	22	-2	22	-2
TOTAL	**-**	**-59**	**22**	**-2**	**22**	**-61**

3.3 LIQUIDITY RISK

Liquidity risk is the risk of not being able to fulfil obligations to the insured and to other creditors, due to the impossibility of transforming investments into liquidity, or the difficulty in carrying out that transformation without depressing future profits or incurring significant economic losses. Therefore, the Intesa Sanpaolo Vita Group conducts its assessments and steers its management so that they are capable of reflecting the characteristics of its insurance obligations, favouring the diversification of assets and sound management.

Firstly, the run-off of future cash flows as at 31 December 2023, both discounted and undiscounted, is shown below, broken down into the Life and the Non-life business. For the Non-life business, this includes both the Liability for Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC). For the Life business, instead, this includes the LRC, as the LIC is a certain amount waiting to be paid to the insured.

(millions of euro)

Analysis of maturities	Release of non-discounted cash flows					
	31.12.2023					
	up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	over 5 years
Insurance contracts						
Life	13,453	9,111	8,733	8,317	8,645	97,410
Non-life	460	151	83	53	40	175

(millions of euro)

Analysis of maturities	Release of discounted cash flows					
	31.12.2023					
	up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	over 5 years
Insurance contracts						
Life	13,152	8,633	8,068	7,492	7,594	63,542
Non-life	457	145	78	49	36	134

The Insurance Group considers the forecasts of the maturities of liability flows in the process of investing in assets, assessing coverage of maturities and opportunities for returns.

The Risk Appetite Framework and the ALM management process consider prudential limits both on observing the cash flow matching and using liquidity coverage ratio type indicators. Those controls and monitoring are carried out in line with the Solvency II supervisory framework.

To manage specific conditions of stress and lack of liquidity, a Contingency Funding Plan has been defined. The plan requires an Extraordinary Investment Committee meeting be called which, based on the type (e.g. turbulence on the markets in relation to an inefficient composition of assets) and the expected duration of the situation of tension (e.g. temporary vs. structural), will directly take action on the asset portfolio or propose additional possible actions.

SECTION 4 – RISKS OF OTHER COMPANIES

The risks of other companies are essentially concentrated:
– in the companies Romulus Funding Corp. and Duomo Funding Plc., included on the scope of consolidation pursuant to IFRS 10;
– in the Risanamento Group companies, consolidated for accounting purposes starting in 2015, but not subject to management and coordination.

THE VEHICLES ROMULUS FUNDING CORPORATION AND DUOMO FUNDING PLC

Qualitative and quantitative information

These two special-purpose vehicles are the Intesa Sanpaolo Group's asset-backed commercial paper conduits, established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international asset-backed commercial paper market. The assets originated by European customers are purchased by Duomo, whereas Romulus is responsible for U.S. assets and fund-raising on the U.S. market through the issuance of asset-backed commercial paper. Nonetheless, due to the subsequent downgrading of Intesa Sanpaolo at the end of 2014, U.S. investors gradually divested without the vehicle being able to find new third-party investors with which to place the asset-backed commercial papers.
The risks associated with these entities, and more specifically, the potential interest rate and exchange rate risks arising from the operations of the two companies, must be covered in accordance with the Intesa Sanpaolo Group policy for the management of these risks.
Companies are not generally permitted to take foreign-exchange positions.
As at 31 December 2023, the assets of Romulus included 6.89 billion euro in loans to the vehicle Duomo.
Against those assets, the vehicle issued asset-backed commercial paper (ABCP) with a carrying amount of 6.89 billion euro, almost all of which has been subscribed by the Parent Company, Intesa Sanpaolo.
With regard to the portfolio of the vehicle Duomo, at the end of 2023 this portfolio mainly consisted of securities of 9.79 billion euro.
The table below shows the information and figures for the above two vehicles as at 31 December 2023.

(millions of euro)

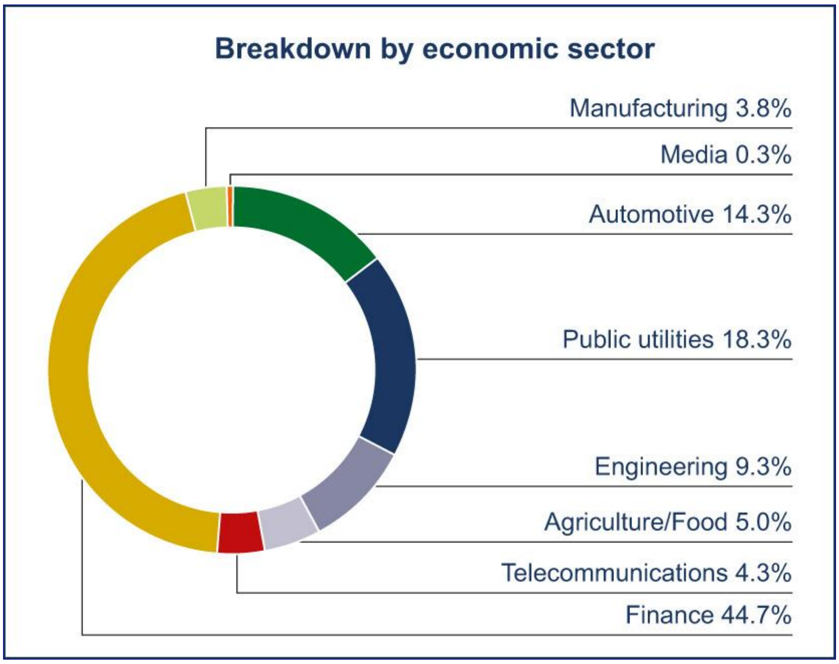
	Vehicle data		**Liquidity lines (2)**	**Guarantees given**		**Securities issued**	***of which: held by the Group***		
	Total assets	Cumulated losses		nature	amount	amount	amount	Accounting classification	Valuation
ROMULUS FUNDING CORP.	6,887	(1)	-	-	-	6,886	6,878	Fin.Ass. at amm. cost	Amortised cost
DUOMO FUNDING PLC	9,793	-	10,166	-	-	-	-		

(1) Entirely made up of loans disbursed to Duomo for transactions booked in the financial statements of the vehicle.

(2) These are Fully Supporting Liquidity Facilities issued by the Parent Company Intesa Sanpaolo, of which 10,166 million euro is committed out of an amount granted of 15,000 million euro.

The total assets of the conduits Romulus and Duomo, net of dealings between the two vehicles, made up approximately 1% of the total consolidated assets.
The portfolio risk of the two vehicles is approximately 45.24% accounted for by trade receivables and the remainder by consumer loans (20.32%), loans deriving from lease contracts (1.69%), factoring contracts (2.24%), mortgage loans (0.07%), loans to SMEs (18.27%), loans/lease contracts to pharmaceutical companies (0.2%), auto loans and leases (11.68%), and VAT credits (0.31%). The eligible assets held by the vehicles are mainly expressed in euro (96.27% of the total portfolio). The remainder is broken down into British pounds (3.32%), US dollars (0.09%), Polish zloty (0.001%), Australian dollars (0.01%) and Mexican pesos (0.021%).

The following information is provided concerning the portfolio of eligible assets.



With regard to the rating breakdown of the loan portfolio, 98% does not have a rating and the remaining 2% is rated above "A".

With reference to the geographical distribution of the assets held by the two vehicles, please note that approximately 93% of the debtors are located in Italy.

RISANAMENTO GROUP

Qualitative and quantitative information

With regard to the risks of other companies, mention should also be made of the potential effects on the Risanamento Group of a deterioration of the real-estate market situation, in consideration of the specific nature of that Group's business.

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, including the recovery of household real disposable income and the acceleration of expenditure flows funded by the NRRP.
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, establishing a foundation for stronger GDP growth from 2025 onwards.
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. 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 material costs are still at historically high levels.

The general situation illustrated above inevitably reflects on the real estate sector, whose expectations are conditioned by economic growth, as well as the difficult credit access conditions. The situation of the real estate sector thus continues to appear uncertain and complex, just as the macroeconomic context of reference. Indeed, the expected performance of the real-estate market in the coming months is linked to the development of the complex economic scenario.

The real-estate market is subject to the cyclical performance of rent values and property prices. The length of such cycles varies, but normally spans multiple years. The macro-economic factors with the greatest influence on property values and cyclical performance are as follows:
- interest rate performance;
- market liquidity and access to remunerative alternative investments;
- economic growth.

With regard to the assets held by the Risanamento Group, as part of the agreements with LendLease, a leading international operator in the infrastructure sector, and the lending banks for the development of the Milano Santa Giulia real estate initiative, in 2023 a complex transaction was structured, aimed at enabling the following, as part of a plan to ensure the economic and financial equilibrium of the Risanamento Group pursuant to Article 56 of the Insolvency Code: (i) the obtainment by the Risanamento Group of the financial resources necessary to fulfil its commitments made to the public authorities and third parties in relation to the completion of both the reclamation of the area and the execution of the Olympic infrastructure works under the Variant Agreement; and (ii) the transfer of the Milano Santa Giulia area at values in line with its book value to an alternative investment fund through the subscription of its units by the lending banks or their assignees and the concurrent novation to the aforementioned fund of the financial debt due to the lending banks (or their assignees) from the Risanamento Group and the payment to Risanamento, under particular terms and conditions, of the additional amount with respect to the values referred to above.
The Termsheet containing the main terms and conditions of the transaction was signed by the parties on 22 March 2023. During the second quarter, following the fulfilment of the usual conditions precedent for this type of transaction, the final contracts were drawn up and signed by the parties on 29 June 2023. The closing then took place on 30 June 2023.
Following the completion of the transaction, the Risanamento Group sold the Group's main asset (Milano Santa Giulia) to a third party, while remaining obligated to complete the environmental restoration work on the site and to carry out the infrastructure work.

The Risanamento Group's management policy is aimed at minimising the effects of the various phases of the cycle through investments in development projects with high quality standards, flexibility and efficient management.
The main risks specifically relating to real estate managed by the Risanamento Group are represented below.

Risks related to failure to comply with the business plan
This risk relates to all potential events that could jeopardise the achievement of the Risanamento Group's business plan objectives in accordance with their timing and content.
The Risanamento Group has implemented a system of continuous monitoring of the status of which implementation of the business plan, which provides Management the necessary information to take consequent corrective actions.
In relation to the Risanamento Group's development objectives, the business plan is currently strictly linked to (i) the obligations arising from the agreements signed as part of the transaction structured during the year for the performance of the restoration and infrastructure construction activities and (ii) the value maximisation of the real estate initiatives in the portfolio. Therefore, this risk stems from multiple factors, including the uncertainties related to the progress of the initiatives (which mainly focus on environmental, infrastructural and construction interventions) and the consequent difficulties related to the realisation partnerships for the value maximisation and financing of the initiatives.
The potential risk also stems from the mismatch between the timing of the development targets set in the plan and the opportunities permitted by urban planning laws.
The Risanamento Group has established a relationship of continuous dialogue and engagement with the public authorities. Moreover, the Risanamento Group is supported by highly regarded professionals selected through a structured process that ensures the selection of individuals with proven technical expertise in urban planning consistent with the targets set compatible.

Risks associated with project execution
The execution of real-estate initiatives, as well as the performance of the contractual commitments made (completion of the environmental restoration work and performance of the infrastructure work for the Milano Santa Giulia development initiative), entail risks associated with planning, environmental problems, construction, and the length and potential exposure of the initiative to the cyclical nature of the real-estate market.
This latter aspect is inherent in larger, long-term projects that are inevitably affected by the cyclical nature of the real-estate sector due to the need to combine administrative formalities with innovative design quality, harnessed to stimulate demand from the market.
The potential risk in question also translates into the possibility that i) errors in or critical aspects of a design may compromise the objectives of the timeliness and proper execution of the works, and ii) the works may not be completed according to the agreed terms and conditions for reasons attributable to the contractor.
In reference to point i), the Risanamento Group has implemented a structured contractor selection process aimed at identifying professionals with a track record of strong technical expertise. In addition, the Group enters into contracts that include warranty and indemnification clauses. The Risanamento Group monitors the design process through constant discussions with counterparties about all related activities and verification of periodic quality status and project compliance.
In reference to point ii), the Risanamento Group adopts structured supplier selection processes to select contractors that meet requirements of integrity, suitability, technical and professional qualification and operational and organisational adequacy in addition to being financially solid. Contractors are constantly monitored in order to ensure constant access to information

useful in assessing the situation and taking the appropriate corrective measures in a timely manner. In addition, the contracts contain warranty clauses benefiting the principal.

The total carrying amount of the Risanamento Group's real-estate portfolio in Intesa Sanpaolo's consolidated financial statements is 107 million euro.
In further detail, the portfolio may be broken down as follows:
- owner-occupied properties: 8 million euro (registered office and place of business - located in the Milano Santa Giulia area);
- real estate development areas and projects: 59 million euro (residual bare ownership on the Milano Santa Giulia initiative);
- other trading and development properties: 40 million euro.

As mentioned above, Intesa Sanpaolo does not perform management and coordination activity over Risanamento S.p.A. and its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

Part F – Information on consolidated capital

SECTION 1 – CONSOLIDATED CAPITAL

A. Qualitative information

The control of capital adequacy both at consolidated level and at single entities level is ensured by capital management which defines the size and optimum combination of the different capital instruments in accordance with regulatory constraints and consistently with the risk exposure taken on by the Group.
The Intesa Sanpaolo Group assigns a primary role to the management and allocation of capital resources, considering this to be an instrument for strategic leverage, as well as a way to ensure consistency of the operating plans of the business units.
Once the Group's strategic profitability, capital position and liquidity objectives have been defined, capital and financial resources are allocated to the business units through a process that evaluates their growth potential, capacity to generate value and financial autonomy.
The capital at risk considered is twofold:
– regulatory capital covering Pillar 1 risks;
– overall internal capital covering Pillar 2 risks, for ICAAP purposes.

Regulatory capital and overall internal capital differ from each other by definition and by their coverage of risk categories. The first arises from formats defined in supervisory provisions, the second from operational measurements.
Hence, the capital management activity comprises the management of current and prospective capital adequacy through careful control of both regulatory Pillar 1 constraints (in compliance with Basel 3 rules, effective from 1 January 2014) and operational Pillar 2 constraints. Projections are also produced under stress conditions in order to ensure that the available resources are adequate to cover all risks, even in adverse conditions. Furthermore, since 2013, the Group has been drawing up a Recovery Plan, in line with regulatory indications (directives "Bank Recovery and Resolution Directive – BRRD" - 2014/59/EU transposed in Italy through Legislative Decrees 180 and 181 on 16 November 2015 and "Bank Recovery and Resolution Directive – BRRD II" - Directive (UE) 2019/879, transposed into Italian law on 8 November 2021 by Legislative Decree 193, which entered into force on 1 December 2021), with international practice and in compliance with both the Group Risk Appetite Framework and the crisis management model adopted by the Bank.
As part of the process of defining budget targets, a projection compatibility analysis is conducted annually at Group level and at the level of individual entities in the Group. Depending on the expected performance of balance sheet and income statement aggregates, the appropriate capital management measures to ensure the required financial resources for the individual business units are already identified in this phase, if necessary. Compliance with the target levels of capitalisation is monitored on a quarterly basis, taking appropriate action when necessary.
Compliance with capital adequacy is sought via various levers, such as the dividend distribution policy, the definition of strategic finance operations (capital increases, issue of convertible loans and subordinated bonds, disposal of non-core assets, etc.) and the management of investments, particularly loans, on the basis of counterparty risk.
Further analyses for preliminary assessment of capital adequacy are performed during extraordinary operations (mergers, acquisitions, disposals, etc.) whether internal to the Group or changing the scope of consolidation of the Group.

Following the Supervisory Review and Evaluation Process (SREP), the ECB annually makes a final decision on the capital requirement that Intesa Sanpaolo must comply with at consolidated level.

On 15 December 2022, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 January 2023.
The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio is 8.83%.
This is the result of:
– the SREP requirement in terms of Total Capital ratio of 9.50% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.50%[119], of which 0.84% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020[120];
– additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
    - A Capital Conservation Buffer of 2.5%;
    - an O-SII Buffer (Other Systemically Important Institutions Buffer) of 0.75%;
    - a Countercyclical Capital Buffer of 0.24%[121].

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[119] Following the additional Article 3 CRR ("Application of stricter requirements by institutions" – for details see what is set out below) deduction made to Own funds in June 2023 (for the calendar provisioning on exposures included in the scope of Pillar 2), the Supervisor updated the Pillar 2 Requirement (P2R) applicable in 2023 (SREP 2022). As a result, from the second half of 2023, the P2R on Total Capital is 1.50% (compared to 1.72% previously).

[120] The regulatory change establishes that the capital instruments not qualifying as Common Equity Tier 1 may be partially used to meet the Pillar 2 requirement.

[121] Countercyclical Capital Buffer calculated taking into account the exposure as at 31 December 2023 in the various countries where the Group has a presence, as well as the respective requirements set by the competent national authorities and relating to 2025, where available, or the most recent update of the reference period (requirement was set at zero per cent in Italy for 2023 and for the first quarter of 2024).

With effect from 30 September 2019, following permission from the ECB, the Intesa Sanpaolo Group calculates capital ratios applying the so-called Danish Compromise, under which insurance investments, held indirectly through Intesa Sanpaolo Vita, are risk weighted instead of being deducted from capital.

As stated in Part E, compared to 31 December 2022, with regard to the scope of application of internal credit risk models, the ECB's authorisations to use the new Corporate (with effect from March 2023) and Specialised Lending (with effect from December 2023) models for regulatory purposes were implemented.

With regard to counterparty risk, the Banking Group improved the measurement and monitoring of the risk, by refining the instruments required under Basel 3. For reporting purposes, the Parent Company is authorised to use the internal models approach for the reporting of the requirement with respect to counterparty risk both for derivatives and for SFTs (Securities Financing Transactions, i.e. repos/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 former Banks and Companies merged into it) and the main banks and companies in the Private Banking and Asset Management Divisions, as well as of VUB Banka and Privredna Banka Zagreb.

On 30 November 2023, Intesa Sanpaolo announced that it had received the ECB's final decision concerning the capital requirement that the Bank has to meet, as of 1 January 2024.
The overall capital requirement to be met in terms of Common Equity Tier 1 ratio is 9.33%.
This is the result of:
- the SREP requirement in terms of Total Capital ratio of 9.50% comprising a minimum Pillar 1 capital requirement of 8%, of which 4.5% is CET1, and an additional Pillar 2 capital requirement of 1.50%, of which 0.84% is CET1 applying the regulatory amendment introduced by the ECB and effective from 12 March 2020;
- additional requirements, entirely in terms of Common Equity Tier 1 ratio, relating to:
  - A Capital Conservation Buffer of 2.5%;
  - an O-SII Buffer (Other Systemically Important Institutions Buffer) of 1.25%;
  - a Countercyclical Capital Buffer of 0.24%[122].

With regard to the accounting standard IFRS 9, the transitional period (2018-2022) introduced to mitigate its impacts on capital ended on 31 December 2022. In addition, since June 2020 the Intesa Sanpaolo Group has not adopted the new IFRS 9 transitional rules relating to adjustments to loans after 31 December 2019 or the reintroduction of the prudential filter for exposures to central governments classified to the FVOCI category – the first of which is in force until 31 December 2024 while the second ended on 31 December 2022 – both introduced by the European Commission in Regulation 2020/873 of 24 June 2020 (quick fix).

Since December 2020, the Intesa Sanpaolo Group has applied Delegated Regulation (EU) 2020/2176 on the deduction of software assets from Common Equity Tier 1 items, which introduced the criterion of prudential amortisation applied to all software assets over a period of three years (regardless of their estimated useful life for accounting purposes). Specifically, the difference, if positive, between the prudential accumulated amortisation and the accounting accumulated amortisation (including impairment losses) is fully deducted from CET1 capital, while the remaining portion (the portion of the net carrying amount of each software asset that is not deducted) is included in the RWAs with a risk weight of 100%.

Finally, with regard to the regulatory provision set out in Art. 3 of the CRR ("Application of stricter requirements by institutions"), the voluntary deduction from CET1 relating to the calendar provisioning on exposures included in the Pillar 2 scope is included for the purposes of the calculation of Own funds as at 31 December 2023[123].

[122] See the previous note.

[123] The addendum to the ECB Guidance on non-performing loans of 2018 contemplates the possibility that banks "deduct" on their own initiative specific amounts from CET1, to anticipate supervisory requests, in the event of divergence between the prudential framework, which expects adjustments not based on credit risk measurement criteria, and the accounting framework.

B. Quantitative information

B.1. Consolidated book shareholders' equity: breakdown by type of company

(millions of euro)

Balance sheet captions	Prudential consolidation	Insurance companies	Other companies	Netting and adjustments on consolidation	TOTAL	*of which minority interests*
1. Share capital	**10,435**	**-**	**56**	**-**	**10,491**	***122***
2. Share premium reserves	**28,019**	**-**	**-**	**-**	**28,019**	***16***
3. Reserves	**14,876**	**-2**	**-784**	**753**	**14,843**	***146***
3.5 (Interim dividend)	**-2,629**	**-**	**-**	**-**	**-2,629**	**-**
4. Equity instruments	**7,948**	**-**	**-**	**-**	**7,948**	-
5. (Own shares)	**-140**	**-5**	**-**	**5**	**-140**	-
6. Valuation reserves:	**-2,160**	**-298**	**107**	**194**	**-2,157**	***-148***
- Equities designated at fair value through other comprehensive income	-477	-	-	-	-477	-
- Hedges of equities designated at fair value through other comprehensive income	-	-	-	-	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	-1,506	-3,172	-	-	-4,678	*2*
- Property and equipment	1,843	-	39	-	1,882	*19*
- Intangible assets	-	-	-	-	-	-
- Hedges of foreign investments	-24	-	-	-	-24	-
- Cash flow hedges	-318	41	-	-	-277	-
- Hedging instruments (non-designated items)	-	-	-	-	-	-
- Foreign exchange differences	-1,476	-	62	-	-1,414	*-166*
- Non-current assets held for sale and discontinued operations	-	-	-	-	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-125	-	-	-	-125	-
- Actuarial gains (losses) on defined benefit plans	-189	-	-	-	-189	*-3*
- Share of valuation reserves connected with investments carried at equity	-199	-	6	194	1	-
- Finance income or expenses from insurance contracts issued	-	2,829	-	-	2,829	-
- Finance income or expenses from reinsurance contracts held	-	4	-	-	4	-
- Legally-required revaluations	311	-	-	-	311	-
7. Parent company's net income (loss) and minority interest (+/-)	**7,750**	**945**	**-53**	**-890**	**7,752**	***28***
Shareholders' equity	**64,099**	**640**	**-674**	**62**	**64,127**	**164**

The table above indicates the components of net book value, adding those of the Group to those of third parties, broken down by the type of consolidated company. In further detail, the column for the Banking group indicates the amount resulting from the consolidation of the companies belonging to such group, gross of the effects on the income statement of transactions with other companies within the scope of consolidation. Subsidiaries other than those belonging to the Banking group and consolidated on a line-by-line basis are stated at equity. The columns Insurance companies and Other companies contain the amounts resulting from consolidation, gross of the effects on the income statement of transactions with companies belonging to the Banking group. The columns Netting and Adjustments on consolidation show the adjustments required to obtain the figure presented in the financial statements.

B.2. Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

(millions of euro)

	Banking group		Insurance companies		Other companies		Netting and adjustments on consolidation		TOTAL	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	454	-5,115	333	-3,505	-	-	-331	3,505	456	-5,115
2. Equities	93	-570	-	-	-	-	-	-	93	-570
3. Loans	10	-29	-	-	-	-	-	-	10	-29
Total as at 31.12.2023	**557**	**-5,714**	**333**	**-3,505**	**-**	**-**	**-331**	**3,505**	**559**	**-5,714**
Total as at 31.12.2022	**235**	**-8,617**	**42**	**-6,392**	**-**	**-**	**-42**	**6,392**	**235**	**-8,617**

The reserve for debt securities attributable to insurance companies (negative for 3,172 million euro) is to be considered in conjunction with the valuation reserve "Finance income or expenses from insurance contracts issued" (positive for 2,829 million euro), which includes the effect of mirroring – a mechanism introduced by IFRS 17 – whereby the financial result is attributed to policyholders.

The reserve on equities classified as level 1 is negative for about 472 million euro.

The caption Loans include includes the reserve for tax credits of the HTCS business model.

B.3. Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. Opening balance	**-8,082**	**-258**	**-42**
2. Increases	**6,711**	**48**	**60**
2.1. Fair value increases	5,932	42	45
2.2. Adjustments for credit risk	24	X	1
2.3. Reversal to the income statement of negative reserves from disposal	529	-	14
2.4. Transfer to other shareholders' equity items (equities)	-	4	-
2.5. Other increases	226	2	-
3. Decreases	**-3,288**	**-267**	**-37**
3.1. Fair value decreases	-2,894	-247	-26
3.2. Recoveries for credit risk	-10	-	-11
3.3. Reversal to the income statement of positive reserves from disposal	-218	-	-
3.4. Transfer to other shareholders' equity items (equities)	-	-9	-
3.5. Other decreases	-166	-11	-
4. Final balance	**-4,659**	**-477**	**-19**

Trading on treasury shares

During the year, Intesa Sanpaolo and the Group companies – on the basis of specific Shareholders' Meeting authorisations – carried out the following transactions on treasury shares of the Parent Company Intesa Sanpaolo:

Ordinary shares:		
Initial number	no.	56,706,787
Purchases	no.	743,397,746
of which to be annulled (buyback)	*no.*	*706,004,171*
Sales	no.	-736,049,785
of which annulment of shares subject to buyback	*no.*	*-706,004,171*
End-of-year number	no.	64,054,748

B.4. Valuation reserves relating to the defined benefit plans: annual changes

During the year, the reserves at issue recorded an increase of 53 million euro. Therefore, as at 31 December 2023 there was an overall negative reserve equal to approximately 189 million euro for defined benefit plans.

SECTION 2 – OWN FUNDS AND CAPITAL RATIOS FOR BANKS

Reference is made to the "Basel 3 Pillar 3" public disclosure as at 31 December 2023 for the disclosure on own funds and capital adequacy.

Part G – Business combinations

SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

1.1 Business combinations

(millions of euro)

Companies	Date of the transaction (a)	Cost of the transaction	Equity stake % (b)	Net interest and other banking income (c)	Net income / loss for the year (c)	Net income / loss recorded as of acquisition date (c)
1. Business line of Blue Assistance (a company of the Reale Group) consisting of the organised set of assets and legal relationships designated to performing the Third Party Administration (TPA)	1-Apr-23	44	100	n.d.	n.d.	n.d.

(a) Date of acquisition of control.

(b) Full goodwill criterion.

(c) This is a business line that was merged into the transferee company and it is therefore not possible to identify the income statement figures attributable solely to the business line transferred.

In addition to the sole business combination accounted for pursuant to IFRS 3, presented in the previous table, several extraordinary intragroup transactions were carried out during the year, which had no effects on the consolidated financial statements. Such transactions, which are scoped out of IFRS 3, involved the transfer of business lines or legal entities between Intesa Sanpaolo Group companies or business combinations (under common control). Since the transfers were carried out for reorganisation purposes only, in accordance with the Group's accounting policy, these transactions were simply recorded applying book value accounting, without recognition of any economic effect. The main intragroup transactions completed during the year concerned:

– the merger by incorporation (through a reverse merger transaction) of Fideuram Bank Luxembourg S.A. into Compagnie De Banque Privée Quilvest, subsequently renamed Intesa Sanpaolo Wealth Management (Luxembourg);
– the merger by incorporation of Intesa Sanpaolo Provis into Intesa Sanpaolo;
– the purchase, by Fideuram, of 2% of the capital of REYL from a manager who resigned at the end of July, in accordance with the provisions of the shareholders' agreements;
– the cross-border merger by incorporation of Intesa Sanpaolo Life DAC, a fully-owned subsidiary of Intesa Sanpaolo Vita, into Intesa Sanpaolo Vita;
– the contribution to Isybank of a business line consisting of the set of assets and legal relationships organised functionally for the management of natural person customers who primarily use digital channels by the parent company, Intesa Sanpaolo;
– the merger by incorporation of Milano Santa Giulia into Risanamento.

Annual changes in goodwill

(millions of euro)

	31.12.2023
Initial goodwill	**3,626**
Increases	**46**
- Goodwill recorded in the year	31
- Positive foreign exchange differences and other changes	15
Decreases	**-**
- Impairment recorded in the year	-
- Disinvestments	-
- Negative foreign exchange differences and other changes (reclassified to discontinued operations)	-
Final Goodwill	**3,672**

Goodwill

(millions of euro)

CGUs/Goodwill	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)	-	-
Total	**3,672**	**3,626**

1.2 Other information

The acquisition of the Blue Assistance business line

In 2021 Intesa Sanpaolo Vita and Intesa Sanpaolo RBM Salute had assessed the possibility of internally managing and developing, including through outsourcing to other companies of the Intesa Sanpaolo Vita Group and/or third parties, certain TPA (third-party administrator) services, i.e. the outsourced management of certain insurance claims. To this end, in 2022 Intesa Sanpaolo Vita had formed a new joint-stock company named InSalute Servizi dedicated to claims management and development of a network of participating healthcare facilities.

The best solution for achieving the strategic goals pursued by the Group was determined to be forming a long-term business partnership between Intesa Sanpaolo Vita and Blue Assistance, a Reale Group company, specialised in health assistance, to set up a TPA dedicated to providing administrative, settlement, IT and consultancy services and to developing a network of participating healthcare facilities in support of the offering of health insurance services. The agreement entailed the contribution to InSalute Servizi of a business line of Blue Assistance on the basis of a dedicated capital increase and subsequent transfer of 10% of the units of InSalute Servizi by Blue Assistance to Intesa Sanpaolo Vita so as to achieve the target corporate structure agreed upon between the parties, in which Intesa Sanpaolo Vita is the controlling shareholder with a 65% stake and Blue Assistance has a 35% stake. The business line contributed, with equity of approximately 4 million euro, consists of the set of assets functional to providing TPA services, mainly including the technology platform, network of participating facilities and employment contracts.

The contribution of the business line was finalised on 31 March 2023, with legal effect from 1 April 2023, on the basis of a capital increase by InSalute Servizi reserved for Blue Assistance, resulting in the initial dilution of the stake held in the beneficiary of the contribution by Intesa Sanpaolo Vita to 55%. Concurrently with the contribution, on that same date, Intesa Sanpaolo Vita incurred an outlay of approximately 10 million euro to acquire a further 10% stake of InSalute Servizi from Blue Assistance. Following the capital increase and share purchase and sale, the parties thus achieved the definitive target structure, in which Intesa Sanpaolo Vita holds a 65% stake in InSalute Servizi and Blue Assistance 35%. The agreement also provides that the interest held by Blue Assistance may be acquired by Intesa Sanpaolo Vita by cash payment according to a mechanism of cross put and call options that may be exercised on the fifth or tenth anniversary of the partnership, respectively.

The fair values of the transaction were promptly determined through a fairness opinion drafted by an independent expert, which defined both the fair value of the Blue Assistance business line contributed and the fair value of InSalute Servizi following the contribution.

Accounting treatment of the business combination and Purchase Price Allocation (PPA) process

From an accounting perspective, the business combination transaction was undertaken in three distinct steps:

– the contribution of the Blue Assistance business line to InSalute Servizi entailed the transfer to third parties of 45% of InSalute Servizi, previously fully owned by Intesa Sanpaolo Vita. This transaction qualifies as an equity transaction after the acquisition of control, the treatment of which is governed by IFRS 10, as InSalute Servizi, even after the finalisation of the transaction, remains a subsidiary and included within the scope of consolidation of the Intesa Sanpaolo Group;
– the contribution also translated into the acquisition of 55% of the business line contributed by Blue Assistance, resulting in control being obtained pursuant to IFRS 10. Since the business line is considered a “business” as defined in IFRS 3, the acquisition of control of the business line is considered a business combination to be accounted for according to the acquisition method;
– finally, the subsequent purchase of a 10% stake in InSalute Servizi following the contribution of the business line also qualified as an equity transaction involving a company already subject to control, and therefore once more fell within the definition of “equity transaction” provided in IFRS 10.

With regard to the first and last steps described in the foregoing points, equity transactions following the acquisition of control that entail a change in the percentage of control, but not a loss of control, of a company consolidated line by line are defined transactions in non-controlling interests and are subject to specific provisions of IFRS 10. Accordingly, in the consolidated financial statements the differences between the economic value and book value of the minority interests involved have been accounted for through the Group’s shareholders’ equity. In the case at hand, on the basis of the values negotiated between the parties and the carrying amount of InSalute Servizi in the financial statements of the Intesa Sanpaolo Group, the two transactions resulted in an overall positive impact on the Group’s shareholders’ equity of 14 million euro.

The acquisition of 55% of the business line of Blue Assistance, resulting in control being obtained pursuant to IFRS 10, was instead considered a business combination to be accounted for according to the acquisition method, within the view that this business line comes within the definition of “business” provided in IFRS 3. On the basis of this method: a) the acquirer and acquisition date were identified; b) the acquisition cost was determined; and c) the purchase price was allocated (PPA, Purchase Price Allocation), recognising the identifiable assets, liabilities and potential liabilities of the company/business line acquired at their acquisition date fair values. In addition, any intangible assets not yet recognised by the acquiree must be recorded.

Without prejudice to the identification of InSalute Servizi, and thus of the Intesa Sanpaolo Group, as the acquirer, the acquisition date was determined to be 1 April 2023, i.e. the date on which the contribution of the business line of Blue Assistance to InSalute Servizi entered into effect, with the execution of the related capital increase. Accordingly, for the purposes of the financial situation subject to initial consolidation, as well as for the purposes of determining the fair values of the assets and liabilities acquired, the closing balances as at 31 March 2023 were adopted.

The total acquisition cost pursuant to IFRS 3 was determined to be 44 million euro, on the basis of the total fair value (100%) of the business line contributed by Blue Assistance, as identified in the fairness opinion drafted by the independent expert, taking account of the clear strategic desire of the Intesa Sanpaolo Group to acquire, in time, the 35% stake still held by Blue Assistance, to increase its interest to 100%. Accordingly, the acquisition cost considered both the fair value of 65% of the business line acquired and the 35% interest in the business line retained by Blue Assistance and underlying the mechanism of cross put and call options established between the parties.

After the purchase price was determined, it was allocated to the equity acquired, after adjusting it to reflect the fair value of the assets acquired and liabilities assumed.
The purchase price allocation was completed for the 2023 financial statements, even though the acquisition date was 1 April 2023, exercising the option afforded by para. 45 of IFRS 3, which grants the acquirer 12 months from the acquisition date to complete the definitive PPA process.
Accordingly, for the purposes of the 2023 financial statements, the process of redetermining the fair value of the assets acquired and liabilities assumed and identifying any specific intangibles not already previously recognised in the book values of the business line contributed by Blue Assistance was completed with the support of an independent expert. In particular, the following accounting entries emerged as worthy of attention in terms of potential differences between carrying amounts and fair values:

– the technology platform;
– a possible specific intangible, previously not recognised in the business line’s financial statements, tied to agreements with healthcare facilities contributed by Blue Assistance.

With regard to the technology platform, it should be noted that the assets contributed included a software programme that derived from the infrastructure and IT application systems used by Blue Assistance to provide TPA services and thus is an asset qualifying as autonomous intellectual and industrial property. In the PPA process, the expert determined the fair value of the platform by applying the methodology of ex novo reconstruction of a software programme that would offer the same functionalities as the programme subject to valuation. The expert conducted a benchmarking analysis according to a comparative approach based on a comparison with a comparable market solution characterised by a series of modules functional to the services provided by the platform. The expert also considered the additional costs of technological upgrade, personalisation, customisation and integration of the platform into Intesa Sanpaolo Vita, necessary for the platform to operate in the Intesa Sanpaolo Vita Group’s IT environments.
The valuation process thus defined identified a fair value of the software of 16 million euro, with a difference between the fair value and book value of the business line of 12 million euro. In accordance with IAS 12, on the basis of the above intangible deferred tax liabilities of approximately 3 million euro were recognised on the basis of the nominal rate applicable to InSalute Servizi. For the purposes of determining the amortisation criterion for the platform, its useful life was set at approximately seven years, in view of expected technological obsolescence.
For the purposes of the PPA process, the agreements with healthcare facilities contributed by Blue Assistance as part of the contribution transaction, despite meeting the requirements established by IAS 38 for being considered a specific intangible asset, were not found to possess autonomous value susceptible to measurement in a PPA process and therefore were not recognised as intangible assets on the acquisition date. The network of participating facilities will in fact be able to generate future economic benefits not on an autonomous basis but exclusively within the framework of the Insurance Division as a whole, in the light of the future cost synergies envisaged in the management of relations with insurance customers of the Group who will avail themselves of this network of providers.

Summary of the purchase price allocation and goodwill calculation process
As required by IFRS 3, at the acquisition date the acquirer must recognise the goodwill acquired in a business combination as an asset and initially measure such goodwill as the residual amount of the acquisition cost, as it constitutes the amount by which the cost of the business combination exceeds the acquirer’s interest in the net fair value of the assets, liabilities and contingent liabilities identified.
As stated above, goodwill was recognised on 100% of the business line acquired, through the full goodwill criterion, as the difference between the total acquisition cost and the shareholders’ equity of the business line, expressed at its acquisition date fair value. The total acquisition cost came to 44 million euro, while the IAS/IFRS shareholders’ equity of the business line acquired as at 31 March 2023, appropriately revalued at fair value, came to 13 million euro.

The following table contains a summary of the purchase price allocation and final goodwill calculation process.

(millions of euro)

		Business line of Blue Assistance
Final acquisition cost	**a**	**44**
IAS/IFRS shareholders’ equity at acquisition date	**b**	**4**
PPA effects	**c = d + e**	**9**
- of which technology platform fair value change	*d*	*12*
- of which deferred tax liabilities	*e*	*-3*
Shareholders’ equity at acquisition date fair value	**f = b + c**	**13**
Goodwill recognised	**g = a - f**	**31**

The comparison between the total acquisition cost and the shareholders’ equity of the business line at fair value identified a residual difference to allocate of approximately 31 million euro, which was recognised as goodwill following the completion of the PPA. According to IAS 36, goodwill recognised in a business combination shall, at the acquisition date, be allocated to the CGU that is expected to benefit from the synergies of the business combination; within the Intesa Sanpaolo Group, the goodwill was allocated to the Insurance CGU.

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE END OF THE YEAR

2.1 Business combinations

No business combinations within the scope of IFRS 3 have been undertaken since the end of 2023.

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

No adjustments are recognised in the current year that relate to business combinations that occurred in previous reporting periods.

Part H – Transactions with related parties

A) TRANSACTIONS WITH RELATED PARTIES

1. Procedural features

The Board of Directors of Intesa Sanpaolo S.p.A. adopted, in compliance with the procedures set out by regulations, the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking.
These Procedures take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, and the supervisory provisions introduced by the Bank of Italy on 12 December 2011 in terms of risk assets and conflicts of interest by banks and banking groups with respect to "Associated Entities", issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and ICRC (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008, as well as the rules established by Article 136 of the Consolidated Law on Banking.

The Procedures apply to the entire Intesa Sanpaolo Group with respect to the following aspects:

- the criteria for identifying Related Parties and Associated Entities;
- the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and Associated Entities;
- market disclosure for transactions with Related Parties;
- the prudential limits and periodic reporting obligations towards the Bank of Italy for at-risk assets in respect of Associated Entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention about the management of the personal interests by management body members, employees and company staff, including other than Associated Entities.

Pursuant to the Procedures, the following are considered Related Parties of Intesa Sanpaolo: parties that exercise significant control or influence, subsidiaries and associates, joint ventures, pension funds of the Group, Management Body Members and Key Managers of Intesa Sanpaolo and their close family members and significant shareholdings.
The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent Company) and each monitored significant intermediary with own funds greater than 2% of the total of consolidated own funds. The following are considered to be Associated Entities for each bank or monitored significant intermediary of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies they control, also jointly with others; iii) management body members and their relative close family members up to the second degree and significant shareholdings.

As a form of self-regulation, the Bank has extended the regulations on transactions with Related Parties, as well as on risk-related activities and conflicts of interest with Associated Entities to:

a) Intesa Sanpaolo shareholders and their groups that hold a stake in the share capital with voting rights of the Bank that exceeds the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them with others;
b) companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chair of the management body; ii) hold a qualifying holding equal to or exceeding 10% of the capital or voting rights of that entity, or a position of significant influence;
c) companies which the Group has notable investments in and financial links with, attributable to at least two of the following indicators:
    - the counterparty holds a stake in Intesa Sanpaolo's capital between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies;
    - an entity of the Intesa Sanpaolo Group holds a stake in the counterparty exceeding 10% of the voting rights;
    - significant credit exposure of the Group to the counterparty.

This approach allows closer monitoring of transactions with the main entities in potential conflict of interest risk.

The Procedures set forth the assessment process that must be followed by the Parent Company and subsidiary companies when carrying out transactions with Related Parties of Intesa Sanpaolo, Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking, to ensure appropriateness of the transactions. The Procedures also require detailed examination of the reasons and interests behind the transaction, their effects on financials and the terms of the transaction.

In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full or partial exemptions from the application of the regulations is also envisaged.

With regard to the decision-making for transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, the procedure distinguishes between:

- transactions involving smaller amounts: with a value of less than or equal to 250 thousand euro for individuals and 1 million euro for persons other than natural persons (excluded from application of the regulations);
- less significant transactions: with a value higher than the small-amount thresholds (250 thousand euro for individuals and 1 million euro for persons other than natural persons) but lower than or equal to the most significant thresholds indicated below;
- most significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 2.9 billion euro for the Intesa Sanpaolo Group);
- transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Committee for Transactions with Related Parties, which meets the independence requirements laid down in the Corporate Governance Code for Listed Companies and Art. 148 of the Consolidated Law on Finance. The Committee for Transactions with Related Parties can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.
For most significant transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not exempt based on the Procedures – undertaken by the Parent Company with one of its related parties or associated entities are subject to approval by the Board, after consulting the Committee for Transactions with Related Parties.
The Procedures set out specific controls in the event that a less significant or most significant transaction is approved in spite of a negative opinion of the Committee for Transactions with Related Parties.

Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved by the Board of Directors of the subsidiaries concerned, subject to prior authorisation from the Parent Company released in accordance with the procedure described above.

The Procedures also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the directors and the control body regarding transactions with Related Parties and Associated Entities completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts greater than the small-amount thresholds. Transactions of less significant importance in the form of intragroup loans and bank funding are excluded from this requirement (provided they do not regard a subsidiary with significant interests of another Related Party or Associated Entity and are not carried out at market or standard conditions). For ordinary intragroup less significant transactions carried out at market conditions, reporting is on an aggregate annual basis.

Transactions undertaken by Italian subsidiary banks with Related Parties and Associated Entities of the Group that have not been considered exempt must, subject to authorisation by the Parent Company, be approved by the relative Board of Directors, upon obtaining the opinion of a Committee of independent directors set up within the Board of Directors of the bank itself. Furthermore, specific reporting rules apply to transactions by the Bank's Bodies.

The Procedures also apply to transactions with Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking, which must be applied by all the Italian Banks of the Intesa Sanpaolo Group, including the Parent Company. This provision requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body, excluding the vote of the interested member, and favourable vote of members of the control body) in order to allow the bank management body members to contract obligations, directly or indirectly, with the bank of which they act as management body members.

Furthermore, the requirements envisaged by the Italian Civil Code (Article 2391) and Article 53 of the Consolidated Law on Banking governing directors' personal interests are confirmed.
In particular, Article 2391 of the Italian Civil Code requires each Board Member to report every interest held, in his/her own name or on behalf of third parties, that may be significant in carrying out his/her management function, with reference to a specific transaction. In accordance with the abovementioned provision, the Board has jurisdiction over decisions regarding transactions – including those with Related Parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the Board as per Article 2391 of the Italian Civil Code.
In addition, Article 53 of the Consolidated Law on Banking requires banks' directors to abstain from voting on resolutions where they have a conflict of interest on their own behalf or on behalf of third parties.

2. Information on balances with related parties

Receivable and payable balances with related parties as at 31 December 2023 within the consolidated accounts – other than those fully consolidated intragroup – amount to a total that is insignificant compared to the size of the Group's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.

	31.12.2023	
	Amount (millions of euro)	**Impact (%)**
Total financial assets [(1)]	7,121	0.8
Total other assets [(2)]	206	0.6
Total financial liabilities [(3)]	5,348	0.7
Total other liabilities [(4)]	978	0.7

(1) Includes captions 10, 20, 30, 40 and 70 of balance sheet assets.

(2) Includes captions 50, 60, 80, 120 and 130 of balance sheet assets.

(3) Includes captions 10, 20 and 30 of balance sheet liabilities.

(4) Includes captions 40, 50, 70, 80, 90, 100 and 110 of balance sheet liabilities.

	31.12.2023	
	Amount (millions of euro)	**Impact (%)**
Total interest income	88	0.3
Total interest expense	212	1.4
Total fee and commission income	63	0.6
Total fee and commission expense	28	1.0
Total operating costs [(1)]	256	2.2

(1) Includes caption 190 of the income statement.

The table below reports the main terms of reference of transactions with each category of related party, as classified by IAS 24, net of operations with fully consolidated entities, with the category of Significant Shareholders of Intesa Sanpaolo and their corporate groups (subsidiaries also controlled jointly with others, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank greater than the minimum threshold set out in regulations on communications of significant shareholdings in listed companies calculated only based on shares owned or under management, as well as with the additional subjects included in the scope set as a form of self-regulation.
The following table does not show the impact of related party transactions on the Group's cash flows, as this was not significant.
For greater clarity and in line with the reports sent to the Supervisory Authorities, note that the off-balance sheet items were detailed on two separate rows by grouping on one side the guarantees/commitments given and on the other the guarantees/commitments received. The first category also includes the revocable commitments issued totalling 1.4 billion euro.

(millions of euro)

	Subsidiaries not consolidated on a line-by-line basis	**Companies subject to joint control and their subsidiaries**	**Associates and their subsidiaries**	**Board Members and General Managers, Key Managers and their related parties**	**Pension funds**	**TOTAL**	Shareholders (*)	Companies which the Group has notable investments in and financial links with (**)	Other companies linked to Board Members and General Managers (***)
Cash and cash equivalents	-	-	-	-	-	-	-	412	-
Financial assets measured at fair value through profit or loss	-	-	145	-	-	145	-	2,292	-
a) financial assets held for trading	-	-	-	-	-	-	-	*2,207*	-
b) financial assets designated at fair value	-	-	-	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	*145*	-	-	*145*	-	*85*	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	20	-	-
Financial assets measured at amortised cost	1	307	458	27	-	793	61	889	8
a) due from banks	-	-	*4*	-	-	*4*	-	*802*	-
b) loans to customers	*1*	*307*	*454*	*27*	-	*789*	*61*	*87*	*8*
Other assets	2	35	79	-	-	116	-	90	-
Investments in associates and companies subject to joint control	54	100	2,347	-	-	2,501	-	-	-
Financial liabilities measured at amortised cost	29	297	647	28	106	1,107	81	3,077	5
a) due to banks	-	-	*2*	-	-	*2*	-	*3,020*	-
b) due to customers	*29*	*297*	*645*	*28*	*106*	*1,105*	*81*	*57*	*5*
Financial liabilities held for trading	-	-	4	-	-	4	-	1,068	-
Financial liabilities designated at fair value	-	-	-	6	-	6	-	-	-
Other financial liabilities	2	6	42	22	505	577	18	383	-
Guarantees and commitments given	19	90	768	5	-	882	28	1,100	1
Guarantees and commitments received	-	24	-	2	-	26	12	118	-

(*) As a result of self-regulation, shareholders and their groups that hold a stake in the share capital that exceeds the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them.

(**) As a result of self-regulation, companies that meet the conditions of at least two of these indicators: i) the counterparty holds a stake in Intesa Sanpaolo's capital with an amount between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies; ii) an entity of the ISP Group holds a stake in the counterparty exceeding 10% of the voting rights; iii) significant credit exposure of the Group to the counterparty. The amounts shown largely refer to the companies of the JP Morgan Group.

(***) As a result of self-regulation, companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chair of the management body; ii) hold a qualifying holding equal to or exceeding 10% of the capital or voting rights of that entity, or on which those persons may exercise a significant influence.

In the interest of completeness, the Group's most significant associates included in the category of related parties in accordance with the version of IAS 24 in effect are: 1875 Finance Holding AG, Alpian S.A., Back2Bonis, Bancomat S.p.A., Camfin S.p.A., Cassa di Risparmio di Fermo S.p.A., Digit'ed Holding S.p.A., Efesto, Equiter S.p.A., FI.NAV Comparto A1 Crediti, Fondo UTP Italia Comparto Crediti, Intrum Italy S.p.A., Lendlease MSG Heartbeat, Neva First – FCC, Penghua Fund Management Co. Ltd, Rexer S.p.A., RSCT Fund - Comparto Crediti, and Warrant Hub S.p.A.
The main joint ventures include: Mir Capital S.c.a. Sicar, Mooney Group S.p.A. and PBZ Croatia Osiguranje Public Limited for Company Compulsory Pension Fund Management.

3. Information on transactions with related parties

It is noted that transactions with fully consolidated intragroup related parties are not included in this document because they are netted at consolidated level.
For details of the transactions carried out by Intesa Sanpaolo S.p.A., see the information provided in Part H of Parent Company's Financial Statements.

Most significant transactions

During the year, the Intesa Sanpaolo Group did not carry out any transactions that qualified as non-ordinary "most significant transactions" and at non-market or non-standard conditions subject – in accordance with the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking – to the obligation to publish a market disclosure document.
Please note that the most significant transactions in the period are those that exceed the threshold of 5% of Own Funds at consolidated level (approximately 2.9 billion) or of the other indicators defined by the Consob regulation.

Other significant transactions

The transactions undertaken by the Intesa Sanpaolo Group with related parties generally fall within the scope of the Group's ordinary activities and are generally entered into at market conditions, based on considerations of mutual economic interest, in line with the internal procedures mentioned above.

Relations between the Intesa Sanpaolo Group and the board members and general managers, key managers, their close family members and entities they have significant investments in refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied.

With regard to the transactions with jointly-controlled subsidiaries or associates, as well as with significant investees due to the presence of important equity and financial ties, mention should be made of:

- credit transactions in favour of Alpian S.A. by Reyl & Cie S.A. with a total value of approximately 10 million euro;
- the subscription by Intesa Sanpaolo Vita S.p.A. of a capital increase of approximately 50 million euro in favour of Cronos Vita S.p.A. (now Cronos Vita Assicurazioni S.p.A.) and the credit transactions benefiting the same counterparty by Fideuram - Intesa Sanpaolo Private Banking S.p.A., Intesa Sanpaolo Private Banking S.p.A. and Intesa Sanpaolo S.p.A. within the framework of the system transaction involving Eurovita S.p.A.;
- the subscription by Fideuram - Intesa Sanpaolo Private Banking S.p.A. of two capital increases for a total of approximately 30 million euro in favour of Alpian S.A.;
- the revision of the creditor interest rates on the cash held by Mooney S.p.A. with Isybank S.p.A.;
- a technology asset rental transaction between Intesa Sanpaolo Rent Foryou S.p.A. and Mooney S.p.A. with a value of approximately 1.7 million euro.

Other significant information

With regard to the companies carried at equity, the following were recorded:

- a gain from the sale of investments in associates and companies subject to joint control attributable to the sale of Asteria IM S.A., Intesa Sanpaolo Casa S.p.A., Pietra S.r.l. and Zhong Ou Asset Management Co. Ltd. (ZOAM);
- adjustments to the equity interests in Alpian S.A., Intrum Italy S.p.A., Backtowork 24 S.r.l. and Yolo Group S.r.l.

B) INFORMATION REGARDING COMPENSATION OF THE MEMBERS OF MANAGEMENT AND CONTROL BODIES AND KEY MANAGERS

The following table shows the amounts of the compensation paid in 2023 to the members of the Management and Control Bodies and the General Managers of the subsidiary companies, as well as the compensation paid to other Key Managers of the Parent Company who fall within the notion of "related party". This also includes the maximum amounts of the variable portion of remuneration which shall be paid in cash and/or shares of the Parent Company, based on the Group's remuneration and incentive policy, subject to the verification of achievement of the assigned targets and the decisions of the competent bodies of the Parent Company.

(millions of euro)

	MANAGEMENT BODIES/ CONTROL BODIES[1]		OTHER MANAGERS [2]		TOTAL as at 31.12.2023	
	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid
Short-term benefits [3]	18	14	63	50	81	64
Post-employement benefits [4]	-	-	4	3	4	3
Other long-term benefits [5]	-	-	11	-	11	-
Termination benefits [6]	-	-	-	-	-	-
Share-based payments [7]	-	-	29	-	29	-
Total	**18**	**14**	**107**	**53**	**125**	**67**

(1) Figures referring to 452 positions. The table does not include approximately 1.9 million euro relating to 74 positions in the Boards of Directors (or similar bodies), as this was fully transferred to other Group Companies.

(2) Figures referring to 112 positions. The table does not include approximately 8,8 million euro relating to 14 General Manager positions (or similar positions), as this was fully transferred to other Group Companies.

(3) Includes fixed and variable remuneration of Directors that may be treated as equivalent to labour cost and social security charges paid by the company for its employees.

(4) Includes company contribution to pension funds and provisions for employee termination indemnities pursuant to law and company regulations.

(5) Includes an estimate of provisions for employee seniority bonuses.

(6) Includes benefits due under the employment contract for termination of employment.

(7) Includes the cost referring to the variable portion of short-/long-term remuneration to be paid in Intesa Sanpaolo shares.

Detailed information on remuneration policies, pursuant to Art. 123-ter of the Consolidated Law on Finance, is published annually in the "Report on remuneration policy and compensation paid", which includes:

- the details of the remuneration paid to members of management and control bodies, to General Managers, and, in aggregate form, to other Key Managers;
- the details and the progress of the stock option plans for the members of the Management Body, General Managers and other Key Managers;
- the details and the progress of the incentive plans based on financial instruments other than stock options, in favour of the Managing Director and CEO and other Key Managers;
- the details of the monetary incentive plans in favour of the Managing Director and CEO and other Key Managers;
- the shares of the Parent Company and subsidiaries held by the members of the Management and Control bodies, Key Managers and other associated entities.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

Description of share-based payments

Annual incentive plan based on financial instruments

The Supervisory Provisions regarding remuneration and incentive policies and practices in banks and in banking groups, issued on 30 March 2011 (now integrated in Circular 285 of the Bank of Italy) required, *inter alia*, that a portion of annual incentives paid to "Risk Takers" be granted through the assignment of financial instruments, over a multi-year time horizon. As a result, the Intesa Sanpaolo Group sets up annual incentive plans linked to performance. In fulfilment of these plans:

- with regard to the results for 2018, and in implementation of the Shareholders' Meeting resolution of 30 April 2019, on 17 and 18 September 2019 the Group totally purchased - through Banca IMI[124], in charge of the programme execution - 17,137,954 Intesa Sanpaolo ordinary shares (representing approximately 0.10% of the ordinary share capital) at an average purchase price of 2.129 euro per share, for a total value of 36,481,543 euro. In addition, the purchase programme has been implemented in order to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions;
- with regard to the results for 2019, and in implementation of the Shareholders' Meeting resolution of 27 April 2020, on 16, 17 and 18 November 2020 the Group totally purchased - through its IMI Corporate & Investment Banking Division, in charge of the programme execution - 25,400,000 Intesa Sanpaolo ordinary shares (representing approximately 0.13% of the share capital of the Parent Company) at an average purchase price of 1.852 euro per share, for a total value of 47,046,279 euro. In addition, the purchase programme has been implemented in service of the 2018-2021 Incentive Plan for financial advisors of the Fideuram – Intesa Sanpaolo Private Banking and Sanpaolo Invest networks and to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions;
- with regard to the results for 2020, and in implementation of the Shareholders' Meeting resolution of 28 April 2021, on 13 and 14 September 2021 the Group totally purchased - through its IMI Corporate & Investment Banking Division, in charge of the programme execution - 20,000,000 Intesa Sanpaolo ordinary shares (representing approximately 0.10% of the share capital of the Parent Company) at an average purchase price of 2.391 euro per share, for a total value of 47,822,401 euro. In addition, the purchase programme has been implemented in service of the former UBI Banca Group's shared-based payment incentive system for Risk Takers in regard to 2020 and residual shares from the former UBI Banca Group's incentive systems for previous years, as well as to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions;
- with regard to the results for 2021, and in implementation of the Shareholders' Meeting resolution of 29 April 2022, from 12 to 14 September 2022 the Group totally purchased – through its IMI Corporate & Investment Banking Division, in charge of the programme execution – 46,216,652 Intesa Sanpaolo ordinary shares (representing approximately 0.24% of the share capital of the Parent Company[125]) at an average purchase price of 1.8932 euro per share, for a total value of 87,496,321.48 euro. In addition, the purchase programme has been implemented in service of the Privredna Banka Zagreb (PBZ) Group's shared-based payment incentive system in regard to 2021 and the residual portions in financial instruments from previous plans, the Long-Term Incentive Plans reserved for the Financial Advisors of the Networks of the Fideuram - Intesa Sanpaolo Private Banking Group, as well as to grant severance payments upon early termination of employment;
- with regard to the results for 2022, and in implementation of the Shareholders' Meeting resolution of 28 April 2023, from 11 to 13 September 2023 the Group totally purchased – through its IMI Corporate & Investment Banking Division, in charge of the programme execution – 32,000,000 Intesa Sanpaolo ordinary shares (representing approximately 0.18% of the share capital of the Parent Company) at an average purchase price of 2.4697 euro per share, for a total value of 79,031,462.67 euro. The purchase programme has also been implemented in service of the incentive systems of several subsidiaries (i.e. the 2022 Incentive System of the Private Banking Network belonging to the Italy Network of Intesa Sanpaolo Private Banking; the 2022 Incentive System of the Relationship Managers belonging to the International Commercial Networks of the Fideuram – Intesa Sanpaolo Private Banking Group; and the 2022 Incentive System of the non-employee Financial Advisors belonging to the Commercial Networks of the Fideuram – Intesa Sanpaolo Private Banking Group) and any payment of consideration granted in conjunction with early termination of employment (severance).

The above Shareholders' Meetings also authorised the sale on the regulated market of any shares exceeding requirements, or their retention for any future incentive plans.

The above shares shall be assigned to the beneficiaries in compliance with the implementing regulations set forth in the above incentive systems. Generally, according to these regulations, the beneficiaries must remain in service up to the time

[124] Merged into Intesa Sanpaolo on 20 July 2020.

[125] The percentage has been calculated, in compliance with the terms of the resolution approved at the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022, on the 19,430,463,305 ordinary shares without nominal value composing the share capital of 10,084,445,147.92 euro before the execution, on 30 June 2022, of the capital increase under the 2022-2025 LECOIP 3.0 Long-term Incentive Plan based on financial instruments (which raised the share capital to 10,368,870,930.08 euro divided into 19,977,435,963 shares) and, then, the annulment of the own shares purchased in execution of the buyback programme disclosed to the market on 24 June 2022 and launched on 4 July 2022 (the share capital composition changed following the reduction in the number of its constituent shares, while its amount remained unchanged at 10,368,870,930.08 euro). The shares purchased represented around 0.24% of the share capital when considering the 19,267,277,397 constituent shares at the time of purchase.

the shares are actually delivered to them, and the deferred portion (either in cash or in financial instruments) of the incentive is subject to an ex post correction mechanism – the “malus condition” – according to which the relative amount paid and the number of shares assigned, if any, may be reduced by the level of achievement, in the year to which the deferred portion refers, of specific income statement-balance sheet targets which measure the sustainability of the results achieved over time.

Long-Term Incentive Plans 2022-2025: Performance Share Plan and LECOIP 3.0 Plan

At the time of launching the 2022-2025 Business Plan, two new long-term incentive plans were launched targeting different clusters of employees:

- Performance Share Plan (PSP) reserved for the Group Management, including the Managing Director and CEO, the remaining Group Top Risk Takers and other Group Risk Takers (in Italy and abroad);
- LECOIP 3.0 Plan reserved for all the Professionals employed by the Group in Italy.

With regard to Management, Intesa Sanpaolo has adopted a plan specifically linked to the achievement of the Business Plan targets and with an adequate risk/return profile in respect of the role held and the levels of ambition and challenge of the Business Plan, and which envisages the adoption of Performance Shares as a financial instrument. Participation in the PSP was also offered until 31 December 2023 to newly hired managers and in the event of promotions to recognise career advancement.

In detail, the Performance Share Plan provides for the assignment of new Intesa Sanpaolo ordinary shares deriving from a capital increase without payment, upon achievement of key performance conditions of the Business Plan, subject to the application of de-multipliers based on sustainability targets, as well as subordinated to gateway conditions and individual access (compliance breach).

Any shares accrued will be paid out over a 4/5-year time horizon according to payout schedules established depending on the sub-cluster of the beneficiary, the amount of the total variable remuneration, and its weight compared to the fixed remuneration. The deferred portions are also subject to the verification of malus conditions, defined in a mirrored manner to the gateway conditions.

For Professionals, basically in line with the LECOIP 2.0 Plan, a retention plan called “LECOIP 3.0” has been structured with the aim of continuing the work of strengthening the personnel’s identity and sense of belonging, consistently with the Group's inclusive organisational culture.

The LECOIP 3.0 Plan is assigned as certificates issued by JP Morgan, i.e. share-based financial instruments, and envisages:

- the assignment of newly issued ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment (Free Shares) for an amount equivalent to the Variable Result Bonus advance for 2022 (employees may opt to receive the advance in cash and, therefore, not to participate in LECOIP 3.0);
- the assignment, free of charge, of additional shares in exchange for the same share capital increase without payment (Matching Shares) based on the role held and seniority, and the subscription, in set proportions with respect to the free shares received, of newly issued ordinary Intesa Sanpaolo shares deriving from a share capital increase with payment reserved for employees, at a discounted issue price (Discounted Shares) against market value.

The Certificates reflect the terms of certain options that have Intesa Sanpaolo ordinary shares as their underlying instruments, and will allow employees to receive, at maturity, in the absence of trigger events, an amount in cash (or in Intesa Sanpaolo ordinary shares) that is equal to the original market value of the Free Shares and the Matching Shares, plus a portion of any appreciation, compared to the original market value, related to the amount of the Free Shares, Matching Shares and Discounted Shares.

In residual cases, the amount will be paid according to specific payout schedules that provide for deferral and payment of part of the bonus in financial instruments. These schedules are differentiated according to the cluster the beneficiaries belong to when the bonus is accrued, as well as the amount of the total variable remuneration, and its weight compared to the fixed remuneration.

The Performance Share Plan and the LECOIP 3.0 Plan were subject to the approval of the ordinary Shareholders’ Meeting of 29 April 2022.

The extraordinary session of the Shareholders’ Meeting resolved on granting a power of attorney to the Board of Directors to increase the share capital pursuant to Article 2443 of the Italian Civil Code, conducive to the implementation of the plans.

On 21 June 2022, ISP’s Board of Directors exercised the authority granted to it by the Shareholders’ Meeting for capital increases in favour of the Group’s employees to service the implementation of the 2022-2025 LECOIP 3.0 Plan.

Both the long-term incentive plans in question (the Performance Share Plan and the LECOIP 3.0) fall within the scope of IFRS 2 and qualify as equity-settled share-based payment plans.

For the Performance Share Plan, the fair value of the equity instruments that are subject to the plan is calculated at the assignment date. The Plan envisages the presence of service and performance conditions, which must be considered in order to determine the number of shares for the measurement of the cost of the plan. These estimates will be subject to review during the accrual period and until the expiry. Additionally, the determination of the fair value of the plan needs to take into account the presence of “market” performance conditions.

The cost of the plan, so defined, is attributed to the income statement (as labour costs) pro rata temporis along the accrual period of the benefit, as a balancing entry for a specific shareholders’ equity reserve. Upon the occurrence of the events that imply the loss of the rights to the benefits of the plan (performance targets, gateway conditions and the discontinuation of employment) for the employees, if the estimate made previously needs to be adjusted, ISP changes the cost of the plan with a corresponding adjustment to Shareholders’ Equity.

With regard to the LECOIP 3.0 Plan, at the assignment date, the fair value of the equity instruments that are subject to the plan is calculated (equivalent to the sum of the fair value of the shares assigned free of charge and the fair value of the discount for the paid shares) and no longer modified.

The Plan envisages the presence of non-market service and performance conditions (trigger events), which must be considered in order to determine the number of shares for the measurement of the cost of the plan. These estimates will be subject to review during the vesting period and until the expiry. The cost of the Plan, so defined, is attributed to the income statement (as labour costs) pro rata temporis along the period of accrual of the benefit, as a balancing entry for a specific shareholders’ equity reserve.

Upon the occurrence of the events that imply the loss of the rights to the benefits of the LECOIP 3.0. Certificate (trigger events and the discontinuation of employment) for the employees, Intesa Sanpaolo recognises a financial asset (the “transferred receivable” representing the Certificates) as a balancing entry in Shareholders’ Equity. In particular, the Certificates entered in the Group’s financial statements are classified, in accordance with the provisions of IFRS 9, under caption 20.c) “Financial assets measured at fair value through profit or loss: Other financial assets mandatorily measured at fair value”. At the same time, if the estimate made previously needs to be adjusted, the cost of the plan is changed with a corresponding adjustment to Shareholders’ Equity.
Finally, the 2018-2021 POP (Performance-based Option Plan), intended for the Managing Director and CEO (as General Manager), the Group’s Top Risk Takers, the other Group Risk Takers and Strategic Managers, was not activated because on Exercise Day (i.e. 10 March 2023) the POP Option was under water since the price of the share of 2.006 euro – calculated as the average Intesa Sanpaolo share price during the Averaging Period (11 March 2022 – 10 March 2023) – was below the strike price of 2.4937 euro even though:

– the gateway conditions were met in each year of the duration of the 2018-2021 Business Plan (i.e. CET1 ≥ SREP, NSFR ≥ 100%, No Loss and positive Gross Income and, for the Group’s Top Risk Takers, LCR ≥ 100%); and
– the performance targets of the Business Plan as at 31 December 2021 (i.e. 2021 Non-Performing Loans Ratio; Operating Income / 2021 Risk-Weighted Assets) were met.

B. QUANTITATIVE INFORMATION

Evolution of the annual incentive plans based on financial instruments in 2023

	Number of shares	Average strike price (euro)	Residual life
Financial instruments outstanding as at 31 December 2022	27,271,747	-	2023/2027
Financial instruments granted during the year (a)	30,072,387	-	2023/2028
Financial instruments no longer assignable (b)	296,502	-	-
Financial instruments vested during the year and assigned	24,145,939	-	-
Financial instruments outstanding as at 31 December 2023	32,901,693	-	2024/2028
of which: vested and assigned as at 31 December 2023	-	-	-

(a) Including the shares deriving from corporate transactions.

(b) Shares no longer deliverable to the beneficiaries following the related employment agreement ceasing and/or due to the application of the so-called malus conditions.

In addition to the shares specified above, in accordance with the Provisions of the Bank of Italy regarding remuneration and the Remuneration and Incentive Policies of the Group, during 2023, 229,432 shares were assigned with reference to remuneration granted in the event of early termination (severance). The residual life of those shares, assigned over a multi-year time horizon, ends between January 2024 and January 2028.

Breakdown by residual life

Residual life (a)	Number of shares
2024	4,903,960
2025	12,148,908
2026	8,473,978
2027	5,239,761
2028	2,135,086

(a) End of retention period

Evolution of long-term share-based instruments: Performance Share Plan (PSP) and LECOIP 3.0

	PERFORMANCE SHARE PLAN (PSP)			
	Number of Performance Share at 31.12.2022	Changes in the year (a)	Number of Performance Share at 31.12.2023	Fair value 31.12.2022
Total beneficiaries (all the Management, including the Managing Director and CEO, the other Group Top Risk Takers and the remaining Group Risk Takers – both Italian and foreign perimeter)	149,221,480	1,208,551	150,430,031	1.0304

(a) Number of Performance Shares awarded to newly hired or appointed Managers from the inception of the Plan to 31 December 2023 net of the Performance Shares that will not be awarded to employees due to failure to meet the continuation of service or other vesting conditions.

	LECOIP PLAN 3.0												
	Free Shares at June 2022		Matching Shares at June 2022		Discounted Shares at June 2022		Sell to cover shares at June 2022 (a)		Total number of shares assigned at June 2022	Number of LECOIP Certificates at 31.12.2022	Changes in the year (c)	Number of LECOIP Certificates at 31.12.2023	Average fair value 31.12.2023
	Number of shares	Average unit fair value	Number of shares	Average unit fair value	Number of shares	Average unit fair value (b)	Number of shares	Average unit fair value (b)					
Total employees	33,745,462	1.7800	39,591,828	1.7800	386,972,658	0.3409	86,662,710	1.7800	546,972,658	72,800,910	-1,517,047	71,283,863	5.5940

(a) Assigned shares allocated to cover the payment relating to the employee's tax burden.

(b) Fair value of the subscription discount.

(c) Number of Certificates for which Intesa Sanpaolo shall take over the rights that would have been recognised to the employees by virtue of the Certificates due to failure to comply with the condition of continuation of employment for the duration of the Plan and other vesting conditions.

Part L – Segment reporting

Breakdown by business area: income statement figures[a]

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (b)	Total
Net interest income	6,549	2,797	2,332	1,267	18	-	1,683	14,646
Net fee and commission income	4,630	1,112	583	1,858	816	3	-444	8,558
Income from insurance business	-	-	-	-	-	1,625	41	1,666
Profits (Losses) on financial assets and liabilities designated at fair value	111	3	90	54	20	-	20	298
Other operating income (expenses)	-5	-2	-80	5	54	-15	13	-30
Operating income	**11,285**	**3,910**	**2,925**	**3,184**	**908**	**1,613**	**1,313**	**25,138**
Personnel expenses	-3,482	-559	-619	-519	-114	-153	-1,535	-6,981
Administrative expenses (c)	-3,071	-924	-461	-375	-122	-194	2,145	-3,002
Adjustments to property, equipment and intangible assets	-2	-19	-117	-89	-9	-32	-1,078	-1,346
Operating costs	**-6,555**	**-1,502**	**-1,197**	**-983**	**-245**	**-379**	**-468**	**-11,329**
Operating margin	**4,730**	**2,408**	**1,728**	**2,201**	**663**	**1,234**	**845**	**13,809**
Net adjustments to loans	-1,318	-11	-206	-37	-	-	43	-1,529
Other net provisions and net impairment losses on other assets	-114	-182	-54	-73	-	61	-208	-570
Other income (expenses)	17	-	123	15	-	-	193	348
Income (Loss) from discontinued operations	-	-	-	-	-	-	-	-
Gross income (loss)	**3,315**	**2,215**	**1,591**	**2,106**	**663**	**1,295**	**873**	**12,058**
Taxes on income	-1,088	-711	-330	-672	-184	-386	-67	-3,438
Charges (net of tax) for integration and exit incentives	-70	-26	-48	-25	-	-21	-32	-222
Effect of purchase price allocation (net of tax)	-24	-	-6	-23	-4	-10	-94	-161
Levies and other charges concerning the banking industry (net of tax)	-188	-	-34	-18	-	-	-245	-485
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-
Minority interests	-	-	-	-2	-	-2	-24	-28
Net income (loss) 2023	**1,945**	**1,478**	**1,173**	**1,366**	**475**	**876**	**411**	**7,724**
Net income (loss) 2022	**494**	**656**	**504**	**1,034**	**550**	**933**	**208**	**4,379**

(a) Figures from the reclassified financial statements as described in the Report on operations.

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

(c) The administrative expenses of the Corporate Centre include charge backs by the Corporate Centre to the business units for pure services and guidance and control services.

In application of IFRS 15, in particular paragraphs 114 and 115, which require a breakdown of revenues from contracts with customers, the breakdown of fee and commission income and expense by business area is provided below.

(millions of euro)

Captions (a)	**Banca dei Territori**	**IMI Corporate & Investment Banking**	**International Subsidiary Banks**	**Private Banking**	**Asset Management**	**Insurance**	**Corporate Centre (b)**	**Total**
Guarantees given	105	324	52	2	-	-	-	483
Collection and payment services	447	135	215	7	-	-	4	808
Current accounts	1,166	39	146	9	-	-	-	1,360
Credit and debit cards	623	5	254	17	-	-	-	899
Commercial banking activities	**2,341**	**503**	**667**	**35**	**-**	**-**	**4**	**3,550**
Dealing and placement of securities	1,246	235	23	249	247	-	-960	1,040
Currency dealing	4	2	4	2	-	-	2	14
Portfolio management	87	1	40	1,857	1,762	-	-245	3,502
Distribution of insurance products	810	-	35	667	-	3	-3	1,512
Other	247	35	12	197	-	-	4	495
Management, dealing and consultancy activities	**2,394**	**273**	**114**	**2,972**	**2,009**	**3**	**-1,202**	**6,563**
Other net fee and commission income	**258**	**529**	**88**	**27**	**176**	**-**	**71**	**1,149**
Fee and commission income	**4,993**	**1,305**	**869**	**3,034**	**2,185**	**3**	**-1,127**	**11,262**
Fee and commission expense	**-363**	**-193**	**-286**	**-1,176**	**-1,369**	**-**	**683**	**-2,704**
Net fee and commission income 2023	**4,630**	**1,112**	**583**	**1,858**	**816**	**3**	**-444**	**8,558**
Net fee and commission income 2022	**4,739**	**1,146**	**574**	**1,980**	**913**	**3**	**-436**	**8,919**

(a) Figures from the reclassified financial statements as described in the Report on operations.

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

Breakdown by business area: balance sheet figures[(a)]

(millions of euro)

	Banca dei Territori	**IMI Corporate & Investment Banking**	**International Subsidiary Banks**	**Private Banking**	**Asset Management**	**Insurance**	**Corporate Centre (b)**	**Total**
Loans to customers								
31.12.2023	232,411	127,167	42,050	14,372	243	-	13,297	429,540
31.12.2022	247,913	129,791	40,212	15,104	282	-	13,552	446,854
Direct deposits from banking business								
31.12.2023	270,365	113,450	57,910	45,805	16	-	88,590	576,136
31.12.2022	291,089	94,785	54,364	50,447	26	-	54,675	545,386

(a) Figures from the reclassified financial statements as described in the Report on operations.

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

Breakdown by geographical area: income statement figures[(a)]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Net interest income	11,056	2,856	734	14,646
Net fee and commission income	6,775	1,568	215	8,558
Income from insurance business	1,398	268	-	1,666
Profits (Losses) on financial assets and liabilities designated at fair value	131	146	21	298
Other operating income (expenses)	-72	-2	44	-30
Operating income	**19,288**	**4,836**	**1,014**	**25,138**
Personnel expenses	-6,027	-791	-163	-6,981
Other administrative expenses	-2,409	-506	-87	-3,002
Adjustments to property, equipment and intangible assets	-1,167	-153	-26	-1,346
Operating costs	**-9,603**	**-1,450**	**-276**	**-11,329**
Operating margin	**9,685**	**3,386**	**738**	**13,809**
Net adjustments to loans	-1,381	-62	-86	-1,529
Other net provisions and net impairment losses on other assets	-360	-185	-25	-570
Other income (expenses)	214	134	-	348
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**8,158**	**3,273**	**627**	**12,058**
Taxes on income	-2,600	-671	-167	-3,438
Charges (net of tax) for integration and exit incentives	-173	-49	-	-222
Effect of purchase price allocation (net of tax)	-144	-17	-	-161
Levies and other charges concerning the banking industry (net of tax)	-433	-52	-	-485
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-3	-1	-24	-28
Net income (loss) 2023	**4,805**	**2,483**	**436**	**7,724**
Net income (loss) 2022	**3,122**	**848**	**409**	**4,379**

(a) Figures from the reclassified financial statements, as described in the Report on operations.

The groupings by geographical area are based on the location of the Group's constituent entities. The International Branches are reported with reference to the country where the branches are located. As far as taxes on income are concerned, since Intesa Sanpaolo did not apply the option for the scheme of income exemption for international branches (known as Branch exemption), these branches' income is also taxed in Italy.
In application of IFRS 15, in particular paragraphs 114 and 115, which require a breakdown of revenues from contracts with customers, the breakdown of fee and commission income and expense by geographical area is provided below.

(millions of euro)

	Italy	Europe	Rest of the world	Total
Fee and commission income				
2023	10,965	3,001	253	14,219
2022	11,329	3,088	237	14,654
Fee and commission expense				
2023	-4,190	-1,433	-38	-5,661
2022	-4,175	-1,512	-48	-5,735

(a) Figures from the reclassified financial statements, as described in the Report on operations.

Breakdown by geographical area: balance sheet figures[(a)]

(millions of euro)

	Italy	Europe	Rest of the world	Total
Loans to customers				
31.12.2023	344,529	64,651	20,360	429,540
31.12.2022	365,428	63,173	18,253	446,854
Direct deposits from banking business				
31.12.2023	489,432	78,032	8,672	576,136
31.12.2022	466,841	71,010	7,535	545,386

Breakdown by geographical area is carried out with reference to the location of Group entities.

(a) Figures from the reclassified financial statements, as described in the Report on operations.

Part M – Disclosure of leases

This section provides the information required by IFRS 16 that is not included in other parts of the financial statements, divided between lessee and lessor.

SECTION 1 - LESSEE

QUALITATIVE INFORMATION

The Intesa Sanpaolo Group essentially has real estate and car or other vehicle lease contracts in place. There are also other types of lease contracts, for residual amounts, mainly relating to hardware.
As at 31 December 2023, there were 8,515 lease contracts (8,622 as at 31 December 2022), 4,861 of which (5,255 as at 31 December 2022) relating to real estate leases, for a total value of rights of use of 1,372 million euro (1,495 million euro as at 31 December 2022). Real estate lease contracts include properties designated for use as offices or bank branches. The contracts, within Italy, normally have a term of more than 12 months and typically have renewal and termination options that can be exercised by the lessor and the lessee in accordance with the law or specific contractual provisions. These contracts usually do not include the option to purchase at the end of the lease or significant restoration costs for the companies. On the basis of the characteristics of the Italian lease contracts and the provisions of Law 392/1978, in the event of the signing of a new lease contract with a contractual term of six years and the option to automatically renew the contract after six years for another six years, the total term of the lease will be set at twelve years. This general rule is superseded if there are new elements or specific situations within the contract. Within the international scope, contractual terms may vary according to local practice, while generally not exceeding a period of 5 years, subject to renewal. In the case of the international subsidiaries as well, these contracts do not provide for either an option to purchase at the end of the lease or significant restoration costs for the companies.
Contracts for vehicles are long-term rental contracts relating to the company fleet made available to employees (mixed use) or to the organisational structures of the individual companies. These contracts generally have a four-year term, with monthly payments, no renewal option and do not include the option to purchase the asset. The contract may be extended depending on the management of the car fleet and there may be a penalty in the event of early termination.
Lease contracts other than those relating to real estate and cars relate to hardware (60 contracts as at 31 December 2023, 54 as at 31 December 2022) and other residual contracts (352 as at 31 December 2023, 229 as at 31 December 2022) and are of immaterial amounts in relation to total property and equipment leased.
The amounts of the sale or leaseback transactions carried out in 2023 were insignificant.
Sub-leasing transactions are immaterial and are connected to intra-group transactions.
Lastly, the Group makes use of the exemptions allowed by IFRS 16 for short-term leases (i.e. with a term of less than or equal to 12 months) or leases of low value assets (i.e. with a value of 5,000 euro or less).

QUANTITATIVE DISCLOSURES

Part B - Assets in the Notes to the Financial Statements contains information on the rights of use acquired through leases (Table 9.1 - Property and equipment used in operations: breakdown of assets measured at cost and Table 9.4 - Investment property: breakdown of assets measured at fair value) and Part B - Liabilities contains information on the lease payables (Table 1.1 - Financial liabilities measured at amortised cost: breakdown of amounts due to banks and Table 1.2 - Financial liabilities measured at amortised cost: breakdown of amounts due to customers).
In particular, the rights of use acquired through leases amounted to 1,372 million euro (1,495 million euro as at 31 December 2022), of which 1,121 million euro relating to real estate leases (1,219 million euro as at 31 December 2022).
Lease payables amounted to 1,217 million euro (1,321 million euro as at 31 December 2022). See the abovementioned sections for more details.
Part C of the Notes to the consolidated financial statements contains information on the interest expense on lease payables and other charges connected to rights of use acquired through leases, and on the income from sub-leasing transactions. See the specific sections for more details.

The table below provides a breakdown of the amortisation and depreciation charges for assets consisting of the right of use among the various categories, in line with the disclosure of property and equipment/intangible assets.

(millions of euro)

Captions	31.12.2023	31.12.2022
Depreciation charges by asset class	**-**	**-**
Property and equipment used in operations	**306**	**307**
a) buildings	198	210
b) forniture	-	-
c) electronic equipment	17	22
d) other	91	75
Property and equipment for investment	**-**	**-**
a) buildings	-	-
TOTAL	**306**	**307**

As at 31 December 2023, there was no property and equipment relating to commitments for leases not yet commenced.
There is no other information that needs to be reported in addition to that already contained in this section.

SECTION 2 - LESSOR

QUALITATIVE INFORMATION

The Intesa Sanpaolo Group undertakes lease transactions, as lessor, primarily through the Parent Company, Intesa Sanpaolo, and various international subsidiaries, specifically PBZ Leasing, VUB Leasing, CIB Leasing and Intesa Leasing Beograd.
The transactions primarily consist of finance leases of real estate and industrial and commercial assets. The companies are also present on the market with lease products relating to capital goods, industrial vehicles, boats and pleasure craft. The risks associated with the ownership rights to the leased assets within Italy are managed through the compulsory subscription of an all-risk insurance policy, either offered through concessionary agreements or taken out directly by the customer with their insurer.
Operating leases refer to both real estate and vehicles and equipment.
The Notes to the consolidated financial statements report the following:

- finance leases (Part B, Assets: Table 4.1 - Financial assets measured at amortised cost: breakdown of amounts due from banks and Table 4.2 - Financial assets measured at amortised cost: breakdown of loans to customers);
- assets leased under operating leases contained in caption 90 Property and equipment and described in Part B, Assets (Table 9.4 - Investment property: breakdown of assets measured at fair value); this consists of real estate no longer used in operations by the Group, which is leased to third parties or held for possible appreciation in value. This item showed no amounts as at 31 December 2023.

See the abovementioned sections for more details.
Part C of the Notes to the consolidated financial statements contains information on interest income on finance leases and other income from finance and operating leases. See the specific sections for more details.

2. Finance leases

2.1. Breakdown by time bands of payments to be received and reconciliation with finance leases recorded as assets

This table provides the breakdown by time bands of lease payments to be received and the reconciliation between lease payments to be received and finance leases in accordance with IFRS 16, paragraph 94. In particular, the lease payments to be received, representing the sum of the minimum payments due as principal and interest, are shown net of the adjustment allowances and the unguaranteed residual value due to the lessor. The reconciliation with finance leases, shown in the financial statements under financial assets measured at amortised cost, is performed by subtracting the unearned finance income and adding the unguaranteed residual value.

(millions of euro)

Time bands	31.12.2023	31.12.2022
	Payments to be received	Payments to be received
Up to 1 year	1,808	1,738
Between 1 and 2 years	1,493	1,423
Between 2 and 3 years	1,247	1,222
Between 3 and 4 years	1,020	978
Between 4 and 5 years	767	794
Over 5 years	1,738	1,984
Total lease payments to be received	**8,073**	**8,139**
Reconciliation with loans	619	-59
Not accrued gains (+)	1,823	1,276
Unguaranteed residual value (-)	-1,204	-1,335
Loans for leases	**7,454**	**8,198**

2.2. Other information

2.2.1 Classification of finance leases by type of leased asset

The table shows the classification of finance leases by credit quality (performing and non-performing) and by type of leased asset. The amounts are shown net of adjustments.

(millions of euro)

Finance leases	Performing exposures	Non-performing exposures
A. Real estate assets	**4,732**	**295**
B. Operating assets	**1,197**	**17**
C. Movable assets	**1,198**	**10**
- Motor vehicles	855	7
- Aircraft and rolling stock	205	2
- Other	138	1
D. Intangible assets	**-**	**5**
- Trademarks	-	5
- Software	-	-
- Other	-	-

2.2.2 Classification of assets under finance leases

The table below provides a breakdown by category of leased asset (not yet transferred to property and equipment) relating to lease receivables, net of adjustments.

(millions of euro)

	Unexercised assets	Assets withdrawn following termination	Other assets
A. Real estate assets	**4**	**5**	**5,018**
B. Operating assets	**-**	**-**	**1,214**
C. Movable assets	**88**	**-**	**1,120**
- Motor vehicles	56	-	806
- Aircraft and rolling stock	-	-	207
- Other	32	-	107
D. Intangible assets	**-**	**-**	**5**
- Trademarks	-	-	5
- Software	-	-	-
- Other	-	-	-
TOTAL	**92**	**5**	**7,357**

Unexercised assets are assets still held by customers, for which the repurchase option has not been exercised, related to positions that do not show any deterioration in credit quality. Assets withdrawn following termination relate to terminated contracts, where the customer has not yet been released from the contractual obligations, despite having returned the asset covered by the lease contract. The category "other assets" includes the assets underlying the other lease receivables not included in the previous columns.

3. Operating lease

3.1. Breakdown of payments to be received by time bands

This refers to lease instalments to be received for owned real estate assets.

(millions of euro)

Time bands	31.12.2023 Payments to be received for leases	31.12.2022 Payments to be received for leases
Up to one year	34	29
Over one year up to 2 years	15	13
Over 2 years up to 3 years	13	9
Over 3 years up to 4 years	12	9
Over 4 years up to 5 years	10	9
For over 5 years	25	20
Total	**109**	**89**

3.2. Other information

There is no other information that needs to be reported in addition to that already contained in this section.

Certification of the consolidated financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Carlo Messina (as Managing Director and CEO) and Fabrizio Dabbene (as Manager responsible for preparing the Company's financial reports) of Intesa Sanpaolo, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of 24 February 1998, do hereby certify to:
   - the adequacy in relation to the Company's features and
   - the actual application of the administrative and accounting procedures employed to draw up the consolidated financial statements during 2023.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the consolidated financial statements as at 31 December 2023 was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems[126].

3. The undersigned also certify that:

   3.1 The Consolidated financial statements as at 31 December 2023:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   - correspond to the results of the books and accounts;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.

   3.2 The report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer and the companies included in the consolidation, together with a description of the main risks and uncertainties that they face.

27 February 2024

Carlo Messina
Managing Director and CEO

Fabrizio Dabbene
Manager responsible for preparing
the Company's financial reports

[126] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBjectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

Independent Auditors' Report on the Consolidated financial statements

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Independent auditor's report pursuant to article 14 of Legislative Decree no. 39/2010 and article 10 of EU Regulation no. 537/2014

(Translation from the original Italian text)

To the Shareholders of
Intesa Sanpaolo S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Intesa Sanpaolo Group (the "Group"), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, statement of consolidated comprehensive income, changes in consolidated shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree no. 38/2005 and article 43 of Legislative Decree no. 136/2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Intesa Sanpaolo S.p.A. (the "Bank") in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Classification and measurement of loans to customers (loans) at amortised cost Loans to customers (loans) recorded in assets measured at amortised cost, line item 40 b), amount to Euro 421,943 million as at 31 December 2023 and represent approximately 43.8% of total assets in the consolidated balance sheet. The breakdown of such loans is included in tables 4.2 and 4.3 in Part B, section 4, of the notes to the consolidated financial statements. Net impairment losses for credit risk on the loans to customers (loans) measured at amortised cost, included in line item 130 a) of the consolidated income statement, amount to Euro 1,309 million for the year ended 31 December 2023. The breakdown of such net impairment losses is included in table 8.1 in Part C, section 8, of the notes to the consolidated financial statements. The disclosure of the changes in the quality of the loans to customers (loans) and the classification and measurement criteria adopted is provided in Part A - Accounting policies, in Part B - Information on the consolidated balance sheet, in Part C - Information on the consolidated income statement and in Part E - Information on risks and relative hedging policies of the notes to the consolidated financial statements. The classification in the appropriate stage and measurement of the loans to customers (loans) are relevant for the audit both because the amount of such loans is significant to the financial statements as a whole and because the amount of the related impairment losses is determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity, also in relation to the evolution of macroeconomic scenarios and emerging risks. For classification purposes, the Directors make analyses, which involve internally developed models, as well as subjective elements, to	In relation to this aspect, our audit procedures, which have been performed also with the support of our risk management, company valuation and information technology specialists, included among others: - the gaining of an understanding of the policies, valuation models, processes and controls applied by the Group in relation to the classification and measurement of loans to customers (loans); - the assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls to test their operational effectiveness; - the analysis of the changes in the breakdown of loans to customers (loans) compared to the previous year and the discussion of the results with management; - the performance of substantive procedures to verify, on a sample basis, the correct classification and measurement of credit exposures; - the assessment, through the analysis of the supporting documentation, of the accounting for the loans' disposals occurred in the year; - the assessment of the adequacy of the disclosures provided in the notes to the consolidated financial statements.

identify exposures that show evidence of a significant increase in credit risk since the date of initial recognition or evidence of impairment. The processes for the classification of such loans consider both internal information about the historical performance of exposures and external information about the relevant sector or the borrowers' overall exposure to the banking system.

Measuring loans to customers (loans) is a complex activity, which requires the Directors to make estimates with a high degree of uncertainty and subjectivity that consider many quantitative and qualitative factors, including collection histories, expected cash flows and related estimated collection dates, the assessment of any guarantees, the impact of macroeconomic variables and future scenarios also related to the sale of non-performing loans and risks of the sectors in which the Group's customers operate.

Key Audit Matter	Audit Response
Classification and measurement of financial assets and liabilities at fair value (levels 2 and 3) Financial instruments measured at fair value on a recurring basis, classified as level 2 and level 3 of the fair value hierarchy, amount to a total assets balance of Euro 54,274 million and a total liabilities balance of Euro 113,543 million as at 31 December 2023. The breakdown of financial instruments measured at fair value on a recurring basis, classified as level 2 and level 3 of the fair value hierarchy, is included in table A.4.5.1, Part A of the notes to the consolidated financial statements. The disclosures on the classification and measurement of financial instruments measured at fair value on a recurring basis, classified as level 2 and level 3 of the fair value hierarchy is provided in Part A - Accounting policies, in Part B - Information on the consolidated balance sheet, in Part C - Information on the consolidated income	In relation to this aspect, our audit procedures, which have been performed also with the support of our risk management, company valuation and information technology specialists, included among others: - the gaining of an understanding of the policies, valuation models, processes and controls applied by the Group in relation to the classification and measurement of level 2 and level 3 financial instruments measured at fair value on a recurring basis; - the assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls in order to verify their operational effectiveness; - the comparative analysis of the portfolios with the previous year and the discussion of the results with management;

statement and in Part E - Information on risks and relative hedging policies of the notes to the consolidated financial statements.

The valuation of these financial instruments is performed by the Group through the use of complex models, consistent with the prevailing valuation practices, which are fed by inputs directly observable or estimated internally based on qualitative and quantitative assumptions, when not observable in the market.

The measurement of such financial instruments is relevant to the audit because their amount is significant to the financial statements as a whole and because of the multiplicity and complexity of the valuation models and parameters used and for the subjective estimation elements considered by the Directors.

- the performance of substantive procedures in order to test, on a sample basis, the fair values and the classification in the appropriate fair value level of certain financial instruments, through the analysis of the valuation models, the reasonableness of the qualitative and quantitative assumptions and inputs;
- the assessment of the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Key Audit Matter	Audit Response
First application of the International Financial Reporting Standard IFRS 17- Insurance Contracts As of 1 January 2023, the Group adopted IFRS 17 - Insurance contracts, replacing IFRS 4 - Insurance contracts, for the recognition, measurement, presentation and disclosure related to insurance contracts. The transition date to IFRS 17 was 1 January 2022, considering the obligation to present an adjusted comparative period as if the new accounting standard had always been applied. At the same time as the adoption of IFRS 17, the Group's insurance companies also applied, for the first time, IFRS 9 - Financial Instruments, replacing IAS 39 - Financial Instruments, whose introduction had been deferred because of the adoption of the temporary exemption provided for by the amendment to IFRS 4 referred to in Regulation (EU) 2020/2097.	In relation to this aspect, our audit procedures, which have been performed also with the support of our statistical-actuarial specialists, included among others: - the understanding and walkthrough of the new business processes and related controls, as well as of the IT infrastructure, including the actuarial engines, following the application of the new accounting standard; - the analysis of the appropriateness of the methodological choices adopted by the Group and their compliance with the new accounting standard, as well as the assessment of their application; - the analysis of the assessment carried out by the Group for the choice of the measurement model for insurance contracts (General Model, Premium Allocation Approach, Variable Fee Approach) applied to each group of insurance contracts; - the analysis of the assessment carried out by the Group for the choice of the transition

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At the transition date, due to the application of the accounting standards mentioned above, the consolidated shareholders' equity decreased by Euro 985 million.

The transition to IFRS 17 entailed the introduction of valuation models, methodological choices and the development of assumptions used for the determination of the values at the date of first application, characterized by a high degree of complexity; in particular, for groups of contracts for which the Group has used the Fair Value method as a transition method.

For these reasons, we considered this aspect to be a key audit matter.

The disclosure of the effects of the transition to IFRS 17 - Insurance Contracts is reported in the notes to the consolidated financial statements in Part A - Accounting policies in paragraph "Transition to IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments by the Group's insurance companies".

method (Full retrospective, Modified retrospective or Fair Value approach) applied to each group of insurance contracts and the assessment of the models developed for their application;

- the analysis of the reasonableness of the main operational and financial assumptions used to estimate future cash flows and the adjustment for non-financial risk at the transition date, also through the development of sensitivity analyses;
- the assessment of the Contractual Service Margin accounted for at the transition date, also through the reperforming of the actuarial calculation procedures for a sample of insurance contracts;
- the assessment of accounting entries made at the transition date;
- the assessment of the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Responsibilities of Directors and of the Management Control Committee for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree no. 38/2005 and article 43 of Legislative Decree no. 136/2015 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Management Control Committee is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation no. 537/2014

The Shareholders of Intesa Sanpaolo S.p.A., in the general meeting held on 30 April 2019, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2021 to 31 December 2029.

We declare that we have not provided prohibited non-audit services, referred to article 5, paragraph 1, of EU Regulation no. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the Management Control Committee in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation no. 537/2014.

Report on Compliance with other Legal and Regulatory Requirements

Opinion on the Compliance with Delegated Regulation (EU) no. 815/2019

The Directors of Intesa Sanpaolo S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) no. 815/2019 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia no. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at 31 December 2023 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 31 December 2023 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree no. 39/2010 and of article 123-bis, paragraph 4, of Legislative Decree no. 58/1998

The Directors of Intesa Sanpaolo S.p.A. are responsible for the preparation of the report on operations and of the report on corporate governance and ownership structure of the Intesa Sanpaolo Group as at 31 December 2023, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia no. 720B, in order to express an opinion on the consistency of the report on operations and of specific information included in the report on corporate governance and ownership structure as provided for by article 123-bis, paragraph 4, of Legislative Decree no. 58/1998, with the consolidated financial statements of the Intesa Sanpaolo Group as at 31 December 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information included in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Intesa Sanpaolo Group as at 31 December 2023 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree no. 39/2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree no. 254/2016

The Directors of Intesa Sanpaolo S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree no. 254/2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree no. 254/2016, such non-financial information is subject to a separate compliance report signed by us.

Milan, 19 March 2024

EY S.p.A.
Signed by: Massimo Testa, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Attachments to the consolidated Financial Statements

Reconciliation between published consolidated financial statements and consolidated financial statements according to the new Circular 262

Reconciliation between published consolidated balance sheet as at 31 December 2022 and consolidated balance sheet as at 31 December 2022 according to the new Circular 262

Reconciliation between published consolidated income statement for 2022 and consolidated income statement for 2022 according to the new Circular 262

Reconciliation between consolidated financial statements according to the new Circular 262 and IFRS 9/IFRS 17 consolidated financial statements

Reconciliation between consolidated balance sheet as at 31 December 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022

Reconciliation between consolidated income statement for 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated income statement for 2022

Reconciliation between IFRS 9/IFRS 17 consolidated financial statements and restated consolidated financial statements

Reconciliation between IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 and restated consolidated balance sheet as at 31 December 2022

Reconciliation between IFRS 9/IFRS 17 consolidated income statement for 2022 and restated consolidated income statement for 2022

Restated consolidated financial statements

Consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

Reconciliation between published consolidated financial statements and consolidated financial statements according to the new Circular 262

Reconciliation between published consolidated balance sheet as at 31 December 2022 and consolidated balance sheet as at 31 December 2022 according to the new Circular 262

(millions of euro)

31 December 2022 New 262 / 31 December 2022 published		10. Cash and cash equivalents	20. Financial assets measured at fair value through profit or loss	30. Financial assets measured at fair value through other comprehensive income	35. Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	40. Financial assets measured at amortised cost	45. Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	50. Hedging derivatives	60. Fair value change of financial assets in hedged portfolios (+/-)	70. Investments in associates and companies subject to joint control	80. Technical insurance reserves reassured with third parties	90. Property and equipment	100. Intangible assets	110. Tax assets	120. Non-current assets held for sale and discontinued operations	130. Other assets	**TOTAL ASSETS**
10.	Cash and cash equivalents	112.924	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112.924
20.	Financial assets measured at fair value through profit or loss	-	47.577	-	102.775	-	-	-	-	-	-	-	-	-	-	264	150.616
	a) financial assets held for trading	-	*42.522*	-	*85*	-	-	-	-	-	-	-	-	-	-	-	42.607
	b) financial assets designated at fair value	-	*1*	-	-	-	-	-	-	-	-	-	-	-	-	-	1
	c) other financial assets mandatorily measured at fair value	-	*5.054*	-	*102.690*	-	-	-	-	-	-	-	-	-	-	*264*	108.008
30.	Financial assets measured at fair value through other comprehensive income	-	-	49.716	69.937	-	76	-	-	-	-	-	-	-	-	-225	119.504
40.	Financial assets measured at amortised cost	-	-	-	-	528.078	3	-	-	-	-	-	-	-	-	-	528.081
	a) due from banks	-	-	-	-	*32.884*	-	-	-	-	-	-	-	-	-	-	32.884
	b) loans to customers	-	-	-	-	*495.194*	*3*	-	-	-	-	-	-	-	-	-	495.197
50.	Hedging derivatives	-	-	-	13	-	-	10.062	-	-	-	-	-	-	-	-	10.075
60.	Fair value change of financial assets in hedged portfolios (+/-)	-	-	-	-	-	-	-	-9.752	-	-	-	-	-	-	-	-9.752
70.	Investments in associates and companies subject to joint control	-	-	-	-	-	-	-	-	2.013	-	-	-	-	-	-	2.013
80.	Insurance assets	-	-	-	-	-	1	-	-	-	163	-	-	-	-	108	272
	a) insurance contracts issued that are assets	-	-	-	-	-	*1*	-	-	-	-	-	-	-	-	*64*	65
	b) reinsurance contracts held that are assets	-	-	-	-	-	-	-	-	-	*163*	-	-	-	-	*44*	207
90.	Property and equipment	-	-	-	-	-	-	-	-	-	-	10.505	-	-	-	-	10.505
100.	Intangible assets	-	-	-	-	-	-	-	-	-	-	-	9.830	-	-	-	9.830
	of which: goodwill	-	-	-	-	-	-	-	-	-	-	-	*3.626*	-	-	-	3.626
110.	Tax assets	-	-	-	-	-	-	-	-	-	-	-	-	18.273	-	-	18.273
	a) current	-	-	-	-	-	-	-	-	-	-	-	-	*3.520*	-	-	3.520
	b) deferred	-	-	-	-	-	-	-	-	-	-	-	-	*14.753*	-	-	14.753
120.	Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	638	-	638
130.	Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22.704	22.704
TOTAL ASSETS		**112.924**	**47.577**	**49.716**	**172.725**	**528.078**	**80**	**10.062**	**-9.752**	**2.013**	**163**	**10.505**	**9.830**	**18.273**	**638**	**22.851**	**975.683**

(millions of euro)

31 December 2022 published / 31 December 2022 New 262		10. Financial liabilities measured at amortised cost	15. Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	20. Financial liabilities held for trading	30. Financial liabilities designated at fair value	35. Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	40. Hedging derivatives	50. Fair value change of financial liabilities in hedged portfolios (+/-)	60. Tax liabilities	70. Liabilities associated with non-current assets held for sale and discontinued operations	80. Other liabilities	90. Employee termination indemnities	100. Allowances for risks and charges	110. Technical reserves	**TOTAL LIABILITIES**
10.	Financial liabilities measured at amortised cost	667.586	2.550	-	-	-	-	-	-	-	4	-	-	-	670.140
	a) due to banks	*137.481*	*629*	-	-	-	-	-	-	-	*4*	-	-	-	138.114
	b) due to customers	*454.025*	*587*	-	-	-	-	-	-	-	-	-	-	-	454.612
	c) securities issued	*76.080*	*1.334*	-	-	-	-	-	-	-	-	-	-	-	77.414
20.	Financial liabilities held for trading	-	-	46.512	-	-	-	-	-	-	-	-	-	-	46.512
30.	Financial liabilities designated at fair value	-	-	-	8.795	54.214	-	-	-	-	-	-	-	-	63.009
40.	Hedging derivatives	-	-	-	-	171	5.346	-	-	-	-	-	-	-	5.517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-	-	-	-	-	-	-8.031	-	-	-	-	-	-	-8.031
60.	Tax liabilities	-	-	-	-	-	-	-	2.306	-	-	-	-	-	2.306
	a) current	-	-	-	-	-	-	-	*297*	-	-	-	-	-	297
	b) deferred	-	-	-	-	-	-	-	*2.009*	-	-	-	-	-	2.009
70.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	15	-	-	-	-	15
80.	Other liabilities	-	-	-	-	-	-	-	-	-	10.966	-	-	-	10.966
90.	Employee termination indemnities	-	-	-	-	-	-	-	-	-	-	852	-	-	852
100.	Allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	4.960	-	4.960
	a) commitments and guarantees given	-	-	-	-	-	-	-	-	-	-	-	*711*	-	711
	b) post-employment benefits	-	-	-	-	-	-	-	-	-	-	-	*139*	-	139
	c) other allowances for risks and charges	-	-	-	-	-	-	-	-	-	-	-	*4.110*	-	4.110
110.	Insurance liabilities	-	-	-	-	17.359	-	-	-	-	90	-	50	100.117	117.616
	a) insurance contracts issued that are liabilities	-	-	-	-	*17.359*	-	-	-	-	*5*	-	*50*	*100.117*	117.531
	b) reinsurance contracts held that are liabilities	-	-	-	-	-	-	-	-	-	*85*	-	-	-	85
TOTAL		**667.586**	**2.550**	**46.512**	**8.795**	**71.744**	**5.346**	**-8.031**	**2.306**	**15**	**11.060**	**852**	**5.010**	**100.117**	**913.862**

(millions of euro)

31 December 2022 published / 31 December 2022 New 262		120. Valuation reserves	125. Valuation reserves pertaining to insurance companies	130. Redeemable shares	140. Equity instruments	150. Reserves	155. Interim dividend (-)	160. Share premium reserve	170. Share capital	180. Own shares (-)	190. Minority interests (+/-)	200. Net income (loss) (+/-)	TOTAL
120.	Valuation reserves	-1.939	-696	-	-	-	-	-	-	-	-	-	-2.635
130.	Redeemable shares	-	-	-	-	-	-	-	-	-	-	-	-
140.	Equity instruments	-	-	-	7.211	-	-	-	-	-	-	-	7.211
150.	Reserves	-	-	-	-	15.827	-	-	-	-	-	-	15.827
155.	Interim dividend (-)	-	-	-	-	-	-1.400	-	-	-	-	-	-1.400
160.	Share premium reserve	-	-	-	-	-	-	28.053	-	-	-	-	28.053
170.	Share capital	-	-	-	-	-	-	-	10.369	-	-	-	10.369
180.	Treasury shares (-)	-	-	-	-	-	-	-	-	-124	-	-	-124
190.	Minority interests (+/-)	-	-	-	-	-	-	-	-	-	166	-	166
200.	Net income (loss) (+/-)	-	-	-	-	-	-	-	-	-	-	4.354	4.354
TOTAL		**-1.939**	**-696**	**-**	**7.211**	**15.827**	**-1.400**	**28.053**	**10.369**	**-124**	**166**	**4.354**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY													**975.683**

Reconciliation between published consolidated income statement for 2022 and consolidated income statement for 2022 according to the new Circular 262 *(1/4)*

(millions of euro)

31 December 2022 published / 31 December 2022 New 262		10. Interest and similar income	20. Interest and similar expense	**30. Interest margin**	40. Fee and commission income	50. Fee and commission expense	**60. Net fee and commission income**	70. Dividend and similar income	80. Profits (Losses) on trading	90. Fair value adjustments in hedge accounting	100. Profits (Losses) on disposal or repurchase of:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	c) financial liabilities	110. Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	a) financial assets and liabilities designated at fair value	b) other financial assets mandatorily measured at fair value	115. Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	**120. Net interest and other banking income**	130. Net losses/recoveries for credit risks associated with:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	135. Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	140. Profits (Losses) on changes in contracts without derecognition	**150. Net income from banking activities**
10.	Interest and similar income	13.232	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.477	-	-	-	-	-	-	-
20.	Interest and similar expense	-	-3.547	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-327	-	-	-	-	-	-	-
30.	**Interest margin**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40.	Fee and commission income	-	-	-	10.925	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50.	Fee and commission expense	-	-	-	-	-2.578	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60.	**Net fee and commission income**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70.	Dividend and similar income	-	-	-	-	-	-	225	-	-	-	-	-	-	-	-	-	420	-	-	-	-	-	-	-
80.	Profits (Losses) on trading	-	-	-	-	-	-	-	-149	-	-	-	-	-	-	-	-	185	-	-	-	-	-	-	-
90.	Fair value adjustments in hedge accounting	-	-	-	-	-	-	-	-	33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100.	Profits (Losses) on disposal or repurchase of:	-	-	-	-	-	-	-	-	-	-48	-	-	-	-	-	-	-426	-	-	-	-	-	-	-
	a) financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-	*167*	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	*-243*	-	-	-	-	*-426*	-	-	-	-	-	-	-
	c) financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	*28*	-	-	-	-	-	-	-	-	-	-	-
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	755	-	-	-1.182	-	-	-	-	-147	-	-
	a) financial assets and liabilities designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*957*	-	*7.200*	-	-	-	-	-	-	-
	b) other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*-202*	*-8.382*	-	-	-	-	*-147*	-	-
120.	**Net interest and other banking income**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
130.	Net losses/recoveries for credit risk associated with:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-2.624	-	-	-13	-	-
	a) financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*-2.579*	-	-	-	-
	b) financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*1*	-	-	-	*-45*	*-13*	-	-
140.	Profits (Losses) on changes in contracts without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-5	-
150.	**Net income from banking activities**	**13.232**	**-3.547**	**9.685**	**10.925**	**-2.578**	**8.347**	**225**	**-149**	**33**	**-48**	**167**	**-243**	**28**	**755**	**957**	**-202**	**1.148**	**19.996**	**-2.624**	**-2.579**	**-45**	**-160**	**-5**	**17.207**

Reconciliation between published consolidated income statement for 2022 and consolidated income statement for 2022 according to the new Circular 262 *(2/4)*

(millions of euro)

31 December 2022 New 262 \ 31 December 2022 published		160. Net insurance premiums	170. Other net insurance income (expense)	**180. Net income from banking and insurance activities**	190. Administrative expenses:	a) personnel expenses	b) other administrative expenses	200. Net provisions for risks and charges	a) commitments and guarantees given	b) other net provisions	210. Net adjustments to / recoveries on property and equipment	220. Net adjustments to / recoveries on intangible assets	230. Other operating expenses (income)	**240. Operating expenses**	250. Profits (Losses) on investments in associates and companies subject to joint control	260. Valuation differences on property, equipment and intangible assets measured at fair value	270. Goodwill impairment	280. Profits (Losses) on disposal of investments	**290. Income (Loss) before tax from continuing operations**	300. Taxes on income from continuing operations	**310. Income (Loss) after tax from continuing operations**	320. Income (Loss) after tax from discontinued operations	**330. Net income (loss)**	340. Minority interests	**350. Parent Company' s net income (loss)**
10.	Interest and similar income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.	Interest and similar expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30.	**Interest margin**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
40.	Fee and commission income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50.	Fee and commission expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60.	**Net fee and commission income**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
70.	Dividend and similar income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
80.	Profits (Losses) on trading	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90.	Fair value adjustments in hedge accounting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100.	Profits (Losses) on disposal or repurchase of:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	a) financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c) financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-	-733	-	-	-	-	-	-	-	-	-	-1	-	-	-	-	-	-	-	-	-	-	-	-
	a) financial assets and liabilities designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) other financial assets mandatorily measured at fair value	-	*-733*	-	-	-	-	-	-	-	-	-	*-1*	-	-	-	-	-	-	-	-	-	-	-	-
120.	**Net interest and other banking income**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
130.	Net losses/recoveries for credit risk associated with:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	a) financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140.	Profits (Losses) on changes in contracts without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150.	**Net income from banking activities**	**-**	**-733**	**-733**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-1**	**-1**	**-**	**-**	**-**	**-**	**-734**	**-**	**-**	**-**	**-**	**-**	**-734**

Reconciliation between published consolidated income statement for 2022 and consolidated income statement for 2022 according to the new Circular 262 *(3/4)*

(millions of euro)

31 December 2022 published / 31 December 2022 New 262		10. Interest and similar income	20. Interest and similar expense	**30. Interest margin**	40. Fee and commission income	50. Fee and commission expense	**60. Net fee and commission income**	70. Dividend and similar income	80. Profits (Losses) on trading	90. Fair value adjustments in hedge accounting	100. Profits (Losses) on disposal or repurchase of:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	c) financial liabilities	110. Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	a) financial assets and liabilities designated at fair value	b) other financial assets mandatorily measured at fair value	115. Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	**120. Net interest and other banking income**	130. Net losses/recoveries for credit risks associated with:	a) financial assets measured at amortised cost	b) financial assets measured at fair value through other comprehensive income	135. Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	140. Profits (Losses) on changes in contracts without derecognition	**150. Net income from banking activities**
160.	Insurance service result	-	-	-	365	-129	-	-	-	-	-	-	-	-	-	-	-	81	-	-	-	-	-	-	-
	a) insurance revenue arising from insurance contracts issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) insurance service expenses arising from insurance contracts issued	-	-	-	*365*	*-129*	-	-	-	-	-	-	-	-	-	-	-	*81*	-	-	-	-	-	-	-
	c) insurance revenue arising from reinsurance contracts held	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	d) insurance service expenses arising from reinsurance contracts held	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170.	Balance of financial income and expenses related to insurance operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	a) net financial expenses/revenue related to insurance contracts issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180.	**Net income from banking and insurance activities**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
190.	Administrative expenses:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	a) personnel expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) other administrative expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
200.	Net provisions for risks and charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	a) commitments and guarantees given	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) other net provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
210.	Net adjustments to / recoveries on property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
220.	Net adjustments to / recoveries on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
230.	Other operating expenses (income)	-	-	-	-5	-1	-	-	-	-	-	-	-	-	-	-	-	5	-	-	-	-	-	-	-
240.	**Operating expenses**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
250.	Profits (Losses) on investments in associates and companies subject to joint control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270.	Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
280.	Profits (Losses) on disposal of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
290.	**Income (Loss) before tax from continuing operations**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
300.	Taxes on income from continuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
310.	**Income (Loss) after tax from continuing operations**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
320.	Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
330.	**Net income (loss)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
340.	Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350.	**Parent Company's net income (loss)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Reconciliation between published consolidated income statement for 2022 and consolidated income statement for 2022 according to the new Circular 262 *(4/4)*

(millions of euro)

	31 December 2022 published / 31 December 2022 New 262	160. Net insurance premiums	170. Other net insurance income (expense)	**180. Net income from banking and insurance activities**	190. Administrative expenses:	a) personnel expenses	b) other administrative expenses	200. Net provisions for risks and charges	a) commitments and guarantees given	b) other net provisions	210. Net adjustments to / recoveries on property and equipment	220. Net adjustments to / recoveries on intangible assets	230. Other operating expenses (income)	**240. Operating expenses**	250. Profits (Losses) on investments in associates and companies subject to joint control	260. Valuation differences on property, equipment and intangible assets measured at fair value	270. Goodwill impairment	280. Profits (Losses) on disposal of investments	**290. Income (Loss) before tax from continuing operations**	300. Taxes on income from continuing operations	**310. Income (Loss) after tax from continuing operations**	320. Income (Loss) after tax from discontinued operations	**330. Net income (loss)**	340. Minority interests	**350. Parent Company's net income (loss)**
160.	Insurance service result	10.358	-8.991	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	a) insurance revenue arising from insurance contracts issued	*10.524*	*63*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) insurance service expenses arising from insurance contracts issued	-	*-9.177*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c) insurance revenue arising from reinsurance contracts held	-	*96*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	d) insurance service expenses arising from reinsurance contracts held	*-166*	*27*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170.	Balance of financial income and expenses related to insurance operations	-	326	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	a) net financial expenses/revenue related to insurance contracts issued	-	*326*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180.	**Net income from banking and insurance activities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
190.	Administrative expenses:	-	-	-	-11.579	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	a) personnel expenses	-	-	-	-	*-6.793*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) other administrative expenses	-	-	-	-	-	*-4.786*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
200.	Net provisions for risks and charges	-	-	-	-	-	-	-349	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	a) commitments and guarantees given	-	-	-	-	-	-	-	*-209*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b) other net provisions	-	-	-	-	-	-	-	-	*-140*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
210.	Net adjustments to / recoveries on property and equipment	-	-	-	-	-	-	-	-	-	-700	-	-	-	-	-	-	-	-	-	-	-	-	-	-
220.	Net adjustments to / recoveries on intangible assets	-	-	-	-	-	-	-	-	-	-	-984	-	-	-	-	-	-	-	-	-	-	-	-	-
230.	Other operating expenses (income)	-	-	-	-	-	-	-	-	-	-	-	935	-	-	-	-	-	-	-	-	-	-	-	-
240.	**Operating expenses**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
250.	Profits (Losses) on investments in associates and companies subject to joint control	-	-	-	-	-	-	-	-	-	-	-	-	-	232	-	-	-	-	-	-	-	-	-	-
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-46	-	-	-	-	-	-	-	-	-
270.	Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
280.	Profits (Losses) on disposal of investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16	-	-	-	-	-	-	-
290.	**Income (Loss) before tax from continuing operations**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
300.	Taxes on income from continuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-1.630	-	-	-	-	-
310.	**Income (Loss) after tax from continuing operations**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
320.	Income (Loss) after tax from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
330.	**Net income (loss)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
340.	Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-23	-
350.	**Parent Company's net income (loss)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.354**

Reconciliation between consolidated financial statements according to the new Circular 262 and IFRS 9/IFRS 17 consolidated financial statements

Reconciliation between consolidated balance sheet as at 31 December 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022

(millions of euro)

		TOTAL ASSETS as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect of transition to IFRS 9 / IFRS 17 Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	TOTAL ASSETS as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement
10.	Cash and cash equivalents	112.924	-	-	-	112.924
20.	Financial assets measured at fair value through profit or loss	150.616	-	-	-	150.616
30.	Financial assets measured at fair value through other comprehensive income	119.504	-	4	4	119.508
40.	Financial assets measured at amortised cost	528.081	-	-	-	528.081
50.	Hedging derivatives	10.075	-	-	-	10.075
60.	Fair value change of financial assets in hedged portfolios (+/-)	-9.752	-	-	-	-9.752
70.	Investments in associates and companies subject to joint control	2.013	-	-	-	2.013
80.	Insurance assets	272	-149	28	-121	151
90.	Property and equipment	10.505	-	-	-	10.505
100.	Intangible assets	9.830	-685	92	-593	9.237
110.	Tax assets	18.273	163	-306	-143	18.130
120.	Non-current assets held for sale and discontinued operations	638	-	-	-	638
130.	Other assets	22.704	-84	-159	-243	22.461
TOTAL ASSETS		**975.683**	**-755**	**-341**	**-1.096**	**974.587**

(millions of euro)

		TOTAL LIABILITIES as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect of transition to IFRS 9/IFRS 17			TOTAL LIABILITIES as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement
			Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	
10.	Financial liabilities measured at amortised cost	670.140	-	-13	-13	670.127
20.	Financial liabilities held for trading	46.512	-	-	-	46.512
30.	Financial liabilities designated at fair value	63.009	-1	-1	-2	63.007
40.	Hedging derivatives	5.517	-	-	-	5.517
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-8.031	-	-	-	-8.031
60.	Tax liabilities	2.306	-268	-17	-285	2.021
70.	Liabilities associated with non-current assets held for sale and discontinued operations	15	-	-	-	15
80.	Other liabilities	10.966	-101	-102	-203	10.763
90.	Employee termination indemnities	852	-	-	-	852
100.	Allowances for risks and charges	4.960	-	-	-	4.960
110.	Insurance liabilities	117.616	600	-641	-41	117.575
TOTAL LIABILITIES		**913.862**	**230**	**-774**	**-544**	**913.318**
TOTAL SHAREHOLDERS' EQUITY		**61.821**	**-985**	**433**	**-552**	**61.269**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**975.683**	**-755**	**-341**	**-1.096**	**974.587**

(millions of euro)

		TOTAL as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect of transition to IFRS 9 / IFRS 17			TOTAL as at 31.12.2022 (e) = (a) + (d) POST IFRS9 and IFRS17 FTA Classification and measurement
			Effect as at 1.1.2022 (b)	Effect during 2022 (c)	Total effect as at 31.12.2022 (d) = (b)+(c)	
120.	Valuation reserves	-2.635	-138	315	177	-2.458
130.	Redeemable shares	-	-	-	-	-
140.	Equity instruments	7.211	-	-	-	7.211
150.	Reserves	15.827	-847	93	-754	15.073
155.	Interim dividend (-)	-1.400	-	-	-	-1.400
160.	Share premium reserve	28.053	-	-	-	28.053
170.	Share capital	10.369	-	-	-	10.369
180.	Treasury shares (-)	-124	-	-	-	-124
190.	Minority interests (+/-)	166	-	-	-	166
200.	Net income (loss) (+/-)	4.354	-	25	25	4.379
TOTAL SHAREHOLDERS' EQUITY		**61.821**	**-985**	**433**	**-552**	**61.269**

Reconciliation between consolidated income statement for 2022 according to the new Circular 262 and IFRS 9/IFRS 17 consolidated income statement for 2022

(millions of euro)

		TOTAL as at 31.12.2022 (a) POST IFRS 9 and IFRS 17 FTA RECLASSIFICATIONS	Effect of transition to IFRS 9/IFRS 17 (b) Effect during the 2022	TOTAL as at 31.12.2022 (c) = (a) + (b) POST IFRS9 and IFRS17 FTA Classification and measurement
10.	Interest and similar income	15.709	-	**15.709**
20.	Interest and similar expense	-3.874	-	-3.874
30.	**Interest margin**	**11.835**	**-**	**11.835**
40.	Fee and commission income	10.925	-	10.925
50.	Fee and commission expense	-2.578	26	-2.552
60.	**Net fee and commission income**	**8.347**	**26**	**8.373**
70.	Dividend and similar income	645	-	645
80.	Profits (Losses) on trading	36	-	36
90.	Fair value adjustments in hedge accounting	33	-	33
100.	Profits (Losses) on disposal or repurchase of:	-474	-	-474
	a) financial assets measured at amortised cost	*167*	-	*167*
	b) financial assets measured at fair value through other comprehensive income	*-669*	-	*-669*
	c) financial liabilities	*28*	-	*28*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-1.308	-4.135	-5.443
	a) financial assets and liabilities designated at fair value	*8.157*	*-2.291*	*5.866*
	b) other financial assets mandatorily measured at fair value	*-9.465*	*-1.844*	*-11.309*
120.	**Net interest and other banking income**	**19.114**	**-4.109**	**15.005**
130.	Net losses/recoveries for credit risk associated with:	-2.636	-	-2.636
	a) financial assets measured at amortised cost	*-2.579*	-	*-2.579*
	b) financial assets measured at fair value through other comprehensive income	*-57*	-	*-57*
140.	Profits (Losses) on changes in contracts without derecognition	-5	-	-5
150.	**Net income from banking activities**	**16.473**	**-4.109**	**12.364**
160.	Insurance service result	1.684	277	1.961
	a) insurance revenue arising from insurance contracts issued	*10.587*	*-7.392*	*3.195*
	b) insurance service expenses arising from insurance contracts issued	*-8.860*	*7.654*	*-1.206*
	c) insurance revenue arising from reinsurance contracts held	*96*	*42*	*138*
	d) insurance service expenses arising from reinsurance contracts held	*-139*	*-27*	*-166*
170.	Balance of financial income and expenses related to insurance operations	326	3.365	3.691
	a) net financial expenses/revenue related to insurance contracts issued	*326*	*3.365*	*3.691*
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	**-**
180.	**Net income from banking and insurance activities**	**18.483**	**-467**	**18.016**
190.	Administrative expenses:	-11.579	521	-11.058
	a) personnel expenses	*-6.793*	*338*	*-6.455*
	b) other administrative expenses	*-4.786*	*183*	*-4.603*
200.	Net provisions for risks and charges	-349	-120	-469
	a) commitments and guarantees given	*-209*	-	*-209*
	b) other net provisions	*-140*	*-120*	*-260*
210.	Net adjustments to / recoveries on property and equipment	-700	19	-681
220.	Net adjustments to / recoveries on intangible assets	-984	115	-869
230.	Other operating expenses (income)	934	-	934
240.	**Operating expenses**	**-12.678**	**535**	**-12.143**
250.	Profits (Losses) on investments in associates and companies subject to joint control	232	-	232
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-46	-	-46
270.	Goodwill impairment	-	-	**-**
280.	Profits (Losses) on disposal of investments	16	-	16
290.	**Income (Loss) before tax from continuing operations**	**6.007**	**68**	**6.075**
300.	Taxes on income from continuing operations	-1.630	-43	-1.673
310.	**Income (Loss) after tax from continuing operations**	**4.377**	**25**	**4.402**
320.	Income (Loss) after tax from discontinued operations	-	-	-
330.	**Net income (loss)**	**4.377**	**25**	**4.402**
340.	Minority interests	-23	-	-23
350.	**Parent Company's net income (loss)**	**4.354**	**25**	**4.379**

Reconciliation between IFRS 9/IFRS 17 consolidated financial statements and restated consolidated financial statements

Reconciliation between IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 and restated consolidated balance sheet as at 31 December 2022

The IFRS 9/IFRS 17 consolidated balance sheet as at 31 December 2022 did not require any restatements.

Reconciliation between IFRS 9/IFRS 17 consolidated income statement for 2022 and restated consolidated income statement for 2022

(millions of euro)

		31.12.2022 (IFRS 9/IFRS 17 insurance segment)	Change in the scope of consolidation (a)	Contribution of Training Business Line (b)	31.12.2022 Restated
10.	Interest and similar income	15,709	5	-	15,714
	of which: interest income calculated using the effective interest rate method	*15,185*	-	-	*15,185*
20.	Interest and similar expense	-3,874	-3	-	-3,877
30.	**Interest margin**	**11,835**	**2**	**-**	**11,837**
40.	Fee and commission income	10,925	21	-	10,946
50.	Fee and commission expense	-2,552	-4	-	-2,556
60.	**Net fee and commission income**	**8,373**	**17**	**-**	**8,390**
70.	Dividend and similar income	645	-	-	645
80.	Profits (Losses) on trading	36	6	-	42
90.	Fair value adjustments in hedge accounting	33	-	-	33
100.	Profits (Losses) on disposal or repurchase of:	-474	-	-	-474
	a) financial assets measured at amortised cost	*167*	-	-	*167*
	b) financial assets measured at fair value through other comprehensive income	*-669*	-	-	*-669*
	c) financial liabilities	*28*	-	-	*28*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-5,443	-	-	-5,443
	a) financial assets and liabilities designated at fair value	*5,866*	-	-	*5,866*
	b) other financial assets mandatorily measured at fair value	*-11,309*	-	-	*-11,309*
120.	**Net interest and other banking income**	**15,005**	**25**	**-**	**15,030**
130.	Net losses/recoveries for credit risk associated with:	-2,636	-	-	-2,636
	a) financial assets measured at amortised cost	*-2,579*	-	-	*-2,579*
	b) financial assets measured at fair value through other comprehensive income	*-57*	-	-	*-57*
140.	Profits (Losses) on changes in contracts without derecognition	-5	-	-	-5
150.	**Net income from banking activities**	**12,364**	**25**	**-**	**12,389**
160.	Insurance service result	1,961	-	-	1,961
	a) insurance revenue arising from insurance contracts issued	*3,195*	-	-	*3,195*
	b) insurance service expenses arising from insurance contracts issued	*-1,206*	-	-	*-1,206*
	c) insurance revenue arising from reinsurance contracts held	*138*	-	-	*138*
	d) insurance service expenses arising from reinsurance contracts held	*-166*	-	-	*-166*
170.	Balance of financial income and expenses related to insurance operations	3,691	-	-	3,691
	a) net financial expenses/revenue related to insurance contracts issued	*3,691*	-	-	*3,691*
	b) net financial expenses/revenue related to reinsurance contracts held	-	-	-	-
180.	**Net income from banking and insurance activities**	**18,016**	**25**	**-**	**18,041**
190.	Administrative expenses:	-11,058	-22	-33	-11,113
	a) personnel expenses	*-6,455*	*-15*	*5*	*-6,465*
	b) other administrative expenses	*-4,603*	*-7*	*-38*	*-4,648*
200.	Net provisions for risks and charges	-469	-	-	-469
	a) commitments and guarantees given	*-209*	-	-	*-209*
	b) other net provisions	*-260*	-	-	*-260*
210.	Net adjustments to / recoveries on property and equipment	-681	-1	-	-682
220.	Net adjustments to / recoveries on intangible assets	-869	-1	2	-868
230.	Other operating expenses (income)	934	2	-	936
240.	**Operating expenses**	**-12,143**	**-22**	**-31**	**-12,196**
250.	Profits (Losses) on investments in associates and companies subject to joint control	232	-	-	232
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-46	-	-	-46
270.	Goodwill impairment	-	-	-	-
280.	Profits (Losses) on disposal of investments	16	-	-	16
290.	**Income (Loss) before tax from continuing operations**	**6,075**	**3**	**-31**	**6,047**
300.	Taxes on income from continuing operations	-1,673	-1	10	-1,664
310.	**Income (Loss) after tax from continuing operations**	**4,402**	**2**	**-21**	**4,383**
320.	Income (Loss) after tax from discontinued operations	-	-	-	-
330.	**Net income (loss)**	**4,402**	**2**	**-21**	**4,383**
340.	Minority interests	-23	-2	21	-4
350.	**Parent Company's net income (loss)**	**4,379**	**-**	**-**	**4,379**

(a) The restatement relates to the income statement results of Compagnie de Banque Privée Quilvest (now Intesa Sanpaolo Wealth Management S.A.) for the first six months of 2022.

(b) The restatement refers to the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022.

Restated consolidated financial statements

Consolidated balance sheet

Assets		31.12.2023	31.12.2022	Changes	
				amount	%
10.	Cash and cash equivalents	89,270	112,924	-23,654	-20.9
20.	Financial assets measured at fair value through profit or loss	144,594	150,616	-6,022	-4.0
	a) financial assets held for trading	*38,163*	*42,607*	*-4,444*	*-10.4*
	b) financial assets designated at fair value	*1*	*1*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*106,430*	*108,008*	*-1,578*	*-1.5*
30.	Financial assets measured at fair value through other comprehensive income	140,753	119,508	21,245	17.8
40.	Financial assets measured at amortised cost	518,950	528,081	-9,131	-1.7
	a) due from banks	*32,899*	*32,884*	*15*	*0.0*
	b) loans to customers	*486,051*	*495,197*	*-9,146*	*-1.8*
50.	Hedging derivatives	7,006	10,075	-3,069	-30.5
60.	Fair value change of financial assets in hedged portfolios (+/-)	-5,695	-9,752	-4,057	-41.6
70.	Investments in associates and companies subject to joint control	2,501	2,013	488	24.2
80.	Insurance assets	813	151	662	
	a) insurance contracts issued that are assets	*412*	*18*	*394*	
	b) reinsurance contracts held that are assets	*401*	*133*	*268*	
90.	Property and equipment	9,825	10,505	-680	-6.5
100.	Intangible assets	9,524	9,237	287	3.1
	of which:				
	- goodwill	*3,672*	*3,626*	*46*	*1.3*
110.	Tax assets	14,533	18,130	-3,597	-19.8
	a) current	*1,932*	*3,520*	*-1,588*	*-45.1*
	b) deferred	*12,601*	*14,610*	*-2,009*	*-13.8*
120.	Non-current assets held for sale and discontinued operations	264	638	-374	-58.6
130.	Other assets	31,232	22,461	8,771	39.0
Total assets		**963,570**	**974,587**	**-11,017**	**-1.1**

	Liabilities and Shareholders' Equity	31.12.2023	31.12.2022	Changes	
				amount	%
10.	Financial liabilities measured at amortised cost	642,119	670,127	-28,008	-4.2
	a) due to banks	*93,242*	*138,132*	*-44,890*	*-32.5*
	b) due to customers	*440,449*	*454,595*	*-14,146*	*-3.1*
	c) securities issued	*108,428*	*77,400*	*31,028*	*40.1*
20.	Financial liabilities held for trading	43,493	46,512	-3,019	-6.5
30.	Financial liabilities designated at fair value	72,782	63,007	9,775	15.5
40.	Hedging derivatives	5,188	5,517	-329	-6.0
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-3,967	-8,031	-4,064	-50.6
60.	Tax liabilities	1,946	2,021	-75	-3.7
	a) current	*458*	*303*	*155*	*51.2*
	b) deferred	*1,488*	*1,718*	*-230*	*-13.4*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	2	15	-13	-86.7
80.	Other liabilities	12,741	10,763	1,978	18.4
90.	Employee termination indemnities	767	852	-85	-10.0
100.	Allowances for risks and charges	4,523	4,960	-437	-8.8
	a) commitments and guarantees given	*524*	*711*	*-187*	*-26.3*
	b) post-employment benefits	*98*	*139*	*-41*	*-29.5*
	c) other allowances for risks and charges	*3,901*	*4,110*	*-209*	*-5.1*
110.	Insurance liabilities	119,849	117,575	2,274	1.9
	a) insurance contracts issued that are liabilities	*119,674*	*117,561*	*2,113*	1.8
	b) reinsurance contracts held that are liabilities	*175*	*14*	*161*	
120.	Valuation reserves	-2,009	-2,458	-449	-18.3
130.	Redeemable shares	-	-	-	
140.	Equity instruments	7,948	7,211	737	10.2
150.	Reserves	14,697	15,073	-376	-2.5
155.	Interim dividend (-)	-2,629	-1,400	1,229	87.8
160.	Share premium reserve	28,003	28,053	-50	-0.2
170.	Share capital	10,369	10,369	-	-
180.	Own shares (-)	-140	-124	16	12.9
190.	Minority interests (+/-)	164	166	-2	-1.2
200.	Net income (loss) (+/-)	7,724	4,379	3,345	76.4
	Total liabilities and shareholders' equity	**963,570**	**974,587**	**-11,017**	**-1.1**

Restated consolidated income statement

(millions of euro)

		31.12.2023	31.12.2022	Changes	
			Restated	amount	%
10.	Interest and similar income	32,525	15,714	16,811	
	of which: interest income calculated using the effective interest rate method	*28,482*	*15,185*	*13,297*	*87.6*
20.	Interest and similar expense	-15,589	-3,877	11,712	
30.	**Interest margin**	**16,936**	**11,837**	**5,099**	**43.1**
40.	Fee and commission income	10,528	10,946	-418	-3.8
50.	Fee and commission expense	-2,727	-2,556	171	6.7
60.	**Net fee and commission income**	**7,801**	**8,390**	**-589**	**-7.0**
70.	Dividend and similar income	660	645	15	2.3
80.	Profits (Losses) on trading	513	42	471	
90.	Fair value adjustments in hedge accounting	-59	33	-92	
100.	Profits (Losses) on disposal or repurchase of:	-467	-474	-7	-1.5
	a) financial assets measured at amortised cost	*-58*	*167*	*-225*	
	b) financial assets measured at fair value through other comprehensive income	*-445*	*-669*	*-224*	*-33.5*
	c) financial liabilities	*36*	*28*	*8*	*28.6*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	2,367	-5,443	7,810	
	a) financial assets and liabilities designated at fair value	*-3,619*	*5,866*	*-9,485*	
	b) other financial assets mandatorily measured at fair value	*5,986*	*-11,309*	*17,295*	
120.	**Net interest and other banking income**	**27,751**	**15,030**	**12,721**	**84.6**
130.	Net losses/recoveries for credit risk associated with:	-1,416	-2,636	-1,220	-46.3
	a) financial assets measured at amortised cost	*-1,359*	*-2,579*	*-1,220*	*-47.3*
	b) financial assets measured at fair value through other comprehensive income	*-57*	*-57*	*-*	*-*
140.	Profits (Losses) on changes in contracts without derecognition	-29	-5	24	
150.	**Net income from banking activities**	**26,306**	**12,389**	**13,917**	
160.	Insurance service result	2,038	1,961	77	3.9
	a) insurance revenue arising from insurance contracts issued	3,118	3,195	-77	-2.4
	b) insurance service expenses arising from insurance contracts issued	-1,090	-1,206	-116	-9.6
	c) insurance revenue arising from reinsurance contracts held	177	138	39	28.3
	d) insurance service expenses arising from reinsurance contracts held	-167	-166	1	0.6
170.	Balance of financial income and expenses related to insurance operations	-5,318	3,691	-9,009	
	a) net financial expenses/revenue related to insurance contracts issued	-5,319	3,691	-9,010	
	b) net financial expenses/revenue related to reinsurance contracts held	1	-	1	
180.	**Net income from banking and insurance activities**	**23,026**	**18,041**	**4,985**	**27.6**
190.	Administrative expenses:	-11,505	-11,113	392	3.5
	a) personnel expenses	*-6,781*	*-6,465*	*316*	*4.9*
	b) other administrative expenses	*-4,724*	*-4,648*	*76*	*1.6*
200.	Net provisions for risks and charges	-326	-469	-143	-30.5
	a) commitments and guarantees given	*50*	*-209*	*259*	
	b) other net provisions	*-376*	*-260*	*116*	*44.6*
210.	Net adjustments to / recoveries on property and equipment	-684	-682	2	0.3
220.	Net adjustments to / recoveries on intangible assets	-973	-868	105	12.1
230.	Other operating expenses (income)	910	936	-26	-2.8
240.	**Operating expenses**	**-12,578**	**-12,196**	**382**	**3.1**
250.	Profits (Losses) on investments in associates and companies subject to joint control	163	232	-69	-29.7
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-33	-46	-13	-28.3
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	168	16	152	
290.	**Income (Loss) before tax from continuing operations**	**10,746**	**6,047**	**4,699**	**77.7**
300.	Taxes on income from continuing operations	-2,994	-1,664	1,330	79.9
310.	**Income (Loss) after tax from continuing operations**	**7,752**	**4,383**	**3,369**	**76.9**
320.	Income (Loss) after tax from discontinued operations	-	-	-	
330.	**Net income (loss)**	**7,752**	**4,383**	**3,369**	**76.9**
340.	Minority interests	-28	-4	24	
350.	**Parent Company’s net income (loss)**	**7,724**	**4,379**	**3,345**	**76.4**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between consolidated balance sheet and reclassified consolidated balance sheet

(millions of euro)

Assets		31.12.2023	31.12.2022
Cash and cash equivalents		**89,270**	**112,924**
Caption 10	Cash and cash equivalents	89,270	112,924
Due from banks		**31,216**	**31,273**
Caption 40a (partial)	Financial assets measured at amortised cost - Loans to Banks (Contribution of banking business)	31,174	31,144
Caption 20a (partial)	Financial assets held for trading - Due from banks (Contribution of banking business)	-	-
Caption 20b (partial)	Financial assets designated at fair value - Due from banks (Contribution of banking business)	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks (Contribution of banking business)	42	29
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks (Contribution of banking business)	-	100
Loans to customers		**429,540**	**446,854**
Loans to customers measured at amortised cost		***427,806***	***444,244***
Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (Contribution of banking business)	421,937	437,973
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others) (Contribution of banking business)	5,869	6,271
Loans to customers designated at fair value through other comprehensive income and through profit or loss		***1,734***	***2,610***
Caption 20a (partial)	Financial assets held for trading - Loans to customers (Contribution of banking business)	95	86
Caption 20b (partial)	Financial assets designated at fair value - Loans to customers (Contribution of banking business)	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Loans to customers (Contribution of banking business)	737	916
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Loans to customers (Contribution of banking business)	902	1,608
Financial assets measured at amortised cost which do not constitute loans		**59,965**	**52,690**
Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (banks) (Contribution of banking business)	1,725	1,740
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (Governments, financial and insurance companies) (Contribution of banking business)	58,240	50,950
Financial assets measured at fair value through profit or loss		**42,026**	**46,546**
Caption 20a (partial)	Financial assets held for trading (Contribution of banking business)	38,041	42,436
Caption 20b (partial)	Financial assets designated at fair value - Debt securities (Contribution of banking business)	1	1
Caption 20c (partial)	Other financial assets mandatorily measured at fair value (Contribution of banking business)	3,984	4,109
Financial assets measured at fair value through other comprehensive income		**67,716**	**48,008**
Caption 30 (partial)	Financial assets designated at fair value through other comprehensive income (Contribution of banking business)	67,716	48,008
Financial assets pertaining to insurance companies measured at amortised cost		**5**	**3**
Caption 40a (partial)	Financial assets measured at amortised cost - Loans to Banks (Contribution of insurance business)	-	-
Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (Contribution of insurance business)	5	3
Financial assets pertaining to insurance companies measured at fair value through profit or loss		**101,718**	**103,052**
Caption 20a (partial)	Financial assets held for trading (Contribution of insurance business)	27	85
Caption 20b (partial)	Financial assets designated at fair value (Contribution of insurance business)	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value (Contribution of insurance business)	101,667	102,954
Caption 50 (partial)	Hedging derivatives (Contribution of insurance business)	24	13
Financial assets pertaining to insurance companies measured at fair value through other comprehensive income		**72,135**	**69,792**
Caption 30 (partial)	Financial assets designated at fair value through other comprehensive income (Contribution of insurance business)	72,135	69,792
Equity investments		**2,501**	**2,013**
Caption 70	Investments in associates and companies subject to joint control	2,501	2,013
Property, equipment and intangible assets		**19,349**	**19,742**
Assets owned		***17,975***	***18,248***
Caption 90 (partial)	Property and equipment	8,451	9,011
Caption 100	Intangible assets	9,524	9,237
Rights of use acquired under leases		***1,374***	***1,494***
Caption 90 (partial)	Property and equipment	1,374	1,494
Tax assets		**14,533**	**18,130**
Caption 110	Tax assets	14,533	18,130
Non-current assets held for sale and discontinued operations		**264**	**638**
Caption 120	Non-current assets held for sale and discontinued operations	264	638
Other assets		**33,332**	**22,922**
Caption 50	Hedging derivatives (Contribution of banking business)	6,982	10,062
Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	-5,695	-9,752
Caption 80	Insurance assets	813	151
Caption 130	Other assets	31,232	22,461
Total Assets		**963,570**	**974,587**

(millions of euro)

Liabilities		31.12.2023	31.12.2022
Due to banks at amortised cost		**92,497**	**137,489**
Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks (Contribution of banking business)	92,501	137,495
- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (Contribution of banking business)	-4	-6
Due to customers at amortised cost and securities issued		**546,206**	**528,795**
Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers (Contribution of banking business)	440,312	454,038
Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued (Contribution of banking business)	107,101	76,066
- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (Contribution of banking business)	-1,207	-1,309
Financial liabilities held for trading		**43,486**	**46,512**
Caption 20	Financial liabilities held for trading (Contribution of banking business)	43,486	46,512
Financial liabilities designated at fair value		**21,344**	**8,795**
Caption 30	Financial liabilities designated at fair value (Contribution of banking business)	21,344	8,795
Financial liabilities measured at amortised cost pertaining to insurance companies		**2,199**	**2,522**
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (Contribution of insurance business)	741	637
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (Contribution of insurance business)	137	557
Caption 10 c) (partial)	Financial liabilities measured at amortised cost - Securities issued (Contribution of insurance business)	1,327	1,334
- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (Contribution of insurance business)	-	-
- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (Contribution of insurance business)	-6	-6
Financial liabilities held for trading pertaining to insurance companies		**90**	**171**
Caption 20 (partial)	Financial liabilities held for trading (Contribution of insurance business)	7	-
Caption 40 (partial)	Hedging derivatives (Contribution of insurance business)	83	171
Financial liabilities designated at fair value pertaining to insurance companies		**51,438**	**54,212**
Caption 30 (partial)	Financial liabilities designated at fair value (Contribution of insurance business)	51,438	54,212
Tax liabilities		**1,946**	**2,021**
Caption 60	Tax liabilities	1,946	2,021
Liabilities associated with non-current assets held for sale and discontinued operations		**2**	**15**
Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	2	15
Other liabilities		**15,096**	**9,399**
Caption 40	Hedging derivatives (Contribution of banking business)	5,105	5,346
Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	-3,967	-8,031
Caption 80	Other liabilities	12,741	10,763
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (Contribution of banking business)	4	6
Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables) (Contribution of insurance business)	-	-
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (Contribution of banking business)	1,207	1,309
Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables) (Contribution of insurance business)	6	6
Insurance liabilities		**119,849**	**117,575**
Caption 110	Insurance liabilities	119,849	117,575
Allowances for risks and charges		**5,290**	**5,812**
Caption 90	Employee termination indemnities	767	852
Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	524	711
Caption 100 b)	Allowances for risks and charges - Post-employment benefits	98	139
Caption 100 c)	Allowances for risks and charges - Other allowances for risks and charges	3,901	4,110
Share capital		**10,369**	**10,369**
Caption 170	Share capital	10,369	10,369
Reserves		**42,560**	**43,002**
Caption 130	Redeemable shares	-	-
Caption 150	Reserves	14,697	15,073
Caption 160	Share premium reserve	28,003	28,053
- Caption 180	Treasury shares (-)	-140	-124
Valuation reserves		**-1,711**	**-1,939**
Caption 120	Valuation reserves (Contribution of banking business and including IAS19 Reserves pertaining to insurance business)	-1,711	-1,939
Valuation reserves pertaining to insurance companies		**-298**	**-519**
Caption 120	Valuation reserves (Contribution of insurance business)	-298	-519
Interim dividend		**-2,629**	**-1,400**
Caption 155	Interim dividend (-)	-2,629	-1,400
Equity instruments		**7,948**	**7,211**
Caption 140	Equity instruments	7,948	7,211
Minority interests		**164**	**166**
Caption 190	Minority interests	164	166
Net income (loss)		**7,724**	**4,379**
Caption 200	Net income (loss) (+/-)	7,724	4,379
Total Liabilities and Shareholders' Equity		**963,570**	**974,587**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions		31.12.2023	31.12.2022 Restated
Net interest income		**14,646**	**9,500**
Caption 30	Interest margin	16,936	11,837
- Caption 30 (partial)	Net interest income (Contribution of insurance business)	-2,132	-2,175
- Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	6	10
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	102	106
+ Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates)	1	33
- Caption 30 (partial)	Components of net interest income relating to Profits (losses) on trading (Dividends received and paid within securities lending operations)	8	3
+ Caption 80 (partial)	Hedging swap differentials	-209	-294
+ Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-42	-19
+ Caption 190 b) (partial)	Other administrative expenses (Amounts attributed to Net interest income - For Funding initiative)	-	-1
+ Caption 200 (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-24	-
Net fee and commission income		**8,558**	**8,919**
Caption 60	Net fee and commission income	7,801	8,390
- Caption 60 (partial)	Net fee and commission income - Insurance segment	663	510
- Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	3	3
- Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates)	-1	-33
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	55	38
+ Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	214	165
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	4	-9
+ Caption 160b) (partial)	Insurance service expenses arising from insurance contracts issued (Contribution of banking business) Fee and commission income Private Banking Division financial advisors	-49	-26
+ Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	-65	-60
+ Caption 190 b) (partial)	Other administrative expenses (Recovery of expenses)	-67	-59
Income from insurance business		**1,666**	**1,675**
Caption 160	Insurance service result	2,038	1,961
Caption 170	Balance of financial income and expenses related to insurance operations	-5,318	3,691
+ Caption 30 (partial)	Net interest income (Contribution of insurance business)	2,132	2,175
+ Caption 60 (partial)	Net fee and commission income (Contribution of insurance business)	-663	-510
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of insurance business)	453	420
+ Caption 80 (partial)	Profits (Losses) on trading (Contribution of insurance business)	-80	108
+ Caption 90 (partial)	Fair value adjustments in hedge accounting (Contribution of insurance business)	-	-
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets designated at fair value through other comprehensive income - Contribution of insurance business	-624	-426
+ Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss - Contribution of insurance business	-2,820	4,909
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Contribution of insurance business)	6,009	-11,107
+ Caption 130 b) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income (Contribution of insurance business)	-29	-12
- Caption 160 b) (partial)	Insurance service expenses arising from insurance contracts issued - Personnel expenses	343	338
- Caption 160 b) (partial)	Insurance service expenses arising from insurance contracts issued - Other Administrative Expenses	178	183
- Caption 160 b) (partial)	Insurance service expenses arising from insurance contracts issued - Depreciation Property and Equipment	22	20
- Caption 160 b) (partial)	Insurance service expenses arising from insurance contracts issued - Amortisation of Intangible Assets	47	27
- Caption 160 b) (partial)	Insurance service expenses arising from insurance contracts issued (Contribution of banking business) Fee and commission income Private Banking Division financial advisors	49	26
- Caption 160 b) (partial)	Costs for insurance services deriving from insurance contracts issued - release of insurance liabilities	-70	-120
- Caption 160 b) (partial)	Insurance service costs arising from the insurance contracts issued - Non-recurring change in onerous insurance contracts	-	-8
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment of insurance business	-1	-

(millions of euro)

Captions		31.12.2023	31.12.2022 Restated
Profits (Losses) on financial assets and liabilities designated at fair value		**298**	**1,378**
Caption 80	Profits (Losses) on trading	513	42
Caption 90	Fair value adjustments in hedge accounting	-59	33
Caption 110 a)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value	-3,619	5,866
Caption 110 b)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value	5,986	-11,309
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	-445	-669
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	36	28
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of banking business)	199	225
+ Caption 30 (partial)	Components of net interest income relating to Profits (losses) on trading (Dividends received and paid within securities lending operations)	-8	-3
- Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	-55	-38
- Caption 80 (partial)	Profits (Losses) on trading (Contribution of insurance business)	80	-108
- Caption 80 (partial)	Hedging swap differentials	209	294
- Caption 90 (partial)	Fair value adjustments in hedge accounting (Contribution of insurance business)	-	-
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets designated at fair value through other comprehensive income (Contribution of insurance business)	624	426
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	125	357
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks) (Contribution of banking business) - Effect associated with profits (losses) on trading	-	-8
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Charges concerning the banking industry)	-	3
- Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	-214	-165
- Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Contribution of insurance business)	2,820	-4,909
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Contribution of insurance business)	-6,009	11,107
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	-48	67
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	-14	15
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments on loans)	171	121
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation) (Contribution of banking business)	-1	-2
+ Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	7	5

(millions of euro)

Captions		31.12.2023	31.12.2022 Restated
Other operating income (expenses)		**-30**	**-32**
Caption 70	Dividend and similar income	660	645
Caption 230	Other operating expenses (income)	910	936
+ Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	-6	-10
+ Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-3	-3
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	13	-19
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of banking business)	-199	-225
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs) (Contribution of insurance business)	-453	-420
- Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-32	-25
- Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	-962	-904
- Caption 230 (partial)	Other operating expenses/(income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	21	21
- Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	66	-
- Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	9	7
- Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-7	-5
+ Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-9	-10
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-68	-56
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-5	-4
+ Caption 250 (partial)	Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	35	40
Operating income		**25,138**	**21,440**
Personnel expenses		**-6,981**	**-6,742**
Caption 190 a)	Personnel expenses	-6,781	-6,465
- Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	35	-59
- Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	42	19
- Caption 190 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	65	60
- Caption 190 a) (partial)	Personnel expenses (One-off contribution to personnel)	-	41
+ Caption 160 b) (partial)	Insurance service expenses arising from insurance contracts issued - Personnel expenses	-343	-338
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	1	-
Other administrative expenses		**-3,002**	**-2,912**
Caption 190 b)	Other administrative expenses	-4,724	-4,648
- Caption 190 b) (partial)	Other administrative expenses (Amounts attributed to Net interest income - For Funding initiative)	-	1
- Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	58	68
- Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	720	816
- Caption 190 b) (partial)	Other administrative expenses (Recovery of expenses)	67	59
- Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	9	10
- Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	53	36
+ Caption 160 b) (partial)	Insurance service expenses arising from insurance contracts issued - Other Administrative Expenses	-178	-183
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	962	904
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	31	25
Adjustments to property, equipment and intangible assets		**-1,346**	**-1,280**
Caption 210	Net adjustments to / recoveries on property and equipment	-684	-682
Caption 220	Net adjustments to / recoveries on intangible assets	-973	-868
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment of insurance business	1	-
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	58	54
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	21	26
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Effects of purchase price allocation)	1	-
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	68	56
+ Caption 160 b) (partial)	Insurance service expenses arising from insurance contracts issued - Depreciation Property and Equipment	-22	-20
+ Caption 160 b) (partial)	Insurance service expenses arising from insurance contracts issued - Amortisation of Intangible Assets	-47	-27
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	156	106
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	9	19
- Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	61	52
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	5	4
Operating costs		**-11,329**	**-10,934**
Operating margin		**13,809**	**10,506**

(millions of euro)

Captions		31.12.2023	31.12.2022 Restated
Net adjustments to loans		**-1,529**	**-3,113**
Caption 140	Profits/losses from changes in contracts without derecognition	-29	-5
Caption 200 a)	Net provisions for risks and charges for credit risk related to commitments and guarantees given	50	-209
+ Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Loans (Contribution of banking business)	-200	-176
+ Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Debt securities (public entities, non-financial companies and others) (Contribution of banking business)	17	-6
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation) (Contribution of banking business)	72	77
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments on loans)	-171	-121
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Contribution of banking business)	-1,281	-2,569
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others) (Contribution of banking business)	-3	-5
+ Caption 130 b) (partial)	Net adjustments/Recoveries for credit risk associated with financial assets designated at fair value through other comprehensive income - Loans (Contribution of banking business)	14	-26
+ Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	2	-73
Other net provisions and net impairment losses on other assets		**-570**	**-270**
Caption 260	Valuation differences on property, equipment and intangible assets measured at fair value	-33	-46
Caption 200 b)	Net provisions for risks and charges - Other net provisions	-376	-260
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Return components of insurance policies taken out for the benefit of financial advisor networks)	31	-39
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Governments, financial and insurance companies) (Contribution of banking business)	-76	-3
+ Caption 130 a) (partial)	Net adjustments/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities due to Banks (Contribution of banking business)	1	-2
+ Caption 130 b) (partial)	Net adjustments/Recoveries for credit risk associated with financial assets designated at fair value through other comprehensive income - Debt securities (Contribution of banking business)	-42	-19
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks) (Charges concerning the banking industry)	-	2
- Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-1	8
- Caption 200 b) (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	24	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	-2	-11
- Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	-2	73
+ Caption 160 b (partial)	Costs for insurance services deriving from insurance contracts issued - release of insurance liabilities	70	120
- Caption 260 (partial)	Valuation differences on property, equipment and intangible assets measured at fair value	24	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-21	-26
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-9	-19
+ Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-66	-
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-92	-48
Other income (expenses)		**348**	**202**
Caption 250	Profits (Losses) on investments in associates and companies subject to joint control	163	232
Caption 280	Profits (Losses) on disposal of investments	168	16
Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets at amortised cost - Debt securities (Governments, financial and insurance companies) (Contribution of banking business)	125	357
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks) (Contribution of banking business)	-	-8
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	-125	-357
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks) (Contribution of banking business) - Effect associated with profits (losses) on trading	-	8
+ Caption 160 b) (partial)	Insurance service costs arising from the insurance contracts issued - Non-recurring change in onerous insurance contracts	-	8
+ Caption 190 a) (partial)	Personnel expenses (One-off contribution to personnel)	-	-41
+ Caption 230 (partial)	Other operating expenses/(income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	-21	-21
+ Caption 260 (partial)	Valuation differences on property, equipment and intangible assets measured at fair value	-24	-
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-35	-40
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	92	48
- Caption 280 (partial)	Profits (Losses) on disposal of investments (Effect of purchase price allocation)	5	-
Income (Loss) from discontinued operations		**-**	**-**
Caption 320	Income (Loss) after tax from discontinued operations	-	-
+ Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Gross income (loss)		**12,058**	**7,325**

(millions of euro)

Captions		31.12.2023	31.12.2022 Restated
Taxes on income		**-3,438**	**-2,080**
Caption 300	Taxes on income from continuing operations	-2,994	-1,664
+ Caption 190 b) (partial)	Other administrative expenses (CIB Group Bank Tax and Windfall Tax)	-53	-36
- Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	-93	-44
- Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-77	-76
- Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-221	-260
- Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-
- Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Tax)	-	-
Charges (net of tax) for integration and exit incentives		**-222**	**-140**
+ Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-35	59
+ Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	-58	-68
+ Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	1	-8
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-58	-54
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-156	-106
+ Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-9	-7
+ Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	93	44
Effect of purchase price allocation (net of tax)		**-161**	**-146**
+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-102	-106
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation) - (Contribution of banking business)	-72	-77
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation) (Contribution of banking business)	1	2
+ Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	2	11
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Effects of purchase price allocation)	-1	-
+ Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	-61	-52
+ Caption 280 (partial)	Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-5	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	77	76
Levies and other charges concerning the banking industry (net of tax)		**-485**	**-576**
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Charges concerning the banking industry)	-	-3
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value (Charges concerning the banking industry)	14	-15
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks) (Charges concerning the banking industry)	-	-2
+ Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-720	-816
+ Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	221	260
Impairment (net of tax) of goodwill and other intangible assets		**-**	**-**
Caption 270	Goodwill impairment	-	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Impairment of goodwill and other intangible assets)	-	-
Minority interests		**-28**	**-4**
Caption 340	Minority interests	-28	-4
Net income (loss)		**7,724**	**4,379**

Other consolidated attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2023

ACCOUNTING STANDARDS		Regulation endorsement
IFRS 1	First-time Adoption of International Financial Reporting Standards	1803/2023 (1)
IFRS 2	Share-based Payment	1803/2023 (1)
IFRS 3	Business Combinations	1803/2023 (1)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1803/2023 (1)
IFRS 6	Exploration for and Evaluation of Mineral Resources	1803/2023 (1)
IFRS 7	Financial Instruments: Disclosures	1803/2023 (1)
IFRS 8	Operating Segments	1803/2023 (1)
IFRS 9	Financial Instruments	1803/2023 (1)
IFRS 10	Consolidated Financial Statements	1803/2023 (1)
IFRS 11	Joint Arrangements	1803/2023 (1)
IFRS 12	Disclosure of Interests in Other Entities	1803/2023 (1)
IFRS 13	Fair Value Measurement	1803/2023 (1)
IFRS 15	Revenue from Contracts with Customers	1803/2023 (1)
IFRS 16	Leases	1803/2023 mod. 2579/2023 (2)
IFRS 17	Insurance Contracts	1803/2023 (3)
IAS 1	Presentation of Financial Statements	1803/2023 (4) mod. 2822/2023 (2)
IAS 2	Inventories	1803/2023 (1)
IAS 7	Statement of Cash Flows	1803/2023 (1)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1803/2023 (4)
IAS 10	Events after the Reporting Period	1803/2023 (1)
IAS 12	Income Taxes	1803/2023 (5) mod. 2468/2023
IAS 16	Property, Plant and Equipment	1803/2023 (1)
IAS 19	Employee Benefits	1803/2023 (1)
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1803/2023 (1)
IAS 21	The Effects of Changes in Foreign Exchange Rates	1803/2023 (1)
IAS 23	Borrowing costs	1803/2023 (1)
IAS 24	Related Party Disclosures	1803/2023 (1)
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1803/2023 (1)
IAS 27	Separate Financial Statements	1803/2023 (1)
IAS 28	Investments in Associates and Joint Ventures	1803/2023 (1)
IAS 29	Financial Reporting in Hyperinflationary Economies	1803/2023 (1)
IAS 32	Financial Instruments: Presentation	1803/2023 (1)
IAS 33	Earnings per Share	1803/2023 (1)
IAS 34	Interim Financial Reporting	1803/2023 (1)
IAS 36	Impairment of Assets	1803/2023 (1)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1803/2023 (1)
IAS 38	Intangible Assets	1803/2023 (1)
IAS 39	Financial Instruments: Recognition and Measurement (except for certain rules on hedge accounting)	1803/2023 (1)
IAS 40	Investment Property	1803/2023 (1)
IAS 41	Agriculture	1803/2023 (1)

(1) Regulation 1803/2023 of 13 August 2023, published in the Official Journal of the European Union (GUCE) of 26 September 2023, repealed and replaced the previous Regulation 1126/2008 which adopted the International Accounting Standards and related Interpretations issued or adopted by the IASB until 15 October 2008 and was subsequently subject to numerous amendments in order to include the Standards and related Interpretation issued or adopted by the IASB and adopted by Commission until 8 September 2022, in accordance with Regulation 1606/2002.
In order to simplify Union legislation on International Accounting Standards, for reason of clarity and transparency, Regulation 1126/2008 was repealed and replaced by Regulation 1803/2023 to which references to the repealed regulation are intended.
Therefore, Regulation 1126/2008 and subsequent amendments are no longer reported in this summary, as carried out until the 2022 Financial Statements, but only Regulation 1803/2023 and any subsequent amendments.

(2) Companies apply this Regulation at the latest as of the first financial year starting after 1 January 2024.

(3) Regulation 1803/2023 also implements Regulation 2023/2021 which introduced IFRS 17 Insurance Contracts and Regulation 1491/2022 which introduced some amendments to the initial application, in force from 01.01.2023.

(4) Regulation 1803/2023 also implements Regulation 587/2022 which introduced some amendments to IAS 1 and IAS 8 in force from 01.01.2023

(5) Regulation 1803/2023 also implements Regulation 1392/2022 which introduced some amendments to IAS 12 in force from 01.01.2023

INTERPRETATIONS		Regulation endorsement
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1803/2023 (1)
IFRIC 2	Members' Shares in Cooperative Entities and Similar Instruments	1803/2023 (1)
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1803/2023 (1)
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1803/2023 (1)
IFRIC 7	Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies	1803/2023 (1)
IFRIC 10	Interim Financial Reporting and Impairment	1803/2023 (1)
IFRIC 12	Service Concession Arrangements	1803/2023 (1)
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1803/2023 (1)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1803/2023 (1)
IFRIC 17	Distributions of Non-cash Assets to Owners	1803/2023 (1)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1803/2023 (1)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1803/2023 (1)
IFRIC 21	Levies	1803/2023 (1)
IFRIC 22	Foreign Currency Transaction and Advance Consideration	1803/2023 (1)
IFRIC 23	Uncertainty over Income Tax Treatments	1803/2023 (1)
SIC 7	Introduction of the Euro	1803/2023 (1)
SIC 10	Government Assistance - No Specific Relation to Operating Activities	1803/2023 (1)
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	1803/2023 (1)
SIC 29	Service Concession Arrangements: Disclosures	1803/2023 (1)
SIC 32	Intangible Assets - Web Site Costs	1803/2023 (1)

(1) Regulation 1803/2023 of 13 August 2023, published in the Official Journal of the European Union (GUCE) of 26 September 2023, repealed and replaced the previous Regulation 1126/2008 which adopted the International Accounting Standards and related Interpretations issued or adopted by the IASB until 15 October 2008 and was subsequently subject to numerous amendments in order to include the Standards and related Interpretation issued or adopted by the IASB and adopted by Commission until 8 September 2022, in accordance with Regulation 1606/2002.
In order to simplify Union legislation on International Accounting Standards, for reason of clarity and transparency, Regulation 1126/2008 was repealed and replaced by Regulation 1803/2023 to which references to the repealed regulation are intended.
Therefore, Regulation 1126/2008 and subsequent amendments are no longer reported in this summary, as carried out until the 2022 Financial Statements, but only Regulation 1803/2023 and any subsequent amendments.

Report and Parent Company’s financial statements

Report on operations

Financial highlights, Alternative Performance Measures and other measures (*)

Income statement figures (millions of euro)	2023	2022	**Changes** amount	**Changes** %
Net interest income	10,342	7,024	3,318	47.2
Net fee and commission income	5,252	5,485	-233	-4.2
Profits (Losses) on financial assets and liabilities designated at fair value	107	1,222	-1,115	-91.2
Operating income	20,012	16,654	3,358	20.2
Operating costs	-8,840	-8,556	284	3.3
Operating margin	11,172	8,098	3,074	38.0
Net adjustments to loans	-1,411	-2,061	-650	-31.5
Net income (loss)	7,292	4,284	3,008	70.2

2023
2022

(*) For more detailed information on the Alternative Performance Measures, see the specific chapter of the Report on Operations in the consolidated financial statements.

Balance sheet figures (millions of euro)		**Changes**	
		amount	**%**
Loans to customers	367,492 385,795	-18,303	-4.7
Total assets	697,354 715,381	-18,027	-2.5
Direct customer deposits	474,498 450,207	24,291	5.4
Indirect customer deposits [(a)]	313,243 288,699	24,544	8.5
of which: Assets under management	*204,916* *202,947*	*1,969*	*1.0*
Shareholders' equity	56,040 54,053	1,987	3.7
Loans to customers/Direct customer deposits (%) (Loan to deposit ratio)	77.4 85.7		

(a) The amount for assets under administration and in custody as at 31 December 2022 has been restated as a result of the delisting of shares, which, as they are no longer listed, are included at nominal value.

Figures restated on a consistent basis, where necessary and material, considering the changes in the scope of reference.

31.12.2023

31.12.2022

Capital ratios (%)		
Common Equity Tier 1 capital (CET1) net of regulatory adjustments/Risk-weighted assets (Common Equity Tier 1 capital ratio)	12.0	12.1
TIER 1 Capital / Risk-weighted assets	14.5	14.4
Total owns funds / Risk-weighted assets	17.3	17.2
Risk-weighted assets (millions of euro)	307,737	306,376

Profitability ratios (%)		
Cost / Income	44.2	51.4
Net income / Shareholders' equity (ROE) [(a)]	17.9	10.1
Net income / Total assets (ROA) [(b)]	1.0	0.6

Figures restated on a consistent basis, where necessary and material, considering the changes in the scope of reference.

(a) Ratio of net income to shareholders' equity at the end of the period. Shareholders' equity does not take account of AT1 equity instruments and net income for the period.

(b) Ratio of net income to total assets at the end of the period.

2023 (Income statement figures)
31.12.2023 (Balance sheet figures)

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

Risk ratios (%)		
Net bad loans / Loans to customers	0.2	0.2
Net non-performing loans / Loans to customers	1.2	1.3
Cumulated adjustments on bad loans / Gross bad loans to customers	70.6	67.8
Cumulated adjustments on gross non-performing loans / Gross non-performing loans to customers	47.8	46.3

Figures restated on a consistent basis, where necessary and material, considering the changes in the scope of reference.

Operating structure	31.12.2023	31.12.2022	Changes amount
Number of employees (*)	**65,243**	**66,646**	**-1,403**
Italy	64,305	65,714	-1,409
Abroad	938	932	6
Number of branches (c)	**3,082**	**3,365**	**-283**
Italy	3,066	3,349	-283
Abroad	16	16	-

Figures restated on a consistent basis, where necessary and material.

(*) The headcount shown refers to the actual number of employees at the end of the year, with part-time employees also counted as 1 unit.

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

31.12.2023

31.12.2022

The Parent Company Intesa Sanpaolo results

Introduction

The reclassified income statement and balance sheet of the Parent Company Intesa Sanpaolo S.p.A. as at and for the year ended 31 December 2023, accompanied by a brief comment on the income statement results and balance sheet aggregates are presented below.
For other information reference is made to the Report of the consolidated financial statements.

General aspects on the Reclassified Income Statement

The income statement is presented in a condensed reclassified format to enable a more immediate interpretation of the results. To guarantee comparison on a like-for-like basis, the income statement data referring to the previous year have been restated, where necessary and if material, particularly in relation to changes in the reference area. This uniformity is achieved through restated figures, which include/exclude the values of the companies that entered or left the scope of reference.

In particular, to reduce the volatility of the various income statement captions related to changes in the scope of consolidation due to sales/demergers of business lines, the income components for the first half of 2022 relating to the business line involving specific activities for the design and provision of training solutions for the employees of the Group transferred by the Parent Company to Intesa Sanpaolo Formazione on 22 June 2022 (with accounting and tax effects from that date), together with the higher administrative expenses in relation to new training services provided to Intesa Sanpaolo as a result of the signing of commercial agreements with Digit'Ed, have been reclassified from the original captions to the caption "Income (Loss) from discontinued operations".

Lastly, as part of the larger project of creating a digital bank, set out in the 2022-2025 Business Plan of the Intesa Sanpaolo Group, the contribution of the first business line from Intesa Sanpaolo to Isybank S.p.A. was finalised with legal effect on 16 October 2023, executing the first wave of migration, which involved around 275 thousand customers, for around 1.7 billion euro in direct deposits. Given the immateriality of the related income statement effects, no restatements were made to the comparison year's data.

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

The reclassifications and aggregations of captions of the reclassified income statement refer to:
- dividends relating to investments carried at equity, as well as those received and paid within the framework of securities lending, which have been reallocated to Profits (losses) on financial assets and liabilities designated at fair value;
- differentials on derivatives, classified to the trading book and contracted to hedge transactions in foreign currencies, which have been allocated among Net interest income owing to the close correlation;
- periodic fees and commissions on current accounts with positive balances applied to customers (excluding the retail customers and SMEs segment), in accordance with the provisions of the term sheets, which are accounted for as net interest income, inasmuch as they cover the financing cost incurred by the Bank;
- Profits (losses) on trading, Fair value adjustments in hedge accounting, Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss, Profits (losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income and on sale or repurchase of financial liabilities, which have been reallocated to the single caption Profits (losses) on financial assets and liabilities designated at fair value, except for any amounts relating to adjustments on certain portions of loans mandatorily measured at fair value, which relate to measurements of credit positions and are therefore reported in the caption Net adjustments to loans in order to provide a single presentation of the adjustments relating to the same position;
- the share of the premium on the issue of the certificates paid to the networks for their placement, which is reclassified from Profits (losses) on trading and Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss to Net fee and commission income;
- the recoveries of expenses, taxes and duties, which have been subtracted from Other administrative expenses, instead of being included among Other income;
- the costs of several incentive systems for employees of the Group's distribution networks, where funded by fee and commission income generated by the networks in question on the basis of deterministic quantification criteria correlated to the revenues concerned, which are reclassified from Personnel expenses to Fee and commission expense by analogy to the accounting treatment of incentive systems for non-employee financial advisors;
- Profits and losses on disposal or repurchase of financial assets measured at amortised cost (loans and debt securities representing loans), which have been allocated to Net adjustments to loans;
- Net losses/recoveries for credit risk associated with financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, the effects on the income statement of the changes in contracts and the net provisions for risks and charges for credit risk relating to commitments and guarantees given, attributed to the single item Net adjustments to loans. The caption also includes any amounts relating to credit risk adjustments to several portions of loans mandatorily measured at fair value, which, as they relate to the measurement of

credit positions, are reclassified to the caption Net adjustments to loans to permit unitary representation of adjustments relating to the same position;
- the reversal in the time value of Employee termination indemnities and Allowances for risks and charges, which has been included among Net interest income, as a phenomenon deriving directly from the application of the amortised cost criterion, in the absence of changes in projected future cash flows, in keeping with the treatment of the time value of financial assets measured at amortised cost;
- Net losses/recoveries for credit risk associated with financial assets measured at amortised cost other than loans and net impairment losses on equity investments, as well as property and equipment and intangible assets (including property and other assets, also those resulting from the enforcement of guarantees or purchase at auction and intended for sale on the market in the near future), which have been reclassified to Other net provisions and net impairment losses on other assets, which consequently include – in addition to the provisions for risks and charges other than those relating to commitments and guarantees – the valuation effects of the assets other than loans, with the sole exception of impairment losses on intangible assets that have been reclassified to Impairment (net of tax) of goodwill and other intangible assets;
- the costs incurred in 2022 for a one-off contribution to Intesa Sanpaolo people, excluding those classified as managers or having equivalent remuneration, not linked to their work performance but to mitigate the impact of inflation, which were reclassified from Personnel expenses to Other income (expenses);
- realised profits (losses) on financial assets measured at amortised cost other than loans, on equity investments and on other investments, which have been reclassified to Other income (expenses). Accordingly, in addition to the income and expenses not strictly related to operations, this caption represents the summary of the effects from the realisation of assets other than loans. Profits (Losses) realised on debt securities represent an exception; in view of their business model, which involves management closely correlated with the other financial instruments, they are classified to Profits (Losses) on financial assets and liabilities designated at fair value;
- Charges (net of tax) for integration and exit incentives, which are reclassified from Personnel expenses, Administrative expenses and other captions of the income statement to a separate caption;
- the Effects of purchase price allocation, net of the tax effect, which are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities as well as property, equipment and intangible assets which are measured at fair value as provided for by IFRS 3;
- Levies and other charges aimed at maintaining the stability of the banking industry, which are reclassified, after tax, to the specific caption;
- Impairment on goodwill, other intangible assets, and investments in subsidiaries, which are shown net of tax.

Reclassified income statement

(millions of euro)

	2023	2022	Changes	
			amount	%
Net interest income	10,342	7,024	3,318	47.2
Net fee and commission income	5,252	5,485	-233	-4.2
Profits (Losses) on financial assets and liabilities designated at fair value	107	1,222	-1,115	-91.2
Other operating income (expenses)	4,311	2,923	1,388	47.5
Operating income	**20,012**	**16,654**	**3,358**	**20.2**
Personnel expenses	-5,508	-5,363	145	2.7
Administrative expenses	-2,235	-2,141	94	4.4
Adjustments to property, equipment and intangible assets	-1,097	-1,052	45	4.3
Operating costs	**-8,840**	**-8,556**	**284**	**3.3**
Operating margin	**11,172**	**8,098**	**3,074**	**38.0**
Net adjustments to loans	-1,411	-2,061	-650	-31.5
Other net provisions and net impairment losses on other assets	-374	-185	189	
Other income (expenses)	212	146	66	45.2
Income (Loss) from discontinued operations	-	31	-31	
Gross income (loss)	**9,599**	**6,029**	**3,570**	**59.2**
Taxes on income	-1,668	-862	806	93.5
Charges (net of tax) for integration and exit incentives	-139	-46	93	
Effect of purchase price allocation (net of tax)	-110	-111	-1	-0.9
Levies and other charges concerning the banking industry (net of tax)	-403	-474	-71	-15.0
Impairment (net of tax) of goodwill, other intangible assets and controlling interests	13	-252	265	
Net income (loss)	**7,292**	**4,284**	**3,008**	**70.2**

Figures restated, where necessary and material.

The income statement for the year 2023 posted net income of 7,292 million euro, compared with 4,284 million euro for the previous year (+3,008 million euro; +70.2%), while gross income, amounting to 9,599 million euro, was up by 3,570 million euro (+59.2%) compared to 6,029 million euro in December 2022.

More specifically, the annual change in net income is mainly attributable to:
- an increase in Operating income of 3,358 million euro (+20.2%), attributable to the higher contribution from Net interest income (+3,318 million euro; +47.2%), in Dividends (+1,349 million euro; +49.6%), and in Other net operating income (+39 million euro; +19.2%), offset by the decrease in Profits (losses) on financial assets and liabilities designated at fair value (-1,115 million euro; -91.2%) and Net fee and commission income (-233 million euro; -4.2%);
- the growth in Operating costs of 284 million euro (+3.3%), due to the increase in Personnel expenses (+145 million euro; +2.7%), Administrative expenses (+94 million euro; +4.4%) and Amortisation of intangible assets and depreciation of property and equipment (+45 million euro; +4.3%);
- a reduction in Net adjustments to loans (-650 million euro; -31.5%);
- an increase in Other net provisions and net impairment losses on other assets of 189 million euro, of which 6 million euro due to greater Other net provisions, 71 million euro to increases in Net adjustments to securities measured at amortised cost and securities at fair value through other comprehensive income, and 112 million euro to increases in Net impairment losses on other assets;
- an increase in Other income of 66 million euro (+45.2%);
- a decrease in Net income from discontinued operations of 31 million euro;
- the increase in Charges (net of tax) for integration of 93 million euro;
- the decrease in Levies and other charges concerning the banking industry (net of tax) of 71 million euro (-15%);
- the decrease in Impairment (net of tax) of goodwill, other intangible assets and investments in subsidiaries of 265 million euro.

Net interest income, amounting to 10,342 million euro, increased sharply on 2022 (+3,318 million euro; +47.2%). Specifically, increased contributions were made by customer dealing, of 8,505 million euro (+2,927 million euro, +52.5%), which benefited from interest rate increases by the ECB, and financial assets, which rose to 2,517 million euro from 964 million euro in the previous year, due to the positive performance of all components: securities measured at amortised cost (+835 million euro), other financial assets measured at fair value through other comprehensive income (+518 million euro) and through profit or loss (+200 million euro). However, negative differentials on hedging derivatives and net interest income on relations with banks worsened, the latter decreasing mainly due to the decrease in interbank operations.
Finally, other net interest income, inclusive of that accrued on non-performing assets, made a positive contribution of +1,039 million euro, an increase of 469 million euro.

Net fee and commission income, amounting to net 5,252 million euro, decreased by 233 million euro (-4.2%) on the previous year (5,485 million euro). The decrease involved all the segments: commercial banking (-74 million euro; -3.4%), management, dealing and consultancy activities (-49 million euro; -1.9%), and other net fee and commission income (-110 million euro; -14.6%).
In the commercial banking component, there was a decrease in fees on guarantees given and received (-106 million euro), especially regarding the higher fee and commission expense on synthetic securitisations as part of the Active Credit Risk Management programme (GARC) and, to a lesser extent, on current accounts (-12 million euro), while there was an increase in fees and commissions on the debit and credit card service (+23 million euro) and on the collection and payment service (+15 million euro).
For the management, dealing and consultancy activities, the decrease was mainly due to the lower contribution from funds (-106 million euro), the distribution of insurance products (-68 million euro) and portfolio management schemes (-14 million euro), only partly offset by the increase in the securities and derivatives segment (+123 million euro) and the growth in other management and dealing commissions (+14 million euro). Lastly, for the other net fee and commission income, the decrease was mainly due to loans granted.

Profits (Losses) on other financial assets and liabilities designated at fair value amounted to 107 million euro, compared to 1,222 million euro in the previous year (-1,115 million euro; -91.2%). That performance should be interpreted along with the sharp increase in the net interest income, with specific reference to transactions in certificates, which generated positive effects on the income in terms of greater liquidity invested and negative effects on trading related to the management of financial risks following the increase in market rates.
Specifically, the decrease was attributable to lower profits (losses) on trading and on financial instruments under fair value option (-836 million euro), largely arising from interest rate transactions for the previously-mentioned funding in certificates, lower profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and of assets at amortised cost (-155 million euro), which, in 2022, benefited from higher gains from the sale of debt securities, mainly government bonds, the lower profits (losses) on hedges under hedge accounting (-84 million euro), impacted by the change in interest rates, and lower profits (losses) on assets mandatorily measured at fair value through profit or loss (-49 million euro). These negative effects were offset by higher net gains from the repurchase of financial liabilities (+9 million euro), attributable to the repurchase of debt and own debt securities on the secondary market.

Other net operating income amounted to 4,311 million euro compared to 2,923 million euro in the previous year, representing an increase of 1,388 million euro (+47.5%). The aggregate includes dividends from investees, with the remainder comprised of sundry operating income. The trend in this caption was almost fully attributable to the higher contribution (+1,349 million euro) of dividends, up by 1,349 million euro (+49.6%). In particular, in 2023, dividends were recorded totalling 4,069 million euro, compared to 2,720 million euro in 2022. Sundry operating income amounted to 242 million euro, an increase of 39 million euro compared to the end of 2022 (+19.2%).

As a result of these changes, operating income amounted to 20,012 million euro, up 3,358 million euro (+20.2%) on 16,654 million euro for the previous year.

Operating costs amounted to 8,840 million euro, up 3.3% on December 2022, due to the increase in personnel expenses, which rose from 5,363 million euro to 5,508 million euro (+145 million euro; +2.7%), other administrative expenses, which rose from 2,141 million euro to 2,235 million euro (+94 million euro; +4.4%), and depreciation and amortisation of property, equipment and intangible assets, which came to 1,097 million euro compared to 1,052 million euro in December 2022 (+45 million euro; +4.3%).
With specific regard to personnel expenses, the increase of 145 million euro is also attributable to the increased costs linked to the renewal of the national collective bargaining agreement.
For the other administrative expenses, the increase was mainly attributable to real estate management expenses (+72 million euro), due to the increase in electricity and gas costs.
Lastly, the increase of 45 million euro in depreciation and amortisation of property and equipment and intangible assets, was made up of 59 million euro attributable to intangible assets, essentially investments in technology, offset by the decrease of 14 million euro in property and equipment, mainly rights of use acquired through leases, following renegotiations and early termination of several contracts.

The performance of operating income and costs illustrated above resulted in an operating margin of 11,172 million euro, up 3,074 million euro (+38%) on 8,098 million euro in the previous year.
The cost/income ratio for 2023 came to 44.2%, down sharply on the 2022 figure (51.4%).

Net adjustments to loans amounted to 1,411 million euro, down 650 million euro (-31.5%) on December 2022 (2,061 million euro).
The performance of the caption mainly reflects an improvement of 330 million euro on loans in Stage 2 and a reduction of 106 million euro in adjustments to non-performing loans in Stage 3, as a result of a significant drop in adjustments to unlikely-to-pay loans (258 million euro), against an increase in past-due loans (-71 million euro) and an increase in adjustments to bad loans (-81 million euro). Positive effects were also exerted by net provisions relating to commitments and guarantees given with recoveries of 19 million euro, compared to adjustments of -60 million euro recorded in 2022, as well as by Stage 1 loans with recoveries of 2 million euro (-123 million euro in adjustments in the previous year).
In December 2023, the ratio of gross non-performing loans to total loans was 2.3%, in line with the December 2022 figure.
The cost of credit – expressed as the ratio of net adjustments to net loans – decreased in 2023 to 38 bps, compared to 53 bps in 2022. The performance of the cost of credit was favoured by very low inflows from performing to non-performing loans during the year (2.1 billion euro net of outflows from non-performing to performing loans).
The coverage of non-performing loans in December 2023 amounted to 47.8%. In detail, bad loans required net adjustments of 515 million euro, up on the 2022 figure (434 million euro), with a coverage ratio of 70.6%. Net adjustments to unlikely-to-pay loans, totalling 698 million euro, were down (-27%) from 956 million euro recorded in 2022; the coverage ratio for these positions amounted to 38.8%. Net adjustments to past-due loans amounted to 266 million euro (195 million euro in 2022), with a coverage ratio of 23%. The coverage ratio for forborne positions within the non-performing loan category was 41.4%. Finally, the coverage of performing loans was 0.5% and incorporated the physiological risk inherent in the loan portfolio.

Other net provisions and net impairment losses on other assets amounted to 374 million euro, compared to 185 million euro in 2022, an increase of 189 million euro. These related to provisions for legal disputes and other charges (100 million euro), net adjustments to debt securities measured at amortised cost not treated as loans and to debt securities measured at fair value through other comprehensive income (97 million euro), and net impairment losses on other assets (177 million euro).
The latter specifically include net impairment losses on non-controlling interests (83 million euro), valuation effects of other assets (67 million euro), adjustments to property, equipment and intangible assets (16 million euro), and the impacts of the updating of the fair value of all of the Bank's real estate assets and valuable art assets (11 million euro).

Other income (expenses), amounting to 212 million euro (146 million euro as at 31 December 2022), include 234 million euro in gains from the sale of equity investments, comprising 231 million euro attributable to the sale of the capital held in Zhong Ou Asset Management Company Limited, and 21 million euro in non-recurring expenses, not strictly linked to the Bank's ordinary operations. As at 31 December 2022, the caption included 196 million euro in gains deriving from the sale of Intesa Sanpaolo Formazione.

Income from discontinued operations had no value, while in the comparison year it amounted to 31 million euro, due to the restatement of the income effects associated with the business line involving specific activities regarding the design and provision of training solutions for the employees of the Group transferred by the Parent Company ISP to Intesa Sanpaolo Formazione S.p.A. (22 June 2022, with accounting and tax effects from that date) and the subsequent sale of the entire controlling interest in ISP Formazione (29 June 2022).

Gross income amounted to 9,599 million euro, up 3,570 million euro (+59.2%) on the previous year (6,029 million euro).

Taxes on income calculated on the components contributing to gross income amounted to -1,668 million euro, compared to -862 million euro in the previous year.
The caption includes the benefits due to the recognition of deferred tax assets relating to tax losses carried forward of the former UBI Banca, former UBI Leasing and former UBI Factor (+352 million euro).

Charges for integration and exit incentives (net of taxes) amounted to 139 million euro and mainly referred to depreciation and amortisation on property and equipment and intangible assets (109 million euro), personnel expenses (19 million euro) and administrative expenses (17 million euro), partially offset by net provisions for risks and charges (5 million euro). These compare with 46 million euro in December 2022, mainly attributable to depreciation and amortisation on property and equipment and intangible assets (75 million euro) and administrative expenses (21 million euro), partially offset by the release of the discounting effect of allowances relating to charges for integration and exit incentives for personnel included in personnel expenses (47 million euro).

The effect of purchase price allocation (net of the tax effect) amounted to -110 million euro, in line with the -111 million euro in December 2022. This caption comprises amounts attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon recognition of acquisition of equity investments and/or aggregate assets.

Levies and other charges concerning the banking industry (net of tax) amounted to 403 million euro, down on the 474 million euro recorded at the end of 2022 (-71 million euro; -15%). This caption included the amount for the ordinary contribution to the Single Resolution Fund (SRF) of 194 million euro, the contribution to the National Interbank Deposit Guarantee Fund of 218 million euro, and the revaluations of the Atlante Fund and the Italian Recovery Fund of 9 million euro.

The Impairment (net of tax) of goodwill, other intangible assets and controlling interests amounted to +13 million euro, and related to the write-down of several investments in subsidiaries (-31 million euro), offset by the partial release (+44 million euro due to the decrease by Pravex in credit exposures, fully written down in previous years, as illustrated in the Notes to the Consolidated financial statements – Part E) of the provision for 2022 required to cover indirect risks regarding the investment in subsidiaries held in Pravex Bank in relation to the ongoing conflict, for the purpose of aligning the values with the contribution of the subsidiary to the Consolidated financial statements (which, specifically, was a negative 27 million euro).
In December 2022 the caption amounted to -252 million euro, specifically including the write-downs and provisions made on the investments in subsidiaries held in Russia and Ukraine, given the ongoing conflict.

General aspects relating to the Reclassified Balance Sheet

A reclassified condensed balance sheet has been prepared to permit a more immediate understanding of the assets and liabilities.
Unlike the income statement figures, it was not necessary to restate the balance sheet figures on a like-for-like basis, because there were no changes in the scope of reference.

Certain aggregations and reclassifications have been made with respect to the model provided in Circular 262/2005 of the Bank of Italy. Breakdowns of aggregations and reclassifications are provided in separate tables included in the attachments to this report, as also required by Consob in its Communication 6064293 of 28 July 2006.

The aggregations of the captions of the reclassified balance sheet related to:

- the separate presentation of financial assets constituting Due from banks and Loans to customers, regardless of the accounting portfolios to which they have been allocated;
- the separate presentation of financial assets not constituting loans, divided into financial assets measured at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, net of the amounts reclassified to Due from banks and Loans to customers;
- the aggregation in one single caption of Property, equipment and intangible assets, broken down into the sub-captions Assets owned and Rights of use acquired under leases;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios under Other assets/ Other liabilities;
- the separate presentation of Due to banks at amortised cost;
- the aggregation of Due to customers at amortised cost and Securities issued into one caption;
- the aggregation in one single caption (Allowances for risks and charges) of allowances for specific purposes (Employee termination indemnities and Allowances for risks and charges regarding: commitments and guarantees given, post-employment benefits and other allowances for risks and charges);
- the reclassification of Lease payables to a specific sub-caption of Other liabilities;
- the presentation of Reserves as an aggregate and net of any own shares.

Reclassified balance sheet

(millions of euro)

Assets	**31.12.2023**	**31.12.2022**	**Changes**	
			amount	**%**
Cash and cash equivalents	72,829	97,071	-24,242	-25.0
Due from banks	31,828	35,264	-3,436	-9.7
Loans to customers	367,492	385,795	*-18,303*	*-4.7*
Loans to customers measured at amortised cost	*366,019*	*383,277*	*-17,258*	*-4.5*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,473*	*2,518*	*-1,045*	*-41.5*
Financial assets measured at amortised cost which do not constitute loans	53,950	46,629	7,321	15.7
Financial assets at fair value through profit or loss	43,172	47,523	*-4,351*	*-9.2*
Financial assets at fair value through other comprehensive income	51,164	34,196	16,968	49.6
Equity Investments	24,055	23,646	409	1.7
Property, equipment and intangible assets	12,489	12,056	433	3.6
Assets owned	*11,433*	*11,136*	*297*	*2.7*
Rights of use acquired under leases	*1,056*	*920*	*136*	*14.8*
Tax assets	13,564	16,594	-3,030	-18.3
Non-current assets held for sale and discontinued operations	178	528	-350	-66.3
Other assets	26,633	16,079	10,554	65.6
Total Assets	**697,354**	**715,381**	**-18,027**	**-2.5**

Liabilities	**31.12.2023**	**31.12.2022**	**Changes**	
			amount	**%**
Due to banks at amortised cost	115,426	159,956	-44,530	-27.8
Due to customers at amortised cost and securities issued	444,567	433,616	10,951	2.5
Financial liabilities held for trading	45,045	48,810	-3,765	-7.7
Financial liabilities designated at fair value	21,345	8,795	12,550	
Tax liabilities	477	431	46	10.7
Liabilities associated with non-current assets held for sale and discontinued operations	2	15	-13	-86.7
Other liabilities	10,455	5,241	5,214	99.5
of which lease payables	*1,081*	*943*	*138*	*14.6*
Allowances for risks and charges	3,997	4,464	-467	-10.5
of which allowances for commitments and financial guarantees given	*407*	*425*	*-18*	*-4.2*
Share capital	10,369	10,369	-	-
Reserves	32,908	33,531	-623	-1.9
Valuation reserves	175	81	94	
Interim dividend	-2,629	-1,400	1,229	87.8
Equity instruments	7,925	7,188	737	10.3
Net income (loss)	7,292	4,284	3,008	70.2
Total liabilities and shareholders' equity	**697,354**	**715,381**	**-18,027**	**-2.5**

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

Comments are provided below on the main balance sheet aggregates as at 31 December 2023 compared with those as at 31 December 2022.

As at 31 December 2023, loans to customers totalled around 367.5 billion euro, down on 385.8 billion euro for the previous year (-18.3 billion euro; -4.7%).
This performance was almost entirely due to the decrease in commercial banking loans (-18.8 billion euro; -5.2%), in particular mortgages (-17.5 billion euro; -7.7%), current accounts (-1 billion euro; -10%) and short-term loans in the form of advances and loans (-0.3 billion euro; -0.2%), only partly offset by the positive performance of repurchase agreements (+1.3 billion euro; +8.3%). The performance of the commercial banking loans was driven by the tightening of monetary policy, in particular the sharp and sudden rise in key interest rates, which contributed to a significant fall in demand for loans from households and business, which resorted to using internal sources, in particular the liquidity accumulated on bank deposits in previous years. The disbursements of new mortgages also had significant impact, continuing a trend that began in the middle of last year, with the rise in official interest rates, and was accentuated in 2023 as a result of the decline in residential property sales underway since the last quarter of 2022.
Loans represented by securities also decreased slightly to 5.4 billion euro (-0.3 billion euro; -5.7%).
Lastly, non-performing loans decreased to 4.4 billion euro (-0.5 billion euro; -10.2%).
The movements in the individual components show:

- a decrease in bad loans from 919 million euro to 773 million euro, equal to -15.9%;
- a reduction in loans classified as “unlikely to pay”, which fell from 3,637 million euro to 3,244 million euro, equal to -10.8%;
- an increase in past-due loans, which amounted to 369 million euro compared to 329 million euro as at 31 December 2022 (+12.2%).

The non-performing assets percentage of total net loans to customers amounted to 1.2% (0.9% according to the EBA definition), down slightly on 1.3% in December 2022 (1% according to the EBA definition), with a coverage ratio for non-performing loans of 47.8%.
Net performing loans (not represented by securities) amounted to 357.6 billion euro, compared to 375 billion euro as at 31 December 2022, representing a decrease of 17.5 billion euro (-4.7%). The related coverage was 0.45% (Stage 1 at 0.15% and Stage 2 at 4.26%) down slightly compared to 0.48% as at 31 December 2022 (Stage 1 at 0.13% and Stage 2 at 3.84%).

Financial assets measured at fair value through profit or loss - which included financial and credit derivatives and debt and equity securities held for trading and mandatorily measured at fair value - are analysed together with the financial liabilities held for trading and designated at fair value, net of certificates, included in the direct deposits. As at 31 December 2023, this aggregate amounted to +6.7 billion euro, compared to +6.5 billion euro in December 2022, representing a change of +0.2 billion euro (+3.1%). This performance was attributable both to financial assets held for trading, down 4.4 billion euro (-9.2%) due essentially to the reduction in financial derivatives (-6.1 billion euro), partly offset by the increase in on-balance sheet assets (+1.1 billion euro, almost completely attributable to equity instruments), and the lower financial liabilities held for trading for 4.6 billion euro (-11.1%), whose change was mainly due to financial derivatives (-4.9 billion euro).

Financial assets at fair value through other comprehensive income amounted to 51.2 billion euro. These assets, which consisted of debt securities of 49.9 billion euro and equity investments and private equity interests of 1.3 billion euro, increased by 17 billion euro (+49.6%), primarily due to non-structured debt securities. HTCS debt securities have primarily been classified to Stage 1 (99.1%).

Financial assets measured at amortised cost which do not constitute loans amounted to 53.9 billion euro, up 7.3 billion euro (+15.7%) compared to the previous year, mainly as a result of the increase in debt securities issued by governments. HTC debt securities have primarily been classified to Stage 1 (90%).

Direct deposits, consisting of amounts due to customers at amortised cost and securities issued, as well as certificates, which are a form of funding not measured at amortised cost alternative to bonds, totalled 474.5 billion euro, up 24.3 billion euro (+5.4%) compared to 31 December 2022.
This performance was mainly attributable to the increase in bond funding (+24.6 billion euro; +36.7%), repurchase agreements and securities lending (+11.7 billion euro), and certificates (+13.3 billion euro; +80.4%), partly offset by the decrease in current accounts and deposits (-24.8 billion euro; -7.4%). In a scenario of progressive increases in interest rates, companies used their available liquidity to reduce their use of bank loans, and retail customers redirected a portion of their available funds on current accounts to more remunerative investment products, such as bonds and certificates, as well as government and corporate bond issues, which increased the dossiers of assets under administration.

Due to the increase in policy interest rates, starting in September 2022, excess liquidity is no longer deposited on the account of the Reserve Requirement aggregate under “Due from banks”, but in on-demand deposits (overnight deposits) at the Central Bank that are reported in the caption “Cash and cash equivalents”. As at 31 December 2023, overnight deposits came to 64 billion euro (89 billion euro in December 2022).
Including the liquidity mentioned above, at the end of 2023 the net interbank position amounted to a net debt of -19.6 billion euro, compared to -35.7 billion euro as at 31 December 2022 (a decrease of 16.1 billion euro, or -45.1%).
This change primarily reflected the significant reduction in amounts due to banks during the year (-27.8% to 44.5 billion euro), as a result of repayments, both early and upon maturity, of the funds raised through the TLTRO operations, despite the decrease, to a smaller extent, in overnight on-demand deposits with the ECB (-28.1%, to 25 billion euro) and due from banks (-9.7% to 3.4 billion euro).
As at 31 December 2023, the TLTRO III refinancing amounted to a nominal value of 45 billion euro.

Equity investments, which amounted to 24.1 billion euro, included controlling interests in subsidiaries, associates and companies subject to joint control, and were up 0.4 billion (+1.7%) from the end of the previous year.

Property, equipment and intangible assets amounted to 12.5 billion euro, up 0.4 billion euro (+3.6%) compared to 12.1 billion euro as at 31 December 2022.

Tax assets, net of tax liabilities, amounted to 13.1 billion euro, a decrease of 3.1 billion euro (-19%) on the figure of 16.2 billion euro as at 31 December 2022.

Allowances for risks and charges amounted to 4 billion euro, down from the end of the previous year (-0.5 billion euro; -10.4%), mainly due to the reduction in Other allowances for risks and charges (-0.3 billion euro, equal to -10.2%).

Non-current assets held for sale and discontinued operations and related liabilities, amounting to 178 million euro and 2 million euro, respectively, contain assets and related liabilities which no longer refer to continuing operations as they are being disposed of.
Specifically, as at 31 December 2023, this included assets held for sale of 139 million euro – consisting of unlikely-to-pay loans and performing positions object of a de-risking operation expected to be concluded in the first half of 2024 – and associated liabilities of 2 million euro, as well as property and equipment of 39 million euro.

Shareholders' equity, including the net income for the year of 7,292 million euro, amounted to 56 billion euro compared to 54.1 billion euro as at 31 December 2022, which registered the interim dividend on the 2022 net income, paid in November 2022, for 1.4 billion euro. The figure at the end of 2023 was specifically the result of the remaining dividends for 2022, paid to shareholders in May 2023 for 1.6 billion euro, as well as the purchases of own shares for annulment (buyback), finalised at the beginning of May 2023 (1.7 billion euro), the allocation to reserves of 1.2 billion euro in fulfilment of the resolution of the Ordinary Shareholders' Meeting of 29 April 2023, as well as the interim dividend paid in November 2023, on the 2023 net income, for 2.6 billion euro.

Additional Tier 1 capital instruments increased by 0.7 billion euro (+10.3%), mainly due to the buyback of own perpetual bonds for 0.5 billion euro and the concurrent issue of a fixed-rate perpetual bond denominated in Euro for a total nominal amount of 1.250 billion euro.

Own funds amounted to 53.3 billion euro, while the Common Equity Tier 1 stood at 12%, well above the minimum required.

Other information

Pursuant to article 2497 and subsequent articles of the Italian Civil Code, Intesa Sanpaolo exercises management and coordination activities for its direct and indirect subsidiaries, including companies which, on the basis of current laws, are not part of the Banking group, with the exception of Risanamento S.p.A. and its subsidiaries.
This Report on operations of Intesa Sanpaolo S.p.A. includes only a comment on the Bank's performance, as shown in the previous pages, and related Alternative Performance Measures. For all other information required by laws or regulations, reference should be made to the Notes to these Parent Company's financial statements or the Consolidated financial statements and to the related Report on operations, when illustrating specific themes.

Specifically, reference should be made to the Notes to these Parent Company's financial statements with regard to:
- information on the Bank's connections and transactions with related parties, which is provided in Part H. To enable a comprehensive understanding, Part H presents not only the information required by IAS 24 but also that required by Article 5, paragraph 8, of Consob Regulation 17221 of 12 March 2010 (adopted pursuant to Article 2391-bis of the Italian Civil Code);
- information on financial and operational risks, illustrated in Part E, which specifically illustrates the objectives and policies regarding the assumption, management and hedging of financial risks;
- the list of subsidiaries, companies subject to joint control and companies subject to significant influence, provided in Part B - Assets - Section 7;
- transactions with subsidiaries, companies subject to joint control and companies subject to significant influence, provided in Part H;
- information on capital, provided in Part B - Liabilities - Section 12, and in Part F.

Reference should instead be made to the Consolidated financial statements with regard to:
- information on the main risks and uncertainties, illustrated in the chapter "Overview of 2023" of the Report on operations, which also reports the management's going concern assessment;
- the update on the disclosure on the control actions and main accounting issues related to the Russia-Ukraine risk, contained in the above-mentioned chapter "Overview of 2023". Further information in this regard is provided in the Notes to the consolidated financial statements, in Part E - Information on risks and relative hedging policies, in the section on credit risk, where the valuation aspects of exposures to Russia and Ukraine are discussed. That disclosure supplements and completes that set out in Part A - Section 4 - Other aspects of the Notes to the Parent Company's Financial Statements;
- the recommendations contained in the recent public statement of ESMA ("European common enforcement priorities for 2023 annual financial reports" of 25 October 2023). More specifically, Part A of the Notes to the consolidated financial statements summarises the characteristics and risk aspects of the financial instruments in the context of the Group's green financing activities, while Part E describes the main issues related to Environmental, Social and Governance (ESG) risks and climate risk. The more strictly strategic aspects, as well as the updates on project activities and the main ESG targets achieved, are discussed in the paragraph "Sustainability and Group strategy on Environmental, Social and Governance issues" of the already mentioned chapter "Overview of 2023" of the Report on operations of the consolidated financial statements;
- the certification of compliance, during the year 2023, with the conditions required by Article 15 of the Consob Market Regulation 20249/2017 (as amended) for the listing of shares of companies controlling companies established and regulated under the laws of non-EU countries, provided in Part E - Information on risks and relative hedging policies of the Notes to the consolidated financial statements, in the introductory section on the Manager responsible for preparing the Company's financial reports;
- the definition of and methods for constructing the Alternative Performance Measures used, provided in a specific chapter of the Report on operations of the consolidated financial statements.

For information on the Corporate Governance system and the ownership structure of Intesa Sanpaolo, required by Article 123-bis of the Consolidated Law on Finance, reference is made to the summary provided in the chapter "Corporate Governance and remuneration policies" of the Report on operations of the consolidated financial statements and the specific separate "Report on Corporate Governance and Ownership Structures" available in the Governance section of the Group's website, at www.group.intesasanpaolo.com.
The information on the remuneration policy and compensation paid pursuant to Article 123-ter of the Consolidated Law on Finance is summarised in the Report on operations of the consolidated financial statements (chapter "Corporate Governance and remuneration policies") and illustrated in the separate "Report on remuneration policy and compensation paid", published in the Governance section of the Group's website.
With regard to the non-financial information required by Legislative Decree 254 of 30 December 2016 implementing Directive 2014/95/EU, Intesa Sanpaolo has opted to present this information in a separate report prepared at consolidated level, in accordance with Article 4 of that Decree. The document, entitled "Consolidated Non-Financial Statement", can be viewed in the "Sustainability" section of the above-mentioned website.

Forecast for 2024

In 2024, compared to 2023, for Intesa Sanpaolo it is envisaged:
- a further increase in net interest income and an increase in net fee and commission income;
- stable operating costs;
- cost of risk still at low levels;
- a reduction in levies and other charges concerning the banking industry.

A strong value distribution is envisaged:
- a cash payout ratio of 70% of the consolidated net income for each year of the Business Plan;
- intention to execute a buyback equal to around 55 bps of the Common Equity Tier 1 ratio of the Group as at 31 December 2023 to be launched in June 2024[127];
- any additional distribution for 2024 and 2025 to be evaluated year by year.

The Board of Directors

Turin, 27 February 2024

[127] Subject to approvals from the ECB and the Shareholders' Meeting.

Proposals to the Shareholders' Meeting

Distinguished Shareholders,

pursuant to Article 2364 of the Italian Civil Code and Articles 7.3 and 29.3 of the Company's Articles of Association, we hereby submit for your approval the financial statements of the Parent Company Intesa Sanpaolo S.p.A. as at 31 December 2023 and the related proposal for allocation of net income for the year and distribution of reserves.

The reclassifications made to the shareholders' equity items are described in section 12 of Part B - Liabilities of the Notes to the Financial Statements. You are also reminded that, pursuant to Article 6, paragraph 1, letter a) of Legislative Decree 38/2005 currently in force, a portion of net income corresponding to capital gains recognised in the income statement, net of the related tax charge and other than the gains from trading financial instruments and foreign exchange and hedging transactions, arising from application of the fair value criterion, must be recorded in an unavailable reserve. As at 31 December 2023, this portion amounted to 275,743,257.91 euro. Also as a result of the application of the above-mentioned article, following the realisation of gains or the recognition of losses, the unavailable reserve was reduced, through a transfer to the Extraordinary Reserve, by 476,069,717.42 euro, making this amount available for distribution.

On 3 November 2023, in compliance with the provisions of paragraph 4 of Article 2433-bis of the Italian Civil Code, the Board of Directors approved the distribution of an interim dividend from the 2023 net income, totalling 2,628,985,341.02 euro[128], corresponding to a unit amount of 14.40 euro cents for each of the 18,256,842,646 ordinary shares outstanding on the record date of 21 November 2023. The dividend was paid out on 22 November 2023 (with coupon presentation on 20 November 2023).

In addition, please note that Article 26 of Law Decree no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023, included a provision for a one-off tax for the year 2023 calculated on the increase in net interest income, for the banks identified in Article 1 of the Consolidated Law on Banking (Legislative Decree no. 385 of 1 September 1993). According to this provision, the tax must be determined by applying a rate of 40% to the amount of net interest income, included in caption 30 of the income statement prepared in accordance with the formats for bank financial statements approved by the Bank of Italy and related to the financial year prior to 1 January 2024 (2023 for entities with a tax period coinciding with the calendar year), which exceeds the net interest income in the financial year prior to 1 January 2022 (2021 for entities with a tax period coinciding with the calendar year) by at least 10%. The amount of the one-off tax cannot exceed 0.26% of the total amount of the risk exposure determined in accordance with paragraphs 3 and 4 of Article 92 of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 16 June 2013, with reference to the closing date of the financial year prior to 1 January 2023. The one-off tax must be paid by the end of the sixth month following the end of the financial year prior to 1 January 2024 and is not deductible for income tax and regional business tax purposes.
The same provision establishes that, in lieu of the payment as determined above, when approving the financial statements for the financial year prior to 1 January 2024 banks may allocate an amount of no less than 2.5 times the tax calculated as described above to a non-distributable reserve identified for this purpose. The provision also establishes that, if the reserve is used for the distribution of profits, the tax provided for by the above-mentioned Law Decree, plus an amount equal to the annual interest rate on deposits with the European Central Bank, must be paid within 30 days of the approval of the relative resolution.
For Intesa Sanpaolo, the amount of the one-off tax above came to 796,578,510.44 euro, determined on the basis of 0.26% of the risk exposure, because the charge calculated on the basis of the increase in net interest income was higher.
In consideration of the opportunity granted by the law to strengthen the company's capital base, we propose to allocate the amount of 1,991,446,276.10 euro (equal to 2.5 times the one-off tax) to a specific reserve.

Given the above, and taking into account the deferral of eligibility for distribution of the gains recognised in the income statement, other than those relating to financial instruments held for trading and to foreign exchange and hedging transactions, at the time they are realised or no longer existing, the following proposals are submitted for your approval:

	(euro)
Net income for the year	7,292,121,182.96
Allocation to the Reserve pursuant to Article 26, paragraph 5-bis of Law Decree no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023	1,991,446,276.10
Allocation to the Reserve pursuant to Article 6 paragraph 1, letter a) of Legislative Decree no. 38/2005	275,743,257.91
Interim dividend for 2023 of 14.40 euro cents, as approved by the Board of Directors on 3 November 2023 and distributed on 22 November 2023, for each of the 18,256,842,646 ordinary shares outstanding on the record date of 21 November 2023, for a total of	2,628,985,341.02
Allocation of a dividend of 12.98 euro cents per share to the 18,282,798,989 ordinary shares currently constituting the share capital, for a total of	2,373,107,308.77
Assignment to the Allowance for charitable, social and cultural contributions	22,000,000.00
Assignment to the Extraordinary reserve of the residual net income	838,999.16
Distribution from the Share premium reserve of a unit amount of 2.22 euro cents, totalling	405,878,137.56

128 It does not include the interim dividend on the 25,956,343 own shares held at the record date, equal to 3,737,713.40 euro.

Therefore, the dividend for the year 2023 – considering the interim dividend of 2,629 million euro already paid and the remaining dividend of 2,373 million euro yet to be paid – and the distribution of reserves of 406 million euro would result in a total distributed amount of 5,408 million euro, corresponding to a payout ratio of 70% of consolidated net income.

If this proposal is approved, the consolidated capital requirements would show a Common Equity Tier 1 ratio of 13.7% and a Total Capital Ratio of 19.2%, both amply meeting the requirements of the EU Bodies and the Supervisory Authority. At Parent Company level as well, the capital requirements would be well above the minimum requirements.

We propose that the remaining dividend for 2023, as well as the distribution of reserves, be paid, in compliance with the legal provisions, with effect from 22 May 2024 (payment date), with record date pursuant to Article 83-terdecies of the Consolidated Law on Finance on 21 May 2024 and coupon presentation date on 20 May 2024.

Any own shares held by the Bank on the record date will not be entitled to dividends or distributions from the Share premium reserve, and the related amounts will be transferred to the Extraordinary reserve.

If the proposal submitted is approved by you, and taking into account the reclassification to the Extraordinary reserve of the total net positive amount of 2,909,042.65 euro relating to the merger difference arising from the annulment of the shares of the subsidiary Intesa Sanpaolo Provis S.p.A., merged during the year (in this regard it should be noted that, pursuant to Article 172, paragraph 5, of the Consolidated Law on Income Taxes, in relation to the above-mentioned merger difference, suspended tax reserves will be re-established for an amount of 111,840.44 euro), the shareholders' equity of Intesa Sanpaolo S.p.A. will be as shown in the table below.

(millions of euro)

Shareholders' equity	Annual report 2023	Changes	Share capital and reserves of Annual Report 2023 after the Shareholders' Meeting resolutions
Share capital	**10,369**	**-**	**10,369**
Share premium reserve	28,162	-406	27,756
Reserves (*)	4,807	2,268	7,075
Valuation reserves	175	-	175
Equity instruments	7,925	-	7,925
Interim dividend	-2,629	2,629	-
Own shares	-61	-	-61
Total reserves	**38,379**	**4,491**	**42,870**
TOTAL	**48,748**	**4,491**	**53,239**

(*) The change in Reserves includes the allocation to the Reserve pursuant to Article 26, paragraph 5-bis of Law Decree no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023, for the amount of 1,991 million euro.

The Board of Directors

Turin, 27 February 2024

Parent Company's financial statements

Financial statements

Balance sheet

(euro)

Assets		31.12.2023	31.12.2022	Changes amount	%
10.	Cash and cash equivalents	72,828,943,138	97,071,067,306	-24,242,124,168	-25.0
20.	Financial assets measured at fair value through profit or loss	43,785,365,325	48,461,909,195	-4,676,543,870	-9.6
	a) financial assets held for trading	*39,506,143,238*	*44,502,099,561*	*-4,995,956,323*	*-11.2*
	b) financial assets designated at fair value	*1,380,152*	*1,280,140*	*100,012*	*7.8*
	c) other financial assets mandatorily measured at fair value	*4,277,841,935*	*3,958,529,494*	*319,312,441*	*8.1*
30.	Financial assets measured at fair value through other comprehensive income	52,066,232,774	35,904,591,025	16,161,641,749	45.0
40.	Financial assets measured at amortised cost	451,755,089,080	465,041,122,226	-13,286,033,146	-2.9
	a) due from banks	*33,275,068,647*	*36,567,442,597*	*-3,292,373,950*	*-9.0*
	b) loans to customers	*418,480,020,433*	*428,473,679,629*	*-9,993,659,196*	*-2.3*
50.	Hedging derivatives	6,224,683,916	8,773,592,120	-2,548,908,204	-29.1
60.	Fair value change of financial assets in hedged portfolios (+/-)	-5,572,700,613	-9,472,301,524	-3,899,600,911	-41.2
70.	Equity investments	24,054,704,127	23,645,508,564	409,195,563	1.7
80.	Property and equipment	7,982,644,001	7,719,728,526	262,915,475	3.4
90.	Intangible assets	4,506,341,337	4,336,740,491	169,600,846	3.9
	of which:				
	- goodwill	*67,487,402*	*67,487,402*	-	-
100.	Tax assets	13,563,991,540	16,593,327,601	-3,029,336,061	-18.3
	a) current	*1,809,593,489*	*3,347,574,435*	*-1,537,980,946*	*-45.9*
	b) deferred	*11,754,398,051*	*13,245,753,166*	*-1,491,355,115*	*-11.3*
110.	Non-current assets held for sale and discontinued operations	178,302,844	528,409,076	-350,106,232	-66.3
120.	Other assets	25,979,994,126	16,777,182,227	9,202,811,899	54.9
Total assets		**697,353,591,595**	**715,380,876,833**	**-18,027,285,238**	**-2.5**

Balance sheet

(euro)

Liabilities and Shareholders' Equity		31.12.2023	31.12.2022	Changes amount	Changes %
10.	Financial liabilities measured at amortised cost	561,074,517,815	594,514,596,095	-33,440,078,280	-5.6
	a) due to banks	*115,432,414,988*	*159,961,500,664*	*-44,529,085,676*	*-27.8*
	b) due to customers	*341,552,499,241*	*354,850,700,626*	*-13,298,201,385*	*-3.7*
	c) securities issued	*104,089,603,586*	*79,702,394,805*	*24,387,208,781*	*30.6*
20.	Financial liabilities held for trading	45,044,530,346	48,809,589,880	-3,765,059,534	-7.7
30.	Financial liabilities designated at fair value	21,345,247,335	8,794,975,803	12,550,271,532	
40.	Hedging derivatives	4,335,613,053	4,652,143,658	-316,530,605	-6.8
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-3,907,187,975	-7,962,268,554	-4,055,080,579	-50.9
60.	Tax liabilities	476,545,272	431,021,092	45,524,180	10.6
	a) current	*61,695,018*	*73,662,880*	*-11,967,862*	*-16.2*
	b) deferred	*414,850,254*	*357,358,212*	*57,492,042*	*16.1*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	2,342,964	14,843,926	-12,500,962	-84.2
80.	Other liabilities	8,944,760,628	7,608,060,587	1,336,700,041	17.6
90.	Employee termination indemnities	717,403,948	796,940,057	-79,536,109	-10.0
100.	Allowances for risks and charges	3,280,409,587	3,666,674,800	-386,265,213	-10.5
	a) commitments and guarantees given	*406,617,942*	*424,874,288*	*-18,256,346*	*-4.3*
	b) post-employment benefits	*76,370,426*	*125,089,929*	*-48,719,503*	*-38.9*
	c) other allowances for risks and charges	*2,797,421,219*	*3,116,710,583*	*-319,289,364*	*-10.2*
110.	Valuation reserves	174,851,300	80,923,566	93,927,734	
120.	Redeemable shares	-	-	-	-
130.	Equity instruments	7,925,309,985	7,188,205,548	737,104,437	10.3
140.	Reserves	4,806,577,956	5,369,017,514	-562,439,558	-10.5
145.	Interim dividend (-)	-2,628,985,341	-1,399,608,168	1,229,377,173	
150.	Share premium reserve	28,161,936,073	28,211,982,139	-50,046,066	-0.2
160.	Share capital	10,368,870,930	10,368,870,930	-	-
170.	Own shares (-)	-61,273,464	-49,547,627	11,725,837	23.7
180.	Net income (loss) (+/-)	7,292,121,183	4,284,455,587	3,007,665,596	70.2
Total liabilities and shareholders' equity		**697,353,591,595**	**715,380,876,833**	**-18,027,285,238**	**-2.5**

Income statement

(euro)

		2023	2022	Changes amount	%
10.	Interest and similar income	24,986,828,101	10,365,136,143	14,621,691,958	
	of which: interest income calculated using the effective interest rate method	*21,398,773,154*	*9,842,657,825*	*11,556,115,329*	
20.	Interest and similar expense	-14,470,469,174	-3,161,181,347	11,309,287,827	
30.	**Interest margin**	**10,516,358,927**	**7,203,954,796**	**3,312,404,131**	**46.0**
40.	Fee and commission income	6,179,774,563	6,377,764,935	-197,990,372	-3.1
50.	Fee and commission expense	-1,106,435,391	-976,911,983	129,523,408	13.3
60.	**Net fee and commission income**	**5,073,339,172**	**5,400,852,952**	**-327,513,780**	**-6.1**
70.	Dividend and similar income	4,268,769,714	2,945,495,402	1,323,274,312	44.9
80.	Profits (Losses) on trading	456,685,420	-228,706,400	685,391,820	
90.	Fair value adjustments in hedge accounting	-57,158,160	26,827,205	-83,985,365	
100.	Profits (Losses) on disposal or repurchase of:	144,494,565	-90,388,675	234,883,240	
	a) financial assets measured at amortised cost	*-76,003,797*	*149,732,320*	*-225,736,117*	
	b) financial assets measured at fair value through other comprehensive income	*184,335,269*	*-268,521,903*	*452,857,172*	
	c) financial liabilities	*36,163,093*	*28,400,908*	*7,762,185*	*27.3*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-932,903,786	859,961,688	-1,792,865,474	
	a) financial assets and liabilities designated at fair value	*-806,080,785*	*937,538,269*	*-1,743,619,054*	
	b) other financial assets mandatorily measured at fair value	*-126,823,001*	*-77,576,581*	*49,246,420*	*63.5*
120.	**Net interest and other banking income**	**19,469,585,852**	**16,117,996,968**	**3,351,588,884**	**20.8**
130.	Net losses/recoveries for credit risks associated with:	-1,252,331,624	-1,722,281,051	-469,949,427	-27.3
	a) financial assets measured at amortised cost	*-1,237,166,602*	*-1,673,986,645*	*-436,820,043*	*-26.1*
	b) financial assets measured at fair value through other comprehensive income	*-15,165,022*	*-48,294,406*	*-33,129,384*	*-68.6*
140.	Profits (Losses) on changes in contracts without derecognition	24,164,628	16,541,453	7,623,175	46.1
150.	**Net income from banking activities**	**18,241,418,856**	**14,412,257,370**	**3,829,161,486**	**26.6**
160.	Administrative expenses:	-9,153,380,128	-8,827,654,799	325,725,329	3.7
	a) personnel expenses	*-5,598,628,977*	*-5,356,485,820*	*242,143,157*	*4.5*
	b) other administrative expenses	*-3,554,751,151*	*-3,471,168,979*	*83,582,172*	*2.4*
170.	Net provisions for risks and charges	-46,092,074	-305,244,956	-259,152,882	-84.9
	a) commitments and guarantees given	*18,150,791*	*-57,377,119*	*75,527,910*	
	b) other net provisions	*-64,242,865*	*-247,867,837*	*-183,624,972*	*-74.1*
180.	Net adjustments to / recoveries on property and equipment	-475,382,114	-481,192,616	-5,810,502	-1.2
190.	Net adjustments to / recoveries on intangible assets	-820,505,062	-722,971,759	97,533,303	13.5
200.	Other operating expenses (income)	789,354,998	796,189,328	-6,834,330	-0.9
210.	**Operating expenses**	**-9,706,004,380**	**-9,540,874,802**	**165,129,578**	**1.7**
220.	Profits (Losses) on equity investments	120,088,826	5,593,133	114,495,693	
230.	Valuation differences on property, equipment and intangible assets measured at fair value	-11,442,511	-34,634,369	-23,191,858	-67.0
240.	Goodwill impairment	-	-	-	-
250.	Profits (Losses) on disposal of investments	-1,174,329	1,300,476	-2,474,805	
260.	**Income (Loss) before tax from continuing operations**	**8,642,886,462**	**4,843,641,808**	**3,799,244,654**	**78.4**
270.	Taxes on income from continuing operations	-1,350,765,279	-559,186,221	791,579,058	
280.	**Income (Loss) after tax from continuing operations**	**7,292,121,183**	**4,284,455,587**	**3,007,665,596**	**70.2**
290.	Income (Loss) after tax from discontinued operations	-	-	-	-
300.	**Net income (Loss)**	**7,292,121,183**	**4,284,455,587**	**3,007,665,596**	**70.2**

Statement of comprehensive income

(euro)

		2023	2022	Changes	
				amount	%
10.	**NET INCOME (LOSS)**	**7,292,121,183**	**4,284,455,587**	**3,007,665,596**	**70.2**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**-159,498,924**	**266,658,904**	**-426,157,828**	
20.	Equity instruments designated at fair value through other comprehensive income	-222,495,237	-75,720,259	146,774,978	
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-79,845,730	32,117,885	-111,963,615	
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	89,699,995	176,298,106	-86,598,111	-49.1
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	53,142,048	133,963,172	-80,821,124	-60.3
80.	Non-current assets classified as held for sale	-	-	-	
90.	Share of valuation reserves connected with investments carried at equity	-	-	-	
	Other comprehensive income (net of tax) that may be reclassified to the income statement	**252,919,629**	**-1,043,683,143**	**1,296,602,772**	
100.	Hedges of foreign investments	-	-	-	
110.	Foreign exchange differences	-	-	-	
120.	Cash flow hedges	91,144,609	194,362,958	-103,218,349	-53.1
130.	Hedging instruments (not designated elements)	-	-	-	
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	161,775,020	-1,238,046,101	1,399,821,121	
150.	Non-current assets held for sale and discontinued operations	-	-	-	
160.	Share of valuation reserves connected with investments carried at equity	-	-	-	
170.	**Total other comprehensive income (net of tax)**	**93,420,705**	**-777,024,239**	**870,444,944**	
180.	**TOTAL COMPREHENSIVE INCOME (Captions 10 + 170)**	**7,385,541,888**	**3,507,431,348**	**3,878,110,540**	

Changes in shareholders' equity as at 31 December 2023

(euro)

	31.12.2023										
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Interim Dividend	Own shares	Net income (loss)	Shareholders' equity
	ordinary shares	other shares		retained earnings	other						
AMOUNTS AS AT 31.12.2022	**10,368,870,930**	**-**	**28,211,982,139**	**4,467,082,931**	**901,934,583**	**80,923,566**	**7,188,205,548**	**-1,399,608,168**	**-49,547,627**	**4,284,455,587**	**54,054,299,489**
Changes in opening balances	-	-	-	-	-	-	-	-	-	-	-
AMOUNTS AS AT 1.1.2023	**10,368,870,930**	**-**	**28,211,982,139**	**4,467,082,931**	**901,934,583**	**80,923,566**	**7,188,205,548**	**-1,399,608,168**	**-49,547,627**	**4,284,455,587**	**54,054,299,489**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)											
Reserves	-	-	-	1,220,384,928	-	-	-	-	-	-1,220,384,928	-
Dividends and other allocations	-	-	-	-	-	-	-	1,399,608,168	-	-3,064,070,659	-1,664,462,491
CHANGES IN THE PERIOD											
Changes in reserves	**-**	**-**	**-57,000,017**	**-2,010,531,071**	**227,706,585**	**507,029**	**-**	**-**	**-**	**-**	**-1,839,317,474**
Operations on shareholders' equity											
Issue of new shares	-	-	6,953,951	-	-	-	-	-	1,738,185,791	-	1,745,139,742
Purchase of own shares	-	-	-	-	-	-	-	-	-1,749,911,628	-	-1,749,911,628
Interim dividend	-	-	-	-	-	-	-	-2,628,985,341	-	-	-2,628,985,341
Dividends	-	-	-	-	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	737,104,437	-	-	-	737,104,437
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**93,420,705**	**-**	**-**	**-**	**7,292,121,183**	**7,385,541,888**
SHAREHOLDERS' EQUITY AS AT 31.12.2023	**10,368,870,930**	**-**	**28,161,936,073**	**3,676,936,788**	**1,129,641,168**	**174,851,300**	**7,925,309,985**	**-2,628,985,341**	**-61,273,464**	**7,292,121,183**	**56,039,408,622**

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company.

Changes in shareholders' equity as at 31 December 2022

(euro)

	31.12.2022										
	Share capital		Share premium reserve	Reserves		Valuation reserves	Equity instruments	Interim Dividend	Own shares	Net income (loss)	Shareholders' equity
	ordinary shares	other shares		retained earnings	other						
AMOUNTS AS AT 31.12.2021	**10,084,445,148**	**-**	**27,444,867,140**	**7,088,495,575**	**1,086,566,983**	**854,785,465**	**6,259,543,240**	**-1,398,728,260**	**-68,821,143**	**2,947,642,948**	**54,298,797,096**
Changes in opening balances	-	-	-	-	-	-	-	-	-	-	-
AMOUNTS AS AT 1.1.2022	**10,084,445,148**	**-**	**27,444,867,140**	**7,088,495,575**	**1,086,566,983**	**854,785,465**	**6,259,543,240**	**-1,398,728,260**	**-68,821,143**	**2,947,642,948**	**54,298,797,096**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)											
Reserves	-	-	-	233,016,694	-	-	-	-	-	-233,016,694	-
Dividends and other allocations	-	-	-	-	-	-	-	1,398,728,260	-	-2,714,626,254	-1,315,897,994
CHANGES IN THE PERIOD											
Changes in reserves	**-**	**-**	**595,743,717**	**-2,854,429,338**	**-184,632,400**	**3,162,340**	**-**	**-**	**-**	**-**	**-2,440,155,681**
Operations on shareholders' equity											
Issue of new shares	284,425,782	-	404,536,842	-	-	-	-	-	1,744,035,665	-	2,432,998,289
Purchase of own shares	-	-	-	-	-	-	-	-	-1,724,762,149	-	-1,724,762,149
Interim dividend	-	-	-	-	-	-	-	-1,399,608,168	-	-	-1,399,608,168
Dividends	-	-	-233,165,560	-	-	-	-	-	-	-	-233,165,560
Changes in equity instruments	-	-	-	-	-	-	928,662,308	-	-	-	928,662,308
Derivatives on own shares	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-777,024,239**	**-**	**-**	**-**	**4,284,455,587**	**3,507,431,348**
SHAREHOLDERS' EQUITY AS AT 31.12.2022	**10,368,870,930**	**-**	**28,211,982,139**	**4,467,082,931**	**901,934,583**	**80,923,566**	**7,188,205,548**	**-1,399,608,168**	**-49,547,627**	**4,284,455,587**	**54,054,299,489**

(a) Includes dividends and amounts allocated to the charity allowance of the Parent Company.

Statement of cash flows

	2023	2022
		(euro)
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**9,832,385,502**	**7,279,079,556**
Net income (loss) (+/-)	7,292,121,183	4,284,455,587
Gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit and loss (-/+)	1,840,373,971	1,305,747,557
Gains/losses on hedging activities (-/+)	57,158,160	-26,827,205
Net losses/recoveries for credit risk (+/-)	1,417,347,917	1,972,200,757
Adjustments to/net recoveries on property, equipment and intangible assets (+/-)	1,295,887,176	1,204,164,375
Net provisions for risks and charges and other costs/revenues (+/-)	644,826,616	691,485,285
Taxes, duties and tax credits to be paid/collected(+/-)	1,310,844,432	511,362,590
Net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
Other adjustments (+/-)	-4,026,173,953	-2,663,509,390
2. Cash flow from / used in financial assets	**-718,507,998**	**123,331,848,630**
Financial assets held for trading	4,029,620,959	150,100,933
Financial assets designated at fair value	44,482	-72,093
Other financial assets mandatorily measured at fair value	-686,063,987	-160,718,351
Financial assets measured at fair value through other comprehensive income	-16,179,596,151	14,313,461,179
Financial assets measured at amortised cost	11,898,067,631	132,422,769,554
Other assets	219,419,068	-23,393,692,592
3. Cash flow from / used in financial liabilities (*)	**-31,067,100,217**	**-39,256,909,977**
Financial liabilities measured at amortised cost	-33,559,272,615	-43,626,014,057
Financial liabilities held for trading	-4,170,754,970	-7,524,054,875
Financial liabilities designated at fair value	11,928,304,909	6,171,927,274
Other liabilities	-5,265,377,541	5,721,231,681
Net cash flow from (used in) operating activities	**-21,953,222,713**	**91,354,018,209**
B. INVESTING ACTIVITIES		
1. Cash flow from	**4,652,347,123**	**3,047,503,975**
Sales of investments in associates and companies subject to joint control	471,790,041	290,712,698
Dividends collected on investments in associates and companies subject to joint control	4,069,190,696	2,720,489,635
Sales of property and equipment	59,329,109	36,301,642
Sales of intangible assets	52,037,277	-
Sales of subsidiaries and business branches	-	-
2. Cash flow used in	**-1,361,455,883**	**-1,655,375,765**
Purchases of investments in associates and companies subject to joint control	-76,143,398	-249,733,741
Purchases of property and equipment	-243,089,355	-328,287,652
Purchases of intangible assets	-1,042,223,130	-1,077,354,372
Purchases of subsidiaries and business branches	-	-
Net cash flow from (used in) investing activities	**3,290,891,240**	**1,392,128,210**
C. FINANCING ACTIVITIES		
Issues/purchases of own shares	-1,704,771,886	-1,074,998,191
Share capital increases	416,511,973	616,311,961
Dividend distribution and other	-4,293,447,832	-2,948,671,722
Net cash flow from (used in) financing activities	**-5,581,707,745**	**-3,407,357,952**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-24,244,039,218**	**89,338,788,467**
RECONCILIATION		
Financial statement captions		
Cash and cash equivalents at beginning of period	97,071,067,306	7,730,324,619
Net increase (decrease) in cash and cash equivalents	-24,244,039,218	89,338,788,467
Cash and cash equivalents: foreign exchange effect	1,915,050	1,954,220
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**72,828,943,138**	**97,071,067,306**

LEGEND: (+) from (–) used in

(*) With regard to the disclosure required by par. 44 B of IAS 7, it is noted that the changes in liabilities deriving from financing activities amount to -31,067 million euro (cash flow from) and comprise -33,559 million euro in cash flows, +7,757 million euro in fair value changes and -5,265 million euro in other changes.

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

Notes to the Parent Company’s financial statements

Part A – Accounting policies

A.1 – GENERAL CRITERIA

SECTION 1 – DECLARATION OF COMPLIANCE WITH IAS/IFRS

As set forth by Legislative Decree 38 of 28 February 2005, Intesa Sanpaolo's financial statements have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Standards - Interpretations Committee (IFRS-IC) and endorsed by the European Commission as provided for by EC Regulation 1606 of 19 July 2002.
The financial statements as at 31 December 2023 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies, which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 43 of Legislative Decree 136/2015(*), with Regulation of 22 December 2005, which issued Circular 262/2005, and subsequent updates. Specifically, these financial statements have been prepared in accordance with the format and preparation rules of the 8th update of 17 November 2022. These Instructions set out compulsory financial statement forms, as well as the contents of the Notes to the financial statements.
The financial statements have been prepared using the IAS/IFRS in force as at 31 December 2023 (including the SIC and IFRIC interpretation documents) as listed in the attachments to these financial statements.

The table below shows the new standards or amendments to existing ones, together with the related European Commission endorsement regulations, which came into force in 2023.

IFRS endorsed as at 31.12.2023 in force since 2023

Regulation endorsement	Title	Effective date
2036/2021	IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023
Regulation endorsement	**Amendments**	**Effective date**
2036/2021	Amendments to IFRS 17 Insurance Contracts	01/01/2023 First financial year starting on or after 01/01/2023
357/2022	Amendments to IAS 1 Presentation of Financial Statements - Disclosures of Accounting Policies	01/01/2023 First financial year starting on or after 01/01/2023
357/2022	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	01/01/2023 First financial year starting on or after 01/01/2023
1392/2022	Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023 First financial year starting on or after 01/01/2023
1491/2022	Amendments to IFRS 17 Insurance Contracts - Initial Application of IFRS 17 and IFRS 9 - Comparative Information	01/01/2023 First financial year starting on or after 01/01/2023
2468/2023	Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules	01/01/2023 First financial year starting on or after 01/01/2023

As shown in the above table, the financial statements as at 31 December 2023 reflect the provisions of Regulation no. 357/2022 of 2 March 2022, Regulation no. 1392/2022 of 11 August 2022 and Regulation no. 2468/2023. The relevant aspects pertaining to the Bank are summarised below.
Regulation no. 2036/2021 of 19 November 2021, which endorses the new accounting standard IFRS 17 "Insurance Contracts", and the subsequent Regulation no. 1491/2022 of 8 September 2022, which adopts the amendments to IFRS 17, are not applicable to Intesa Sanpaolo, but only to the preparation of the consolidated financial statements of the Intesa Sanpaolo Group, to which reference should be made for additional information.

(*) Art. 43 of Legislative Decree 136/2015 confirmed to the Bank of Italy the powers concerning the layouts of financial statements already previously attributed to the same Authority by Legislative Decree 38/2005.

Regulation no. 357/2022 of 2 March 2022 – Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Regulation (EU) 2022/357 adopts several narrow-scope amendments and clarifications to support entities in making materiality judgements in the description of the accounting policies (amendments to IAS 1) and in distinguishing between accounting policies and estimates (amendments to IAS 8). Therefore, it will not have significant impacts on the Bank, even though it could be a useful reference for analyses and for improving financial statement disclosure.
More specifically, the Regulation introduces the following changes:

- *IAS 1 Presentation of Financial Statements*
  These are narrow-scope amendments to IAS 1 Presentation of Financial Statements and to the IFRS Practice Statement 2 "Making Materiality Judgements", which provide guidance to assist companies in deciding which information on the accounting standards (so-called "accounting policies") needs to be disclosed using materiality judgements. Accounting policy information is material if, when considered together with other information included in the financial statements, it can reasonably be expected to influence decisions made by the users of financial statements. Material information must be clearly presented. It is not necessary to illustrate immaterial information and, in any event, such information must not obscure material information.
- *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*
  The amendments to IAS 8 aim to provide clarifications on how to distinguish changes in accounting policies from changes in accounting estimates. In that regard, a definition of accounting estimate was added, which previously was not provided – "accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty" – and other amendments were introduced to provide greater clarifications.
  The entity may need to change an accounting estimate if changes occur in the circumstances on which the accounting estimate was based or as a result of new information, new developments or more experience. Corrections of errors are distinguished from changes in accounting estimates: accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

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

With Regulation no. 1392/2022 of 11 August 2022, the European Commission adopted the amendment to IAS 12 Income Taxes "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction", published by the IASB on 7 May 2021. The amendments clarify how companies have to account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce diversity in the reporting of deferred tax assets and liabilities on those transactions[129]. The cases of interest for Intesa Sanpaolo are related to the accounting for lease transactions in which the lessee initially recognises in the balance sheet the right of use and the corresponding lease liability, which are generally of equal amounts. Based on the applicable tax legislation, equal amounts of taxable and deductible temporary differences may arise at the time of initial recognition of the assets and the liabilities. The amendments in question specified that, in those cases, entities must recognise any resulting deferred tax liability and asset (therefore, the exemption set out in paragraphs 15 and 24 of IAS 12 - which permits omitting the recognition of deferred tax assets and liabilities in the case of transactions which, on the whole, do not impact profit - does not apply to those cases).
The amendments in question are immaterial for Intesa Sanpaolo, as, under the tax provisions applicable in Italy (in accordance with the "IFRS 16 Tax Decree"), both the right of use and the lease liability are fully relevant for tax purposes (statutory value and tax value are aligned), and the resulting income statement components recognised in the financial statements (depreciation, amortisation and interest) are treated accordingly based on the tax provisions. That approach is valid not only for new leases, following the initial application of IFRS 16, but also for transactions existing at the time of FTA, following the tax realignment implemented, as permitted by the IFRS 16 Tax Decree. Therefore, no taxable or deductible temporary differences arise.

Regulation no. 2468/2023 of 8 November 2023 - Amendments to IAS 12 Income taxes -International tax reform - Pillar Two model rules

Regulation no. 2468/2023 amends IAS 12 Income Taxes with respect to the international tax reform. The amendments introduced a mandatory temporary exception from accounting for deferred taxes arising from the implementation of the OECD's Pillar Two model rules, as well as targeted disclosures for affected entities to be provided in interim and annual financial statements.
At the end of 2021, more than 135 countries, which represent over 90% of the global GDP, had reached an agreement on international tax reform, which introduces a Global Minimum Tax for large multinationals. In detail, these countries have adhered to the OECD Inclusive Framework on Base Erosion and Profit Shifting, which introduces a two pillar ("Pillar") model to handle tax problems deriving from the digitalisation of the economy.
In Europe, the Directive to implement the global minimum tax component of the OECD reform was approved by the European Commission on 12 December 2022. After several Member States exceeded their reserves, a unanimous agreement was reached at EU level to adopt the proposed EU Directive to ensure a minimum level of effective taxation of 15% on multinational groups with total revenues exceeding 750 million euro per year. Directive no. 2523/2022 was published in the Official Journal of the European Union on 22 December 2022 and subject to its transposition into national legislation, applies in the tax period 2024. Legislative decree no. 209 of 27 December 2023 "Implementation of the tax reform on international taxation" transposes the provisions of the EU Directive into Italian law.
Other non-EU countries where the Group operates could implement the same regulations, from an international source, into their domestic legislation.

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

With the publication of the amendments to IAS 12, endorsed by the European Commission, the IASB responded quickly to stakeholders' concerns about the potential implications of the implementation of the Pillar Two model rules on the accounting for income taxes under IAS 12, given the imminent entry into force of the new tax provisions in certain jurisdictions.
As described in IAS 12.4A "Scope", the amendments apply to taxes on income arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. Pursuant to the amendments to IAS 12, such tax law, and the taxes on income arising from it, are hereafter referred to as "Pillar Two legislation" and "Pillar Two taxes on income".
Specifically, the amendments introduced:
- a mandatory exception from accounting for deferred taxes arising from the implementation of the Pillar Two model rules; and
- targeted disclosures for affected entities. In particular:
    - an entity shall disclose that it has applied the exception to recognising deferred tax assets and liabilities related to Pillar Two taxes on income;
    - an entity shall disclose separately its current tax expense (income) related to Pillar Two taxes on income;
    - in periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two taxes on income arising from that legislation. To meet the disclosure objective, an entity shall disclose qualitative and quantitative information about its exposure to Pillar Two taxes on income at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an entity shall instead disclose a statement to that effect and disclose information about the entity's progress in assessing its exposure. In this respect, in paragraphs 88C–88D, the IASB provides examples of information an entity could disclose to meet the disclosure requirements.

The exception is to be applied immediately and retrospectively in accordance with IAS 8. The disclosure requirements are to be applied to annual reporting periods beginning on or after 1 January 2023.

Effective 1 January 2024, the Intesa Sanpaolo Group, as a multinational group exceeding the revenue threshold of 750 million euro for at least two out of the previous four years, falls within the scope of Pillar Two taxes on income under Directive 2022/2523, which - as detailed above - aims to ensure a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union.
At the reporting date, the rule was not effective in any of the countries in which the Group operates. Consequently, no current taxes were recognised.
As noted above, under IAS 12.4A an entity shall not recognise deferred tax assets and liabilities related to Pillar Two taxes on income and, pursuant to paragraph 88A, an entity shall disclose that it has applied the exception. This provision will become relevant for Intesa Sanpaolo as of 2024 when the tax legislation becomes effective. However, as at 31 December 2023, ISP did not recognise any deferred tax assets and liabilities in connection with the above legislation.
The exposure to Pillar Two taxes on income arises, with respect to all Group companies (and jointly controlled entities, if any) that are based in each individual jurisdiction, from the level of effective taxation, which depends on several and interrelated factors, such as, primarily, the income generated therein, the level of the nominal tax rate, and the tax rules for determining the tax base.
Given the novelty and complexity underlying the identification of the effective taxation level, Pillar Two legislation provides, for the first periods of effectiveness (transitional rules valid for years beginning on or before 31 December 2026 and ending no later than 30 June 2028), the possibility of applying a simplified regime (transitional safe harbours from country-by-country reporting) based mainly on the accounting information available for each relevant jurisdiction which, if at least one of three tests envisaged by the regulation is passed, reduces the compliance burden and zeroes Pillar Two taxes.
Based on the information known or reasonably estimable at the reporting date, although such information does not reflect all the specific provisions of Pillar Two legislation related to the location and operations of all of the Group's companies/international branches (or jointly controlled entities) in all of the individual jurisdictions in which the Group operates, the ISP Group's exposure to Pillar Two taxes on income at the reporting date, also taking into account transitional safe harbours from country-by-country reporting, is deemed immaterial.
As a matter of fact, based on the information known or reasonably estimable:
– most of the Group's entities (and jointly controlled entities) are located in jurisdictions where it is expected that they could meet at least one of the three tests under the transitional safe harbour from country-by-country reporting therefore the conditions for the elimination of second pillar taxes are met;.
– the remaining Group's entities (and jointly controlled entities) are located in jurisdictions where it is expected that they cannot meet any of the three tests under the transitional safe harbour country-by-country reporting. However, the exposure is not significant as the effective tax level of these jurisdictions approximates the minimum 15%, the profits in these jurisdictions are small compared to the Group's total profits, or they are permanent establishments to which it is possible to allocate the taxes paid by the parent company in Italy.

The Group is working in order to comply with Pillar Two rules by designing appropriate systems and procedures to:
– identify, locate and characterise, including on an ongoing basis and for the purposes of Pillar Two rules, all Group companies (or jointly controlled entities), and
– consider the simplified tests (transitional safe harbour from country-by-country reporting) for each relevant jurisdiction in order to avail of the related benefits in terms of reduced compliance burden and zero Pillar Two taxes, and
– perform full and detailed calculations of significant figures pursuant to Pillar Two rules for any jurisdictions that fail any of the above tests.

Finally, for the sake of completeness, we note the publication of *Regulation 1803/2023 of 13 August 2023* in the Official Journal of the European Union of 26 September 2023, which, however, did not introduce any changes to the international accounting standards currently in force.

As described in the Regulation, in order to simplify Union legislation on international accounting standards, for the sake of clarity and transparency, Regulation no. 1803/2023 repealed and replaced Regulation no. 1126/2008, which had adopted the international accounting standards until 15 October 2008 and was amended several times to include the standards and the related interpretations issued by the IASB and adopted by the European Commission until 8 September 2022 in accordance with Regulation no. 1606/2002.
Therefore, all IAS/IFRSs and interpretations published by the IASB and IFRS - IC and endorsed in the European Union until 8 September 2022 are listed in an annex to Regulation no. 1803/2023. The subsequent EU Regulations transposing amendments to IAS/IFRSs will amend Regulation no. 1803/2023 (and no longer Regulation no. 1126/2008).

As part of the criteria for the preparation of the Financial Statements as at 31 December 2023, additional information is provided below about certain aspects of the Italian rule on banks' excess profits.
In this regard, it should be recalled that Decree Law no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023, includes a provision for a one-off tax for banks determined by applying a rate of 40% – in the separate financial statements – on the amount of the "net interest income" included in caption 30 of the accounts for the year 2023 that exceeds the net interest income of the year 2021 by at least 10%. However, the law sets a maximum limit of 0.26% of risk-weighted assets for the tax levy due and provides banks the option not to pay the theoretically due tax if, when approving the 2023 financial statements, the allocation to a non-distributable reserve of an amount equal to two and a half times the amount theoretically due is approved. With regard to any accounting impacts related to the application of this rule, the tax was considered to fall within the scope of IFRIC 21 "Levies", as it was applied on the net interest income (or, upon reaching a set cap by law, on the risk-weighted assets - RWA), which was not considered to constitute "taxable income" under IAS 12.
IFRIC 21 requires the recognition of the tax expense in profit or loss when an "obligating event" occurs that gives rise to the liability, i.e., the specific activity/action that triggers the payment of the tax. In the current case, the existence of an "obligating event" is positively triggered by the achievement of a net interest income above the threshold set by law. In addition, as noted, the law provides an option for those potentially subject to the liability not to pay the tax and instead establish a specific non-distributable reserve. In this respect, on 25 October, the Board of Directors of Intesa Sanpaolo decided to propose to the Shareholders' Meeting, when approving 2023 financial statements, net income allocation and dividend distribution to shareholders, the allocation to the non-distributable reserve of around 1,991 million euro, equivalent to two and a half times the amount of the tax of around 797 million euro, in lieu of payment of said tax, thus taking up the option provided by the above-mentioned measure.
In consideration of the above, no obligation to pay the tax has been identified. Accordingly, no profit or loss effect has been recognised, because it is not considered likely that there will be an outflow of resources for the payment of the tax.

The table below shows the new standards and amendments to existing ones, together with the related European Commission endorsement regulations, which will become mandatory on 1 January 2024, and for which Intesa Sanpaolo has not exercised the option of early adoption.

IFRS endorsed as at 31.12.2023 applicable subsequent to 31.12.2023

Regulation endorsement	Amendments	Effective date
2579/2023	Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback	01/01/2024 First financial year starting on or after 01/01/2024
2822/2023	Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	01/01/2024 First financial year starting on or after 01/01/2024

With reference to endorsement regulations that implement changes to existing accounting standards, Regulations no. 2579/2023 and 2822/2023, described below, will become applicable as from 1 January 2024.

Regulation no. 2579/2023 - amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback
Regulation no. 2579/2023 of 20 November 2023 was published in the Official Journal on 21 November 2023, amending IFRS 16 Leases with respect to lease liabilities in a sale and leaseback transaction. The IASB published these amendments on 22 September 2022.
The limited amendments concern the accounting of sale and leaseback transactions[130] by the seller-lessee in the event of variable lease payments and when the transfer of the asset is a sale pursuant to IFRS 15.
The amendment was requested by the IFRS-IC, which identified a gap in the rules governing the recognition of right-of-use assets and lease liabilities in sale and leaseback transactions with variable lease payments. Specifically, reference is made to variable lease payments that are not based on an index or rate, e.g., those based on a percentage of the lessee-seller's sales generated by the use of the asset.
The amendments clarify that:
- upon initial recognition, the seller-lessee shall also include variable lease payments, including those that are not based on an index or rate, in the measurement of the lease liabilities in sale and leaseback transactions;
- subsequent to initial recognition, the seller-lessee applies the provisions of IFRS 16 to subsequently measure lease liabilities in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

[130] Sale and leaseback transactions are transactions in which an entity sells one of its assets and then immediately leases it back from the new owner.

The seller-lessee may adopt different approaches in order to comply with the new provisions. Indeed, the IASB decided not to introduce specific requirements to measure the lease liability in a sale and leaseback, leaving the definition of an accounting policy to individual entities.
The amendments are mandatory for annual reporting periods beginning on or after 1 January 2024. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application of IFRS 16, i.e., 1 January 2019.
These amendments are not particularly significant for Intesa Sanpaolo given the characteristics of its existing sale and leaseback agreements, which have no variable or insignificant variable payments.

Regulation no. 2822/2023 – amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Regulation no. 2822 of 19 December 2023 was published in December 2023, introducing some limited amendments to IAS 1 Presentation of Financial Statements.
The clarifications aim to promote consistency in applying IAS 1 across companies to determine whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date are to be classified as current (due or potentially to be paid within one year) or non-current.
Indeed, IAS 1 requires that an entity may classify a liability as non-current only where the entity has the right at the reporting date to defer settlement of the liability for at least 12 months. However, the right to defer settlement of a liability may be subject to covenants. The amendments to IAS 1 specify that covenants to be met after the reporting date (for example, a covenant based on the entity's financial position six months after the end of the reporting period), do not influence the classification of the payable as current or non-current at the reporting date.
On the other hand, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within 12 months after the reporting period.
The amendments are effective for reporting periods beginning on or after 1 January 2024.
Given the content of the amendment and the obligation to apply the formats set forth in Bank of Italy Circular no. 262/05 - the proposed limited amendments to IAS 1 are not particularly significant for banks.

The table below shows the new international financial reporting standards or amendments to existing standards that have not yet been endorsed by the European Commission.

IFRS not endorsed as at 31.12.2023

Standard/ Interpretation	Amendments	Date of issue
IAS 21	Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	15/08/2023
IAS 7	Amendments to IAS 7 Statement of Cash Flows: Supplier Finance Arrangements	25/05/2023
IFRS 7	Amendments to IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	25/05/2023

As regards the IASB documents amending existing accounting standards pending endorsement, the following is noted:
- Amendments to IAS 21 The effects of Change in Foreign Exchange Rates: Lack of Exchangeability
The IASB published the amendments to IAS 21 "The effects of Change in Foreign Exchange Rates: Lack of Exchangeability" on 15 August 2023 that contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not, in addition to the required disclosure to be provided when a currency is not exchangeable.
The amendments may be summarised as follows:

- introduction of the definition of "exchangeability"[131] and of an application guidance to assist entities in determining when a currency is exchangeable;
- examples of how a company estimates a spot rate when a currency lacks exchangeability, using an observable exchange rate or another estimation technique; and
- the required disclosure that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The amendments will become effective for annual reporting periods beginning on or after 1 January 2025, subject to the European Commission endorsement. As noted by the IASB, the cases subject to regulatory intervention are not frequent. Therefore, given the current context, these amendments are not expected to be particularly significant for the Bank.
- *Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements*
In May 2023, the IASB published the amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures", to enhance transparency in supplier finance arrangements[132] in financial statements.

[131] IAS 21.8: "A currency is *exchangeable* into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations."
[132] Reverse factoring and similar agreements are an example of these arrangements. In a reverse factoring (supply chain) arrangement, an acquiring company, in partnership with a finance provider, offers its suppliers the possibility of receiving advance payment for their receivables by assigning them to the intermediary.

The proposed amendments affect entities that, as acquiring companies, enter into supplier finance arrangements under which the entity, or its suppliers, can access financing equal to the amount of the trade payable. The case has no direct effect for Intesa Sanpaolo, which acts solely as transferee.
The amendments require an entity to provide quality-quantitative information on some aspects of the arrangements entered into (terms and conditions, the carrying amounts of financial liabilities and the terms of payment of invoices).

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The separate financial statements are made up of the Balance sheet, the Income statement, the Statement of comprehensive income, the Changes in shareholders' equity, the Statement of cash flows, the Notes to the financial statements and the related comparative information; the Report on operations prepared by the Directors, on the economic results achieved and on Intesa Sanpaolo's balance sheet and financial position has also been included. In compliance with the provisions of Article 5 of Legislative Decree 38/2005, the financial statements have been drawn up in euro as functional currency.
The amounts indicated in the financial statements and in the Notes to the financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.
The financial statements are prepared with the application of the general principles set out by IAS 1 and the specific financial reporting standards endorsed by
the European Commission and illustrated in Part A.2 of these Notes to the financial statements, as well as in compliance with the general assumptions set forth by the Conceptual Framework for the preparation and presentation of Financial Statements issued by IASB.
No exceptions to the application of IAS/IFRS have been made.
The Report on operations and the Notes to the financial statements contain all information required by the IAS/IFRS, by current regulations, by the Bank of Italy, by Consob (Italian Securities and Exchange Commission) and by the European Securities and Markets Authority - ESMA, in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair presentation of the Bank's situation.

In accordance with IFRS 5, the balance sheet as at 31 December 2023 and the relevant disclosures in the Notes to the financial statements include among the components relating to discontinued operations, a portfolio of unlikely-to-pay loans and performing loans, with a gross book value of approximately 0.2 billion euro, which was involved in a de-risking action approved by the Board of Directors of Intesa Sanpaolo in December 2023 and expected to be closed in the first half of 2024.
Conversely, with regard to the portfolios of non-performing loans classified among assets held for sale as at 31 December 2022, all the related project activities of the 2021-2022 de-risking plans were completed in March 2023, finalising the related sales. The investment in Zhong Ou Asset Management Co. Ltd, which had been classified among assets held for sale at the end of 2022, was sold in 2023.

The financial statement forms and the Notes to the financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2022.

The Attachments include the reconciliation statements to the balance sheet and income statement originally published in the 2022 financial statements, together with specific reconciliations between the latter financial statements and the reclassified statements included in the Report on operations accompanying these financial statements.

Contents of financial statement forms

Balance sheet and income statement
The compulsory forms of the balance sheet and income statement are made up of captions, subcaptions and further detailed information (specified as the "of which" items in the captions and subcaptions).
In the interests of completeness, it should be noted that with regard to the compulsory forms defined by the Bank of Italy, captions which do not have amounts for the reporting year and the previous year have also been shown. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

Statement of comprehensive income
The statement of comprehensive income shows, starting from the net income/(loss) for the year, the income components recognised as a balancing entry in valuation reserves, net of the tax effect, in compliance with international financial reporting standards.
Comprehensive income is represented by providing separate recognition of the income components that will not be reversed to the income statement in the future and those which, conversely, could later be reclassified to income/(loss) for the year under specific conditions. Similarly to the balance sheet and the income statement, with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for the reporting year and the previous year are in any case included. Negative amounts are preceded by the minus sign.

Changes in shareholders' equity
The statement of changes in shareholders' equity presents shareholders' equity accounts and changes which occurred in the reference year and in the previous year, broken down in share capital, reserves, reserves from retained earnings, valuation reserves and net income. Treasury shares are deducted from shareholders' equity. The table is presented by inverting the rows and the columns with respect to the same form provided for by the updating of Bank of Italy Circular 262/2005.

Statement of cash flows

The statement of cash flows registered in the reference year and in the previous year is prepared using the indirect method, on the basis of which cash flows from operating activities are represented by net income adjusted for the effects of non-cash transactions.
Cash flows are broken down into flows from operating activities, from investing activities and from financing activities.
In the form, cash flows generated in the year are indicated without sign, whereas cash flows absorbed are preceded by the minus sign.

Contents of the Notes to the financial statements

The Notes to the Parent Company's financial statements include the information provided for by International Financial Reporting Standards and Circular 262 issued by the Bank of Italy on 22 December 2005 and subsequently amended, applicable for the preparation of these financial statements.

SECTION 3 – SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Reference is made to the similar disclosure in the Consolidated financial statements.

SECTION 4 - OTHER ASPECTS

Note that, as a result of the changed scenario linked to the COVID-19 pandemic, Bank of Italy Communication dated 14 March 2023 (Update to the provisions of Circular no. 262 "Bank financial statements: layouts and preparation" with regard to the impacts of COVID-19 and measures in support of the economy) repealed and replaced the previous Communication dated 21 December 2021 (Update to the additions to the provisions of Circular no. 262 "Bank financial statements: layouts and preparation" with regard to the impacts of COVID-19 and measures in support of the economy). As a result, in this section, it is no longer required to report the information relating to the pandemic, which, instead, was required by the Communication dated 21 December 2021.

RISKS, UNCERTAINTIES AND IMPACTS OF THE RUSSIAN/UKRAINIAN CRISIS

On 24 February 2022, the gradually escalating tension between Russia and Ukraine erupted into a conflict, the intensity and size of which had not been seen in Europe since the end of the Second World War. The extremely serious situation resulting from the conflict was immediately closely monitored and assessed by Intesa Sanpaolo, also in light of the guidance provided by the regulators on the subject in 2022, given that the Group has:

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

In its lending activities, the IMI C&IB Division has over time financed counterparties resident in the Russian Federation. More than two-thirds of the loans to Russian customers disbursed before the conflict involved leading industrial groups, which have established commercial relationships with customers belonging to the main international supply chains, a significant amount of which derives from commodity exports. At the outbreak of hostilities, loans to Russian customers represented around 1% of the Intesa Sanpaolo Group's total loans to customers, net of Export Credit Agency - ECA guarantees. Due to the existence of those guarantees, the credit risk on those exposures can be considered as not referring to either Russia or Ukraine.

That being said, in this section we note some information relating to the Russian and Ukrainian subsidiaries:

- Banca Intesa Russia: this is a Moscow-based corporate bank, 47% owned by Intesa Sanpaolo and 53% by Intesa Sanpaolo Holding International, part of the IMI Corporate & Investment Banking Division. It operates with 27 branches and 869 staff;
- Pravex is a small commercial bank, wholly-owned by Intesa Sanpaolo and based in Kyiv, part of the International Subsidiary Banks Division. It operates with 40 branches (mainly in the Kyiv region) and 666 staff.

Despite the critical situation, particularly for Pravex, the two subsidiaries resident in the warring countries are continuing to operate with the support of the Parent Company structures, albeit with the objective limits dictated by the contingent scenario.

Also for the purposes of the 2023 Financial Statements, as previously illustrated in the 2022 Financial Statements, Intesa Sanpaolo's continuing control over the two entities has been confirmed, which can be evidenced from various points of view:

- in accounting/administrative terms, by acquiring the accounts for consolidation purposes. Specifically, as illustrated in greater detail in Part A: Section 3 - Scope of consolidation and consolidation methods of the Consolidated Financial Statements, and also in line with the methodological choices made for the 2022 Financial Statements, for the Russian subsidiary, the accounts as at 31 December 2023 were acquired accurately and in a timely manner, while for Pravex, it was decided to maintain the accounts produced for consolidation as at 30 September 2023, considering the specific operating difficulties of the subsidiary, as well as in light of the substantial immateriality of its balance sheet figures at Group level;
- in terms of statutory regulations, with specific regard to the Russian subsidiary, the Parent Company was able to exercise its power to determine, in compliance with Russian regulations, the composition of the management body of Banca

Intesa Russia at the Shareholders' Meeting of 30 June 2023. The turnover of officers was the result of appointments proposed by the Parent Company that passed the approval process of the Russian Central Bank. Also for the Ukraine subsidiary, there was routine turnover in the governance bodies in 2023, based on the nominations expressed by the Parent Company;

- in terms of steering the business, the two entities continue to move ahead with their business following the instructions of the Parent Company. Specifically, Banca Intesa Russia continues to comply with the instructions received from the Parent Company as regards its corporate operations;
- in terms of coordination and control, as the Parent Company's control functions (including the support function of the Manager responsible for preparing the Company's financial reports, namely Administrative and Financial Governance) continue to carry out their roles through the regular receipt and analysis of the planned information flows, interacting with the structures of the subsidiaries through the communication channels available, in line with any limitations that may arise over time, also handled using contingency solutions.

Moreover, the conclusions regarding the maintenance of control over Banca Intesa Russia are not invalidated by the limitations currently set by Russian regulations which, substantially, impose restrictions to repayments and payments to parties resident in "unfriendly" countries. Aware of the restrictions imposed by the specific regulatory framework, Banca Intesa Russia credited to specific Russian accounts, as provided by law, the monetary resources for the repayment of intragroup exposures that matured in the meantime.
The potential use of the resources credited to those accounts – equal to around 6 million euro at the end of December 2023 – is limited to several specific purposes within Russia. In this context, it must be considered that, also based on specific legal opinions acquired, the current limitations do not constitute the "expropriation" of the amounts in any way (nor are they even indicators of a loss of control over the subsidiary's assets). Rather, they derive from the temporary legal "freezing" of the free availability of amounts which, based on economic rights, would otherwise be available for their owner.

Lastly, with regard to the valuation of equity investments, it is specified that:

- with regard to Banca Intesa Russia (equity investment 47%-owned by Intesa Sanpaolo and 53%-owned by Intesa Sanpaolo Holding International), due to the positive performance of revenues and the gradual decrease in its risk profile during 2023, the shareholders' equity amounted to around 165 million euro as at 31 December 2023. On preparing the Consolidated Financial Statements, 114 million euro was therefore added to the allowance for risks and charges made at the end of 2022 (80 million euro), to eliminate the contribution of the company to the Group's consolidated shareholders' equity. Nonetheless, as the value of the equity investment in Banca Intesa Russia had already been eliminated in these (separate) financial statements as at 31 December 2022, no additional provisions were made at the level of the Parent Company;
- as regards Pravex, note that as at 31 December 2022, from a prudential perspective and with the goal of keeping the effects between the consolidated financial statements and the financial statements of Intesa Sanpaolo aligned and consistent, the equity investment was fully written down and a provision of 71 million euro was added, to align the values with the contribution of the equity investment to the Consolidated Financial Statements. As a result of the positive development in the first nine months of 2023, the partial release (+44 million euro due to the decrease by Pravex in credit exposures, fully written down in previous years, as illustrated in the Notes to the Consolidated financial statements – Part E) of that provision was recognised, an allowance which came to a negative 27 million euro.

Lastly, following the de-risking carried out in 2022, the exposures to Russian and Ukrainian customers (and securities) remain marginal. There are mainly on-balance sheet exposures referring to Russian banking counterparties, for a net total of 150 million euro (335 million euro as at 31 December 2022), essentially to Banca Intesa Russia.

On the whole, the measurement processes and the losses linked to the de-risking of the Russian exposures carried out in 2022 resulted in the recognition, gross of taxes, of a net expenses totalling 626 million euro in the previous year. Given the substantial elimination of the credit exposure and the carrying amount of the equity investments back in 2022, during 2023, in terms of income statement effects, the mentioned reduction in the allowances on Pravex was essentially recognised, in addition to recoveries - mainly due to collections – totalling 12 million euro.

Lastly, it is also noted that, given the material nature of the issues in question, in the Report on operations of the Consolidated Financial Statements, a specific section was dedicated to "The military conflict between Russia and Ukraine". This section summarises the exposures of the Group due from entities resident in the two countries and the main related accounting issues, including those of measurement, in addition to the initiatives of the Intesa Sanpaolo Group in favour of Ukraine, as well as the aspects regarding the framework of sanctions against the Russian Federation and cybersecurity.

ADDITIONAL INFORMATION ON THE INTEREST RATE BENCHMARK REFORM

Based on the instructions in Circular 262, this section sets out the disclosure in accordance with IFRS 7, paragraphs 24 I and 24 J relating to the Interest Rate Benchmark Reform (IBOR Reform).

Specifically, the table below shows the quantitative information on financial instruments – divided into financial assets, financial liabilities and derivative contracts – which still had to transition to an alternative benchmark rate as at 31 December 2023, broken down by significant interest rate benchmark index subject to IBOR Reform. The Bank considers a contract as not having transitioned to an alternative benchmark when the interest under the contract is linked to a benchmark index that is still impacted by the IBOR Reform, even if this includes an adequate fallback clause for managing the cessation of the existing benchmark.

(millions of euro)

	Loans and advances - gross value	Debt securities (assets) - nominal value	Deposits (liabilities) - nominal value	Debt securities issued (liabilities) - nominal value	Derivatives - notional
Referenced to LIBOR USD	611	23	123	360	-
Other IBORs	58	-	-	-	-
Total	**669**	**23**	**123**	**360**	**-**

The disclosure does not include financial instruments linked to the Euribor, as that parameter was reformed in November 2019, through the adoption of a hybrid calculation method, which fully meets the requirements for critical benchmarks set out in the Benchmark Regulation EU 2016/1011 and the IOSCO principles. Therefore, the Bank does not deem that there is uncertainty on the timing or the amount of cash flows linked to the Euribor, and does not consider the financial instruments linked to this benchmark as instruments impacted by the reform.

Referring to Part E - Information on risks and relative hedging policies of the Consolidated Financial Statements for a more detailed analysis on the nature and risks the Bank is exposed to with regard to the financial instruments impacted by the IBOR Reform and the methods for managing the transition, in light of the regulatory changes and the activities implemented by the Bank, no critical issues arose in completing the transition by the set deadlines. Specifically, to manage the stock of existing instruments, the Bank set out the mass adoption of the new Risk Free Rates (RFR) on the financial instruments newly subscribed, thus abandoning the use of the benchmarks impacted by the reform and stabilising the stock of transactions to be transitioned, on the one hand, while setting up the solutions for the transition to the new RFR, defined based on the main international recommendations, capable of minimising the financial impacts of the transition, on the other.

With reference to the benchmarks being wound down by 31 December 2023, the transition activities have been successfully completed for all these benchmarks, with the exception of several residual positions for the USD LIBOR. During 2023 the Financial Conduct Authority (FCA) decided to request that the administrator 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).

There are residual positions in instruments linked to the USD Loans and Receivables, essentially regarding, in terms of loans, several loans disbursed (mainly by international branches of Intesa Sanpaolo), for which the renegotiations of the underlying benchmark interest rates were still underway as at 31 December 2023, envisaging the use of the respective published values of the USD LIBOR using the synthetic method. There are also residual positions in debt securities under assets (third party issues) and under liabilities (own issues), for which the values of the USD LIBOR published using the synthetic method are being used up to disposal. For debt securities under assets, we are waiting to receive instructions about linking from the issuers for the remaining coupons. For own issues in debt securities, the exposure is attributable to Fix-to-Float financial instruments currently linked at the USD LIBOR floating rate (as the period in which these issues provided fixed-rate returns has ended).

Financial instruments linked to other IBORs, which were of insignificant amount as at 31 December 2023, are attributable to loans linked to the Canadian Dollar Offered Rate (CDOR), whose transition should be finalised by 28 June 2024 - the date of wind-down of that benchmark. The date on which the CDOR will no longer be used does not give rise to specific uncertainties except for those linked to trading timescales, which could be deferred by the counterparties.

For a full overview of the disclosure required by IFRS 7, paragraph 24H, on the uncertainty arising from interest rate benchmark reform on hedging relationships and the notional amount of hedging derivatives, refer to the specific section set out in Part E – Information on risks and relative hedging policies.

OTHER ASPECTS

Option for the national fiscal consolidation provisions
Intesa Sanpaolo and the Group's Italian companies have adopted the "national fiscal consolidation", set forth by Articles 117-129 of the Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides an option, based on which the total net income or fiscal loss of every subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries) and, consequently, a sole tax debit/credit. Based on this option, Group companies that opted for the "national fiscal consolidation" determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent Company.

Set up of a VAT Group
Intesa Sanpaolo and all of the Group companies that meet the requirements for participation opted to set up the VAT Group, governed by Articles from 70-bis to 70-duodecies of Presidential Decree 633/1972.
This option takes effect from 1 January 2019 and has a duration of three years, automatically renewed each year, unless revoked.
As a result of this option, the tax will not apply to either the provision of services and sales of goods between participating parties, with a few exceptions. Sales of goods and provision of services by a participating party to an external party shall be considered made out by the Group. Sales of goods and provision of services by an external party to a participating party shall be considered made to the Group.

"Cooperative compliance" regime
Intesa Sanpaolo applied for and obtained from the Italian Revenue Agency admission to the "cooperative compliance" regime set out in Legislative Decree 128/2015. The admission is effective from the tax period 2017.
The purpose of this regime is to promote the use of enhanced forms of communication and cooperation based on the reciprocal trust between the tax authorities and the taxpayer, as well as favouring the prevention and resolution of tax disputes, in the common interest of the parties.
Under the regime, Intesa Sanpaolo is required to maintain an appropriate system of recognition, measurement and management of tax risk as well as act in a cooperative and transparent manner, and the Italian Revenue Agency is required to promote a relationship based on the principles of transparency, cooperation and fairness.
In addition to Intesa Sanpaolo, the following companies applied for admission and were admitted to the regime: Fideuram - Intesa Sanpaolo Private Banking S.p.A. (with effect from 2018), as well as Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Fideuram Vita, Eurizon SGR and Epsilon SGR (with effect from 2019). Fideuram - Intesa Sanpaolo Private Banking S.p.A., Fideuram Asset Management SGR and S.I.RE.F. were admitted in 2021 with effect from 2020.

Certification pursuant to Article 154 bis of the Consolidated Law on Finance and non-EU subsidiaries
Please refer to Part E of the Notes to the consolidated financial statements for information on the disclosure about the Certification pursuant to Article 154 bis of the Consolidated Law on Finance and subsidiaries based in non-European countries that are considered significant on the basis of the Consob regulations.

Auditing
EY S.p.A. audited the Intesa Sanpaolo financial statements, in execution of the Shareholders' Meeting resolution of 30 April 2019, which appointed the company as independent auditor for the years from 2021 to 2029, included.

Other aspects
A reformulation of the rules on the transparency of government grants laid down in Article 1, paragraphs 125-129 of Law No. 124/2017 has been introduced in Article 35 of Law Decree 34/2019 (the "Growth" Decree), converted by Law 58/2019. This reformulation indicates that the scope of transparency obligations applies to information regarding grants, subsidies, advantages, contributions or aid, in cash or in kind, "not of a general character and which do not represent consideration, remuneration or compensation" effectively disbursed by public authorities and the entities indicated in Article 2-bis of Legislative Decree 33/2013.
In the light of this reformulation, additional interpretative clarification provided in Assonime Circular No. 32 of 23 December 2019 has confirmed that the transparency obligation applies to awards of economic benefits arising from a bilateral relationship between a public entity and a specific beneficiary. Sums received by a company as consideration for a service rendered, as remuneration for an assignment received or as compensation for damages are expressly excluded. Economic advantages received in application of a general regime, such as tax or contribution relief accessible to all parties who meet certain conditions, are also excluded.
In consideration of the above, there were no cases to report in 2023 for Intesa Sanpaolo.
In the interest of completeness, reference should also be made to the National State Aid Registry, available for public consultation on the relevant website, in which aid measures and the related individual aid packages granted and recorded in the system by the managing entities are published, although, given the foregoing, for Intesa Sanpaolo the circumstances indicated therein for the year 2023 are not subject to financial statement transparency obligations pursuant to paragraphs 125 and 125-bis.

A.2 – MAIN FINANCIAL STATEMENT CAPTIONS

To ensure uniformity in the accounting policies used for the financial statements, the Intesa Sanpaolo Group has adopted an internal set of rules and policies for the various operational and organisational areas.

The methodological document used for the application of the accounting standards is the "Group Accounting Policies", which describes the application models adopted by the Group, within the framework of the standards and the legislation applicable to the various companies/subsidiaries, and sets out the choices made when the regulations envisage alternative or optional accounting treatments.

With regard to the valuation processes, the Group, in the document "Guidelines for the valuation of Balance Sheet Items", has drawn up the principles and regulatory framework for the valuation of the balance sheet items and the roles and responsibilities of the Corporate Bodies, the Manager responsible for preparing the Company's financial reports and the Parent Company's corporate functions involved in the valuation process; the prerequisites for the existing valuation processes and the control system necessary to ensure proper valuation; the general valuation processes based on accounting standards specific to the various categories of balance sheet items being measured (assets and liabilities); and the rules for guidance and coordination of Group Companies on the valuation of balance sheet items.

The guidelines and policies also include the Business Model Rules, the Rules on the measurement of expected credit loss in accordance with IFRS 9 (Impairment Policy), and the "Rules for Valuation of Financial Instruments at Fair Value" (former Fair Value Policy), in addition to more specific documents relating to non-performing loans, equity investments, and the management of hedging financial instruments.

Finally, with regard to prudential supervision, the Group has drawn up a specific document called "Harmonised Prudential Supervision Rules".

In general, these documents are approved by the competent Corporate Bodies. They are updated by the management structures in response to needs arising both from external factors (e.g. changes in regulations) and from internal factors within the Group (e.g. new operations and products). Those documents are subject to a specific approval process, based on the significance and scope of the changes made.

1. Financial assets measured at fair value through profit or loss (FVTPL)

Classification criteria

This category contains the financial assets not classified as Financial assets measured at fair value through other comprehensive income or as Financial assets measured at amortised cost. This caption includes in particular:

- financial assets held for trading, essentially consisting of debt securities and equity instruments and the positive value of derivative contracts held for trading;
- financial assets mandatorily measured at fair value through profit or loss, consisting of financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not solely envisage payments of principal and interest on the principal amount outstanding (SPPI Test not passed) or that are not held under a Hold to Collect business model or a Hold to Collect and Sell business model;
- financial assets designated at fair value, i.e. financial assets that are defined as such upon initial recognition and when the conditions apply. In relation to this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss only if it eliminates or significantly reduces a measurement inconsistency.

This caption therefore includes:

- debt securities and loans that are included in an Other/Trading business model (i.e., that do not come under the Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are not part of a Hold to Collect and Sell business model;
- equity instruments – that do not qualify as investments in subsidiaries, associates or joint ventures – held for trading purposes or for which the option was not exercised, upon initial recognition, to designate them at fair value through other comprehensive income;
- quotas of UCI (Undertakings for Collective Investment).

This caption also includes the derivatives, recognised under financial assets held for trading, which are presented as assets if the fair value is positive and as liabilities if the fair value is negative. The positive and negative current values arising from transactions with the same counterparty – also between derivatives allocated to the trading book and hedging derivatives, as envisaged by the Bank of Italy Circular 262 – may be offset only when the legal right to offset amounts recognised for accounting purposes currently exists and the net settlement of positions subject to offsetting is carried out.

Derivatives also include those embedded in combined financial contracts – where the host contract is a financial liability – which are subject to separate accounting when:

- their economic characteristics and risks are not closely related to the characteristics of the host contract;
- the embedded instruments, even though separate, fully meet the definition of derivative;
- the combined instruments are not measured at fair value with changes in fair value recognised through profit or loss.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through profit or loss to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and that date is considered as the initial recognition date for the credit risk stage assignment for impairment purposes.
For more information regarding the classification criteria for the financial instruments see the paragraph below "Classification drivers for the financial assets".

Recognition criteria
Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments, at disbursement date for loans and at trade date for derivative contracts.
On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

Measurement criteria
After initial recognition, the financial assets measured at fair value through profit or loss are recorded at fair value. The effects of the application of this measurement criterion are recorded in the income statement.

For the determination of the fair value of financial instruments quoted on active markets, market quotations are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc. For equities and derivative instruments that have equities as underlying assets, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.
For more information regarding the criteria for the determination of fair value, see the Section "A.4 – Information on Fair Value".

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

2. Financial assets measured at fair value through other comprehensive income (FVOCI)

Classification criteria
This category includes the financial assets that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved both through the collection of expected contractual cash flows and through sale (Hold to Collect and Sell business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

This caption also includes equity instruments, not held for trading, for which the option was exercised upon initial recognition of their designation at fair value through other comprehensive income.

In particular, this caption includes:
- debt securities that can be attributed to a Hold to Collect and Sell business model and that have passed the SPPI test;
- equity interests, that do not qualify as investments in subsidiaries, associates or joint ventures and are not held for trading, for which the option has been exercised of their designation at fair value through other comprehensive income;
- loans that are attributable to a Hold to Collect and Sell business model and have passed the SPPI Test, including the portions of syndicated loans subscribed or other types of loans that are originally intended to be sold and are part of a Hold to Collect and Sell business model.

According to the general rules established by IFRS 9 on the reclassification of financial assets (except for equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets.
In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from those measured at fair value through other comprehensive income to one of the other two categories established by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is allocated as an adjustment to the fair value of the financial asset at the reclassification date. In the event of reclassification to the fair value through profit or loss category, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to net income (loss).
For more information regarding the classification criteria for the financial instruments see the paragraph below "Classification drivers for the financial assets".

Recognition criteria
Initial recognition of financial assets occurs at settlement date for debt securities and equity instruments and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

Measurement criteria
After initial recognition, the Assets classified at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with the recognition in profit or loss of the impact resulting from the application of the amortised cost, the impairment effects and any exchange rate effect, whereas the other gains and losses resulting from a change in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised. Upon the total or partial sale, the cumulative gain or loss in the valuation reserve is transferred, in whole or in part, to the income statement.
Equity instruments, for which the choice has been made to classify them in this category, are measured at fair value and the amounts recognised in other comprehensive income cannot be subsequently transferred to profit or loss, not even if they are sold. The only component related to these equities that is recognised through profit or loss is their dividends.
Fair value is determined on the basis of the criteria already described for Financial assets measured at fair value through profit or loss.
For the equity instruments included in this category, which are not quoted on an active market, the cost approach is used as the estimate of fair value only on a residual basis and in a small number of circumstances, i.e., when all the measurement methods referred to above cannot be applied, or when there are a wide range of possible measurements of fair value, in which cost represents the most significant estimate.
For more information regarding the criteria for the determination of fair value, see the Section "A.4 – Information on Fair Value".

Financial assets measured at fair value through other comprehensive income – both in the form of debt securities and loans – are subject to the verification of the significant increase in credit risk (impairment) required by IFRS 9, in the same way as Assets measured at amortised cost, with the consequent recognition through profit or loss of a value adjustment to cover the expected losses. More specifically, for instruments classified as stage 1 (i.e., financial assets at origination, when not impaired, and instruments for which there has not been a significant increase in credit risk since the initial recognition date), a 12-month expected loss is recognised on the initial recognition date and at each subsequent reporting date. For instruments classified as stage 2 (performing for which there has been a significant increase in credit risk since the initial recognition date) and as stage 3 (credit-impaired exposures), a lifetime expected loss for the financial instrument is recognised.
Equity instruments are not subject to the impairment process.
See the paragraph below "Impairment of financial assets" for more details.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

3. Financial assets measured at amortised cost

Classification criteria

This category includes the financial assets (in particular loans and debt securities) that meet both the following conditions:

- the financial asset is held under a business model whose objective is achieved through the collection of expected contractual cash flows (Hold to Collect business model), and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI Test" passed).

More specifically, the following are recognised in this caption:

- loans to banks in their various forms that meet the requirements referred to above;
- loans to customers in their various forms that meet the requirements referred to above;
- debt securities that meet the requirements referred to above.

This category also includes the operating loans and receivables connected to the provision of financial activities and services as defined by the Consolidated Law on Banking and the Consolidated Law on Finance (e.g. for the distribution of financial products and servicing activities).

According to the general rules established by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for those financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the amortised cost category to one of the other two categories established by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of the reclassification and the effects of the reclassification apply prospectively from the reclassification date. Gains and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised through profit or loss in the event of reclassification to Financial assets measured at fair value through profit or loss and under Shareholders' equity, in the specific valuation reserve, in the event of reclassification to Financial assets measured at fair value through other comprehensive income.

For more information regarding the classification criteria for the financial instruments see the paragraph below "Classification drivers for the financial assets".

Recognition criteria

Initial recognition of the financial asset occurs at settlement date for debt securities and at disbursement date for loans. On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument.

In particular, for loans, the disbursement date is usually the same as the date of signing of the contract. Should this not be the case, a commitment to disburse funds is made along with the subscription of the contract, which will cease to exist upon disbursement of the loan. The loan is recognised based on its fair value, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.

Repurchase agreements and reverse repurchase agreements are recognised as funding or lending transactions. Specifically, repurchase agreements are recognised as payables for the spot amount received, whereas reverse repurchase agreements are recognised as receivables for the spot amount paid.

Measurement criteria

After the initial recognition, these financial assets are measured at amortised cost, using the effective interest method. The assets are recognised in the balance sheet at an amount equal to their initial carrying amount less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest method) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income directly attributable to the individual asset) and adjusted by any provision for losses. The effective interest rate is the rate that exactly discounts estimated future cash payments of the asset, as principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to that financial asset. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/income directly attributable to a financial asset over its expected lifetime.

The amortised cost method is not used for assets, measured at historical cost, whose short duration makes the effect of discounting negligible, or for assets without a definite maturity or revocable loans.

The measurement criteria, as described in more detail in the paragraph "Impairment of financial assets", are closely linked to the inclusion of these instruments in one of the three stages of credit risk established by IFRS 9, the last of which (stage 3) consists of non-performing financial assets and the remaining (stages 1 and 2) of performing financial assets.

With regard to the accounting representation of the above measurement effects, the adjustments for this type of asset are recognised in profit or loss:
- on initial recognition, for an amount equal to the 12-month expected credit loss;
- on subsequent measurement of the asset, when the credit risk has not increased significantly since initial recognition, in relation to changes in the amount of adjustments for the 12-month expected credit losses;
- on subsequent measurement of the asset, when the credit risk has increased significantly since initial recognition, in relation to the recognition of adjustments for expected credit losses over the contractually agreed remaining lifetime of the asset;
- on subsequent measurement of the asset, where – after a significant increase in credit risk has occurred since initial recognition – the increase is no longer "significant" due to the alignment of the cumulative value adjustments to take account of the change from a lifetime expected credit loss to a 12-month expected credit loss for the instrument.

These financial assets, when they are performing, are subject to an assessment, aimed at establishing the value adjustments to be recognised in the financial statements, at the level of individual loan (or "tranches" of securities), according to the risk parameters consisting of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), derived from the AIRB models, and duly adjusted to take account of the provisions of IFRS 9.

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset – classified as "non-performing", like all the other relationships with the same counterparty – and the present value of the estimated future cash flows, discounted using the original effective interest rate. The amount of the loss, to be recognised through profit or loss, is established based on individual measurement or determined according to uniform categories and, then, individually allocated to each position, and, as detailed in the paragraph "Impairment of financial assets", takes account of forward-looking information and possible alternative recovery scenarios.

Non-performing assets include financial assets classified as bad, unlikely-to-pay or past due by over ninety days according to the rules issued by the Bank of Italy, in line with the IAS/IFRS and EU Supervisory Regulations.

The expected cash flows take into account the expected recovery times and the estimated realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even if the relationship has been restructured with a variation of the contractual interest rate and even if the relationship, in practice, no longer bears contractual interest.

If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement. The size of the recovery must not lead the carrying value of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Recoveries on impairment with time value effects are recognised in net interest income.

In some cases, during the lifetime of these financial assets, and of loans in particular, the original contractual conditions may be subsequently modified by the parties to the contract. When the contractual clauses are subject to change during the lifetime of an instrument, it is necessary to verify whether the original asset should continue to be recognised in the balance sheet or whether, instead, the original instrument needs to be derecognised and a new financial instrument needs to be recognised.

In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantial nature" of the change must be made using both qualitative and quantitative information. In some cases, in fact, it may be clear, without resorting to complex analysis, that the changes introduced substantially modify the characteristics and/or contractual flows of a particular asset while, in other cases, further analysis (including quantitative analysis) will need to be carried out to assess the effects of the changes and verify whether or not to derecognise the asset and recognise a new financial instrument.

The qualitative and quantitative analyses aimed at defining the "substantial nature" of contractual changes made to a financial asset must therefore consider:
- the purposes for which the changes were made: e.g. renegotiations for commercial reasons and forbearance measures due to financial difficulties of the counterparty:
    - o the former, aimed at "retaining" the customer, involve a borrower that is not in financial difficulty. This category includes all renegotiations aimed at aligning the cost of the debt to market conditions. These operations involve a change in the original conditions of the contract, usually requested by the borrower and relating to aspects concerning the cost of the debt, with a consequent economic benefit for the borrower. In general, whenever the bank carries out a renegotiation to avoid losing its customer, that renegotiation should be considered as substantial because, if it were not carried out, the customer could borrow from another intermediary and the bank would incur a decrease in expected future revenues;
    - o the latter, carried out for "reasons of credit risk" (forbearance measures), relate to the bank's attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and rewards, following the changes, are not normally substantially transferred and, consequently, the accounting representation that provides the most relevant information for the readers of the financial statements (apart from the triggers discussed below) is "modification accounting" – which involves the recognition through profit or loss of the difference between the carrying value and the present value of the modified cash flows discounted at the original interest rate – rather than derecognition;
- the presence of specific triggers that affect the contractual characteristics and/or cash flows of the financial instrument (such as, for example, a change in currency or a modification of the type of risk the financial instrument is exposed to, when correlated to equity and commodity parameters), which are considered to result in derecognition due to their impact (expected to be significant) on the original contractual cash flows.

Conversely, the amendments to financial assets following the Interest Rate Benchmark Reform (so-called IBOR Reform), relating to the change in the basis for determining contractual cash flows (the replacement of the existing interest rate benchmark with an alternative benchmark rate), do not constitute a derecognition event, but are to be considered a modification from an accounting standpoint. Such amendments, if made as a direct consequence of the IBOR Reform and applied on equivalent economic bases, are represented with a prospective adjustment of the effective interest rate - by applying paragraph B5.4.5 of IFRS 9 instead of modification accounting, with impacts on net interest income in future periods.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the disposed financial assets is maintained, they continue to be recorded in the financial statements, even though their title has been transferred.
When it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, disposed financial assets are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, without significant delay to third parties.

4. Hedging transactions

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

Classification criteria: type of hedge
Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a risk should actually occur.
The following types of hedging transactions are used:
- fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39 endorsed by the European Commission. Fair value macro hedges are aimed at reducing fluctuations in the fair value, as a result of interest rate risk, of a sum of money flowing from a portfolio of financial assets or liabilities. Net amounts resulting from mismatches between assets and liabilities cannot be subject to macro hedges;
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is essentially used to stabilise the interest flow on floating rate funding to the extent that the latter finances fixed rate investments. In certain circumstances, similar transactions are carried out with respect to some types of floating rate investments;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in their original currency.

Only hedging transactions which involve counterparties outside the Bank may qualify for hedge accounting.
The choice made by the Group to take advantage of the possibility of continuing to fully apply the IAS 39 rules for hedging relationships means that the equity instruments classified as Financial assets measured at fair value through other comprehensive income (FVOCI) cannot be measured as hedged items for price or exchange rate risk, since these instruments are not recognised through profit or loss, not even if they are sold (except for dividends that are recognised through profit or loss).

Recognition criteria
Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.

A relationship qualifies as a hedging relationship, and is appropriately reported in the financial statements only if, all of the following conditions are met:
- at the inception of the hedge, the hedging relationship is formally designated and documented, including the company's risk management objectives and strategy in undertaking the hedge. This documentation includes the identification of the hedging instrument, the item or transaction hedged, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposures to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged;
- the hedge is expected to be highly effective;
- the planned transaction hedged, to hedge the cash flows, is highly probable and has an exposure to changes in cash flows that could have effects on the income statement;
- the effectiveness of the hedge can be reliably measured;
- the hedge is measured on an ongoing basis and is considered highly effective for all the financial years in which it was designated.

Measurement criteria

Hedging derivatives are measured at fair value. In particular:

- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (with regard to the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect. In case of fair value macro hedges, fair value changes related to the hedged risk of assets and liabilities in hedged portfolios are allocated to the balance sheet under caption 60. "Fair value change of financial assets in hedged portfolios" or under caption 50. "Fair value change of financial liabilities in hedged portfolios";
- in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction. A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.

Effectiveness is assessed at every close of annual or interim financial statements using:

- prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- retrospective tests, which demonstrate the effectiveness of the hedge for the reference period, or measure how much the effective results diverge from perfect coverage.

Fair value hedge accounting is discontinued prospectively in the following cases:

- the hedging instrument expires or is sold, terminated, or exercised;
- the hedge no longer meets the hedge accounting criteria described above;
- the entity revokes the designation.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet. If the assets or liabilities hedged are measured at amortised cost, the higher or lower value resulting from the fair value measurement due to the hedge becoming ineffective is recognised through profit or loss, using the effective interest rate method. When a fair value macrohedging relationship is discontinued, the cumulative change in fair value losses carried under caption 60 "Fair value change of financial assets in hedged portfolios" or caption 50. "Fair value change of financial liabilities in hedged portfolios" are transferred to the income statement among interest income or expense over the residual life of the original hedging relationships, without prejudice to verification that the requirements have been met.

An entity must discontinue cash flow hedge accounting prospectively in each of the following circumstances:

- the hedging instrument expires or is sold, terminated, or exercised (for this purpose the replacement or exchange of one hedging instrument with another hedging instrument is not a conclusion or termination if that replacement or exchange forms part of an entity's documented hedging strategy). In this case the total profit (or loss) on the hedging instrument continues to be recognised directly in shareholders' equity until the end of the reporting period in which the hedge became effective and it continues to be recognised separately until the programmed transaction, being hedged, occurs;
- the hedge no longer meets the criteria for hedge accounting. In this case the total profit or loss on the hedging instrument is recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective and continues to be recognised separately in shareholders' equity until the programmed transaction occurs;
- it is no longer considered that the future transaction will occur, in which case any related total profit or loss on the hedging instrument recognised directly in equity starting from the reporting period in which the hedge became effective must be recognised through profit or loss;
- the entity revokes the designation. For hedges of a programmed transaction, total profits or losses on the hedging instrument recognised directly in shareholders' equity starting from the reporting period in which the hedge became effective continue to be recognised separately in shareholders' equity until the programmed transaction occurs or it is expected that it will no longer occur.

As an exception to the provisions of IAS 39 discontinuation following an update of the documentation of the hedging relationship (due to modification of the hedged risk, the hedged underlying or the hedging derivative, or of the method for verifying hedge effectiveness) does not apply in the case of modifications required as a direct consequence of the Interest Rate Benchmark Reform (so-called IBOR Reform) and applied on equivalent economic bases.

5. Equity investments

Classification, recognition and measurement criteria

The caption includes investments in subsidiaries, companies subject to joint control and associates.
Entities are considered subsidiaries where Intesa Sanpaolo is exposed to, or has rights to, variable returns from its involvement with them, and has the ability to affect those returns by exercising its own power over the entities in question.
Entities are considered to be companies subject to joint control (joint ventures), if control is contractually shared between Intesa Sanpaolo and one or more other parties external to the Group, or where the decisions about the relevant activities require the unanimous consent of all the parties sharing control.
Companies are considered subject to significant influence (associates) when Intesa Sanpaolo holds 20% or more of the voting rights (including "potential" voting rights) or if it – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates.
Certain companies in which Intesa Sanpaolo holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.

Equity investments are recognised at settlement date. On initial recognition equity investments are recorded at cost.
Equity investments are measured at cost, which may be adjusted if impairment losses are deemed to have occurred. If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.
If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.
If the reasons for impairment are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

Derecognition criteria

Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold, substantially transferring all the risks and rewards connected to the assets.

6. Property and equipment

Classification criteria

Property and equipment include land, owner-occupied property, investment property, valuable art assets, technical plants, furniture and fittings and any type of equipment that are expected to be used during more than one period.
Property and equipment held for use in the production or supply of goods and services are classified as "Property and equipment used in operations", in accordance with IAS 16. Real estate owned for investment purposes (to obtain rental income or gains on the capital invested) is classified as "Investment property" based on IAS 40.
This caption also includes property and equipment classified in accordance with IAS 2 - Inventories, which refer both to assets resulting from the enforcement of guarantees or from purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not meet the requirements for classification in the previous categories.
Lastly, they include the rights of use acquired under a lease and relating to the use of an item of property and equipment (for lessees) and assets leased under an operating lease (for lessors).

Recognition criteria

Property and equipment are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be operational.
Extraordinary maintenance expenses which lead to a rise in future economic benefits are attributed to increase the value of assets, while other ordinary maintenance costs are recorded in the income statement.

Measurement criteria

Property and equipment are measured at cost, net of depreciation and impairment losses, except for owner-occupied properties and valuable art assets, which are measured according to the revaluation model.
The investment properties are measured with the fair value method.
For the property and equipment subject to assessment according to the revaluation model:
- if the carrying value of an asset is increased following a revaluation, the increase must be recognised in the Statement of comprehensive income and accumulated in the shareholders' equity under the caption revaluation reserve; conversely, in the case where an impairment loss on the same asset recognised previously in the income statement is recovered, it must be recognised as income;
- if the carrying value of an asset is decreased following the revaluation, the decrease must be recognised in the Statement of comprehensive income to the extent in which there are possible credit balances in the revaluation reserve referring to this asset; otherwise, this reduction is recorded in the Income statement.

Property and equipment are systematically depreciated, adopting the straight-line method over their useful life. The depreciable amount is the cost of the goods (or the net value recalculated if the method adopted for the valuation is the revaluation model) net of the residual value at the end of the depreciation period, if significant. Buildings are depreciated for a portion deemed to be suitable to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in the carrying value of the assets. In order to determine the useful life of the various types of assets and the corresponding depreciation rates, the Group's real estate assets have been divided into four clusters: (i) Historical and particularly prestigious properties (useful life of 65 years), (ii) Entire buildings (useful life of 33 years), (iii) Banking branches (useful life of 20 years) and (iv) Other properties (useful life of 20 years). These clusters do not include the New Intesa Sanpaolo Headquarters in Turin, for which the useful life was estimated through a specific analysis which considered the peculiar architectural features of the building. Other property and equipment is depreciated based on the following useful lives: furniture from 5 to 10 years, plants from 4 to 10 years, hardware and IT equipment for a period from 4 to 8 years and, lastly, other assets from 3 to 13 years.

The following are not depreciated:
- land, irrespective of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life;
- the valuable art assets, the other historical, artistic and decorative assets, since their useful life cannot be estimated and their value is normally destined to increase over time;
- the investment properties, as required by IAS 40, are measured at fair value through profit or loss and therefore they must not be depreciated.

If there is some evidence that property and equipment measured at cost may have been impaired, the carrying amount of the asset and its recoverable amount are compared. Any impairment losses are recorded in the income statement.
If the reasons for impairment cease to exist, a value recovery is recorded and may not exceed the value that the asset would have had, net of depreciation, determined in the absence of previous impairment losses.

With regard to the property and equipment recognised in accordance with IAS 2, these are measured at the lesser of cost and net realisable value, without prejudice to the comparison between the asset's carrying amount and its recoverable amount where there is an indication that the asset may have been impaired. Any impairment losses are recorded in the income statement.

Property and equipment consisting of the right-of-use of assets subject to leases

According to IFRS 16, a lease is a contract or part of a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

According to IFRS 16, leases are accounted for on the basis of the right of use model, where, at the initial date, the lessee has a financial obligation to make payments due to the lessor to compensate for its right of use of the underlying asset during the lease term.
When the asset is made available to the lessee for use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.
In particular, the right of use acquired with a lease is measured as the sum of the present value of the future payments over the term of the contract, the lease payments made at or before the commencement date, the lease incentives received, if any, the initial direct costs and any estimated costs of dismantling or restoring the underlying asset.
The financial liability recognised corresponds to the present value of the payments to be made for the lease.

With regard to the discount rate, based on the requirements of IFRS 16, the Group uses the implicit interest rate for each lease contract, when it is available. For leases from the lessee's point of view, in some cases, for example for rental agreements, the implicit interest rate cannot always be readily determined without using estimates and assumptions (the lessee does not have enough information about the unguaranteed residual value of the leased asset). In these cases, the Group has developed a methodology for setting the incremental interest rate as an alternative to the implicit interest rate and has decided to adopt the Funds Transfer Pricing (FTP) method. This is based on an unsecured and amortising rate curve, which envisages lease payments for the lease contract that are typically constant over the lease term, rather than a single payment upon maturity. The FTP method takes into account the creditworthiness of the lessee, the term of the lease, as well as the economic environment in which the transaction takes place and is therefore in line with the requirements of the standard.

The lease term is determined taking into account:
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;
- periods covered by an option to terminate the lease if the lessee is reasonably certain to exercise that option.

During the course of the lease term a lessee shall:
- measure the right-of-use at cost less accumulated depreciation and accumulated impairment losses determined and recognised based on the provisions of IAS 36 "Impairment of assets", adjusted to take account of any remeasurement of the lease liability;
- increase the liability arising from the lease following the accrual of interest expense calculated at the interest rate implicit in the lease or alternatively at the incremental borrowing rate, and decrease it for payments of principal and interest made.

If changes are made to the lease payments, then the lease liability must be remeasured and the impact of the remeasurement of the liability is recognised against the right-of-use asset.

Derecognition criteria
Property and equipment are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

7. Intangible assets

Classification criteria

Intangible assets consist of goodwill and other intangible assets governed by IAS 38. They may include the rights of use acquired under a lease and relating to the use of an intangible asset (for lessees) and assets leased under an operating lease (for lessors).
Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include goodwill, which represents the positive difference between purchase price and fair value of assets and liabilities pertaining to the acquired company.

Recognition and measurement criteria

Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets will be realised and if the cost of the asset may be reliably determined. If this is not the case, the cost of the intangible asset is recorded in the income statement in the year in which it was incurred.
For assets with finite useful life, the cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected from the asset. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment testing.
If there is any indication that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the income statement, is equal to the difference between the carrying value of the assets and the recoverable amount.

In particular, intangible assets include:

- technology-related intangible assets, such as software applications, which are amortised mainly on the basis of their expected technological obsolescence or, if lower, their expected use, and in any case generally no longer than a period of seven years. An exception are the core banking system platforms, whose useful life is estimated on a case-by-case basis, and, as a result, amortised over longer periods (from 10 to 15 years). Moreover, the costs incurred for the development of software are considered as intangible assets and are recognised under assets only when all the following conditions are met: i) the cost attributable to the intangible asset during its development can be measured reliably, ii) there is the intention, the availability of financial resources and the technical ability of making the intangible asset available for use or sale, iii) the future economic benefits to be generated by the asset can be demonstrated. Software development capitalised costs only comprise the costs directly attributable to the development process. Capitalised software development costs are amortised systematically over the estimated useful life of the relevant product/service so as to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity from the beginning of production over the product's estimated life;
- customer-related intangibles mainly represented, in business combinations, by asset management relations, non-financial activities related to provision of services and insurance portfolios classified as investments. Such assets, with a finite life, are originally measured by the discounting, using a rate representing the time value of money and the asset's specific risks, of the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. For asset management relations and non-financial activities related to provision of services, they are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration and, for relations from insurance products classified as investments, generally in decreasing portions corresponding to the duration of the contract in case of relations with predetermined expiry (residual lives of the policies);
- marketing-related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered as having indefinite life since it is deemed to contribute for an indefinite period of time to the formation of income flows.

Lastly, intangible assets include goodwill.

With respect to business combinations, goodwill may be recorded when the positive difference between the fair value of shareholders' equity acquired and the purchase price of the equity investment is representative of the future income-generation potential of the equity investment.
If this difference is negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the income statement.
Once a year (or every time that there is evidence of impairment losses), an impairment test is carried out for goodwill. This requires the identification of the Cash Generating Unit (or CGU) to which goodwill is allocated. The cash-generating units of the Intesa Sanpaolo Group correspond to the operating divisions presented in segment reporting. The business operations carried out directly by the Parent Company falls under the Cash-generating units corresponding to Banca dei Territori and Corporate and Investment Banking. Therefore, goodwill is allocated to such divisions. Any impairment losses are determined on the basis of the difference between the recognition value of goodwill and its recoverable amount, if lower. The recoverable amount is equal to the higher between the fair value of the cash-generating unit, less any cost to sell, and the relative value in use. The consequent adjustments are posted in the income statement.

With regard to the intangible asset represented by the brand name, if the reference CGU does not have any goodwill allocated, then an independent and specific valuation is made of the intangible on the basis of the fair value certified by the appraisal of an independent expert. If the fair value of the brand name is not higher than its carrying amount, the recoverable amount of the CGU is estimated, calculated based on future cash flows.

It is also noted that, where a CGU which is allocated both goodwill and a brand name has a value in use lower than the carrying amount, by an amount that exceeds the total value of the intangibles with indefinite life allocated, without prejudice to the full write-down of goodwill, an autonomous valuation of the brand name is carried out based on the fair value stated in the specific appraisal.

Derecognition criteria

Intangible assets are derecognised from the balance sheet on disposal and if no future economic benefits are expected.

8. Other assets

Other assets essentially consist of items awaiting classification and items not attributable to the other balance-sheet captions, including receivables arising from the supply of goods and non-financial services, sundry tax items other than those recognised in their own caption (e.g., connected to withholding agent activities), gold, silver and precious metal, the tax credits connected with the “Cura Italia” and “Rilancio” Law Decrees and accrued income other than that capitalised on the related financial assets, including the income resulting from contracts with customers in accordance with IFRS 15, paragraphs 116 and following. As required by paragraphs 91 and following of IFRS 15, the costs incurred for the acquisition and fulfilment of long-term contracts with customers are capitalised and amortised when they are incremental and are expected to be recovered.

9. Non-current assets held for sale and discontinued operations and Liabilities associated with non-current assets held for sale and discontinued operations

Non-current assets/liabilities for which a disposal process has commenced and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. These assets/liabilities are measured at the lower of the carrying amount and fair value less cost to sell, except for some type of assets (e.g., financial assets within the scope of IFRS 9) for which IFRS 5 specifically establishes that the measurement principles of the applicable accounting standard must be used.
Non-current assets held for sale and discontinued operations may include portfolios of assets for which there are no prices in an active market. In such case, where an agreement has been reached with the purchaser, they are measured at fair value by referring to the sale prices resulting from that agreement. Where there is no agreement, they are measured using specific valuation techniques based on the asset and, where necessary, by employing external fairness opinions.
The income and charges (net of tax effect) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the income statement in a separate caption.

10. Current and deferred tax

Taxes on income, calculated according to domestic tax regulations, are accounted for as a cost on an accruals basis, in line with the method followed to include, in the financial statements, the costs and income that generated them. Therefore, they represent the balance of current and deferred income taxes for the year. Current tax assets and liabilities include the balances of the Bank due to the relevant Italian and foreign tax authorities relating to direct taxation. More specifically, these captions include the net balance of tax liabilities from previous years and the current year, calculated on the basis of a prudent estimate of the tax charges due for the year, assessed according to the tax regulations currently in force, and the current tax assets represented by advances, by withholding taxes borne or other tax credits. The risk inherent in such proceedings and the risks inherent in proceedings where preliminary disbursements have not been requested are evaluated in applying the principles contained in IAS 37 regarding the best estimate of the economic resources required.
Considering the Group’s adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.
Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, “taxable temporary differences” are differences which will give rise to taxable income in future years while “deductible temporary differences” are those which will give rise to deductible amounts in future years.
Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden, and to the deductible temporary differences for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are offset.
If deferred tax assets and liabilities refer to items affecting the Income statement, the balancing entry is represented by taxes on income.
Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders’ equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, measurements of financial assets recognised at fair value through other comprehensive income or of cash flow hedge derivative contracts), the balancing entry is made in shareholders’ equity, under specific reserves where so provided (e.g. valuation reserves).
No provision is made for reserves subject to latent taxation only in the event of distribution, since the size of the available reserves which have already been taxed leads to the belief that no transactions will be undertaken which may cause taxation of the untaxed reserves.
Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the accrual basis principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.

11. Allowances for risks and charges

Allowances for risks and charges for commitments and guarantees given

This sub-caption of the allowances for risks and charges contains the allowances for credit risk recognised for loan commitments and guarantees given that come under the scope of the IFRS 9 impairment rules. For these cases, in general, the methods described for financial assets measured at amortised cost or at fair value through other comprehensive income are adopted for the assignment to the three credit risk stages and the calculation of the expected credit loss.
This aggregate also includes allowances for risks and charges made to cover other types of commitments and guarantees given that, due to their specific characteristics, do not fall under the scope of impairment pursuant to IFRS 9.

Post-employment benefits

Company post-employment benefits are based on agreements and qualify as defined benefit plans. Liabilities related to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected Unit Credit Method. This method sets out that future obligations are forecast using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each year of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The discounting rate is determined on the basis of market returns, surveyed as at the date of measurement, on high-quality corporate bonds, taking account of the residual average life of the liability. The present value of the liability at the reporting date is also adjusted by the fair value of any plan assets.

Actuarial profits and losses (namely the changes in the current value of the obligation resulting from changes in the actuarial assumptions and adjustments based on past experience) are recognised in the statement of comprehensive income.

Other allowances

Other allowances for risks and charges record provisions related to legal obligations or connected to labour relationships or to litigations, also of a fiscal nature, originating from a past event for which a disbursement will probably arise to settle the obligations, provided that the amount of the disbursement may be estimated reliably.
Consequently, a provision is recognised when, and only when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date and takes into account the risks and uncertainties that inevitably surround many events and circumstances. Where time value is significant, provisions are discounted using current market rates. Provisions and increases due to time value are recorded in the income statement.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation or when the obligation is settled, the provision should be reversed.

The caption also includes long-term benefits to employees, whose charges are determined with the same actuarial criteria described for post-employment benefits. Actuarial profits and losses are all immediately recognised in the income statement.

12. Financial liabilities measured at amortised cost

Classification criteria

Amounts Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.
It also includes the payables recorded by the Bank in the capacity of lessee in lease transactions.

Recognition criteria

Initial recognition of these financial liabilities occurs at the date of subscription of the contract, which usually coincides with the time of collection of the sums deposited or the issue of debt securities.
Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.
Lease payables are recognised at the present value of the future lease payments, discounted using the implicit interest rate of the transaction or, where it cannot be determined, the marginal financing rate.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.
An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.
Lease payables are remeasured when there is a lease modification (e.g. a change in the contract which is not accounted for/considered as a separate contract); the effect of the remeasurement will be a corresponding adjustment to the right-of-use asset.

Derecognition criteria

Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the income statement.
Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

13. Financial liabilities held for trading

Recognition criteria

These financial instruments are recognised at the subscription or issue date at the fair value of the instrument, without taking into account directly attributable transaction costs or revenues.
This liability category includes, in particular, the negative fair value of trading derivatives, as well as embedded derivatives with a negative fair value separated from liabilities measured at amortised cost.
It also includes liabilities determined by short selling generated by trading of securities and certificates forming part of the trading business model.

Measurement criteria

All financial liabilities held for trading are measured at fair value through profit or loss.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed of with the substantial transfer of all the risks and rewards connected to it.

14. Financial liabilities designated at fair value

Classification criteria

Financial liabilities designated at fair value are recorded under this caption, on the basis of the fair value option given to companies by IFRS 9 and in compliance with the cases contemplated in the reference regulations.

This category of liabilities also includes certificates included in the banking book business model.

Recognition criteria

These liabilities are recorded at fair value as at the date of issue, including the value of any embedded derivatives, net of placement fees paid.

Measurement criteria

These liabilities are measured at fair value according to the following rules established by IFRS 9:
- changes in fair value attributable to changes in own credit risk must be recognised in the statement of comprehensive income (shareholders' equity);
- the remaining changes in fair value must be recognised in the income statement.

The amounts recognised in the statement of comprehensive income are not subsequently recycled to the income statement. This method of accounting must not be applied when recognition of the effects of own credit risk on shareholders' equity results in or accentuates an accounting mismatch in the income statement. In this case, gains and losses associated with the liability, including those resulting from changes in own credit risk, must be recognised in the income statement.

Derecognition criteria

The financial liabilities designated at fair value are derecognised when the contractual rights to the related cash flows expire or when the financial liability is disposed with the substantial transfer of all the risks and rewards connected to it.

15. Foreign currency transactions

Definition

The foreign currency is a currency that is not the functional currency of the entity, which is in turn the currency of the primary economic environment in which the entity operates.

Initial recognition

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

Subsequent measurement

At every close of annual or interim financial statements, captions in foreign currency are measured as follows:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit or loss in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit or loss, any exchange component of that gain or loss is recognised through profit or loss.

16. Other information

Own shares
Any own shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

Accruals, prepayments and deferrals
Accruals, prepayments and deferrals for the year that include income and charges for the year, accrued on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities to which they are related.

Leasehold improvements
The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. These costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

Employee termination indemnities
Employee termination indemnities qualify as a “post-employment benefit” classified as:
- a “defined contribution plan” to the extent of the portions accruing from 1 January 2007 (the date the reform of the supplementary pension schemes came into force pursuant to Legislative Decree 252 of 5 December 2005) when the employee opted for the complementary pension scheme or decided to allocate such portions to the INPS (the Italian Social Security Institute) Treasury fund. Therefore, the amounts, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation;
- a “defined benefit plan” to the extent of the portions of employee termination indemnities accrued until 31 December 2006.
  These amounts are recognised at their actuarial value determined using the “Projected Unit Credit Method”, without applying the pro-rata of the service rendered. Indeed, the current service cost of employee termination indemnities is almost entirely accrued and its revaluation in the years to come is not expected to generate significant benefits for employees.

For the purposes of discounting, the rate used is the market yield of high-quality corporate bonds taking into account the average remaining life of the liability, weighted based on the percentage amount paid and advanced, for each maturity, with respect to the total to be paid and advanced until the expiry of the entire obligation.
The plan’s costs are recorded under personnel expenses, while actuarial profits and losses are recognised in the statement of comprehensive income.

Share-based payments
Share-based payments are recorded in the income statement, with a corresponding increase in shareholders’ equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.
In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned.
The combination of the two values supplies the fair value of the assigned instrument.
Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

Employee benefits
Employee benefits are defined as all forms of consideration given by an entity in exchange for service rendered by employees. Employee benefits are divided into:
- short-term benefits (other than termination benefits or equity compensation benefits) that are expected to be paid in full within twelve months after the end of the period in which the employees render the related service and recognised in full through profit or loss when they become due (this category includes, for example, wages, salaries and “extraordinary” benefits);
- post-employment benefits payable after the conclusion of employment that require the entity to provide future benefits to employees. These include employee termination indemnities and pension funds, which are in turn divided into defined contribution plans and defined benefit plans or company pension funds;
- termination benefits, i.e. compensation that the company recognises to the staff members upon termination of the employment agreement, following the company's decision to terminate the employment relationship prior to the normal retirement date;
- long-term benefits, other than those above, that are not expected to be paid in full within twelve months after the end of the period in which the employee rendered their service.

Offsetting of financial instruments

According to IAS 32, paragraph 42, financial assets and financial liabilities are offset and the net amount presented in the financial statements when an entity:

- has a legal enforceable right of set off which is currently exercisable in all circumstances, both in the ordinary course of business or in the event of default, insolvency or bankruptcy of the parties;
- intends to settle the transactions on a net basis or on a gross settlement basis whose substantive effects are equivalent to a net settlement.

For derivative instruments covered by netting agreements that meet the above requirements, Bank of Italy Circular 262 also requires the offsetting to be performed between trading and hedging derivatives, with the mismatches to be presented on a net basis. The net balance is usually allocated to the trading book rather than to the hedging derivatives, based on the actual amount of the mismatch between trading and hedging derivatives.

In compliance with the requirements of IFRS 7, more detailed information is provided in the tables contained in Part B – Other information of these Notes to the financial statements, which present the following:

- the carrying amounts of assets and liabilities that meet the requirements of IAS 32, paragraph 42, before and after offsetting;
- the exposures subject to master netting agreements that have not been offset but have the potential to be offset following specific circumstances;
- the collateral associated with them.

Tax credits related to the "Cura Italia" and "Rilancio" Law Decrees acquired as a result of transfer by direct beneficiaries or previous purchasers (e.g. ecobonus)

Law Decrees no. 18/2020 ("Cura Italia" Decree) and no. 34/2020 ("Rilancio" Decree) introduced tax incentives related to both investment expenditure (e.g. ecobonus and seismicbonus) and current expenditure (e.g. rents for non-residential premises). Additionally, the government once again intervened on the issue through Law Decree no. 50/2022 ("Decreto Aiuti"), mainly by remodulating the base of potential re-assignees, and Law-Decree no. 11/2023, prohibiting, although with certain exceptions, the possibility of opting, instead of directly using the deduction, for the discount on invoices or transfer of credit.

These tax incentives apply to households or businesses, are linked to a percentage of the expenditure incurred (in some cases up to 110%) and are granted in the form of tax credits or tax deductions (with option for conversion into tax credits). The main features of these tax credits are: i) the possibility of using them for offsetting; ii) their transferability to third-party purchasers; and iii) their non-refundability by the Treasury.

The accounting for tax credits acquired from a third party (transferee of the tax credit) is not covered by a specific international accounting standard. IAS 8 requires, in cases where there is a circumstance not explicitly addressed by an IAS/IFRS accounting standard, that management develop an accounting policy to ensure relevant and reliable disclosure of such transactions.

To this end, Intesa Sanpaolo, in view of the guidance provided by the Authorities, in the document "Accounting treatment of tax credits connected with the 'Cura Italia' and 'Rilancio' Law Decrees acquired following the assignment by the direct beneficiaries or previous purchasers" published on 5 January 2021 by the Coordination Committee between the Bank of Italy, Consob and IVASS concerning the application of IAS/IFRS has adopted an accounting policy that refers to the accounting rules established by IFRS 9, applying the provisions that are consistent with the characteristics of the transaction.

The Bank attributes:

- to a Hold to Collect business model the loans that are acquired within the limits of its tax capacity, with the objective of holding and using them for future offsetting. Those loans are recognised at amortised cost, representing the remuneration of net interest income over the time frame of recovery;
- to a Hold to Collect and Sell business model the loans that are acquired within the limits of its tax capacity, which may be further reassigned. Those credits are measured at fair value through other comprehensive income. Given the particular nature of these instruments, their fair value fluctuations are linked to the changes in interest rates. The profitability is recognised on a pro-rata basis under net interest income in the income statement;
- to an Other business model, the loans acquired for trading, e.g., in the event of purchases above its tax capacity and the signing of related reassignment agreements. Those loans are measured at fair value through profit or loss. Their fair value fluctuations are linked to the changes in interest rates. The profitability is recognised on a pro-rata basis under net interest income in the Income statement.

In all the above cases, the initial recognition value matches the fair value at the date of purchase. Therefore, no day-one profit/loss is recognised.

The accounting framework set out in IFRS 9 for calculating expected credit losses is not deemed applicable to this specific case. The ECL need not be calculated on these tax credits, as no refund is expected from the tax authorities, as the extinction of the instrument is linked to the offsetting of the bearer's tax payables. Moreover, in cases where reassignment is planned, the sale will be finalised by collecting the price of the instrument, without recognising a receivable due from the assignee.

Lastly, considering the operating methods implemented by the Bank, the risk of non-use of the tax credits, i.e. the risk that the Bank lacks the tax capacity to achieve the benefits associated with the asset, can be reasonably deemed as inexistent. Specifically:

- with regard to the Hold to Collect and Hold to Collect and Sell business models, the amounts acquired are consistent with the overall tax capacity, so that the Bank can offset its payables;
- with regard to the Other business model, for the loans acquired, reassignment agreements are gradually entered into for excess volumes, binding on the customer, with multiple counterparties, whose tax capacity is verified in advance.

As specified in the joint document from the Authorities, as mentioned above, given that the purchased tax credits do not qualify as tax assets, public subsidies, intangible assets or financial assets under the international accounting standards, the most appropriate classification, for their presentation in the financial statements, is the residual classification under Other Assets in the balance sheet.

TLTRO III
The TLTRO III (Targeted Longer Term Refinancing Operations) seek to preserve favourable bank lending conditions and support the defined monetary policy stance. Several of the parameters that characterise these operations, established by the ECB on 6 June 2019, were subsequently recalibrated in several steps, initially improving them for banks in light of the economic effects of the COVID-19 emergency and, 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 (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 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 or clear indications from IFRIC, which had been consulted on the accounting treatment of the TLTRO III, the Bank defined its own accounting policy, applied consistently and with continuity over time, also following the changes made to contractual conditions: the Bank applies to TLTRO operations the accounting treatment defined by IFRS 9 for floating-rate financial instruments – considering the refinancing conditions defined by the ECB as floating market rates as part of the monetary policy measures of the Eurosystem – recognising the interest applicable in each case, to be estimated based on the probability of achieving the net lending targets set.
A requirement for the recognition of the favourable interest rates – in keeping with the approach already adopted for TLTRO II – is a reliable estimate of the achievement of the benchmark net lending, which the Bank performs through its forecasts on the lending performance monitored at set dates, approved by an appropriate level of management. These benchmarks – referring in particular to volumes as at 31 March 2021 and 31 December 2021 – were in fact achieved.
In the event of changes to the forecasts on the achievement of those targets, the IFRS 9 provisions on the revision of cash flow estimates apply.
According to the Bank's accounting policies, the revision of the conditions of the instrument by the ECB is considered as a change to a floating rate pursuant to par. B5.4.5 of IFRS 9, with a forward-looking adjustment to the interest rate, considering the fact that the ECB has the option to change interest rates at its discretion in defining monetary policy rates (as it did in April and December 2020, introducing the special interest rate periods and, more recently, in October 2022, in the terms illustrated above). The interest is therefore recognised periodically based on the interest rate of the instrument for each period (-0.5% until 24 June 2020, -1% until 23 June 2022, and, thereafter, based on existing conditions, illustrated below) as required by paragraph B5.4.5 of IFRS 9.
Following the increases in interest rates approved by the Governing Council of the ECB starting in July 2022, it was necessary to redetermine the effective interest rate applicable to each operation, starting from the date of recalibration of the interest rates, with the goal of reallocating the benefit resulting from the specific mechanism of the average of interest rates in the reference period of the benefit. Lastly, the recalibration of the conditions applicable to TLTRO III financing defined on 27 October 2022 entailed the recognition of the residual benefit up to the date of the changes to contractual conditions (i.e., up to 22 November 2022). That approach is in line with that adopted in the past for recognising interest during special periods (i.e., recognition of the additional benefit of -50 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 Bank 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. Intesa Sanpaolo 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 Bank 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 ISP Group for approximately 83 million euro, in addition to 283 million euro paid in the period 2016-2022, for a total of 366 million euro, against which the Bank 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:
  - d) hedging interest-generating assets and liabilities;
  - e) classified in the balance sheet in the trading book, though related to financial assets and/or liabilities designated at fair value through profit or loss (fair value option) in management terms;
  - f) related in management terms to assets and/or liabilities classified in the trading book and providing for the settlement of differentials or margins with different maturities;
- overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement when their distribution is approved, unless this date is not known or the information is not immediately available, in which case they may be recognised when they are collected;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered. Commission income included in the amortised cost for the purposes of determining the effective interest rate is recognised under interest;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, or when the performance obligation towards the customer is satisfied.

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

Use of estimates and assumptions in preparing financial reports
The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the contingent assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, also founded on past

experience, which are used to formulate reasonable assumptions in measuring operating events. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.
If there are greater uncertainties and/or the assets being measured are particularly material, the valuation is supported by specific fairness opinions from external appraisers/experts.

The main cases for which subjective evaluations are required to be made by corporate management include:
- the measurement of impairment losses on loans, investments, and, generally, other financial assets;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the fair value measurement of real estate and valuable art assets;
- the measurement of personnel funds and allowances for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets.

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

The classification drivers for financial assets
The classification of the financial assets into the three categories established by the standard depends on two classification drivers: the business model used to manage the financial instruments and the contractual cash flow characteristics of the financial assets (or SPPI Test).
The classification of the financial assets derives from the combined effect of the two drivers mentioned above, as described below:
- Financial assets measured at amortised cost: assets that pass the SPPI test and come under the Hold to Collect (HTC) business model;
- Financial assets measured at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and come under the Hold to Collect and Sell (HTCS) business model;
- Financial assets measured at fair value through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test of the contractual cash flow characteristics (SPPI test not passed).

SPPI test

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

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

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

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

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

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

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

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

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

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

A proprietary tool based on an internally developed methodology (decision-making trees) has also been developed for carrying out the SPPI test for the lending processes. In particular, given the significant differences in characteristics, the procedure differs between products related to a contractual standard (typically the retail loan portfolio) and tailor-made loans (typically the corporate loan portfolio).

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

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

Business model
With regard to the business models, IFRS 9 identifies three cases relating to the way in which cash flows and sales of financial assets are managed:
- Hold to Collect (HTC): this is a business model whose objective is achieved by collecting the contractual cash flows of the financial assets included in the portfolios associated to it. The inclusion of the portfolio of financial assets in this business model does not necessarily result in the inability to sell the instruments, but the frequency, value and timing of sales in prior periods, the reasons for the sales, and the expectations about future sales, need to be considered;
- Hold to Collect and Sell (HTCS): this is a mixed business model whose objective is achieved by collecting the contractual cash flows of the financial assets in portfolio and (also) through the sale of the financial assets, which is an integral part of the strategy. Both activities (collection of contractual flows and sale) are indispensable for achieving the business model's objective. Accordingly, sales are more frequent and significant than for an HTC business model and are an integral part of the strategies pursued;
- Other/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that does not come under the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured based on fair value.

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

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

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

In operational terms, the assessment of the business model is carried out in line with the company's organisation, the specialisation of the business functions, the risk cascading model, and the assignment of delegated powers (limits). All relevant factors available at the date of the assessment are used in the assessment of the business model. The above information includes the strategy, the risks and their management, the remuneration policies, the reporting, and the amount of the sales. In the analysis of the business model, the elements investigated must be consistent with each other and, in particular, must be consistent with the strategy pursued. Evidence of activities not in line with the strategy must be analysed and duly justified.
In this regard, and in relation to the business models under which the financial assets are held, a specific set of "Business Model Rules" (approved by the competent levels of governance) has been drafted for the Parent Company and Banking Group Companies. It defines and sets out the components of the business model in relation to the financial assets included in the portfolios managed as part of the operations of Intesa Sanpaolo's business structures. In further detail, the mapping of the business model adopted by the various structures through which the Bank operates, with regard to both loans and receivables and debt securities, takes account of the structure of the division model and the Corporate Centre; this structure has been identified as the relevant level for formulating and representing the various business models applied by Intesa Sanpaolo's risk-taking centres.

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

Monitoring of the business model
The monitoring of the reference business model of the various structures through which Intesa Sanpaolo operates is performed by the 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, Intesa Sanpaolo has set limits for frequent but not significant sales to be considered eligible (individually or in aggregate), or for infrequent sales even if their amount is significant, and the parameters have also been established for identifying sales as being consistent with that business model because they relate to an increase in credit risk or for securities nearing maturity.
More specifically, within an HTC business model, sales are allowed:
- in the event of an increase in credit risk, 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:
  - 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;
  - 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, Intesa Sanpaolo has established indicators for debt securities only in order to ensure that they are properly assigned to the chosen business model over time. These indicators are:
- The holding period, which measures the time for which a certain instrument has been held in portfolio;
- Turnover rate, which measures the speed with which positions in portfolio turn over during a predefined period of time.

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

Finally, with regard to debt or equity securities held for trading, a measure of the consistency of inclusion in the chosen business model applies, represented by the indicator of "expected average permanence" (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 are considered for the purposes of the transfer between "stages". Specifically, reference is made 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.

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 Intesa

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

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

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

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

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

In particular, the most likely scenario and alternative scenarios are determined using a set of analytical and stand-alone forecasting instruments that determine the forecast path for several blocks of variables, namely:
- national accounts and inflation of the top 6 Eurozone countries, the United States and Japan;
- official rates (ECB, Fed, BoJ), EUR and USD swap rate curves, and several points of the government curves;
- exchange rates for EUR, USD, JPY and GBP;
- stock market indices (DJ Eurostoxx 50 and S&P 500);
- Brent price;
- some specific data for the Italian economy (industrial production, real estate prices, employment, public finance balances).

These forecasts are then processed using the Oxford Economics multi-country structural Global Economic Model, where they replace the forecast paths of the baseline scenario provided by the company with the periodic updating of the database. The model is then solved to derive a consistent global forecasting framework, including variables for which no specific models have been developed, and to obtain a simulation environment that can be used to generate alternative scenarios. This step may require some iterations, particularly if the forecasting framework generated internally is significantly different from the one provided by Oxford Economics. If this is the case, further fine-tuning may be needed for specific secondary variables that the analysts consider to be inconsistent with the forecast scenario or that have an unexplainable quarterly volatility.
The alternative paths are selected using external information. In particular:
- average annual GDP growth rates of several countries: this is the key driver for the simulation and the deviations are determined to replicate the dispersion of the growth estimates published by Consensus Economics in the most recent report available at the date of the simulation, considering the minimum and maximum forecasts (after applying a filter to identify and eliminate possible outliers). If there are outliers, these are discarded and the remaining maximum and minimum values are considered. Since consensus estimates are only available for the first two years of the simulation period, an extrapolation of the deviations identified for the first two years is used for the third year;
- stock market indices (DJ Eurostoxx 50, S&P 500) and US residential real estate prices: the minimum and maximum forecasts of the Thomson Reuters panel are used as a reference;
- Italian residential real estate prices: since no consensus estimates are currently available, the alternative paths are based on the distribution of the historical quarterly changes available from 1980 to the current quarter.

The percentile value identified is used, for the Most Likely scenario, to determine the variations corresponding to a probability gap, calculated through statistical analysis of the historical distribution of the observations. The two (positive and negative)

changes with respect to the most likely scenario are then used to calculate the level of the individual identified indices, reconstructing the two alternative paths (one positive and one negative) for each of them that represent the input for the determination of the Add-On. The probability gap used is identified based on the variability characteristics of the series, to obtain a significant deviation from the most likely scenario.
In addition to defining the alternative paths, a map of possible additional factors is maintained, i.e., adverse idiosyncratic events or scenarios, not explicitly incorporated in the time series used for the construction of the most likely scenario or in the alternative paths, which can generate further significant effects on expected losses.
The following is assessed for these events/scenarios:

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

The map of additional factors also draws on the list of risk factors contained in the forecast reports of the IMF (World Economic Outlook) and the European Commission and may change over time.
Within the assessment of the time frame for the additional factors, note is made if the factor cannot be placed within a specific time period, which makes its incorporation into the Most Likely scenario or alternative paths unfeasible.
The assessments made take account of the fact that the consensus estimates may include forecasts that already incorporate the total or partial realisation of one or more risk factors in their estimates, which means that the alternative paths may already incorporate these additional factors to some extent.
Where there is considerable uncertainty in the national and international macroeconomic forecasts, as well as significant deviations in terms of best-case forecasts with respect to the TTC scenario, prudential factors may be introduced in relation to the deviations in the minimum and maximum values of the variables based on the above-mentioned consensus or historical figures.
The above macroeconomic scenarios (Most Likely and alternative scenarios) are used in internal models to determine the point-in-time (PIT) parameters.
Specifically, the time series of default rates acquired from the Bank of Italy are differentiated over the main economic macro-sectors (e.g. consumer households, family businesses, construction) and, for each of these, specific satellite models establish the relationships with the macroeconomic variables in order to obtain the forecast default rates. In turn, these impact the TTC transition matrices between rating classes and thus provide the PIT transition matrices for each scenario (most likely and alternative scenarios). These give rise to the lifetime conditional PD.
In particular, the TTC matrices are calculated using internal default rates for the Corporate, Retail SME and Retail segments, whereas the Bank of Italy system rates are used for the Low Default segments, because the internal time series data for those segments is less extensive. The forward-looking point-in-time matrices, on the other hand, are calculated using the system default rates for all the segments.
A similar process is used to determine the PIT LGD grids.

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

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.

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 Bank strategies identify disposal objectives and, as a result, a portfolio of non-performing loans that may be disposed of, until the disposal objectives are reached, the loans and receivables included in that portfolio shall be measured taking account of both the amount recoverable through operating activities and market valuations (based on external appraisals) and/or sales prices, if already defined.
In particular, where a larger loan portfolio that may be sold represented by Group loans that are disposable (thus, for example, positions that are not involved in disputes, as per precise indication by the management structures and which are not subject to synthetic securitisation), in relation to the sales objectives is identified, the book value of said portfolio is determined by weighting the recoverable amount through operating activities with the amount recoverable through sale.

More specifically, the recoverable amount of disposable non-performing loans is quantified as the average between (i) the value in the event of sale (fair value) and (ii) the collection amount, weighted on the basis of the percentage of the loans eligible for sale - determined as the ratio between the target volume of loans to be sold and the respective non bankruptcy-remote portfolios having the same profile, i.e. as a percentage that 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 Intesa Sanpaolo for the impairment of non-performing loans, i.e. based on the individual measurement of the exposures exceeding a defined threshold and based on an analytical-statistical measurement for the others. The measurement of the value in the event of sale is carried out by an external expert, based on market valuations.
However, where the positions to be sold are specifically identified, those positions shall be measured exclusively taking account of the market values established by external experts, based on a specific fairness opinion or, if already defined through a binding agreement with the buyer, the sales price. Those loans are also reclassified as assets held for sale.

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

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

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

  Portfolios to be written off can also be identified that have similar characteristics that are different from those indicated above, but that relate to exposures that have a marginal possibility of recovering the amount of the provision, where the minimum amount of the provision (calculated taking into account the accumulated write-offs on the position, according to the same rule established at prudential level by the calendar provisioning framework) is at least equal to the amount needed to bring the value of the exposures up to their fair value estimated based on the prices recorded in the latest sales of bad loans made by the Group.

Impairment of equity investments

At each reporting date the equity investments are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: qualitative and quantitative indicators.
Qualitative indicators include:

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

Quantitative indicators include:

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

The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.
The recoverable amount consists of the higher of the fair value and the value in use, less costs to sell.

For an illustration of the valuation techniques used to determine fair value, see the specific Section A.4 – Information on fair value.
Value in use is the present value of expected future cash flows from the asset; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, which may affect the appreciation by market participants of expected future cash flows from the asset.
Value in use is determined by discounting future cash flows.

For controlling investments in subsidiaries, the single equity investments are not individually significant for the purposes of the impairment test in the Parent Company's financial statements, instead they are included in the impairment test of the Cash-Generating Units (CGU) conducted at consolidated level. The CGUs identified are represented in some cases (Banca dei Territori and IMI Corporate & Investment Banking) by operations conducted directly by the Parent Company and some subsidiaries, in other cases (International Subsidiary Banks) by combinations of subsidiaries, and in other cases (Private Banking and Asset Management) they correspond to the associated legal entity. When an equity investment does not produce cash flows that are largely independent of the cash flows from other assets the impairment tests are conducted at CGU level, rather than at the individual investment level. Consequently, when the assets attributable to a subsidiary are included in a CGU that is broader than the equity investment itself, as described in more detail in the following chapter, the impairment test can only be conducted at this level and not at the level of individual subsidiary for which the accurate estimation of a value in use is not possible.

Impairment of non-financial assets
Property, equipment and intangible assets with definite useful life are subject to impairment testing if there is the indication that the book value of the asset may no longer be recovered. The recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use, if determinable and if it is higher than fair value.
For property and equipment other than real estate and valuable art assets and intangible assets (other than those recognised following business combinations) it is assumed that the carrying amount normally corresponds to the value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment in case of damages, exit from the production process or other similar non-recurring circumstances.
As clarified in the discussion of "Property and equipment and intangible assets", Intesa Sanpaolo measures owner-occupied properties and valuable art assets according to the revaluation model; in this case, any impairment loss on a revalued asset must be treated as a decrease in the revaluation up to the relevant amount, after which any difference is taken to the income statement.
As described in the Information on fair value - Fair value of real estate and valuable art assets, for owner-occupied properties each year a scenario analysis is conducted on trends in the real-estate market to assess whether there are any significant deviations in the value of the assets. If significant changes are identified (+ or - 10%), an updated appraisal is prepared to adjust the fair value of the asset to the valuations of the real estate market. If there are no significant differences, the value is redetermined through a new expert appraisal every two years for "trophy assets" (i.e. particularly prestigious properties used by management functions located in the main cities where the bank is based or properties of particular historical and artistic interest because they are listed by the Ministry for Cultural Heritage and Activities) and every three years for other owner-occupied properties.
For the valuable art assets, the revaluation is carried out by means of a new expert appraisal every three years. However, a scenario analysis is carried out annually to identify any appreciable changes in value in order to bring forward the valuation. If the annual monitoring identifies a possible positive or negative value deviation of more than 15% for individual works of artists in the bank's collections and comparable on the basis of objective criteria (size, technique, period of production, etc.), new appraisals are commissioned.
Intangible assets recognised following a business combination and in application of IFRS 3 are subjected to an impairment test at each reporting date to assess whether there is objective evidence that the asset may have been impaired.
Intangible assets with a finite life, represented by the value of the asset management portfolio and the value of the insurance portfolio, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.
Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash-Generating Unit (CGU) to which the values are attributed at the time of the business combinations. As CGU identification requires an analysis of the management characteristics and reporting methods used by management, and as the logic for strategic decision-making by management of the Parent Company is that of the Group as a whole and not only that of the Parent Company as an individual entity, the CGUs are identified in the consolidated financial statements.
The CGUs identified are represented in some cases (Banca dei Territori and IMI Corporate & Investment Banking) by operations conducted directly by the Parent Company and some subsidiaries, in other cases (International Subsidiary Banks) by combinations of subsidiaries, and in other cases (Private Banking and Asset Management) they correspond to the associated legal entity. As stated, as these are the same CGUs identified at consolidated level, the assessment of the retention of goodwill and other assets with an indefinite life recorded in the Intesa Sanpaolo Group's financial statements is also valid with reference to the values recorded in the Parent Company's financial statements. Therefore, the assessment conducted at consolidated level with reference to the individual CGUs is used, after comparing the book value of the assets in the Parent Company's financial statements, without conducting, if the result is positive, a new test in the Parent Company's financial statements.
If, at consolidated financial statement level, an impairment loss needs to be recognised for a particular CGU, this write-down

must be assigned to the assets that make up the CGU starting with goodwill. If the need to record an adjustment is found relating to a CGU that does not coincide with the associated legal entity, the write-down is assigned to the banking subsidiaries, after the elimination of the goodwill pertaining to the CGU recorded in the Parent Company's financial statements under a specific caption, on the basis of the respective fair values.
For a description of the criteria for the determination of the recoverable amount of the CGUs see the contents of Part A - Accounting policies, of the consolidated financial statements.
With regard to the intangible asset represented by the brand name, if the reference CGU does not have any goodwill allocated and, as a result, it is not possible to test the recoverable amount of the specific intangible as part of the impairment test of the goodwill based on total cash flows at the level of the CGU, then an independent and specific valuation is made on the basis of the fair value certified by the appraisal of an independent expert.

Business combinations

Business combinations are governed by IFRS 3.
The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.
To this end, control is deemed to have transferred when the investor is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns by exercising its power over the investee.
IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity investments, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.
The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange usually coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.
The consideration transferred as part of a business combination is equal to the sum of the fair value, at the exchange date, of the transferred assets, the liabilities incurred or assumed and the equity instruments issued by the acquirer in return for control.
In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the purchase price is the agreed consideration. When settlement does not occur in the short-term, the fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see Section A.4 – Information on fair value and note that, in the case of shares quoted on active markets, fair value is represented by Stock Exchange price at acquisition date or, should that not be available, the last price available.
Purchase price at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase price since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.
Acquisition costs refer to the charges incurred by the acquirer to carry out the business combination, including, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees as well as debt securities' or equities' registration and issue costs.
Acquisition costs must be recognised as charges when incurred and when the related services are provided, except for the costs relating to the issue of debt securities or equities which must be recognised in accordance with IAS 32.
Business combinations must be accounted for using the "acquisition method" whereby identifiable assets acquired (including any intangible assets which had not been previously recognised by the acquired company) or liabilities assumed (including contingent liabilities) are recognised at their fair value at acquisition date.
Moreover, as specifically required by IFRS 3, for each business combination, any minority interest in the acquired company can be recognised at fair value (therefore increasing the consideration transferred) or in proportion to the minority investment in the net identifiable assets of the acquired companies.
If control is achieved in stages, the acquirer recalculates its previous interest in the acquired company at the acquisition date fair value. Any difference with respect to the previous carrying value is taken to income statement.
Excess between the consideration transferred (being the fair value of transferred assets, liabilities incurred and equity instruments issued by the acquirer), increased, where present, by minority interests (determined as above) as well as the fair value of the stakes already held by the acquirer, and the fair value of acquired assets and liabilities should be recognised as goodwill. Conversely, such difference is taken to the income statement when the latter exceed the sum of the consideration, minority interests and the fair value of the stakes already held.
The accounting for business combination can be determined provisionally by the end of the year in which the combination is realised and must be completed within twelve months of the acquisition date.
The following transactions are outside the scope of business combinations: transactions aimed at acquiring control over one or more entities which are not part of the company's business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its

judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction, these are accounted for safeguarding the continuing values in the financial statements of the acquirer.
Mergers are examples of combinations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.

Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:
- if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
- if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values.

A.3 – INFORMATION ON TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

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

A.3.1 Reclassified financial assets: change in business model, book value and interest income
No disclosure is required since there are no reclassified financial assets recognised under balance sheet assets.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income
No disclosure is required since no transfers were carried out between portfolios of financial assets in 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 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 Bank to implement and use those elements.

General fair value principles

The Bank governs and defines the fair value measurement of financial instruments through the Group Guidelines and Rules for Valuation of Financial Instruments at Fair Value, drawn up by the Market and Financial Risk Management Head Office Department.

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

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

IFRS 13, which harmonises the measurement rules and the related disclosure, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single bank. Underlying the definition of fair value is the assumption that the Bank is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.
The Bank measures the fair value of an asset or liability by adopting the assumptions that would be used by market participants when pricing an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible. Measurement at fair value presumes that the asset is sold or the liability transferred:

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

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

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

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

The fair value of financial instruments

The presence of quoted prices in an active market represents the best evidence of fair value and these prices are therefore the quoted prices to be used on a priority basis for the measurement of financial assets and liabilities. If there is no active market, the fair value is determined using valuation techniques aimed, ultimately, at establishing the price the product would have had, at the measurement date, in an arm's length exchange motivated by normal business considerations.
The choice of the above measurement methods is not optional, because they must be applied in hierarchical order: the availability of a price stated in an active market prevents the use of one of the other measurement approaches.

Inputs of the valuation techniques

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

Fair value hierarchy

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

- fair value level 1 applies when an instrument is measured directly on the basis of (unadjusted) quoted prices on active markets for identical assets or liabilities to which the entity has access on the measurement date;
- fair value level 2 applies when a price has not been found on an active market and the instrument is measured according to valuation techniques, on the basis of observable market parameters, or of the use of parameters that are not observable but are supported and confirmed by market evidence, such as prices, spreads or other inputs (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), 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 discretional parameters – parameters for which values may not be inferred from quotations of financial instruments present on active markets or fixed at levels capable of reproducing quotations on active markets – that significantly influence the final measurement.
The following are measured using level 2 input models:

- bonds without official quotations expressed by an active market and whose fair value is determined through the use of an appropriate credit spread which is estimated starting from contributed and liquid financial instruments with similar characteristics;
- loans whose fair value is determined through the use of an appropriate credit spread which is estimated starting from market data of financial instruments with similar characteristics;
- derivatives 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, Intesa Sanpaolo reclassifies from level 3 to level 2;
- when the directly or indirectly observable elements used as the basis for the valuation cease to exist, or when they are no longer up to date (e.g., comparable transactions that are no longer recent or multiples that are no longer applicable). In this case, Intesa Sanpaolo uses valuation techniques that use unobservable inputs.

Valuation of financial instruments

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

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

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

platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.

Certification of measurement methods

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

In particular, the Bank envisages fair value adjustments for the following categories of valuation uncertainty:

- uncertainty of input data: any valuation uncertainty related to the input data for the valuation (whether mid, bid or ask) is measured with respect to temporary or structural conditions on the markets or in relation to the size of the values held (in the case of concentration), and where necessary a fair value adjustment is made, quantifying the consequent impact on the valuations;
- illiquidity of the underlying positions or risk factors: similarly to the case above, the market bid-ask spread is measured and, where necessary, a fair value adjustment is made, quantifying the consequent impact on the valuations;
- model risk: this is based on the identification and use of variants of the same model or alternative models, with which to carry out comparison analyses aimed at quantifying the variability of the valuations (in particular any directionality of the price when the model changes) and the behaviour of the model in various market scenarios (stress tests). The quantification of the fair value adjustment is based, where possible, on easily comprehensible and measurable financial variables (e.g. vega, delta, correlation shift);
- counterparty and funding risk: counterparty and funding risks, collectively referred to as XVA, include Bilateral Credit Value Adjustment (bCVA) and Funding Value Adjustment (FVA). The bCVA takes account of the counterparty risk premium associated with the possibility that the counterparties may not honour their mutual commitments (for example in the event of bankruptcy). This component derives, in turn, from two components: the Credit Value Adjustment (CVA, negative) and the Debt Value Adjustment (DVA, positive), which consider, respectively, the scenarios where the Counterparty goes bankrupt before the Bank (and the Bank has a positive exposure towards the Counterparty), and vice versa the scenarios where the Bank goes bankrupt before the Counterparty (and the Bank has a negative exposure towards the Counterparty). The Funding Value Adjustment (FVA, negative), on the other hand, takes into consideration the funding risk premium, connected to the costs of funding the cash flows (coupons, dividends, collateral, etc.) generated by the Bank's overall OTC derivatives portfolio. The calculation of the XVAs depends on the overall exposure between the two counterparties, calculated using techniques for simulating the underlying risk factors of the transactions considered, taking into account any counterparty risk mitigation arrangements (in particular netting and collateralisation agreements), as well as any contractual clauses. The calculation of the XVAs also depends on the Loss Given Defaults (LGDs) based on the estimated value of the expected recovery in the event of counterparty default, and the probability of counterparty default (PD). LGDs and PDs are obtained from credit default swap market quotes or are based on internal estimates by sector/rating used for credit risk. In addition, the FVA calculation is based on a funding curve representative of the best market counterparties that the Bank could renegotiate transactions with, in accordance with the most IFRS 13 advantageous market principle, as there is currently no real main market for these transactions.

The management process for fair value adjustments is formalised in the Guidelines and Rules for Valuation of Financial Instruments at Fair Value and the Rules for the Valuation of Unlisted Equity Investments with appropriate calculation methodologies on the basis of the different configurations of the points set out above, and is carried out in the most objective,

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

II. Valuation of loans

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

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

In any case, the different seniority of the instrument to be priced is considered with regard to the issuer's debt structure.
When applying the spread for the pricing of the loan, if the estimated 'fair' credit curve does not respect the same characteristics of the instrument, correction factors are considered.
Moreover, where, in determining the credit spread of the loans, reference is made to the curves created through bonds, a Bond – Loan basis must be applied, to capture the different structure of the market, if any, and the different type of loan.
In order to consider the premium required by the market for illiquid and/or structured instruments, several adjustments are applied to the credit spread.
Loans with an underlying unlisted equity risk (which include financial instruments that, pursuant to IAS 32, cannot be classed as equity, e.g. loans convertible into shares) are usually measured by discounting the cash flows provided for by the contract. Since these are debt securities, the cash flows are normally discounted using a rate consisting of the sum of: a risk free rate, a spread deriving from the CDS or measured on listed securities or similar disbursements, and any additional risk premium.
In the case of non-performing loans, the fair value is determined based on the recoverable amount of the position. This estimate is made taking into account the contractual elements that characterise the loan and may involve, for example, the valuation of the cash flows from the sale of the real estate pledged as collateral or the valuation of any capital

instruments that may be acquired following the introduction of an equity conversion clause for the position.

III. Valuation of OTC derivatives

Derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are measured through specific measurement methods and input parameters (such as, for example, interest rate, foreign exchange and volatility curves) observed on the market and subject to the certification and monitoring illustrated above.
The fair value of an OTC derivative is calculated considering the risk premium related to the various underlying risk factors. Specifically, there are two relevant cases, according to whether or not the instrument is subject to collateralisation agreements (CSAs) aimed at mitigating the counterparty and funding risk.

- 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;
- For transactions without CSAs, or with CSAs with characteristics that do not reduce the counterparty and funding risk to a negligible level (e.g., One Way CSAs, or with non-negligible limits or minimum transfer amounts), the fair value of the instrument may be stated, under appropriate circumstances, as the sum of the reference (or base) value, equal to the price of the corresponding collateralised instrument, and several additional valuation components related to the counterparty and funding risk premium, referred to jointly as XVA (see "Valuation risk: fair value adjustments").

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

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

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

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

IV. Valuation model for structured credit products

With regard to asset-backed securities (ABSs), if significant prices are not available, valuation techniques are used that take into account parameters that can be gathered from an active market (level 2 inputs) or, where parameters cannot be observed, estimated parameters (level 2 or 3 inputs, where immaterial or material).
In this case, the cash flows are obtained from infoproviders or specialised platforms, where available, or are taken from the business plan of the transaction, supplemented with periodic reporting, such as the case of Non-Performing Loans (NPLs) and Unlikely to Pay (UTP); the spreads are gathered from prices available on the market/market info provider, further strengthened by a qualitative analysis relative to the performance of the underlying assets presumed from periodic investor reports and aimed at highlighting structural aspects that are not (or not fully) encompassed by the analyses described above, relating to the actual future ability to pay the expected cash flows and analyses of relative

value with respect to other similar structures.
In the case of securitised high-yield loans to European corporate borrowers (CLO HY loans), valuation techniques call for calculation of the net present value of the expected cash flows, determined through specialised platforms, discounted using market spreads. When modelling expected future flows, account is taken of all contractual aspects of the HY CLO loans that may influence the waterfall, i.e. the distribution of cash flows from the collateral on the notes.
After this valuation, credit analyses on underlying assets are fine-tuned to incorporate possible further valuation elements not included in the quantitative models. In that case, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the HY CLO and to the collateral present. This is to identify any present or future weaknesses which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point.

V. Valuation of non-contributed equities

Level 2 equities include:

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

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

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

Any values deemed representative of the fair value of the equity instrument deriving from contractual clauses (for example, options) are classified in level 2 or 3 of the fair value hierarchy, according to the observability of the inputs used in the valuation. Specifically, if the negotiation of the clause resulted in strike prices or pre-defined algorithms and multiples, the instrument is classified in level 2.
The cost criterion as estimate of fair value is used to a lesser extent, where none of the previous methods are applicable due to lack of sufficient information, and in the cases where there is a wide range of possible fair value measurements and it is not possible to identify the most appropriate value among these.
This case also includes Equity Instruments which, in accordance with IAS 32, have the characteristics to be considered as equities.

VI. The valuation of hedge funds

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

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

These risks are assessed on the basis of the information contained in the documentation received periodically from the fund managers or administrators.
The fair value hierarchy level is Level 2, provided the Level 3 instruments do not exceed a set threshold.

VII. The valuation of private debt funds

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

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

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

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

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

With regard to closed-end funds resulting from sales of non-performing loans, where an information set is available that makes it possible to conduct an analysis of the business plan of the positions held by the fund, individually or by uniform cluster, to determine the fair value of the units of the fund, in general the Bank uses the support of an independent expert, who, among other duties, carries out a comparison of performance of the business plans of the underlying exposures, and states in its report, that the fair value determined by the expert complies with the indications from the main regulators[133].
Where it is not possible to apply the approach mentioned above, for each fund a comparison is made between the expected return of the fund and a benchmark rate, defined using a model that factors in various elements, such as: i) the fund's valuation policies, verifying whether they are compliant with criteria consistent with the definition of fair value pursuant to IFRS 13, ii) verification that there is an updated business plan and of the performance of the fund compared to the available business plan, iii) the characteristics of the fund's assets, iv) the level of the cost of funding on the market for issuing liquid instruments, v) the completeness and extensiveness of the information provided by the fund, and vi) the fund management methods. Where the expected return of the fund is higher than the defined benchmark rate, the NAV communicated by the asset management company is used as the fair value measure. Where, instead, the benchmark rate is higher than the expected return of the fund, the fair value is determined based on the NAV minus a discount, which takes account of the spread between the benchmark rate and the expected return of the fund and the average residual life of the fund (Weighted Average Life or WAL).

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

Finally, for asset and liability financial instruments measured at amortised cost, whose fair value is determined solely for the purposes of disclosure in the notes to the financial statements, the following is noted:
- the fair value of the bonds is calculated using the methods described above;
- the fair value measurement of the other medium- and long-term asset and liability financial instruments is performed by discounting future cash flows using the discount rate adjustment approach, which requires credit risk factors to be taken into account in the discount rate for future cash flows;
- for short-term assets and liabilities, the book value is assumed to be a reasonable approximation of fair value.

For more information see paragraph A.4.5.4.

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

(thousands of euro)

Financial assets/ liabilities	Valuation technique	Main non-observable input	Minimum value of range of changes	Maximum value of range of changes	Unit	Favourable changes in FV	Unfavourable changes in FV
Securities and Loans	Discounting Cash Flows	Credit Spread	-2	2	%	502	-590
Structured securities and loans	JD model	JD parameters	-43	15	%	279	-651
Structured securities and loans	Two-factor model	Correlation	-85	77	%	2,384	-2,171
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

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

A.4.2 Valuation processes and sensitivity

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

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

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non-observable parameter
FVTPL and FVTOCI securities and loans	Credit spread	-65	1 bp
FVTPL and FVTOCI securities and loans	JD parameters	-25	1%
FVTPL and FVTOCI securities and loans	Correlation	-28	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 Bank considers the net positions in derivatives of each counterparty (see paragraph A.4.1 above for further details on the measurement of derivatives). For other cases, the Bank does not make use of the option provided in paragraph 48 of IFRS 13, which permits an entity "to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions".

General Independent Price Verification principles
The Bank governs and defines the independent price verification process through the Group Guidelines and Rules on Independent Price Verification, documents that are coordinated by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all consolidated subsidiaries of the Banking Group.
The "Guidelines on Independent Price Verification", once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The level I and II "Rules on Independent Price Verification" are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.
According to the provisions of Regulation (EU) 575/2013 (Capital Requirement Regulation – CRR), Article 4, par. 1.70 and Article 105, par. 8, the Bank governs the Independent Price Verification (IPV) process, which consists of the regular verification of the accuracy and independence of market prices or the data input in pricing models, carried out by an organisational unit independent from the business functions, at a frequency commensurate with the trading carried out and the nature of the market.
The Bank has set up an IPV process with 3 levels of control in line with the provisions of Bank of Italy Circular 285/2013 (Supervisory regulations for banks), incorporated into the Integrated Internal Control System, which requires the risk management processes to be incorporated in the processes and methods for valuing the company activities, also for accounting purposes.
Within the IPV, the level I, II and III control functions have the following main responsibilities:
- the level I control function participates in the definition of the related methodological framework and carries out the level I implementations and controls, reporting the results to the business function and the level II control functions;
- the level II control function defines the methodological and control framework, ensures alignment with current regulations

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

The level I and II IPV controls are qualitative and quantitative controls and are distinguished according to the type of instruments subject to control. They are applied consistently to both the input data underlying the valuations and the valuations themselves, and ensure consistency between the management valuations and the accounting valuations carried out in the various systems. They are characterised by completeness and suitability of application, absence of overlaps, sequentiality and complementarity in execution. The IPV control instruments use, as far as possible, specific applications or IT procedures, which enable extensive data analysis on a daily basis. 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 Bank governs and defines the prudent value measurement of financial instruments through the Group Guidelines and Rules for Prudent Valuation of Financial Instruments at Fair Value, prepared by the Market and Financial Risk Management Head Office Department and applied by the Parent Company and all the consolidated subsidiaries of the Banking Group.
The “Guidelines on Prudent Valuation of Financial Instruments”, once a favourable opinion has been given by the Group Financial Risk Committee, are revised and approved at least on an annual basis by the Board of Directors, with the support of the Risks and Sustainability Committee. The “Rules for Prudent Valuation of Financial Instruments” are revised and approved at least on an annual basis by the Group Financial Risk Committee, which is specifically delegated to do so by the Management Bodies, and which also reviews material changes and updates proposed by the Market and Financial Risk Management Head Office Department.
In accordance with the provisions of Regulation (EU) 575/2013 (Capital Requirements Regulation – CRR), prudent valuation entails the calculation of specific additional valuation adjustments (AVAs) for the financial instruments measured at fair value, aimed at capturing different sources of valuation uncertainty and ensuring the achievement of a suitable level of certainty in the measurement of the positions. The total value of the AVAs is deducted from the Common Equity Tier 1 capital, without impacts on accounting fair values.

The Bank, in line with the criteria indicated in Delegated Regulation (EU) 2016/101, is subject to the application of the core approach for the determination of AVAs both at individual and at consolidated level for all the positions measured at fair value. In particular the following AVAs are considered:
- Market price uncertainty: this reflects the uncertainty of the market prices, calculated at valuation exposure level.
- Close-out costs: it reflects the uncertainty of the exit price calculated at valuation exposure level.
- Model risks: it considers the valuation model risk which arises due to the potential existence of a range of different models or model calibrations, which are used by market participants, and the lack of a firm exit price for the specific product being valued.
- Unearned credit spreads: it reflects the valuation uncertainty in the adjustment necessary according to the applicable accounting framework to include the current value of expected losses due to counterparty default on derivative positions.
- Investment and funding costs: it represents the valuation uncertainty in the funding costs used when assessing the exit price according to the applicable accounting framework.
- Concentrated positions: it reflects the uncertainty relating to the exit price of the positions defined as concentrated.
- Future administrative costs: it considers administrative costs and future hedging costs over the expected life of the valuation exposures for which a direct exit price is not applied for the close-out costs AVAs for concentrated positions.
- Early termination: it considers the potential losses arising from non-contractual early terminations of customer trades.
- Operational risks: it considers the potential losses which may be incurred consequently to the operational risks connected to the valuation processes.

The prudent value corresponds to the exit price from the position with a level of certainty equal to 90%. Where possible, this value is determined on the basis of a distribution of exit prices observed on the market. In all the other cases, an expert-based approach is used, referring to the qualitative and quantitative information available.
The AVA value associated to the single position and to the single source of uncertainty in valuation thus corresponds to the difference between the prudent value and the fair value. The total AVA is obtained by aggregating the single AVAs, taking into account the corresponding weighting ratios.

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

FAIR VALUE OF REAL ESTATE AND VALUABLE ART ASSETS

Fair value of real estate assets

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

Measurement of real estate assets

The revaluation model applied to owner-occupied properties envisages that property and equipment, whose fair value can be reliably determined, is recorded at a revalued amount, equal to its fair value at the date of the revaluation, net of depreciation and any accumulated impairment losses.
For the properties held for investment, the Intesa Sanpaolo Group has chosen the fair value method, according to which, after initial recognition, all investment properties are measured at fair value.

Valuation approach

IFRS 13 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.
The valuation approach has been defined on the basis of the business relevance and plan for the use of the properties, which consists of three main groups:

- “trophy assets”, i.e. particularly prestigious properties used by management functions located in the main cities where the Bank is based or properties of particular historical and artistic interest because they are listed by the Ministry for 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 standards[134] which guarantee:

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

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

- The Discounted Cash Flow Method: the discounted cash flow method is based on the discounting (for a variable period based on the rental/occupational situation of the property and its subsequent optimisation) of the future net proceeds from the rental or sale of the property. At the end of this period, the value of the property is assumed to be the sale price obtained by capitalising the income of the last year at a market rate for investments similar to the object of the estimate or through a split sale. This method is used for the valuation of all the owner-occupied properties or real estate leased to third parties, located in Italy.
- Comparative or Market Method: the comparative or market method is based on the comparison between the assets examined and similar assets recently sold/purchased or offered on the same market or in competitive environments. This criterion is based on a comparison with properties that have recently been sold or offered on the open market and, if possible, have the same characteristics. In the absence of observations directly related to the property examined, cases are used that are as similar as possible to the property examined, making the necessary adjustments. This method, which also represents the basis for other valuation methods, can be adopted in particular for non-owner-occupied assets and/or, in any case, for unrestricted and available assets in Italy and abroad.
- Direct capitalisation income approach: the income approach is based on the current value of the potential market income of a property, obtained by capitalising the income at a market rate. This approach is applied mainly to owner-occupied properties abroad, where a prolonged stay within the building is envisaged.
- Investment Value (Worth): the Investment Value (Worth) is defined by the International Valuation Standard as: “the value of an asset to a particular owner or prospective owner for individual investment or operational objectives”. This definition is consistent with the provisions of the latest edition of the “RICS Valuation - Global Standards 2022” of the Royal Institution of Chartered Surveyors of the United Kingdom, where the Investment Value is defined as “the value of an asset to the owner or a prospective owner for individual investment or operational objectives”.
  The Investment Value is applicable to properties built by the entity or properties with a strong business relevance subject to significant investments for technological, construction and functional adaptation.
  The Investment Value of these properties is determined on the basis of a 12+6 year plan for business use without break options, whose annual rent is determined by applying an appropriate gross rate of return to the amount of direct and indirect costs capitalised by the Owner, including the costs of purchasing the land.

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

Frequency of valuation

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

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

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

The following distinction is made for owner-occupied properties:

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

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

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

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

A total of 2,852 appraisals were carried out, of which 1,230 were full/on site appraisals based on a physical inspection of the property by the appraiser for the most significant property units and 1,622 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

(millions of euro)

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	11,514	28,787	3,484	10,184	34,944	3,334
a) Financial assets held for trading	11,379	27,998	129	10,062	34,258	182
of which: Equities	*1,892*	*-*	*23*	*860*	*-*	*21*
of which: quotas of UCI	*444*	*-*	*6*	*171*	*5*	*21*
b) Financial assets designated at fair value	-	1	-	-	1	-
'c) Other financial assets mandatorily measured at fair value	135	788	3,355	122	685	3,152
of which: Equities	*134*	*204*	*128*	*121*	*106*	*242*
of which: quotas of UCI	*1*	*171*	*2,988*	*1*	*172*	*2,288*
2. Financial assets measured at fair value through other comprehensive income	47,684	3,936	446	31,203	4,349	353
'of which: Equities	*455*	*474*	*339*	*510*	*496*	*321*
3. Hedging derivatives	-	6,225	-	-	8,774	-
4. Property and equipment	-	-	6,020	-	-	5,902
5. Intangible assets	-	-	-	-	-	-
Total	**59,198**	**38,948**	**9,950**	**41,387**	**48,067**	**9,589**
1. Financial liabilities held for trading	7,825	37,170	50	7,285	41,383	142
2. Financial liabilities designated at fair value	91	21,223	31	-	8,765	30
3. Hedging derivatives	-	4,336	-	-	4,652	-
Total	**7,916**	**62,729**	**81**	**7,285**	**54,800**	**172**

Pursuant to IFRS 13, par. 93(c), during 2023 transfers were carried out from level 1 to level 2 of assets for 29 million euro and of liabilities for 1 million euro, in addition to transfers from level 2 to level 1 of assets for 307 million euro, and of liabilities for 18 million euro. In particular:

- from level 1 to level 2
  - Financial assets held for trading under debt securities of 25 million euro, and under financial derivatives of 4 million euro;
  - Financial liabilities held for trading under financial derivatives of 1 million euro.

- from level 2 to level 1
  - Financial assets held for trading under debt securities of 89 million euro, and under financial derivatives of 29 million euro;
  - Financial assets measured at fair value through other comprehensive income under debt securities of 189 million euro;
  - Financial liabilities held for trading under financial derivatives of 18 million euro.

The transfers between fair value levels are determined by the trends in the observability of prices or market data used to measure the financial instruments and by the materiality of the unobservable inputs.
The transition from level 1 to level 2 is a consequence of the disappearance of an active market, assessed by analysing the reliability and the reciprocal consistency of the available prices according to the provisions of the Rules for Valuation of Financial Instruments at Fair Value. Conversely, financial instruments for which a mark-to-model measurement is performed using inputs that can be observed on the market – classified, therefore, as level 2 – are transferred to level 1 when the existence of an active market is identified.

As at 31 December 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.

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 2.8% on total assets (2.3% as at 31 December 2022). The level 3 financial assets mainly relate to quotas of UCIs, of which, under Financial assets mandatorily measured at fair value, 278 million euro is represented by units of the Atlante Fund and the Italian Recovery Fund put in place as part of the regulations to support the banking system.
Property and equipment measured at level 3 fair value includes real estate assets and valuable art assets, which represent 60.5% of the balance sheet assets at level 3 fair value.

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").

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

(millions of euro)

	Financial assets measured at fair value through profit or loss				**Financial assets designated at fair value through other comprehensive income**	**Hedging derivatives**	**Property and equipment**	**Intangible assets**
	TOTAL	*of which: a) financial assets held for trading*	*of which: b) financial assets designated at fair value*	*of which: c) Other financial assets mandatorily designated at fair value*				
1. Initial amount	**3,334**	**182**	**-**	**3,152**	**353**	**-**	**5,902**	**-**
2. Increases	**1,558**	**64**	**-**	**1,494**	**223**	**-**	**498**	**-**
2.1. Purchases	1,042	50	-	992	128	-	68	-
2.2 Gains recognised in:	146	14	-	132	9	-	182	-
2.2.1. Income statement	146	14	-	132	-	-	31	-
- of which capital gains	*116*	*13*	-	*103*	-	-	*30*	-
2.2.2 Shareholders' equity	-	X	X	X	9	-	151	-
2.3. Transfers from other levels	3	-	-	3	60	-	-	-
2.4 Other increases	367	-	-	367	26	-	248	-
3. Decreases	**-1,408**	**-117**	**-**	**-1,291**	**-130**	**-**	**-380**	**-**
3.1. Sales	-299	-40	-	-259	-10	-	-29	-
3.2 Reimbursements	-39	-2	-	-37	-1	-	-	-
3.3 Losses recognized in:	-364	-12	-	-352	-107	-	-145	-
3.3.1. Income statement	-364	-12	-	-352	-	-	-141	-
- of which capital losses	*-318*	*-12*	-	*-306*	-	-	*-41*	-
3.3.2 Shareholders' equity	-	X	X	X	-107	-	-4	-
3.4. Transfers from other levels	-76	-63	-	-13	-4	-	-	-
3.5 Other decreases	-630	-	-	-630	-8	-	-206	-
4. Final amount	**3,484**	**129**	**-**	**3,355**	**446**	**-**	**6,020**	**-**

The captions of transfers between levels of Financial assets measured at fair value through profit or loss refer to transfers from level 3, decreasing by 76 million euro and to level 3, increasing by 3 million euro.
The former are transfers of Financial assets held for trading from level 3 to level 2 involving loans for 54 million euro and financial derivatives for 8 million euro, of financial assets mandatorily measures at fair value from level 3 to level 2 involving debt securities for 7 million euro, equity instruments for 5 million euro and loans for 1 million euro, in addition to transfers of Financial assets held for trading from level 3 to level 1 involving debt securities for 1 million euro.
The latter are transfers from level 2 to level 3 of Financial assets mandatorily measured at fair value involving loans for 3 million euro.
For Financial assets measured at fair value through other comprehensive income, we note increasing transfers from level 2 to level 3 of loans for 56 million euro and equity instruments for 4 million euro, against decreasing transfers from level 3 to level 2 of equity instruments for 4 million euro.

Transfers between levels of debt securities from level 3 to level 2 occurred as a result of the use in the fair value measurement as at 31 December 2023 of parameters observable on the market, without including discretionary parameters in compliance with the Guidelines and Rules for Valuation of Financial Instruments at Fair Value.
The increasing transfers between levels of equities to level 3 refer to equity interests measured based on equity criteria - NAV and Adjusted Net Asset Value (ANAV) - as the fair value estimate of the equity components of the equity interest, in addition to the change in the measurement method used in determining the fair value of investments. Transfers from level 3 to level 2 refer to non-contributed equity instruments measured based on direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, or using the "relative" valuation models based on multipliers.
The transfers of loans are attributable to the change in observability or the materiality of the input for the valuations. Level 2 fair value was determined using an appropriate credit spread identified starting with market evidence of financial instruments with similar characteristics, while fair value was assigned level 3 if input parameters were used that are not directly observable on the market or if the counterparties are impaired.
Transfers of derivative contracts from level 3 are due to the changes in counterparty risk, considering that derivatives with non-performing counterparties are classified in level 3 of the fair value hierarchy.
Transfers between fair value levels were carried out in accordance with the guidelines described in paragraph A.4.3 - Fair value hierarchy.

During the 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).

During the year, the values of owner-occupied properties and valuable works of art, including trophy assets, were updated, both valued according to the revaluation model, as well as investment property, which was measured at fair value. That adjustment resulted in the recognition of gains and losses, both through profit and loss and equity, posted under sub-captions 2.2 and 3.3, respectively. Caption 3.3 also includes amortisation and depreciation.

The captions Other increases and Other decreases in Financial assets mandatorily measured at fair value refer to quotas of UCIs, and include the payments made and the reimbursements received by the Bank, with no change in the quotas held aside from the reclassification of the UTP Italia Fund – Loans Sub-Fund position for 190 million euro and Efesto position for 211 million euro to the portfolio of interests subject to significant influence. With regard to Property and equipment, the captions mainly include transfers of these assets from investment to operations and vice versa.

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

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Initial amount	**142**	**30**	**-**
2. Increases	**14**	**1**	**-**
2.1 Issues	-	-	-
2.2 Losses recognised in:	12	1	-
2.2.1. Income statement	12	1	-
- of which capital losses	*12*	*1*	-
2.2.2 Shareholders' equity	X	-	-
2.3 Transfers from other levels	2	-	-
2.4 Other increases	-	-	-
3. Decreases	**-106**	**-**	**-**
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. Trasferts to other levels	-52	-	-
3.5 Other decreases	-	-	-
4. Final amount	**50**	**31**	**-**

The Final amount of Level 3 Financial liabilities held for trading refer to derivative contracts with a negative fair value for 8 million euro and to certificates with characteristics similar to derivative instruments mainly for market risks for 42 million euro. Transfers from level 3 totalling 52 million euro, refer certificates, with characteristics similar to derivative instruments, for 44 million euro and to financial derivatives for 8 million euro, while transfers to level 3, per 2 million euro, fully refer to financial derivatives.

The Final amount of Financial liabilities designated at fair value level 3 refers to certificates which provide for partial or full redemption of the premiums paid on maturity, pursuant to Bank of Italy Communication of 21 October 2014 (certificates with guaranteed or protected capital), classified in that accounting category if issued after 1 January 2020.

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

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2023				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	451,755	37,540	262,561	140,449	465,041	28,056	294,295	124,516
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	178	-	-	178	528	-	-	528
Total	**451,933**	**37,540**	**262,561**	**140,627**	**465,569**	**28,056**	**294,295**	**125,044**
1. Financial liabilities measured at amortised cost	561,074	60,539	470,637	30,198	594,515	42,622	525,649	25,258
2. Liabilities associated with non-current assets	2	-	-	2	15	-	-	15
Total	**561,076**	**60,539**	**470,637**	**30,200**	**594,530**	**42,622**	**525,649**	**25,273**

Financial assets and liabilities

For financial assets and liabilities not measured at fair value (loans and loans represented by securities, amounts due to customers and securities issued), the Bank measures fair value by calculating the present value of future cash flows at a rate that incorporates the estimate of the main risks and uncertainties associated with the financial instrument to be measured (discount rate adjustment approach).
In particular, the interest rate used to discount the future cash flows is determined by taking into account the following risk factors:

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

For fixed-rate instruments, the cash flows are those envisaged by the contracts. For floating-rate instruments, the future cash flows are determined based on forward rates, implicit in the zero-coupon interest rate curves observed at the various fixing dates and differentiated by indexation type.
The value of the risk premium (credit spread) is determined per individual position, through acquisition of the risk class (LGD) and rating (PD). These amounts, together with the average residual financial life, constitute the guideline for acquisition of the credit spread. For securities issued by Intesa Sanpaolo, the construction of the spread curve follows the rules set out in the Rules for Valuation of Financial Instruments at Fair Value.
The following assumptions were used in determining the fair values indicated in table A.4.5.4:

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

A.5 – INFORMATION ON "DAY ONE PROFIT/LOSS"

Under IFRS 9, financial instruments shall be initially recognised at fair value. The fair value of a financial instrument at initial recognition is normally the "transaction price", i.e. the fair value of the consideration given or received in relation to, respectively, financial assets and liabilities. The fact that, upon initial recognition, the fair value of a financial instrument normally coincides with the transaction price is usually intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy. Any differences between the price and the fair value are usually attributable to the so-called commercial margins, which are considered as not falling within the scope of Day One Profit (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).

Lastly, during the year, operations were finalised for which the differences in the amounts paid and the fair values on initial recognition, classified in levels 1 and 2, generated insignificant gains to the income statement.

Part B – Information on the Parent Company's balance sheet

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

1.1 Cash and cash equivalents: breakdown

(millions of euro)

	31.12.2023	31.12.2022
a) Cash	2,184	2,216
b) Current accounts and on demand deposits with Central Banks	69,260	93,225
c) Current accounts and on demand deposits with banks	1,385	1,630
Total	**72,829**	**97,071**

As at 31 December 2023, the sub-caption b) Current accounts and on-demand deposits with Central Banks included overnight deposits, totalling approximately 64,021 million euro (89,112 million euro as at 31 December 2022), where the Bank's 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

(millions of euro)

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	8,929	1,044	67	8,977	1,194	51
1.1 Structured securities	*775*	*-*	*-*	*1,016*	*74*	*-*
1.2 Other debt securities	*8,154*	*1,044*	*67*	*7,961*	*1,120*	*51*
2. Equities	1,892	-	23	860	-	21
3. Quotas of UCI	444	-	6	171	5	21
4. Loans	-	95	-	-	32	54
4.1 Repurchase agreements	*-*	*-*	*-*	*-*	*-*	*-*
4.2 Other	*-*	*95*	*-*	*-*	*32*	*54*
Total (A)	**11,265**	**1,139**	**96**	**10,008**	**1,231**	**147**
B. Derivatives						
1. Financial derivatives	114	25,560	33	54	32,073	35
1.1 trading	*114*	*25,559*	*33*	*54*	*32,073*	*35*
1.2 fair value option	*-*	*-*	*-*	*-*	*-*	*-*
1.3 other	*-*	*1*	*-*	*-*	*-*	*-*
2. Credit derivatives	-	1,299	-	-	954	-
2.1 trading	*-*	*1,299*	*-*	*-*	*954*	*-*
2.2 fair value option	*-*	*-*	*-*	*-*	*-*	*-*
2.3 other	*-*	*-*	*-*	*-*	*-*	*-*
Total (B)	**114**	**26,859**	**33**	**54**	**33,027**	**35**
Total (A+B)	**11,379**	**27,998**	**129**	**10,062**	**34,258**	**182**

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 securitisation transactions 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

(millions of euro)

Captions	31.12.2023	31.12.2022
A. Cash Assets		
1. Debt securities	**10,040**	**10,222**
a) Central Banks	76	78
b) Public administration	5,774	7,354
c) Banks	2,562	1,186
d) Other financial companies	1,295	1,188
of which: insurance companies	*146*	*98*
e) Non financial companies	333	416
2. Equities	**1,915**	**881**
a) Banks	64	35
b) Other financial companies	243	132
of which: insurance companies	*132*	*51*
c) Non financial companies	1,608	714
d) Other issuers	-	-
3. Quotas of UCI	**450**	**197**
4. Loans	**95**	**86**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	34	38
of which: insurance companies	-	-
e) Non financial companies	61	48
f) Households	-	-
Total A	**12,500**	**11,386**
B. Derivatives		
a) Central counterparties	7,619	12,424
b) Other	19,387	20,692
Total B	**27,006**	**33,116**
TOTAL (A+B)	**39,506**	**44,502**

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

(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	**-**	**1**	**-**	**-**	**1**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	1	-	-	1	-
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Others	-	-	-	-	-	-
Total	**-**	**1**	**-**	**-**	**1**	**-**

The Bank has included in this category debt securities linked to financial instruments measured at fair value through profit and loss, such as financial derivatives. On the basis of the debt securities, no hedges were arranged through credit derivatives or similar instruments to mitigate the relevant credit risk.
The fair value change attributable to the measurement of credit risk of financial assets designated at fair value was insignificant, both during the year and in cumulative terms.

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

(millions of euro)

Captions	31.12.2023	31.12.2022
1. Debt securities	**1**	**1**
a) Central Banks	-	-
b) Public administration	1	1
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
2. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total	**1**	**1**

2.5 Other financial assets mandatorily measured at fair value: breakdown

(millions of euro)

Captions	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**-**	**50**	**84**	**-**	**44**	**132**
1.1 Structured securities	-	5	-	-	-	5
1.2 Other debt securities	-	45	84	-	44	127
2. Equities	**134**	**204**	**128**	**121**	**106**	**242**
3. Quotas of UCI	**1**	**171**	**2,988**	**1**	**172**	**2,288**
4. Loans	**-**	**363**	**155**	**-**	**363**	**490**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	363	155	-	363	490
Total	**135**	**788**	**3,355**	**122**	**685**	**3,152**

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.

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

(millions of euro)

Captions	31.12.2023	31.12.2022
1. Equities	**466**	**469**
of which: banks	-	-
of which: other financial companies	*132*	*117*
of which: non-financial companies	*334*	*352*
2. Debt securities	**134**	**176**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	130	148
of which: insurance companies	-	-
e) Non financial companies	4	28
3. Quotas of UCI	**3,160**	**2,461**
4. Loans	**518**	**853**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	42	29
d) Other financial companies	148	172
of which: insurance companies	*64*	*64*
e) Non financial companies	324	648
f) Households	4	4
Total	**4,278**	**3,959**

Quotas of UCI refer to private equity funds for 861 million euro, real estate funds for 805 million euro, private debt funds for 706 million euro, infrastructure funds for 221 million euro, hedge funds for 184 million euro, venture capital funds for 102 million euro and other equity funds for 3 million euro. The caption also includes 278 million euro in interests held by the bank in the Atlante Fund and in the Italian Recovery Fund (formerly Atlante Fund II), as alternative investment funds to support Italian banks in their recapitalisation transactions and in the management of the bad loans in the sector.

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

SECTION 3 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CAPTION 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown

(millions of euro)

Captions	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**47,229**	**2,657**	**10**	**30,693**	**2,168**	**9**
1.1 Structured securities	654	-	-	1,174	-	-
1.2 Other debt securities	46,575	2,657	10	29,519	2,168	9
2. Equities	**455**	**474**	**339**	**510**	**496**	**321**
3. Loans	**-**	**805**	**97**	**-**	**1,685**	**23**
Total	**47,684**	**3,936**	**446**	**31,203**	**4,349**	**353**

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

Structured securities as at 31 December 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 368 million euro, amounting to 4.91% of the share capital and lower than the 5% limit, beyond which there is a limitation on the receipt of dividends in compliance with Article 3, paragraph 4 of the Articles of Association of the Bank of Italy. For the related valuation, as in the previous years, the direct transaction method 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.

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

(millions of euro)

Captions	31.12.2023	31.12.2022
1. Debt securities	**49,896**	**32,870**
a) Central Banks	-	-
b) Public administration	37,400	26,177
c) Banks	6,651	2,643
d) Other financial companies	3,995	3,059
of which: insurance companies	-	-
e) Non financial companies	1,850	991
2. Equities	**1,268**	**1,327**
a) Banks	611	768
b) Other issuers:	657	559
- other financial companies	245	154
of which: insurance companies	*3*	*3*
- non financial companies	412	405
- other	-	-
3. Loans	**902**	**1,708**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	100
d) Other financial companies	162	146
of which: insurance companies	-	-
e) Non financial companies	740	1,462
f) Household	-	-
Total	**52,066**	**35,905**

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

(millions of euro)

	Gross amount					Total adjustments				Total partial write-offs
	Stage 1	*of which: Instruments with low credit risk*	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities	49,472	*142*	474	36	-	-17	-33	-36	-	-
Loans	727	-	185	-	-	-2	-8	-	-	-
Total 31.12.2023	**50,199**	***142***	**659**	**36**	**-**	**-19**	**-41**	**-36**	**-**	**-**
Total 31.12.2022	**33,859**	***140***	**788**	**36**	**-**	**-22**	**-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.

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	First and second stage	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3
A. Due from Central Banks	**4,287**	**-**	**-**	**-**	**4,287**	**-**	**3,335**	**-**	**-**	**-**	**3,335**	**-**
1. Time deposits	103	-	-	X	X	X	1	-	-	X	X	X
2. Reserve requirement	4,184	-	-	X	X	X	3,329	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	5	-	-	X	X	X
B. Due from banks	**28,965**	**23**	**-**	**1,413**	**17,998**	**9,502**	**33,196**	**36**	**-**	**1,115**	**26,395**	**5,520**
1. Loans	27,476	23	-	-	17,978	9,485	31,764	36	-	-	26,143	5,520
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2 Time deposits	7,784	-	-	X	X	X	9,825	-	-	X	X	X
1.3 Other loans:	19,692	23	-	X	X	X	21,939	36	-	X	X	X
- Reverse repurchase agreements	*9,125*	-	-	*X*	*X*	*X*	*7,881*	-	-	*X*	*X*	*X*
- Finance leases	*4*	-	-	*X*	*X*	*X*	*5*	-	-	*X*	*X*	*X*
- Other	*10,563*	*23*	-	*X*	*X*	*X*	*14,053*	*36*	-	*X*	*X*	*X*
2. Debt securities	1,489	-	-	1,413	20	17	1,432	-	-	1,115	252	-
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	1,489	-	-	1,413	20	17	1,432	-	-	1,115	252	-
Total	**33,252**	**23**	**-**	**1,413**	**22,285**	**9,502**	**36,531**	**36**	**-**	**1,115**	**29,730**	**5,520**

The sub-caption Other loans – Other includes operating loans, i.e. loans for operations connected to the provision of activities and financial services, with no credit facilities, for an amount of 5 million euro (31 million euro as at 31 December 2022). Insignificant writebacks were recorded on those exposures classified as Stage 1.

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

(millions of euro)

Transaction type/Amount	31.12.2023						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	**356,156**	**4,195**	**202**	**-**	**222,666**	**129,425**	**372,668**	**4,552**	**257**	**-**	**248,877**	**114,124**
1.1.Current accounts	8,762	375	7	X	X	X	9,741	406	11	X	X	X
1.2. Reverse repurchase agreements	16,635	-	-	X	X	X	15,357	-	-	X	X	X
1.3. Mortgages	208,525	2,698	114	X	X	X	226,025	2,979	153	X	X	X
1.4. Credit card loans, personal loans and transfer of one fifth of salaries	11,948	181	1	X	X	X	12,569	196	1	X	X	X
1.5. Finance leases	6,216	241	75	X	X	X	6,973	301	85	X	X	X
1.6. Factoring	9,763	58	-	X	X	X	10,514	50	-	X	X	X
1.7. Other loans	94,307	642	5	X	X	X	91,489	620	7	X	X	X
2. Debt securities	**57,908**	**19**	**-**	**36,127**	**17,610**	**1,522**	**50,972**	**25**	**-**	**26,941**	**15,688**	**4,872**
2.1. Structured securities	4,922	-	-	3,363	320	632	-	-	-	-	-	-
2.2. Other debt securities	52,986	19	-	32,764	17,290	890	50,972	25	-	26,941	15,688	4,872
Total	**414,064**	**4,214**	**202**	**36,127**	**240,276**	**130,947**	**423,640**	**4,577**	**257**	**26,941**	**264,565**	**118,996**

Other loans include loans disbursed on public funds under administration for which the Bank holds the risk in the amount of 45 million euro.

Other debt securities include the securities connected with securitisations for a total amount of 7,507 million euro, of which 7,490 million euro is senior and 17 million euro is mezzanine. The senior notes included 717 million euro relating to the vehicles Grogu SPV S.r.l. and Yoda SPV S.r.l., to which, in 2021 and 2020, loans classified as "bad loans" were sold pursuant to Law 130/99 and 1,209 million euro in notes of the vehicles Kerdos SPV S.r.l. and Kerma SPV S.r.l., to which, in 2021 and 2019, loans classified as "unlikely to pay" (UTP) were sold pursuant to Law 130/99, 2,670 million euro of notes of the vehicle Teseo SPV S.r.l., 594 million euro of notes of the vehicle Organa SPV S.r.l., to which, in 2022, lease receivables classified respectively as "performing" and loans classified as "bad loans" were sold pursuant to Law 130/99, and 208 million euro of notes of the vehicle Andor SPV S.r.l., to which, in 2023, loans classified as "bad loans" were sold pursuant to Law 130/99. The Bank also holds 8 million euro of mezzanine securities of the vehicle Teseo SPV S.r.l.

They also include debt securities of 6,878 million euro, connected with the securitisation of the vehicle Romulus Funding Corporation, included in the Group's scope of consolidation.

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 consist entirely of fixed-rate debt securities indexed to inflation, as an additional component.

The sub-caption Other loans includes operating loans, i.e. loans for operations connected to the provision of activities and financial services, with no credit facilities, for an amount of 562 million euro (608 million euro as at 31 December 2022). Insignificant value adjustments were recorded on those exposures, mainly classified as Stage 1.

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

(millions of euro)

Transaction type/Amount	31.12.2023			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	**57,908**	**19**	**-**	**50,972**	**25**	**-**
a) Public administration	38,025	8	-	30,141	13	-
b) Other financial companies	17,195	-	-	17,827	-	-
of which: insurance companies	*2*	-	-	*1*	-	-
c) Non financial companies	2,688	11	-	3,004	12	-
2. Loans:	**356,156**	**4,195**	**202**	**372,668**	**4,552**	**257**
a) Public administration	12,163	217	-	11,887	211	-
b) Other financial companies	51,591	117	-	46,282	109	1
of which: insurance companies	*527*	-	-	*435*	-	-
c) Non financial companies	152,469	2,584	127	169,931	2,827	152
d) Households	139,933	1,277	75	144,568	1,405	104
TOTAL	**414,064**	**4,214**	**202**	**423,640**	**4,577**	**257**

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

(millions of euro)

		Gross amount					Total adjustments				Total partial write-offs
		Stage 1	*of which: Instruments with low credit risk*	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		53,734	*6,878*	5,773	72	-	-21	-89	-53	-	**-**
Loans		363,011	*16,511*	26,530	8,102	320	-497	-1,125	-3,884	-118	**1,724**
Total	**31.12.2023**	**416,745**	***23,389***	**32,303**	**8,174**	**320**	**-518**	**-1,214**	**-3,937**	**-118**	**1,724**
Total	**31.12.2022**	**424,908**	***26,976***	**37,119**	**8,742**	**383**	**-485**	**-1,371**	**-4,129**	**-126**	**2,982**

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 23,828 million euro, of which 20,739 million euro in stage 1, 2,199 million euro in stage 2, and 890 million euro in stage 3.
The total adjustments amounted to 399 million euro, of which 32 million euro related to stage 1, 28 million euro to stage 2, and 340 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

(millions of euro)

	Fair value 31.12.2023 Level 1	Level 2	Level 3	Notional amount 31.12.2023	Fair value 31.12.2022 Level 1	Level 2	Level 3	Notional amount 31.12.2022
A. Financial derivatives								
1. Fair Value	-	6,185	-	199,530	-	8,692	-	162,970
2. Cash flows	-	40	-	1,086	-	82	-	1,543
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair Value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**6,225**	**-**	**200,616**	**-**	**8,774**	**-**	**164,513**

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

(millions of euro)

Transactions / Type of hedge	Fair Value - Specific - debt securities and interest	equities and stock indices	foreign exchange rates and gold	credit risk	commodities	other	Generic	Cash-flow hedges - Specific	Generic	Foreign investm
1. Financial assets measured at fair value through other comprehensive income	677	-	119	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	1,546	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	2,521	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**2,223**	**-**	**119**	**-**	**-**	**-**	**2,521**	**-**	**-**	**-**
1. Financial liabilities	457	X	85	-	-	-	X	40	X	X
2. Portfolio	X	X	X	X	X	X	780	X	-	X
Total liabilities	**457**	**-**	**85**	**-**	**-**	**-**	**780**	**40**	**-**	**-**
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

(millions of euro)

Fair value change of hedged assets / Amount	31.12.2023	31.12.2022
1. Positive fair value change	**-**	**-**
1.1 of specific portfolios:	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative fair value change	**-5,573**	**-9,472**
2.1 of specific portfolios:	-5,573	-9,472
a) financial assets measured at amortised cost	*-5,573*	*-9,472*
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**-5,573**	**-9,472**

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

The 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 – EQUITY INVESTMENTS – CAPTION 70

7.1 Equity investments: information on equity interests

	Companies	Registered office	Place of business	% held	% votes available (a)
	A. WHOLLY OWNED SUBSIDIARIES				
1	ACANTUS S.P.A.	Milan	Milan	80.00	
2	ANTI FINANCIAL CRIME DIGITAL HUB S.C.A.R.L.	Turin	Turin	60.00	
3	BANCA COMERCIALA EXIMBANK S.A.	Chișinău	Chișinău	100.00	
4	BANK OF ALEXANDRIA S.A.E. (ALEXBANK)	Cairo	Cairo	80.00	
5	BANKA INTESA SANPAOLO D.D. (b)	Koper	Koper	48.13	
6	CENTAI INSTITUTE S.P.A.	Turin	Turin	49.00	
7	CIB BANK LTD	Budapest	Budapest	100.00	
8	COLLINE E OLTRE S.P.A.	Pavia	Pavia	51.00	
9	CONSORZIO STUDI E RICERCHE FISCALI GRUPPO INTESA SANPAOLO	Rome	Rome	80.00	
10	EURIZON CAPITAL SGR S.P.A.	Milan	Milan	100.00	
11	EXETRA S.P.A. (c)	Milan	Milan	85.00	
12	FIDEURAM - INTESA SANPAOLO PRIVATE BANKING S.P.A.	Turin	Rome	100.00	
13	FIDEURAM VITA S.P.A.	Rome	Rome	80.01	
14	IMI INVESTMENTS S.A.	Luxembourg	Luxembourg	100.00	
15	IMMIT - IMMOBILI ITALIANI S.R.L.	Bergamo	Bergamo	100.00	
16	IN.FRA - INVESTIRE NELLE INFRASTRUTTURE S.R.L. - IN LIQUIDAZIONE	Milan	Milan	100.00	
17	INTESA SANPAOLO (QINGDAO) SERVICE COMPANY LIMITED	Qingdao	Qingdao	100.00	
18	INTESA SANPAOLO BANK ALBANIA SH.A.	Tirana	Tirana	100.00	
19	INTESA SANPAOLO BANK IRELAND PLC	Dublin	Dublin	100.00	
20	INTESA SANPAOLO BRASIL S.A. - BANCO MULTIPLO	Sao Paulo	Sao Paulo	99.90	
21	INTESA SANPAOLO EXPO INSTITUTIONAL CONTACT S.R.L.	Milan	Milan	100.00	
22	INTESA SANPAOLO FUNDING LLC	Wilmington Delaware	New York	100.00	
23	INTESA SANPAOLO HIGHLINE S.R.L.	Turin	Turin	100.00	
24	INTESA SANPAOLO HOLDING INTERNATIONAL S.A.	Luxembourg	Luxembourg	100.00	
25	INTESA SANPAOLO INNOVATION CENTER S.P.A.	Turin	Turin	99.99	
26	INTESA SANPAOLO RE.O.CO. S.P.A.	Milan	Milan	100.00	
27	INTESA SANPAOLO RENT FORYOU S.P.A.	Turin	Turin	100.00	
28	INTESA SANPAOLO ROMANIA S.A. COMMERCIAL BANK	Bucharest	Bucharest	99.73	
29	INTESA SANPAOLO SERVICOS E EMPRENDIMENTOS LTDA EM LIQUIDACAO	Sao Paulo	Sao Paulo	100.00	
30	INTESA SANPAOLO VITA S.P.A.	Turin	Milan	99.99	
31	ISP CB IPOTECARIO S.R.L. (d)	Milan	Milan	60.00	
32	ISP CB PUBBLICO S.R.L. (d)	Milan	Milan	60.00	
33	ISP OBG S.R.L. (d)	Milan	Milan	60.00	
34	ISYBANK S.P.A.	Milan	Milan	100.00	
35	JOINT STOCK COMPANY BANCA INTESA (e)	Moscow	Moscow	46.98	
36	ORO ITALIA TRADING S.P.A. - IN LIQUIDAZIONE	Arezzo	Arezzo	100.00	
37	PORTA NUOVA GIOIA (f)	Milan	Milan	100.00	
38	PRAVEX BANK JOINT-STOCK COMPANY	Kyiv	Kyiv	100.00	
39	PRESTITALIA S.P.A.	Bergamo	Bergamo	100.00	
40	PRIVATE EQUITY INTERNATIONAL S.A.	Luxembourg	Luxembourg	100.00	
41	QINGDAO YICAI FUND DISTRIBUTION CO. LTD.	Qingdao	Qingdao	100.00	
42	RISANAMENTO S.P.A. (e) (g)	Milan	Milan	48.88	
43	SOCIETA' BENEFIT CIMAROSA 1 S.P.A. (h)	Milan	Milan	100.00	
44	SRM STUDI E RICERCHE PER IL MEZZOGIORNO (i)	Naples	Naples	60.00	14.29 (*)
45	UBI FINANCE S.R.L. (d)	Milan	Milan	60.00	

Companies		Registered office	Place of business	% held	% votes available (a)
B. COMPANIES SUBJECT TO JOINT CONTROL					
1	APSIDE S.P.A. (j)	Turin	Turin	50.00	
2	AUGUSTO S.R.L.	Milan	Milan	5.00	
3	DIOCLEZIANO S.R.L.	Milan	Milan	5.00	
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE					
1	ADRIANO LEASE SEC S.R.L. - IN LIQUIDAZIONE (k)	Conegliano	Conegliano	5.00	
2	BACK2BONIS	Milan	Milan	43.82	35 (*)
3	BACKTOWORK24 S.R.L. (l)	Milan	Milan	30.58	
4	BANCOMAT S.P.A.	Rome	Rome	31.55	
5	BERICA ABS 3 S.R.L. - IN LIQUIDAZIONE (k)	Vicenza	Vicenza	5.00	5 (*); 95 (**)
6	BRERA SEC S.R.L. (k)	Conegliano	Conegliano	5.00	
7	CAMFIN S.P.A. (m)	Milan	Milan	4.60	8.53 (*)
8	CASSA DI RISPARMIO DI FERMO S.P.A.	Fermo	Fermo	33.33	
9	CLARA SEC. S.R.L. (k)	Conegliano	Conegliano	5.00	
10	COMPAGNIA AEREA ITALIANA S.P.A.	Rome	Fiumicino	27.49	
11	DESTINATION GUSTO S.R.L.	Milan	Milan	49.00	
12	DIGIT'ED HOLDING S.P.A. (n)	Milan	Milan	19.70	20 (*)
13	EFESTO	Conegliano	Conegliano	31.61	
14	EQUITER S.P.A.	Turin	Turin	32.88	
15	EUROMILANO S.P.A.	Milan	Milan	43.43	
16	EUROPROGETTI & FINANZA S.R.L. - IN LIQUIDAZIONE	Rome	Rome	15.97	
17	EUSEBI HOLDINGS B.V.	Amsterdam	Amsterdam	47.00	
18	FI.NAV. COMPARTO A - CREDITI (o)	Rome	Rome	50.54	
19	FONDO DI RIGENERAZIONE URBANA SICILIA S.R.L. (p)	Palermo	Turin	100.00	
20	FONDO PER LA RICERCA E L'INNOVAZIONE S.R.L. RIF (p)	Turin	Turin	100.00	
21	FONDO SARDEGNA ENERGIA S.R.L. (p)	Cagliari	Turin	100.00	
22	FONDO TEMATICO PIANI URBANI INTEGRATI S.R.L. (p)	Turin	Turin	100.00	
23	FONDO TEMATICO TURISMO S.R.L. (p)	Turin	Turin	100.00	
24	FONDO UTP ITALIA - COMPARTO CREDITI	Milan	Milan	44.52	35 (*)
25	GIADA SEC. S.R.L. (k)	Conegliano	Conegliano	5.00	
26	INDACO VENTURE PARTNERS SGR S.P.A.	Milan	Milan	24.50	
27	INIZIATIVE IMMOBILIARI INDUSTRIALI S.P.A. - IN LIQUIDAZIONE	Arquà Polesine	Arquà Polesine	20.00	
28	INTRUM ITALY S.P.A.	Milan	Milan	49.00	
29	ISM INVESTIMENTI S.P.A.	Mantua	Mantua	27.36	
30	LENDLEASE MSG HEARTBEAT	Milan	Milan	60.88	40 (*)
31	LEONARDO TECHNOLOGY S.R.L. - IN LIQUIDAZIONE	Turin	Turin	26.60	
32	MARKETWALL S.R.L.	Milan	Milan	33.00	
33	MATERIAS S.R.L.	Naples	Naples	14.44	
34	MONTEFELTRO SVILUPPO SOC. CONS. A R. L.	Urbania	Urbania	26.37	
35	NETWORK IMPRESA S.P.A. IN CONCORDATO PREVENTIVO	Limena	Limena	28.95	
36	RCN FINANZIARIA S.P.A.	Mantua	Mantua	23.96	

	Companies	Registered office	Place of business	% held	% votes available (a)
37	REXER S.P.A. (q)	Monza	Monza	48.98	49.17 (*)
38	RSCT FUND - COMPARTO CREDITI (o)	Milan	Milan	70.07	
39	S.F. CONSULTING S.R.L.	Bergamo	Bergamo	35.00	
40	SICILY INVESTMENTS S.A.R.L.	Luxembourg	Luxembourg	25.20	
41	SVILUPPO INDUSTRIALE S.P.A. - IN LIQUIDAZIONE	Pistoia	Pistoia	28.27	
42	TRINACRIA CAPITAL S.A.R.L.	Luxembourg	Luxembourg	25.20	
43	UBI SPV LEASE 2016 S.R.L. - IN LIQUIDAZIONE (k)	Milan	Milan	10.00	
44	WARRANT HUB S.P.A.	Correggio	Correggio	12.00	

(a) Where different from the % interest held, the actual availability of the votes in the Ordinary Shareholders' Meeting is indicated, distinguishing, where applicable, between the effective and potential voting rights: (*) Effective voting rights (**) Potential voting rights.

(b) Minority shareholders are subject to a legal commitment to purchase the remaining 0.7% of share capital.

(c) In the event of liquidation of the equity investment, the minority shareholder has the right to sell, and Intesa Sanpaolo is required to purchase, the entire minority investment.

(d) Vehicles used for the covered bond issue.

(e) Company included among significant equity investments as, in total, the Group holds a controlling share, or when the other requirements set forth by IFRS 10 occur.

(f) A closed-end alternative real estate investment fund managed by COIMA SGR S.p.A.

(g) Company not subject to the management and coordination activities pursuant to Article 2497 *et seq.* of the Italian Civil Code.

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

(i) The membership structure totals 7 members with identical per capita voting rights, pursuant to Article 6 of the Articles of Association (Compagnia di Sanpaolo, Intesa Sanpaolo S.p.A., Bank of Alexandria S.A.E., Intesa Sanpaolo Rent Foryou S.p.A., Intesa Sanpaolo Innovation Center S.p.A., Privredna Banka Zagreb D.D. and Intesa Sanpaolo Bank Albania SH.A.).

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

(k) 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.

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

(m) 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.

(n) 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, B; D, MO and M). Category M shares (held by managers) do 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).

(o) 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.

(p) 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.

(q) 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.

The fair value as at 31 December 2023 of the only listed equity investment, Risanamento S.p.A., amounted to 32 million euro.

7.2 Individually material equity investments: book value, fair value and dividends received
For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

7.3 Individually material equity investments: financial information
For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

7.4 Individually immaterial equity investments: financial information
For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

7.5 Equity investments: annual changes

(millions of euro)

	31.12.2023	31.12.2022
A. Initial amount	**23,646**	**23,420**
B. Increases	**790**	**768**
B.1 purchases	313	428
of which business combinations	-	-
B.2 write-backs	26	5
B.3 revaluations	-	-
B.4 other changes	451	335
C. Decreases	**-381**	**-542**
C.1 sales	-56	-319
of which business combinations	*-56*	*-46*
C.2 impairment losses	-140	-196
C.3 write-downs	-	-
C.4 other changes	-185	-27
D. Final amount	**24,055**	**23,646**
E. Total revaluations	**-**	**-**
F. Total impairment losses	**-7,504**	**-8,252**

Sub-caption B.1 Purchases primarily relates to the following transactions:
- purchase of an investment in the Lendlease Msg Heartbeat fund for 212 million euro, following the contribution of a non-performing loan portfolio in exchange for units of the fund;
- payment of 34 million euro to the Porta Nuova Gioia fund for the subscription of units;
- subscription of a share capital increase of Rexer S.p.A. (former Homepal A Better Place S.p.A.) for 32 million euro, through the contribution of the subsidiary Intesa Sanpaolo Casa S.p.A. and Participatory Financial Instruments of the former Homepal A Better Place S.p.A.;
- subscription of a share capital increase in favour of Digit'ed Holding S.p.A. for 19 million euro;
- subscription of a share capital increase of Qingdao Yicai Fund Distribution CO Ltd. for 13 million euro.

The sub-caption B.2 Recoveries refers to the investments in FI.NAV Sub-Fund A - Loans for 14 million euro and in RSCT Fund Loans Sub-Fund for 12 million euro.

Sub-caption B.4 Other changes essentially refers to:
- the reclassification of the UTP Italia Fund – Loans Sub-Fund position for 190 million euro and the Efesto position for 211 million euro from the portfolio Financial assets mandatorily measured at fair value;
- the capitalisation of Intesa Sanpaolo Innovation Center S.p.A. for 9 million euro;
- the capitalisation of Isybank S.p.A. for 6 million euro.

The sub-caption C.1 Sales relates to the incorporation of Intesa Sanpaolo Provis S.p.A., finalised during the year.

Sub-caption C.2 "Impairment losses" refers to the impairment losses on the equity investments in: Intrum Italy S.p.A. for 75 million euro, UTP Italia Fund - Loans Sub-Fund for 18 million euro, Qingdao Yicai Fund Distribution Co. Ltd. for 15 million euro, Back2Bonis for 14 million euro, IN.FRA - Investire nelle Infrastrutture S.r.l. – in liquidation, for 10 million euro, Centai Institute S.p.A. for 3 million euro and other minority equity investments for 5 million euro.

Sub-caption C.4 Other changes essentially includes:
- the reimbursement of the funds: Porta Nuova Gioia for 50 million euro, 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, Back2Bonis for 11 million euro and RSCT Fund - Loans Sub-Fund for 7 million euro;
- the contribution of the subsidiary Intesa Sanpaolo Casa S.p.A. for 28 million euro to Rexer S.p.A.

7.6 Commitments referred to investments in companies subject to joint control
For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

7.7 Commitments referred to investments in companies subject to significant influence
For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

7.8 Significant restrictions
For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

7.9 Other information
For the information relating to this paragraph, reference should be made to the relevant section of the Notes to the consolidated financial statements.

Impairment tests of equity investments

As required under IAS/IFRS, 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 equity investments in Intrum Italy (75 million euro), UTP Italia Fund – Loans Sub-Fund (18 million euro), Back2Bonis (14 million euro), Backtowork24 (1 million euro) in other minor investments for 1 million euro. The valuation of investments in associates or companies subject to joint control also led to the recognition of a write-backs of the equity investments in FI.NAV Sub-Fund A - Loans (14 million euro) and RSCT Fund - Loans Sub-Fund (12 million euro).

Individual investments in subsidiaries, while material as individual assets from an accounting standpoint, do not present independent cash flow generation and governance capacity, given the organisational model, which calls for CGUs larger than the individual legal entities. Accordingly, investments in subsidiaries are not individually material for the purposes of conducting impairment tests in the financial statements of the Parent Company, but rather are aggregated (along with the operating activities conducted directly by the Parent Company) into CGUs consistent with those identified at the level of the consolidated financial statements. This approach is tied to the organisational model applied by the Group. According to that model, individual investments belonging to a given CGU are not capable of generating cash flows independently from the other investments. Therefore, their recoverable amounts cannot be calculated individually, as required by IAS 36.

In view of the consistency that must be preserved between the impairment tests conducted in the consolidated financial statements and the Parent Company's financial statements, in addition to the homogeneity of the composition of CGUs, the correlation between the items tested in the two sets of financial statements must be carefully considered: the goodwill attributed to the various CGUs in the consolidated financial statements and the Parent Company's financial statements partly reflects the goodwill associated solely with the Parent Company and partly the carrying amounts of investments in subsidiaries. The goodwill associated with the latter is implicit in the carrying amounts of the equity investments in the financial statements of the Parent Company and emerges in the consolidated financial statements following the consolidation process on the basis of the values determined during the purchase process pursuant to IFRS 3.

If a need to recognise an impairment loss on goodwill attributable to a given CGU is identified at the level of the consolidated financial statements, in the Parent Company's financial statements that impairment loss is attributed to the assets pertaining to the same CGU not subject to testing individually, namely goodwill, the brand name and investments in subsidiaries. As described in Part B – Information on the consolidated balance sheet - Assets, impairment tests on Cash Generating Units did not lead to the need to recognise in the consolidated financial statements impairment of goodwill. Accordingly, no impairment losses were recognised in relation to investments in subsidiaries.

Investments in subsidiaries that did not present goodwill values in the consolidated financial statements but that closed 2023 with a loss were treated differently. For such companies, it was prudentially verified that the latter result was due to contingent or structural factors; from this analysis the need emerged to make some adjustments, aligning the carrying amount of the investment to the proportional share of equity of the subsidiaries. The impairment refers to the equity investments held in Qingdao Yicai Fund Distribution Co. Ltd. for 15 million euro, IN.FRA. - Investire nelle Infrastrutture S.r.l. in liquidation for 10 million euro, Centai Institute S.p.A. for 3 million euro and Intesa Sanpaolo Re.O.Co. S.p.A. for 2 million euro, and other minor equity interests for 1 million euro.

Moreover, following the outbreak of the Russia-Ukraine conflict, in 2022 the value of the investments in the capital of the subsidiaries in Russia (Joint-Stock Company Banca Intesa) and Ukraine (Pravex Bank) was written off during the year for 68 million euro and 48 million euro, respectively. In addition to that impairment, a provision was recognised for 71 million euro, required to cover indirect risks regarding the controlling interest held in Pravex Bank in relation to the ongoing conflict. As at 31 December 2023, that provision amounted to 27 million euro, with a partial release to the income statement for 2023 of 44 million euro (due to the decrease by Pravex in credit exposures, fully written down in previous years, as illustrated in the Notes to the consolidated financial statements – Part E), to align the values with the contribution of the subsidiary to the Consolidated Financial Statements.

SECTION 8 – PROPERTY AND EQUIPMENT – CAPTION 80

(millions of euro)

	31.12.2023	31.12.2022
1. Property and equipment used in operations measured at cost	1,831	1,738
Of which - Property and equipment used in operations - Rights of use acquired under leases	*1,057*	*920*
2. Investment property measured at cost	-	-
3. Property and equipment used in operations, revalued	5,187	5,239
Of which - Property and equipment used in operations, revalued - Rights of use acquired under leases	-	-
4. Investment property measured at fair value	833	663
Of which - Investment property - Rights of use acquired under leases	-	-
5. Inventories of property and equipment governed by IAS 2	132	80
Total Property and equipment - Caption 80	**7,983**	**7,720**

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

(millions of euro)

Assets/Amounts	31.12.2023	31.12.2022
1. Property and equipment owned	**774**	**818**
a) land	-	-
b) buildings	-	-
c) furniture	172	156
d) electronic equipment	601	660
e) other	1	2
2. Rights of use acquired through the lease	**1,057**	**920**
a) land	1	1
b) buildings	1,026	879
c) furniture	-	-
d) electronic equipment	7	21
e) other	23	19
Total	**1,831**	**1,738**
of which: resulting from the enforcement of guarantees	-	-

8.2 Investment property: breakdown of assets measured at cost

There was no investment property measured at cost.

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

(millions of euro)

Assets/Amounts	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Property and equipment owned	**-**	**-**	**5,187**	**-**	**-**	**5,239**
a) land	-	-	2,226	-	-	2,199
b) buildings	-	-	2,660	-	-	2,730
c) valuable art assets	-	-	301	-	-	310
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. Rights of use acquired through the lease	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic equipment	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**5,187**	**-**	**-**	**5,239**
of which: resulting from the enforcement of guarantees	-	-	-	-	-	-

8.4 Investment property: breakdown of assets measured at fair value

(millions of euro)

Assets/Amounts	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Property and equipment owned	**-**	**-**	**833**	**-**	**-**	**663**
a) land	-	-	293	-	-	244
b) buildings	-	-	540	-	-	419
2. Rights of use acquired through the lease	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**833**	**-**	**-**	**663**
of which: resulting from the enforcement of guarantees	*-*	*-*	*90*	*-*	*-*	*61*

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

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

(millions of euro)

Captions	31.12.2023	31.12.2022
1. Inventories of property and equipment resulting from the enforcement of guarantees	**121**	**71**
a) land	-	-
b) buildings	121	71
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
2. Other inventories of property and equipment	**11**	**9**
Total	**132**	**80**
of which: measured at fair value less cost to sell	*-*	*-*

8.6 Property and equipment used in operations: annual changes

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
A. Gross initial carrying amount	**2,200**	**4,285**	**1,900**	**6,403**	**310**	**114**	**15,212**
A.1 Total net adjustments	-	-676	-1,744	-5,722	-	-93	-8,235
A. Net initial carrying amount	**2,200**	**3,609**	**156**	**681**	**310**	**21**	**6,977**
B. Increases:	**98**	**555**	**46**	**132**	**4**	**17**	**852**
B.1 Purchases	18	213	46	132	1	13	423
of which: business combinations	*12*	*5*	-	-	-	-	*17*
B.2 Capitalised improvement costs	-	50	-	-	-	-	50
B.3 Recoveries	-	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	79	91	-	-	1	-	171
a) net equity	*69*	*82*	-	-	-	-	*151*
b) income statement	*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	-	199	-	-	2	4	205
C. Decreases:	**-71**	**-478**	**-30**	**-205**	**-13**	**-14**	**-811**
C.1 Sales	-	-1	-	-	-	-	-1
of which: business combinations	-	-	-	-	-	-	-
C.2 Depreciation	-	-236	-24	-188	-	-12	-460
C.3 Impairment losses recognised in	-	-	-1	-8	-	-	-9
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	*-1*	*-8*	-	-	*-9*
C.4 Negative fair value differences recognised in	-13	-5	-	-	-13	-	-31
a) shareholders' equity	-	-	-	-	*-4*	-	*-4*
b) income statement	*-13*	*-5*	-	-	*-9*	-	*-27*
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-
C.6 Transfer to:	-57	-117	-	-	-	-	-174
a) investment property	*-57*	*-117*	*X*	*X*	*X*	*X*	*-174*
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-
C.7 Other changes	-1	-119	-5	-9	-	-2	-136
D. Net final carrying amount	**2,227**	**3,686**	**172**	**608**	**301**	**24**	**7,018**
D.1 Total net adjustments	-	-590	-1,770	-5,750	-	-94	**-8,204**
D.2 Gross final carrying amount	**2,227**	**4,276**	**1,942**	**6,358**	**301**	**118**	**15,222**
E. Measurement at cost	**1,448**	**1,782**	**-**	**-**	**114**	**-**	**3,344**

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.

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

(millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Valuable art assets	Other	Total
A. Gross initial carrying amount	1	1,349	-	52	-	44	1,446
A.1 Total net adjustments	-	-470	-	-31	-	-25	-526
A. Net initial carrying amount	**1**	**879**	**-**	**21**	**-**	**19**	**920**
B. Increases:	**-**	**403**	**-**	**4**	**-**	**17**	**424**
B.1 Purchases	-	204	-	4	-	13	221
of which: business combinations	-	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	X	X	X	X	-
B.7 Other changes	-	199	-	-	-	4	203
C. Decreases:	**-**	**-256**	**-**	**-18**	**-**	**-13**	**-287**
C.1 Sales	-	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-	-
C.2 Depreciation	-	-137	-	-14	-	-11	-162
C.3 Impairment losses recognised in	-	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-
C.4 Negative fair value differences recognised in	-	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-	-
a) investment property	-	-	*X*	*X*	*X*	*X*	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-
C.7 Other changes	-	-119	-	-4	-	-2	-125
D. Net final carrying amount	**1**	**1,026**	**-**	**7**	**-**	**23**	**1,057**
D.1 Total net adjustments	-	-551	-	-4	-	-25	**-580**
D.2 Gross final carrying amount	**1**	**1,577**	**-**	**11**	**-**	**48**	**1,637**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**

8.7 Investment property: annual changes

(millions of euro)

	Lands	Buildings
A. Initial carrying amount	**244**	**419**
B. Increases	**78**	**166**
B.1 Purchases	10	30
of which: business combinations	*10*	*30*
B.2 Capitalised improvement costs	-	7
B.3 Positive fair value differences	4	6
B.4 Recoveries	-	-
B.5 Positive foreign exchange differences	-	-
B.6 Transfer from property used in operations	57	117
B.7 Other changes	7	6
C. Decreases	**-29**	**-45**
C.1 Sales	-10	-18
of which: business combinations	-	-
C.2 Depreciation	-	-
C.3 Negative fair value differences	-7	-6
C.4 Impairment losses	-	-
C5 Negative foreign exchange differences	-	-
C.6 Transfer to:	-12	-18
a) property used in operations	*-1*	*-2*
b) non-current assets held for sale and discontinued operations	*-11*	*-16*
C.7 Other changes	-	-3
D. Final amount	**293**	**540**
E. Fair value measurement	**-**	**-**

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.

8.7 bis 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.

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

(millions of euro)

	Inventories of property and equipment resulting from the enforcement of guarantees					Other inventories of property and equipment	Total
	Land	Buildings	Furniture	Electronic equipment	Other		
A. Initial carrying amount	**-**	**71**	**-**	**-**	**-**	**9**	**80**
B. Increases	**-**	**66**	**-**	**-**	**-**	**2**	**68**
B.1 Purchases	-	63	-	-	-	-	63
- of which: business combinations	-	*63*	-	-	-	-	*63*
B.2 Recoveries	-	-	-	-	-	-	-
B.3 Positive foreign exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	3	-	-	-	2	5
C. Decreases	**-**	**-16**	**-**	**-**	**-**	**-**	**-16**
C.1 Sales	-	-10	-	-	-	-	-10
C.2 Impairment losses	-	-6	-	-	-	-	-6
C.3 Negative foreign exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-	-
D. Final amount	**-**	**121**	**-**	**-**	**-**	**11**	**132**

8.9 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 9 - INTANGIBLE ASSETS - CAPTION 90

9.1 Intangible assets: breakdown by type of asset

(millions of euro)

Activities/Values	31.12.2023		31.12.2022	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**67**	**X**	**67**
A.2 Other intangible assets	**2,932**	**1,507**	**2,763**	**1,507**
of which: Software	*2,649*	-	*2,459*	-
A.2.1 Assets measured at cost	2,932	1,507	2,763	1,507
a) internally generated intangible assets	2,096	-	2,270	-
b) other assets	836	1,507	493	1,507
A.2.2 Assets measured at fair value	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**2,932**	**1,574**	**2,763**	**1,574**

Other intangible assets and Goodwill with an indefinite useful life essentially reflect components from the purchase price allocation process, as per IFRS 3, as part of the merger by incorporation of Sanpaolo IMI into Banca Intesa finalised on 1 January 2007 and the subsequent business combinations under common control.

The sub-caption A.2.1 a) "internally-generated intangible assets" with a finite useful life refers to software developed internally. Sub-caption A.2.1 b) other assets, on the other hand, comprises the software licenses purchased from external suppliers, in addition to the intangible assets identified under the purchase price allocation of the price paid for business combinations. IFRS 3 requires that an acquisition that is part of a business combination must be recognised using the purchase method and that the price paid must be allocated to the assets acquired and the liabilities assumed, measured at their respective fair values. The intangibles identified, which express the value of the relationships acquired, are amortised over the estimated duration of their benefit.

9.2 Intangible assets: annual changes

(millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Initial carrying amount	**7,220**	**8,709**	**-**	**3,043**	**2,009**	**20,981**
A.1 Total net adjustments	-7,153	-6,439	-	-2,550	-502	-16,644
A.2 Net initial carrying amount	**67**	**2,270**	**-**	**493**	**1,507**	**4,337**
B. Increases	**-**	**648**	**-**	**470**	**-**	**1,118**
B.1 Purchases	-	-	-	394	-	394
- of which: business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	648	-	-	-	648
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	-	-	-	76	-	76
C. Decreases	**-**	**-822**	**-**	**-127**	**-**	**-949**
C.1 Sales	-	-50	-	-2	-	-52
- of which: business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-696	-	-125	-	-821
- Amortisation	*X*	*-689*	-	*-124*	-	*-813*
- Write-downs recognised in	-	*-7*	-	*-1*	-	*-8*
+ shareholders' equity	*X*	-	-	-	-	-
+ income statement	-	*-7*	-	*-1*	-	*-8*
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	-	-76	-	-	-	-76
D. Net final carrying amount	**67**	**2,096**	**-**	**836**	**1,507**	**4,506**
D.1 Total net adjustments	-7,153	-4,694	-	-2,319	-502	-14,668
E. Gross final carrying amount	**7,220**	**6,790**	**-**	**3,155**	**2,009**	**19,174**
F. Measurement at cost	-	-	-	-	-	-

9.3 Intangible assets: other information

As at 31 December 2023, the commitments relating to investments in intangible assets, essentially software, amounted to around 54 million euro.

Information on intangible assets and goodwill

Intangible assets and goodwill recognised into the Intesa Sanpaolo financial statements derive mainly from the merger between Banca Intesa and Sanpaolo IMI completed on 1 January 2007, and subsequent mergers of the network banks and the merger by incorporation of UBI Banca, completed in 2021.

Reference should be made to Part B – Information on the consolidated balance sheet – Assets of the consolidated financial statements for further details of the various components and measurement criteria.
The following table summarises the recorded values of intangible assets, with their changes recorded in the Parent Company's Financial Statements during 2023.

(millions of euro)

	2022 financial statements	Amortisation	2023 financial statements
BANCA DEI TERRITORI DIVISION	**1,810**	**-20**	**1,790**
- Asset management intangible assets - distribution	187	-14	173
- Insurance intangible assets - distribution	102	-5	97
- Intangible under administration - distribution	14	-1	13
- Brand name intangible	1,507	-	1,507
- Intangible acquiring	-	-	-
- Goodwill	-	-	-
IMI CORPORATE & INVESTMENT BANKING DIVISION	**67**	**-**	**67**
- Intangible brand name	-	-	-
- Goodwill	67	-	67
CGU TOTAL	**1,877**	**-20**	**1,857**
- Asset management intangible assets - distribution	187	-14	173
- Insurance intangible assets - distribution	102	-5	97
- Intangible under administration - distribution	14	-1	13
- Brand name intangible	1,507	-	1,507
- Intangible acquiring	-	-	-
- Goodwill	67	-	67

The intangible assets with finite useful lives shown in the table above refer to assets linked to customer relationships and are represented by the insurance portfolio and asset management accounts for the value components attributable to distribution activities.
For the intangible assets with a finite useful life, the amortisation for the year was recognised to the income statement (under "190. Net adjustments to/recoveries on intangible assets") for a total of 20 million euro.

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

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

With regard to the intangible assets with finite useful lives, specific impairment tests were conducted, which did not identify any problems. Moreover, consideration should be given to the amortisation process that had reduced their carrying amounts compared to their initial book values and in addition to the fact that the standard requires that the recoverable amount be determined by referring to the contractual relationships of the entire CGU at the reporting date and not only to the residual assets for which the initial value of the intangible asset was determined. In that regard, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows for the intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows arising from the asset initially recognised according to IFRS 3 and those deriving from later changes, improvements or developments since its acquisition. This because it would be difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers or contracts, to separate flows relating to the original asset from others.
This concept can also be applied in impairment testing of goodwill to calculate the Value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.

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.
As previously specified in relation to the consolidated situation, there were no critical issues in terms of impairment of either the goodwill allocated to the Corporate & Investment Banking CGU or the brand name allocated to the Banca dei Territori CGU, whose recoverable amount, in terms of fair value, was confirmed by a specific valuation drawn up by an independent expert.
Furthermore, the methods and assumptions of the impairment test procedures for intangible assets and goodwill defined by management were approved by the Board of Directors prior to approval of the draft financial statements for 2023.

Impairment testing of intangibles

Insurance portfolio
As previously specified, as part of the merger by incorporation of UBI Banca into Intesa Sanpaolo, finalised in April 2021, the intangible assets referring to the component of the insurance business linked to the distribution activities were valued. The value of that intangible asset is represented by the capacity of contracts with customers (insurance policies) in force at the time of acquisition to generate revenues over the useful life of acquired relationships. For the 2023 financial statements the amortisation of the asset for the year, calculated on a variable basis corresponding to the residual life of the policies, amounting to 5 million euro gross of the tax effect, was recognised to the income statement.
The analyses conducted during the year on the main impairment indicators were updated and extended for this type of intangible. However, a thorough recalculation of value of the intangible asset was not performed since the trend of the insurance business did not present any particular critical issues in 2023 to place into doubt the accuracy of the carrying amount.

Portfolio of assets under management and under administration
As part of the acquisition of certain assets and liabilities of Banca Popolare di Vicenza in compulsory administrative liquidation and Veneto Banca in compulsory administrative liquidation, in 2017 the intangible assets linked to assets under administration and management (AUM) deriving from the acquired Aggregate Set were calculated, represented by the capacity of the relationships existing at the acquisition date to generate cash flows over the residual useful life of those relationships. That type of intangible asset increased during 2019 due to the incorporation of Banca Apulia, and during 2021 due to the merger by incorporation of UBI Banca into Intesa Sanpaolo. Both transactions were recorded maintaining consistency with the values of the merged companies deriving from the Group's consolidated financial statements.
For the purpose of the impairment test as at 31 December 2023, no specific problems arose in relation to the strength of the value recorded, taking account of the fact, also specified above, that possible valuation for the purpose of impairment testing should not be limited only to the cash flows deriving from the asset acquired, but should also take account of all the cash flows linked to the assets of the specific CGU.
For more details, reference is made to Part B - Information on the Consolidated balance sheet – Assets.

Brand name
IFRS 3 considers the "brand name" a potential, marketing-related intangible asset, which may be recorded in the purchase price allocation process for business combinations.
For this purpose, please note that the term "brand" is used in accounting standards with an extensive meaning and not as a synonym of "logo" or "name". It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity.
The value recorded in the Intesa Sanpaolo financial statements refers to the Sanpaolo IMI brand recognised at the time of the Banca Intesa-Sanpaolo IMI merger, and is allocated to the Banca dei Territori CGU.
In general, the brand name is considered an intangible asset that has no independent cash flows and, thus, to be subject to impairment testing as part of the verification of the retention of goodwill for the various CGUs. For the purposes of this impairment test, it was considered that the Banca dei Territori CGU did not have any goodwill allocated and, 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
For more details, reference is made to Part B - Information on the Consolidated balance sheet – Assets.

Impairment testing of CGUs and goodwill
For impairment testing purposes, the estimation of the value in use relating to intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, as per IAS 36, requires the preliminary assignment of such intangible assets to relatively independent business units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them. In IAS/IFRS terminology, such business units are known as Cash Generating Units (CGUs).
Specifically, the allocation of goodwill as at the date of the business combination takes into account the benefits produced by the synergies expected from the combination.

As CGU identification requires an analysis of the management characteristics and reporting methods used by management, and as the logic for strategic decision-making by management of the Parent Company is that of the Group as a whole and not only that of the Parent Company as an individual entity, the CGUs are identified in the consolidated financial statements. At the Intesa Sanpaolo Group level, the following CGUs have been identified:

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

For a description of the criteria relating to the definition of the Group's CGUs reference is made to Part B - Information on the Consolidated balance sheet – Assets. More specifically, goodwill recognised to the Intesa Sanpaolo financial statements has been allocated to the IMI Corporate & Investment Banking CGU.

Furthermore, as illustrated in the Accounting Policies, investments in subsidiaries are not treated, for impairment test purposes, as single assets to be individually subjected to testing. Considering the organisational model adopted by Intesa Sanpaolo, CGUs are defined without regard to the structure of legal entities, inasmuch as investments are aggregated, along with the operating activities performed directly by the Parent Company, into CGUs of greater size or different structure. Accordingly, the impairment test performed at the consolidated level is also relevant at the Parent Company's financial statements level.

For an illustration of impairment tests for this caption, reference should be made to Part B - Information on the consolidated balance sheet - Assets.

If a need to recognise an impairment loss on goodwill attributable to a given CGU is identified at the level of the consolidated financial statements, in the Parent Company's financial statements that impairment loss is attributed to the assets pertaining to the same CGU not subject to testing individually, namely goodwill and investments in subsidiaries. As described in Part B – Information on the consolidated balance sheet – Assets, no value adjustments were identified at the CGU level in the consolidated financial statements. Therefore, on the basis of the results of the impairment test conducted at the level of the consolidated financial statements, there was no need for adjustments to the goodwill recognised in the Parent Company's financial statements.

SECTION 10 – TAX ASSETS AND LIABILITIES – CAPTION 100 OF ASSETS AND CAPTION 60 OF LIABILITIES

10.1 Deferred tax assets: breakdown

(millions of euro)

	31.12.2023		31.12.2022	
Corresponding caption in income statement	**IRES (27.5%)**	**IRAP (5.56%)**	**IRES (27.5%)**	**IRAP (5.56%)**
A. Temporary deductible differences				
Adjustment to/Impairment of loans deductible in future years	2,239	310	3,168	416
of which pertaining to countries of foreign branches	*4*	-	*14*	-
Provisions for future charges	616	81	592	74
Higher tax value of equity investments, securities and other assets	179	61	188	63
Extraordinary charges for incentive-driven exit plans	249	49	338	67
Goodwill, trademarks and other intangible assets	3,241	665	3,752	757
Other	3,198	11	2,782	14
of which pertaining to countries of foreign branches	*24*	-	*5*	-
B. Taxable temporary differences offset				
Costs deducted off balance sheet	-	-	-	-
Capital gains in instalments	-	-	-	-
Lower tax value of equity investments, securities and other assets	-128	-	-99	-1
Other	-	-	-	-
TOTAL (A+B)	**9,594**	**1,177**	**10,721**	**1,390**
Corresponding caption in Shareholders' equity	**IRES (27.5%)**	**IRAP (5.56%)**	**IRES (27.5%)**	**IRAP (5.56%)**
Cash flow hedge	176	35	236	47
Recognition of actuarial gains/losses	72	3	93	6
Financial assets measured at fair value	630	124	684	135
Property and equipment	22	4	25	4
Offset against deferred tax liabilities recorded in equity	-68	-15	-78	-17
TOTAL	**832**	**151**	**960**	**175**
Total deferred tax assets	**10,426**	**1,328**	**11,681**	**1,565**

Deductible temporary differences - "Other" include losses carried forward of 2,638 million euro.

10.2 Deferred tax liabilities: breakdown

(millions of euro)

	31.12.2023		31.12.2022	
Corresponding caption in income statement	**IRES (27.5%)**	**IRAP (5.56%)**	**IRES (27.5%)**	**IRAP (5.56%)**
A. Taxable temporary differences				
Costs deducted off balance sheet	26	6	17	4
Lower tax value of securities and other assets	251	29	216	29
of which pertaining to countries of foreign branches	-	-	-	-
Other	6	-	7	-
B. Deductible temporary differences offset				
Adjustment to/Impairment of loans deductible in future years	-	-	-	-
Higher tax value of securities and other assets	-95	-	-74	-1
Other	-	-	-	-
TOTAL (A+B)	**188**	**35**	**166**	**32**
Corresponding caption in Shareholders' equity	**IRES (27.5%)**	**IRAP (5.56%)**	**IRES (27.5%)**	**IRAP (5.56%)**
Cash flow hedge	46	9	68	13
Recognition of actuarial gains/losses	-	-	-	-
Financial assets measured at fair value	22	6	10	4
Property and equipment	188	37	154	30
Offset against deferred tax assets recorded in equity	-68	-15	-78	-17
Offset against deferred tax assets (through profit and loss)	-33	-	-25	-
TOTAL	**155**	**37**	**129**	**30**
Total deferred tax liabilities	**343**	**72**	**295**	**62**

10.3 Changes in deferred tax assets (through profit or loss)

(millions of euro)

	31.12.2023	31.12.2022
1. Initial amount	**12,111**	**13,336**
2. Increases	**1,232**	**1,327**
2.1 Deferred tax assets recognised in the period	1,094	993
a) related to previous years	*363*	*321*
b) due to changes in accounting criteria	-	-
c) recoveries	-	-
d) other	*731*	*672*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	103	103
2.4 Business combinations	35	231
3. Decreases	**-2,572**	**-2,552**
3.1 Deferred tax assets eliminated in the period	-2,009	-1,330
a) reversals	*-2,008*	*-1,329*
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	*-1*	*-1*
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-563	-1,222
a) changes into tax credits pursuant to Law no. 214/2011	*-391*	*-851*
b) other	*-172*	*-371*
3.4 Business combinations	-	-
4. Final amount	**10,771**	**12,111**

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 previous tax losses of the incorporated companies 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 (470 million euro) and the deductible temporary differences arising during the year, connected to provisions for risks and charges (234 million euro).
Other increases mainly consist of reversal of netting against deferred tax liabilities, applied as at 31 December 2022, amounting to 100 million euro, of which 75 million euro against deferred tax liabilities through profit and loss and 25 million euro against deferred tax liabilities recorded in equity.
Among Decreases, sub-caption a) reversals mainly refer to the elimination of deferred tax assets pursuant to Law no. 214/2011 (1,479 million euro) and deferred tax assets previously recorded in relation to provisions for risks and charges, as a result of their use during the year (321 million euro).
Among Other decreases, sub-caption a) changes into tax credits pursuant to Law no. 214/2011 refers to the information set out in Part C, table 19.1.
Again among Other decreases, sub-caption b) other includes 128 million euro relating to the netting with deferred tax liabilities for the year, of which 95 million euro against deferred tax liabilities through profit and loss and 33 million euro against deferred tax liabilities recorded in equity.

10.3bis Changes in deferred tax assets pursuant to Law 214/2011

(millions of euro)

	31.12.2023	31.12.2022
1. Initial amount	**7,525**	**8,737**
2. Increases	**470**	**499**
- of which: business combinations	*-*	*67*
3. Decreases	**-1,870**	**-1,711**
3.1 Reversals	-1,479	-860
3.2 Changes into tax credits	-391	-851
a) from losses for the year	-	-
b) from fiscal losses	-391	-851
3.3 Other decreases	-	-
4. Final amount	**6,125**	**7,525**

10.4 Changes in deferred tax liabilities (through profit or loss)

(millions of euro)

	31.12.2023	31.12.2022
1. Initial amount	**198**	**283**
2. Increases	**144**	**94**
2.1 Deferred tax liabilities recognised in the period	58	13
a) related to previous years	*-*	*-*
b) due to changes in accounting criteria	*-*	*-*
c) other	*58*	*13*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	81	77
2.4 Business combinations	5	4
3. Decreases	**-119**	**-179**
3.1 Deferred tax liabilities eliminated in the period	-24	-96
a) reversals	*-24*	*-5*
b) due to changes in accounting criteria	*-*	*-*
c) other	*-*	*-91*
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-95	-83
3.4 Business combinations	-	-
4. Final amount	**223**	**198**

Increases c) other refers mainly to temporary taxable differences arising during the year relating to equity investments (16 million euro), financial assets measured at fair value (15 million euro) and the tax amortisation of the brand name (10 million euro).
Other increases mainly consist of the write-off of netting against deferred tax assets through profit or loss applied as at 31 December 2022, amounting to 75 million euro.
Other decreases relate to the netting against deferred tax assets through profit or loss for the year.

10.5 Changes in deferred tax assets (recorded in equity)

(millions of euro)

	31.12.2023	31.12.2022
1. Initial amount	**1,135**	**671**
2. Increases	**288**	**1,013**
2.1 Deferred tax assets recognised in the period	192	968
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*192*	*968*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	96	45
2.4 Business combinations	-	-
3. Decreases	**-440**	**-549**
3.1 Deferred tax assets eliminated in the period	-357	-451
a) reversals	*-357*	*-451*
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-83	-98
3.4 Business combinations	-	-
4. Final amount	**983**	**1,135**

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 (157 million euro) and cash flow hedging derivatives (33 million euro).
"Other increases" comprises 95 million euro for 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 (105 million euro) and financial assets measured at fair value through other comprehensive income (224 million euro) following the adjustment of the valuation effects or the related realisation during the year.
Other decreases refer to the netting against deferred tax liabilities recorded in equity.

10.6 Changes in deferred tax liabilities (recorded in equity)

(millions of euro)

	31.12.2023	31.12.2022
1. Initial amount	**159**	**161**
2. Increases	**269**	**220**
2.1 Deferred tax liabilities recognised in the period	148	152
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*148*	*152*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	121	68
2.4 Business combinations	-	-
3. Decreases	**-236**	**-222**
3.1 Deferred tax liabilities eliminated in the period	-120	-100
a) reversals	*-120*	*-100*
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-116	-122
3.4 Business combinations	-	-
4. Final amount	**192**	**159**

Increases c) other refers to taxable temporary differences arising during the year connected with the measurement of financial assets measured at fair value through other comprehensive income (103 million euro) and the fair value measurement of property and equipment (45 million euro).
Other increases consist of the write-off of netting against deferred tax assets as at 31 December 2022 for 120 million euro, of which 95 million euro refers to deferred tax assets recorded in equity and 25 million euro to deferred tax assets through profit or loss.
Decreases a) reversals mainly refers to the discharge of deferred tax liabilities previously recorded in relation to the valuation of financial assets measured at fair value through other comprehensive income (89 million euro) and cash flow hedging derivatives (27 million euro).
Other decreases include refer to the netting against deferred tax assets recorded during the year, of which 83 million euro against deferred tax assets recorded in equity and 33 million euro 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
For information concerning the probability test on deferred taxation, refer to the contents of Part B – Assets of the Notes to the consolidated financial statements.
The test performed at Group and Parent Company levels showed a taxable base that was sufficient and adequate to allow recovery of the deferred taxes carried in the financial statements as at 31 December 2023.

10.7 Other information
There is no other information to be provided in addition to that already contained in this Section.

SECTION 11 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 110 OF ASSETS AND 70 OF LIABILITIES

11.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

(millions of euro)

Captions	31.12.2023	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	-	120
A.3 Property and equipment	39	40
of which: resulting from the enforcement of guarantees	-	-
A.4 Intangible assets	-	-
A.5 Other	-	-
Total A	**178**	**528**
of which measured at cost	***151***	***520***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***27***	***8***
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Investments in associates and companies subject to joint control	-	-
B.5 Property and equipment	-	-
of which: resulting from the enforcement of guarantees	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**-**	**-**
of which measured at cost	***-***	***-***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***
C. Liabilities associated with non-current assets held for sale		
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other	-2	-15
Total C	**-2**	**-15**
of which measured at cost	***-2***	***-15***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Allowances	-	-
D.5 Other	-	-
Total D	**-**	**-**
of which measured at cost	***-***	***-***
of which Fair value level 1	***-***	***-***
of which Fair value level 2	***-***	***-***
of which Fair value level 3	***-***	***-***

The table above contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of.

Caption A.1 Financial assets, amounting to 139 million euro net, consists of non-performing loans (163 million euro gross, 122 million euro net) and, for a residual amount (18 million euro gross, 17 million euro net), of performing loans, which will be sold under the transactions planned for 2024.

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 29 million euro).

Liabilities associated with assets held for sale are entirely comprised of liabilities associated with the sale of the loans mentioned above.

11.2 Other information

There is no other significant information to note as at 31 December 2023.

SECTION 12 – OTHER ASSETS – CAPTION 120

12.1 Other assets: breakdown

(millions of euro)

Captions		
Amounts to tax authorities		21,610
Amounts to be credited and items under processing		1,371
Invoices to be issued		567
Due from Group companies on fiscal consolidation		518
Balance illiquid in portfolio		502
Bank cheques drawn on third parties to be settled		314
Accruals, prepayments and deferrals to be allocated		185
Cheques and other instruments held		130
Leasehold improvements		76
Other		707
TOTAL	**31.12.2023**	**25,980**
TOTAL	**31.12.2022**	**16,777**

The sub-caption Amounts due from tax authorities includes 20.1 billion euro in tax credits acquired from customers, of which 13.3 billion euro under the Hold to Collect business model, 4.3 billion euro under the Hold to Collect and Sell business model and 2.5 billion euro under the Other business model.

As required by paragraph 116 et. seq. of IFRS 15, assets arising from contracts with customers, which are included under the sub-caption "Other" and "Invoices to be issued" amounted to 323 million euro (350 million euro at the end of 2022).

LIABILITIES

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - CAPTION 10

1.1 Financial liabilities measured at amortised cost: breakdown of amounts due to banks

(millions of euro)

Transaction type/Amount	31.12.2023				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	**47,460**	**X**	**X**	**X**	**97,660**	**X**	**X**	**X**
2. Due to banks	**67,972**	**X**	**X**	**X**	**62,302**	**X**	**X**	**X**
2.1 Current accounts and on demand deposits	7,973	X	X	X	6,773	X	X	X
2.2 Time deposits	21,793	X	X	X	24,250	X	X	X
2.3 Loans	27,353	X	X	X	17,601	X	X	X
2.3.1 Repurchase agreements	*22,919*	*X*	*X*	*X*	*12,749*	*X*	*X*	*X*
2.3.2 Other	*4,434*	*X*	*X*	*X*	*4,852*	*X*	*X*	*X*
2.4 Debts for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	6	X	X	X	6	X	X	X
2.6 Other debts	10,847	X	X	X	13,672	X	X	X
Total	**115,432**	**-**	**94,590**	**20,710**	**159,962**	**-**	**140,141**	**19,540**

The illustration of the criteria used to determine the fair value is contained in Part A – Accounting policies.
Amounts due to Central Banks include loans received from the European Central Bank as part of the TLTRO programme, for a total of 45 billion euro (96 billion euro as at 31 December 2022), fully attributable to the “TLTRO III” operation.
Repurchase agreements related to financial assets sold not derecognised are detailed in Part E – Section E Sales of the Notes to the financial statements.

1.2 Financial liabilities measured at amortised cost: breakdown of amounts due to customers

(millions of euro)

Transaction type/Amount	31.12.2023				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	**292,981**	**X**	**X**	**X**	**329,990**	**X**	**X**	**X**
2. Time deposits	**17,739**	**X**	**X**	**X**	**5,568**	**X**	**X**	**X**
3. Loans	**17,040**	**X**	**X**	**X**	**4,127**	**X**	**X**	**X**
3.1 Repurchase agreements	*13,003*	*X*	*X*	*X*	1,275	X	X	X
3.2 Other	*4,037*	*X*	*X*	*X*	2,852	X	X	X
4. Debts for commitments to repurchase own equity instruments	**-**	**X**	**X**	**X**	**-**	**X**	**X**	**X**
5. Lease liabilities	**1,075**	**X**	**X**	**X**	**937**	**X**	**X**	**X**
6. Other debts	**12,717**	**X**	**X**	**X**	**14,229**	**X**	**X**	**X**
Total	**341,552**	**-**	**331,907**	**9,485**	**354,851**	**-**	**348,693**	**5,686**

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	103,858	60,539	43,911	-	79,566	42,622	36,682	29
1.1 structured	*1,055*	*109*	*954*	*-*	*1,640*	*397*	*1,197*	*29*
1.2 other	*102,803*	*60,430*	*42,957*	*-*	*77,926*	*42,225*	*35,485*	*-*
2. other	232	-	229	3	136	-	133	3
2.1 structured	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
2.2 other	*232*	*-*	*229*	*3*	*136*	*-*	*133*	*3*
Total	**104,090**	**60,539**	**44,140**	**3**	**79,702**	**42,622**	**36,815**	**32**

1.4 Details of subordinated debts/securities

There were no subordinated debts with banks and customers as at 31 December 2023.
At the reporting date, Intesa Sanpaolo has subordinated securities issued for 12,211 million euro.

1.5 Details of structured debts

At the reporting date, Intesa Sanpaolo has structured debts with banks totalling 165 million euro.

1.6 Lease payables

As at 31 December 2023, Intesa Sanpaolo has lease payables of 1,081 million euro, of which 173 million euro maturing within one year, 497 million euro maturing within 1 to 5 years and 411 million euro maturing in over 5 years.
Lease payables comprise 1,075 million euro referring to customer counterparties and 6 million euro to bank counterparties.
These derive from the application of the financial reporting standard IFRS 16 relating to Leases, with effect from 1 January 2019.

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 20

2.1 Financial liabilities held for trading: breakdown

(millions of euro)

Transaction type/Amount	31.12.2023					31.12.2022				
	Nominal or notional amount	Fair value			Fair Value (*)	Nominal or notional value	Fair value			Fair Value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	**5,367**	**4,569**	**671**	**-**	**5,239**	**4,729**	**4,240**	**-**	**-**	**4,240**
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**	**-**	**7,241**
B. Derivatives										
1. Financial derivatives	**X**	**115**	**32,764**	**50**	**X**	**X**	**44**	**37,661**	**142**	**X**
1.1 Trading	X	115	32,726	50	X	X	44	37,615	138	X
1.2 Fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	38	-	X	X	-	46	4	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**	**115**	**33,904**	**50**	**X**	**X**	**44**	**38,604**	**142**	**X**
Total (A+B)	**11,242**	**7,825**	**37,170**	**50**	**X**	**10,850**	**7,285**	**41,383**	**142**	**X**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Amounts due to banks and customers consist entirely of short selling of securities.
Sub-caption 3.2.1 Other structured securities under Debt securities entirely consist of certificates which provide for partial or full redemption of the premiums paid on maturity, pursuant to Bank of Italy Communication of 21 October 2014.
Derivative instruments include 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 overall 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 trading and 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 232 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

(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**	**-**	**1**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	1	-	1	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which: - commitments to disburse funds	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
2. Due to customers	**5**	**-**	**4**	**-**	**4**	**5**	**-**	**4**	**-**	**4**
2.1 Structured	5	-	4	-	X	5	-	4	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which: - commitments to disburse funds	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
- financial guarantees given	-	*X*	*X*	*X*	*X*	-	*X*	*X*	*X*	*X*
3. Debt securities	**21,725**	**91**	**21,218**	**31**	**21,165**	**9,875**	**-**	**8,761**	**30**	**8,735**
3.1 Structured	21,725	91	21,218	31	X	9,875	-	8,761	30	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**21,731**	**91**	**21,223**	**31**	**21,170**	**9,880**	**-**	**8,765**	**30**	**8,739**

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date

The Bank has classified the LECOIP 3.0 for the employment agreements, terminated early, of employees of Group companies and life policies connected to social initiatives, managed by the Bank based on fair value, under Amounts due to customers.

Sub-caption 3.1 Debt securities - Structured comprised certificates which provide for partial or full redemption of the premiums paid on maturity, pursuant to Bank of Italy Communication of 21 October 2014 (certificates with guaranteed or protected capital). As they were issued after 1 January 2020, these are classified under Financial liabilities designated at fair value (Fair Value Option), as a result of the Bank's implementation of a business model based on a banking book approach, with the goal of generating stable inflows.
Certificates representing Financial liabilities designated at fair value record the related changes in fair value attributable to changes in own credit risk in the statement of comprehensive income (shareholders' equity). Changes in the Bank's own credit rating during the year were negative by 119 million euro.

3.2 Breakdown of "Financial liabilities designated at fair value": subordinated liabilities

Intesa Sanpaolo has no subordinated liabilities classified under Financial liabilities designated at fair value.

SECTION 4 – HEDGING DERIVATIVES – CAPTION 40

4.1 Hedging derivatives: breakdown by type of hedge and level

(millions of euro)

	31.12.2023				31.12.2022			
	Fair value			Notional value	Fair value			Notional value
	Level 1	Level 2	Level 3	31.12.2023	Level 1	Level 2	Level 3	31.12.2022
A. Financial derivatives	**-**	**4,336**	**-**	**214,932**	**-**	**4,652**	**-**	**183,791**
1) Fair value	-	4,140	-	201,528	-	4,399	-	170,384
2) Cash flows	-	196	-	13,404	-	253	-	13,407
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**4,336**	**-**	**214,932**	**-**	**4,652**	**-**	**183,791**

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.
The total negative fair value of hedging derivatives gross of on-balance sheet offsetting would amount to 11,438 million euro (of which 10,668 million euro hedging fair value and 770 million euro hedging cash flows).

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

(millions of euro)

Transactions/Type of hedge	Fair Value							Cash flow		Foreign invest.
	Specific						Generic			
	debt securities and interest rates	equities and stock indices	Foreign exchange rates and gold	credit risk	commodities	other		Specific	Generic	
1. Financial assets measured at fair value through other comprehensive income	565	-	33	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	802	X	175	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	470	X	78	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**1,367**	**-**	**208**	**-**	**-**	**-**	**470**	**-**	**78**	**-**
1. Financial liabilities	123	X	614	-	-	-	X	70	X	X
2. Portfolio	X	X	X	X	X	X	1,357	X	49	X
Total liabilities	**123**	**-**	**614**	**-**	**-**	**-**	**1,357**	**70**	**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.

SECTION 5 – FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS – CAPTION 50

5.1 Fair value change of financial liabilities in hedged portfolios: breakdown by hedged portfolios

(millions of euro)

Fair value change of hedged liabilities/Group members	31.12.2023	31.12.2022
1. Positive fair value change of financial liabilities	-	-
2. Negative fair value change of financial liabilities	-3,907	-7,962
Total	**-3,907**	**-7,962**

The balance of the changes in value of liabilities subject to macrohedging against interest rate risk is recorded in this caption. For the application the Bank took advantage of the option envisaged by IFRS 9 to continue to apply the provisions permitted by the IAS 39 carve out.
The 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 the final months of 2023.

SECTION 6 – TAX LIABILITIES – CAPTION 60

For information on this section, see Section 10 of Assets.

SECTION 7 – LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 70

For information on this section, see Section 11 of Assets.

SECTION 8 – OTHER LIABILITIES – CAPTION 80

8.1 Other liabilities: breakdown

(millions of euro)

Captions	
Amounts to be credited and items under processing	4,476
Due to suppliers	1,298
Due to tax authorities	1,296
Amounts due to third parties	318
Due to social security entities	237
Accruals, prepayments and deferrals not allocated	231
Due to Group companies on fiscal consolidation	141
Personnel charges	109
Other	839
TOTAL 31.12.2023	**8,945**
TOTAL 31.12.2022	**7,608**

As required by paragraph 116 a) of IFRS 15, liabilities arising from contracts with customers, which are included under the sub-caption Accruals, prepayments and deferrals not allocated, amounted to 118 million euro, while at the end of 2022 they amounted to 111 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	**797**	**1,027**
B. Increases	**61**	**111**
B.1 Provisions in the year	28	17
B.2 Other	33	94
- of which business combinations	*-*	*2*
C. Decreases	**-141**	**-341**
C.1 Benefits paid	-94	-94
C.2 Other	-47	-247
- of which business combinations	*-*	*-2*
D. Final amount	**717**	**797**
Total	**717**	**797**

C.1 refers to benefits paid during the year.
For greater detail on actuarial calculations, see Section 10.5 – Post employment defined benefit plans.

9.2 Other information

The present value of employee termination indemnities qualifying as unfunded defined benefit plans totalled 717 million euro as at 31 December 2023, while at the end of 2022 it amounted to 797 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	**407**	**425**
2. Allowances on other commitments and other guarantees given	**-**	**-**
3. Post-employment benefits	**76**	**125**
4. Other allowances for risks and charges	**2,797**	**3,117**
4.1 legal disputes	663	757
4.2 personnel charges	1,772	1,952
4.3 other	362	408
Total	**3,280**	**3,667**

There are no cases classifiable under caption 2. Allowances on other commitments and other guarantees given.
The contents of caption 4. Other allowances for risks and charges are illustrated in point 10.6 below.

10.2 Allowances for risks and charges: annual changes

(millions of euro)

	Allowances on other commitments and other guarantees given	Post-employment benefits	Other allowances for risks and charges	Total
A. Initial amount	**-**	**125**	**3,117**	**3,242**
B. Increases	**-**	**10**	**930**	**940**
B.1 Provisions in the year	-	3	822	825
B.2 Time value changes	-	5	50	55
B.3 Changes due to discount rate variations	-	-	5	5
B.4 Other	-	2	53	55
- of which business combinations	-	-	*36*	*36*
C. Decreases	**-**	**-59**	**-1,250**	**-1,309**
C.1 Uses in the year	-	-37	-1,242	-1,279
C.2 Changes due to discount rate variations	-	-	-5	-5
C.3 Other	-	-22	-3	-25
- of which business combinations	-	-	-	-
D. Final amount	**-**	**76**	**2,797**	**2,873**

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 64 million euro to caption 170, letter b) of the income statement and net provisions to other income statement captions, for the residual amount.

10.3 Allowances for credit risk associated with commitments and financial guarantees given

(millions of euro)

	Allowances for credit risk associated with commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	**Total**
1. Commitments to disburse funds	48	37	28	-	113
2. Financial guarantees given	22	49	223	-	294
Total	**70**	**86**	**251**	**-**	**407**

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 plans, in which Intesa Sanpaolo S.p.A. is jointly responsible, 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.

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; and retired employees formerly enrolled in the Pension Fund for the Personnel of the former Banca Popolare di Ancona and its subsidiaries, transferred to the fund in question on 1 September 2022; employees and retired employees formerly enrolled in the former Retirement Fund of the 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).

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	**797**	**103**	**1,004**	**1,027**	**258**	**1,602**
Current service costs	3	2	1	13	2	2
Recognised past service costs	-	-	-	-	-	1
Interest expense	25	5	32	4	3	16
Actuarial losses due to changes in financial assumptions	-	-	-	-	-	-
Actuarial losses due to changes in demographic assumptions	-	-	21	1	-	17
Actuarial losses based on past experience	-	2	-	69	5	44
Positive exchange differences	-	2	-	-	-	2
Increases - business combinations	-	-	-	2	-	-
Participants' contributions	X	-	-	X	-	-
Actuarial profits due to changes in financial assumptions	-17	-17	-31	-199	-72	-215
Actuarial profits due to changes in demographic assumptions	-	-	-	-	-1	-
Actuarial profits based on past experience	-8	-	-2	-	-	-
Negative exchange differences	-	-	-1	-	-10	-
Benefits paid	-94	-3	-100	-94	-10	-118
Decreases - business combinations	-	-	-	-2	-	-
Curtailments of the fund	X	-	-	X	-	-
Settlements of the fund	X	-	-	X	-34	-375
Other increases	33	-	1	22	-	41
Other decreases	-22	-	-	-46	-38	-13
Final amount	**717**	**94**	**925**	**797**	**103**	**1,004**

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	717	-	-	797	-	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	94	925	-	103	1,004

The actuarial gains recorded for variations in financial assumptions are mainly due to the decline in the inflation rate.
On the basis of actuarial calculations, the present value of the defined benefit obligations, excluding Employee termination indemnities, was as follows.

Internal plans
– as said before, the final amount refers to defined benefit plans at the London branch, entirely contributed by Intesa Sanpaolo S.p.A.

External plans
– 537 million euro referred to the Intesa Sanpaolo Group Defined-Benefit Fund (of which 531 million euro pertaining to Intesa Sanpaolo S.p.A.);
– 366 million euro referred to the Pension fund for employees of Cariplo, entirely contributed by Intesa Sanpaolo S.p.A.;
– 22 million euro referred to defined benefit plans at the New York branch, entirely contributed by Intesa Sanpaolo S.p.A.

3. Information on the fair value of plan assets

The following tables show the changes in plan assets for certain defined benefit plans and their composition.

(millions of euro)

Plan assets	31.12.2023		31.12.2022	
	Internal plans	External plans	Internal plans	External plans
Initial amount	**137**	**927**	**168**	**1,479**
Return on assets net of interest	-22	35	-28	-113
Interest income	4	28	3	13
Positive exchange differences	3	-	-	1
Increases - business combinations	-	-	-	-
Employer contributions	3	34	9	8
Participants' contributions	-	-	-	-
Negative exchange differences	-	-1	-9	-
Decreases - business combinations	-	-	-	-
Benefits paid	-3	-100	-6	-118
Curtailments of the fund	-	-	-	-
Settlements of the fund	-	-	-	-375
Other changes	2	5	-	32
Final amount	**124**	**928**	**137**	**927**

The final amount of the internal plans refers to defined benefit plans at the London branch.

The final amount of external plans was broken down as follows:
- 546 million euro relating to the Intesa Sanpaolo Group Defined-Benefit Fund;
- 363 million euro referred to the Pension fund for employees of Cariplo;
- 19 million euro referred to defined benefit plans at the New York branch.

(millions of euro)

Plan assets: additional information	31.12.2023				31.12.2022			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	**-**	**-**	**269**	**29.0**	**-**	**-**	**269**	**29.0**
- of which level 1 fair value	-		240		-		254	
Mutual funds	**-**	**-**	**65**	**7.0**	**-**	**-**	**80**	**8.7**
- of which level 1 fair value	-		17		-		21	
Debt securities	**121**	**97.6**	**257**	**27.7**	**126**	**92.0**	**285**	**30.7**
- of which level 1 fair value	121		257		126		285	
Real estate assets and investments in real estate companies	**-**	**-**	**253**	**27.3**	**8**	**5.9**	**278**	**30.0**
- of which level 1 fair value	-		-		-		-	
Insurance business	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- of which level 1 fair value	-		-		-		-	
Other assets	**3**	**2.4**	**84**	**9.0**	**3**	**2.1**	**15**	**1.6**
- of which level 1 fair value	-		-		-		-	
TOTAL	**124**	**100.0**	**928**	**100.0**	**137**	**100.0**	**927**	**100.0**

(millions of euro)

Plan assets: additional information	31.12.2023				31.12.2022			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities	**-**	**-**	**269**	**29.0**	**-**	**-**	**269**	**29.0**
- of which financial companies	-		59		-		51	
- of which non financial companies	-		210		-		218	
Mutual funds	**-**	**-**	**65**	**7.0**	**-**	**-**	**80**	**8.7**
Debt securities	**121**	**97.6**	**257**	**27.7**	**126**	**92.0**	**285**	**30.7**
Government bonds	81		163		89		203	
- of which investment grade	*81*		*163*		*89*		*203*	
- of which speculative grade	-		-		-		-	
Financial companies	40		47		37		28	
- of which investment grade	*40*		*46*		*37*		*24*	
- of which speculative grade	-		*1*		-		*4*	
Non Financial companies	-		47		-		54	
- of which investment grade	-		*40*		-		*48*	
- of which speculative grade	-		*7*		-		*6*	
Real estate assets and investments in real estate companies	**-**	**-**	**253**	**27.3**	**8**	**5.9**	**278**	**30.0**
Insurance business	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets	**3**	**2.4**	**84**	**9.0**	**3**	**2.1**	**15**	**1.6**
TOTAL ASSETS	**124**	**100.0**	**928**	**100.0**	**137**	**100.0**	**927**	**100.0**

The difference between net defined benefit liabilities (see the previous disclosure, Table 10.5, point 2) and the plan assets (see the previous disclosure, Table 10.5, point 3) is recognised under the post-employment plans.
The internal plans 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	3.2%	X	2.8%	2.1%	3.3%	X	3.4%	2.7%
INTERNAL PLANS	5.3%	0.0%	2.9%	2.9%	4.4%	0.0%	2.9%	2.9%
EXTERNAL PLANS	3.8%	5.1%	3.2%	2.4%	3.7%	4.9%	3.5%	2.9%

(a) Net of career developments.

The discount rate of external plans for 2023 was 5% for the New York branch (it was 4.8% for 2022) and varies from 3.1% to 3.4% for Italian Funds (the range was 3.3% to 3.4% in 2022).

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 bp	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp
Discount rate	668	773	79	113	857	1,004
Rate of wage rises	717	717	105	85	934	917
Inflation rate	751	685	100	89	989	870

The sensitivity analysis is not conducted on the expected rate of return as it has no effect on the calculation of the liabilities.

The sensitivity analysis was carried out on the net defined benefit liabilities pursuant to the previous disclosure, 10.5, point 2.
The absolute values of the data presented indicate the possible amount of net defined benefit liabilities in the event of a change in rate of +/-100 basis points.
The average duration of the defined benefit obligation is 9.54 years for pension funds and 7.55 years for employee termination indemnities.

6. Multi-employer plans

The Bank 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 former 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.
Each jointly responsible Company reports in this section, for each table, the total liabilities/assets of the Funds for which it is jointly responsible, highlighting at the bottom of said tables the liability/asset amount under their responsibility.

10.6 Allowances for risks and charges – Other allowances

(millions of euro)

Captions/Components	31.12.2023	31.12.2022
Other allowances		
1. legal disputes	663	757
2. personnel charges	1,772	1,952
incentive-driven exit plans	*905*	*1,250*
employee seniority bonuses	*87*	*90*
other personnel expenses	*780*	*612*
3. other risks and charges	362	408
Total	**2,797**	**3,117**

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 charges relating to employees;
- Other risks and charges: these mainly refer to charges connected with the sale of portfolios of NPLs and other charges relating to sundry obligations. They also include the allocation of 27 million euro to cover indirect risks in respect of the equity investment in Pravex Bank Joint-Stock Company, in connection with the ongoing conflict, in order to align the values to the contribution of the subsidiary to the Group's consolidated financial statements.

SECTION 11 – REDEEMABLE SHARES – CAPTION 120

11.1 Redeemable shares: breakdown

These are not present in Intesa Sanpaolo.

SECTION 12 – PARENT COMPANY'S SHAREHOLDERS' EQUITY – CAPTIONS 110, 130, 140, 145, 150, 160, 170 AND 180

12.1 Share capital and Treasury shares: breakdown

As at 31 December 2023, the Bank's portfolio amounts to 25,946,143 treasury shares fully paid in. The treasury shares have no par value and represent 0.14% of the share capital.
For information on this section, see point 12.3 below.

12.2 Share capital – Parent Company's number of shares: annual changes

Captions/Type	Ordinary
A. Initial number of shares	**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 20,200,547 ordinary shares of the Bank 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.

12.3 Share capital: other information

The share capital of the Bank 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.

There are no liens or pledges on the Bank's shares and, as regards the constraints on the distribution of dividends and the redemption of capital, please refer to the statement containing a summary of shareholders' equity captions broken down by origin and with an indication of the possibility of use and distributability pursuant to Article 2427, paragraph 1, no.7-bis of the Italian Civil Code set out in point 12.4.

Entries made in accordance with IFRS 3 regarding the merger between Banca Intesa and Sanpaolo IMI, finalised on 1 January 2007, generated a reserve of 23,734 million euro as at 31 December 2023, equal to the difference between the acquisition cost of the Sanpaolo IMI Group and the nominal value of the shares issued to service the exchange. In the 2007 financial statements, it was reported under share premium reserve, based on the opinions expressed by legal experts. This reserve will be reported differently should the Law or Supervisory Authorities indicate a different solution.

For the purpose of completeness, note that the following changes in the share premium reserve occurred during the year:

- the reclassification of the total amount, of positive sign, of 57,000,017 euro of the contribution reserve for the Performance-based Option Plan (designated "POP" and reserved for the Top Management, Risk Takers and Key Managers of the Bank), formed on the basis of financial instruments linked to shares (call options) and subject to the achievement of the key performance conditions of the Business Plan and contingent on gateway and individual access conditions (compliance breaches), which concluded in 2023;
- a positive change of 6,953,951 euro due to other effects.

12.4 Reserves from retained earnings: other information

Reserves amounted to 4,807 million euro and included: legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30 July 1990, Art. 7, par. 3, and Law 218 of 30 July 1990, Art. 7) and other reserves. The legal reserve, set up as provided for by law, must be at least one fifth of share capital; in the past it was set up by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated through mandatory allocation of at least one twentieth of net income for the year. Concentration reserves under Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.

Other reserves included reserves pertaining to international branches and other reserves set up in the past following specific legal provisions.

Valuation reserves amounted to 175 million euro and included reserves of financial assets measured at fair value through other comprehensive income, reserves for cash flow hedging derivatives, financial liabilities designated at fair value through profit or loss (changes in the Bank's own credit rating) and revaluations of net defined benefit liabilities (assets), as well as legally-required revaluation reserves and revaluation reserves of properties and valuable art assets.

Note that in 2023, the following changes in the reserves occurred:

- reduction of the extraordinary reserve of 1,699,999,999 euro resulting from the annulment of the own shares under the buyback programme;
- allocation to the extraordinary reserve of the residual 2022 net income of 1,158,619,304 euro, per the resolution of the ordinary Shareholders' Meeting of 29 April 2023; on that same date, through reversal from the extraordinary reserve, the share of the 2022 net income corresponding to the capital gains recognised in the income statement of 788,081,638 euro was entered to an unavailable reserve pursuant to Article 6, paragraph 1, letter a), of Legislative Decree No. 38/2005;
- increase of the legal reserve of 60,000,000 euro through partial allocation of the net income from the previous year as provided for in Art. 2430 of the Italian Civil Code and the resolution approving the 2022 financial statements;
- allocation to other reserves of the total net negative amount of 318,709,932 euro for the coupons paid to subscribers of the Additional Tier 1 instruments, net of the related taxes;
- adjustment of the reserves for the Equity Settled Share Based Payment plans (named "LECOIP 3.0" and targeted to all employees), the Performance Share Plan (known as the PSP and aimed the all of the Group's Management, including the Managing Director and CEO, the remaining Top Risk Takers and the Other Risk Takers of the Group, both in Italy and abroad), and the Performance-based Option Plan (named "POP" and reserved for the top management, Risk Takers and Key Managers of the Bank), for a total positive amount of 171,407,363 euro;
- reclassification of the contribution reserve for the Performance-based Option Plan, designated "POP", formed to cover the investment plan based on financial instruments intended for Top Management, Risk Takers and Key Managers of the Bank, launched in 2018 and concluded in 2023, from Other reserves to the Share premium reserve for the total amount, of positive sign, of 57,000,017 euro;
- allocation to other reserves of the total net positive amount of 14,018,618 euro for repurchases of own Additional Tier 1 instruments;
- transfer to other reserves of the valuation reserves for the gains/losses realised on property and equipment measured at fair value and on defined benefit pension plans, for a total net negative amount of 12,546,001 euro;
- transfer to other reserves of the valuation reserves for the gains/losses realised on financial assets measured at fair value through other comprehensive income, for a total net positive amount of 7,301,854 euro;
- allocation to the extraordinary reserve of the total net positive amount of 2,909,043 euro relating to the merger surplus arising from the cancellation of the shares of the subsidiary Intesa Sanpaolo Provis S.p.A., merged during the year. In that regard, it should be noted that, pursuant to Art. 172, paragraph 5, of the Consolidated Law on Income Taxes, suspended tax reserves of 111,840 euro will be reconstituted for the merger surplus mentioned above;
- transfer on 31 December 2023 from unavailable reserve, pursuant to Article 6, paragraph 3, of Legislative Decree No. 38/2005, to extraordinary reserve of 476,069,717 euro, attributable to the realisation of capital gains or the recognition of capital losses for the year;
- other effects, for a total net positive amount of 2,230,824 euro.

(millions of euro)

	Amount as at 31.12.2023	Principal	Portion of net income	Portion subject to a suspended tax regime	Portion available (a)	Uses in the past three years
Shareholders' equity						
– Share capital	10,369	7,824	759	1,786	-	-
– Equity instruments	7,925	7,967	-42	-	-	-
– Share premium reserve (b)	28,162	13,039	11,454	3,669	A, B, C	394
– Legal reserve	2,125	520	1,605	-	A(1), B, C(1)	-
– Extraordinary reserve	3,137	320	2,817	-	A, B, C	1,932
– Concentration reserve (Law 218 of 30/7/1990, art. 7, par. 3)	302	-	-	302	A, B(2), C(3)	-
– Concentration reserve (Law 218 of 30/7/1990, art. 7, par 2)	366	-	-	366	A, B(2), C(3)	-
– Other reserves, of which:						
Legal Reserve Branches abroad	*13*	-	*13*	-	*A, B, C*	-
Reserve for contribution to LECOIP 3.0 / PSP incentive plans	*237*	*232*	*5*	-	*A*	-
IFRS 2 reserve for employee incentive scheme	*58*	*58*	-	-	*A*	-
Reserve for AT1 equity instruments coupons	*-1,849*	-	*-1,849*	-	-	-
Suspended tax reserve former UBI Banca	*421*	-	-	*421*	*A, B,C*	-
Unavailable net income reserve pursuant to Article 6 of Legislative Decree 38/2005	*575*	-	*575*	-	*B*	-
Stock option plans reserve	*42*	-	*42*	-	*A*	-
Reserves: other	*-620*	-	*-624*	*4*	-	-
– Valuation reserves						
Revaluation reserve (Law 576 of 2/12/1975)	*4*	-	-	*4*	*A, B(2), C(3)*	-
Revaluation reserve (Law 72 of 19/3/1983)	*146*	-	-	*146*	*A, B(2), C(3)*	-
Revaluation reserve (Law 408 of 29/12/1990)	*9*	-	-	*9*	*A, B(2), C(3)*	-
Revaluation reserve (Law 413 of 30/12/1991)	*380*	-	-	*380*	*A, B(2), C(3)*	-
Revaluation reserve (Law 342 of 22/11/2000)	*460*	-	-	*460*	*A, B(2), C(3)*	-
FVOCI valuation reserve	*-1,952*	-	*-1,952*	-	-	-
Property and equipment and intangible assets valuation reserve	*1,758*	-	*1,758*	-	*(4)*	-
CFH valuation reserve	*-318*	-	*-318*	-	-	-
Defined benefit plans valuation reserve	*-187*	-	*-187*	-	-	-
Financial liabilities designated at fair value through profit or loss valuation reserve	*-125*	-	*-125*	-	-	-
– Own shares	-61	-61	-	-	-	-
– Interim dividend	-2,629	-	-2,629	-	-	-
Total Capital and Reserves	**48,748**	**29,899**	**11,302**	**7,547**	(5)	-
Non-distributable portion (c)	7,799	-	-	-	-	-

(a) A = capital increase; B = loss coverage; C = distribution to shareholders.

(b) This reserve includes 23,734 million euro originating from the merger between Banca Intesa and Sanpaolo IMI, as a result of the application of IFRS 3 relating to business combinations.
Pending the issue of legal measures concerning the classification of the reserve recognised in application of that accounting standard, the reserve is considered unavailable up to the amount of goodwill and intangible assets recognised in the financial statements. It should be noted that, solely for the amount classified as suspended tax, if the reserve is used to cover losses, net income cannot be distributed unless the reserve is replenished or correspondingly reduced. In addition, if the suspended tax amount is distributed to shareholders, it contributes to the formation of the company income. The portion of profits subject to tax suspension, equal to 3,669 million euro, includes 1,685 million euro relating to the realignment of the tax values to the higher book values of several real estate assets in accordance with Article 1, paragraph 948, of Law 145/2018 and 1,473 million euro relating to the realignment of the tax values of the brand name and other intangible assets to the higher book values pursuant to Article 110, paragraphs 8 and 8 bis of Law Decree 104/2020.

(c) The non-distributable portion mainly relates to the revaluation reserves, the valuation reserves established as a direct balancing entry to the fair value measurement of property and equipment, the reserve established under the long-term incentive plans, a portion of the share premium reserve, the other suspended tax reserves, the share of net income corresponding to the capital gains recognised in the income statement of the previous year, net of the related tax charge, arising from the application of the fair value measurement, pursuant to Article 6, paragraph 1, letter a) of Legislative Decree 38/2005, and the amount of the legal reserve corresponding to one-fifth of the share capital, pursuant to Article 2430 of the Italian Civil Code.

(1) May be used to increase capital (A) and for distribution to shareholders (C) for the portion exceeding one fifth of the share capital.

(2) If the reserve is used to cover losses, net income cannot be distributed unless the reserve is replenished or correspondingly reduced.

(3) The reserve, if it is not recorded under shareholders' equity, may be reduced only in compliance with the provisions of paragraphs 2 and 3 of Article 2445 of the Italian Civil Code. If it is distributed to shareholders, it contributes to the formation of the taxable income of the company.

(4) The reserve is unavailable pursuant to Article 6 of Legislative Decree 38/2005.

(5) Pursuant to Article 47, paragraph 1 of the Combined Tax Regulations, the portion of net income includes retained earnings reserves for 4,208 million euro classified for tax purposes as capital reserves.

The valuation reserves have been included under retained earnings reserves given that these are either reserves destined to be reversed to the income statement at the time of sale or discharge of the corresponding assets or liabilities, i.e. reserves essentially similar to retained earnings reserves.

12.5 Equity instruments: breakdowns and annual changes

During 2023 Intesa Sanpaolo completed the Offer for the repurchase of its own perpetual bond issued in 2017 for an original total nominal amount of 750 million euro. Upon the expiry of the Offer, the nominal amount of existing securities validly offered for repurchase amounted to 503,077,000 euro, equal to approximately 67.08% of the total nominal amount of existing securities in issue. Existing securities were repurchased concurrently with the new issue of a fixed-rate reset perpetual Additional Tier 1 bond denominated in euro for a total nominal amount of 1.25 billion euro.
In 2022, Intesa Sanpaolo had issued a new Additional Tier 1 Capital instrument of a nominal amount of 1 billion euro, with characteristics in line with the CRD IV regulations. In 2021, Intesa Sanpaolo also carried out early redemption of the Additional Tier 1 Capital instrument, issued in 2016, for a nominal value of 1.25 billion euro.
As part of the merger of Unione di Banche Italiane S.p.A., an Additional Tier 1 instrument was acquired, with a nominal amount of 400 million euro, with characteristics in line with the CRD IV regulations. That instrument was added to the four Additional Tier 1 capital issues from 2020, a nominal value of 750 million euro each. Finally, as previously reported, in 2017 a bond had been issued for 1.25 billion euro, intended for the international market, and in 2015 a bond had been issued for 1 billion USD, intended for the US and Canadian market.
These instruments also have characteristics in line with CRD IV provisions.

For the purpose of completeness, note that some of these issues of Additional Tier 1 equity instruments were repurchased as part of operations of the Bank on the secondary market of those instruments.

12.6 Other information

Pursuant to Art. 2433-bis, paragraph 4, of the Italian Civil Code, Intesa Sanpaolo distributed an interim dividend for 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 euro, 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).

See the specific chapter of these Financial Statements for information regarding the allocation of the net income for the year.

OTHER INFORMATION

1. Commitments and financial guarantees given (other than those designated at fair value)

(millions of euro)

	Commitments and financial guarantees given - nominal amount				31.12.2023	31.12.2022
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
1. Commitments to disburse funds	**287,044**	**12,899**	**708**	**1**	**300,652**	**309,238**
a) Central Banks	1,161	20	-	-	1,181	1,189
b) Public Administration	10,173	971	8	-	11,152	10,661
c) Banks	72,036	562	5	-	72,603	74,730
d) Other financial companies	56,895	5,283	12	-	62,190	66,483
e) Non-financial companies	139,489	5,758	657	1	145,905	147,115
f) Households	7,290	305	26	-	7,621	9,060
2. Financial guarantees given	**50,556**	**3,229**	**801**	**-**	**54,586**	**56,364**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	367	3	-	-	370	327
c) Banks	11,162	81	1	-	11,244	12,895
d) Other financial companies	2,475	297	2	-	2,774	2,752
e) Non-financial companies	36,286	2,826	794	-	39,906	40,103
f) Households	266	22	4	-	292	287

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 218,866 million euro in 2023).

2. Other commitments and other guarantees given

These are not present in Intesa Sanpaolo.

3. Assets pledged as collateral of liabilities and commitments

(millions of euro)

Portfolios	31.12.2023	31.12.2022
1. Financial assets measured at fair value through profit or loss	1,717	2,058
2. Financial assets measured at fair value through other comprehensive income	16,667	8,963
3. Financial assets measured at amortised cost	199,984	181,150
4. Property and equipment	-	-
of which: property and equipment that constitute inventories	-	-

4. Management and dealing on behalf of third parties

(millions of euro)

Type of service	31.12.2023
1. Trading on behalf of customers	
a) Purchases	361,098
1. settled	361,098
2. to be settled	-
b) Sales	347,575
1. settled	347,575
2. to be settled	-
2. Portfolio management	
a) individual	-
b) collective	-
3. Custody and afministration of securities	
a) third party securities held in deposit: related to depositary bank activities (excluding portfolio management)	-
1. securities issued by companies included in the consolidation area	-
2. other securities	-
b) third party securities held in deposit	665,627
1. securities issued by companies included in the consolidation area	56,560
2. other securities	609,067
c) third party securities deposited with third parties	659,292
d) portfolio securities deposited with third parties	183,562
4. Other	**574,575**

Sub-caption 4. Other transactions relates to receipt and transmission of orders and to placement activities.

Note regarding contractual clauses of financial payables

For details, reference should be made to the relevant section of the Notes to the consolidated financial statements.

5. Financial assets subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements

(millions of euro)

Types		Gross amount of financial assets (a)	Amount of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c = a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount 31.12.2023 (f=c-d-e)	Net amount 31.12.2022
					Financial instruments (d)	Cash collateral (e)		
1. Derivatives		92,315	-63,337	28,978	18,405	9,600	973	1,113
2. Repurchase agreements		25,882	-	25,882	25,732	16	134	594
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
TOTAL	**31.12.2023**	**118,197**	**-63,337**	**54,860**	**44,137**	**9,616**	**1,107**	**X**
TOTAL	**31.12.2022**	**143,031**	**-81,574**	**61,457**	**45,424**	**14,326**	**X**	**1,707**

6. Financial liabilities subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements

(millions of euro)

Types	Gross amount of financial liabilities (a)	Amount of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c=a-b)	Related amounts not subject to offsetting in the balance sheet		Net amount 31.12.2023 (f=c-d-e)	Net amount 31.12.2022
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives	90,952	63,337	27,615	18,190	8,388	1,037	1,616
2. Repurchase agreements	36,042	-	36,042	35,871	1	170	337
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31.12.2023	**126,994**	**63,337**	**63,657**	**54,061**	**8,389**	**1,207**	**X**
TOTAL 31.12.2022	**127,452**	**81,574**	**45,878**	**37,092**	**6,833**	**X**	**1,953**

IFRS 7, amended in 2013, requires specific disclosure for financial instruments that have been offset in the Balance Sheet pursuant to IAS 32 or that may be potentially offset, upon occurrence of specific conditions, but are recognised in the Balance Sheet without any netting since they are regulated by "master netting arrangements or similar agreements" that do not respect all of the criteria set forth by IAS 32, paragraph 42.
In this respect, Intesa Sanpaolo has netting arrangements in force that meet the requirements envisaged by IAS 32, paragraph 42, for netting in the financial statements.
In terms of instruments that may be potentially offset upon occurrence of such events and to be presented in Tables 5 and 6, it is noted that Intesa Sanpaolo uses bilateral netting arrangements that allow, in the event of counterparty default, the netting of claims and obligations in relation to financial and credit derivatives, as well as securities financing transactions (SFTs). In particular, there are ISDA agreements (for transactions in derivatives), GMRAs (for repurchase agreements) and GMSLAs (for securities lending).

With regard to securities lending transactions, only those transactions that require the payment of a cash guarantee fully available to the lender must be reported in tables 5 and 6, as this is the only type of transaction recognised in the Balance Sheet. Intesa Sanpaolo did not have any such transactions as at 31 December 2023.

For the purposes of preparing the tables and in compliance with the provisions of IFRS 7 and the provisions that govern the financial statements of banks, the following are noted:
- the effects of the potential offsetting of the balance sheet values of financial assets and liabilities are indicated under column (d) "Financial instruments", together with the fair value of financial collateral consisting of securities;
- the effects of the potential offsetting of the exposure with the relative cash collateral are included under column (e) Cash deposits pledged as collateral;
- repurchase agreement transactions are recognised in the tables based on the amortised cost measurement criterion, while the relative collateral is measured at fair value;
- derivatives transactions are recognised at fair value.

These effects are calculated for each individual counterparty included in a master netting arrangement, to the extent of the exposure indicated in column (c).

Based on the preparation methods indicated above, the netting arrangements between financial instruments and the relative collateral permit a significant reduction in credit/debt exposure to the counterparty, as indicated under column (f) Net amount.

7. Securities lending transactions

The securities lending accessory banking service, offered by Intesa Sanpaolo to its customers (natural persons, legal entities and commercial entities), is worth mentioning. The contract envisages transfer of the ownership exclusively of government bonds and equity instruments, with the obligation for Intesa Sanpaolo to return them, paying a consideration amount as remuneration for their availability. The transaction has no speculative purposes.
As at 31 December 2023, the collateral of transactions amounted to 26 million euro.

8. Disclosure on joint-control assets

Intesa Sanpaolo has no joint-control assets.

Part C – Information on the Parent Company's income statement

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1 Interest and similar income: breakdown

(millions of euro)

Captions/Types	Debt securities	Loans	Other transactions	2023	2022
1. Financial assets measured at fair value through profit or loss	**169**	**48**	**-**	**217**	**41**
1.1 Financial assets held for trading	154	6	-	160	4
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	15	42	-	57	37
2. Financial assets measured at fair value through other comprehensive income	**1,031**	**87**	**X**	**1,118**	**564**
3. Financial assets measured at amortised cost	**1,500**	**18,781**	**X**	**20,281**	**9,278**
3.1 Due from banks	28	4,512	X	4,540	911
3.2 Loans to customers	1,472	14,269	X	15,741	8,367
4. Hedging derivatives	**X**	**X**	**2,606**	**2,606**	**-558**
5. Other assets	**X**	**X**	**764**	**764**	**249**
6. Financial liabilities	**X**	**X**	**X**	**1**	**791**
Total	**2,700**	**18,916**	**3,370**	**24,987**	**10,365**
of which: interest income on impaired financial assets	*1*	*428*	*-*	*429*	*392*
of which: interest income on financial lease	*X*	*387*	*X*	*387*	*308*

Interest income also includes interest on debt securities used in repurchase agreements.
Interest income on impaired financial assets relate almost entirely to loans to customers and also include interest due to the passing of time, equal to 165 million euro (time value).
The caption Hedging derivatives includes the differentials on hedging transactions, which adjust interest income recognised on hedged financial instruments.
"Financial liabilities" include 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 in the amount of 592 million euro. For further details, please refer to Part A – Accounting policies of these Notes, in the paragraph "TLTRO III".
Finally, the caption Financial assets measured at amortised cost, sub-caption Due from banks, includes interest on "on demand" loans due from banks and central banks classified in the balance sheet to the caption Cash and cash equivalents.

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

As at 31 December 2023, interest income on foreign currency financial assets amounted to 3,161 million euro.

1.3 Interest and similar expense: breakdown

(millions of euro)

Captions/Types	Debts	Securities	Other transactions	2023	2022
1. Financial liabilities measured at amortised cost	**7,672**	**3,225**	**X**	**10,897**	**2,675**
1.1 Due to Central Banks	2,042	X	X	2,042	64
1.2 Due to banks	3,192	X	X	3,192	638
1.3 Due to customers	2,438	X	X	2,438	348
1.4 Securities issued	X	3,225	X	3,225	1,625
2. Financial liabilities held for trading	**1**	**-**	**-**	**1**	**39**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and allowances	**X**	**X**	**86**	**86**	**45**
5. Hedging derivatives	**X**	**X**	**3,470**	**3,470**	**-143**
6. Financial assets	**X**	**X**	**X**	**16**	**545**
Total	**7,673**	**3,225**	**3,556**	**14,470**	**3,161**
of which: interest expense on lease liabilities	*18*	*X*	*X*	*18*	*14*

"Amounts due to Central Banks" include interest expense on TLTRO financing operations of 1,956 million euro as at 31 December 2023. For further details, please refer to 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.

1.4 Interest and similar expense: other information

1.4.1 Interest expense on foreign currency financial liabilities

As at 31 December 2023, interest expense on foreign currency financial liabilities amounted to 2,083 million euro.

1.5 Differentials on hedging transactions

(millions of euro)

Captions	2023	2022
A. Positive differentials on hedging transactions	8,141	3,497
B. Negative differentials on hedging transactions	-9,005	-3,912
C. Balance (A-B)	**-864**	**-415**

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

(millions of euro)

Type of service/Amounts	2023	2022
a) Financial instruments	**1,206**	**1,251**
1. Placement of securities	1,033	1,091
1.1 Through underwriting and/or on a firm commitment basis	28	28
1.2 Without firm commitment	1,005	1,063
2. Reception and transmission of orders and execution of orders on behalf of customers	173	160
2.1 Reception and transmission of orders for one or more financial instruments	57	54
2.2 Execution of orders on behalf of customers	116	106
3. Other fee and commission income related to activities connected to financial instruments	-	-
of which: dealing on own account	-	-
of which: individual portfolio management	-	-
b) Corporate Finance	**1**	**1**
1. M&A advisory	1	1
2. Treasury services	-	-
3. Other fee and commission income related to corporate finance services	-	-
c) Investment advice	**166**	**132**
d) Clearing and settlement	**-**	**-**
e) Custody and administration	**48**	**44**
1. Depositary bank	-	-
2. Other fee and commission income related to custody and administration services	48	44
f) Central administrative services for collective portfolio management	**-**	**-**
g) Fiduciary services	**-**	**-**
h) Payment services	**2,437**	**2,420**
1. Current accounts	1,193	1,249
2. Credit cards	458	419
3. Debit cards and other payment cards	208	193
4. Credit transfers and other payment orders	283	276
5. Other fee and commission income related to payment services	295	283
i) Distribution of third-party services	**960**	**1,051**
1. Collective portfolio management	-	-
2. Insurance products	809	877
3. Other products	151	174
of which: individual portfolio management	*86*	*100*
j) Structured finance	**76**	**71**
k) Servicing related to securitisations	**5**	**1**
l) Commitments to disburse funds	**-**	**-**
m) Financial guarantees given	**438**	**438**
of which: credit derivatives	-	-
n) Financing transactions	**710**	**833**
of which: for factoring transactions	*76*	*81*
o) Currency dealing	**8**	**10**
p) Commodities	**-**	**-**
q) Other fee and commission income	**125**	**126**
of which: for management of multilateral trading facilities	-	-
of which: for management of organised trading facilities	-	-
Total	**6,180**	**6,378**

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 income: distribution channels of products and services

(millions of euro)

Channels/Amounts	2023	2022
a) Group branches	**1,920**	**2,092**
1. portfolio management	-	-
2. placement of securities	1,000	1,063
3. third party services and products	920	1,029
b) "Out-of-Branch" offer	**69**	**46**
1. portfolio management	-	-
2. placement of securities	29	24
3. third party services and products	40	22
c) Other distribution channels	**4**	**4**
1. portfolio management	-	-
2. placement of securities	4	4
3. third party services and products	-	-

2.3 Fee and commission expense: breakdown

(millions of euro)

	2023	2022
a) Financial instruments	**92**	**95**
of which: trading in financial instruments	*33*	*41*
of which: placement of financial instruments	*59*	*54*
of which: individual portfolio management	-	-
- Own portfolio	-	-
- Third-party portfolio	-	-
b) Clearing and settlement	**34**	**31**
c) Custody and administration	**56**	**51**
d) Collection and payment services	**391**	**373**
of which: credit cards, debit cards and other payment cards	*293*	*277*
e) Servicing related to securitisations	**-**	**-**
f) Commitments to receive funds	**-**	**-**
g) Financial guarantees received	**340**	**246**
of which: credit derivatives	*21*	*27*
h) "Out-of-branch" offer of financial instruments, products and services	**31**	**22**
i) Currency dealing	**5**	**6**
j) Other fee and commission expense	**157**	**153**
Total	**1,106**	**977**

As required by IFRS 15, paragraph 116 b), it is noted that fee and commission income includes the revenues recognised during the year included in the opening balance of liabilities deriving from contracts with customers in the amount of 90 million euro.
In line with paragraph 116 c) of IFRS 15, revenues deriving from performance obligations satisfied in the previous years are included, amounting to 3 million euro.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(millions of euro)

Captions/Income	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	6	100	6	119
C. Financial assets measured at fair value through other comprehensive income	62	-	61	-
D. Investments in associates and companies subject to joint control	4,069	-	2,719	1
Total	**4,169**	**100**	**2,825**	**120**

Sub-caption B. Other financial assets mandatorily measured at fair value includes 6 million euro of dividends on equities and 100 million euro of income on quotas of closed-end funds.

Sub-caption "D. Equity investments" includes the dividends distributed by the subsidiaries and associates:
– Fideuram - Intesa Sanpaolo Private Banking S.p.A. for 2,100 million euro;
– Intesa Sanpaolo Holding International S.A. for 710 million euro;
– Eurizon Capital SGR S.p.A. for 572 million euro;
– Intesa Sanpaolo Vita S.p.A. for 504 million euro;
– CIB Bank Ltd for 66 million euro;
– Private Equity International S.A. for 34 million euro;
– Prestitalia S.p.A. for 20 million euro;
– Intrum Italy S.p.A. for 17 million euro;
– Intesa Sanpaolo Bank Albania Sh.A. for 17 million euro;
– Isybank S.p.A. per 12 million euro;
– other equity investments for 17 million euro.

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

4.1 Profits (Losses) on trading: breakdown

(millions of euro)

Transactions/Income components	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial trading assets	**397**	**596**	**-76**	**-420**	**497**
1.1 Debt securities	255	423	-49	-358	271
1.2 Equities	96	153	-26	-56	167
1.3 Quotas of UCI	21	20	-	-6	35
1.4 Loans	-	-	-1	-	-1
1.5 Other	25	-	-	-	25
2. Financial liabilities held for trading	**28**	**17**	**-433**	**-40**	**-428**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	16	-	-303	-	-287
2.3 Other	12	17	-130	-40	-141
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-10**
4. Derivatives	**44,052**	**70,113**	**-45,338**	**-68,255**	**398**
4.1 Financial derivatives:	42,686	68,563	-44,093	-66,811	171
- on debt securities and interest rates	*41,986*	*57,961*	*-40,420*	*-59,168*	*359*
- on equities and stock indexes	*267*	*8,655*	*-3,092*	*-5,899*	*-69*
- on currencies and gold	*X*	*X*	*X*	*X*	*-174*
- other	*433*	*1,947*	*-581*	*-1,744*	*55*
4.2 Credit derivatives	1,366	1,550	-1,245	-1,444	227
of which: natural hedging associated with the fair value option	*X*	*X*	*X*	*X*	*-*
Total	**44,477**	**70,726**	**-45,847**	**-68,715**	**457**

Profits and losses on Financial assets held for trading are shown for each single purchase or sale, in line with the method of accounting recognition used by the Bank, and include the results of both long and short positions.
"Net result" includes profits, losses, revaluations and write-downs on currency transactions and currency and gold derivatives.

The net result of the exchange differences on Financial assets and liabilities, reported in sub-caption 3, is connected to the result of sub-caption 4.1 relating to Derivatives - Financial derivatives on currencies and gold, which includes the results of the related operational hedges taken out by the Bank on foreign exchange risk using financial trading derivatives. Similarly, the result in Financial derivatives on debt securities and interest rates should be viewed in conjunction with the results of the Financial assets held for trading in Debt securities and Financial liabilities held for trading in Payables (short selling of securities) respectively, as these transactions are operationally linked to each other.

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 Fair value adjustments in hedge accounting: breakdown

(millions of euro)

Income component/Amount	2023	2022
A. Income from:		
A.1 fair value hedge derivatives	6,819	23,986
A.2 financial assets hedged (fair value)	6,572	6
A.3 financial liabilities hedged (fair value)	-	12,885
A.4 cash flow hedge: derivatives	-	-
A.5 currency assets and liabilities	-	-
Total income from hedging (A)	**13,391**	**36,877**
B. Expenses for		
B.1 fair value hedge derivatives	-7,219	-13,360
B.2 financial assets hedged (fair value)	-21	-23,490
B.3 financial liabilities hedged (fair value)	-6,208	-
B.4 cash flow hedge: derivatives	-	-
B.5 currency assets and liabilities	-	-
Total expense from hedging (B)	**-13,448**	**-36,850**
C. Fair value adjustments in hedge accounting (A - B)	**-57**	**27**
of which: fair value adjustments in hedge accounting on net positions	-	-

Intesa Sanpaolo has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges). For this reason, table 5.1 Fair value adjustments in hedge accounting: breakdown, contains no amounts in the row "of which: profits (losses) on hedges of net positions" envisaged for parties that apply IFRS 9 also to hedges.

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

6.1 Profits (Losses) on disposal or repurchase: breakdown

(millions of euro)

Captions/Income components	2023			2022		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	183	-259	-76	419	-269	150
1.1 Due from banks	*3*	*-*	*3*	*1*	*-9*	*-8*
1.2 Loans to customers	*180*	*-259*	*-79*	*418*	*-260*	*158*
2. Financial assets measured at fair value through other comprehensive income	289	-105	184	209	-477	-268
2.1 Debt securities	*289*	*-69*	*220*	*208*	*-464*	*-256*
2.2 Loans	*-*	*-36*	*-36*	*1*	*-13*	*-12*
Total assets	**472**	**-364**	**108**	**628**	**-746**	**-118**
B. Financial liabilities measured at amortised 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	**51**	**-15**	**36**	**49**	**-21**	**28**

The Net result on Financial assets measured at amortised cost in sub-caption 1.2 Loans to customers mainly relates to the sale on the market of government debt securities and a portfolio of non-performing loans to an SPV formed pursuant to Law No. 130/99.
The Net result on Financial assets measured at fair value through other comprehensive income in sub-caption 2.1 Debt securities relates to profits and losses mainly deriving from the sale of government debt securities.
Profits and losses on Financial assets measured at fair value through other comprehensive income, represented by debt securities, are shown for each single purchase or sale, in line with the method of accounting recognition used by the Bank.

SECTION 7 – PROFITS (LOSSES) ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - CAPTION 110

7.1 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

(millions of euro)

Transactions/Income components	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result 2023
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**158**	**2**	**-660**	**-325**	**-825**
2.1 Securities issued	157	2	-660	-325	-826
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	1	-	-	-	1
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**19**
Total	**158**	**2**	**-660**	**-325**	**-806**

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 measure counterparty risk, reference should be made to Part A.4 - Information on fair value of the Notes to the financial statements.

7.2 Net change in the value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

(millions of euro)

Transactions/Income components	Revaluations	Gains on disposal	Write-downs	Losses on trading	Net result
1. Financial assets	**216**	**43**	**-313**	**-51**	**-105**
1.1 Debt securities	14	19	-9	-	24
1.2 Equities	68	-	-88	-	-20
1.3 Quotas of UCI	104	5	-67	-7	35
1.4 Loans	30	19	-149	-44	-144
2. Financial assets: foreign exchange differences	**X**	**X**	**X**	**X**	**-22**
Total	**216**	**43**	**-313**	**-51**	**-127**

SECTION 8 – NET LOSSES/RECOVERIES FOR CREDIT RISK – CAPTION 130

8.1 Net adjustments for credit risk associated with financial assets measured at amortised cost: breakdown

(millions of euro)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				2023	2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3 0	Purchased or originated credit-impaired 0.00		
			Write-off	Other	Write-off	Other						
A. Credit to banks	**-3**	**-**	**-**	**-**	**-**	**-**	**11**	**5**	**2**	**-**	**15**	**-18**
- Loans	-3	-	-	-	-	-	11	4	2	-	14	-16
- Debt securities	-	-	-	-	-	-	-	1	-	-	1	-2
B. Credit to clients	**-254**	**-705**	**-64**	**-1,647**	**-5**	**-19**	**218**	**832**	**382**	**10**	**-1,252**	**-1,656**
- Loans	-247	-642	-64	-1,644	-5	-19	207	829	382	10	-1,193	-1,650
- Debt securities	-7	-63	-	-3	-	-	11	3	-	-	-59	-6
Total	**-257**	**-705**	**-64**	**-1,647**	**-5**	**-19**	**229**	**837**	**384**	**10**	**-1,237**	**-1,674**

8.2 Net adjustments for credit risk associated with financial assets measured at fair value through other comprehensive income: breakdown

(millions of euro)

Transactions/Income components	IMPAIRMENT LOSSES						RECOVERIES				2023	2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1 0	Stage 2 0	Stage 3	Purchased or originated credit-impaired		
			Write-off	Other	Write-off	Other						
A. Debt securities	**-8**	**-22**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**-28**	**-22**
B. Loans	**-1**	**-8**	**-**	**-**	**-**	**-**	**6**	**16**	**-**	**-**	**13**	**-26**
- to customers	-1	-8	-	-	-	-	6	16	-	-	13	-26
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-9**	**-30**	**-**	**-**	**-**	**-**	**8**	**16**	**-**	**-**	**-15**	**-48**

SECTION 9 – PROFITS/LOSSES FROM CHANGES IN CONTRACTS WITHOUT DERECOGNITION – CAPTION 140

9.1 Profits (Losses) from changes in contracts: breakdown

Within profits (losses) from changes in contracts without derecognition, profits of 24 million euro (17 million euro in the year ended 31 December 2022) were recognised.

SECTION 10 - ADMINISTRATIVE EXPENSES - CAPTION 160

10.1 Personnel expenses: breakdown

(millions of euro)

Type of expense	2023	2022
1) Employees	**5,646**	**5,406**
a) wages and salaries	3,849	3,814
b) social security charges	1,034	996
c) termination indemnities	43	32
d) supplementary benefits	-	-
e) provisions for termination indemnities	28	17
f) provisions for post employment benefits	8	8
- defined contribution plans	-	-
- defined benefit plans	*8*	*8*
g) payments to external pension funds	339	324
- defined contribution plans	*339*	*324*
- defined benefit plans	-	-
h) costs from share based payments	149	129
i) other benefits in favour of employees	196	86
2) Other non-retired personnel	**9**	**9**
3) Directors and statutory auditors	**7**	**7**
4) Early retirement costs	**-**	**-**
5) Recovery of expenses for employees seconded to other companies	**-74**	**-78**
6) Reimbursement of expenses for third party employees seconded to the company	**11**	**12**
Total	**5,599**	**5,356**

Provisions to employee termination indemnities determined on the basis of Art. 2120 of the Italian Civil Code amounted to 18 million euro.

10.2 Average number of employees by categories

	2023	2022
Personnel employed	**59,972**	**61,517**
a) managers	1,012	1,004
b) total officers	26,095	26,582
c) other employees	32,865	33,931
Other personnel	**26**	**26**
TOTAL	**59,998**	**61,543**

The change in the average number of employees was due to the downsizing of the headcount during the year.

10.3 Post-employment defined benefit plans: costs and revenues

(millions of euro)

	2023			2022		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-3	-2	-1	-13	-2	-2
Interest expense	-25	-5	-32	-4	-3	-16
Interest income	-	4	28	-	3	13
Reimbursement from third parties	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-1
Curtailment of the fund	X	-	-	X	-	-
Settlement of the fund	X	-	-	X	-	-

This table illustrates the economic components referred to Employee termination indemnities – caption 90 of Balance sheet liabilities and Allowances for risks and charges - post employment benefits – caption 100b of Balance sheet liabilities.

10.4 Other benefits in favour of employees

Other benefits in favour of employees as at 31 December 2023 totalled 197 million euro. The amount relates essentially to contributions for health care, the canteen contribution, including meal vouchers, and adjustments to liabilities to reflect agreements on voluntary exit incentives signed with the trade unions, mainly resulting from the time value of discounting.

10.5 Other administrative expenses: breakdown

(millions of euro)

Type of expense/Amount	2023	2022
Expenses for maintenance of information technology and electronic equipment	617	599
Telephonic, teletransmission and transmission expenses	40	40
Information technology expenses	**657**	**639**
Rentals and service charges - real estate	33	31
Security services	24	26
Cleaning of premises	35	39
Expenses for maintenance of real estate assets furniture and equipment	61	62
Energy costs	148	64
Property costs	6	7
Management of real estate assets expenses	**307**	**229**
Printing, stationery and consumables expenses	11	12
Transport and related services expenses (including counting of valuables)	70	69
Information expenses	189	179
Postal and telegraphic expenses	32	35
General structure costs	**302**	**295**
Expenses for consultancy fees	88	108
Legal and judiciary expenses	98	113
Insurance premiums - banks and customers	50	53
Professional and legal expenses	**236**	**274**
Advertising and promotional expenses	**153**	**137**
Services rendered by third parties	**294**	**283**
Indirect personnel costs	**139**	**93**
Other costs	**30**	**24**
Other costs	**85**	**98**
Contributions to resolution funds and deposit guarantee schemes	**612**	**683**
Taxes and duties	**759**	**735**
Recovery of other expenses	**-19**	**-19**
Total	**3,555**	**3,471**

The amount of the sub-caption Rentals and service charges - real estate relates to contracts with a total lease term of 12 months or less and to contracts with a value of the underlying asset, when new, of 5,000 euro or less ("low value"). In such cases, as allowed by IFRS 16, the lease payments for these leases are recognised as an expense on a straight-line basis for the contract term.

SECTION 11 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 170

11.1 Net provisions for credit risk associated with loan commitments and financial guarantees given: breakdown

(millions of euro)

	Provision	Reallocations	Net provision
Stage1	-32	31	-1
Stage2	-48	89	41
Stage3	-59	37	-22
Total	**-139**	**157**	**18**

11.2 Net provisions associated with other commitments and other guarantees given: breakdown

This case was not present.

11.3 Net provisions for other risks and charges: breakdown

(millions of euro)

	Provisions	Reallocations	Net provision
Net provisions for legal disputes	-150	99	-51
Net provisions for other personnel charges	-	-	-
Net provisions for risks and charges	-80	67	-13
Total	**-230**	**166**	**-64**

"Net provisions for risks and charges", which amounted to a negative 64 million euro, recorded the provisions attributable to the year relating to legal and tax disputes and other risks and charges, net of reallocations.

In particular, the sub-caption Net provisions for legal disputes includes provisions for legal disputes, including bankruptcy claw-back actions and other disputes, net of releases for the year.

The sub-caption "Other net provisions for risks and charges" mainly includes, among provisions, charges relating to prize competitions and, among reallocations, the partial release (+44 million euro due to the reduction by Pravex of credit exposures, fully written down in previous years, as disclosed in Part E of the Notes to the consolidated financial statements) of the provision for indirect risks associated with the equity investment in Pravex Bank Joint-Stock Company in relation to the ongoing conflict, in order to align the values to the investee's contribution to the consolidated financial statements.

SECTION 12 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT - CAPTION 180

12.1 Net adjustments to property and equipment: breakdown

(millions of euro)

Assets/Income components	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Used in operations	-460	-9	-	-469
- Owned	*-298*	*-9*	*-*	*-307*
- Licenses acquired through lease	*-162*	*-*	*-*	*-162*
A.2 Investment property	-	-	-	-
- Owned	*-*	*-*	*-*	*-*
- Licenses acquired through lease	*-*	*-*	*-*	*-*
A.3 Inventories	X	-6	-	-6
B. Non-current assets held for sale	X	-	-	-
Total	**-460**	**-15**	**-**	**-475**

Depreciation of rights of use acquired under leases is associated with application of the accounting standard IFRS 16, which entered into effect on 1 January 2019. Please note that as at 31 December 2023 the analysis of factors internal and external to the Company did not indicate any impairment of rights of use (RoUs). Reference should be made to Part A – "Accounting policies".

Impairment losses on inventories refer to the impairment of certain repossessed properties.

SECTION 13 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 190

13.1 Net adjustments to intangible assets: breakdown

(millions of euro)

Assets/Income components	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
of which: software	*-792*	*-8*	*-*	*-800*
A.1 Owned	-813	-8	-	-821
- Internally generated	-689	-7	-	-696
- Others	-124	-1	-	-125
A.2 Rights of use acquired through the lease	-	-	-	-
B. Non-current assets held for sale	**X**	**-**	**-**	**-**
Total	**-813**	**-8**	**-**	**-821**

With regard to the method of the impairment testing for intangible assets and related impairment recognised to the income statement, see Part B – Section 9 – Intangible Assets in these Notes to the financial statements.

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.

SECTION 14 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 200

14.1 Other operating expenses: breakdown

(millions of euro)

Type of expense/Amount	
Amortisation of leasehold improvements	23
Other expenses for consumer credit and leasing transactions	15
Settlements for legal disputes	10
Other	214
Total 2023	**262**
Total 2022	**227**

"Other" includes losses and write-downs on precious metals and gold of approximately 40 million euro.

14.2 Other operating income: breakdown

(millions of euro)

Type of expense/Amount	
Recovery of taxes and duties	595
Recovery of services rendered to third parties	222
Rentals and recovery of expenses on real estate	54
Recovery of other expenses	26
Income related to consumer credit and leasing	21
Recovery of insurance costs	7
Other	126
Total 2023	**1,051**
Total 2022	**1,023**

"Other" includes profits and revaluations on precious metals and gold of approximately 46 million euro.

As required by paragraph 116 c) of IFRS 15, revenues deriving from performance obligations satisfied in the previous years are included, amounting to 19 million euro.

SECTION 15 – PROFITS (LOSSES) ON EQUITY INVESTMENTS - CAPTION 220

15.1 Profits (Losses) on equity investments: breakdown

(millions of euro)

Income component/Amount	2023	2022
A. Revenues	**260**	**203**
1. Revaluations	-	-
2. Profits on disposal	234	198
3. Recoveries	26	5
4. Other	-	-
B. Charges	**-140**	**-197**
1. Write-downs	-	-
2. Impairment losses	-140	-196
3. Losses on disposal	-	-1
4. Other	-	-
Net result	**120**	**6**

The sub-caption A.2. "Profits on disposal" refers to Zhong Ou Asset Management Company Ltd. for 231 million euro and to Intesa Sanpaolo Casa S.p.A. for 3 million euro.

The sub-caption A.3. "Recoveries" refers to the equity investments in FI.NAV Sub-Fund A - Loans for 14 million euro and in RSCT Fund Loans Sub-Fund for 12 million euro.

Sub-caption B.2. "Impairment losses" refers to the impairment losses on the equity investments in: Intrum Italy S.p.A. for 75 million euro, UTP Italia Fund - Loans Sub-Fund for 18 million euro, Qingdao Yicai Fund Distribution Co. Ltd. for 15 million euro, Back2Bonis for 14 million euro, IN.FRA - Investire nelle Infrastrutture S.r.l. – in liquidation, for 10 million euro, Centai Institute S.p.A. for 3 million euro and other minority equity investments for 5 million euro.

SECTION 16 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – CAPTION 230

16.1 Valuation differences on property, equipment and intangible assets measured at fair value or estimated realisable value: breakdown

(millions of euro)

Assets/Income component	Revalutations	Write-downs	Foreign exchange differences		Net result
			Positive	Negative	
A. Property and equipment	**30**	**-41**	**-**	**-**	**-11**
A.1 Used in operations:	20	-27	-	-	-7
- Owned	*20*	*-27*	-	-	*-7*
- Licenses acquired through lease	-	-	-	-	-
A.2 Investment:	10	-14	-	-	-4
- Owned	*10*	*-14*	-	-	*-4*
- 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	**30**	**-41**	**-**	**-**	**-11**

SECTION 17 – GOODWILL IMPAIRMENT - CAPTION 240

17.1 Goodwill impairment: breakdown

During the year, no impairment of goodwill was recognised. For a description of the impairment testing methods for goodwill, reference should be made to Part B - Assets - Section 9 - Intangible Assets.

SECTION 18 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 250

18.1 Profits (Losses) on disposal of investments: breakdown

(millions of euro)

Income component/Amount	2023	2022
A. Real estate assets	**-1**	**2**
- profits on disposal	1	4
- losses on disposal	-2	-2
B. Other assets	**-**	**-1**
- profits on disposal	-	-
- losses on disposal	-	-1
Net result	**-1**	**1**

SECTION 19 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 270

19.1 Taxes on income from continuing operations: breakdown

(millions of euro)

Income component/Amount	2023	2022
1. Current taxes (-)	-489	-365
2. Changes in current taxes of previous years (+/-)	87	60
3. Reduction in current taxes of the year (+)	-	-
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 (+/-)	-1,306	-1,188
5. Changes in deferred tax liabilities (+/-)	-34	83
6. Taxes on income for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**-1,351**	**-559**

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 S.p.A. 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.

19.2 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	8,643	4,844
Income (Loss) before tax from discontinued operations	-	-
Theoretical taxable income	**8,643**	**4,844**

	Taxes (a)	Impact (%) on theoretical taxable income
Income taxes - theoretical tax expense (income) [b]	**2,857**	**33.1**
Increases of taxes	**148**	**1.7**
Non-deductible cost	50	0.6
Loss on investments	30	0.3
Other	68	0.8
Decreases of taxes	**-1,654**	**-19.2**
Lower IRAP taxable income	-86	-1.0
Non-taxed capital gains on equity investments	-80	-0.9
Tax-exempt portion of dividends	-1,064	-12.3
Other	-424	-5.0
Total change in taxes	**-1,506**	**-17.5**
Total tax expense (income) for the period	**1,351**	**15.6**
of which: - effective tax expense (income) from continuing operations	**1,351**	**15.6**
- effective tax expense (income) from discontinued operations	**-**	**-**

(a) Tax expenses are indicated with a positive sign and tax income with a negative sign.

(b) Includes IRES ordinary tax 24%, IRES additional rate 3.5% and IRAP weighted average rate 5.56%.

SECTION 20 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 290

This case was not present for the Bank.

SECTION 21 – OTHER INFORMATION

There is no information further to that already provided in the previous sections.

SECTION 22 – EARNINGS PER SHARE

For details, reference should be made to the relevant section of the Notes to the consolidated financial statements.

Part D – Comprehensive income

(millions of euro)

	Statement of comprehensive income	2023	2022
10	**Net income (loss)**	**7,292**	**4,284**
	Other comprehensive income that may not be reclassified to the income statement	**-159**	**267**
20	Equity instruments measured at fair value through other comprehensive income	-259	-84
	a) fair value changes	*-254*	*-509*
	b) transfer to other components of shareholders' equity	*-5*	*425*
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	136	176
60	Intangible assets	-	-
70	Defined benefit plans	77	187
80	Non-current assets held for sale and discontinued operations	-	-
90	Share of valuation reserves connected with investments carried at equity	-	-
100	Income taxes associated with other comprehensive income that may not be reclassified to the income statement	6	-44
	Other comprehensive income that may be reclassified to the income statement	**253**	**-1,044**
110	Hedges of foreign investments:	-	-
	a) fair value changes	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
120	Foreign exchange differences:	-	-
	a) value change	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
130	Cash flow hedges:	136	289
	a) fair value changes	*120*	*444*
	b) reclassification to the income statement	*16*	*-155*
	c) other changes	-	-
	of which: gains (losses) on net positions	-	-
140	Hedging instruments (not designated elements)	-	-
	a) value change	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
150	Financial assets (other than equities) measured at fair value through other comprehensive income	241	-1,847
	a) fair value changes	*427*	*-2,160*
	b) reclassification to the income statement	*-186*	*313*
	- adjustments for credit risk	*14*	*44*
	- gains/losses on disposals	*-200*	*269*
	c) other changes	-	-
160	Non-current assets held for sale and discontinued operations	-	-
	a) fair value changes	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
170	Share of valuation reserves connected with investments carried at equity:	-	-
	a) fair value changes	-	-
	b) reclassification to the income statement	-	-
	- impairment losses	-	-
	- gains/losses on disposals	-	-
	c) other changes	-	-
180	Income taxes associated with other comprehensive income that may be reclassified to the income statement	-124	514
190	**Total other comprehensive income**	**94**	**-777**
200	**Comprehensive income (Captions 10+190)**	**7,386**	**3,507**

Part E – Information on risks and relative hedging policies

INTRODUCTION

This part of the Notes to the Parent Company's financial statements provides the quantitative information on risks relative to the Parent Company, Intesa Sanpaolo. For qualitative information regarding the methods whereby risks are managed and monitored, the organisation of the Bank's risk governance, the associated processes and key functions, the culture of risk-awareness at the Bank and the methods whereby it is ensured that this culture is spread, the main risks associated with the Bank's business model, the risk appetite and the methods whereby such risks are managed and the use of stress tests within risk governance strategies, refer to Part E of the Notes to the consolidated financial statements.
The qualitative and quantitative disclosure is presented according to the order established by Bank of Italy Circular 262, which specifically regulates not only the format of the tables but also the sequence of the various topics, except for the section relating to market risks in relation to the application of internal models.

SECTION 1 – CREDIT RISK

QUALITATIVE INFORMATION

Qualitative information on Intesa Sanpaolo's credit quality is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information about credit quality, the term "credit exposures" is understood to exclude equities and quotas of UCI.
The term "on-balance sheet credit exposures" refers to all the on-balance sheet financial assets due from banks or customers, irrespective of the accounting portfolio they are allocated to (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortised cost, or discontinued financial assets). Although on demand receivables due from banks and central banks come under the definition of on-balance sheet exposures, by convention they are not included in the tables in Section 1, except in cases specifically identified by Bank of Italy Circular 262, where they must be considered.
The term "off-balance sheet exposures" refers to all the financial transactions that are not on the balance sheet (guarantees given, revocable and irrevocable commitments, derivatives, etc.) but entail the assumption of credit risk, regardless of the purpose of those transactions (trading, hedging, etc.). The off-balance sheet credit exposures also include the counterparty risk associated with any securities lending transactions. Where necessary, the counterparty risk associated with exposures relating to repurchase agreements, transactions involving the granting or assumption of goods on loan, and loans with margins falling within the notion of securities financing transactions defined by the prudential regulations, is also reported.
Non-performing credit exposures (on-balance sheet and off-balance sheet) do not include financial assets held for trading and hedging derivatives, which are therefore normally recognised as performing credit exposures.

A.1 Performing and non-performing credit exposures: amounts, adjustments, changes, and economic breakdown

A.1.1 Breakdown of financial assets by portfolio classification and credit quality (book values)

(millions of euro)

Portfolios/quality		Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	TOTAL
1. Financial assets measured at amortised cost		773	3,220	369	2,612	444,781	451,755
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	50,798	50,798
3. Financial assets designated at fair value		-	-	-	-	1	1
4. Other financial assets mandatorily measured at fair value		1	46	-	1	604	652
5. Non-current financial assets held for sale		-	122	-	-	17	139
Total	**31.12.2023**	**774**	**3,388**	**369**	**2,613**	**496,201**	**503,345**
Total	**31.12.2022**	**965**	**3,985**	**329**	**2,852**	**492,886**	**501,017**

A.1.2 Breakdown of financial assets by portfolio classification and credit quality (gross and net values)

(millions of euro)

Portfolios/quality	NON-PERFORMING ASSETS				PERFORMING ASSETS			TOTAL (net exposure)
	Gross exposure	Overall writedowns of value	Net exposure	Overall partial write-off	Gross exposure	Overall writedowns of value	Net exposure	
1. Financial assets valued to amortized cos	8,411	-4,049	4,362	1,724	449,131	-1,738	447,393	451,755
2. Financial assets valued to fair value with impact on overall profitability	36	-36	-	-	50,858	-60	50,798	50,798
3. Financial assets designated to fair value	-	-	-	-	X	X	1	1
4. Other financial assets mandatorily valuated to fair value	77	-30	47	-	X	X	605	652
5. Financial assets as held for sale	163	-41	122	-	18	-1	17	139
Total 31.12.2023	**8,687**	**-4,156**	**4,531**	**1,724**	**500,007**	**-1,799**	**498,814**	**503,345**
Total 31.12.2022	**9,968**	**-4,689**	**5,279**	**2,984**	**496,761**	**-1,929**	**495,738**	**501,017**

(millions of euro)

Portfolios/quality	ASSETS OF EVIDENTLY LOW CREDIT QUALITY		OTHER ASSETS
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-19	17	37,124
2. Hedging derivatives	-	-	6,225
Total 31.12.2023	**-19**	**17**	**43,349**
Total 31.12.2022	**-27**	**21**	**52,177**

A.1.3 Breakdown of financial assets by past-due brackets (book value)

(millions of euro)

Portfolios/risk stages	STAGE 1			STAGE 2			STAGE 3			PURCHASED OR ORIGINATED CREDIT-IMPAIRED		
	Between 1 and 30 days	Between 30 and 90 days	Over 90 days	Between 1 and 30 days	Between 30 and 90 days	Over 90 days	Between 1 and 30 days	Between 30 and 90 days	Over 90 days	Between 1 and 30 days	Between 30 and 90 days	Over 90 days
1. Financial assets measured at amortised cost	1,083	159	193	555	486	133	101	172	2,537	3	2	104
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Non-current financial assets held for sale	-	-	-	-	-	-	-	-	17	-	-	-
Total 31.12.2023	**1,083**	**159**	**193**	**555**	**486**	**133**	**101**	**172**	**2,554**	**3**	**2**	**104**
Total 31.12.2022	**1,326**	**128**	**294**	**498**	**358**	**119**	**146**	**147**	**2,824**	**4**	**3**	**156**

The values of assets more than 90 days past due, relating to exposures classified in stage 1 and 2 refer to loans that do not meet the conditions to be classified under non-performing past due exposures (below the materiality threshold).

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions

(millions of euro)

Reasons/risk stages	**TOTAL ADJUSTMENTS**											
	Stage 1 assets						**Stage 2 assets**					
	On demand due from banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*	On demand due from banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*
Total opening adjustments	**2**	**485**	**22**	**-**	***509***	**-**	**-**	**1,371**	**47**	**-**	***1,418***	**-**
Changes in increase from financial assets acquired or originated	-	180	8	-	*188*	-	-	-	2	-	*2*	-
Cancellations other than write-offs	-	-57	-5	-	*-62*	-	-	-257	-33	-	*-290*	-
Net value adjustments / write-backs for credit risk	-	-89	-5	-	*-94*	-	-	65	27	-	*92*	-
Contractual changes without cancellations	-	-	-	-	-	-	-	40	-	-	*40*	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other variations	-	-1	-1	-	*-2*	-	-	-5	-2	1	*-6*	-
Total closing adjustments	**2**	**518**	**19**	**-**	***539***	**-**	**-**	**1,214**	**41**	**1**	***1,256***	**-**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

(millions of euro)

Reasons/risk stages	**TOTAL ADJUSTMENTS**										
	Stage 3 assets						**Purchased or originated credit-impaired financial assets**				
	On demand due from banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Non-current financial assets held for sale	*of which: individual impairment losses*	*of which: collective impairment losses*
Total opening adjustments	**-**	**4,129**	**36**	**378**	***4,543***	**-**	**126**	**-**	**8**	***134***	**-**
Changes in increase from financial assets acquired or originated	-	-	-	-	-	-	X	X	X	*X*	*X*
Cancellations other than write-offs	-	-1,033	-	-375	*-1,408*	-	-24	-	-8	*-32*	-
Net value adjustments / write-backs for credit risk	-	1,197	-	-	*1,197*	-	10	-	-	*10*	-
Contractual changes without cancellations	-	20	-	-	*20*	-	-1	-	-	*-1*	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	-304	-	-3	*-307*	-	-12	-	-	*-12*	-
Other variations	-	-72	-	41	*-31*	-	19	-	-	*19*	-
Total closing adjustments	**-**	**3,937**	**36**	**41**	***4,014***	**-**	**118**	**-**	**-**	***118***	**-**
Recoveries from financial assets subject to write-off	-	29	-	-	*29*	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	-64	-	-	*-64*	-	-5	-	-	*-5*	-

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions – continued –

(millions of euro)

Reasons/risk stages	TOTAL PROVISIONS ON COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN				TOTAL
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given impaired purchased or originated	
Total opening adjustments	**71**	**126**	**228**	**-**	**7,029**
Changes in increase from financial assets acquired or originated	5	-	-	-	**195**
Cancellations other than write-offs	-2	-5	-	-	**-1,799**
Net value adjustments / write-backs for credit risk	-2	-36	23	-	**1,190**
Contractual changes without cancellations	-	-	-	-	**59**
Changes in the estimation methodology	-	-	-	-	**-**
Write-offs non recorded directly in the income statement	-	-	-	-	**-319**
Other variations	-2	1	-	-	**-21**
Total closing adjustments	**70**	**86**	**251**	**-**	**6,334**
Recoveries from financial assets subject to write-off	-	-	-	-	**29**
Write-offs recorded directly in the income statement	-	-	-	-	**-69**

Intesa Sanpaolo does not use the simplified method for the valuation of the loss allowance in relation to trade receivables, contract assets and lease receivables (method envisaged by IFRS 9, paragraph 5.5.15).

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between stages of credit risk (gross and nominal amounts)

(millions of euro)

Portfolios/risk stages		GROSS AMOUNTS/NOMINAL VALUE					
		Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
		To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3
1. Financial assets measured at amortised cost		18,650	10,301	1,174	349	1,257	58
2. Financial assets measured at fair value through other comprehensive income		183	13	-	-	-	-
3. Non-current financial assets held for sale		-	-	-	-	-	-
4. Commitments to provide funds and financial guarantees issued		8,605	7,172	70	91	182	11
Total	**31.12.2023**	**27,438**	**17,486**	**1,244**	**440**	**1,439**	**69**
Total	**31.12.2022**	**38,191**	**24,045**	**1,362**	**453**	**1,501**	**120**

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, in free format, on transfers between the various credit risk stages which involved the loans subject to public guarantees issued in response to the COVID-19 situation.
In that regard, it is noted that the loans subject to COVID-19 public guarantees measured at amortised cost that were transferred from stage 1 to stage 2 in 2023 amounted to 1,267 million euro, while those transferred from stage 2 to stage 1 amounted to 1,057 million euro. Transfers from stage 2 to stage 3 amounted to 169 million euro, from stage 3 to stage 2

amounted to 13 million euro, from stage 1 to stage 3 amounted to 336 million euro and, lastly, from stage 3 to stage 1 amounted to 9 million euro.

A.1.6 On- and off-balance sheet credit exposures to banks: gross and net values

(millions of euro)

Type of exposure/amounts	**Gross exposure**					**Total adjustments and total provisions for credit risk**					**Net exposure**	**Total partial write-offs**
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE SHEET EXPOSURES												
A.1 ON DEMAND	**70,647**	**70,572**	**75**	**-**	**-**	**-2**	**-2**	**-**	**-**	**-**	**70,645**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	70,647	70,572	75	X	-	-2	-2	-	X	-	70,645	-
A.2 OTHERS	**42,640**	**39,724**	**199**	**37**	**-**	**-34**	**-11**	**-9**	**-14**	**-**	**42,606**	**1**
a) Bad loans	4	X	-	4	-	-4	X	-	-4	-	-	1
- of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
b) Unlikely to pay	33	X	-	33	-	-10	X	-	-10	-	23	-
- of which: forborne exposures	*32*	*X*	-	*32*	-	*-10*	*X*	-	*-10*	-	*22*	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	*X*	-	-	-	-	*X*	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
e) Other performing exposures	42,603	39,724	199	X	-	-20	-11	-9	X	-	42,583	-
- of which: forborne exposures	-	-	-	*X*	-	-	-	-	*X*	-	-	-
TOTAL (A)	**113,287**	**110,296**	**274**	**37**	**-**	**-36**	**-13**	**-9**	**-14**	**-**	**113,251**	**1**
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing	6	X	-	6	-	-	X	-	-	-	6	-
b) Performing	114,021	84,180	663	X	-	-3	-2	-	X	-	114,018	-
TOTAL (B)	**114,027**	**84,180**	**663**	**6**	**-**	**-3**	**-2**	**-**	**-**	**-**	**114,024**	**-**
TOTAL (A+B)	**227,314**	**194,476**	**937**	**43**	**-**	**-39**	**-15**	**-9**	**-14**	**-**	**227,275**	**1**

A.1.7 On- and off-balance sheet credit exposures to customers: gross and net values

(millions of euro)

Type of exposure/Amounts	Gross exposure					Total adjustments and total provisions for credit risk					Net Exposure	Total partial write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE SHEET EXPOSURES												
a) Bad loans	2,664	X	-	2,523	139	-1,890	X	-	-1,815	-74	774	1,364
- of which: forborne exposures	*594*	*X*	-	*555*	*39*	*-414*	*X*	-	*-388*	*-25*	*180*	*78*
b) Unlikely to pay	5,508	X	-	5,336	97	-2,143	X	-	-2,076	-38	3,365	356
- of which: forborne exposures	*2,348*	*X*	-	*2,259*	*52*	*-796*	*X*	-	*-774*	*-14*	*1,552*	*80*
c) Non-performing past due exposures	478	X	-	476	2	-109	X	-	-109	-	369	3
- of which: forborne exposures	*57*	*X*	-	*56*	*1*	*-15*	*X*	-	*-14*	-	*42*	-
d) Performing past due exposures	2,703	1,444	1,255	X	3	-90	-9	-79	X	-	2,613	-
- of which: forborne exposures	*292*	-	*291*	*X*	*1*	*-24*	-	*-23*	*X*	-	*268*	-
e) Other performing exposures	465,444	425,777	31,526	X	79	-1,691	-517	-1,168	X	-6	463,753	-
- of which: forborne exposures	*4,353*	-	*4,302*	*X*	*26*	*-262*	-	*-259*	*X*	*-3*	*4,091*	-
TOTAL (A)	**476,797**	**427,221**	**32,781**	**8,335**	**320**	**-5,923**	**-526**	**-1,247**	**-4,000**	**-118**	**470,874**	**1,723**
B. OFF-BALANCE SHEET EXPOSURES												
a) Non-performing	1,504	X	-	1,503	1	-251	X	-	-251	-	1,253	-
b) Performing	317,801	252,082	15,465	X	1	-153	-68	-85	X	-	317,648	-
TOTAL (B)	**319,305**	**252,082**	**15,465**	**1,503**	**2**	**-404**	**-68**	**-85**	**-251**	**-**	**318,901**	**-**
TOTAL (A+B)	**796,102**	**679,303**	**48,246**	**9,838**	**322**	**-6,327**	**-594**	**-1,332**	**-4,251**	**-118**	**789,775**	**1,723**

Purchased or originated credit-impaired financial assets mainly include financial assets purchased "through business combinations".
The exposures also include financial assets allocated to the accounting portfolio of discontinued operations.

The On- and off-balance sheet credit exposures to customers classified as stage 2 mainly include the positions for which a change (behind specific thresholds) was found in the lifetime probability of default compared to the time of initial recognition of the financial instrument in the financial statements. For the purpose of classification in stage 2 – without prejudice to the materiality thresholds identified by the regulations – exposures that are past due by at 30 days or subject to forbearance measures are important. Activating a forbearance measure implies a minimum probation period of 24 month in Stage 2. Moreover, starting in 2023, some of the indicators from the credit monitoring systems are now considered for the purposes of the transfer between stages (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.

To complement the above methodology, starting on 31 December 2023, 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, i.e. the change in the lifetime probability of default. 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, identified considering the definitions within the Group.

The gross amount of loans subject to COVID-19 public guarantees as at 31 December 2023 came to 23,828 million euro. The aggregate comprised performing exposures of 22,938 million euro gross, with 59 million euro in adjustments and non-performing exposures of 890 million euro gross, with 340 million euro in adjustments.
Performing exposures are broken down into (i) performing past due loans for 181 million euro gross, with 2 million euro in adjustments and (ii) performing loans not past due for 22,756 million euro gross, with 57 million euro in adjustments.

A.1.8 On-balance sheet credit exposures to banks: changes in gross non-performing exposures

(millions of euro)

Reasons/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	**4**	**48**	**-**
- of which: exposures sold not derecognised	-	-	-
B. Increases	**-**	**-**	**-**
B.1 inflows from performing exposures	-	-	-
B.2 inflows from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other non-performing exposures categories	-	-	-
B.4 changes in contracts without derecognition	-	-	-
B.5 other increases	-	-	-
C. Decreases	**-**	**-15**	**-**
C.1 outflows to performing exposures	-	-	-
C.2 write-offs	-	-	-
C.3 collections	-	-12	-
C.4 profits on disposal	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other non-performing exposure categories	-	-	-
C.7 changes in contracts without derecognition	-	-	-
C.8 other decreases	-	-3	-
D. Final gross exposure	**4**	**33**	**-**
- of which: exposures sold not derecognised	-	-	-

A.1.8 Bis On-balance sheet credit exposures to banks: changes in gross forborne exposures broken down by credit quality

(millions of euro)

Description/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Initial gross exposure	**48**	**3**
- of which: exposures sold not derecognised	-	-
B. Increases	**-**	**-**
B.1 inflows from performing not forborne exposures	-	-
B.2. inflows from performing forborne exposures	-	X
B.3. inflows from impaired forborne exposures	X	-
B.4 inflows from non-performing non-forborne exposures	-	-
B.5 other increases	-	-
C. Decreases	**-16**	**-3**
C.1 outflows to performing not forborne exposures	X	-
C.2 outflows to performing forborne exposures	-	X
C.3 outflows to exposures subject to impaired concessions	X	-
C.4 write-offs	-	-
C.5 collections	-13	-3
C.6 profits on disposal	-	-
C.7 losses on disposal	-	-
C.8 other decreases	-3	-
D. Final gross exposure	**32**	**-**
- of which: exposures sold not derecognised	-	-

A.1.9 On-balance sheet credit exposures to customers: changes in gross non-performing exposures

(millions of euro)

Reasons/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Initial gross exposure	**3,025**	**6,478**	**413**
- of which: exposures sold not derecognised	*85*	*482*	*159*
B. Increases	**1,487**	**2,430**	**504**
B.1 inflows from performing exposures	232	1,894	490
B.2 inflows from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other non-performing exposures categories	1,140	258	2
B.4 changes in contracts without derecognition	-	5	-
B.5 other increases	115	273	12
C. Decreases	**-1,848**	**-3,400**	**-439**
C.1 outflows to performing exposures	-3	-468	-53
C.2 write-offs	-267	-120	-1
C.3 collections	-297	-718	-60
C.4 profits on disposal	-231	-538	-
C.5 losses on disposal	-139	-11	-
C.6 transfers to other non-performing exposure categories	-9	-1,073	-318
C.7 changes in contracts without derecognition	-	-10	-
C.8 other decreases	-902	-462	-7
D. Final gross exposure	**2,664**	**5,508**	**478**
- of which: exposures sold not derecognised	*87*	*530*	*230*

The other increases mainly include the increases in the amounts for charges and the increase in the amounts in foreign currency due to changes in the exchange rate.
The other decreases mainly include the portfolio of loans classified as "bad loans" and "unlikely to pay" sold during the year.

A.1.9 Bis On-balance sheet credit exposures to customers: changes in gross forborne exposures broken down by credit quality

(millions of euro)

Reasons/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Opening balance (gross amount)	**3,533**	**6,757**
- Sold but not derecognised	*260*	*1,334*
B. Increases	**1,121**	**2,230**
B.1 transfers from performing not forborne exposures	222	1,469
B.2.transfers from performing forborne exposures	499	X
B.3. transfers from impaired forborne exposures	X	354
B.4 inflows from forborne non-performing exposures	120	2
B.5 other increases	280	405
C. Decreases	**-1,655**	**-4,342**
C.1 Transfers to performing not forborne exposures	X	-2,465
C.2 Transfers to performing forborne exposures	-354	X
C.3 transfers to impaired exposures not forborne	X	-499
C.4 write-offs	-114	-
C.5 recoveries	-345	-420
C.6 sales proceeds	-290	-506
C.7 losses on disposals	-76	-40
C.8 other decreases	-476	-412
D. Closing balance (gross amounts)	**2,999**	**4,645**
- Sold but not derecognised	*196*	*862*

The other increases mainly include the increases in the amounts for charges.
The other decreases mainly include the portfolios sold during the year.

A.1.10 On-balance sheet non-performing credit exposures to banks: changes in total adjustments

(millions of euro)

Reasons/Categories	BAD LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*
A. Initial total adjustments	**4**	**-**	**12**	***12***	**-**	**-**
- of which: exposures sold not derecognised	-	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 adjustments to purchased or originated credit-impaired assets	-	*X*	-	*X*	-	*X*
C.2 other adjustments	-	-	-	-	-	-
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfers from other non-performing exposures categories	-	-	-	-	-	-
B.5 changes in contracts without derecognition	-	-	-	-	-	-
B.6 other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-2**	***-2***	**-**	**-**
C.1 recoveries on impairment losses	-	-	-2	*-2*	-	-
C.2 recoveries on repayments	-	-	-	-	-	-
C.3 profits on disposal	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-	-	-
C.6 changes in contracts without derecognition	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Final total adjustments	**4**	**-**	**10**	***10***	**-**	**-**
- of which: exposures sold not derecognised	-	-	-	-	-	-

A.1.11 On-balance sheet non-performing credit exposures to customers: changes in total adjustments

(millions of euro)

Description/Category	NON-PERFORMING LOANS		UNLIKELY TO PAY		NON-PERFORMING PAST DUE EXPOSURES	
	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*	Total	*of which: forborne exposures*
A. Opening balance overall amount of writedowns	**2,060**	***404***	**2,529**	***1,020***	**85**	***11***
- Sold but not derecognised	*46*	*8*	*106*	*45*	*31*	*4*
B. Increases	**1,376**	***381***	**1,096**	***443***	**107**	***15***
B.1 impairment losses on acquired or originated assets	-	*X*	-	*X*	-	*X*
B. 2 other value adjustments	628	*155*	931	*340*	107	*15*
B.3 losses on disposal	139	*71*	11	*5*	-	-
B.4 transfer from other impaired exposure	518	*137*	62	*11*	-	-
B. 5 contractual changes without cancellations	-	-	36	*36*	-	-
B.6 other increases	91	*18*	56	51	-	-
C. Reductions	**-1,546**	***-371***	**-1,482**	***-667***	**-83**	***-11***
C.1 write-backs from assessments	-38	*-11*	-182	*-122*	-7	-
C.2 write-backs from recoveries	-53	*-12*	-71	*-22*	-1	-
C.3 gains on disposal	-4	*-1*	-13	*-7*	-	-
C.4 write-offs	-267	*-44*	-120	*-70*	-1	-
C.5 transfers to other impaired exposures	-5	*-2*	-502	*-135*	-73	*-11*
C. 6 contractual changes without cancellations	-	-	-14	*-13*	-	-
C.7 other decreases	-1,179	*-301*	-580	*-298*	-1	-
D. Closing overall amount of writedowns	**1,890**	***414***	**2,143**	***796***	**109**	***15***
- Sold but not derecognised	*59*	*2*	*148*	*37*	*48*	*7*

The other increases mainly include the collections of loans already derecognised in full (through "recoveries on repayments") and increases in the balances of allowances in foreign currency due to changes in the exchange rate.

The other decreases mainly include the portfolio of loans classified as "bad loans" and "unlikely to pay" sold during the year. This caption also includes the collections of overdue interest applied in previous years, losses on disposal not covered by the allowance, the decrease in allowances in foreign currency due to changes in the exchange rate and the reduction in the allowances for adjustment due to the passing of time.

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given based on internal and external rating

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross amounts)

Intesa Sanpaolo uses the ratings supplied by the following external rating agencies for portfolios subject to reporting: Standard & Poor's Ratings Services, Moody's Investors Service, Fitch Ratings and Morningstar DBRS.
In compliance with the regulations, if there are two ratings for the same customer, the most prudential of the two is used, when three ratings are available, the middle rating is adopted, and when all ratings are available, the second-best is taken.
For the mapping of the risk classes and agency ratings employed, see the corresponding section of the Notes to the consolidated financial statements.

(millions of euro)

Exposures	EXTERNAL RATING CLASSES						UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**21,082**	**18,060**	**77,841**	**10,181**	**2,227**	**208**	**327,943**	**457,542**
- Stage 1	20,754	17,976	76,077	9,989	1,216	34	290,699	416,745
- Stage 2	328	84	1,764	190	900	124	28,913	32,303
- Stage 3	-	-	-	-	111	50	8,013	8,174
- Purchased or originated credit-impaired	-	-	-	2	-	-	318	320
B.Financial assets measured at fair value through other comprehensive income	**24,126**	**13,568**	**11,230**	**872**	**177**	**51**	**870**	**50,894**
- Stage 1	23,938	13,511	11,218	732	119	18	663	50,199
- Stage 2	188	57	12	140	58	19	185	659
- Stage 3	-	-	-	-	-	14	22	36
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Non-current financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**181**	**181**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	18	18
- Stage 3	-	-	-	-	-	-	163	163
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**45,208**	**31,628**	**89,071**	**11,053**	**2,404**	**259**	**328,994**	**508,617**
D. Commitments to disburse funds and financial guarantees given								
- Stage 1	10,999	24,601	143,609	14,903	2,799	123	140,569	337,603
- Stage 2	146	247	486	315	1,446	132	13,356	16,128
- Stage 3	-	-	-	-	7	-	1,502	1,509
- Purchased or originated credit-impaired	-	-	-	-	-	-	1	1
Total (D)	**11,145**	**24,848**	**144,095**	**15,218**	**4,252**	**255**	**155,428**	**355,241**
Total (A+B+C+D)	**56,353**	**56,476**	**233,166**	**26,271**	**6,656**	**514**	**484,422**	**863,858**

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross amounts)

The breakdown of exposures by internal rating classes shown in the following table is based on all ratings available in the credit risk management and control system, in addition to ratings for validated models. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.

(millions of euro)

Exposures	Internal rating classes						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost	**84,787**	**36,603**	**169,694**	**107,032**	**28,667**	**4,534**	**26,225**	**457,542**
- Stage 1	84,376	36,455	166,829	97,230	13,908	281	17,666	416,745
- Stage 2	410	148	2,847	9,752	11,058	1,752	6,336	32,303
- Stage 3	-	-	-	-	3,551	2,451	2,172	8,174
- Purchased or originated credit-impaired	1	-	18	50	150	50	51	320
B. Financial assets measured at fair value through other comprehensive income	**20,434**	**14,202**	**11,120**	**2,042**	**399**	**196**	**2,501**	**50,894**
- Stage 1	20,425	14,167	10,999	1,780	241	189	2,398	50,199
- Stage 2	9	35	121	262	158	7	67	659
- Stage 3	-	-	-	-	-	-	36	36
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Non-current financial assets held for sale	**-**	**-**	**-**	**-**	**60**	**54**	**67**	**181**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	18	-	-	18
- Stage 3	-	-	-	-	42	54	67	163
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**105,221**	**50,805**	**180,814**	**109,074**	**29,126**	**4,784**	**28,793**	**508,617**
D. Commitments and financial guarantees given								
- Stage 1	24,219	33,953	211,951	52,855	9,340	692	4,593	337,603
- Stage 2	145	385	1,283	4,863	3,572	1,075	4,805	16,128
- Stage 3	-	-	-	-	674	429	406	1,509
- Purchased or originated credit-impaired	-	-	-	-	1	-	-	1
Total (D)	**24,364**	**34,338**	**213,234**	**57,718**	**13,587**	**2,196**	**9,804**	**355,241**
Total (A+B+C+D)	**129,585**	**85,143**	**394,048**	**166,792**	**42,713**	**6,980**	**38,597**	**863,858**

A.3 Breakdown of guaranteed credit exposures by type of guarantee

A.3.1 Guaranteed on- and off-balance sheet credit exposures to banks

(millions of euro)

	Gross exposure	Net exposures	Collaterals (*) (1)				Personal guarantees (*) (2)	
							Credit derivatives	
			Real estate assets - mortgages	Real estate assets - finance leases	Securities	Other	CLN	Other derivatives
								Central counterparties
1.Guaranteed on-balance sheet credit exposures:	**9,418**	**9,417**	**-**	**4**	**9,035**	**-**	**-**	**-**
1.1 totally guaranteed	9,177	9,176	-	4	9,035	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partly guaranteed	241	241	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**18,407**	**18,407**	**-**	**-**	**1,375**	**7,647**	**-**	**-**
2.1 totally guaranteed	3,748	3,748	-	-	1,373	951	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partly guaranteed	14,659	14,659	-	-	2	6,696	-	-
- of which non-performing	-	-	-	-	-	-	-	-

(*) Fair value of the guarantee or, if difficult to determine, its contractual value; as required by the regulations, the latter is stated up to the net exposure value.

(millions of euro)

	Personal guarantees (*) (2)							Total
	Credit derivatives			Commitments				(1)+(2)
	Other derivatives			Public Administration	Banks	Other financial companies	Other counterparties	
	Banks	Other financial companies	Other counterparties					
1.Guaranteed on-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**171**	**-**	**29**	**9,239**
1.1 totally guaranteed	-	-	-	-	1	-	29	9,069
- of which non-performing	-	-	-	-	-	-	-	-
1.2 partly guaranteed	-	-	-	-	170	-	-	170
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**17**	**39**	**-**	**24**	**9,102**
2.1 totally guaranteed	-	-	-	11	33	-	19	2,387
- of which non-performing	-	-	-	-	-	-	-	-
2.2 partly guaranteed	-	-	-	6	6	-	5	6,715
- of which non-performing	-	-	-	-	-	-	-	-

(*) Fair value of the guarantee or, if difficult to determine, contractual value, the latter stated - as required by the regulations - up to the net exposure value.

A.3.2 Guaranteed on- and off-balance sheet credit exposures to customers

(millions of euro)

	Gross exposure	**Net exposures**	**Collaterals (*) (1)**				**Guarantees (*) (2)**	
							Credit derivatives	
			Property, Mortgages	Financial leases	Securities	Other assets	**CLN**	**Other derivatives**
								Central counterparties
1. Guaranteed on-balance sheet credit exposures:	**257,306**	**253,575**	**140,297**	**4,311**	**17,768**	**6,406**	**-**	**-**
1.1 totally guaranteed	206,062	203,219	139,329	4,151	17,644	4,538	-	-
- of which non-performing	*4,502*	*2,707*	*1,612*	*206*	*7*	*56*	-	-
1.2 partly guaranteed	51,244	50,356	968	160	124	1,868	-	-
- of which non-performing	*1,452*	*742*	*136*	*52*	*5*	*6*	-	-
2. Guaranteed off-balance sheet credit exposures:	**39,479**	**39,391**	**1,605**	**46**	**1,635**	**2,791**	**-**	**-**
2.1 totally guaranteed	29,168	29,108	1,307	2	1,501	1,120	-	-
- of which non-performing	*221*	*189*	*21*	-	*3*	*5*	-	-
2.2. partly guaranteed	10,311	10,283	298	44	134	1,671	-	-
- of which non-performing	*90*	*78*	*15*	-	-	*24*	-	-

(*) Fair value of the guarantee or, if difficult to determine, its contractual value; as required by the regulations, the latter is stated up to the net exposure value.

(millions of euro)

	Personal guarantees (*) (2)							**Total**
	Credit derivatives			**Commitments**				
	Other derivatives			Public administration	Banks	Other financial companies	Other counterparties	**(1)+(2)**
	Banks	Other financial companies	Other counterparties					
1. Guaranteed on-balance sheet credit exposures	**-**	**-**	**-**	**41,618**	**424**	**576**	**21,421**	**232,821**
1.1 totally guaranteed	-	-	-	19,315	173	497	17,265	202,912
- of which non-performing	-	-	-	*466*	*1*	*18*	*337*	*2,703*
1.2 partly guaranteed	-	-	-	22,303	251	79	4,156	29,909
- of which non-performing	-	-	-	*399*	*1*	*2*	*47*	*648*
2. Guaranteed off-balance sheet credit exposures:	**117**	**-**	**-**	**3,345**	**848**	**1,253**	**22,800**	**34,440**
2.1 totally guaranteed	117	-	-	2,135	702	1,226	20,185	28,295
- of which non-performing	-	-	-	*12*	-	*1*	*146*	*188*
2.2. partly guaranteed	-	-	-	1,210	146	27	2,615	6,145
- of which non-performing	-	-	-	*4*	-	-	*16*	*59*

(*) Fair value of the guarantee or, if difficult to determine, its contractual value; as required by the regulations, the latter is stated up to the net exposure value.

A.4 Financial assets and non-financial assets resulting from the enforcement of guarantees

(millions of euro)

	Derecognised credit exposure	Gross amount	Total adjustments	Book value	
					of which obtained during the year
A. Property and equipment	**259**	**262**	**-51**	**211**	**5**
A.1 Used in operations	-	-	-	-	-
A.2. Investment	114	104	-14	90	5
A.3 Inventories	145	158	-37	121	-
B. Equities and debt securities	**465**	**465**	**-224**	**241**	**108**
C. Other assets	**-**	**-**	**-**	**-**	**-**
D. Non-current assets held for sale and discontinued operations	**-**	**-**	**-**	**-**	**-**
D.1 Property and equipment	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 31.12.2023	**724**	**727**	**-275**	**452**	**113**
Total 31.12.2022	**513**	**515**	**-192**	**323**	**13**

As at 31 December 2023, there were financial assets and non-financial assets resulting from the enforcement of guarantees.

The Property and equipment related to assets acquired upon closure of impaired credit exposures on finance lease contracts due to failure to repurchase the asset or early termination of the contract. Specifically, the book value of the assets collected consisted of 90 million euro in investment properties (66 million euro in buildings and 24 million euro in land) and 121 million euro in real estate stock (essentially buildings).

The equities and debt securities, with a book value of 241 million euro (24 million euro as Equity investments, mainly relating to the investment in Risanamento S.p.A. and other minor investments, 69 million euro as Financial assets mandatorily measured at fair value and 148 million euro as Financial assets measured at fair value through other comprehensive income) represent financial assets not previously provided by the borrower as security for pre-existing loans, but acquired under bilateral agreements with the borrower, following which the Bank derecognised the related credit exposure; The aggregate includes the amount referring to newly-issued Participatory Financial Instruments, deriving from an operation, finalised in the second half of 2023, to sell performing on-balance sheet exposures due from the Italian Commercial Real Estate sector, which, *inter alia,* entailed converting part of the original exposure into those instruments.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Breakdown of on- and off-balance sheet credit exposures to customers by sector

(millions of euro)

Exposures/Counterparties		Public administration		Financial companies		Financial companies (of which: insurance companies)	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures							
A.1 Bad loans		67	-177	4	-20	-	-
- of which: forborne exposures		*-*	*-*	*1*	*-*	*-*	*-*
A.2 Unlikely to pay		159	-28	163	-175	-	-
- of wich: forborne exposures		*20*	*-4*	*110*	*-66*	*-*	*-*
A.3 Non-performing past due exposures		-	-	1	-	-	-
- of which: forborne exposures		*-*	*-*	*-*	*-*	*-*	*-*
A.4 Performing exposures		93,363	-103	74,561	-151	739	-
- of wich: forborne exposures		*49*	*-2*	*256*	*-7*	*-*	*-*
Total (A)		**93,589**	**-308**	**74,729**	**-346**	**739**	**-**
B. Off-balance sheet exposures							
B.1 Non-performing exposures		9	-	13	-	-	-
B.2 Performing exposures		26,253	-9	84,287	-22	4,114	-
Total (B)		**26,262**	**-9**	**84,300**	**-22**	**4,114**	**-**
Total (A+B)	**31.12.2023**	**119,851**	**-317**	**159,029**	**-368**	**4,853**	**-**
Total (A+B)	**31.12.2022**	**102,241**	**-304**	**174,601**	**-320**	**10,907**	**-**

(millions of euro)

Exposures/Counterparties		Non-financial companies		Households	
		Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures					
A.1 Bad loans		525	-1,282	178	-411
- of which: forborne exposures		*138*	*-353*	*41*	*-61*
A.2 Unlikely to pay		2,138	-1,438	905	-502
- of which: forborne exposuress		*1,000*	*-602*	*422*	*-124*
A.3 Non-performing past due exposures		142	-51	226	-58
- of which: forborne exposures		*12*	*-6*	*30*	*-9*
A.4 Performing exposures		158,462	-1,015	139,980	-512
- of which: forborne exposures		*2,824*	*-185*	*1,230*	*-92*
Total (A)		**161,267**	**-3,786**	**141,289**	**-1,483**
B. Off-balance sheet exposures					
B.1 Non-performing exposures		1,207	-245	24	-6
B.2 Performing exposures		198,604	-115	8,134	-7
Total (B)		**199,811**	**-360**	**8,158**	**-13**
Total (A+B)	**31.12.2023**	**361,078**	**-4,146**	**149,447**	**-1,496**
Total (A+B)	**31.12.2022**	**384,875**	**-4,364**	**157,097**	**-2,000**

B.2 Breakdown of on- and off-balance sheet credit exposures to customers by geographical area

(millions of euro)

Exposures/Geographical areas		Italy		Other european countries	
		Net exposures	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures					
A.1 Non-performing loans		746	-1,640	6	-54
A.2 Unlikely to pay		3,079	-2,059	113	-54
A.3 Non-performing past due exposures		367	-109	2	-
A.4 Performing exposures		341,107	-1,527	74,892	-167
Total (A)		**345,299**	**-5,335**	**75,013**	**-275**
B. Off-balance sheet exposure					
B.1 Non-performing exposures		1,214	-249	25	-2
B.2 Performing exposures		162,739	-93	75,478	-39
Total (B)		**163,953**	**-342**	**75,503**	**-41**
Total (A+B)	**31.12.2023**	**509,252**	**-5,677**	**150,516**	**-316**
Total (A+B)	**31.12.2022**	**532,404**	**-6,333**	**162,186**	**-359**

(millions of euro)

Exposures/Geographical areas		America		Asia		Rest of the world	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures							
A.1 Non-performing loans		12	-121	10	-75	-	-
A.2 Unlikely to pay		18	-7	23	-3	132	-20
A.3 Non-performing past due exposures		-	-	-	-	-	-
A.4 Performing exposures		31,721	-46	12,386	-31	6,260	-10
Total (A)		**31,751**	**-174**	**12,419**	**-109**	**6,392**	**-30**
B. Off-balance sheet credit exposures							
B.1 Non-performing exposures		-	-	7	-	7	-
B.2 Performing exposures		66,884	-12	9,916	-1	2,261	-8
Total (B)		**66,884**	**-12**	**9,923**	**-1**	**2,268**	**-8**
Total (A+B)	**31.12.2023**	**98,635**	**-186**	**22,342**	**-110**	**8,660**	**-38**
Total (A+B)	**31.12.2022**	**93,487**	**-182**	**23,591**	**-82**	**7,146**	**-32**

B.2 bis Breakdown of relations with customers resident in Italy by geographical area

(millions of euro)

Exposures/Geographical areas		North West		North East		Centre		South and islands	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures									
A.1 Bad loans		214	-475	114	-262	185	-341	233	-562
A.2 Unlikely to pay		1,067	-645	523	-360	787	-566	702	-488
A.3 Non-performing past due exposures		98	-28	58	-18	85	-24	126	-39
A.4 Performing exposures		119,392	-528	61,667	-286	106,994	-392	53,054	-321
Total A		**120,771**	**-1,676**	**62,362**	**-926**	**108,051**	**-1,323**	**54,115**	**-1,410**
B. Off-balance sheet exposures									
B.1 Non-performing exposures		370	-58	479	-93	246	-79	119	-19
B.2 Performing exposures		73,858	-47	29,306	-24	46,348	-14	13,227	-8
Total B		**74,228**	**-105**	**29,785**	**-117**	**46,594**	**-93**	**13,346**	**-27**
Total (A+B)	**31.12.2023**	**194,999**	**-1,781**	**92,147**	**-1,043**	**154,645**	**-1,416**	**67,461**	**-1,437**
Total (A+B)	**31.12.2022**	**203,836**	**-2,285**	**101,656**	**-1,075**	**156,589**	**-1,437**	**70,323**	**-1,536**

B.3 Breakdown of on- and off-balance sheet credit exposures to banks by geographical area

(millions of euro)

Exposures / Geographical Areas		Italy		Other european countries	
		Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures					
A.1 Bad loans		-	-	-	-1
A.2 Unlikely to pay		-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-
A.4 Performing exposures		82,620	-2	20,278	-14
Total (A)		**82,620**	**-2**	**20,278**	**-15**
B. Off-balance sheet exposures					
B.1 Non-performing exposures		-	-	-	-
B.2 Performing exposures		6,761	-	84,520	-3
Total (B)		**6,761**	**-**	**84,520**	**-3**
Total (A+B)	**31.12.2023**	**89,381**	**-2**	**104,798**	**-18**
Total (A+B)	**31.12.2022**	**117,222**	**-3**	**122,674**	**-28**

(millions of euro)

Exposures / Geographical Areas		America		Asia		Rest of the world	
		Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures							
A.1 Bad loans		-	-	-	-3	-	-
A.2 Unlikely to pay		23	-10	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-	-
A.4 Performing exposures		6,909	-	1,994	-	1,427	-6
Total (A)		**6,932**	**-10**	**1,994**	**-3**	**1,427**	**-6**
B. Off-balance sheet exposures							
B.1 Non-performing exposures		5	-	-	-	1	-
B.2 Performing exposures		7,850	-	10,343	-	2,462	-
Total (B)		**7,855**	**-**	**10,343**	**-**	**2,463**	**-**
Total (A+B)	**31.12.2023**	**14,787**	**-10**	**12,337**	**-3**	**3,890**	**-6**
Total (A+B)	**31.12.2022**	**12,697**	**-13**	**13,316**	**-4**	**3,306**	**-8**

B.3 bis Breakdown of relations with banks resident in Italy by geographical area

(millions of euro)

Exposures/Geographical areas	NORTH WEST		NORTH EAST		CENTRE		SOUTH AND ISLANDS	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. On-balance sheet exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	9,211	-2	2,209	-	71,193	-	7	-
TOTAL A	**9,211**	**-2**	**2,209**	**-**	**71,193**	**-**	**7**	**-**
B. Off-balance sheet exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	4,985	-	503	-	1,270	-	3	-
TOTAL B	**4,985**	**-**	**503**	**-**	**1,270**	**-**	**3**	**-**
TOTAL (A+B) 31.12.2023	**14,196**	**-2**	**2,712**	**-**	**72,463**	**-**	**10**	**-**
TOTAL (A+B) 31.12.2022	**15,388**	**-2**	**3,549**	**-**	**98,272**	**-1**	**13**	**-**

B.4 Large exposures

Large exposures	
a) Book value (millions of euro)	375,826
b) Weighted value (millions of euro)	19,956
c) Number	12

Based on regulatory provisions, the number of “Large exposures” presented in the table was determined by the reference to unweighted "exposures" in excess of 10% of Tier 1 Capital as defined by the new Regulation (EU) 876/2019 (CRR2). The "exposures" are defined as the sum of on-balance sheet assets at risk and off-balance sheet transactions (excluding those deducted from Tier 1 Capital) with a customer or a group of related customers, without applying risk weighting factors.
These presentation criteria result in the inclusion among “Large exposures” of entities that – even with a weighting of 0% – present an unweighted exposure in excess of 10% of Tier 1 Capital of the entity. In that regard, it is noted that the table above includes exposures to Intesa Sanpaolo Group companies, whose book value amounted to 116,136 million euro which, in line with prudential regulations, have a weighted value of zero.

Lastly, it should be noted that in accordance with the provisions of the EBA document "Guidelines on connected clients under Article 4(1)(39) of Regulation (EU) 575/2013", the supervisory reports have standard methods of presentation of groups of connected clients that (in the case of silos) require exposures to the central governments to be repeated within each corresponding economic group directly controlled by a central government or connected to it by economic dependence. However, the amounts shown in points a) and b) and the number shown in point c) in the table above include the exposure to the various central governments, to which the Intesa Sanpaolo Group is exposed, only once.

C. SECURITISATIONS

This section does not include securitisations where the originator is the Bank and all the liabilities (e.g. ABS securities, loans at the warehousing stage) issued by the vehicle companies are subscribed at the time of issue by the Bank. For a description of these types of transactions, see the section on liquidity risk in Part E of the Notes to the Parent Company's financial statements.

Qualitative information

The qualitative information is contained in Part E of the Notes to the consolidated financial statements.

Quantitative information

C.1 Breakdown of exposures deriving from the main "originated" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

Type of securitised asset/ Exposure	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**6,119**	**-44**	**39**	**-6**	**20**	**5**
- Loans to businesses (including SMEs) (a)	3,025	-7	27	-6	5	-
- Leases (b)	2,674	-5	11	-	14	5
- Residential mortgage loans (a)	420	-32	1	-	-	-
- Consumer credit	-	-	-	-	1	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**24,883**	**-13**	**102**	**-**	**314**	**-1**
- Loans to businesses (including SMEs) (c) (d)	19,264	-10	95	-	263	-1
- Residential mortgage loans (d)	2,259	-3	7	-	25	-
- Leases (d)	1,833	-	-	-	11	-
- Commercial mortgage loans (d)	1,527	-	-	-	15	-
TOTAL	**31,002**	**-57**	**141**	**-6**	**334**	**4**

(a) The entire amount refers to non-performing financial assets.
Loans to businesses (including SMEs) refer to the Savoy, Kerma, Yoda, Sirio, Grogu, Kerdos and Organa securitisations (see the 2018, 2019, 2020, 2021 and 2022 Consolidated financial statements, respectively, for details about the transactions) and the new Andor securitisation (described in the paragraph on Qualitative information of the Notes to the consolidated financial statements). Residential mortgage loans refer to the Maior and Iseo securitisations (deriving from the business combination with the former UBI Group).

(b) The amounts refer to the Portland securitisation relating to credit-impaired financial assets for amounts of 4 million euro – senior and 4 million euro – mezzanine, respectively (see the 2021 Consolidated financial statements for a description of the transaction) and the Teseo transaction relating to performing financial assets (see the 2022 Consolidated financial statements for a description of the transaction).

(c) The exposures include non-performing financial assets amounting to 11 million euro in Senior exposures, 55 million euro in Mezzanine exposures and 17 million euro in Junior exposures, respectively (net of adjustments). The performing exposures include the Chewbecca securitisation (described in the "Qualitative Information" paragraph of the Notes to the consolidated financial statements).

(d) The captions also include performing amounts associated with the synthetic securitisations originated by the Bank.

Off-balance sheet

This type of exposure did not exist as at 31 December 2023.

C.2 Breakdown of exposures deriving from main "third-party" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(millions of euro)

Type of underlying assets/Exposures	ON-BALANCE SHEET EXPOSURES					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
Loans to businesses (including SMEs)	2,375	9	151	1	2	-
Residential mortgage loans	680	2	21	-	-	-
Trade receivables	465	-	2	-	4	-
Consumer credit	343	-1	3	-	-	-
Securitisations	168	-	-	-	-	-
Covered bonds	109	-	10	-	-	-
Commercial mortgage loans	92	-2	22	-2	-	-
Leases	32	-	-	-	-	-
Other assets (a)	10,158	-7	-	-	-	-
TOTAL	**14,422**	**1**	**209**	**-1**	**6**	**-**

(a) The amount also includes the Romulus securities for 6,878 million, held by the Bank, generally represented among third-party securitisations, as well as loans to the vehicle Duomo Funding Plc for 2,907 million as a result of the use of credit lines. For more information regarding the type of underlying assets, reference is made to Section 4 – Risks of other companies, of Part E of the Notes to the consolidated financial statements.

Off-balance sheet

(millions of euro)

Type of underlying assets/Exposures	GUARANTEES GIVEN						CREDIT LINES					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries	Net exposure	Adjust./ recoveries
Duomo ABCP Conduit transactions (a)	-	-	-	-	-	-	(a)	(a)	-	-	-	-
Loans to businesses including SMEs	-	-	-	-	-	-	132	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**132**	**-**	**-**	**-**	**-**	**-**

(a) With regard to the transactions carried out through Duomo Funding Plc and funded by ABCP, the Bank has granted credit lines (amounting to 7,259 million euro in terms of net exposures and 1 million euro of adjustments) to secure the assets included under "Other assets" in Table C.2 on-balance sheet exposures.

C.3 Securitisation vehicles

(millions of euro)

SECURITISATION/ SPECIAL PURPOSE VEHICLE	REGISTERED OFFICE	CONSOLIDATION (a)	ASSETS (b)			LIABILITIES (b)		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Augusto S.r.l. (d)	Milan	(e)	-	-	2	13	-	-
Brera Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	15,026	-	577	12,586	-	2,652
Clara Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	5,696	-	1,694	6,350	-	824
Diocleziano S.r.l. (d)	Milan	(e)	2	-	1	48	-	-
Giada Sec S.r.l. (c)	Conegliano Veneto (TV)	(e)	19,820	-	7,282	16,860	-	8,425
ISP CB Ipotecario S.r.l. (f)	Milan	(e)	22,981	-	5,625	-	26,120	-
ISP CB Pubblico S.r.l. (f)	Milan	(e)	1,792	-	2,107	-	3,736	-
ISP OBG S.r.l. (f)	Milan	(e)	43,510	-	7,974	-	50,933	-
UBI Finance S.r.l. (f)	Milan	(e)	7,395	-	1,239	-	8,561	-

(a) Consolidation method relating to the "prudential" scope applied in the Group's financial statements.
(b) The amounts shown under assets and liabilities refer to the total values reported in the financial statements of the special purpose vehicles.
(c) Self-securitisation vehicle described in Section 4 - Liquidity Risk, Quantitative Information, paragraph 2 of the Notes to the financial statements.
(d) The amounts shown under assets and liabilities refer to the latest financial statement data available (31 December 2022).
(e) Vehicle consolidated using the equity method.
(f) Vehicle used for covered bond issues. For more information, see Section "E.4. Covered bond transactions" in Part E of these Notes to the financial statements

The securitisations structured by Intesa Sanpaolo on its own assets include those named Towers, K-Equity, Savoy, Kerma, Yoda, Maior, Iseo, Sirio, Kerdos, Grogu, Portland, Organa, Andor, Teseo and Chewbecca, for which special purpose vehicles were used that are third-party and independent entities with respect to the Bank, and in which the Bank does not hold any investments. For that reason, these vehicles are not shown in the table above.

C.4 Unconsolidated securitisation vehicles

The information set out in this section is not provided by the banks that draw up consolidated financial statements pursuant to Bank of Italy Circular 262.

C.5 Servicer activities – originated securitisations: collection of securitised loans and repayment of securities issued by the securitisation vehicle

SPECIAL PURPOSE VEHICLE	SECURITISED ASSETS (end-of-period figure) (millions of euro)		COLLECTIONS OF LOANS IN THE YEAR (millions of euro)		PERCENTAGE OF REIMBURSED SECURITIES (period-end figure)					
					Senior		Mezzanine		Junior	
	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Teseo SPV S.r.l. (a)	8	3,017	-	813	0%	17%	0%	17%	0%	8%
Total	**8**	**3,017**	**-**	**813**						

(a) Vehicle used for the traditional securitisation of performing lease receivables described in the 2022 Consolidated financial statements.

D. INFORMATION ON STRUCTURED ENTITIES NOT CONSOLIDATED IN THE ACCOUNTS (OTHER THAN SECURITISATION VEHICLES)

The qualitative and quantitative information set out in this section is not provided by the banks that draw up consolidated financial statements pursuant to Bank of Italy Circular 262.

E. SALES

A. Financial assets sold not fully derecognised

Qualitative information

For a description of the operations shown in tables E.1, E.2 and E.3, reference is made to the information shown below the relevant tables.
For operations in debt securities against medium/long-term repurchase agreements, reference is made to the information in Part B of the Notes to the consolidated financial statements.

Quantitative information

E.1 Financial assets sold fully recognised and related financial liabilities: book values

(millions of euro)

	Financial assets sold fully recognised				Related financial liabilities		
	Book value	*of which: securitisations*	*of which: subject to sales contracts with repurchase clauses*	*of which: non-performing*	Book value	*of which: securitisations*	*of which: subject to sales contracts with repurchase clauses*
A. Financial assets held for trading	**1,568**	**-**	***1,568***	***X***	**1,563**	**-**	***1,563***
1. Debt securities	1,320	-	*1,320*	*X*	1,298	-	*1,298*
2. Equities	248	-	*248*	*X*	265	-	*265*
3. Loans	-	-	-	*X*	-	-	-
4. Derivatives	-	-	-	*X*	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	*X*	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**15,857**	**-**	***15,857***	**-**	**15,204**	**-**	***15,204***
1. Debt securities	15,857	-	*15,857*	-	15,204	-	*15,204*
2. Equities	-	-	-	*X*	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**15,284**	**-**	***15,284***	**-**	**13,627**	**-**	***13,627***
1. Debt securities	15,284	-	*15,284*	-	13,627	-	*13,627*
2. Loans	-	-	-	-	-	-	-
TOTAL 31.12.2023	**32,709**	**-**	***32,709***	**-**	**30,394**	**-**	***30,394***
TOTAL 31.12.2022	**12,147**	***27***	***12,120***	***3***	**12,039**	***18***	***12,021***

The table above does not include covered bond transactions in which the Bank is both the originator and lender for the vehicle issuing the debt securities.

The aggregates of the sales contracts with repurchase clauses relate to repurchase agreements entered into the by Bank for assets sold and not derecognised. However, repurchase agreements relating to securities received under reverse repurchase agreements are not included in the related financial liabilities.

E.2 Financial assets sold partly recognised and related financial liabilities: book values

These are not present in Intesa Sanpaolo.

E.3 Sales with liabilities having recourse exclusively on the assets sold and not fully derecognised: fair value

(millions of euro)

	Fully recognised	Partly recognised	31.12.2023	31.12.2022
A. Financial assets held for trading	**1,568**	**-**	**1,568**	**599**
1. Debt securities	1,320	-	1,320	391
2. Equities	248	-	248	208
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**15,857**	**-**	**15,857**	**7,645**
1. Debt securities	15,857	-	15,857	7,645
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost (fair value)	**14,205**	**-**	**14,205**	**3,351**
1. Debt securities	14,205	-	14,205	3,324
2. Loans	-	-	-	27
Total financial assets	**31,630**	**-**	**31,630**	**11,595**
Total related financial liabilities	**30,394**	**-**	**30,394**	**12,038**
Net value 31.12.2023	**1,236**	**-**	**1,236**	**X**
Net value 31.12.2022	**-443**	**-**	**X**	**-443**

The table above does not include covered bond transactions in which the Bank is both the originator and lender for the vehicle issuing the debt securities.

B. Financial assets sold fully derecognised with recognition of continuing involvement

These are not present in Intesa Sanpaolo.

C. Financial assets sold and fully derecognised

Qualitative information

The disclosure is provided below regarding the multioriginator sale transactions involving loan portfolios – classified as unlikely to pay in particular – attributable to the sale of loans to a mutual investment fund with the assignment of the units in the fund to the selling intermediaries.

Back2Bonis Fund

In implementation of the derisking envisaged in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, in the third quarter of 2020 the Intesa Sanpaolo Group begun the deconsolidation of a portfolio of credit exposures (including real estate assets and contracts) classified as unlikely to pay with real estate underlying held by the Parent Company, accompanied by their conversion into units of the securities fund called Back2Bonis. The transaction, the closing of which took place at the end of 2020, took the form for the Bank (including the transactions undertaken in 2019 and 2020 by UBI Banca, merged in 2021) of the sale of a portfolio of loans, short-term legal relationships and legal relationships and assets from lease receivables for a total gross amount of 351 million euro and net exposure of 164 million euro, accompanied by the subscription of the units of the Back2Bonis Fund for an amount of 164 million euro, substantially in line with the net value of the loans and receivables sold. The transaction was completed through: (i) the sale to the securitisation vehicle

Ampre S.r.l. of the bank receivables and the lease receivables; (ii) the sale to Ampre LeaseCo S.r.l. of the legal relationships and assets arising from the leases; (iii) the sale of the short-term revolving contracts and the related legal relationships and receivables of ISP, together with the medium/long-term contracts with residual disbursements and the related legal relationships, other than the lease relationships and assets through the fronting bank provided by Banca Finanziaria Internazionale S.p.A.; (iv) the subscription by the Back2Bonis Fund of all the securities issued by the securitisation vehicle; and (v) the acquisition by Intesa Sanpaolo of the units of the Fund in exchange for the loans and receivables sold. In 2022, additional loans were sold, for a gross amount of 1 billion euro and net exposure of 216 million euro, accompanied by the subscription of units of the Back2Bonis Fund, for an amount of 216 million euro, with the sale price offset against the subscription price of the Fund's units, without significant effects on the income statement for 2022.

The Back2Bonis fund, established in the form of a closed-end mutual fund whose units can only be subscribed by professional investors, is a multi-originator platform for the management of Real Estate Small & Medium Size loans classified as UTP, deriving from loans and credit lines granted to companies operating in the real estate sector or to real estate funds (including those not fully disbursed/drawn down at the time of sale). Following the completion of the transfer of the loans and receivables to the platform, ISP had deconsolidated the loans and receivables and recognised the Fund's units in place of those loans and receivables. The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:

– "Production companies" at 79.9%;
– "Construction companies" at 12.9%;
– "Real estate business" at 3.5%;
– "Financial and insurance business" at 2.6%;
– and a residual amount in other business sectors (Services, Transport and Manufacturing Activities).

The assets of the assigned debtors were broken down as follows by geographical area:

– 92.2% North-West;
– 3.5% North-East;
– 3.2% South and Islands;
– 1.1% Centre.

At 31 December 2023, the Parent Company held a 43.82% stake (with voting rights limited to 35%) in the Back2Bonis Fund, classified among investments subject to significant influence, for a book value of 360 million euro. The measurement of the Back2Bonis Fund yielded a negative effect for the year of 14 million euro.

FI.NAV. Fund SUB-FUND A - LOANS

In pursuit of the de-risking activities provided for in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, in the fourth quarter of 2018 the Intesa Sanpaolo Group had launched the contribution to the FI.NAV. fund (a closed-end Italian securities umbrella fund) of a portfolio of non-performing secured and unsecured loans attributable to the shipping sector. The Fund, reserved for institutional investors, is managed by the asset management company IQ EQ Fund Management (Ireland) Limited, not a member of the Intesa Sanpaolo Group, based in Ireland, and is divided into two autonomous sub-funds: FI.NAV. Sub-fund A – Loans, dedicated to including the loans contributed by the Intesa Sanpaolo Group and Unicredit, and FI.NAV. Sub-fund B - New Finance, dedicated to including the capital of third-party investors to relaunch the repossessed ships. The transaction, formulated in 2018, was closed in 2019 through a sale of receivables without recourse for total gross consideration of 155 million euro and a net exposure of 102 million euro, equal to the sale price, set off against the price of subscription of the Fund units and, therefore, without any effects on the income statement for 2019. In the first quarter of 2020, a further tranche was sold without recourse for a gross amount of 37 million euro and a net value of 34 million euro, in line with the sale price and, therefore, with no impact on the income statement for 2020. Pursuant to IFRS 9, for the Intesa Sanpaolo Group the transaction entailed the derecognition of the loans sold since the Fund has become solely responsible for managing them following the sale; the Intesa Sanpaolo Group had therefore derecognised the loans concerned, while recognising the corresponding fair value of the units of the Fund assigned. The Group companies involved in the transaction were the Parent Company Intesa Sanpaolo and some of its subsidiaries merged in 2019 and 2020 (Cassa di Risparmio in Bologna and Mediocredito, both merged in 2019, and Banca IMI, merged in 2020). In December 2022 the sale of a loan portfolio was finalised for a gross amount of 74 million euro and net exposure of 37 million euro, accompanied by the subscription of the units of the fund for an amount essentially in line with the value of the exposure sold, without significant effects on the income statement for 2022.

The economic sector of the assigned debtors was mainly concentrated in Transport. The transferred financial assets are primarily in the South and Islands area.

At 31 December 2023, the Parent Company held a 50.54% stake in the FI.NAV. Fund, classified among investments subject to significant influence[135], for a book value of 141 million euro. The measurement of the FI.NAV. Fund yielded a positive effect, as a writeback during the year, of 14 million euro.

RSCT Fund – Loans Sub-Fund

As part of the derisking envisaged in the previous 2018-2021 Business Plan and the current 2022-2025 Business Plan, the Intesa Sanpaolo Group had identified the opportunity to transfer assets (loans and securities) relating to non-performing positions to the closed-end RSCT Fund, in exchange for units of the fund. The project was managed by Pillarstone, which had selected a portfolio of industrial and commercial companies with the objective of helping each of them to identify a strategy for maximising the potential for debt recovery, also through injections of new finance. The transaction took place in May 2020 with the transfer of a portfolio of loans with 18 companies originated by the Group (Intesa Sanpaolo and Banca IMI, subsequently merged into Intesa Sanpaolo on 20 July 2020), Unicredit, BPER Banca and Crédit Agricole to the newly established closed-end alternative investment RSCT Fund, managed by IQ EQ Fund Management (Ireland) Limited, an alternative fund manager authorised by the Central Bank of Ireland. The RSCT Fund is made up of two separate sub-funds:

135 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.

sub-fund A for the management of loans acquired from the selling banks and sub-fund B for the management of the new finance. The May 2020 sale involved a portfolio of loans, Sirti notes and PS Reti equity instruments for a gross amount of 339 million euro (Intesa Sanpaolo and Banca IMI) at a net value of 255 million euro, substantially in line with the sale price. In July 2020, a further sale was completed of a loan position for a gross amount of 6.3 million euro at a value of 4.5 million euro, with the sale price offset against the subscription price of the Fund's units. In February 2021, a sale was completed of a loan position for a gross amount of 21.3 million euro at a value of 13.9 million euro, with the sale price offset against the subscription price of the Fund's units. In March 2021, a sale was completed of a loan position deriving from the absorption of UBI Banca for a gross amount of 3.1 million euro and a net exposure of 1.2 million euro, with the concurrent subscription of units of the RSCT Fund for 1.3 million euro, essentially aligned with the net value of the transferred loans. In June 2021, a further sale was completed of a loan position for a gross amount of 0.4 million euro at a value of 0.1 million euro, with the sale price offset against the subscription price of the Fund's units. By economic sector, the assigned debtors are 72% concentrated in "Companies that install electrical equipment", 18% in "Amusement and theme parks" and 10% in "Retail sale of footwear and accessories". The transferred financial assets are primarily in the North-west area.
At 31 December 2023, the Parent Company held a 70.07% stake in the RSCT Fund, classified among investments subject to significant influence, for a book value of 262 million euro. The measurement of the RSCT Fund yielded a positive effect, as a writeback during the year, of 12 million euro.

IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-fund

In 2018, the Intesa Sanpaolo Group (specifically Intesa Sanpaolo and the banks subsequently merged into Intesa Sanpaolo: Cassa di Risparmio del Veneto, Cassa di Risparmio di Firenze, Cassa di Risparmio del Friuli Venezia Giulia, Cassa di Risparmio in Bologna, and Mediocredito) participated in the closed-end Italian fund IDEA CCR Corporate Credit Recovery II - Loans Sub-fund, managed by Dea Capital Alternative Funds S.G.R. S.p.A. and dedicated to the recovery of mid-size Italian companies in situations of financial tension but with solid industrial fundamentals. The transaction, which was completed in 2018, was undertaken by contributing non-performing loans with a nominal value of 59 million euro and a net exposure to the sale price of 39.2 million euro, with the price of sale offset against the subscription price, of equal amount, of the units of the IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-Fund. In 2021, the Bank's investment in the IDEA CCR Fund increased further, due to the merger of UBI Banca, which had sold loan positions to the IDEA CCR Corporate Credit Recovery II Fund, Loans Sub-fund, managed by Dea Capital Alternative Funds SGR, in 2020, 2019, 2018 and 2017 for a total gross amount of 231 million euro and a net exposure of 144 million euro, with concurrent subscription of the units of the IDEA CCR Fund for an amount of 148 million euro, with the price of sale offset against the price of subscription of the Fund units. The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
– "Real estate activities" at 31.6%;
– "Transport and storage" at 28%;
– "Professional, scientific and technical activities" at 10%;
– "Metallurgy and metal product manufacturing" at 9.4%;
– "Car and other vehicle production" at 5.6%;
– and a residual amount in other business sectors (Services, Transport and Manufacturing Activities).

The assets of the assigned debtors were broken down as follows by geographical area:
– 28.8% North-West;
– 11.8% North-East;
– 31.2% South and Islands;
– 23.8% Centre;
– 4.4% Outside Italy.

In 2022, the investment of the Bank in the IDEA CCR Fund changed due to: i) the inclusion of the stake held by UBI Leasing S.p.A., merged into Intesa Sanpaolo in May 2022, which had sold loan positions to the IDEA CCR Corporate Credit Recovery II Fund - Loans Sub-Fund in 2019 for a total gross amount of 5 million euro and a net exposure of 3 million euro, with the sale price offset against the subscription price, in the same amount, of the Fund units, and ii) the sale of A1 units held by Intesa Sanpaolo in the Fund to Banca Nazionale del Lavoro S.p.A. The receivable held by Intesa Sanpaolo in relation to the sale was settled by offsetting with the purchase of units of Back2Bonis. The swap generated a profit recognised in the income statement of 4 million euro.
As at 31 December 2023, Intesa Sanpaolo held a 18.01% stake in the IDEA CCR Corporate Credit Recovery II Fund, Loans Sub-Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 38 million euro. The fair value measurement of the IDEA CCR II Fund yielded an immaterial positive effect on the income statement for the year.

IDEA CCR Corporate Credit Recovery II Fund - Shipping Sub-fund

The Shipping Loans Sub-Fund refers to single-name, unlikely-to-pay non-performing loans with a sector focus on shipping companies. The Fund consists of three sub-funds: loans, new finance and shipping. Following the merger of UBI Banca, Intesa Sanpaolo also has an interest in the Shipping Sub-Fund, with a stake in the IDEA CCR II Fund - Shipping Sub-Fund. In 2018, UBI Banca, which during 2021 was merged into Intesa Sanpaolo, had sold loans with a total gross amount of 45 million euro and a net exposure of 31 million euro.
As at 31 December 2023, Intesa Sanpaolo held a 20.37% stake in the IDEA CCR II Fund, Shipping Sub-Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 2 million euro. The fair value measurement of the IDEA CCR Corporate Credit Recovery II Fund - Shipping Sub-Fund yielded a positive effect of 1 million euro during the year.

Clessidra Restructuring Fund

Clessidra Restructuring Fund (CRF Fund) is a closed-ended alternative investment fund reserved for institutional investors, dedicated to investing in loans classified as unlikely to pay to previously identified industrial companies. In September 2019, UBI Banca, which during 2021 was merged into Intesa Sanpaolo, had sold loans to five borrowers with a total gross amount of 17 million euro and a net exposure of 11 million euro, with concurrent subscription of the units of the CRF Fund for an

amount essentially in line with the net value of the transferred loans. The economic sector of the assigned debtors was mainly concentrated in "Manufacture of wooden doors and manufacture of furniture". The transferred financial assets are primarily in the North-west area.
As at 31 December 2023, Intesa Sanpaolo held a 4.34% stake in the CRF Fund, classified among Financial assets mandatorily measured at fair value, for a book value of 8 million euro. The measurement of the Clessidra Restructuring Fund yielded an immaterial negative effect during the year.

UTP Italia Fund – Loans Sub-Fund

The UTP Italia Fund is an alternative closed-end Italian securities umbrella fund (AIF) in charge of managing loans classified as unlikely-to-pay (UTP) and whose target is credit exposures to small and medium-sized enterprises and individuals. In November 2022, the Bank finalised the sale of a loan portfolio (mainly UTP) to the UTP Italia Fund managed by Sagitta S.G.R., with Intrum Italy S.p.A. as special servicer. Specifically, the transaction entailed: i) the sale of loans owed to the Bank for a gross amount at the cut-off date of 42 million euro and net exposure of 25 million euro, to Finn SPV S.r.l. (SPV 130), without significant effects on the income statement for 2022; ii) the recognition of the receivable of 25 million euro from the SPV 130; iii) the contribution to the UTP Italia Fund of the receivable from the SPV 130 in exchange for units of the fund by way of price; and iv) issue of Asset-Backed Securities (ABS) by the vehicle, subscribed by the Fund, derecognising the receivable from the SPV 130.
Effective 20 March 2023, Intesa Sanpaolo finalised the sale of a loan portfolio with gross exposure of 366 million euro and net exposure of 147 million euro to the securitisation vehicle Finn SPV S.r.l., with the sale price netting the subscription price of the Fund units.
The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
– "Consumer Households" at 57%;
– "Production Companies" at 17%;
– "Family Businesses" at 16.1%;
– and, to a residual extent, other business sectors.
The assets of the assigned debtors were broken down as follows by geographical area:
– 35.1% South and Islands;
– 29.1% North-West;
– 21.5% Centre;
– 14.3% North-East.
As a result of this operation, Intesa Sanpaolo holds 60.73% of the Fund, and reclassified the fund from financial assets mandatorily measured at fair value to interests subject to significant influence.
As at 31 December 2023, the Intesa Sanpaolo held a 44.52% stake (with voting rights limited to 35%) in the UTP Italia Fund for a book value of 155 million euro. The measurement of the UTP Italia Fund yielded a negative effect for the year of 18 million euro.

Efesto

Efesto is an alternative closed-end Italian securities fund (AIF). In July 2022, the sale of loans was finalised for a gross amount of 17 million euro and net exposure of 9 million euro, accompanied by the subscription of the units of the fund for an amount of 7 million euro, without significant effects on the income statement for 2022.
Effective 20 March 2023, Intesa Sanpaolo finalised the sale of a loan portfolio with gross exposure of 320 million euro and net exposure of 181 million euro to the securitisation vehicle Esino SPV S.r.l., with the sale price netting the price of subscription of the Fund units.
The breakdown of the assigned debtors by economic sector was mainly concentrated in the following sectors:
– "Consumer Households" at 83.3%;
– "Production companies" at 12.5%;
– and, to a residual extent, other business sectors.
The assets of the assigned debtors were broken down as follows by geographical area:
– 34.9% South and Islands;
– 32.7% North-West;
– 21.2% Centre;
– 11.2% North-East.
As a result of this operation, Intesa Sanpaolo holds 36.48% of the Fund, and reclassified the fund from financial assets mandatorily measured at fair value to interests subject to significant influence.
As at 31 December 2023, Intesa Sanpaolo held a 31.61% stake in the Efesto fund for a book value of 173 million euro. The valuation of Efesto had no impact on the income statement during the year.

Lendlease MSG Heartbeat
In 2022, a complex operation regarding the Risanamento Group was launched, as part of the "Starfighter Project", to: i) develop the real estate project in the Milano Santa Giulia area; ii) enable the company to cover the commitments assumed with public and private parties, and iii) deconsolidate the on-balance sheet exposure due to the banks involved from Risanamento.
The Board of Directors of ISP approved the transaction on 2 February 2023, which was completed on 30 June following the fulfilment of the conditions precedent attached to the Term Sheet General Framework Agreement. The complex transaction aimed at the financial and corporate restructuring of the Risanamento Group included:
- the establishment of a closed-end Alternative Real Estate Investment Fund;
- the commitment by Intesa Sanpaolo and the other banks involved, and by the other stakeholders involved in the transaction, to subscribe to the units of the Fund;
- the deconsolidation of ISP's credit exposure and shareholders' loan with the Risanamento Group through the discharge by the Fund and simultaneous offsetting of the related loans, due to Intesa Sanpaolo Group and the other banks, with the commitments made by the banks towards the Fund against the subscription of units;
- the disbursement of new performing loans to the Fund;
- the maintenance of Risanamento's business operations.
The economic sector of the assigned debtors was mainly concentrated in "Non-financial companies". The transferred financial assets are primarily in the North-West area.
The Bank's credit exposure to the Risanamento Group was offset against the latter's commitments made in exchange the subscription of class A1 and B2 units of the Lendlease MSG Heartbeat Fund. Therefore, at the closing completed on 30 June 2023, Intesa Sanpaolo derecognised the loans due from Risanamento, including the shareholders' loan, recognising respectively the B2 and A1 units of the fund received at fair value, at a value substantially aligned with the net value of the loans sold.
As at 31 December 2023, the Parent Company held a 60.9% stake in the Lendlease MSG Heartbeat fund, classified among investments subject to significant influence, for a book value of 212 million euro.

Other information
Lastly, for completeness, it should be noted that during the second half of 2023 Intesa Sanpaolo completed a transaction for the sale of performing on-balance sheet exposures (amounting to around 800 million euro in terms of Gross Book Value) to the Italian Commercial Real Estate sector, with a substantially neutral effect on the income statement. 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.

E.4 Covered bond transactions
Covered bond transactions where the selling bank and the lending bank are the same must be reported under this section. Intesa Sanpaolo uses covered bonds mainly as a type of funding through securities guaranteed by assets originated by Intesa Sanpaolo or by other companies of the Group.
Intesa Sanpaolo has four programmes for the issuance of Covered Bonds (CB).

The first Programme, launched in 2009, has a maximum amount of 20 billion euro (the original maximum amount was 10 billion euro). The guarantor of the Covered Bonds is the vehicle ISP CB Pubblico, to which a portfolio of performing loans and securities to the public sector, originated by the former subsidiary Banca Infrastrutture Innovazione e Sviluppo, now Intesa Sanpaolo, was transferred. The Bank gradually sold the vehicle assets with a total original nominal value of 13.2 billion euro (net of retrocessions of assets of 1.7 billion euro). The last sale (amounting to around 1 billion euro) took place in April 2013.
In the last ten days of November 2023, Intesa Sanpaolo repurchased the entire portfolio of bonds segregated in the vehicle for an amount of 1.1 billion euro. As a result, only the loan portfolio remained as collateral, which had a book value as at 31 December 2023 of 1.8 billion euro.
Against these sales, Covered Bonds were issued over time for a total nominal value of 25.2 billion euro (of which 19.9 billion euro relating to issues acquired in full by the Bank and subject to early redemption or matured and 3.5 billion euro relating to an exchange offer to investors during 2012, of which 2 billion euro that matured in the second quarter of 2017 and the remaining 1.5 billion euro in January 2021).
As at 31 December 2022, a total nominal amount of 3.1 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP CB Pubblico was outstanding, fully subscribed by the Bank.
In 2023, the twelfth retained series was partially redeemed in advance and reached maturity for a total nominal amount of 1,050 million euro; the fourteenth retained series was also partially redeemed for 200 million euro.
Therefore, as at 31 December 2023, a total nominal amount of 1.85 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP CB Pubblico was outstanding, fully subscribed by the Bank.
All the securities issued under the programme are listed on the Luxembourg Stock Exchange and have a Moody's A2 rating.

In the second Programme, launched in 2010, amounting to a maximum of 25 billion euro (the original maximum amount was 20 billion euro), the guarantor of the covered bonds is the vehicle ISP CB Ipotecario S.r.l., to which Italian residential mortgage loans and, initially bonds issued by Adriano Finance S.r.l., originated by Intesa Sanpaolo, were transferred.
The Bank gradually sold the vehicle mortgage loans with an original total nominal value of 46.8 billion euro (net of retrocessions).
During 2023, the following additional transactions were also finalised:
– in April, repurchases for an amount of 30 million euro;
– in July, sales for an amount of 8.5 billion euro.
As at 31 December 2023, the loans sold to the vehicle had a book value of 23 billion euro.

Over time, against the sale of these assets, Intesa Sanpaolo has carried out issues of Covered Bonds for a total nominal value of approximately 41.7 billion euro (of which a total of 22.9 billion euro subject to early redemption or matured at December 2023).
As at 31 December 2022, a total nominal amount of 14.3 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 8.4 billion euro placed with third party investors and 5.9 billion euro subscribed by Intesa Sanpaolo. Part of the latter was subsequently used in repurchase agreements for an amount of 343 million euro.
In 2023, the nineteenth series matured for 1,250 million euro and the twenty-first retained series was partially redeemed for 1 billion euro. In addition, five series were issued, three of which retained, for a total amount of 6.8 billion euro.
Accordingly, as at 31 December 2023, a total nominal amount of 18.9 billion euro of issues made as part of the covered bond programme of the vehicle ISP CB Ipotecario was outstanding, of which 8.4 billion euro placed with third party investors and 10.5 billion euro subscribed by Intesa Sanpaolo. Part of the latter was subsequently used in repurchase agreements for an amount of 5.8 billion euro.
All the securities issued under the programme are listed on the Luxembourg Stock Exchange and have a Moody's Aa3 rating.

The third multi-originator Covered Bond issue Programme, launched in 2012, has the vehicle ISP OBG S.r.l. as the guarantor of its securities. This programme is secured by mortgages for a maximum amount of 55 billion euro (the original maximum amount was 30 billion euro) and is aimed at realising the retained issues.
The portfolio used to collateralise the issues of Covered Bonds is composed of mortgages originated by Intesa Sanpaolo, Banco di Napoli, Cassa di Risparmio del Veneto, Cassa di Risparmio in Bologna and Banca CR Firenze (merged by incorporation into Intesa Sanpaolo between July 2018 and February 2019).
Over time, the Bank has sold mortgages to the vehicle for an original total nominal value of 89.4 billion euro (net of retrocessions).
In 2023, Intesa Sanpaolo did not sell any mortgage loans to the vehicle, while loans were repurchased:
– in April, for an amount of 118 million euro;
– in June, for an amount of 5.1 billion euro.
As at 31 December 2023, the loans sold to the vehicle by Intesa Sanpaolo had a book value of 43.5 billion euro.
Over time, against the sales of these assets, the Bank has carried out issues of Covered Bonds for a total nominal value of around 86.3 billion euro (of which 44.275 billion euro subject to early redemption and reimbursed). All the securities issued as part of the programme are listed on the Luxembourg Stock Exchange and have a Morningstar DBRS A rating.
As at 31 December 2022, a total nominal amount of 45.9 billion euro of issues made as part of the Covered Bond programme of the vehicle ISP OBG was outstanding, fully subscribed by Intesa Sanpaolo.
In 2023, the nineteenth and twentieth series, both retained, matured for a total amount of 2,975 million euro and the forty-first and forty-second series, both retained, were partially redeemed for a total amount of 1,100 million euro. Therefore, as at 31 December 2023, there were issuances made under the programme guaranteed by the vehicle ISP OBG for a total nominal amount of 41.8 billion euro, fully subscribed by Intesa Sanpaolo, a part of which was subsequently used in repurchase agreements for an amount of 5.8 billion euro.

The fourth programme was launched by the former UBI Banca Group in 2008.
Former UBI Banca, merged into Intesa Sanpaolo S.p.A. during 2021, included two covered bond programmes, run by two special purpose vehicles named UBI Finance S.r.l. and UBI Finance CB2 S.r.l., respectively. The latter was closed in January 2021.
The programme still provides Intesa Sanpaolo with the right to issue securities, targeted to institutional investors, for a maximum amount of 15 billion euro. The Programme includes residential mortgage loans assigned by the former UBI Group's network banks. These banks participated in the programme as Originator Banks and Lending Banks.
As at 31 December 2022 a total nominal amount of 7.7 billion euro of issues made as part of the covered bond programme of the vehicle UBI Finance was outstanding, of which 7.5 billion euro placed with third party investors and 0.2 billion euro retained.
In 2023, the eighteenth series matured for an amount of 1,250 million euro.
As at 31 December 2023 a total nominal amount of 6.4 billion euro of issues made as part of the covered bond programme of the vehicle UBI Finance was outstanding, of which 6.2 billion euro placed with third party investors and 0.2 billion euro retained.
As at 31 December, the bonds under the programme were assigned an Aa3 rating from Moody's and AA (Low) from Morningstar DBRS.
Following the incorporation of the former UBI Banca, Intesa Sanpaolo sold mortgages to the vehicle for an original total nominal value of 694 million euro (net of retrocessions).
In 2023, Intesa Sanpaolo repurchased loans in April for an amount of 57 million euro.
As at 31 December 2023, the loans sold to the vehicle had a book value of 7.4 billion euro.

VEHICLE	NAME	TYPE OF UNDERLYING ASSET	ISSUE	MATURITY	RATING	VEHICLE DATA		SUBORDINATED FINANCING (1)	COVERED BOND ISSUED			
						Total assets	Cumulated write-downs to the securitised portfolio	amount	nominal amount (2)	book value (2)	IAS classification	Valuation
ISP CB PUBBLICO						3,899	3	3,736	-	-		
ISP CB IPOTECARIO						28,606	35	26,120	14,166	13,513		
	Intesa Sanpaolo 11/26 5.25%	Residential mortgage loans	17/02/2011	17/02/2026	Moody's Aa3				100	106	Securities issued	Amortised cost
	Intesa Sanpaolo 11/31 5.375%	Residential mortgage loans	17/02/2011	17/02/2031	Moody's Aa3				300	334	Securities issued	Amortised cost
	Intesa Sanpaolo 11/27 5.25%	Residential mortgage loans	16/09/2011	16/09/2027	Moody's Aa3				210	214	Securities issued	Amortised cost
	Intesa Sanpaolo 13/25 3.375%	Residential mortgage loans	24/01/2013	24/01/2025	Moody's Aa3				1,000	1,009	Securities issued	Amortised cost
	Intesa Sanpaolo 14/26 3.25%	Residential mortgage loans	10/02/2014	10/02/2026	Moody's Aa3				1,250	1,283	Securities issued	Amortised cost
	Intesa Sanpaolo 15/25 1.375%	Residential mortgage loans	18/12/2015	18/12/2025	Moody's Aa3				1,250	1,185	Securities issued	Amortised cost
	Intesa Sanpaolo 17/27 1.125%	Residential mortgage loans	16/06/2017	16/06/2027	Moody's Aa3				1,000	921	Securities issued	Amortised cost
	Intesa Sanpaolo 07/25 1.125%	Residential mortgage loans	13/07/2018	14/07/2025	Moody's Aa3				1,000	967	Securities issued	Amortised cost
	Intesa Sanpaolo 03/24 0.5%	Residential mortgage loans	05/03/2019	05/03/2024	Moody's Aa3				999	996	Securities issued	Amortised cost
	Intesa Sanpaolo 06/28 3.625%	Residential mortgage loans	30/06/2023	30/06/2028	Moody's Aa3				1,250	1,306	Securities issued	Amortised cost
	Intesa Sanpaolo 12/43 3.943%	Residential mortgage loans	15/12/2023	15/12/2043	Moody's Aa3				50	50	Securities issued	Amortised cost
	Intesa Sanpaolo 04/30 FRN	Residential mortgage loans	16/02/2018	12/04/2030	Moody's Aa3				1,947	1,738	Securities issued	Amortised cost
	Intesa Sanpaolo 10/24 FRN	Residential mortgage loans	16/11/2016	12/10/2024	Moody's Aa3				440	403	Securities issued	Amortised cost
	Intesa Sanpaolo 10/31 FRN	Residential mortgage loans	27/01/2020	12/10/2031	Moody's Aa3				750	663	Securities issued	Amortised cost
	Intesa Sanpaolo 04/29 FRN	Residential mortgage loans	03/02/2022	12/04/2029	Moody's Aa3				1,000	897	Securities issued	Amortised cost
	Intesa Sanpaolo 07/26 FRN	Residential mortgage loans	12/10/2023	12/07/2026	Moody's Aa3				278	251	Securities issued	Amortised cost
	Intesa Sanpaolo 01/28 FRN	Residential mortgage loans	12/10/2023	12/01/2028	Moody's Aa3				839	746	Securities issued	Amortised cost
	Intesa Sanpaolo 10/32 FRN	Residential mortgage loans	12/10/2023	12/10/2032	Moody's Aa3				503	444	Securities issued	Amortised cost
ISP OBG						51,484	161	50,933	5,787	5,422		
	Intesa Sanpaolo 08/27 FRN	Residential mortgage loans	17/02/2017	20/08/2027	Morningstar DBRS A				1,010	937	Securities issued	Amortised cost
	Intesa Sanpaolo 08/28 FRN	Residential mortgage loans	09/03/2018	20/08/2028	Morningstar DBRS A				845	763	Securities issued	Amortised cost
	Intesa Sanpaolo 05/30 FRN	Residential mortgage loans	21/09/2018	20/05/2030	Morningstar DBRS A				295	285	Securities issued	Amortised cost
	Intesa Sanpaolo 08/29 FRN	Residential mortgage loans	21/09/2018	20/08/2029	Morningstar DBRS A				173	168	Securities issued	Amortised cost
	Intesa Sanpaolo 02/31 FRN	Residential mortgage loans	22/11/2018	20/02/2031	Morningstar DBRS A				290	285	Securities issued	Amortised cost
	Intesa Sanpaolo 08/26 FRN	Residential mortgage loans	22/11/2018	20/08/2026	Morningstar DBRS A				310	302	Securities issued	Amortised cost
	Intesa Sanpaolo 08/31 FRN	Residential mortgage loans	18/12/2018	20/08/2031	Morningstar DBRS A				150	137	Securities issued	Amortised cost
	Intesa Sanpaolo 05/32 FRN	Residential mortgage loans	20/02/2019	20/05/2032	Morningstar DBRS A				321	310	Securities issued	Amortised cost
	Intesa Sanpaolo 02/33 FRN	Residential mortgage loans	24/06/2019	20/02/2033	Morningstar DBRS A				172	169	Securities issued	Amortised cost
	Intesa Sanpaolo 02/27 FRN	Residential mortgage loans	24/06/2019	20/02/2027	Morningstar DBRS A				688	616	Securities issued	Amortised cost
	Intesa Sanpaolo 02/29 FRN	Residential mortgage loans	24/06/2019	20/02/2029	Morningstar DBRS A				313	302	Securities issued	Amortised cost
	Intesa Sanpaolo 08/32 FRN	Residential mortgage loans	16/12/2019	20/08/2032	Morningstar DBRS A				178	167	Securities issued	Amortised cost
	Intesa Sanpaolo 02/28 FRN	Residential mortgage loans	24/06/2020	20/02/2028	Morningstar DBRS A				1,042	981	Securities issued	Amortised cost

VEHICLE	NAME	TYPE OF UNDERLYING ASSET	ISSUE	MATURITY	RATING	VEHICLE DATA		SUBORDINATED FINANCING (1)	COVERED BOND ISSUED			
						Total assets	Cumulated write-downs to the securitised portfolio	amount	nominal amount (2)	book value (2)	IAS classification	Valuation
UBI FINANCE;						8,634	76	8,561	6,241	6,047		
	Intesa Sanpaolo 14/24 3.125%	Residential mortgage loans	05/02/2014	05/02/2024	Moody's Aa3 Morningstar DBRS AA				997	1,024	Securities issued	Amortised cost
	Intesa Sanpaolo 14/25 1.25%	Residential mortgage loans	07/11/2014	07/02/2025	Moody's Aa3 Morningstar DBRS AA				999	985	Securities issued	Amortised cost
	Intesa Sanpaolo 16/26 0.375%	Residential mortgage loans	14/09/2016	14/09/2026	Moody's Aa3 Morningstar DBRS AA				998	936	Securities issued	Amortised cost
	Intesa Sanpaolo 17/27 1.125%	Residential mortgage loans	04/10/2017	04/10/2027	Moody's Aa3 Morningstar DBRS AA				1,250	1,182	Securities issued	Amortised cost
	Intesa Sanpaolo 18/30 1.25%	Residential mortgage loans	15/01/2018	15/01/2030	Moody's Aa3 Morningstar DBRS AA				500	466	Securities issued	Amortised cost
	Intesa Sanpaolo 18/24 0.5%	Residential mortgage loans	15/01/2018	15/07/2024	Moody's Aa3 Morningstar DBRS AA				748	735	Securities issued	Amortised cost
	Intesa Sanpaolo 18/33 1.78%	Residential mortgage loans	23/02/2018	23/02/2033	Moody's Aa3 Morningstar DBRS AA				90	85	Securities issued	Amortised cost
	Intesa Sanpaolo 18/33 1.75%	Residential mortgage loans	26/02/2018	25/02/2033	Moody's Aa3 Morningstar DBRS AA				160	151	Securities issued	Amortised cost
	Intesa Sanpaolo 19/25 1%	Residential mortgage loans	25/02/2019	25/09/2025	Moody's Aa3 Morningstar DBRS AA				499	483	Securities issued	Amortised cost

(1) This caption includes the subordinated loan granted by Intesa Sanpaolo to the vehicles for the purchase of the portfolio lodged as collateral for the CB. This loan is derecognised in the IAS-compliant separate financial statements. The amount of the loan refers to the issue already executed as part of an issue programme with a higher maximum amount.
(2) The nominal amount and the book value are to be considered net of securities repurchased.

The additional information required by IFRS 12 is not provided by banks that draw up consolidated financial statements pursuant to Bank of Italy Circular 262.

F. MODELS FOR THE MEASUREMENT OF CREDIT RISK

At year-end, the expected loss was 0.31%, down on the figure at the end of 2022 (0.35%) due to the improvement in credit quality and the effects of the model change on the Corporate and Large Corporate portfolios.
For the companies included in the roll out plan, the LGD and EAD internal regulatory rating models are subject to a second level of control by the Validation function and a third level of control by the Internal Auditing function. The control functions produce annual reports for the Supervisory Authority on the compliance of the models with the supervisory regulations, which also includes a verification on the deviations of the ex-ante estimates and the effective ex post values. These reports, approved by the Board of Directors of Intesa Sanpaolo, confirm the compliance to the regulatory requirements.

SECTION 2 – MARKET RISKS

REGULATORY TRADING BOOK

2.1 INTEREST RATE RISK AND PRICE RISK

Qualitative information

Qualitative information on the measurement of financial risks of Intesa Sanpaolo's regulatory trading book is contained in Part E of the Notes to the consolidated financial statements.

Quantitative information

Operational quantitative information on Intesa Sanpaolo's market risks is contained in Part E of the Notes to the consolidated financial statements.

BANKING BOOK

2.2 INTEREST RATE RISK AND PRICE RISK

Qualitative information

Qualitative information on the measurement of financial risks in Intesa Sanpaolo's banking book is contained in Part E of the Notes to the consolidated financial statements.

Quantitative information

Banking book - internal models and other sensitivity analysis methodologies

The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 201 million euro, -133 million euro and 324 million euro, respectively, at the end of 2023 based on the new internal reactivity model representing the Bank's best forward-looking estimate of net interest income.

The latter figure was up (+217 million euro) on the figure at the end of 2022, mainly due to the decline in the implicit reactivity of the core deposits from customers, in particular from March. This effect was partly offset by the reduction in volumes of on demand deposits, by new derivatives hedging the core deposits model and by the repricing of floating-rate loans to customers.

Interest rate risk, generated by Intesa Sanpaolo's banking book, measured through the value sensitivity (sensitivity of portfolio value to a parallel and uniform shift in the yield curve of +100 basis points), recorded an average of -916 million euro during 2023 and amounted to -878 million euro at year-end (in line with the value of -871 million euro at the end of 2022).

Interest rate risk, measured in terms of VaR (99% confidence level, 10-day holding period), amounted to an average of 408 million euro during 2023, with a maximum value of 523 million euro and a minimum value of 249 million euro, equal to the figure at the end of December 2023. That change was mainly due to the decrease in the volatility of market rates recorded during 2023.

Price risk generated by minority stakes in listed companies, mostly held in the portfolios of Assets at fair value through other comprehensive income (HTCS) and measured in terms of VaR, recorded an average level during 2023 of 57 million euro, with maximum and minimum values of 83 million euro and 39 million euro respectively, with the latter coinciding with the value at the end of 2023 (87 million euro at the end of 2022). This change was mainly due to the reduction in the price volatility of the equity portfolio.

Lastly, the table below shows a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock for the above-mentioned quoted assets.

Price risk: impact on Shareholders' Equity

(millions of euro)

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

2.3 FOREIGN EXCHANGE RISK

Qualitative information

Qualitative information, including hedging activities of foreign exchange risk, is contained in Part E of the Notes to the consolidated financial statements.

Quantitative information

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

(millions of euro)

	CURRENCIES					
	US dollar	GB pound	Yen	Australian dollar	Swiss franc	Other currencies
A. FINANCIAL ASSETS	**38,990**	**3,390**	**2,017**	**3,569**	**748**	**3,859**
A.1 Debt securities	18,923	919	1,790	1,404	-	650
A.2 Equities	1,150	108	1	-	33	324
A.3 Loans to banks	4,171	270	30	554	544	1,982
A.4 Loans to customers	14,746	2,093	196	1,611	171	903
A.5 Other financial assets	-	-	-	-	-	-
B. OTHER ASSETS	**3,997**	**487**	**697**	**203**	**4**	**1,050**
C. FINANCIAL LIABILITIES	**40,188**	**1,822**	**1,205**	**2,388**	**676**	**1,988**
C.1 Due to banks	20,833	1,138	499	1,541	514	1,287
C.2 Due to customers	2,448	185	11	799	135	579
C.3 Debt securities	16,907	499	695	48	27	122
C.4 Other financial liabilities	-	-	-	-	-	-
D. OTHER LIABILITIES	**1,432**	**464**	**38**	**391**	**65**	**1,258**
E. FINANCIAL DERIVATIVES						
- Options						
long positions	*3,030*	*62*	*404*	*-*	*89*	*865*
short positions	*3,289*	*108*	*386*	*25*	*46*	*975*
- Other derivatives						
long positions	*59,482*	*10,915*	*2,823*	*1,608*	*3,039*	*15,686*
short positions	*61,553*	*12,494*	*4,195*	*2,612*	*3,133*	*17,251*
TOTAL ASSETS	**105,499**	**14,854**	**5,941**	**5,380**	**3,880**	**21,460**
TOTAL LIABILITIES	**106,462**	**14,888**	**5,824**	**5,416**	**3,920**	**21,472**
DIFFERENCE (+/-)	**-963**	**-34**	**117**	**-36**	**-40**	**-12**

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

2. Internal models and other sensitivity analysis methodologies

As already noted, the management of Transaction Foreign Exchange Risk relating to trading activities is included in the operating procedures and in the estimation methodologies of the managerial VaR.
Foreign exchange risk expressed by equity investments in foreign currency (banking book) originated a VaR (99% confidence level, 10-day holding period) amounting to 118 million euro as at 31 December 2023. This potential impact would only be reflected in the Shareholders' Equity.

SECTION 3 – DERIVATIVES AND HEDGING POLICIES

The Bank is authorised to use EPE (Expected Positive Exposure) internal approaches to determine the capital requirement for counterparty risk.
These approaches are used for almost the entire trading book (as shown in the table below, as at 31 December 2023 approximately 98% of the total EAD of financial and credit derivatives is measured using EPE models).
Derivatives whose counterparty risk is measured using approaches other than internal models represent a residual portion of the portfolio (as at 31 December 2023 accounting for approximately 2% of overall EAD) and refer to residual contracts which are not simulated, in compliance with the immateriality thresholds set by the EBA.
As a result of the entry into force of the Basel 3 rules, the scope of counterparty risk also includes Exchange Traded Derivatives (ETD) and contracts with central counterparties (CCP).
The table below shows the overall EAD of exposures in financial and credit derivatives, broken down by measurement approach.

(millions of euro)

Transaction categories	Exposure at default (EAD)			
	31.12.2023		31.12.2022	
	Standardised models	Internal Method (EPE)	Standardised models	Internal Method (EPE)
Derivative contracts	212	10,364	327	12,437

Using the EPE internal model, it is possible to consider the collateral collected to mitigate credit exposure and any excess collateral paid in the simulation. The value of the guarantees received and included in the calculation of the EAD amounts to approximately 16 billion euro for Intesa Sanpaolo, while the collateral paid equals approximately 15 billion euro (including the initial margins posted in connection with transactions with central counterparties).

3.1 Trading derivatives

A. FINANCIAL DERIVATIVES

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

(millions of euro)

Underlying asset/Type of derivatives	31.12.2023				31.12.2022			
	Over the counter			Organised markets	Over the counter			Organized markets
	Central Counterparts	Without central counterparties			Central Counterparts	without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rate	**2,965,132**	**438,844**	**79,517**	**90,114**	**2,301,865**	**286,344**	**81,194**	**109,527**
a) Options	-	208,296	10,529	304	-	69,046	7,878	1,004
b) Swaps	2,965,132	230,548	68,125	-	2,301,865	217,298	71,440	-
c) Forwards	-	-	609	-	-	-	1,607	-
d) Futures	-	-	254	89,810	-	-	269	108,523
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indices	**-**	**13,705**	**24,953**	**5,022**	**-**	**6,415**	**25,135**	**5,860**
a) Options	-	9,021	24,944	1,561	-	5,946	25,126	3,932
b) Swaps	-	4,684	9	-	-	469	9	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	3,461	-	-	-	1,928
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	**-**	**127,847**	**21,330**	**81**	**-**	**158,325**	**15,921**	**7**
a) Options	-	25,378	2,280	-	-	27,661	1,274	4
b) Swaps	-	32,126	2,619	-	-	35,971	2,612	-
c) Forwards	-	70,021	15,606	-	-	94,406	11,167	-
d) Futures	-	-	-	81	-	-	-	3
e) Other	-	322	825	-	-	287	868	-
4. Commodities	**-**	**3,207**	**1,450**	**1,606**	**-**	**4,042**	**1,077**	**1,640**
5. Other underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,965,132**	**583,603**	**127,250**	**96,823**	**2,301,865**	**455,126**	**123,327**	**117,034**

The notional amounts shown as at 31 December 2023 in the column "Over the counter" with central counterparties relate to interest rate derivatives settled through legal clearing for a total of 2,965 billion euro.

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

(millions of euro)

Type of derivative	31.12.2023				31.12.2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	2,255	737	114	-	1,575	592	54
b) Interest rate swaps	63,447	10,400	2,124	-	83,520	11,050	2,098	-
c) Cross currency swaps	-	913	200	-	-	1,617	201	-
d) Equity swaps	-	12	-	-	-	21	2	-
e) Forwards	-	1,019	188	-	-	1,867	228	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	331	96	-	-	721	170	-
Total	**63,447**	**14,930**	**3,345**	**114**	**83,520**	**16,851**	**3,291**	**54**
2. Negative fair value								
a) Options	-	2,788	7,381	115	-	1,810	6,290	44
b) Interest rate swaps	64,302	9,369	2,142	-	80,573	12,503	3,868	-
c) Cross currency swaps	-	1,554	176	-	-	1,458	876	-
d) Equity swaps	-	13	1	-	-	21	-	-
e) Forwards	-	677	198	-	-	1,294	360	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	337	111	-	-	556	186	-
Total	**64,302**	**14,738**	**10,009**	**115**	**80,573**	**17,642**	**11,580**	**44**

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

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

The fair value of the over-the-counter (OTC) trading derivatives held with the legal clearing agent LCH Ltd., considered to have met the requirements of IAS 32, paragraph 42, was offset in the financial statements (Part B of the Notes to financial statements) with a total negative difference for financial derivatives held for trading of 3,306 million euro (positive fair value of 57,949 million euro and negative fair value of 61,255 million euro). The difference relates to transactions originated by customers and Group companies for a positive clearing amount of 1,793 million euro (positive fair value of 3,494 million euro and negative fair value of 1,701 million euro), shown under financial assets held for trading, and to transactions on own account for a negative clearing amount of 5,099 million euro (positive fair value of 54,455 million euro and negative fair value of 59,554 million euro), shown in financial liabilities held for trading Financial liabilities held for trading were also affected by the positive result of clearing of hedging derivative contracts for 79 million euro (positive fair value of 7,181 million euro and negative fair value of 7,102 million euro).

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

(millions of euro)

Underlying asset	Central Counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	4,136	17,898	57,483
- positive fair value	X	71	538	1,577
- negative fair value	X	-136	-342	-1,976
2) Equities and stock indices				
- notional amount	X	15,083	2,948	6,922
- positive fair value	X	619	65	1
- negative fair value	X	-725	-136	-6,182
3) Foreign exchange rates and gold				
- notional amount	X	3,414	2,424	15,492
- positive fair value	X	27	79	281
- negative fair value	X	-19	-12	-376
4) Commodities				
- notional amount	X	-	217	1,233
- positive fair value	X	-	14	73
- negative fair value	X	-	-2	-103
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included under netting agreements				
1) Debt securities and interest rates				
- notional amount	2,965,132	323,904	102,950	11,990
- positive fair value	63,447	8,067	3,657	309
- negative fair value	-64,302	-9,077	-1,478	-626
2) Equities and stock indices				
- notional amount	-	2,532	11,158	15
- positive fair value	-	181	138	5
- negative fair value	-	-52	-630	-
3) Foreign exchange rates and gold				
- notional amount	-	87,948	28,641	11,258
- positive fair value	-	1,409	543	307
- negative fair value	-	-1,712	-472	-354
4) Commodities				
- notional amount	-	220	1,048	1,939
- positive fair value	-	18	97	199
- negative fair value	-	-25	-77	-235
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

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

(millions of euro)

Underlying/Residual maturity		Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		1,242,546	1,452,397	788,550	3,483,493
A.2 Financial derivatives on equities and stock indices		15,471	20,632	2,555	38,658
A.3 Financial derivatives on foreign exchange rates and gold		103,725	34,604	10,848	149,177
A.4 Financial derivatives on commodities		2,388	2,223	46	4,657
A.5 Other financial derivatives		-	-	-	-
Total	**31.12.2023**	**1,364,130**	**1,509,856**	**801,999**	**3,675,985**
Total	**31.12.2022**	**994,715**	**1,104,854**	**780,749**	**2,880,318**

B. CREDIT DERIVATIVES

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

(millions of euro)

Categories of transactions	Trading derivatives	
	single counterparty	more counterparties (basket)
1. Protection purchases		
a) Credit default products	6,306	33,306
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31.12.2023	**6,306**	**33,306**
Total 31.12.2022	**7,582**	**68,356**
2. Protection sales		
a) Credit default products	7,879	29,419
b) Credit spread products	-	-
c) Total rate of return swap	3,976	-
d) Other	-	-
Total 31.12.2023	**11,855**	**29,419**
Total 31.12.2022	**8,090**	**65,183**

As at 31 December 2023, none of the contracts shown in the table were included within the disclosure on structured credit products reported in the chapter on market risks in the Notes to the consolidated financial statements.

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

(millions of euro)

Type of derivative	Total 31.12.2023	Total 31.12.2022
1. Positive fair value		
a) Credit default products	1,086	954
b) Credit spread products	-	-
c) Total rate of return swap	213	-
d) Other	-	-
Total	**1,299**	**954**
2. Negative fair value		
a) Credit default products	1,140	943
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**1,140**	**943**

As at 31 December 2023, none of the contracts shown in the table were included within the disclosure on structured credit products reported in the chapter on market risks in the Notes to the consolidated financial statements.

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

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

(millions of euro)

	Central counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Protection purchases				
− notional amount	X	-	15,083	307
− positive fair value	X	-	2	17
− negative fair value	X	-	-	-583
2) Protection sales				
− notional amount	X	-	13,700	3
− positive fair value	X	-	540	-
− negative fair value	X	-	-2	-3
Contracts included under netting agreements				
1) Protection purchases				
− notional amount	7,915	7,733	8,574	-
− positive fair value	-	46	43	-
− negative fair value	-242	-89	-91	-
2) Protection sales				
− notional amount	6,932	8,945	11,694	-
− positive fair value	213	109	329	-
− negative fair value	-17	-58	-55	-

As at 31 December 2023, none of the contracts shown in the table were included within the disclosure on structured credit products reported in the chapter on market risks in the Notes to the consolidated financial statements.

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

(millions of euro)

Underlying/Residual maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
1. Protection sales	9,047	31,550	677	41,274
2. Protection purchases	5,283	33,842	487	39,612
Total 31.12.2023	**14,330**	**65,392**	**1,164**	**80,886**
Total 31.12.2022	**15,855**	**131,755**	**1,601**	**149,211**

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

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

3.2 Accounting hedges

Qualitative information

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

A. Fair value hedging

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

The Bank uses both micro fair value hedges and macro fair value hedges.
The micro fair value hedges mainly hedge bonds issued, debt securities under assets and loans to customers.
The macro fair value hedges are used for:

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

The main types of derivative contracts used are plain and structured interest rate swaps (IRS), overnight index swaps (OIS), cross-currency swaps (CCS), forward sales and options on interest rates stipulated with third parties.
The derivatives are not listed on regulated markets but are traded in OTC (over the counter) circuits. The OTC contracts also include contracts entered into through clearing houses, which account for the majority of derivatives.

B. Cash flow hedging

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

The Bank uses both micro cash flow hedges and macro cash flow hedges. The micro cash flow hedges mainly hedge bonds issued.
The macro cash flow hedges are used for:

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

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

C. Hedging of foreign investments

The Bank takes out foreign exchange hedges against the foreign exchange risk on the cost of funding in foreign currency and on foreign currency gains generated by the Parent Company's international branches. These are operational hedges, which are therefore not recognised as accounting hedges covered by this section.

D. Hedging instruments

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

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

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

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

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

E. Hedged items

The main types of hedged items are:

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

E.1 Debt securities under assets

The debt securities under assets are hedged by micro fair value hedges, involving the use of IRS (interest rate swaps), OIS (overnight index swaps) and CCS (cross-currency swaps) as hedging instruments.
The interest rate risk is usually hedged for the entire portfolio holding period of the debt instrument.
The Dollar Offset Method is used to verify the hedge effectiveness. This method is based on the ratio between the cumulative changes (from the inception of the hedge) in the fair value of the hedging instrument, attributable to the hedged risk, and cumulative changes in the fair value of the hedged item (fair value change), net of the accrual component of the earned interest.
Micro fair value hedges also include forward sales on debt securities in the Financial assets at fair value through other comprehensive income (HTCS) portfolio, carried out to hedge fair value risks from movements in credit spreads and interest rate curves. With regard to the forward sale contract, which is a derivative because it is a non-regular way transaction, the spot component is separated from the interest component by designating only the spot component as the hedging instrument in a fair value hedging relationship.

E.2 Debt securities issued and non-securities funding

The Bank establishes micro fair value hedges in place on fixed- or structured-rate funding and micro cash flow hedges or macro cash flow hedges on floating-rate funding, using IRS (interest rate swaps), OIS (overnight index swaps) and CCS (cross-currency swaps) as hedging instruments.
The interest rate risk is usually hedged throughout the life of the bond.
For the micro hedges, the hedge effectiveness is verified using the Dollar Offset Method. This method is based on the ratio between the cumulative changes (from the inception of the hedge) in the fair value or the cash flows of the hedging instrument, attributable to the hedged risk, and cumulative changes in the fair value or the cash flows of the hedged item (fair value change), net of the accrual component of the earned interest.
For the macro hedges, the hedge effectiveness is verified by means of a capacity test. This test involves a comparison of the consistency between the hedged items, referring to existing and expected floating-rate funding (so-called highly probable future transactions), and the hedging instruments, which must always be confirmed throughout the life of the hedging relationship and for each time band. In this case, the hedged item is represented by the expected cash flows from funding that will arise over the life of the issues. The estimate of the expected upcoming and highly probable funding is subject to annual approval by the Group Financial Risk Committee.

E.3 Fixed-interest loans

The Bank establishes micro fair value hedges for fixed-rate loans and macro fair value hedges for mortgage loans disbursed to retail counterparties of the Bank, mainly using IRS (interest rate swaps) as hedging instruments.
In a micro fair value hedge, the interest rate risk is hedged throughout the life of the underlying.
For the micro hedges, the hedge effectiveness is verified using the Dollar Offset Method.
For the macro hedges, the loan portfolio hedged is open, i.e. it is dynamically composed of fixed-loans hedged, at aggregate level, through hedging derivatives entered into over time.

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

E.4 Floating-rate loans

The Bank establishes macro cash flow hedges on floating-rate loans, mainly using interest rates swaps (IRSs) as hedging instruments.
The hedge effectiveness is verified by means of a capacity test. This test involves a comparison of the consistency between the hedged items, referring to the floating-rate loans outstanding, and the hedging instruments, which must always be confirmed throughout the life of the hedging relationship and for each time band. In this case, the hedged item is represented by the expected cash flows originating from the loans that will arise over the life of the assets.

E.5 Optional embedded component of floating-rate mortgages

The Bank hedges the optional embedded components (interest rate options) of floating-rate mortgages through micro fair value hedges, using options (cap, floor, collar) as hedging instruments.
The underlying assets may be partially or totally hedged, over time and in terms of amount.
The hedge effectiveness is verified using the Dollar Offset Method.

E.6 Already set coupon of floating-rate loans

The Bank establishes macro fair value hedges on coupons already set for floating-rate loans using OIS (overnight index swaps) as hedging instruments.
The purpose of this type of hedge is to neutralise the interest rate risk generated by the coupons already set for floating-rate loans.
The Dollar Offset Method is used to verify the hedge effectiveness, while the actual consistency of the hedged items is verified through a capacity test.

E.7 Modelled on demand deposits

Modelled on demand deposits are hedged by macro fair value hedges, as required by the "carve out" of IAS 39, using IRS (interest rate swaps) and OIS (overnight index swaps) as hedging instruments.
The purpose of the hedge is to protect net interest income from possible falls in interest rates that reduce the spread generated by the Bank's core deposits.
The model is subject to continuous monitoring and verification by the Market and Financial Risk Management Head Office Department, in order to promptly incorporate changes in the main characteristics of the model (volumes, stability, reactivity) and make the necessary adjustments where appropriate.
The hedge effectiveness is verified using the Dollar Offset Method.

Quantitative information

A. Financial hedging derivatives

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

(millions of euro)

Underlying asset/Type of derivative	31.12.2023				31.12.2022			
	Over the counter			Organised markets	Over the counter			Organized markets
	Central Counterparties	Without central counterparties			Central Counterparts	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreement	
1. Debt securities and interest rates	**387,112**	**12,996**	**6,262**	**-**	**322,529**	**12,617**	**4,039**	**-**
a) Options	-	1,073	-	-	-	1,587	-	-
b) Swaps	387,112	11,923	4,959	-	322,529	11,030	4,039	-
c) Forwards	-	-	1,303	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign exchange rates and gold	**-**	**9,178**	**-**	**-**	**-**	**9,119**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	9,178	-	-	-	9,119	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**387,112**	**22,174**	**6,262**	**-**	**322,529**	**21,736**	**4,039**	**-**

The average notional amount in the year of the financial hedging derivatives was 390,904 million euro.
The notional amounts shown as at 31 December 2023 in the column "Over the counter" with central counterparties relate to notional amounts of the financial hedging derivatives settled through legal clearing for a total of 387 billion euro.

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

(millions of euro)

Type of derivative	Positive and negative fair value: Total 31.12.2023 – Over the counter – Central Counterparties	Total 31.12.2023 – Over the counter – Without central counterparties – With netting agreements	Total 31.12.2023 – Over the counter – Without central counterparties – Without netting agreements	Total 31.12.2023 – Organized markets	Total 31.12.2022 – Over the counter – Central Counterparties	Total 31.12.2022 – Over the counter – Without central counterparties – With netting agreements	Total 31.12.2022 – Over the counter – Without central counterparties – Without netting agreements	Total 31.12.2022 – Organized markets	Change in value used to calculate hedge effectiveness: Total 31.12.2023	Change in value used to calculate hedge effectiveness: Total 31.12.2022
Positive fair value										
a) Options	-	32	-	-	-	75	-	-	-51	-47
b) Interest rate swap	12,268	696	204	-	17,193	848	333	-	12,421	18,312
c) Cross currency swap	-	204	-	-	-	323	-	-	49	-92
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	2	-	-	-	-	-	-2	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**12,268**	**932**	**206**	**-**	**17,193**	**1,246**	**333**	**-**	**12,417**	**18,173**
Negative fair value										
a) Options	-	1	-	-	-	1	-	-	-	1
b) Interest rate swap	9,549	989	51	-	12,471	991	2	-	10,224	13,360
c) Cross currency swap	-	822	-	-	-	768	-	-	966	1,015
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	26	-	-	-	-	-	27	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**9,549**	**1,812**	**77**	**-**	**12,471**	**1,760**	**2**	**-**	**11,217**	**14,376**

The amounts shown as at 31 December 2023 in the column "Over the counter" with central counterparties relate to the gross fair value of the over-the-counter (OTC) financial hedging derivatives settled through legal clearing, including LCH Ltd.
The fair value of the over-the-counter (OTC) financial hedging derivatives held with the legal clearing agent LCH Ltd., considered to have met the requirements of IAS 32, paragraph 42, was offset in the financial statements (Part B of the Notes to the financial statements) with a total positive difference of 79 million euro (positive fair value of 7,181 million euro and negative fair value of 7,102 million euro), represented among financial liabilities held for trading.

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

(millions of euro)

Underlying asset	Central counterparties	Banks	Other financial companies	Other counterparties
Contracts not included under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	428	5,834	-
- positive fair value	X	2	204	-
- negative fair value	X	-3	-74	-
2) Equities and stock indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign exchange rates and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included under netting agreements				
1) Debt securities and interest rates				
- notional amount	387,112	11,427	1,569	-
- positive fair value	12,268	705	22	-
- negative fair value	-9,549	-515	-475	-
2) Equities and stock indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign exchange rates and gold				
- notional amount	-	6,565	2,613	-
- positive fair value	-	159	46	-
- negative fair value	-	-546	-276	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

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

(millions of euro)

Underlying/Residual maturity		Up to 1 year	Between 1 and 5 years	Over 5 year	Total
A.1 Financial derivatives on debt securities and interest rates		96,705	164,428	145,237	406,370
A.2 Financial derivatives on equities and stock indices		-	-	-	-
A.3 Financial derivatives on foreign exchange rates and gold		1,416	2,222	5,540	9,178
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**31.12.2023**	**98,121**	**166,650**	**150,777**	**415,548**
Total	**31.12.2022**	**81,379**	**142,628**	**124,296**	**348,303**

Information on the uncertainty deriving from hedging derivative benchmark indices

As illustrated in Part A – Accounting policies, Intesa Sanpaolo, from the 2019 Financial Statements, has applied Regulation (EU) 34/2020 of 15 January 2020, which adopted the document issued by the IASB in September 2019 on "Interest Rate Benchmark Reform (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures)". This regulation introduced several amendments regarding hedge accounting designed to prevent uncertainties about the amount and timing of the cash flows arising from the rate reform resulting in the discontinuation of existing hedges and difficulties in designating new hedging relationships.
The Bank's hedges are mainly index-linked to the Euribor, whose calculation method was revised during 2019 through the adoption of a hybrid calculation method, which fully meets the requirements for critical benchmarks set out in the Benchmark Regulation EU 2016/1011 and the IOSCO principles. Therefore, the Bank does not deem there to be uncertainty on the timing or cash flows linked to the Euribor, and the hedges linked to the Euribor are not deemed to be impacted by the reform, in line with the approach already adopted in previous years.
With regard to hedging derivative contracts, as at 31 December 2023 there were no remaining hedges index-linked to benchmarks impacted by the reform. For the hedges indexed-linked to USD LIBOR – which were subject to disposal on 30 June 2023 – the transition was completed in 2023.
Reference should also be made to the Notes to the consolidated financial statements, in the Introduction of Part E – Information on risks and relative hedging policies, for details of how the Group has managed the process of transition to the alternative benchmark rates.

B. Credit hedging derivatives

B.1 Credit hedging derivatives: period-end notional amounts

B.2 Credit hedging derivatives: gross positive and negative fair value - breakdown by product

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

B.4 Residual maturity of over the counter credit hedging derivatives: notional amounts
Intesa Sanpaolo does not hold credit derivatives classified as hedges in its portfolio

C. Non-derivative hedging instruments

C.1 Non-derivative hedging instruments: breakdown by accounting portfolio and type of hedge
Intesa Sanpaolo has exercised the option, provided for on the introduction of IFRS 9, of continuing to fully apply the provisions of IAS 39 on hedge accounting (in the carved-out version endorsed by the European Commission) for each type of hedge (both for micro hedges and macro hedges). For this reason, the Bank does not hold financial instruments to be shown in table "C.1 Non-derivative hedging instruments: breakdown by accounting portfolio and type of hedge".

D. Hedged items

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

D.1 Fair value hedges

(millions of euro)

		Micro-hedges: book value	Micro-hedges – net positions: book value of assets and liabilities (prior to netting)	Micro-hedges			Macro-hedges: book value
				Cumulative fair value changes (hedged instrument)	Termination of hedging: residual cumulative fair value changes	Changes in value used to assess hedge ineffectiveness	
A. Assets							
1. Financial assets designated at fair value through other comprehensive income – hedging of:		**43,098**	**-**	**-755**	**-2,424**	**-647**	**-**
1.1 Debt securities and interest rates		41,541	-	-759	-2,397	-647	x
1.2 Equities and stock indices		-	-	-	-	-	x
1.3 Foreign exchange rates and gold		-	-	-	-	-	x
1.4 Loans		-	-	-	-	-	x
1.5 Other		1,557	-	4	-27	-	x
2. Financial assets measured at amortised cost - hedging of:		**42,080**	**-**	**-925**	**-619**	**-751**	**105,307**
1.1 Debt securities and interest rates		41,636	-	-1,133	-619	-976	x
1.2 Equities and stock indices		-	-	-	-	-	x
1.3 Foreign exchange rates and gold		-	-	-	-	-	x
1.4 Loans		-	-	-	-	-	x
1.5 Other		444	-	208	-	225	x
Total	**31.12.2023**	**85,178**	**-**	**-1,680**	**-3,043**	**-1,398**	**105,307**
Total	**31.12.2022**	**61,466**	**-**	**-7,511**	**-3,249**	**-7,110**	**94,452**
B. Liabilities							
1. Financial liabilities measured at amortised cost - hedging of:		**62,306**	**-**	**-1,528**	**-41**	**-1,518**	**144,651**
1.1 Debt securities and interest rates		55,709	-	-1,095	-41	-1,154	x
1.2 Foreign exchange rates and gold		-	-	-	-	-	x
1.3 Other		6,597	-	-433	-	-364	x
Total	**31.12.2023**	**62,306**	**-**	**-1,528**	**-41**	**-1,518**	**144,651**
Total	**31.12.2022**	**51,337**	**-**	**-3,843**	**-370**	**-3,783**	**110,232**

D.2 Cash flow hedges and hedges of foreign investments

(millions of euro)

		Change in value used to assess hedge ineffectiveness	Hedging reserves	Termination of hedging: residual cumulative value of the hedging reserves
A. Cash flow hedge				
1. Assets		**330**	**-221**	**-**
1.1 Debt securities and interest rates		330	-221	-
1.2 Equities and stock indices		-	-	-
1.3 Foreign exchange rates and gold		-	-	-
1.4 Loans		-	-	-
1.5 Other		-	-	-
2. Liabilities		**-31**	**-97**	**-**
1.1 Debt securities and interest rates		-31	-97	-
1.2 Foreign exchange rates and gold		-	-	-
1.3 Other		-	-	-
Total (A)	**31.12.2023**	**299**	**-318**	**-**
Total (A)	**31.12.2022**	**833**	**-410**	**-**
B. Hedges of foreign investments		X	-	-
Total (A+B)	**31.12.2023**	**299**	**-318**	**-**
Total (A+B)	**31.12.2022**	**833**	**-410**	**-**

E. Effects of hedging on shareholders' equity

E.1 Reconciliation of components of shareholders' equity

(millions of euro)

	Cash flow hedging reserve					Reserve for hedging of foreign investments				
	Debt securities and interest rates	Equities and stock indices	Foreign exchange rates and gold	Loans	Other	Debt securities and interest rates	Equities and stock indices	Foreign exchange rates and gold	Loans	Other
Initial amount	**-410**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Fair value changes (effective portion)	91	-	-	-	-	-	-	-	-	-
Reclassification to the income statement	-	-	-	-	-	-	-	-	-	-
of which: future transactions no longer expected	-	-	-	-	-	*X*	*X*	*X*	*X*	*X*
Other changes	-	-	-	-	-	-	-	-	-	-
of which: transfer to the initial book value of the hedged instruments	-	-	-	-	-	*X*	*X*	*X*	*X*	*X*
Final amount	**-319**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

3.3 Other information on derivative instruments (trading and hedging)

A. Credit and financial derivatives

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

(millions of euro)

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

The table shows the values resulting from the offsetting in the balance sheet for the derivatives whose netting agreements meet the criteria set out in IAS 32 paragraph 42.
In particular, the above refers to over-the-counter (OTC) trading and hedging financial and credit in place with the legal clearing agent LCH Ltd., for which the fair values attributable to transactions on own account and transactions on behalf of customers and Group companies have been offset separately in the financial statements.
The clearing amount, which had a total net negative value of 3,227 million euro (positive fair value of 65,130 million euro and negative fair value of 68,357 million euro), attributable to a negative result of 3,306 million euro from trading derivatives and a positive result of 79 million euro from hedging derivatives, is presented in Part B of the Notes to the financial statements, for operations on behalf of customers and Group companies (trading derivatives) among Financial assets held for trading for 1,793 million euro and operations on own account (trading derivatives and hedging derivatives) among Financial liabilities held for trading for 5,020 million euro, respectively.

SECTION 4 - LIQUIDITY RISK

QUALITATIVE INFORMATION

The qualitative information is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

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

The breakdown by maturity of financial assets and liabilities is shown in the tables below according to the rules set forth in the financial statement regulations (Bank of Italy Circular 262 and related clarifications issued by the Supervisory Authority), using accounting information organised by contractual residual maturity.

Therefore, no operational data was used that would require, for example, the modelling of core deposits and the representation of on-balance sheet items according to their level of liquidability.

Currency of denomination: Euro

(millions of euro)

Type/Residual maturity	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
A. Cash assets	**105,697**	**11,014**	**6,456**	**14,897**	**20,952**	**22,513**	**30,811**	**145,653**	**184,358**	**4,212**
A.1 Government bonds	10	-	97	48	259	405	1,661	11,617	47,516	-
A.2 Other debt securities	403	1,082	927	4,870	147	659	652	8,320	21,803	-
A.3 Quotas of UCI	2,941	-	-	-	-	-	-	-	-	-
A.4 Loans	102,343	9,932	5,432	9,979	20,546	21,449	28,498	125,716	115,039	4,212
- Banks	72,087	1,473	155	1,218	2,469	2,677	1,960	6,850	611	4,154
- Customers	30,256	8,459	5,277	8,761	18,077	18,772	26,538	118,866	114,428	58
B. Cash liabilities	**326,698**	**15,791**	**4,508**	**4,417**	**49,107**	**19,700**	**15,240**	**79,364**	**33,136**	**-**
B.1 Deposits and current accounts	295,884	3,870	3,489	3,078	7,292	7,626	4,524	3,510	943	-
- Banks	7,538	3,290	1,020	1,108	3,910	4,006	2,629	3,128	828	-
- Customers	288,346	580	2,469	1,970	3,382	3,620	1,895	382	115	-
B.2 Debt securities	11	1	84	1,042	3,568	2,026	8,408	69,262	26,390	-
B.3 Other liabilities	30,803	11,920	935	297	38,247	10,048	2,308	6,592	5,803	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	425	7,980	4,556	6,761	18,756	6,579	5,327	14,578	10,472	-
- Short positions	1,217	8,034	3,726	5,346	9,661	4,100	5,107	12,508	16,637	-
C.2 Financial derivatives without exchange of capital										
- Long positions	20,190	168	3	411	493	1,719	2,054	-	-	-
- Short positions	22,999	39	20	189	398	741	1,141	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	60,454	-	-	-	-	-	-	-	-	-
- Short positions	-	58,321	1,380	545	1	-	29	33	144	-
C.4 Irrevocable commitments to lend funds										
- Long positions	11	9,186	-	-	190	232	1,074	17,545	1,733	-
- Short positions	29,971	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	34	-	-	-	-	-	1	33	1	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	19	-	724	679	-
- Short positions	-	-	-	-	-	19	-	724	679	-
C.8 Credit derivatives without exchange of capital										
- Long positions	963	-	-	-	-	-	-	-	-	-
- Short positions	772	-	-	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(millions of euro)

Type/Residual maturity	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Unspecified maturity
A. Cash assets	**8,723**	**2,438**	**1,320**	**3,745**	**3,224**	**1,921**	**2,218**	**17,595**	**19,039**	**55**
A.1 Government bonds	7	6	1	42	402	130	269	3,963	15,124	-
A.2 Other debt securities	212	43	9	211	122	91	167	4,568	1,998	-
A.3 Quotas of UCI	670	-	-	-	-	-	-	-	-	-
A.4 Loans	7,834	2,389	1,310	3,492	2,700	1,700	1,782	9,064	1,917	55
- Banks	6,415	381	122	274	434	250	535	891	43	30
- Customers	1,419	2,008	1,188	3,218	2,266	1,450	1,247	8,173	1,874	25
B. Cash liabilities	**7,418**	**4,895**	**4,110**	**4,435**	**3,737**	**2,748**	**1,929**	**5,459**	**15,732**	**-**
B.1 Deposits and current accounts	5,830	1,097	880	894	1,129	452	678	285	95	-
- Banks	910	607	307	353	196	109	315	281	95	-
- Customers	4,920	490	573	541	933	343	363	4	-	-
B.2 Debt securities	55	23	640	60	312	2,190	1,133	4,208	12,812	-
B.3 Other liabilities	1,533	3,775	2,590	3,481	2,296	106	118	966	2,825	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	69	14,917	5,835	8,903	10,128	7,054	8,147	17,708	10,348	-
- Short positions	125	15,129	5,874	10,150	18,936	9,409	8,198	19,325	5,351	-
C.2 Financial derivatives without exchange of capital										
- Long positions	2,778	-	-	-	-	-	-	-	-	-
- Short positions	6,787	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	838	-	-	-	-	-	-	-	-	-
- Short positions	-	48	9	-	-	-	-	370	411	-
C.4 Irrevocable commitments to lend funds										
- Long positions	14	26	16	-	1,242	415	1,040	11,334	1,694	-
- Short positions	15,747	32	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	4	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	36	9	-	-
- Short positions	-	-	-	-	-	-	36	9	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	322	-	-	-	-	-	-	-	-	-
- Short positions	344	-	-	-	-	-	-	-	-	-

2. Self-securitisations

A brief illustration of the securitisations originated by Intesa Sanpaolo outstanding as at 31 December 2023 is shown below, in which the Bank subscribed all the securities issued by the related vehicle (self-securitisations), and which need not be shown in the tables of Part E, section C "Securitisations" of the Notes to the financial statements.

Brera Sec S.r.l.

In October 2017, a self-securitisation was structured, carried out through the sale of five loan portfolios to the vehicle company Brera Sec S.r.l. and originated by the Parent Company and by four banks of the Group subsequently incorporated into Intesa Sanpaolo (Banco di Napoli, Cassa di Risparmio di Forlì e della Romagna and Cassa di Risparmio del Friuli Venezia Giulia, incorporated in the second half of 2018 and Cassa di Risparmio in Bologna, incorporated in the first half of 2019). The underlying consisted of residential mortgage loans held by households and/or family businesses. This transaction was the Group's first Multi-Originator Residential Mortgage Backed Security ("RMBS") securitisation.

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

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

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

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

The senior security issued through the transaction, with a Moody's Aa3 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.

The total sale consideration was 7.1 billion euro. The sale price of each portfolio sold was settled through the issuance of securities on 11 December 2017 for a total of 7.1 billion euro.
A buyback of non-performing loans of 40.6 million euro was finalised in April 2023.
As at 31 December 2023, the value of the outstanding subscribed securities was 2,378 million euro for the senior securities and 1,067 million euro for the junior securities.

Brera Sec S.r.l. (SEC 2)
In September 2019, a self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's second Residential Mortgage Backed Security ("RMBS") securitisation.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's Aa3 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 7.5 billion euro. The sale price of the portfolio was settled through the issuance of securities on 27 November 2019 for a total of 7.5 billion euro.
As at 31 December 2023, the value of the outstanding securities was 4,069 million euro for the senior securities and 860 million euro for the junior securities.

Brera Sec S.r.l. (SEC 3)
In October 2021, an additional self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo to the vehicle company Brera Sec S.r.l. This transaction is the Group's third Residential Mortgage Backed Security ("RMBS") securitisation.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's Aa3 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 7.7 billion euro. The sale price of the portfolio was settled through the issuance of securities on 1 December 2021 for a total of 7.7 billion euro.
As at 31 December 2023, the value of the outstanding securities was 6,139 million euro for the senior securities and 725 million euro for the junior securities.

Clara Sec S.r.l.
In 2020, a self-securitisation was structured involving receivables arising from performing personal loans within the consumer credit area and disbursed to consumer households.
The securitisation is a revolving transaction and Intesa Sanpaolo has the option to sell the vehicle further loan portfolios with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
The transaction took place with the sale of the portfolio of loans originated by Intesa Sanpaolo to the vehicle company Clara Sec S.r.l.
Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, which was purchased on the market, and control (95%) will remain with an entity from outside the Group (Dutch-registered foundation known as a Stichting).
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The transaction involved the issuance by the vehicle company of two tranches of securities: a listed senior tranche, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's A1 and a Morningstar DBRS AA (Low) rating, was used as collateral for refinancing operations in the Eurosystem.
The total sale consideration was 7.6 billion euro. The sale price of the portfolio was settled through the issuance of securities on 23 June 2020 for a total of 7.2 billion euro.
A buyback of non-performing loans of 32 million euro was finalised in February 2023, and a sale of 984 million euro was finalised in July.
As at 31 December 2023, the value of the outstanding securities was 6,350 million euro for the senior securities and 824 million euro for the junior securities.

Giada Sec S.r.l.
In November 2020, a self-securitisation was structured, implemented through the sale of a portfolio of loans, disbursed to companies belonging to the small business, SME and Corporate segment and originated by Intesa Sanpaolo, to the vehicle company Giada Sec S.r.l.
The securitisation is a revolving transaction and Intesa Sanpaolo has the option to sell the vehicle further loan portfolios with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
Intesa Sanpaolo has acquired a minority interest (5%) in the newly established vehicle, purchased on the market, and control (95%) is held by a corporate entity outside the Group (Dutch-registered foundation known as a Stichting).
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's A1 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
The total sale consideration was 10.1 billion euro. The sale price of the portfolio was settled through the issuance of securities on 21 December 2020 for the same amount.
A sale of 2.1 billion euro was finalised in March 2023. A buyback of non-performing loans of 95.6 million euro and a retrocession of 5.3 million euro were finalised in April, and a sale of 1.4 billion euro was finalised in November.
As at 31 December 2023, the value of the outstanding securities was 6,610 million euro for the senior securities and 3,485 million euro for the junior securities.

Giada Sec S.r.l. (GIADA BIS)
In October 2022, a new self-securitisation was structured, implemented through the sale of a loan portfolio originated by Intesa Sanpaolo, disbursed to small and medium enterprises ("SMEs"), including sole proprietorships and loans granted to corporate customers not belonging to the large corporate segment, to the special purpose vehicle Giada Sec S.r.l.
The securitisation is a revolving transaction and Intesa Sanpaolo has the option to sell the vehicle further loan portfolios with similar characteristics and quality, which the Vehicle will purchase by drawing on the receipts generated by the portfolio segregated over time.
The transaction involved the issuance by the vehicle company of two tranches of securities: a senior tranche listed on the Luxembourg Stock Exchange, with a rating assigned by two rating agencies (Moody's and Morningstar DBRS) and an unlisted junior tranche without rating.
Both the senior and junior securities were subscribed by Intesa Sanpaolo.
The senior security issued through the transaction, with a Moody's A1 and a Morningstar DBRS A (High) rating, was used as collateral for refinancing operations in the Eurosystem.
Intesa Sanpaolo takes care of the accounting management for the vehicle, whereas the corporate administration will be carried out by Securitisation Services S.p.A.
The total sale consideration was 15.2 billion euro. The sale price of the portfolio was settled through the issuance of securities on 5 December 2022 for a total of 15.2 billion euro.
A sale of 1.8 billion euro was finalised in July 2023.
As at 31 December 2023, the value of the outstanding securities was 10,250 million euro for the senior securities and 4,940 million euro for the junior securities.

(millions of euro)

Vehicle	Type of security issued	Type of asset securitised	External rating	Principal as at 31.12.2023
BRERA SEC S.r.l.				
of which issued in euro				**3,445**
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / Morningstar DBRS AH	2,378
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	1,067
BRERA SEC S.r.l. (SEC 2)				
of which issued in euro				**4,929**
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / Morningstar DBRS AH	4,069
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	860
BRERA SEC S.r.l. (SEC 3)				
of which issued in euro				**6,864**
Class A RMBS F/R Notes	Senior	Residential mortgage loans	Moody's Aa3 / Morningstar DBRS AH	6,139
Class B RMBS Fixed Rate and Additional Return Notes	Junior	Residential mortgage loans	no rating	725
CLARA SEC S.r.l.				
of which issued in euro				**7,174**
Class A Asset Backed F/R Notes	Senior	Personal loans	Moody's A1 / Morningstar DBRS AAL	6,350
Class B Asset Backed F/R Notes	Junior	Personal loans	no rating	824
GIADA SEC S.r.l.				
of which issued in euro				**10,095**
Class A Asset Backed F/R Notes	Senior	Receivables from Smal business, SME and corporate customers	Moody's A1 / Morningstar DBRS AH	6,610
Class B Asset Backed F/R Notes	Junior	Receivables from Smal business, SME and corporate customers	no rating	3,485
GIADA SEC S.r.l. (Giada BIS)				
of which issued in euro				**15,190**
Class A Asset Backed F/R Notes	Senior	Receivables from Smal business, SME and corporate customers	Moody's A1 / Morningstar DBRS AH	10,250
Class B Asset Backed F/R Notes	Junior	Receivables from Smal business, SME and corporate customers	no rating	4,940
TOTAL				**47,697**

SECTION 5 – OPERATIONAL RISK

QUALITATIVE INFORMATION

The qualitative information, including legal risk and the tax disputes, is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

From 31 December 2010, Intesa Sanpaolo has been using the full AMA Method to determine its capital requirements, and the resulting capital absorption amounted to 1,594 million euro as at 31 December 2023.

Part F – Information on capital

SECTION 1 – PARENT COMPANY'S SHAREHOLDERS' EQUITY

A. Qualitative information

Qualitative information on capital and capital management policies is contained in Part F of the Notes to the consolidated financial statements.

Own Funds, risk-weighted assets (RWAs) and the capital ratios as at 31 December 2023 were calculated according to the harmonised rules and regulations for banks and investment companies contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, amended respectively by Directive 2019/878/EU (CRD V) and by Regulation (EU) 2019/876 (CRR II), which transpose the banking supervision standards defined by the Basel Committee (the Basel 3 Framework) to European Union laws, and on the basis of Bank of Italy Circular 285.
The CRR, as cited above, was supplemented by Commission Delegated Regulation (EU) 241/2014 with regard to regulatory technical standards for own funds requirements for institutions, in turn amended first by Commission Delegated Regulation (EU) 2015/923 on indirect and synthetic holdings and then by Commission Delegated Regulation (EU) 2020/2176 on the prudential treatment of software assets, illustrated below.

With regard to the accounting standard IFRS 9, the transitional period (2018-2022) introduced to mitigate its impacts on capital ended on 31 December 2022. In addition, since June 2020 the Intesa Sanpaolo Group has not adopted the new IFRS 9 transitional rules relating to adjustments to loans after 31 December 2019 or the reintroduction of the prudential filter for exposures to central governments classified to the FVOCI category - the first of which is in force until 31 December 2024 while the second ended on 31 December 2022 - both introduced by the European Commission in Regulation 2020/873 of 24 June 2020 (quick fix).

Regulation (EU) 2019/630 of 17 April 2019 amending the CRR has been in effect since 26 April 2019; the Regulation introduces a deduction from CET 1 in the event of insufficient minimum coverage of the losses on non-performing exposures (minimum loss coverage), determined on the basis of differentiated provisioning percentages for guaranteed and non-guaranteed exposures, as well as a pre-established calendar by which to achieve this coverage objective (calendar provisioning).

With effect from 30 September 2019, following permission from the ECB, Intesa Sanpaolo calculates capital ratios applying the so-called Danish Compromise - under which insurance investments are risk weighted instead of being deducted from capital.

Finally, with effect from December 2020, Intesa Sanpaolo has applied Commission Delegated Regulation (EU) 2020/2176, which amends Commission Delegated Regulation (EU) 241/2014 as regards the deduction of software assets from Common Equity Tier 1 items. The above Regulation, which is intended to support the transition to a more digitalised banking sector, introduced the concept of prudential amortisation applied to all software assets over a three-year period, regardless of their estimated useful lives for accounting purposes.

B. Quantitative information

B.1 Parent Company's shareholders' equity: breakdown

(millions of euro)

Captions/Amounts	31.12.2023	31.12.2022
1. Share capital	10,369	10,369
2. Share premium reserve	28,162	28,212
3. Reserves	4,807	5,369
retained earnings:	3,677	4,467
a) legal reserve	*1,605*	*1,545*
b) statutory reserve	-	-
c) own shares	-	-
d) other	*2,072*	*2,922*
other	1,130	902
3.5 Interim dividend (-)	-2,629	-1,400
4. Equity instruments	7,925	7,188
5. (Own shares)	-61	-50
6. Valuation reserves	175	81
- Equity instruments measured at fair value through other comprehensive income	-481	-259
- Hedges of equity instruments measured at fair value through other comprehensive income	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	-1,471	-1,633
- Property and equipment	1,758	1,669
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	-318	-410
- Hedging instruments (not designated elements)	-	-
- Foreign exchange differences	-	-
- Non-current assets held for sale and discontinued operations	-	-
- Financial liabilities designated at fair value through profit or loss (change in own credit rating)	-125	-45
- Actuarial gains (losses) on defined benefit plans	-187	-240
- Share of valuation reserves connected with investments carried at equity	-	-
- Legally-required revaluations	999	999
7. Net income (loss)	7,292	4,284
Total	**56,040**	**54,053**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

(millions of euro)

Assets/values	Total 31.12.2023		Total 31.12.2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	47	-1,499	24	-1,616
2. Equity securities	89	-570	113	-372
3. Loans	10	-29	11	-52
Total	**146**	**-2,098**	**148**	**-2,040**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

(millions of euro)

	Debt securities	Equity securities	Loans
1. Opening balance	**-1,592**	**-259**	**-41**
2. Positive changes	**605**	**43**	**59**
2.1. Fair value increases	549	39	44
2.2. Value adjustments for credit risk	21	-	1
2.3. Transfer to the income statement of negative reserves to be realized	35	-	14
2.4. Transfers to other equity (capital securities)	-	4	-
2.5. Other changes	-	-	-
3. Negative changes	**-465**	**-265**	**-37**
3.1. Fair value reductions	-281	-246	-26
3.2. Write-backs for credit risk	-1	-	-11
3.3. Reclassification throught profit or loss of positive reserves: following disposal	-183	-	-
3.4. Transfers to other equity (capital securities)	-	-9	-
3.5. Other changes	-	-10	-
4. Closing balance	**-1,452**	**-481**	**-19**

B.4 Valuation reserves relating to the defined benefit plans: annual changes

During the year, the reserves in question recorded a positive change in items taken to the statement of comprehensive income of 53 million euro (of which 35 million euro relating to pension funds and 18 million euro to employee termination indemnities). As at 31 December 2023 there was an overall negative reserve equal to 187 million euro for defined benefit plans.

SECTION 2 – OWN FUNDS AND CAPITAL RATIOS

Reference is made to the Intesa Sanpaolo Group's "Basel 3 Pillar 3" public disclosure as at 31 December 2023 for the disclosure on own funds and capital adequacy.

Part G – Business combinations

SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

During the year, no business combinations were undertaken, pursuant to IFRS 3, involving the acquisition of control over businesses or legal entities.

The merger by incorporation of Intesa Sanpaolo Provis into Intesa Sanpaolo was the only intragroup extraordinary transaction finalised; it did not have any effects on the consolidated financial statements. Since it was undertaken for reorganisation purposes only, and in application of the Group's relevant accounting policy, this transaction, which is outside the scope of IFRS 3 as a business combination between companies under common control, was accounted for in book value accounting.

Annual changes in goodwill

(millions of euro)

	31.12.2023
Initial goodwill	**67**
Increases	**-**
- Goodwill recorded in the year	-
- Positive foreign exchange differences and other changes	-
Decreases	**-**
- Impairment recorded in the year	-
- Disinvestments	-
- Negative foreign exchange differences and other changes (reclassified among assets held for sale)	-
Final goodwill	**67**

It will be appropriate to mention here, in the interest of completeness of information only, the corporate transaction in which Intesa Sanpaolo contributed a business line in 2023. This transaction – which, it should be noted, was therefore not a business combination, narrowly defined[136] nor within the scope of IFRS 3 as it was between legal entities belonging to the same Group – took the form, more specifically, of the contribution of a business line by Intesa Sanpaolo to Isybank in October 2023.

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE END OF THE YEAR

No business combinations within the scope of IFRS 3 have been undertaken since the end of 2023.

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

No adjustments are recognised in the current year that relate to business combinations that occurred in previous reporting periods.

[136] Like that which involved the Parent Company and Intesa Sanpaolo Provis, mentioned above.

Part H – Transactions with related parties

A) TRANSACTIONS WITH RELATED PARTIES

1. Procedural features

The Board of Directors of Intesa Sanpaolo S.p.A. adopted, in compliance with the procedures set out by regulations, the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking.
These Procedures take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, and the supervisory provisions introduced by the Bank of Italy on 12 December 2011 in terms of risk-related activities and conflicts of interest by banks and banking groups with respect to "Associated Entities", issued in accordance with Article 53, paragraphs 4 et seq. of the Consolidated Law on Banking and ICRC (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008, as well as the rules established by Article 136 of the Consolidated Law on Banking.

The Procedures apply to the entire Intesa Sanpaolo Group with respect to the following aspects:
- the criteria for identifying Related Parties and Associated Entities;
- the process of analysis, decision-making and information for corporate bodies in connection with transactions with Related Parties and Associated Entities;
- market disclosure for transactions with Related Parties;
- the prudential limits and periodic reporting obligations towards the Bank of Italy for at-risk assets in respect of Associated Entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention about the management of the personal interests by management body members, employees and company staff, including other than Associated Entities.

Pursuant to the Procedures, the following are considered Related Parties of Intesa Sanpaolo: parties that exercise significant control or influence, subsidiaries and associates, joint ventures, pension funds of the Group, Management Body Members and Key Managers of Intesa Sanpaolo and their close family members and significant shareholdings.
The set of Associated Entities of the Group consists of the Associated Entities of each bank of the Group (including the Parent Company) and each monitored significant intermediary with own funds greater than 2% of the total of consolidated own funds. The following are considered to be Associated Entities for each bank or monitored significant intermediary of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies they control, also jointly with others; iii) management body members and their relative close family members up to the second degree and significant shareholdings.

As a form of self-regulation, the Bank has extended the regulations on transactions with Related Parties, as well as on risk-related activities and conflicts of interest with Associated Entities to:
- Intesa Sanpaolo shareholders and their groups that hold an equity investment in the share capital with voting rights of the Bank that exceeds the minimum threshold set out in regulations on the communication of significant equity investments in associates and companies subject to joint control in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them with others;
- companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chair of the management body; ii) hold a qualifying equity investment equal to or exceeding 10% of the capital or voting rights of that entity, or a position of significant influence;
- companies which the Group has notable investments in and financial links with, attributable to at least two of the following indicators:
  - the counterparty holds an equity investment in Intesa Sanpaolo’s capital between 1% and the minimum threshold set out in regulations on the communication of significant equity investments in listed companies;
  - an entity of the Intesa Sanpaolo Group holds an equity investment in the counterparty exceeding 10% of the voting rights;
  - significant credit exposure of the Group to the counterparty.

This approach allows closer monitoring of transactions with the main entities in potential conflict of interest risk.

The Procedures set forth the assessment process that must be followed by the Parent Company and subsidiary companies when carrying out transactions with Related Parties of Intesa Sanpaolo, Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking, to ensure appropriateness of the transactions. The Procedures also require detailed examination of the reasons and interests behind the transaction, their effects on financials and the terms of the transaction.

In line with the regulations implemented by Consob and by the Bank of Italy, a regime of full or partial exemptions from the application of the regulations is also envisaged.

With regard to the decision-making for transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, the procedure distinguishes between:

- transactions involving smaller amounts: with a value of less than or equal to 250 thousand euro for individuals and 1 million euro for persons other than natural persons (excluded from application of the regulations);
- less significant transactions: with a value higher than the small-amount thresholds (250 thousand euro for individuals and 1 million euro for persons other than natural persons) but lower than or equal to the most significant thresholds indicated below;
- most significant transactions: with a value higher than the threshold of 5% of the indicators defined by Consob and by the Bank of Italy (approximately 2.9 billion euro for the Intesa Sanpaolo Group);
- transactions attributed to the shareholders' meeting, in accordance with the law or with the Articles of Association.

In the process of approval of transactions with Related Parties of Intesa Sanpaolo and Associated Entities of the Group, an important role is reserved for the Committee for Transactions with Related Parties, which meets the independence requirements laid down in the Corporate Governance Code for Listed Companies and Art. 148 of the Consolidated Law on Finance. The Committee for Transactions with Related Parties can make use of independent experts, where considered appropriate, according to the degree of importance of the transaction, its specific economic or structural characteristics and the nature of the related party or associated entity.
For most significant transactions, the Committee must be promptly involved in the analysis and negotiation phases, receiving a complete and timely flow of information, with the right of the Committee to request additional information and make observations.
All transactions – that are not exempt based on the Procedures – undertaken by the Parent Company with one of its related parties or associated entities are subject to approval by the Board, after consulting the Committee for Transactions with Related Parties.
The Procedures set out specific controls in the event that a less significant or most significant transaction is approved in spite of a negative opinion of the Committee for Transactions with Related Parties.

Transactions undertaken by subsidiaries with Related Parties of Intesa Sanpaolo and Associated Entities of the Group must be approved by the Board of Directors of the subsidiaries concerned, subject to prior authorisation from the Parent Company released in accordance with the procedure described above.

The Procedures also define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the directors and the control body regarding transactions with Related Parties and Associated Entities completed in the reference period by the Parent Company or by its subsidiaries. All of the above is aimed at providing a complete overview of the transactions of greater importance, as well as the volumes and the main features of all those delegated. Reports must include all transactions, even if exempt from the decision-making procedure, for amounts greater than the small-amount thresholds. Transactions of less significant importance in the form of intragroup loans and bank funding are excluded from this requirement (provided they do not regard a subsidiary with significant interests of another Related Party or Associated Entity and are not carried out at market or standard conditions). For ordinary intragroup less significant transactions carried out at market conditions, reporting is on an aggregate annual basis.

Transactions undertaken by Italian subsidiary banks with Related Parties and Associated Entities of the Group that have not been considered exempt must, subject to authorisation by the Parent Company, be approved by the relative Board of Directors, upon obtaining the opinion of a Committee of independent directors set up within the Board of Directors of the bank itself. Furthermore, specific reporting rules apply to transactions by the Bank's Bodies.

The Procedures also apply to transactions with Relevant Persons pursuant to Art. 136 of the Consolidated Law on Banking, which must be applied by all the Italian Banks of the Intesa Sanpaolo Group, including the Parent Company. This provision requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body, excluding the vote of the interested member, and favourable vote of members of the control body) in order to allow the bank management body members to contract obligations, directly or indirectly, with the bank of which they act as management body members.

Furthermore, the requirements envisaged by the Italian Civil Code (Article 2391) and Article 53 of the Consolidated Law on Banking governing directors' personal interests are confirmed.
In particular, Article 2391 of the Italian Civil Code requires each Board Member to report every interest held, in his/her own name or on behalf of third parties, that may be significant in carrying out his/her management function, with reference to a specific transaction. In accordance with the abovementioned provision, the Board has jurisdiction over decisions regarding transactions – including those with Related Parties – in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision, entrusting the Board as per Article 2391 of the Italian Civil Code.

In addition, Article 53 of the Consolidated Law on Banking requires banks' directors to abstain from voting on resolutions where they have a conflict of interest on their own behalf or on behalf of third parties.

2. Information on balances with related parties

Receivable and payable balances with related parties as at 31 December 2023 – other than those intragroup – amount to a total that is insignificant compared to the size of the Bank's capital base. Likewise, the weight of income and charges with related parties on the Parent Company's operating margin is insignificant.

	31.12.2023	
	Amount (millions of euro)	**Impact (%)**
Total financial assets (1)	52,775	8.2
Total other assets (2)	970	3.6
Total financial liabilities (3)	37,706	6.0
Total other liabilities (4)	659	4.9

(1) Including captions 10, 20, 30, 40 and 70 of the Balance sheet assets

(2) Including captions 50, 60, 110 and 120 of the Balance sheet assets

(3) Including captions 10, 20, and 30 of the Balance sheet liabilities

(4) Including captions 40, 50, 70, 80, 90 and 100 of the Balance sheet liabilities

	31.12.2023	
	Amount (millions of euro)	**Impact (%)**
Total interest income	828	3.3
Total interest expense	1,149	7.9
Total fee and commission income	1,810	29.3
Total fee and commission expense	105	9.5
Total operating costs (1)	246	2.7

(1) Including caption 160 of the Income statement

The table below reports the main terms of reference of transactions with each category of related party, as classified by IAS 24 (referring to the subsequent paragraph for information relating to compensation to the members of the management and control bodies), with the category of Significant Shareholders of Intesa Sanpaolo and their corporate groups (subsidiaries also controlled jointly with others, parent companies and companies subject to joint control) with an equity investment with voting rights in the Bank greater than the minimum threshold set out in regulations on communications of significant equity investments in listed companies calculated only based on shares owned or under management, as well as with the additional subjects included in the scope set as a form of self-regulation.
With regard to Equity Investments, please see the tables in the Notes to the Parent Company's financial statements – Part B – Information on the Parent Company's balance sheet – Assets – Section 7.
The following table does not show the impact of related party transactions on the Group's cash flows, as this was not significant.
For greater clarity and in line with the reports sent to the Supervisory Authorities, note that the off-balance sheet items were detailed on two separate columns by grouping on one side the guarantees/commitments given and on the other the guarantees/commitments received. The first category also includes the revocable commitments issued totalling 80 billion euro, of which 79 billion euro to subsidiaries.

(millions of euro)

	SUBSIDIARIES				Companies subject to joint control and their subsidiaries	Associates and their subsidiaries	Board Members and General Managers, Key Managers and their related parties	Pension funds	TOTAL	Shareholders (*)	Companies which the Group has notable investments in and financial links with (**)	Other companies linked to Board Members and General Managers (***)
	100%-owned subsidiaries belonging to the banking group	*subsidiaries not 100%-owned and belonging to the banking group*	*subsidiaries not belonging to the banking group*	*TOTAL*								
Cash and cash equivalents	14	127	-	141	-	-	-	-	141	-	114	-
Financial assets measured at fair value through profit or loss	869	317	125	1,311	-	145	-	-	1,456	-	2,281	-
a) financial assets held for trading	*869*	*317*	*72*	*1,258*	-	-	-	-	*1,258*	-	*2,206*	-
b) financial assets designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	*53*	*53*	-	*145*	-	-	*198*	-	*75*	-
Financial assets measured at fair value through other comprehensive income	75	-	-	75	-	-	-	-	75	-	-	-
Financial assets measured at amortised cost	11,325	1,578	10,462	23,365	28	398	26	-	23,817	1	827	8
a) due from banks	8,458	1,557	-	10,015	-	-	-	-	10,015	-	740	-
b) loans to customers	2,867	21	10,462	13,350	28	398	26	-	13,802	1	87	8
Other assets	619	68	131	818	35	28	-	-	881	-	89	-
Investments in associates and companies subject to joint control	15,781	981	5,444	22,206	1	1,848	-	-	24,055	-	-	-
Financial liabilities measured at amortised cost	28,301	1,321	2,045	31,667	87	632	23	36	32,445	76	3,074	5
a) due to banks	*26,163*	*1,271*	-	*27,434*	-	*2*	-	-	*27,436*	-	*3,019*	-
b) due to customers	*2,138*	*50*	*2,045*	*4,233*	*87*	*630*	*23*	*36*	*5,009*	*76*	*55*	*5*
Financial liabilities held for trading	750	264	20	1,034	-	4	-	-	1,038	-	1,067	-
Financial liabilities designated at fair value	1	-	-	1	-	-	-	-	1	-	-	-
Other financial liabilities	80	5	154	239	-	39	-	1	279	13	367	-
Guarantees and committments given	84,167	3,594	8,509	96,270	82	584	5	-	96,941	28	884	1
Guarantees and committments received	2,099	415	-	2,514	24	1	2	-	2,541	12	66	-

(*) As a form of self-regulation, shareholders and their groups that hold a stake in the share capital that exceeds the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies, calculated considering only shares owned or under management, as well as entities jointly controlled by them.

(**) As a form of self-regulation, companies that meet the conditions of at least two of these indicators: i) the counterparty holds a stake in Intesa Sanpaolo's capital with an amount between 1% and the minimum threshold set out in regulations on the communication of significant shareholdings in listed companies; ii) an entity of the ISP Group holds a stake in the counterparty exceeding 10% of the voting rights; iii) significant credit exposure of the Group to the counterparty. The amounts shown largely refer to the companies of the JP Morgan Group.

(***) As a form of self-regulation, companies in which management body members of Intesa Sanpaolo or their close family members i) hold executive offices or the office of chair of the management body; ii) hold a qualifying holding equal to or exceeding 10% of the capital or voting rights of that entity, or on which those persons may exercise a significant influence.

For the illustration of the associated companies and companies under joint control - and the companies controlled by them - that are most significant at Group level, see the description in the corresponding paragraph of the Notes to the consolidated financial statements.

3. Information on transactions with related parties

Most significant transactions

During the year, the Parent Company did not carry out any transactions that qualified as non-ordinary "most significant transactions" and/or at non-market or non-standard conditions subject – in accordance with the Group Procedures regulating the conduct of Transactions with Related Parties of Intesa Sanpaolo S.p.A., Associated Entities of the Group and Relevant Parties pursuant to Art. 136 of the Consolidated Law on Banking – to the obligation to publish a market disclosure document.

Please note that the most significant transactions during the year are those that exceed the threshold of 5% of Own Funds at consolidated level (approximately 2.9 billion) or of the other indicators defined by the Consob regulation.

Most significant intragroup transactions

With regard to the most significant intragroup transactions – exempt pursuant to the above internal Procedures from the strict decision-making procedure and the obligation to publish a market disclosure document, unless other related parties hold significant interests in the subsidiary – it should be noted that the contribution of business lines by Intesa Sanpaolo S.p.A. to Isybank S.p.A., approved by the Board of Directors for an amount exceeding the significance threshold, was partially carried out during the year.

Other significant transactions

The transactions entered into with related parties fall within the scope of Intesa Sanpaolo's ordinary activities and are usually performed at market or standard conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above.

With respect to transactions with Shareholders – which hold equity investments with voting rights greater than the minimum threshold set out in regulations on communications of significant equity investments in listed companies calculated only based on shares owned or under management – and with entities with significant shareholding or financial relationships (to which the provisions governing transactions with related parties have been extended as a form of self-regulation), these mainly consisted of ordinary transactions in financial instruments and the signing of supply contracts at market conditions.
These included the following in particular:

- ordinary, arm's-length credit facilities for BlackRock Inc. in an amount of 184 million euro and for Fondazione Cassa di Risparmio di Firenze in an amount of 10 million euro;
- service agreements with companies of the BlackRock Inc. group, under ESG-impact projects (for a total value of approximately 4.3 million euro);
- transactions in OTC financial instruments undertaken within the framework of the current activity with Blackrock Fund Managers Ltd., Compagnia di San Paolo, Fondazione Cassa di Risparmio in Bologna, Fondazione Cassa di Risparmio di Firenze and companies of the JP Morgan Chase & Co. group;
- the subscription of shares of a sustainable infrastructure fund, Evergreen Infrastructure Partners (EIP), set up by the BlackRock group, for an amount of 282 million euro;
- charitable donations involving Fondazione Cassa di Risparmio in Bologna in support of the Bologna local health authority and the population affected by the May 2023 flooding.

Relations between Intesa Sanpaolo and the management body members, key managers and parties associated to them refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied.

With regard to the transactions with jointly-controlled subsidiaries and associates, as well as with significant investees due to the presence of important equity and financial ties, mention should be made of:

- credit transactions for the benefit of ISM Investimenti S.p.A., Intermarine S.p.A., Uni Gasket S.r.l., Mooney Group S.p.A., Digit'Ed S.p.A., Società per l'Aeroporto Civile di Bergamo Orio al Serio S.p.A., Equiter S.p.A., Cronos Vita S.p.A. and Lendlease Msg Heartbeat;
- transactions in OTC financial instruments with Cassa di Risparmio di Fermo S.p.A. and sales to the former of shares of loans of Intesa Sanpaolo S.p.A.;
- a corporate transaction involving the partial sale of the 2.7% interest held in Palladio Holding S.p.A. to Palladio Team S.p.A. for 8.8 million euro;
- the early unwinding of the securitisation associated with Berica ABS 3 S.r.l. for 181 million euro;
- the execution of supply contracts with Destination Gusto S.r.l. (for approximately 1.5 million euro), Bancomat S.p.A. (for 8 million euro) and Marketwall S.r.l. (for 11 million euro);
- transactions of a commercial nature with two vehicles (Fondo Tematico Turismo S.r.l. and Fondo Tematico Piani Urbani Integrati S.r.l.) dedicated to management of the funds of the National Recovery and Resilience Plan (NRRP) and with Marketwall S.r.l. for the renewal of the provision of services to the Group's digital customers for 8 million euro;
- corporate transactions with Digit'Ed Holding S.p.A. for the subscription of a capital increase of approximately 19 million euro and with the Lendlease Msg Heartbeat Fund within the framework of a transaction functional to the deconsolidation of the credit exposure towards the Risanamento group.

Concerning the transactions with subsidiaries carried out in 2023, please note that these are normal internal business activities of a multifunctional banking group. They are usually regulated at the conditions at which the Parent Company accesses the reference markets, which are not necessarily the same conditions that would be applicable if the Group's counterparties operated independently. These conditions are, in any case, applied in compliance with the reputation and fairness criteria and with the aim of creating value for the Group.

Among intragroup transactions and with other entities consolidated line by line, attention should be drawn to:

- the support given by the Parent Company to the financial needs of the other Group companies by providing risk capital and loans and by subscribing securities issued by the subsidiaries;
- the channelling of foreign funding by specialist Group companies in favour of the Parent Company and, in part, of other subsidiaries;
- the Parent Company's investment of subsidiaries' liquidity;
- the structured finance transactions carried out within the Group;
- outsourcing arrangements, which govern services of an auxiliary nature rendered by the Parent Company to other Group companies;
- the agreements with Group companies on the distribution of products and/or services or, more generally, intragroup support and consultancy.

Intragroup transactions included:

- a capital contribution payment of 9 million euro to Intesa Sanpaolo Innovation Center S.p.A. within the framework of the launch of a venture capital fund specialised in fintech;
- the merger by incorporation of Intesa Sanpaolo Provis S.p.A. into Intesa Sanpaolo S.p.A.;
- the capital reinforcement of Banka Intesa Sanpaolo D.D. for 20 million euro.

The other types of intragroup transactions included:

- the renegotiation of the lease agreement between Intesa Sanpaolo S.p.A. and Coima SGR S.p.A. as management company of the Fund "Porta Nuova Gioia", regarding the property located in via Melchiorre Gioia 22 in Milan;
- a distribution agreement and a service agreement with Intesa Sanpaolo Vita S.p.A.;
- a purchase and sale agreement between Intesa Sanpaolo S.p.A. and Intesa Sanpaolo Vita S.p.A. relating to the software used to manage the non-life insurance applications for approximately 52 million euro;
- the shareholder loan and a service agreement with Anti Financial Crime Digital Hub S.c.a.r.l.

Additional information on the Intesa Sanpaolo Group's reorganisation operations is provided in Part G of the Notes to the consolidated financial statements and of the Notes to the Parent Company's financial statements. For more information on changes in the Parent Company's equity investment portfolio, see Section 7 of the Notes to the financial statements – Part B – Information on the balance sheet – Assets.

The operations with pension funds included transactions in OTC financial instruments carried out by Intesa Sanpaolo S.p.A., as part of its ordinary operations, with the Fondo Pensioni per il Personale Cariplo.

For information on the operations with the Special Purpose Entities over which the Group exercises control even in the absence of an equity investment, consolidated in accordance with IFRS 10, see the Notes to the consolidated financial statements - Part E – Information on risks and the relative hedging policies.

Other significant information

With reference to the equity investments in associates or companies subject to joint control, value adjustments/impairment losses were recognised for a total of 109 million euro, mainly attributable to Intrum Italy S.p.A. for 75 million euro, UTP Italia Fund - Loans Sub-Fund for 18 million euro, Back2Bonis for 14 million euro, Backtowork24 S.r.l. for 1 million euro and other minor items for 1 million euro.

For Pension Funds in which Intesa Sanpaolo is co-obliged by virtue of guarantees given, during the year uses were made related to the individual capitalisation offers for the supplementary benefits and the streamlining of the Pension Funds, as indicated in the Notes to the financial statements – Part B – Information on the Balance Sheet – Liabilities, Post employment defined benefit plans, to which reference is made.

Other significant subsequent events

On 30 March 2023 the Bank's Board of Directors resolved to contribute to Isybank S.p.A. two separate and organisationally significant business lines, each involving the set of assets and legal relationships organised functionally for the management of natural person customers who primarily use digital channels.

The contribution of business line 1 took place with legal effect from 16 October 2023, whereas the contribution of business line 2 is expected to take place with legal effect by 31 March 2024.

B) INFORMATION REGARDING COMPENSATION OF THE MEMBERS OF MANAGEMENT AND CONTROL BODIES AND KEY MANAGERS

In accordance with the provisions of IAS 24, within the current organisational structure of the Parent Company, the following – in addition to the members of the Board of Directors (including the members of the Management Control Committee and the Managing Director and CEO) – are considered "Key Managers": the Manager responsible for preparing the Company's financial reports, the Heads of the Divisions, the Chief Officers responsible for Governance or Control Areas, the Deputy of the Head of the IMI Corporate & Investment Banking Business Division, and the Heads of the Head Office Departments reporting directly to the Managing Director and CEO or the Chair of the Board of Directors.

The following table shows the amounts of the main benefits paid in 2023 to members of the Management and Control Bodies, as well as to other Key Managers who fall within the notion of "related party". This also includes the maximum amounts of the variable portion of remuneration which shall be paid in cash and/or shares of the Parent Company, based on the Group's remuneration and incentive policy, subject to the verification of achievement of the assigned targets and the decisions of the competent bodies of the Parent Company.

(millions of euro)

	MANAGEMENT BODIES/ CONTROL BODIES[1]		OTHER MANAGERS [2]		TOTAL as at 31.12.2023	
	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid
Short-term benefits [3]	7	7	30	23	37	30
Post-employement benefits [4]	-	-	2	2	2	2
Other long-term benefits [5]	-	-	6	-	6	-
Termination benefits [6]	-	-	-	-	-	-
Share-based payments [7]	-	-	19	-	19	-
Total	**7**	**7**	**57**	**25**	**64**	**32**

(1) Includes 19 members.

(2) Includes 19 members.
(3) Includes fixed and variable remuneration of Directors that may be treated as equivalent to labour cost and social security charges paid by the company for its employees.

(4) Includes company contribution to pension funds and provisions for employee termination indemnities pursuant to law and company regulations.

(5) Includes an estimate of provisions for employee seniority bonuses.

(6) Includes benefits due under the employment contract for termination of employment and non-competition agreements.

(7) Includes the cost referring to the variable portion of short-/long-term remuneration to be paid in Intesa Sanpaolo shares.

As previously noted in Part H of the Notes to the consolidated financial statements, detailed information on remuneration policies, pursuant to Art. 123 ter of the Consolidated Law on Finance, is published annually in the "Report on Remuneration", which includes:
- a detailed indication of the compensation paid to the members of the management and control bodies and, in aggregate, the Key Managers, as well as the stock option plans reserved for the members of the Board of Directors and Key Managers;
- the details and the evolution of the stock option plans relative to Key Managers;
- the shares of the Parent Company and subsidiaries held by the members of the Management and Control bodies, Key Managers and other associated entities.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

Description of share-based payments

Annual incentive plan based on financial instruments

The Supervisory Provisions regarding remuneration and incentive policies and practices in banks and in banking groups, issued on 30 March 2011 (now integrated in Circular 285 of the Bank of Italy) required, inter alia, that a portion of annual incentives paid to "Risk Takers" be granted through the assignment of financial instruments, over a multi-year time horizon. As a result, the Intesa Sanpaolo Group sets up annual incentive plans linked to performance. In fulfilment of these plans:

- with regard to the results for 2018, and in implementation of the Shareholders' Meeting resolution of 30 April 2019, on 17 and 18 September 2019 the Group totally purchased - through Banca IMI[137], in charge of the programme execution - 17,137,954 Intesa Sanpaolo ordinary shares (representing approximately 0.10% of the ordinary share capital) at an average purchase price of 2.129 euro per share, for a total value of 36,481,543 euro. In addition, the purchase programme has been implemented in order to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions;
- with regard to the results for 2019, and in implementation of the Shareholders' Meeting resolution of 27 April 2020, on 16, 17 and 18 November 2020 the Group totally purchased - through its IMI Corporate & Investment Banking Division, in charge of the programme execution - 25,400,000 Intesa Sanpaolo ordinary shares (representing approximately 0.13% of the share capital of the Parent Company) at an average purchase price of 1.852 euro per share, for a total value of 47,046,279 euro. In addition, the purchase programme has been implemented in service of the 2018-2021 Incentive Plan for financial advisors of the Fideuram – Intesa Sanpaolo Private Banking and Sanpaolo Invest networks and to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions;
- with regard to the results for 2020, and in implementation of the Shareholders' Meeting resolution of 28 April 2021, on 13 and 14 September 2021 the Group totally purchased - through its IMI Corporate & Investment Banking Division, in charge of the programme execution - 20,000,000 Intesa Sanpaolo ordinary shares (representing approximately 0.10% of the share capital of the Parent Company) at an average purchase price of 2.391 euro per share, for a total value of 47,822,401 euro. In addition, the purchase programme has been implemented in service of the former UBI Banca Group's shared-based payment incentive system for Risk Takers in regard to 2020 and residual shares from the former UBI Banca Group's incentive systems for previous years, as well as to grant severance payments to Risk Takers upon early termination of employment, as envisaged by the Supervisory Provisions;
- with regard to the results for 2021, and in implementation of the Shareholders' Meeting resolution of 29 April 2022, from 12 to 14 September 2022 the Group totally purchased – through its IMI Corporate & Investment Banking Division, in charge of the programme execution – 46,216,652 Intesa Sanpaolo ordinary shares (representing approximately 0.24% of the share capital of the Parent Company[138]) at an average purchase price of 1.8932 euro per share, for a total value of 87,496,321.48 euro. In addition, the purchase programme has been implemented in service of the Privredna Banka Zagreb (PBZ) Group's shared-based payment incentive system in regard to 2021 and the residual portions in financial instruments from previous plans, the Long-Term Incentive Plans reserved for the Financial Advisors of the Networks of the Fideuram - Intesa Sanpaolo Private Banking Group, as well as to grant severance payments upon early termination of employment;
- with regard to the results for 2022, and in implementation of the Shareholders' Meeting resolution of 28 April 2023, from 11 to 13 September 2023 the Group totally purchased – through its IMI Corporate & Investment Banking Division, in charge of the programme execution – 32,000,000 Intesa Sanpaolo ordinary shares (representing approximately 0.18% of the share capital of the Parent Company) at an average purchase price of 2.4697 euro per share, for a total value of 79,031,462.67 euro. The purchase programme has also been implemented in service of the incentive systems of several subsidiaries (i.e. the 2022 Incentive System of the Private Banking Network belonging to the Italy Network of Intesa Sanpaolo Private Banking; the 2022 Incentive System of the Relationship Managers belonging to the International Commercial Networks of the Fideuram – Intesa Sanpaolo Private Banking Group; and the 2022 Incentive System of the non-employee Financial Advisors belonging to the Commercial Networks of the Fideuram – Intesa Sanpaolo Private Banking Group) and any payment of consideration granted in conjunction with early termination of employment (severance).

The above Shareholders' Meetings also authorised the sale on the regulated market of any shares exceeding requirements, or their retention for any future incentive plans.

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[137] Merged into Intesa Sanpaolo on 20 July 2020.

[138] The percentage has been calculated, in compliance with the terms of the resolution approved at the Intesa Sanpaolo Shareholders' Meeting of 29 April 2022, on the 19,430,463,305 ordinary shares without nominal value composing the share capital of 10,084,445,147.92 euro before the execution, on 30 June 2022, of the capital increase under the 2022-2025 LECOIP 3.0 Long-term Incentive Plan based on financial instruments (which raised the share capital to 10,368,870,930.08 euro divided into 19,977,435,963 shares) and, then, the annulment of the own shares purchased in execution of the buyback programme disclosed to the market on 24 June 2022 and launched on 4 July 2022 (the share capital composition changed following the reduction in the number of its constituent shares, while its amount remained unchanged at 10,368,870,930.08 euro). The shares purchased represented around 0.24% of the share capital when considering the 19,267,277,397 constituent shares at the time of purchase.

The above shares shall be assigned to the beneficiaries in compliance with the implementing regulations set forth in the above incentive systems. Generally, according to these regulations, the beneficiaries must remain in service up to the time the shares are actually delivered to them, and the deferred portion (either in cash or in financial instruments) of the incentive is subject to an ex post correction mechanism – the "malus condition" – according to which the relative amount paid and the number of shares assigned, if any, may be reduced by the level of achievement, in the year to which the deferred portion refers, of specific income statement-balance sheet targets which measure the sustainability of the results achieved over time.

Long-Term Incentive Plans 2022-2025: Performance Share Plan and LECOIP 3.0 Plan

At the time of launching the 2022-2025 Business Plan, two new long-term incentive plans were launched targeting different clusters of employees:
- Performance Share Plan (PSP) reserved for the Group Management, including the Managing Director and CEO, the remaining Group Top Risk Takers and other Group Risk Takers (in Italy and abroad);
- LECOIP 3.0 Plan reserved for all the Professionals employed by the Group in Italy.

With regard to Management, Intesa Sanpaolo has adopted a plan specifically linked to the achievement of the Business Plan targets and with an adequate risk/return profile in respect of the role held and the levels of ambition and challenge of the Business Plan, and which envisages the adoption of Performance Shares as a financial instrument. Participation in the PSP was also offered until 31 December 2023 to newly hired managers and in the event of promotions to recognise career advancement.
In detail, the Performance Share Plan provides for the assignment of new Intesa Sanpaolo ordinary shares deriving from a capital increase without payment, upon achievement of key performance conditions of the Business Plan, subject to the application of de-multipliers based on sustainability targets, as well as subordinated to gateway conditions and individual access (compliance breach).
Any shares accrued will be paid out over a 4/5-year time horizon according to payout schedules established depending on the sub-cluster of the beneficiary, the amount of the total variable remuneration, and its weight compared to the fixed remuneration. The deferred portions are also subject to the verification of malus conditions, defined in a mirrored manner to the gateway conditions.
For Professionals, basically in line with the LECOIP 2.0 Plan, a retention plan called "LECOIP 3.0" has been structured with the aim of continuing the work of strengthening the personnel's identity and sense of belonging, consistently with the Group's inclusive organisational culture.
The LECOIP 3.0 Plan is assigned as certificates issued by JP Morgan, i.e. share-based financial instruments, and envisages:
- the assignment of newly issued ordinary shares of Intesa Sanpaolo deriving from a share capital increase without payment (Free Shares) for an amount equivalent to the Variable Result Bonus advance for 2022 (employees may opt to receive the advance in cash and, therefore, not to participate in LECOIP 3.0);
- the assignment, free of charge, of additional shares in exchange for the same share capital increase without payment (Matching Shares) based on the role held and seniority, and the subscription, in set proportions with respect to the free shares received, of newly issued ordinary Intesa Sanpaolo shares deriving from a share capital increase with payment reserved for employees, at a discounted issue price (Discounted Shares) against market value.

The Certificates reflect the terms of certain options that have Intesa Sanpaolo ordinary shares as their underlying instruments, and will allow employees to receive, at maturity, in the absence of trigger events, an amount in cash (or in Intesa Sanpaolo ordinary shares) that is equal to the original market value of the Free Shares and the Matching Shares, plus a portion of any appreciation, compared to the original market value, related to the amount of the Free Shares, Matching Shares and Discounted Shares.
In residual cases, the amount will be paid according to specific payout schedules that provide for deferral and payment of part of the bonus in financial instruments. These schedules are differentiated according to the cluster the beneficiaries belong to when the bonus is accrued, as well as the amount of the total variable remuneration, and its weight compared to the fixed remuneration.
The Performance Share Plan and the LECOIP 3.0 Plan were subject to the approval of the ordinary Shareholders' Meeting of 29 April 2022.
The extraordinary session of the Shareholders' Meeting resolved on granting a power of attorney to the Board of Directors to increase the share capital pursuant to Article 2443 of the Italian Civil Code, conducive to the implementation of the plans.
On 21 June 2022, ISP's Board of Directors exercised the authority granted to it by the Shareholders' Meeting for capital increases in favour of the Group's employees to service the implementation of the 2022-2025 LECOIP 3.0 Plan.
Both the long-term incentive plans in question (the Performance Share Plan and the LECOIP 3.0) fall within the scope of IFRS 2 and qualify as equity-settled share-based payment plans.
For the Performance Share Plan, the fair value of the equity instruments that are subject to the plan is calculated at the assignment date. The Plan envisages the presence of service and performance conditions, which must be considered in order to determine the number of shares for the measurement of the cost of the plan. These estimates will be subject to review during the accrual period and until the expiry. Additionally, the determination of the fair value of the plan needs to take into account the presence of "market" performance conditions.
The cost of the plan, so defined, is attributed to the income statement (as labour costs) pro rata temporis along the accrual period of the benefit, as a balancing entry for a specific shareholders' equity reserve. Upon the occurrence of the events that imply the loss of the rights to the benefits of the plan (performance targets, gateway conditions and the discontinuation of employment) for the employees, if the estimate made previously needs to be adjusted, ISP changes the cost of the plan with a corresponding adjustment to Shareholders' Equity.
With regard to the LECOIP 3.0 Plan, at the assignment date, the fair value of the equity instruments that are subject to the plan is calculated (equivalent to the sum of the fair value of the shares assigned free of charge and the fair value of the discount for the paid shares) and no longer modified.
The Plan envisages the presence of non-market service and performance conditions (trigger events), which must be considered in order to determine the number of shares for the measurement of the cost of the plan. These estimates will be subject to review during the vesting period and until the expiry. The cost of the plan, so defined, is attributed to the income

statement (as labour costs) pro rata temporis along the period of accrual of the benefit, as a balancing entry for a specific shareholders' equity reserve.
Upon the occurrence of the events that imply the loss of the rights to the benefits of the LECOIP 3.0. Certificate (trigger events and the discontinuation of employment) for the employees, Intesa Sanpaolo recognises a financial asset (the "transferred receivable" representing the Certificates) as a balancing entry in Shareholders' Equity. In particular, the Certificates entered in the Group's financial statements are classified, in accordance with the provisions of IFRS 9, under caption 20.c) Financial assets measured at fair value through profit or loss: Other financial assets mandatorily measured at fair value. At the same time, if the estimate made previously needs to be adjusted, the cost of the plan is changed with a corresponding adjustment to Shareholders' Equity.
Finally, the 2018-2021 POP (Performance-based Option Plan), intended for the Managing Director and CEO (as General Manager), the Group's Top Risk Takers, the other Group Risk Takers and Strategic Managers, was not activated because on Exercise Day (i.e. 10 March 2023) the POP Option was under water since the price of the share of 2.006 euro – calculated as the average Intesa Sanpaolo share price during the Averaging Period (11 March 2022 – 10 March 2023) – was below the strike price of 2.4937 euro even though:

- the gateway conditions were met in each year of the duration of the 2018-2021 Business Plan (i.e. CET1 ≥ SREP, NSFR ≥ 100%, No Loss and positive Gross Income and, for the Group's Top Risk Takers, LCR ≥ 100%); and
- the performance targets of the Business Plan as at 31 December 2021 (i.e. 2021 Non-Performing Loans Ratio; Operating Income / 2021 Risk-Weighted Assets) were met.

B. QUANTITATIVE INFORMATION

Evolution of the annual incentive plans based on financial instruments in 2023

	Number of shares	Average strike price (euro)	Residual life
Financial instruments outstanding as at 31 December 2022	19,921,455	-	2023/2027
Financial instruments granted during the year (a)	20,368,574	-	2023/2028
Financial instruments no longer assignable (b)	218,535	-	-
Financial instruments vested during the year and assigned	17,039,579	-	-
Financial instruments outstanding as at 31 December 2023	23,031,915	-	2024/2028
of which: vested and assigned as at 31 December 2023	-	-	-

(a) Including the shares deriving from corporate transactions.

(b) Shares no longer deliverable to the beneficiaries following the related employment agreement ceasing and/or due to the application of the so-called malus conditions.

In addition to the shares specified above, in accordance with the Provisions of the Bank of Italy regarding remuneration and the Remuneration and Incentive Policies of the Group, during 2023, 169,880 shares were assigned with reference to remuneration granted in the event of early termination (severance). The residual life of those shares, assigned over a multi-year time horizon, ends between April 2024 and January 2028.

Breakdown by residual life

Residual life (a)	Number of shares
2024	3,356,123
2025	8,569,598
2026	5,841,646
2027	3,688,150
2028	1,576,398

(a) Fine retention period.

Evolution of long-term share-based instruments: Performance Share Plan (PSP) and LECOIP 3.0

	PERFORMANCE SHARE PLAN (PSP)			
	Number of Performance Share at 31.12.2022	**Changes in the year (a)**	**Number of Performance Share at 31.12.2023**	**Fair value 31.12.2023**
Total beneficiaries (all the Management, including the Managing Director and CEO, the other Group Top Risk Takers and the remaining Group Risk Takers – both Italian and foreign perimeter)	119,225,693	482,831	119,708,524	1.0304

(a) Number of Performance Shares awarded to newly hired or appointed Managers from the inception of the Plan to 31 December 2023 net of the Performance Shares that will not be awarded to employees due to failure to meet the continuation of service or other vesting conditions.

	LECOIP PLAN 3.0												
	Free Shares at June 2022		**Matching Shares at June 2022**		**Discounted Shares at June 2022**		**Sell to cover shares at June 2022 (a)**		**Total number of shares assigned at June 2022**	**Number of LECOIP Certificates at 31.12.2022**	Changes in the year (c)	**Number of LECOIP Certificates at 31.12.2023**	**Average fair value 31.12.2023**
	Number of shares	Average unit fair value	Number of shares	Average unit fair value	Number of shares	Average unit fair value (b)	Number of shares	Average unit fair value (b)					
Total employees	30,964,490	1.7800	34,286,674	1.7800	344,304,070	0.3409	75,951,342	1.7800	485,506,576	64,849,725	-1,299,783	63,549,942	5.5940

(a) Assigned shares allocated to cover the payment relating to the employee's tax burden.

(b) Fair value of the subscription discount.

(c) Number of Certificates for which Intesa Sanpaolo shall take over the rights that would have been recognised to the employees by virtue of the Certificates due to failure to comply with the condition of continuation of employment for the duration of the Plan and other vesting conditions.

Part L – Segment reporting

Segment reporting is provided in the consolidated financial statements.

Part M – Disclosure of leases

This section provides the information required by IFRS 16 that is not included in other parts of the financial statements, divided between lessee and lessor.

SECTION 1 - LESSEE

QUALITATIVE INFORMATION

Intesa Sanpaolo essentially has real estate and car or other vehicle lease contracts in place. There are also other types of lease contracts, for residual amounts, mainly relating to hardware.
As at 31 December 2023, there were 5,614 lease contracts (5,845 as at 31 December 2022), 3,052 of which (3,420 as at 31 December 2022) relating to real estate leases, for a total value of rights of use of 1,057 million euro (920 million euro as at 31 December 2022). The decrease in the number of contracts was due to the activities aimed at optimising the use of spaces, which resulted in the termination of several leases.
Real estate lease contracts include, for the most part, properties designated for use as offices or bank branches. The contracts, within Italy, normally have a term of more than 12 months and typically have renewal and termination options that can be exercised by the lessor and the lessee in accordance with the law or specific contractual provisions. These contracts usually do not include the option to purchase at the end of the lease or significant restoration costs for the Bank. On the basis of the characteristics of the Italian lease contracts and the provisions of Law 392/1978, in the event of the signing of a new lease contract with a contractual term of six years and the option to automatically renew the contract after six years for another six years, the total term of the lease will be set at twelve years. This general rule is superseded if there are new elements or specific situations within the contract.
The contracts relating to other leases mainly involve motor vehicles. For vehicles, these are long-term rental contracts relating to the company fleet made available to employees (mixed use) or to the organisational structures of the individual companies. These contracts generally have a four-year term, with monthly payments, no renewal option and do not include the option to purchase the asset. The contract may be extended depending on the management of the car fleet and there may be a penalty in the event of early termination.
Lease contracts other than those relating to real estate and cars are immaterial.
No sale or leaseback transactions were carried out in 2023.
Several sub-leasing transactions are in place, mainly with Group companies.
As already stated in the accounting policies, the Bank makes use of the exemptions allowed by IFRS 16 for short-term leases (i.e. with a term of less than or equal to 12 months) or leases of low value assets (i.e. with a value of 5,000 euro or less).

QUANTITATIVE DISCLOSURES

Part B - Assets in the Notes to the financial statements contains information on the rights of use acquired through leases (Table 8.1 - Property and equipment used in operations: breakdown of assets measured at cost and Table 8.4 - Investment property: breakdown of assets measured at fair value) and Part B - Liabilities contains information on the lease payables (Table 1.1 - Financial liabilities measured at amortised cost: breakdown of amounts due to banks and Table 1.2 - Financial liabilities measured at amortised cost: breakdown of amounts due to customers).
In particular, as at 31 December 2023 the rights of use acquired through leases amounted to 1,057 million euro (920 million euro as at 31 December 2022), of which 1,027 million euro (880 million euro as at 31 December 2022) relating to real estate leases. As at 31 December 2023 lease payables amounted to 1,081 million euro (943 million euro as at 31 December 2022). See the above sections for more details.

Part C of the Notes to the financial statements contains information on the interest expense on lease payables and other charges connected to rights of use acquired through leases, and on the income from sub-leasing transactions. See the specific sections for more details.
The table below provides a breakdown of the amortisation and depreciation charges for assets consisting of the right of use among the various categories, in line with the disclosure of property and equipment/intangible assets.

(millions of euro)

Captions	31.12.2023	31.12.2022
Depreciation charges by asset class	**-**	**-**
Property and equipment used in operations	**162**	**176**
a) buildings	137	146
b) forniture	-	-
c) electronic equipment	14	19
d) other	11	11
Property and equipment for investment	**-**	**-**
a) buildings	-	-
TOTAL	**162**	**176**

As at 31 December 2023 there was no property and equipment relating to commitments for leases not yet commenced.

There is no other information that needs to be reported in addition to that already contained in this section.

SECTION 2 - LESSOR

QUALITATIVE INFORMATION

The Bank operates mainly in finance leasing of industrial and commercial real estate, both already built and to be built. The Bank is also present on the market with lease products relating to capital goods, industrial vehicles, boats and pleasure craft. The risks associated with the ownership rights to the leased assets are managed through the compulsory subscription of an all-risk insurance policy, either offered through concessionary agreements or taken out directly by the customer with their insurer.
Operating leases are exclusively related to the leasing of owned real estate assets.

QUANTITATIVE DISCLOSURES

The Notes to the financial statements report the following:
- finance leases (Part B - Assets - Table 4.1 – Financial assets measured at amortised cost: breakdown of amounts due from banks and Table 4.2 – Financial assets measured at amortised cost: breakdown of loans to customers);
- assets leased under operating leases contained in caption 80 Property and equipment and described in Part B - Assets (Table 8.4 - Investment property: breakdown of assets measured at fair value); this consists of real estate no longer used in operations by the Bank, which is leased to third parties or held for possible appreciation in value. The amounts involved are immaterial.

See the abovementioned sections for more details.
Part C of the Notes to the consolidated financial statements contains information on interest income on finance leases and other income from finance and operating leases. See the specific sections for more details.

2. Finance leases

2.1. Breakdown by time bands of payments to be received and reconciliation with finance leases recorded as assets

This table provides the breakdown by time bands of lease payments to be received and the reconciliation between lease payments to be received and finance leases in accordance with IFRS 16, paragraph 94. In particular, the lease payments to be received, representing the sum of the minimum payments due as principal and interest, are shown net of the adjustment allowances and the unguaranteed residual value due to the lessor. The reconciliation with finance leases, shown in the financial statements under financial assets measured at amortised cost, is performed by subtracting the unearned finance income and adding the unguaranteed residual value.

(millions of euro)

	31.12.2023	31.12.2022
Time bands	**Payments to be received**	**Payments to be received**
Up to 1 year	1,533	1,474
Between 1 and 2 years	1,263	1,223
Between 2 and 3 years	1,055	1,051
Between 3 and 4 years	858	856
Between 4 and 5 years	659	687
Over 5 years	1,704	1,940
Total lease payments to be received	**7,072**	**7,231**
Reconciliation with loans	536	-133
Not accrued gains (+)	1,740	1,202
Unguaranteed residual value (-)	-1,204	-1,335
Loans for leases	**6,536**	**7,364**

2.2. Other information

2.2.1 Classification of finance leases by type of leased asset

The table shows the classification of finance leases by credit quality (performing and non-performing) and by type of leased asset. The amounts are shown net of adjustments.

(millions of euro)

Finance leases	**Performing exposures**	**Non-performing exposures**
A. Real estate assets	**4,695**	**292**
B. Operating assets	**1,120**	**14**
C. Movable assets	**405**	**5**
- Motor vehicles	207	3
- Aircraft and rolling stock	198	2
- Other	-	-
D. Intangible assets	**-**	**5**
- Trademarks	-	5
- Software	-	-
- Other	-	-

2.2.2 Classification of assets under finance leases

The table below provides a breakdown by category of leased asset (not yet transferred to property and equipment) relating to lease receivables, net of adjustments.

(millions of euro)

	Unexercised assets	Assets withdrawn following termination	Other assets
A. Real estate assets	**3**	**5**	**4,979**
B. Operating assets	**-**	**-**	**1,134**
C. Movable assets	**-**	**-**	**410**
- Motor vehicles	-	-	210
- Aircraft and rolling stock	-	-	200
- Other	-	-	-
D. Intangible assets	**-**	**-**	**5**
- Trademarks	-	-	5
- Software	-	-	-
- Other	-	-	-
TOTAL	**3**	**5**	**6,528**

Unexercised assets are assets still held by customers, for which the repurchase option has not been exercised, related to positions that do not show any deterioration in credit quality. Assets withdrawn following termination relate to terminated contracts, where the customer has not yet been released from the contractual obligations, despite having returned the asset covered by the lease contract. The category Other assets includes the assets underlying the other lease receivables not included in the previous columns.

3. Operating lease

This refers to lease instalments to be received for owned real estate assets.

3.1. Breakdown of payments to be received by time bands

(millions of euro)

Time bands	31.12.2023 Payments to be received for leases	31.12.2022 Payments to be received for leases
Up to one year	3	6
Over one year up to 2 years	5	5
Over 2 years up to 3 years	4	4
Over 3 years up to 4 years	7	3
Over 4 years up to 5 years	6	6
For over 5 years	19	13
Total	**44**	**37**

3.2. Other information

There is no other information that needs to be reported in addition to that already contained in this section.

Certification of the Parent Company's financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Carlo Messina (as Managing Director and CEO) and Fabrizio Dabbene (as Manager responsible for preparing the Company's financial reports) of Intesa Sanpaolo, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of 24 February 1998, do hereby certify to:
   - the adequacy in relation to the Company's features and
   - the actual application of the administrative and accounting procedures employed to draw up the Parent Company's financial statements during 2023.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the Parent Company's financial statements as at 31 December 2023 was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems.[139]

3. The undersigned also certify that:

   3.1 The Parent Company's financial statements as at 31 December 2023:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   - correspond to the results of the books and accounts;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer.

   3.2 The report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer, together with a description of the main risks and uncertainties.

27 February 2024

Carlo Messina Managing Director and CEO	Fabrizio Dabbene Manager responsible for preparing the Company's financial reports

[139] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBjectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

Independent Auditors' Report on the Parent Company's financial statements

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Independent auditor's report pursuant to article 14 of Legislative Decree no. 39/2010 and article 10 of EU Regulation no. 537/2014

(Translation from the original Italian text)

To the Shareholders of
Intesa Sanpaolo S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Intesa Sanpaolo S.p.A. (the "Bank"), which comprise the balance sheet as at 31 December 2023, the income statement, statement of comprehensive income, changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree no. 38/2005 and article 43 of Legislative Decree no. 136/2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Intesa Sanpaolo S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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We identified the following key audit matters:

Key Audit Matter	Audit Response
Classification and measurement of loans to customers (loans) at amortised cost Loans to customers (loans) recorded in assets measured at amortised cost, line item 40 b), amount to Euro 360,553 million as at 31 December 2023 and represent approximately 51.7% of total assets in the balance sheet. The breakdown of such loans is included in tables 4.2 and 4.3 in Part B, section 4, of the notes to the financial statements. Net impairment losses for credit risk on the loans to customers (loans) measured at amortised cost, included in line item 130 a) of the income statement, amount to Euro 1,193 million for the year ended 31 December 2023. The breakdown of such net impairment losses is included in table 8.1 in Part C, section 8, of the notes to the financial statements. The disclosure of the changes in the quality of the loans to customers (loans) and the classification and measurement criteria adopted is provided in Part A - Accounting policies, in Part B - Information on the Parent Company's balance sheet, in Part C - Information on the Parent Company's income statement and in Part E - Information on risks and relative hedging policies of the notes to the financial statements. The classification in the appropriate stage and measurement of the loans to customers (loans) are relevant for the audit both because the amount of such loans is significant to the financial statements as a whole and because the amount of the related impairment losses is determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity, also in relation to the evolution of macroeconomic scenarios and emerging risks.	In relation to this aspect, our audit procedures, which have been performed also with the support of our risk management, company valuation, and information technology specialists, included among others: - the gaining of an understanding of the policies, valuation models, processes and controls applied by the Bank in relation to the classification and measurement of loans to customers (loans); - the assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls to test their operational effectiveness; - the analysis of the changes in the breakdown of loans to customers (loans) compared to the previous year and the discussion of the results with management; - the performance of substantive procedures to verify, on a sample basis, the correct classification and measurement of credit exposures; - the assessment, through the analysis of the supporting documentation, of the accounting for the loans' disposals occurred in the year; - the assessment of the adequacy of the disclosures provided in the notes to the financial statements.

For classification purposes, the Directors make analyses, which involve internally developed models, as well as subjective elements, to identify exposures that show evidence of a significant increase in credit risk since the date of initial recognition or evidence of impairment. The processes for the classification of such loans consider both internal information about the historical performance of exposures and external information about the relevant sector or the borrowers' overall exposure to the banking system.

Measuring loans to customers (loans) is a complex activity, which requires the Directors to make estimates with a high degree of uncertainty and subjectivity, that consider many quantitative and qualitative factors, including collection histories, expected cash flows and related estimated collection dates, the assessment of any guarantees, the impact of macroeconomic variables and future scenarios, also related to the sale of non-performing loans, and risks of the sectors in which the Bank's customers operate.

Key Audit Matter	Audit Response
Classification and measurement of financial assets and liabilities at fair value (levels 2 and 3) Financial instruments measured at fair value on a recurring basis, classified as level 2 and level 3 of the fair value hierarchy, amount to a total assets balance of Euro 42,878 million and a total liabilities balance of Euro 62,810 million as at 31 December 2023. The breakdown of financial instruments measured at fair value on a recurring basis, classified as level 2 and level 3 of the fair value hierarchy, is included in table A.4.5.1, Part A of the notes to the financial statements. The disclosures on the classification and measurement of financial instruments measured at fair value on a recurring basis, classified as level 2 and level 3 of the fair value	In relation to this aspect, our audit procedures, which have been performed also with the support of our risk management, company valuation and information technology specialists, included among others: - the gaining of an understanding of the policies, valuation models, processes and controls applied by the Bank in relation to the classification and measurement of level 2 and level 3 financial instruments measured at fair value on a recurring basis; - the assessment of the configuration and implementation of key controls, including those relating to the relevant IT applications, and the execution of tests of controls in order to verify their operational effectiveness;

hierarchy is provided in Part A - Accounting policies, in Part B - Information on the Parent Company's balance sheet, in Part C - Information on the Parent Company's income statement and in Part E - Information on risks and relative hedging policies of the notes to the financial statements.

The valuation of these financial instruments is performed by the Bank through the use of complex models, consistent with the prevailing valuation practices, which are fed by inputs directly observable or estimated internally based on qualitative and quantitative assumptions, when not observable in the market.

The measurement of such financial instruments is relevant to the audit because their amount is significant to the financial statements as a whole and because of the multiplicity and complexity of the valuation models and parameters used and for the subjective estimation elements considered by the Directors.

- the comparative analysis of the portfolios with the previous year and the discussion of the results with management;
- the performance of substantive procedures in order to test, on a sample basis, the fair values and the classification in the appropriate fair value level of certain financial instruments, through the analysis of the valuation models, the reasonableness of the qualitative and quantitative assumptions and inputs;
- the assessment of the adequacy of the disclosures provided in the notes to the financial statements.

Responsibilities of Directors and of the Management Control Committee for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree no. 38/2005 and article 43 of Legislative Decree no. 136/2015 and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Bank's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Management Control Committee is responsible, within the terms provided by the law, for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

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Additional information pursuant to article 10 of EU Regulation no. 537/2014

The Shareholders of Intesa Sanpaolo S.p.A., in the general meeting held on 30 April 2019, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2021 to 31 December 2029.

We declare that we have not provided prohibited non-audit services, referred to article 5, paragraph 1, of EU Regulation no. 537/2014, and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the Management Control Committee in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation no. 537/2014.

Report on Compliance with other Legal and Regulatory Requirements

Opinion on the Compliance with Delegated Regulation (EU) no. 815/2019

The Directors of Intesa Sanpaolo S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) no. 815/2019 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia no. 700B, in order to express an opinion on the compliance of the financial statements as at 31 December 2023 with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at 31 December 2023 have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree no. 39/2010 and of article 123-bis, paragraph 4, of Legislative Decree no. 58/1998

The Directors of Intesa Sanpaolo S.p.A. are responsible for the preparation of the report on operations and of the report on corporate governance and ownership structure of Intesa Sanpaolo S.p.A. as at 31 December 2023, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia no. 720B, in order to express an opinion on the consistency of the report on operations and of specific information included in the report on corporate governance and ownership structure as provided for by article 123-bis, paragraph 4, of Legislative Decree no. 58/1998, with the financial statements of Intesa Sanpaolo S.p.A. as at 31 December 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information included in the report on corporate governance and ownership structure are consistent with the financial statements of Intesa Sanpaolo S.p.A. as at 31 December 2023 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree no. 39/2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, 19 March 2024

EY S.p.A.
Signed by: Massimo Testa, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Attachments to the financial statements

Intesa Sanpaolo reconciliation statements

Reconciliation between published financial statements and adjusted financial statements

Reconciliation between the published balance sheet as at 31 December 2022 and the adjusted balance sheet as at 31 December 2022

Reconciliation between published income statement for 2022 and adjusted income statement for 2022

Reconciliation between adjusted/published financial statements and restated financial statements

Reconciliation between the published balance sheet as at 31 December 2022 and the restated balance sheet as at 31 December 2022

Reconciliation between published income statement for 2022 and restated income statement for 2022

Restated financial statements

Intesa Sanpaolo balance sheet

Restated Intesa Sanpaolo income statement

Reconciliation between restated financial statements and reclassified financial statements

Reconciliation between Intesa Sanpaolo balance sheet and reclassified Intesa Sanpaolo balance sheet

Reconciliation between restated Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

Reconciliation between published financial statements and adjusted financial statements

Reconciliation between the published balance sheet as at 31 December 2022 and the adjusted balance sheet as at 31 December 2022

The published balance sheet as at 31 December 2022 did not require any adjustments.

Reconciliation between published income statement for 2022 and adjusted income statement for 2022

The published income statement for 2022 did not require any adjustments.

Reconciliation between adjusted/published financial statements and restated financial statements

Reconciliation between the published balance sheet as at 31 December 2022 and the restated balance sheet as at 31 December 2022

The published balance sheet as at 31 December 2022 did not require any restatements.

Reconciliation between published income statement for 2022 and restated income statement for 2022

(millions of euro)

		2022	Contribution of Training Business Line (a)	2022 Restated
10.	Interest and similar income	10,365	-	10,365
	of which: interest income calculated using the effective interest rate method	*9,843*	-	*9,843*
20.	Interest and similar expense	-3,161	-	-3,161
30.	**Interest margin**	**7,204**	**-**	**7,204**
40.	Fee and commission income	6,378	-	6,378
50.	Fee and commission expense	-977	-	-977
60.	**Net fee and commission income**	**5,401**	**-**	**5,401**
70.	Dividend and similar income	2,945	-	2,945
80.	Profits (Losses) on trading	-229	-	-229
90.	Fair value adjustments in hedge accounting	27	-	27
100.	Profits (Losses) on disposal or repurchase of:	-91	-	-91
	a) financial assets measured at amortised cost	*150*	-	*150*
	b) financial assets measured at fair value through other comprehensive income	*-269*	-	*-269*
	c) financial liabilities	*28*	-	*28*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	860	-	860
	a) financial assets and liabilities designated at fair value	*938*	-	*938*
	b) other financial assets mandatorily measured at fair value	*-78*	-	*-78*
120.	**Net interest and other banking income**	**16,117**	**-**	**16,117**
130.	Net losses/recoveries for credit risks associated with:	-1,722	-	*-1,722*
	a) financial assets measured at amortised cost	*-1,674*	-	*-1,674*
	b) financial assets measured at fair value through other comprehensive income	*-48*	-	-48
140.	Profits (Losses) on changes in contracts without derecognition	16	-	16
150.	**Net income from banking activities**	**14,411**	**-**	**14,411**
160.	Administrative expenses:	-8,827	-33	*-8,860*
	a) personnel expenses	*-5,356*	*5*	-5,351
	b) other administrative expenses	*-3,471*	*-38*	*-3,509*
170.	Net provisions for risks and charges	-305	-	*-305*
	a) commitments and guarantees given	*-57*	-	-57
	b) other net provisions	*-248*	-	-248
180.	Net adjustments to / recoveries on property and equipment	-481	-	-481
190.	Net adjustments to / recoveries on intangible assets	-723	2	**-721**
200.	Other operating expenses (income)	796	-	796
210.	**Operating expenses**	**-9,540**	**-31**	**-9,571**
220.	Profits (Losses) on equity investments	6	-	6
230.	Valuation differences on property, equipment and intangible assets measured at fair value	-35	-	-35
240.	Goodwill impairment	-	-	-
250.	Profits (Losses) on disposal of investments	1	-	**1**
260.	**Income (Loss) before tax from continuing operations**	**4,843**	**-31**	**4,812**
270.	Taxes on income from continuing operations	-559	10	-549
280.	**Income (Loss) after tax from continuing operations**	**4,284**	**-21**	**4,263**
290.	Income (Loss) after tax from discontinued operations	-	21	21
300.	**Net income (loss)**	**4,284**	**-**	**4,284**

(a) The restatement refers to the contribution to Intesa Sanpaolo Formazione of the Intesa Sanpaolo business line dedicated to the design and provision of training services and products for Group employees based in Italy, which was carried out in preparation for the disposal of Intesa Sanpaolo Formazione, finalised at the end of June 2022.

Restated financial statements

Intesa Sanpaolo balance sheet

Assets		31.12.2023	31.12.2022	Changes	
				amount	%
10.	Cash and cash equivalents	72,829	97,071	-24,242	-25.0
20.	Financial assets measured at fair value through profit or loss	43,785	48,462	-4,677	-9.7
	a) financial assets held for trading	*39,506*	*44,502*	*-4,996*	*-11.2*
	b) financial assets designated at fair value	*1*	*1*	*-*	*-*
	c) other financial assets mandatorily measured at fair value	*4,278*	*3,959*	*319*	*8.1*
30.	Financial assets measured at fair value through other comprehensive income	52,066	35,904	16,162	45.0
40.	Financial assets measured at amortised cost	451,755	465,041	-13,286	-2.9
	a) due from banks	*33,275*	*36,567*	*-3,292*	*-9.0*
	b) loans to customers	*418,480*	*428,474*	*-9,994*	*-2.3*
50.	Hedging derivatives	6,225	8,774	-2,549	-29.1
60.	Fair value change of financial assets in hedged portfolios (+/-)	-5,573	-9,472	-3,899	-41.2
70.	Equity investments	24,055	23,646	409	1.7
80.	Property and equipment	7,983	7,720	263	3.4
90.	Intangible assets	4,506	4,336	170	3.9
	of which:				
	- goodwill	*67*	*67*	*-*	*-*
100.	Tax assets	13,564	16,594	-3,030	-18.3
	a) current	*1,810*	*3,348*	*-1,538*	*-45.9*
	b) deferred	*11,754*	*13,246*	*-1,492*	*-11.3*
110.	Non-current assets held for sale and discontinued operations	178	528	-350	-66.3
120.	Other assets	25,981	16,777	9,204	54.9
Total assets		**697,354**	**715,381**	**-18,027**	**-2.5**

Liabilities and Shareholders' Equity		31.12.2023	31.12.2022	Changes	
				amount	%
10.	Financial liabilities measured at amortised cost	561,074	594,515	-33,441	-5.6
	a) due to banks	*115,432*	*159,962*	*-44,530*	*-27.8*
	b) due to customers	*341,552*	*354,851*	*-13,299*	*-3.7*
	c) securities issued	*104,090*	*79,702*	*24,388*	*30.6*
20.	Financial liabilities held for trading	45,045	48,810	-3,765	-7.7
30.	Financial liabilities designated at fair value	21,345	8,795	12,550	
40.	Hedging derivatives	4,336	4,652	-316	-6.8
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	-3,907	-7,962	-4,055	-50.9
60.	Tax liabilities	477	431	46	10.7
	a) current	*62*	*74*	*-12*	*-16.2*
	b) deferred	*415*	*357*	*58*	*16.2*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	2	15	-13	-86.7
80.	Other liabilities	8,945	7,608	1,337	17.6
90.	Employee termination indemnities	717	797	-80	-10.0
100.	Allowances for risks and charges	3,280	3,667	-387	-10.6
	a) commitments and guarantees given	*407*	*425*	*-18*	*-4.2*
	b) post-employment benefits	*76*	*125*	*-49*	*-39.2*
	c) other allowances for risks and charges	*2,797*	*3,117*	*-320*	*-10.3*
110.	Valuation reserves	175	81	94	
120.	Redeemable shares	-	-	-	
130.	Equity instruments	7,925	7,188	737	10.3
140.	Reserves	4,807	5,369	-562	-10.5
145.	Interim dividend (-)	-2,629	-1,400	1,229	87.8
150.	Share premium reserve	28,162	28,212	-50	-0.2
160.	Share capital	10,369	10,369	-	-
170.	Own shares (-)	-61	-50	11	22.0
180.	Net income (loss) (+/-)	7,292	4,284	3,008	70.2
Total liabilities and shareholders' equity		**697,354**	**715,381**	**-18,027**	**-2.5**

Restated Intesa Sanpaolo income statement

(millions of euro)

		2023	2022 Restated	Changes amount	Changes %
10.	Interest and similar income	24,987	10,365	14,622	
	of which: interest income calculated using the effective interest rate method	*21,399*	*9,843*	*11,556*	
20.	Interest and similar expense	-14,471	-3,161	11,310	
30.	**Interest margin**	**10,516**	**7,204**	**3,312**	**46.0**
40.	Fee and commission income	6,180	6,378	-198	-3.1
50.	Fee and commission expense	-1,106	-977	129	13.2
60.	**Net fee and commission income**	**5,074**	**5,401**	**-327**	**-6.1**
70.	Dividend and similar income	4,269	2,945	1,324	45.0
80.	Profits (Losses) on trading	457	-229	686	
90.	Fair value adjustments in hedge accounting	-57	27	-84	
100.	Profits (Losses) on disposal or repurchase of:	144	-91	235	
	a) financial assets measured at amortised cost	*-76*	*150*	*-226*	
	b) financial assets measured at fair value through other comprehensive income	*184*	*-269*	*453*	
	c) financial liabilities	*36*	*28*	*8*	*28.6*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	-933	860	-1,793	
	a) financial assets and liabilities designated at fair value	*-806*	*938*	*-1,744*	
	b) other financial assets mandatorily measured at fair value	*-127*	*-78*	*49*	*62.8*
120.	**Net interest and other banking income**	**19,470**	**16,117**	**3,353**	**20.8**
130.	Net losses/recoveries for credit risks associated with:	-1,252	-1,722	-470	-27.3
	a) financial assets measured at amortised cost	*-1,237*	*-1,674*	*-437*	*-26.1*
	b) financial assets measured at fair value through other comprehensive income	*-15*	*-48*	*-33*	*-68.8*
140.	Profits (Losses) on changes in contracts without derecognition	24	16	8	50.0
150.	**Net income from banking activities**	**18,242**	**14,411**	**3,831**	**26.6**
160.	Administrative expenses:	-9,154	-8,860	294	3.3
	a) personnel expenses	*-5,599*	*-5,351*	*248*	*4.6*
	b) other administrative expenses	*-3,555*	*-3,509*	*46*	*1.3*
170.	Net provisions for risks and charges	-46	-305	-259	-84.9
	a) commitments and guarantees given	*18*	*-57*	*75*	
	b) other net provisions	*-64*	*-248*	*-184*	*-74.2*
180.	Net adjustments to / recoveries on property and equipment	-475	-481	-6	-1.2
190.	Net adjustments to / recoveries on intangible assets	-821	-721	100	13.9
200.	Other operating expenses (income)	789	796	-7	-0.9
210.	**Operating expenses**	**-9,707**	**-9,571**	**136**	**1.4**
220.	Profits (Losses) on equity investments	120	6	114	
230.	Valuation differences on property, equipment and intangible assets measured at fair value	-11	-35	-24	-68.6
240.	Goodwill impairment	-	-	-	
250.	Profits (Losses) on disposal of investments	-1	1	-2	
260.	**Income (Loss) before tax from continuing operations**	**8,643**	**4,812**	**3,831**	**79.6**
270.	Taxes on income from continuing operations	-1,351	-549	802	
280.	**Income (Loss) after tax from continuing operations**	**7,292**	**4,263**	**3,029**	**71.1**
290.	Income (Loss) after tax from discontinued operations	-	21	-21	
300.	**Net income (loss)**	**7,292**	**4,284**	**3,008**	**70.2**

Reconciliation between restated financial statements and reclassified financial statements

Reconciliation between Intesa Sanpaolo balance sheet and reclassified Intesa Sanpaolo balance sheet

(millions of euro)

Assets			31.12.2023	31.12.2022
Cash and cash equivalents			**72,829**	**97,071**
	Caption 10	Cash and cash equivalents	72,829	97,071
Due from banks			**31,828**	**35,264**
	Caption 40a (partial)	Financial assets measured at amortised cost - Due from banks	31,786	35,135
	Caption 20a (partial)	Financial assets held for trading - Due from banks	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks	42	29
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks	-	100
Loans to customers			**367,492**	**385,795**
Loans to customers measured at amortised cost			***366,019***	***383,277***
	Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers	360,553	377,477
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	5,466	5,800
Loans to customers at fair value through other comprehensive income and through profit or loss			***1,473***	***2,518***
	Caption 20a (partial)	Financial assets held for trading - Non-bank loans	95	86
	Caption 20b (partial)	Financial assets designated at fair value through profit or loss - Non-bank loans	-	-
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value through profit or loss - Non-bank loans	476	824
	Caption 30 (partial)	Financial assets at fair value through other comprehensive income - Non-bank loans	902	1,608
Financial assets measured at amortised cost which do not constitute loans			**53,950**	**46,629**
	Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (Banks)	1,489	1,432
	Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	52,461	45,197
Financial assets at fair value through profit or loss			**43,172**	**47,523**
	Caption 20a (partial)	Financial assets held for trading	39,411	44,416
	Caption 20b (partial)	Financial assets designated at fair value - Debt securities	1	1
	Caption 20c (partial)	Other financial assets mandatorily measured at fair value	3,760	3,106
Financial assets at fair value through other comprehensive income			**51,164**	**34,196**
	Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income	51,164	34,196
Equity investments			**24,055**	**23,646**
	Caption 70	Equity investments	24,055	23,646
Property, equipment and intangible assets			**12,489**	**12,056**
Assets owned			***11,433***	***11,136***
	Caption 80 (partial)	Property and equipment	6,927	6,800
	Caption 90	Intangible assets	4,506	4,336
Rights of use acquired under leases			***1,056***	***920***
	Caption 80 (partial)	Property and equipment	1,056	920
Tax assets			**13,564**	**16,594**
	Caption 100	Tax assets	13,564	16,594
Non-current assets held for sale and discontinued operations			**178**	**528**
	Caption 110	Non-current assets held for sale and discontinued operations	178	528
Other assets			**26,633**	**16,079**
	Caption 50	Hedging derivatives	6,225	8,774
	Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	-5,573	-9,472
	Caption 120	Other assets	25,981	16,777
Total assets			**697,354**	**715,381**

(millions of euro)

Liabilities			31.12.2023	31.12.2022
Due to banks at amortised cost			**115,426**	**159,956**
	Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks	115,432	159,962
	- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	-6	-6
Due to customers at amortised cost and securities issued			**444,567**	**433,616**
	Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers	341,552	354,851
	Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued	104,090	79,702
	- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	-1,075	-937
Financial liabilities held for trading			**45,045**	**48,810**
	Caption 20	Financial liabilities held for trading	45,045	48,810
Financial liabilities designated at fair value			**21,345**	**8,795**
	Caption 30	Financial liabilities designated at fair value	21,345	8,795
Tax liabilities			**477**	**431**
	Caption 60	Tax liabilities	477	431
Liabilities associated with non-current assets held for sale and discontinued operations			**2**	**15**
	Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	2	15
Other liabilities			**10,455**	**5,241**
	Caption 40	Hedging derivatives	4,336	4,652
	Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	-3,907	-7,962
	Caption 80	Other liabilities	8,945	7,608
	Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	6	6
	Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	1,075	937
Allowances for risks and charges			**3,997**	**4,464**
	Caption 90	Employee termination indemnities	717	797
	Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	407	425
	Caption 100 b)	Allowances for risks and charges - Post-employment benefits	76	125
	Caption 100 c)	Allowances for risks and charges - Other allowances	2,797	3,117
Share capital			**10,369**	**10,369**
	Caption 160	Share capital	10,369	10,369
Reserves			**32,908**	**33,531**
	Caption 140	Reserves	4,807	5,369
	Caption 150	Share premium reserve	28,162	28,212
	Caption 170	Own shares (-)	-61	-50
Valuation reserves			**175**	**81**
	Caption 110	Valuation reserves	175	81
Interim dividend			**-2,629**	**-1,400**
	Caption 145	Interim dividend (-)	-2,629	-1,400
Equity instruments			**7,925**	**7,188**
	Caption 130	Equity instruments	7,925	7,188
Net income (loss)			**7,292**	**4,284**
	Caption 180	Net income (loss) (+/-)	7,292	4,284
Total Liabilities and Shareholders' Equity			**697,354**	**715,381**

Reconciliation between restated Intesa Sanpaolo income statement and reclassified Intesa Sanpaolo income statement

(millions of euro)

		2023	2022 Restated
Net interest income		**10,342**	**7,024**
Caption 30	Interest margin	10,516	7,204
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	71	69
- Caption 30 (partial)	Components of net interest income relating to Profits (losses) on trading (Dividends received and paid within securities lending operations)	8	3
+ Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates)	5	50
+ Caption 80 (partial)	Profits (losses) on trading (Components of profits (losses) on trading relating to net interest income)	-208	-294
+ Caption 160 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-34	-7
+ Caption 160 b) (partial)	Other administrative expenses (Amounts attributed to net interest income - For Funding initiative)	-	-1
+ Caption 170 b) (partial)	Net provisions for risks and charges: b) other net provisions (Time value allowances for risks and charges)	-16	-
Net fee and commission income		**5,252**	**5,485**
Caption 60	Net fee and commission income	5,074	5,401
- Caption 60 (partial)	Net fee and commission income (Periodic fees and commissions on current accounts with positive balances (negative rates)	-5	-50
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	55	38
+ Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	213	165
+ Caption 160 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	-29	-21
+ Caption 160 b) (partial)	Other administrative expenses (Recovery of other expenses)	-56	-48
Profits (Losses) on financial assets and liabilities designated at fair value		**107**	**1,222**
Caption 80	Profits (Losses) on trading	457	-229
Caption 90	Fair value adjustments in hedge accounting	-57	27
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	184	-269
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	36	28
Caption 110 a)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value	-806	938
Caption 110 b)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value through profit or loss	-127	-78
+ Caption 30 (partial)	Components of net interest income relating to Profits (losses) on trading (Dividends received and paid within securities lending operations)	-8	-3
+ Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs)	200	225
- Caption 80 (partial)	Profits (losses) on trading (Components of profits (losses) on trading relating to net interest income)	208	294
- Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	-55	-38
- Caption 80 (partial)	Profits (Losses) on trading (Economic effect of purchase price allocation)	-	-
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	122	349
+ Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks) - Effect associated with profits (losses) on trading	3	-
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	-	-
- Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Charges concerning the banking industry)	-	4
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	-1	-3
- Caption 110 a) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (a) financial assets and liabilities designated at fair value (Placement of Certificates)	-213	-165
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value through profit or loss (Charges concerning the banking industry)	-15	15
- Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities designated at fair value (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments to loans)	172	122
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions/Releases linked to Profits (losses) on financial assets and liabilities designated at fair value)	-	-
+ Caption 200 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	7	5
Other operating income (expenses)		**4,311**	**2,923**
Caption 70	Dividend and similar income	4,269	2,945
Caption 200	Other operating expenses (income)	789	796
- Caption 70 (partial)	Dividend and similar income on equity instruments held for trading, designated at fair value through profit or loss or for which the option has been exercised of their designation at fair value through other comprehensive income (including dividends on UCIs)	-200	-225
- Caption 200 (partial)	Other operating expenses (income) (Recovery of expenses and indirect taxes)	-626	-604
- Caption 200 (partial)	Other operating expenses (income) (Valuation effects of other assets)	67	-
- Caption 200 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-7	-5
- Caption 200 (partial)	Other operating expenses (income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	21	21
- Caption 200 (partial)	Other operating expenses (income) (Recovery of expenses)	-	-
- Caption 200 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-2	-5
+ Caption 220 (partial)	Profits (losses) on equity investments (carried at equity)	-	-
Operating income		**20,012**	**16,654**

(millions of euro)

		2023	2022 Restated
Personnel expenses		**-5,508**	**-5,363**
Caption 160 a)	Personnel expenses	-5,599	-5,351
- Caption 160 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	28	-71
- Caption 160 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	34	7
- Caption 160 a) (partial)	Personnel expenses (Charges for incentive systems for employees of the distribution networks)	29	21
- Caption 160 a) (partial)	Personnel expenses (Donations to personnel)	-	31
+ Caption 200 (partial)	Other operating expenses (income) (Recovery of expenses)	-	-
Other administrative expenses		**-2,235**	**-2,141**
Caption 160 b)	Other administrative expenses	-3,555	-3,509
- Caption 160 b) (partial)	Other administrative expenses (Charges for integration)	25	32
- Caption 160 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	613	683
- Caption 160 b) (partial)	Other administrative expenses (Recovery of other expenses)	56	48
- Caption 160 b) (partial)	Other administrative expenses (Amounts attributed to net interest income - For Funding initiative)	-	1
- Caption 160 b) (partial)	Other administrative expenses (Derisking charges)	-	-
+ Caption 200 (partial)	Other operating expenses (income) (Recovery of expenses and indirect taxes)	626	604
Adjustments to property, equipment and intangible assets		**-1,097**	**-1,052**
Caption 180	Net adjustments to/recoveries on property and equipment	-475	-481
Caption 190	Net adjustments to/recoveries on intangible assets	-821	-721
- Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	47	41
- Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	11	10
- Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	114	69
- Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	6	9
- Caption 190 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	21	21
Operating costs		**-8,840**	**-8,556**
Operating margin		**11,172**	**8,098**
Net adjustments to loans		**-1,411**	**-2,061**
Caption 140	Profits/losses from changes in contracts without derecognition	24	16
Caption 170 a)	Net provisions for risks and charges (a) commitments and guarantees given	18	-57
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans	-218	-193
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	17	-6
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	73	78
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities designated at fair value (b) other financial assets mandatorily measured at fair value (amounts attributed to net adjustments to loans)	-172	-122
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans	-1,180	-1,665
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Amounts attributed to other net provisions and net impairment losses on other assets)	5	5
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	5	-6
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Loans	14	-26
+ Caption 160 b) (partial)	Other administrative expenses (Derisking charges)	-	-
- Caption 170 a) (partial)	Net provisions for risks and charges (a) commitments and guarantees given (provisions for credit risk related to commitments and guarantees given)	1	-3
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions for non-recurring expenses)	2	-82
Other net provisions and net impairment losses on other assets		**-374**	**-185**
Caption 170 b)	Net provisions for risks and charges (b) other net provisions	-64	-248
Caption 230	Valuation differences on property, equipment and intangible assets measured at fair value	-11	-35
Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	-62	-3
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans (Amounts attributed to other net provisions and net impairment losses on other assets)	-5	-5
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (banks) (Charges concerning the banking industry)	-	2
Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Debt securities	-29	-22
+ Caption 170 a) (partial)	Net provisions for risks and charges (a) commitments and guarantees given (provisions for credit risk related to commitments and guarantees given)	-1	3
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Time value allowances for risks and charges)	16	-
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Charges for integration)	-5	-3
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions/Releases linked to Profits (losses) on financial assets and liabilities designated at fair value)	-	-
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Provisions for non-recurring expenses)	-2	82
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Effect of purchase price allocation)	-	-
- Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (future charges on controlling interests)	-44	71
+ Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-11	-10
+ Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-6	-9
+ Caption 200 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-67	-
+ Caption 220 (partial)	Profits (Losses) on equity investments (Adjustments/Recoveries due to impairment of associates)	-83	-8

(millions of euro)

		2023	2022 Restated
Other income (expenses)		**212**	**146**
Caption 220	Profits (Losses) on equity investments	120	6
Caption 250	Profits (Losses) on disposal of investments	-1	1
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	122	357
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks)	3	-8
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies) - Effect associated with profits (losses) on trading	-122	-349
- Caption 100 a) (partial)	Profits (losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks) - Effect associated with profits (losses) on trading	-3	-
+ Caption 160 a) (partial)	Personnel expenses (Donations to personnel)	-	-31
+ Caption 200 (partial)	Other operating expenses (income) (Non-recurring income/expenses or income/expenses not linked to continuing operations)	-21	-21
- Caption 220 (partial)	Profits (losses) on equity investments (carried at equity)	-	-
- Caption 220 (partial)	Profits (Losses) on equity investments (Adjustments/Recoveries due to impairment of associates)	83	8
- Caption 220 (partial)	Profits (Losses) on equity investments (impairment of controlling interests)	31	183
- Caption 250 (partial)	Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	-
Income (Loss) from discontinued operations		**-**	**31**
Caption 290	Income (Loss) after tax from discontinued operations	-	21
- Caption 290 (partial)	Income (Loss) after tax from discontinued operations (Taxes)	-	10
Gross income (loss)		**9,599**	**6,029**
Taxes on income		**-1,668**	**-862**
Caption 270	Taxes on income from continuing operations	-1,351	-549
+ Caption 290 (partial)	Income (Loss) after tax from discontinued operations (Taxes)	-	-10
- Caption 270 (partial)	Taxes on income from continuing operations (Charges for integration)	-68	-17
- Caption 270 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-54	-54
- Caption 270 (partial)	Taxes on income from continuing operations (Goodwill impairment)	-	-
- Caption 270 (partial)	Taxes on income from continuing operations (Profits (Losses) on equity investments - Impairment of controlling interests)	-	-2
- Caption 270 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-200	-223
- Caption 270 (partial)	Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking system)	5	-7
Charges (net of tax) for integration and exit incentives		**-139**	**-46**
+ Caption 160 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-28	71
+ Caption 160 b) (partial)	Other administrative expenses (Charges for integration)	-25	-32
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Charges for integration)	5	3
+ Caption 180 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-47	-41
+ Caption 190 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-114	-69
+ Caption 200 (partial)	Other operating expenses (income) (Charges/revenues from integration)	2	5
+ Caption 270 (partial)	Taxes on income from continuing operations (Charges for integration)	68	17
Effect of purchase price allocation (net of tax)		**-110**	**-111**
+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-71	-69
+ Caption 80 (partial)	Profits (Losses) on trading (Economic effect of purchase price allocation)	-	-
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	-73	-78
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Effect of purchase price allocation)	-	-
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	1	3
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (Effect of purchase price allocation)	-	-
+ Caption 190 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	-21	-21
+ Caption 250 (partial)	Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	-
+ Caption 270 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	54	54

(millions of euro)

		2023	2022 Restated
Levies and other charges concerning the banking industry (net of tax)		**-403**	**-474**
+ Caption 100 b) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income (Charges concerning the banking industry)	**-**	**-4**
+ Caption 110 b) (partial)	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss (b) other financial assets mandatorily measured at fair value through profit or loss (Charges concerning the banking industry)	15	-15
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (banks) (Charges concerning the banking industry)	-	-2
+ Caption 160 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-613	-683
+ Caption 270 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	200	223
+ Caption 270 (partial)	Taxes on income from continuing operations (Impairment losses on financial assets - Investments for the stability of the banking industry)	-5	7
Impairment (net of tax) of goodwill, other intangible assets and controlling interests		**13**	**-252**
Caption 240	Goodwill impairment	-	-
+ Caption 170 b) (partial)	Net provisions for risks and charges (b) other net provisions (future charges on controlling interests)	44	-71
+ Caption 220 (partial)	Profits (Losses) on equity investments (impairment of controlling interests)	-31	-183
+ Caption 270 (partial)	Taxes on income from continuing operations (Goodwill impairment)	-	-
+ Caption 270 (partial)	Taxes on income from continuing operations (Profits (Losses) on equity investments - Impairment of controlling interests)	-	2
Net income (loss)		**7,292**	**4,284**

Other attachments

Fees for auditing and services other than auditing pursuant to Article 149-duodecies of Consob Regulation 11971

(millions of euro)

Type of service	INTESA SANPAOLO		GROUP COMPANIES(*)	
	EY	EY Network	EY	EY Network
Independent audit (**)	9.83	-	11.30	-
Release of attestations (***)	3.21	-	3.77	-
Other services:				
agreed audit procedures	*0.07*	-	*0.37*	-
consolidated non-financial statement	*0.12*	-	-	-
TOTAL	**13.23**	**-**	**15.44**	**-**

(*) Group companies and other consolidated subsidiaries.

(**) Including costs for statutory audit and voluntary audit. Costs for audit of funds for about 10,9 million euro are not included.

(***) Including audit costs, on a voluntary basis, for "Pillar 3" disclosure.

Amounts net of VAT and reimbursed expenses and Consob contribution.

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Financial calendar

Approval of the Interim Statement as at 31 March 2024:	3 May 2024
Approval of the half-yearly report as at 30 June 2024:	30 July 2024
Approval of the Interim Statement as at 30 September 2024 and resolution with regard to the distribution of an interim dividend	31 October 2024