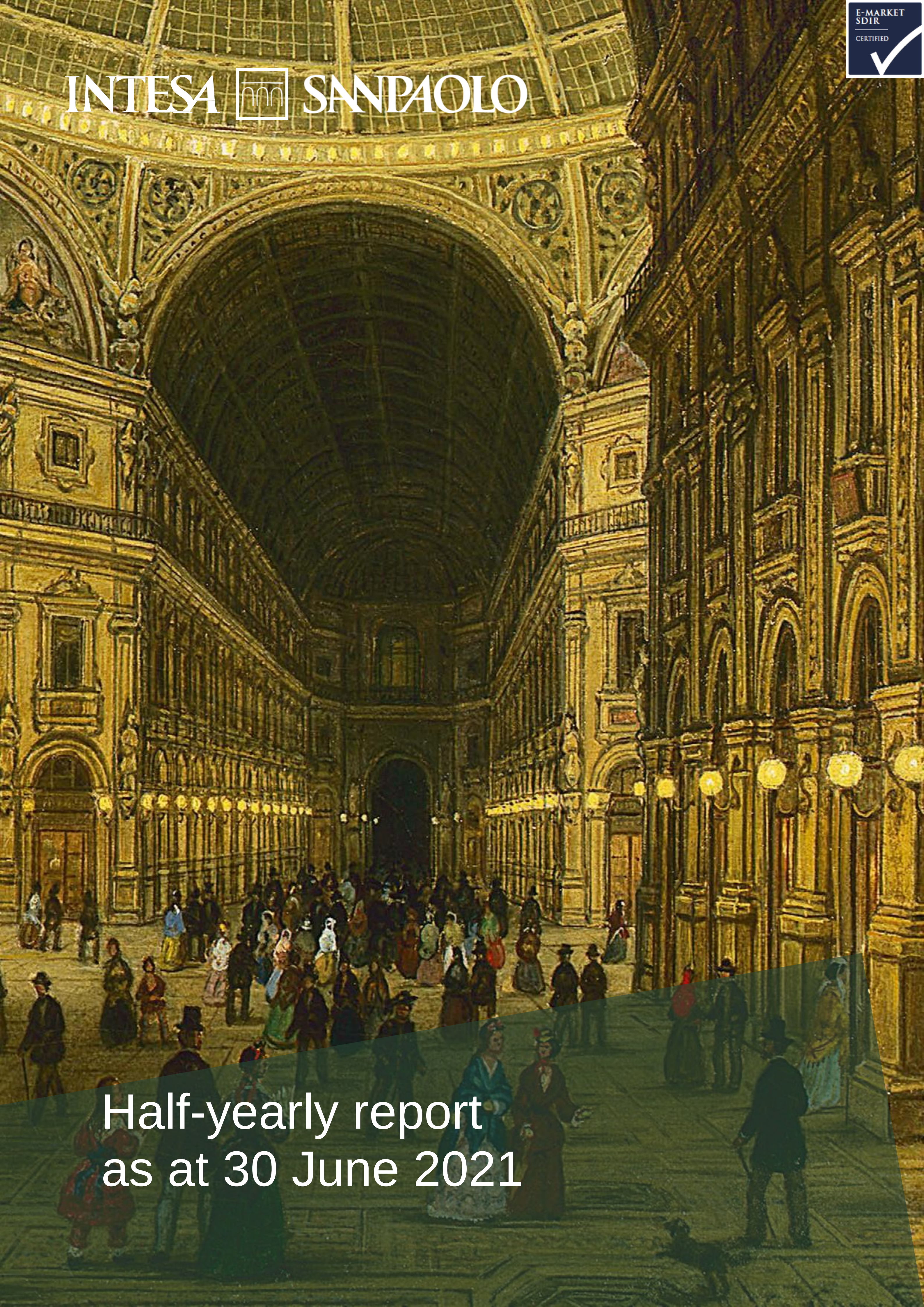


INTESA SANPAOLO

E-MARKET SDIR CERTIFIED

Half-yearly report as at 30 June 2021

This is an English translation of the original Italian document "Relazione semestrale al 30 giugno 2021. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails. The Italian original is available on group.intesasanpaolo.com.

This document contains certain forward-looking statements, projections, objectives, estimates and forecasts reflecting the Intesa Sanpaolo management's current views with respect to certain future events. Forward-looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may," "will," "should," "plan," "expect," "anticipate," "estimate," "believe," "intend," "project," "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding Intesa Sanpaolo's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where Intesa Sanpaolo participates or is seeking to participate.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. The Intesa Sanpaolo Group's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

All forward-looking statements included herein are based on information available to Intesa Sanpaolo as of the date hereof. Intesa Sanpaolo undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to Intesa Sanpaolo or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Half-yearly report as at 30 June 2021

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 10,084,445,147.92 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.

Contents

THE INTESA SANPAOLO GROUP

The Intesa Sanpaolo Group: presence in Italy

Banks

NORTH WEST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
1,286	Banca 5	1
	Fideuram	107
	IWBank	6

NORTH EAST

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
833	Fideuram	59

CENTRE

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
902	Fideuram	46
	IWBank	6

SOUTH

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
738	Fideuram	26
	IWBank	7

ISLANDS

INTESA SANPAOLO	Subsidiaries	
Branches	Company	Branches
231	Fideuram	10

Figures as at 30 June 2021

Product Companies

Bancassurance and Pension Funds

Factoring, Leasing and Consumer Credit (*)

Pramerica (#)

Asset Management

Fiduciary Services

(*) Factoring, Leasing and Consumer Credit activities are also carried out directly by Intesa Sanpaolo S.p.A., the Parent Company
(#) Merged by incorporation into Eurizon on 1 July 2021

The Intesa Sanpaolo Group: international presence

Banks, Branches and Representative Offices

INTESA SANPAOLO

ALEXBANK | بنك الإسكندرية
BANCA INTESA
BANCA INTESA Beograd
CIB BANK
EXIMBANK
FIDEURAM BANK LUXEMBOURG
FIDEURAM INTESA SANPAOLO PRIVATE BANKING
INTESA SANPAOLO BANK Albania
INTESA SANPAOLO BANK LUXEMBOURG
INTESA SANPAOLO BANK Romania
INTESA SANPAOLO BANK
INTESA SANPAOLO BANKA Bosna i Hercegovina
INTESA SANPAOLO BANK IRELAND
INTESA SANPAOLO BRASIL SA
INTESA SANPAOLO PRIVATE BANK SUISSE Morval
PRAVEX BANK
PRIVREDNA BANKA ZAGREB
REYL Innovative banking
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	

Country	Subsidiaries	Branches
UAE	Reyl	1

EUROPE

Direct Branches	Representative Offices
Frankfurt	Brussels(1)
Istanbul	Moscow
London	
Madrid	
Nice	
Paris	
Warsaw	

Country	Subsidiaries	Branches
Albania	Intesa Sanpaolo Bank Albania	35
Bosnia and Herzegovina	Intesa Sanpaolo Banka Bosna i Hercegovina	47
Croatia	Privredna Banka Zagreb	157
Czech Republic	VUB Banka	1
Hungary	CIB Bank	63
Ireland	Intesa Sanpaolo Bank Ireland	1
Luxembourg	Fideuram Bank Luxembourg	1
	Intesa Sanpaolo Bank Luxembourg	1
Moldova	Eximbank	17
Romania	Intesa Sanpaolo Bank Romania	32
Russian Federation	Banca Intesa	28
Serbia	Banca Intesa Beograd	154
Slovakia	VUB Banka	169
Slovenia	Intesa Sanpaolo Bank	46
Switzerland	Reyl	3
	Intesa Sanpaolo Private Bank (Suisse) Morval	2
The Netherlands	Intesa Sanpaolo Bank Luxembourg	1
Ukraine	Pravex Bank	45
United Kingdom	Intesa Sanpaolo Private Bank (Suisse) Morval	1

AFRICA

Representative Offices	Country	Subsidiaries	Branches
Cairo	Egypt	Bank of Alexandria	175

Figures as at 30 June 2021
(1) European Regulatory & Public Affairs

Product Companies

PBZ CARD

E-money and Payment Systems

CIB LEASING
INTESA LEASING Beograd
PBZ LEASING
VÚB LEASING

Leasing

EURIZON ASSET MANAGEMENT
FIDEURAM ASSET MANAGEMENT IRELAND
INTESA INVEST Beograd
INTESA SANPAOLO LIFE
YI TSAI
Pramerica(#)

Wealth Management

(#) Merged by incorporation into Eurizon on 1 July 2021

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

Board of Directors

Chairman	Gian Maria GROS-PIETRO
Deputy Chairperson	Paolo Andrea COLOMBO
Managing Director and Chief Executive Officer	Carlo MESSINA [(a)]
Directors	Franco CERUTI Roberto FRANCHINI [(1)] [(*)] Anna GATTI Rossella LOCATELLI Maria MAZZARELLA Fabrizio MOSCA [(*)] Milena Teresa MOTTA [(*)] Luciano NEBBIA Bruno PICCA Alberto Maria PISANI [(**)] Livia POMODORO Andrea SIRONI [(2)] Maria Alessandra STEFANELLI Guglielmo WEBER 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
(**) Chairman of the Management Control Committee
(1) Was appointed as a Director at the Shareholders' Meeting of 27 April 2020 replacing Corrado Gatti who had ceased to hold office
(2) Was appointed as a Director at the Shareholders' Meeting of 27 April 2020, following co-option by the Board of Directors on 2 December 2019

Half-yearly report on operations

Introduction

The Half-yearly Report as at 30 June 2021 is made up of the Half-yearly report on operations and the Half-yearly condensed consolidated financial statements including the Consolidated financial statements and related Explanatory notes.
As illustrated in detail in the chapter “Accounting Policies” of the Explanatory notes, the Half-yearly condensed consolidated financial statements have been prepared in compliance with art. 154-ter of Legislative Decree 58 of 24 February 1998 and in application of 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 European Regulation 1606 of 19 July 2002.
In particular, the Half-yearly condensed consolidated financial statements as at 30 June 2021 - subject to review by the company EY S.p.A. - have been prepared in compliance with the requirements of IAS 34, which regulates interim reports.
The Half-yearly report on operations and the Half-yearly condensed consolidated financial statements also contain certain financial information not directly attributable to the financial statements such as, for example, figures on quarterly development and alternative performance measures. As regards the latter, see the chapter “Alternative Performance Measures” in the Report on operations accompanying the 2020 Consolidated financial statements for a detailed description. Please note that in this Half-yearly report no changes have been made – except as stated below with reference to the reclassified “redetermined” statements – to the measures normally used, nor have any new measures been added in the aftermath of the COVID-19 epidemic.
To support the comments on results for the period, the Explanatory notes to the Half-yearly condensed consolidated financial statements also present and illustrate reclassified income statement and balance sheet schedules.
In the reclassified statements, the figures are normally restated, where necessary and if they are material, for ease of comparison. In particular, the amounts are provided as uniformly 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, and through “redetermined” figures when, at the time of major or particular transactions, it is appropriate to display side-by-side/supplement the restated figures with redetermined figures, possibly also including management data.
In this regard, it should be noted that – as discussed in more detail below in this Report – in order to provide a uniform comparison of the 2021 income statement figures, inclusive of the UBI Banca Group, also taking into account the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata in the first half of 2021, which was linked to the acquisition, and inclusive of the entry of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal, use was also made of management figures, in relation to the nature of the necessary restatements. Accordingly, in line with the above, to present the figures for 2020 “redetermined” on the basis of accounting and management records, reclassified income statement schedules have been prepared in addition to those prepared on the basis of the stated figures at the end of the various periods, and the detail tables have been expanded upon or duplicated with separate indication of the “Redetermined figures”. A reconciliation of these “Redetermined figures” and the accounting figures has been appended to this Report.
For periods prior to the acquisition, and thus for the first three quarters of 2020, balance sheet figures were subject to line-by-line inclusion of the figures concerning the UBI Banca Group and line-by-line exclusion of balance sheet figures concerning the UBI and ISP branches sold during the first half of 2021, which in the quarterly reclassified balance sheet have by convention been allocated, as “redetermined” figures, to the captions Non-current assets held for sale and discontinued operations and Liabilities associated with non-current assets held for sale and discontinued operations. As regards the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, whose balance sheet values were also restated to enable like-for-like comparison, please note that it was not deemed necessary to “redetermine” the balance sheet figures so as to exclude - on the basis of management data - the items (investments and technical reserves) linked to production from the customers of the branches sold to third parties, as was done in the income statement, since said items were of negligible amounts and hence not relevant for comparability. As a result of the above, since the necessary restatements of the balance sheet data were - as normally happens - based on accounting records, no separate reclassified “redetermined” balance sheet schedules were prepared.
Breakdowns of restatements and reclassifications made as compared to the layout established in Bank of Italy Circular 262 – in addition to the aforementioned “redeterminations” – are provided in separate tables included in the attachments, as also required by Consob in its Communication 6064293 of 28 July 2006.
Lastly, please consult the website of Intesa Sanpaolo, www.group.intesasanpaolo.com, for the press releases and all the financial documents published during the half-year period.

Overview of the first half 2021

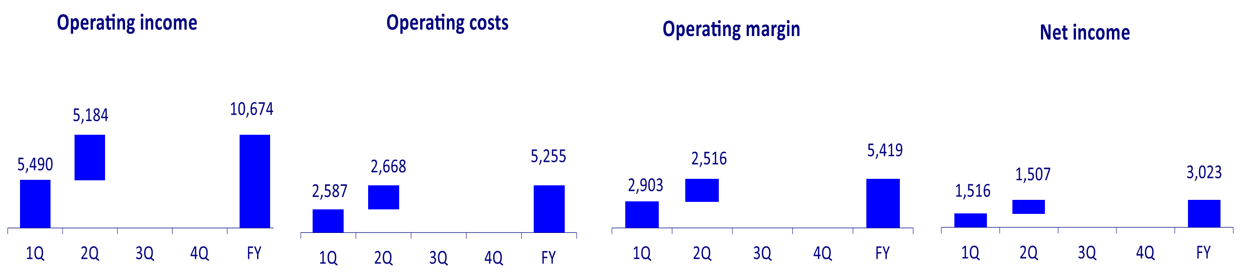
Income statement figures and Alternative Performance Measures

Consolidated income statement figures - Redetermined figures (millions of euro)

	30.06.2021	30.06.2020	Changes amount	Changes %
Net interest income	3,947	4,077	-130	-3.2
Net fee and commission income	4,683	4,136	547	13.2
Income from insurance business	854	896	-42	-4.7
Profits (Losses) on financial assets and liabilities designated at fair value	1,139	1,355	-216	-15.9
Operating income	10,674	10,494	180	1.7
Operating costs	-5,255	-5,379	-124	-2.3
Operating margin	5,419	5,115	304	5.9
Net adjustments to loans	-1,001	-2,081	-1,080	-51.9
Income (Loss) from discontinued operations	58	1,379	-1,321	-95.8
Net income (loss)	3,023	2,566	457	17.8

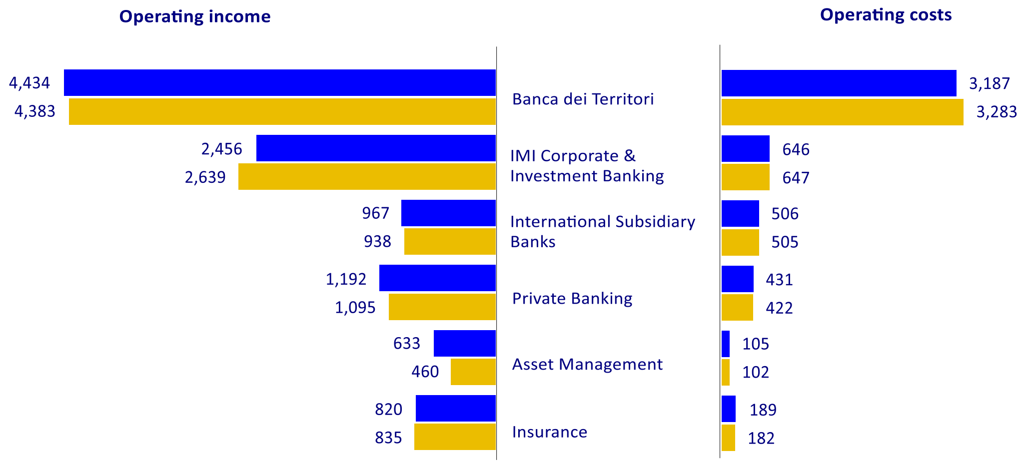
Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

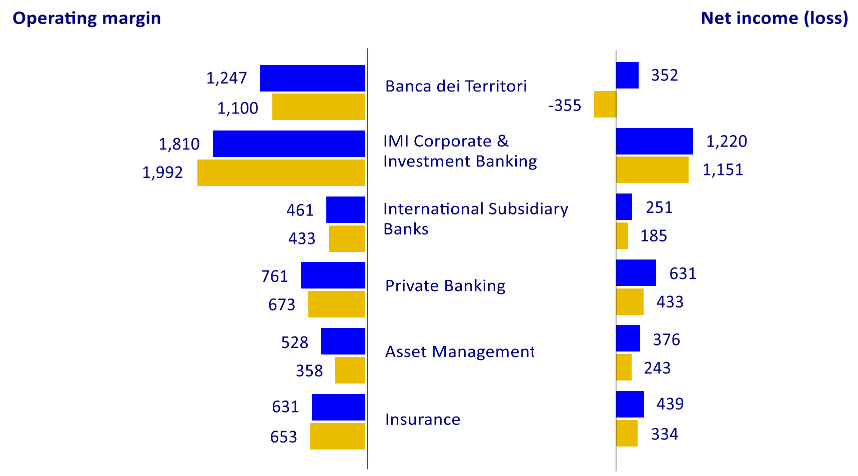
Quarterly development of main consolidated income statement figures - Redetermined figures
(millions of euro)



30.06.2021
30.06.2020

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, also due to the revision of the allocation of costs and revenues among Business Units and Corporate Centres, and taking into account discontinued operations. For more details, see the chapter "Breakdown of consolidated results by business area and geographical area".

Balance sheet figures and Alternative Performance Measures

Consolidated balance sheet figures (millions of euro)	30.06.2021	31.12.2020	Changes amount	Changes %
Financial assets	168,856	161,766	7,090	4.4
Financial assets pertaining to insurance companies measured pursuant to IAS 39	207,044	207,099	-55	-
Loans to customers	463,297	462,802	495	0.1
Total assets	1,057,595	1,034,002	23,593	2.3
Direct deposits from banking business	531,612	526,765	4,847	0.9
Direct deposits from insurance business and technical reserves	204,198	203,211	987	0.5
Indirect deposits:	697,912	659,529	38,383	5.8
of which: Assets under management	*459,366*	*439,335*	*20,031*	*4.6*
Shareholders' equity	66,232	65,894	338	0.5

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

	Loans to customers 30.06.2021	Loans to customers 31.12.2020	Direct deposits from banking business 30.06.2021	Direct deposits from banking business 31.12.2020
Banca dei Territori	252,761	251,809	281,343	267,450
IMI Corporate & Investment Banking	149,554	145,974	88,117	92,938
International Subsidiary Banks	37,297	36,079	47,739	46,308
Private Banking	12,932	12,128	49,602	49,841
Asset Management	357	452	25	14
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.

30.06.2021
31.12.2020

Alternative Performance Measures and other measures

Consolidated capital ratios (%)	30.06.2021	31.12.2020
Common Equity Tier 1 capital (CET1) net of regulatory adjustments / Risk-weighted assets (Common Equity Tier 1 capital ratio)	14.9	14.7
TIER 1 Capital / Risk-weighted assets	16.8	16.9
Total own funds / Risk-weighted assets	19.6	19.6
Risk-weighted assets (millions of euro)	329,748	347,072
Absorbed capital (millions of euro)	31,337	33,518

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

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

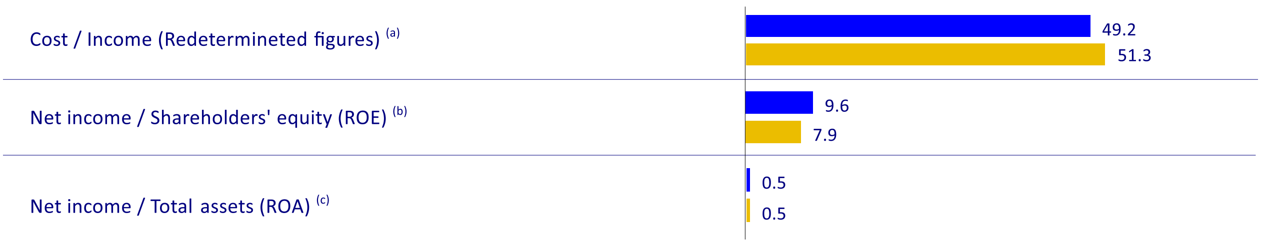
	Risk-weighted assets 30.06.2021	Risk-weighted assets 31.12.2020	Absorbed capital 30.06.2021	Absorbed capital 31.12.2020
Banca dei Territori	99,991	104,550	8,589	8,981
IMI Corporate & Investment Banking	109,467	113,688	9,407	9,768
International Subsidiary Banks	33,744	32,886	3,553	3,468
Private Banking	11,967	11,157	1,042	964
Asset Management	1,925	1,752	196	174
Insurance	-	-	4,113	4,975

(*) 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.

30.06.2021
31.12.2020

Consolidated profitability ratios (%)



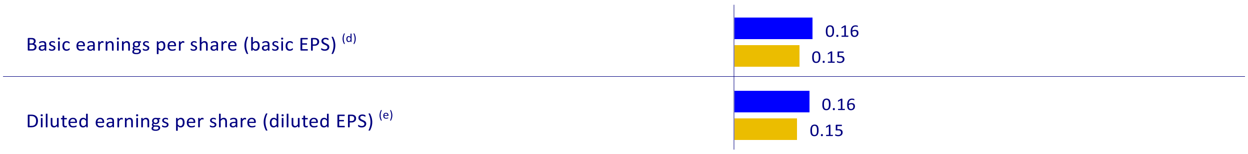
Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations.

(a) Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

(b) Ratio of net income to shareholders' equity at the end of the period. Shareholders' equity does not include AT1 capital instruments and income for the period. The figure for the period has been annualised except for the gain recognised in 2021 on the sale by Fideuram Bank Luxembourg of its custodian bank services business line and except for the net benefits of the realignment of the tax values of certain intangible assets. The figure for the previous period has been annualised, except for the income components of 2020 attributable to the business line consisting of the acquiring activities transferred to Nexi during the first half of 2020.

(c) Ratio between net income and total assets. The figure for the period has been annualised except for the gain recognised in 2021 on the sale by Fideuram Bank Luxembourg of its custodian bank services business line and except for the net benefits of the realignment of the tax values of certain intangible assets. The figure for the previous period has been annualised, except for the income components of 2020 attributable to the business line consisting of the acquiring activities transferred to Nexi during the first half of 2020.

Earnings per share (euro)



Consolidated risk ratios (%)

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

(d) Net income (loss) attributable to shareholders compared to the average number of outstanding shares. Intesa Sanpaolo's share capital consists solely of ordinary shares.

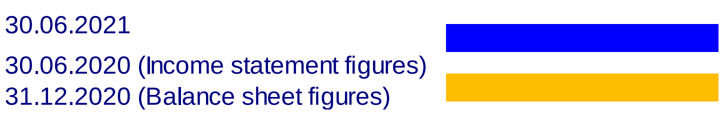
(e) The dilutive effect is calculated with reference to the programmed issues of new ordinary shares.

Operating structure	30.06.2021	31.12.2020	Changes amount
Number of employees (f)	**99,112**	**100,996**	**-1,884**
Italy	76,451	78,165	-1,714
Abroad	22,661	22,831	-170
Number of financial advisors	**5,640**	**5,640**	**-**
Number of branches (g)	**5,255**	**6,314**	**-1,059**
Italy	4,258	5,299	-1,041
Abroad	997	1,015	-18

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

(f) 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. The employees of the branches sold as part of the acquisition of the UBI Group are not included in the figures as at 31.12.2020.

(g) Including Retail Branches, Third Sector Branches, SME Branches and Corporate Branches.



The first half of 2021

The macroeconomic environment in the context of the COVID-19 pandemic

The economy and the financial and currency markets

The world economy has continued to recover from the pandemic crisis in the first half of 2021, although with different patterns and intensity according to geographical areas. The key factors are the speed of vaccination campaigns, the efficiency of infection prevention mechanisms and, lastly, the level of fiscal support for recovery. Initially, recovery was more robust in the Far East and the United States than in the Eurozone, where the early months of the year still suffered from the effects of the pandemic on the service sector. In the second quarter, however, the Eurozone too recorded a marked recovery in economic activity, in the wake of the improved health situation and the easing of restrictions. Business confidence also improved in the service sector. In the United States, growth forecasts were revised significantly upwards following the announcement of a series of aggressive fiscal stimulus programmes by the new federal administration. In the Eurozone, in a context of continued accommodative fiscal policies, the European Union completed the process of ratifying the Next Generation EU programme while Member States presented their national recovery and resilience plans, many of which received the favourable opinion of the European Commission.
The rebound in world trade and manufacturing output has, however, encountered significant obstacles in sea shipping and in the availability of commodities and some intermediate goods, affecting production costs and, in some sectors, the ability of companies to meet demand. Inflation is picking up in all the advanced countries, although mostly due to transient or one-off factors, with new multi-year highs expected in the second half-year. Inflation trend has been especially strong in the United States.
Central banks have continued to prioritise support for the recovery of the real economy, including in countries where recovery has started earlier and has been stronger. The Federal Reserve has signalled that the rate hike will only take place once full employment and inflation above target have been achieved for some time and that the reduction in securities purchases will not take place until there has been significant progress towards the targets. Faced with a less favourable economic situation and lower inflationary pressures, in March the European Central Bank announced a significant increase in net purchases under the PEPP to counter the risk of a possible tightening of financial conditions driven by the rise in US market rates. The more sustained level of purchases, initially scheduled until June, was extended to September. Along with long-term refinancing operations, purchases under the PEPP and APP programs are increasing the excess of reserves, putting downward pressure on shorter-term interest rates.
The revision of US growth and inflation forecasts has led to a rise in medium and long-term interest rates in US markets, with a moderate spillover also to European markets. However, this increase was largely reabsorbed between April and June, due both to a slight slowdown in the economy and to a flattening of interest rate curves, driven by the perception of a possible greater reactivity of monetary policy. Despite the sharp upward revision of planned gross and net issuances in 2021, the Btp-Bund spread has stabilised at modest levels. The change of government, with the appointment of the new executive led by Mario Draghi and supported by a large and heterogeneous national unity majority, was received positively by the markets.
The Italian economy took part in the general post-pandemic rebound, taking the path of a gradual return to pre-crisis levels of activity. After a stagnant first quarter, the easing of health restrictions in the second quarter was followed by a recovery of turnover in the service industry, while the ongoing recovery of manufacturing and construction activities continued. In May, the level of industrial production had almost returned to pre-crisis levels. Economic surveys showed a marked improvement in confidence across all sectors. Employment, which fell to its lowest point of the pandemic in the first two months of the year, subsequently recovered, although it remains well below pre-crisis levels. In addition to the signs of recovery in domestic demand, there are also signs of recovery in foreign trade, which has already fully recovered from the drop in 2020.

The first half of 2021 featured a rising trend in the international stock markets, beginning in November 2020 and following the news on the availability of COVID-19 vaccines. The subsequent acceleration of the vaccination campaign, first in the United States and the United Kingdom and then in the Eurozone countries, has allowed health restrictions to be gradually lifted, with positive effects on the economic recovery and on the stock markets.
The finalisation of the National Recovery and Resilience Plans, as part of the Next Generation EU programme, President Biden’s announcements of support plans, and the still expansionary monetary policies of the major central banks have supported the stock markets up to the end of the half-year, with a moderate reduction in risk premiums.
The Italian companies financial reports for the first quarter of 2021 were generally better than expected, with many companies confirming, or slightly improving, their 2021 guidance, partly as a result of the reopenings. However, concerns have emerged about rising production costs, and more generally, rising inflation, although some of this is considered temporary.
The Euro Stoxx 50 index closed the half-year up by 13.7%, the CAC 40 overperformed (+17.2%), the Dax 30 recorded an increase of +13.2%, while the IBEX 35 slightly underperformed (+9.3%). Outside the Eurozone, the Swiss market index SMI ended the half-year at +11.6%, while the United Kingdom's FTSE 100 index reported a change of +8.9%.

In the US equity market, the period closed with an increase in the S&P 500 index of +14.4%, while the NASDAQ Composite technology stocks index increased by +12.5%. The main Asian stock markets, on the other hand, underperformed: the NIKKEI 225 index increased by +4.9%, while the Chinese SSE A-Share benchmark index rose by only +3.4%.
The Italian stock market performed well, in line with Eurozone benchmarks: the FTSE MIB index ended the half-year at +12.9%, in line with the FTSE Italia All Share index (+13.8%). Mid-cap stocks overperformed: the FTSE Italia STAR index increased by +25.3%.

The European corporate bond markets ended the first six months of 2021 positively, with risk premiums (measured as asset swap spreads - ASW) down compared to the beginning of the year.
Market sentiment benefited from the acceleration of the vaccination campaign, the improved macroeconomic environment, and the confirmed technical support provided by central banks. In this regard, the performance of spreads was particularly positive in the second quarter of the year, after the European Central Bank announced at its March meeting that purchases under the PEPP over the next months would be conducted “at a significantly higher pace than during the first months” of 2021. This decision was then confirmed at the June meeting.
In terms of performance, Investment Grade securities saw their spreads narrowing by around 18% from the beginning of the year (Merrill Lynch IG EUR index), with limited differences between financial and industrial issuers. The performance of the higher-risk securities (High Yield) was also positive, with their spreads reducing by around 15% on average (Merrill Lynch HY EUR index).
The primary market recorded solid levels; the willingness of issuers to take advantage of the favourable credit conditions, and the search for yields by investors, led, in general, to a progressive lengthening of the maturities offered. ESG issues have proved to be of great interest to both investors and issuers who, in many cases, have been able to benefit from a lower cost of funding compared to the issue of securities with the same characteristics, but not linked to sustainability issues (so-called “greenium”). In this market segment, according to data provided by Bloomberg, total corporate issuance in euros in the first half of 2021 was around 150 billion euro (around 230 billion euro issued in the whole year 2020), of which around 70 billion euro were issued as Green Bonds (80 billion euro in the year 2020 overall).

The emerging economies and markets

In the first quarter of 2021, for a sample of countries that covers over 70% of the GDP of emerging countries, the economy grew by 7.9% yoy, after an increase of 2.2% yoy recorded for the same sample in the fourth quarter of 2020.
The Asian area was the most dynamic (+12.2% yoy), thanks above all to the sharp rise in China’s GDP (+18.3% yoy). On the other hand, the economic trend in other emerging regions was more modest, especially in Latin America (+0.4% yoy), which was affected by the drop in year-on-year economic activity in Mexico (-2.8% yoy). Among the large economies of the BRICS Group, in the first quarter the GDP trend was positive in Brazil (+2.3% yoy) and India (+1.6% yoy), but still saw a year-on-year decrease in South Africa (-3.2% yoy) and Russia (-0.7% yoy).
In countries with ISP subsidiaries, in the same quarter in the CEE area GDP remained negative on a year-on-year basis (-1.4% yoy), but recovered with respect to the previous quarter (+1.3% qoq). In the SEE area, on the other hand, thanks to a strong recovery in Romania and Croatia, GDP (+2.3% qoq) returned to pre-COVID levels. In the CIS area GDP fell in Ukraine (-2.2% yoy), whilst it rose in Moldova (+1.8% yoy).
In the second quarter, after the peak of new daily infections reached at the end of April (about 870 thousand at global level according to WHO estimates), the number of new daily COVID-19 infections has gradually decreased, dropping in June to the lowest level in the half-year (about 350 thousand). The partial improvement in the health situation, thanks also to the launch of the vaccination campaign, has enabled containment measures to be relaxed, with positive effects on economic performance.
In the two-month period April-May, industrial production grew 25% yoy in the same sample of emerging countries. Among the BRICS, significant increases were recorded in India (+82% yoy) and Brazil (approximately +30% yoy) but also in Russia (approximately +10% yoy) and China (+9.3%), the latter being among the few countries globally whose economy had grown in 2020 as well.
At the same time, the increase in commodity prices, in particular oil prices, the base effect associated with the drop in inflation seen last year, as well as bottlenecks in the international supply chain for semi-finished products and intermediate goods have exerted upward pressure on price trends worldwide and in the emerging economies, which, however, are largely interpreted as being temporary in nature. The year-on-year inflation rate across the same sample covering more than 70% of the GDP of the emerging economies jumped to 4.1% in June 2021 from 2.5% in December 2020. In countries with ISP subsidiaries in the CEE/SEE area, the acceleration of prices in several cases brought inflation close to the upper end of the central banks’ target range, as in the Czech Republic, or even above it, as in Hungary, Poland and Romania. With regard to the CIS and MENA areas, in June inflation jumped in Russia to 6.5% (from 6.0% in the previous month, well above the 4% target), while it rose, although remaining below the target, in Moldova (to 3.2%) and Egypt (to 4.9%) and remained unchanged in Ukraine (9.5%).

Despite the rise in inflation, in order to support the ongoing recovery, monetary policy remained generally accommodating in the first half of the year, even among emerging economies, albeit with some differences. Out of 91 decisions taken by emerging market central banks, in 79 cases policy rates were left unchanged, 2 actions were in the direction of a reduction (Mexico and Indonesia) and 10 decisions (concerning 7 countries making up 17% of the emerging countries’ GDP) in favour of an increase. Among the major emerging economies, reference interest rates were adjusted upwards in Brazil (to 4.25% from 2.0%), Mexico (to 4.25% from 4.0%) and Turkey (to 19% from 17%).
In countries with ISP subsidiaries, in order to keep inflation expectations anchored, at the end of the six-month period the Central Banks raised policy rates in Hungary and the Czech Republic to 0.9% and 0.5%, respectively, in June, with increases of 30bps and 25bps. In the first half of the year, the reference interest rate was also raised in Russia, to 5.5%, with three adjustments, the first of which was of 25bps and the next two of 50bps each, and in Ukraine, to 7.5%, with a first increase of 50bps and a subsequent one of 100bps.

The MSCI Emerging Markets Index rose by 6.5% in the first half of 2021, following the increase in the advanced market indices (Euro-Stoxx +13.7%, S&P USA +14.4%), despite closing the half-year partially down from the peak (+12% compared to the beginning of the year) recorded in February. The Shanghai index (+3.4%) and the Bovespa (+6.5%) performed slightly less, respectively, and in line with the MSCI, while the stock markets of Russia and South Africa performed better with double-digit growth rates (+19.1% and +10.6%, respectively).
Among the countries with ISP subsidiaries, double digit increases were recorded in Hungary, the Czech Republic, Poland, Croatia and Romania thanks to the significant period of economic recovery. The Egyptian stock market, on the other hand, closed the half-year down 5.4%, despite an increase of 6.2% in the two-month period January-February.
The pandemic is weighing on the currencies of emerging countries that have experienced difficulties in managing the health crisis, such as Argentina in Latin America and India and Indonesia in Asia. Current account imbalances, which are partly the effect of an economic growth mainly driven by domestic demand, and the sharp rise in inflation, in turn led to a significant depreciation of the Turkish lira.
In countries with ISP subsidiaries, the Russian rouble and Ukrainian hryvnia underwent a period of weakness, although both recovered in the last few months of the half-year, while in the MENA area, the Egyptian pound rose slightly (+0.4%).
The uncertainties surrounding the evolution of the pandemic have led in some cases to a widening of CDS spreads, in parallel with a deterioration of the ratings by the main rating agencies. In countries with ISP subsidiaries, which were not affected by downgradings, CDSs remained essentially stable.

The Italian banking system

Interest rates and spreads

In the first half of 2021, the average interest rate on new loans to businesses was lower than in the previous six months. This decrease was determined by the interest rates applied to new loans over 1 million euro while those on smaller flows were more stable, after the recovery recorded in the second half of 2020. In contrast, there was a slight rise in interest rates on new mortgage loans to households for the purchase of homes, driven mainly by the rise in the rate on fixed-rate mortgages, which nevertheless remains low. This did not affect the trend of the average interest rate on outstanding loans, which continued to fall, reaching new lows.
Interest rates on deposits remained stable, with at most marginal downward adjustments. The average interest rate on current accounts remained at the same level recorded since April 2020. The interest rate on the stock of time deposits was also on average in line with the previous six months. The overall cost of funding from customers continued to decline gradually. However, the spread between lending and funding rates narrowed slightly.
As in the previous nine years, the mark-down on on-demand deposits remained negative in the first half of 2021, being slightly worse than in the previous six months. The mark-up on short-term interest rates decreased due to the decline in short-term lending rates.

Loans

The growth in loans remained robust, albeit with different trends between loans to businesses, which slowed down after the rapid recovery in 2020, and loans to households, where growth accelerated in the spring months. These trends are partly affected by the year-on-year comparison with the 2020 period characterised by the outbreak of the pandemic and its impacts on credit trends. Therefore, after last year's extraordinary liquidity needs and the significant contribution of credit support measures, loans to non-financial companies slowed down while still maintaining a sustained pace of growth in the second quarter. As the financial needs of businesses gradually normalised, the recourse to loans backed by public guarantees continued at a more moderate pace with respect to 2020. Approximately 35 billion euro of loans assisted by the Guarantee Fund for SMEs were disbursed in the first half of 2021, following the 98 billion euro cumulated between May and December 2020. Thus, the SMEs' demand for funding remained positive but slowed down. Thanks to the loans backed by public guarantees, the growth in medium/long-term loans to businesses continued, while short-term loans kept declining.
In contrast to loans to non-financial companies, the trend of loans to households strengthened, up from the sharp slowdown in March 2020. In the second quarter, loans to households as a whole grew in the range of 4% yoy, from 2.3% at the end of 2020, marking the best rate of change since October 2011. In particular, consumer credit, which had declined towards the end of 2020 as a result of pandemic-related restrictions and a decline in spending on durable goods, reversed course, returning to moderate growth as of April. Furthermore, home loans increased, driven by large flows of disbursements for new mortgage contracts.
Moratoria were significantly reduced in the first half of 2021. At the beginning of July, the active moratoria concerned a volume of loans of 83 billion euro, approximately 50 billion euro less than those active in mid-June, due to the moratoria which were not extended beyond the mid-year maturity date, as allowed by the "Sostegni Bis" Law Decree. Closures of moratoria had been considerable in previous months as well: the amount outstanding at the beginning of July is less than one-third of the 279 billion euro of requests approved by banks since March 2020.
With regard to credit quality, there were no particular signs of deterioration in the first part of 2021. The stock of net bad loans in May was down 14% from the end of 2020. Net bad loans as a percentage of total loans fell to 1.0%, from 1.2% in December 2020, reaching their lowest level since the spring of 2009. In the first quarter of 2021, the default rate in terms of annualised flow of non-performing loans in relation to total performing loans remained stable and at record lows, at 1.1%.

Funding from customers

The deposit trend remained strong, but more moderate with respect to the peak reached in early 2021. The flow of liquidity to household and corporate overnight deposits was significant overall, although more contained compared to the exceptional volumes of 2020. The contribution was larger in the three months from April to June, after a relatively subdued first quarter due to outflows from overnight deposits of non-financial companies. The growth rate for overnight deposits as a whole remained in double digits. This trend remains primarily driven by the high propensity to save as a result of the pandemic and by very low market yields.
The strong growth of on-demand deposits continues to drive a significant increase in funding from customers, despite the continued decline in the bond component. The latter reflects the lower needs for medium/long-term funding, which benefited from the substantial liquidity made available by the ECB, in particular through targeted refinancing operations (TLTRO III).

Indirect customer deposits and asset management

For assets under administration, the decline in debt securities held in custody by banks on behalf of households continued in the first half of 2021. The persistence of this trend reflects the ongoing fall in bank bonds held by retail customers. By contrast, as already observed from the second quarter of 2020, there has been an increase in securities in custody of non-financial companies, another indicator of the positive liquidity situation of companies as a whole.
The asset management market was characterised by substantial net inflows into mutual funds, mainly directed towards the equity segment, which is considered more attractive by investors given the very low or negative returns on bonds. Indeed, equity funds alone accounted for approximately 60% of the mutual fund industry's total inflow in the first half of 2021. Inflows relating to portfolio management schemes were also positive, regarding both retail and institutional customers. Positive signs also emerged for the life insurance market, thanks to the sustained growth of the new business for unit-linked and multi-line policies.

Intesa Sanpaolo’s operating environment in the aftermath of the COVID-19 epidemic

New actions taken in relation to the Group’s stakeholders

In 2021, Intesa Sanpaolo has continued its commitment to supporting the numerous actions taken from the outset to support the efforts of institutions and society in response to the COVID-19 pandemic, in the knowledge of its responsibility as a major bank in a long and profound emergency situation, which is in many ways unknown.

Several of the Group’s actions and initiatives to support the economic and social recovery of the communities it serves have become fully operational, including:

- the “Rinascimento Firenze” Programme aimed at supporting the revival of the city’s economy through impact lending, developed and promoted in collaboration with Fondazione CR Firenze, which provides 60 million euro – through non-repayable grants (10 million euro) and impact loans (50 million euro) – to support small and medium enterprises operating in the arts and crafts, tourism and culture, fashion and lifestyle sectors, as well as start-ups and the agro-industry in the metropolitan area of the city of Florence. It is aimed at businesses, which were healthy before the pandemic, have suffered during this period and intend to relaunch their operations by investing in projects that have a measurable social impact, such as stabilising or increasing their staff numbers, making investments under the new health regulations, and promoting forms of cooperation between competing businesses to increase overall resilience. The continuation of the programme in 2021 will involve the publication of new tenders for specific sectors to accompany the actions already initiated and implemented;
- locally-based programmes aimed at households, self-employed workers, micro-businesses and SMEs, through a solidarity fund that contributes to containing the current social and economic emergency linked to unemployment and loss of work and revenue, as a result of the pandemic. In 2021, under these programmes, which were launched at the end of 2020, the Group has initiated the provision of impact loans backed by a pre-established solidarity guarantee fund:
  - “Progetto Vigevano Solidale”, with a total budget of around 700 thousand euro managed by the Diocese of Vigevano, aimed at supporting the local area through non-repayable grants to households and impact loans for micro-enterprises provided on favourable terms by the Bank and guaranteed by the fund;
  - “Programma Torino – Fondo Sorriso” promoted by the Archdiocese of Turin and Fondazione Operti in collaboration with other associations and entrepreneurs in the area and in coordination with the main trade associations, with a fund of 300 thousand euro to guarantee impact loans for micro-enterprises and self-employed workers.

  For these two initiatives, the Bank has also made it possible for private individuals to participate in specific fundraising operations through the For Funding platform.

The solidarity initiatives aimed at addressing the difficult and delicate recovery following the health emergency also included the support provided by Intesa Sanpaolo and Caritas to the Italian dioceses with the project “Aiutare chi aiuta: un sostegno alle nuove fragilità”. This initiative, which supports twenty-two projects throughout Italy, stems from listening to the urgent needs of communities affected by the severe economic and social crisis and provides ten thousand vulnerable people with goods and material aid for the needy (with particular emphasis on providing meals), clothing, medicines, housing and shelter for those experiencing accommodation difficulties, and support in finding work and starting up new businesses for people in difficulty.
Intesa Sanpaolo also made a donation of 100 thousand euro in support of the “A sostegno di chi ha più bisogno” initiative of

the organisations Coldiretti, Filiera Italia and Campagna Amica, which distributed 50 kg food parcels of Made in Italy products to households in need throughout Italy during the 2021 Easter period.
In collaboration with Fondazione Cariplo, Intesa Sanpaolo also gifted 3,650 computers and 200 tablets to students in need of essential equipment to follow lessons from home and study in a suitable manner, with the key objective to fight educational poverty and tackle the digital divide. This initiative had the added value, in terms of circular economy and reuse of resources, of recycling refurbished computer equipment that became available following the merger of UBI Banca into Intesa Sanpaolo.
In view of the ongoing exceptional crisis situation generated by the epidemic and the continuing health emergency, the Group ordered the use of the extraordinary credit line established by the Board of Directors on 24 November 2020 to support two initiatives, for a total of 480 thousand euro:

- Fondazione Respiro Libero ONLUS, for the renovation and technological upgrade of the Paediatric Pulmonology Department of the Regina Margherita Hospital in Turin;
- Azienda Ospedaliera Città della Salute e della Scienza di Torino - Le Molinette, for the purchase of two items of equipment for the Kidney Dialysis and Transplant Department.

Intesa Sanpaolo has also launched "Formula", a crowdfunding project aimed at environmental sustainability, social inclusion and personal empowerment for people experiencing difficulties. The initiative involves support for local projects – which anyone can take part in through the For Funding platform – selected together with the Bank's Regional Governance Centres assisted by Fondazione Cesvi, which supports Intesa Sanpaolo in identifying reliable partners and monitoring and documenting the implementation of each project.
Lastly, in the second quarter of 2021, Intesa Sanpaolo:

– signed an agreement with the European Investment Bank (EIB) that will unlock over 18 billion euro in new funding for Italian small and medium-sized businesses to meet the challenge of the post COVID-19 recovery. This is the first transaction in Italy supporting factoring operations based on the Pan-European Guarantee Fund (EGF), one of the EU's instruments in response to the pandemic. This initiative – specifically devoted to supply chains – is the largest operation supported by the EGF in the European Union as a whole, in terms of the amount of liquidity that will be supplied to businesses;
– announced that it will provide over 400 billion euro of medium- to long-term funding to support the National Recovery and Resilience Plan (NRRP) also in areas such as green technology, the circular economy and ecological transition. Specifically, the following will be allocated: i) around 120 billion euro to enterprises with revenues of up to 350 million euro; ii) around 150 billion euro to enterprises with revenues of over 350 million euro; iii) over 140 billion euro to private individuals.

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

Over a year after the start of the COVID-19 health emergency, the first half of 2021 finally saw the start of the mass vaccination campaigns (at least for the most developed countries), which have now entered in full swing, with the expectation – in the case of Italy – of achieving significant cover by the end of the summer. This should ensure that new waves of the pandemic are contained this autumn, with further positive effects on the real economy, which is currently on the path to a significant, although uneven, recovery across the various sectors.
Although there is a clear sense of optimism, the path to normality is still marked by uncertainties and possible obstacles, mainly related to risks and unexpected events on the health front, primarily consisting of concerns about variants of the virus that could undermine the effectiveness of the vaccination campaigns.
In terms of support for the real economy and the financial markets, governments and central banks are continuing their support initiatives, which have shown that they can effectively contain the effects of the crisis and support businesses and households in the most difficult times in the recession. However, even though they have been reduced, concerns still remain about the ability of many businesses to recover under their own steam when the support measures come to an end. As a result, the regulators have continued their campaign of intensive pressure on supervised intermediaries, which in the first half of the year included a series of interviews and statements aimed at drawing attention to the need to contain possible financial shocks and the related recessionary effects, which may arise when the support measures for the real economy come to an end.

That said, in terms of regulatory measures related to the pandemic, the regulators and standard setters did not issue any further measures in the first half of the year, other than the above-mentioned communications from the authorities and specific national provisions on the economic support measures, with the general framework set out in 2020 therefore remaining largely unchanged.
In this context, on 10 June this year under the Eurosystem coordinated exercise, the European Central Bank published its quarterly update of macroeconomic projections for the Euro Area, which the ECB has repeatedly suggested should be adopted by the banks under its supervision to anchor the macroeconomic forecasts used in the models for determining IFRS 9 expected credit losses.
The update, which includes both the baseline scenario and the alternative scenarios (mild and severe), contains an upward revision of the recovery portrayed by the December 2020 projections, used by the Group, in accordance with the above-mentioned recommendations from the regulators, for the IFRS 9 forward-looking credit assessments carried out for the 2020 Annual Report and confirmed in the Quarterly Report as at 31 March 2021 (the new March ECB forecasts only had small changes – and improvements – compared to December).
The table below summarises the comparison of the baseline and alternative scenarios against the previous ECB projections (March 2021 and December 2020).

			Baseline				Mild				Severe			
			2020	2021	2022	2023	2020	2021	2022	2023	2020	2021	2022	2023
Euro Area	**ECB Jun 21**	*Real GDP EUR*	-6.8%	4.6%	4.7%	2.1%	-6.8%	6.2%	5.5%	2.2%	-6.8%	2.9%	2.3%	2.2%
	ECB Mar 21	*Real GDP EUR*	-6.9%	4.0%	4.1%	2.1%	-6.9%	6.4%	4.5%	2.2%	-6.9%	2.0%	2.2%	2.5%
	ECB Dec 20	*Real GDP EUR*	-7.3%	3.9%	4.2%	2.1%	-7.2%	6.0%	4.3%	2.1%	-7.6%	0.4%	3.0%	2.9%
		Gap Jun-Mar	0.1%	0.6%	0.6%	0.0%	0.1%	-0.2%	1.0%	-0.0%	0.1%	0.9%	0.1%	-0.3%
		Gap Jun-Dec	0.5%	0.7%	0.5%	0.0%	0.4%	0.2%	1.2%	0.1%	0.8%	2.5%	-0.7%	-0.7%
	ECB Jun 21	*HICP inflation*	0.3%	1.9%	1.5%	1.4%	0.3%	1.9%	1.7%	1.7%	0.3%	1.8%	1.2%	1.1%
	ECB Mar 21	*HICP inflation*	0.3%	1.5%	1.2%	1.4%	0.3%	1.6%	1.5%	1.7%	0.3%	1.5%	1.0%	1.1%
	ECB Dec 20	*HICP inflation*	0.2%	1.0%	1.1%	1.4%	0.2%	1.1%	1.3%	1.5%	0.2%	0.7%	0.6%	0.8%
		Gap Jun-Mar	-0.0%	0.4%	0.3%	0.0%	-0.0%	0.3%	0.2%	0.0%	-0.0%	0.3%	0.2%	-0.0%
		Gap Jun-Dec	0.1%	0.9%	0.4%	0.0%	0.1%	0.8%	0.4%	0.2%	0.1%	1.1%	0.6%	0.3%
	ECB Jun 21	*Unemployment rate*	7.8%	8.2%	7.9%	7.4%	7.8%	7.9%	7.1%	6.6%	7.8%	8.4%	9.0%	8.7%
	ECB Mar 21	*Unemployment rate*	7.8%	8.6%	8.1%	7.6%	7.8%	8.2%	7.2%	6.6%	7.8%	9.0%	9.3%	8.7%
	ECB Dec 20	*Unemployment rate*	8.0%	9.3%	8.2%	7.5%	7.9%	8.8%	7.5%	6.9%	8.1%	10.3%	9.9%	9.4%
		Gap Jun-Mar	0.0%	-0.4%	-0.2%	-0.2%	0.0%	-0.3%	-0.1%	-0.0%	0.0%	-0.6%	-0.3%	-0.0%
		Gap Jun-Dec	-0.2%	-1.1%	-0.3%	-0.1%	-0.1%	-0.9%	-0.4%	-0.3%	-0.3%	-1.9%	-0.9%	-0.7%

Overall, the changes from the already more optimistic March forecasts have been revised upwards significantly for 2021 and 2022. In the baseline scenario, average annual GDP growth in the Euro area has been raised from 4.0% to 4.6% in 2021, and the forecast for 2022 has also been revised upwards from 4.1% in March to 4.7%. A further upward revision has been made for inflation, which continues to be a critical factor for the financial markets in connection with the short-term pressure that has emerged on commodity prices, with the forecasts rising from 1.5% to 1.9% in 2021 and from 1.2% to 1.5% in 2022.
The forecasts reflect the assumption that the pandemic may have less of an impact, due to the progress of the vaccination campaigns, additional fiscal policy measures – partly funded by the Next Generation EU programme – and the improved outlook for foreign demand supported by the recent US fiscal policy packages.
With regard to the alternative scenarios, the mild scenario assumes that the health crisis will be resolved by the end of 2021, with only temporary economic losses, while the severe scenario assumes that the health crisis will continue with permanent losses. Compared to the baseline scenario, the mild scenario envisages an even faster roll-out, greater public acceptance and greater effectiveness of the vaccines, also against new variants of the virus. This would enable a more rapid easing of containment measures and their phasing out by the end of 2021.
In contrast, the worst-case (severe) scenario envisages a possible resurgence of the pandemic in the coming months with the emergence of more infectious variants, which would result in a reduction in the effectiveness of vaccines to these mutations and the consequent need to maintain some containment measures until mid-2023. It consequently envisages an inevitable increase in insolvencies and deterioration of creditworthiness, with negative impacts on bank balance sheets and potential repercussions for the credit market.

With regard to Italy, the Bank of Italy also published its “*Macroeconomic projections for the Italian economy*”, at the same time as the ECB. The projections are based on information available on 18 May for the technical assumptions and 26 May for the economic data, and therefore do not incorporate the data released by ISTAT on 1 June, in which GDP growth in the first quarter of 2021 was revised upwards by half a percentage point.
The Bank of Italy’s projections assume that the public health situation will keep improving at national and global level and that the support of monetary and fiscal policy will continue. It is assumed that the vaccination campaign will proceed according to the government’s plans, that most of the restrictions to mobility will be lifted by the end of 2021, that the recovery in world trade will translate into robust growth in foreign demand for goods produced in Italy, and that monetary, financial and credit access conditions will continue to be highly accommodative, with long-term yields remaining low.
Under these assumptions, Italian economic growth is projected to strengthen markedly in the second half of this year, to well-above 4% in 2021 as a whole, and to continue to grow at a high rate in the next two years, with pre-pandemic levels of economic activity likely to be regained by the end of next year.
The table below summarises the comparison of the Bank of Italy scenario for the Italy Area with the equivalent and previous projections published in December (note that in the Eurosystem coordinated exercise the Bank of Italy only provides the baseline scenario and not the alternative scenarios).

				Baseline			
				2020	**2021**	**2022**	**2023**
Italy	**Bank of Italy Jun 21**	*GDP*		-8.9%	4.4%	4.5%	2.3%
	Bank of Italy Dec 20	*GDP*		-9.0%	3.5%	3.8%	2.3%
			Gap	0.1%	0.9%	0.7%	0.0%
	Bank of Italy Jun 21	*Consumer prices (HICP)*		-0.1%	1.3%	1.2%	1.3%
	Bank of Italy Dec 20	*Consumer prices (HICP)*		-0.2%	0.5%	0.9%	1.2%
			Gap	0.1%	0.8%	0.3%	0.1%
	Bank of Italy Jun 21	*Unemployment rate*		9.3%	10.2%	9.9%	9.5%
	Bank of Italy Dec 20	*Unemployment rate*		9.2%	10.4%	10.0%	9.5%
			Gap	0.1%	-0.2%	-0.1%	0.0%

Even in the light of an improved macroeconomic outlook, uncertainties remain on the health front, as the degree of success of the vaccination campaign, at national and global level, may have an impact on expectations, consumption and investment. The start of the effective implementation of the NRRP projects will also need to be verified.
The continuation of the legislative moratoria initiatives in Italy also needs to be borne in mind in this context. These initiatives constitute an important support to the system in overcoming the most difficult periods of the crisis, but at the same time, for some types of exposures, they also result in a reduction in the ability to fully assess the actual and real possibility of repayment of loans[1]. It is therefore advisable to adopt a cautious approach, also in light of the risk of a potential cliff-edge effect.
In view of the above, the Group has decided, on a prudent basis, not to make any changes to the macroeconomic scenario used in the assessments for the Annual Report as at 31 December 2020, with the option to review this choice during the second half of the year, when the effects of the expiry of the moratoria can be measured more accurately. The same choice has been made for the scenarios used for the International Subsidiary Banks Division.
Specifically, these forecasts will be used from 30 June 2021, shifting the reference period for the calculation of the ECL in accordance with standard practice. The alternative forward-looking scenarios used in December 2020, shifted to June 2021, have also been maintained.
Below is the scenario used by the Group for the expected credit loss measurements as at 30 June 2021:

[1] With regard to the actions taken by the Group to more fully identify the level of risk of counterparties in the context of the pandemic – including those with active moratoria – see the information provided below.

		Baseline				Mild				Severe			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Italy	**Average Variation**												
	Real GDP Italy	3.5%	3.8%	2.3%	1.3%	5.8%	4.2%	1.5%	1.1%	2.1%	-0.2%	2.5%	0.5%
	CPI Italy	0.5%	0.9%	1.2%	1.4%	0.6%	1.1%	1.4%	1.7%	0.2%	0.0%	0.9%	1.2%
	Residential Property Italy	-2.0%	0.5%	1.0%	1.8%	-0.6%	2.4%	2.7%	3.3%	-3.0%	-3.3%	-1.7%	-1.7%
	Average level												
	10Y BTP yield	0.82	1.04	1.25	2.14	0.90	1.29	1.97	2.95	1.01	1.21	1.61	2.40
	BTP-Bund Spread 10Y	1.29	1.49	1.65	1.85	1.30	1.46	1.60	1.66	1.63	1.72	2.01	2.24
	Italian Unemployment	10.4	10.0	9.5	9.3	10.3	9.8	9.4	9.3	11.0	11.4	11.6	11.2
Euro Area	**Average Variation**												
	Real GDP EUR	3.9%	4.2%	2.1%	1.4%	5.3%	4.6%	2.6%	1.2%	2.5%	0.3%	2.7%	2.3%
	Equity ESTOXX 50	4.6%	4.0%	2.9%	3.3%	17.0%	0.6%	8.0%	0.3%	0.8%	-7.8%	-5.9%	-3.0%
	Average level												
	Euro/$	1.18	1.18	1.18	1.21	1.17	1.15	1.16	1.20	1.17	1.17	1.18	1.21
	Euribor 3M	-0.53	-0.52	-0.47	-0.09	-0.53	-0.52	-0.33	0.14	-0.89	-1.02	-0.96	-0.70
	EurIRS 10Y	-0.16	-0.05	0.10	0.79	-0.10	0.15	0.64	1.34	-0.32	-0.21	-0.13	0.20
	10Y Bund yield	-0.46	-0.45	-0.39	0.29	-0.40	-0.17	0.37	1.30	-0.62	-0.52	-0.40	0.16
US Area	**Average Variation**												
	Real GDP US	4.2%	2.7%	2.1%	1.7%	4.6%	4.0%	2.8%	2.3%	2.6%	2.6%	1.6%	1.6%
	Equity US	7.3%	-0.4%	-0.6%	-0.2%	24%	13.0%	4.3%	1.7%	1.5%	-8.1%	-5.0%	-2.9%
	Average level												
	US Unemployment	6.5	5.6	4.8	4.3	6.4	5.2	4.3	3.7	7.5	7.7	6.8	5.8

With regard to the IFRS 9 measurements, in line with the guidance from the regulators and the best practices in the market, specific management overlays are also still being used to include ad hoc corrective measures, not captured by the models, to better reflect the particular characteristics of the COVID-19 impacts in the measurement of loans. Therefore, given that the underlying reasons continue to apply in substance, the choices already made at the time of the 2020 Annual Report have been maintained, with further calibrations and refinements made in light of the evolution of the overall health and economic situation. In particular, with regard to the legislative moratoria, these led to a postponement to 2021 of part of the defaults forecast by the model in 2020 leading to the potential cliff effect. The persistence of this effect is highlighted by the extension of the moratoria to June 2021, together with the low levels of defaults in the first half of 2021. As a result, this behaviour has been recorded in the half-yearly report as follows:

- the downward effect has been extended until the end of the second quarter of 2021, maintaining the parameter used up to now for the reduction of default flows;
- defaults avoided through moratoria in the period May 2020 to June 2021 are assumed to occur (except for a portion that overcomes temporary difficulties and does not default) in the period July 2021 to June 2022, i.e. in the first year of projection for IFRS 9 purposes;
- the parameters relating to the overcoming of difficulties (i.e. defaults actually avoided by moratoria and not just postponed in time) have been maintained.

With regard to government guarantees, given that the satellite models did not capture the mitigating effects on prospective risk introduced in the 2020 Annual Report, these effects have been maintained with the same methodology and limited time effect, even though – based on more up-to-date information, including the Credit Risk Appetite (CRA) analyses updated in February 2021 – the benefit envisaged in terms of decline in expected default rates is lower.

Since the underlying reasons continue to apply, the Group has also substantially maintained the choices already made in the 2020 Annual Report in terms of one-off treatments using extraordinary staging triggers to increase the granularity of the impacts of the scenario considered for the counterparties most penalised by the crisis. These triggers act “downstream” on counterparties not already classified based on the criteria summarised above. Compared to the Annual Report, the criteria adopted for the extraordinary triggers have been refined based on the developments observed in the first half of 2021, relating to the continuation of existing moratoria, the results of the credit risk monitoring conducted, also through specific action plans, and the progress of specific rating updates made to take account of the pandemic situation. The latter have also enabled the refinement of the assessment of the micro-sector vulnerabilities, where relevant, at individual counterparty level and according to the specific characteristics of the models used.

With regard to the classification of credit exposures, in the first half of the year the Italian government implemented further measures on moratoria, which had already been extended from their original expiry date of 31 December 2020 to 30 June 2021. As explained in more detail below, the choices made by the government are starting to point towards a gradual exit from the suspension of payments.

In fact, the "*Sostegni bis*" Law Decree has provided the possibility of benefiting from a further extension of legislative moratoria until 31 December 2021, a provision that only applies upon request from businesses – to be made by 15 June – already eligible for a moratorium previously granted under the "*Cura Italia*" Decree (expiring on 30 June). The suspension from 1 July onwards will only relate to the principal, while the interest accruing will have to be paid.
The facilitating framework provided by the EBA Guidelines on moratoria expired more than a quarter ago (31 March 2021) and it is therefore no longer possible to take advantage of the simplified prudential treatment allowed for the classification of "EBA compliant" moratoria. In this new context, which also includes the measures for the extension of existing moratoria, the positions need to be analysed individually to see if the extensions are to be considered forbearance measures (i.e. linked to a financial difficulty), resulting in classification as Stage 2. In this respect, the Group's choice – in view of the large number of outstanding moratoria and the consequent potential requests from customers, to be managed in a very short time – has been to identify a small cluster with particularly high credit quality, which the Bank considers not to be subject to financial difficulty and therefore does not meet the conditions for classification as forborne. The cluster has been identified based on both the rating and the granular assessment carried out within the commercial/credit action plans aimed at determining the ability of customers to resume payments. For all positions not included in the cluster, case-by-case checks are being carried out by the relationship managers.

Impacts of the epidemic on the operating results, business activities and risk profile

In the first half of 2021, the Intesa Sanpaolo Group continued the actions taken in 2020 following the spread of the COVID-19 virus, aimed at protecting the health of employees, suppliers and customers, ensuring business continuity and control of risk, and countering the social and economic effects of the pandemic.
The initiatives concerning business continuity and protection of health were implemented in the following areas:

- prevention of workplace hazards, with the formalisation and adoption of the personal and collective protection measures required to respond effectively to the continuous evolution of the public health requirements at national, local and sector level in relation to the spread of the pandemic;
- continued large-scale use of smart working, with the associated investments in technological equipment and strengthening of the corporate information technology network to enable better simultaneous access for a large number of users;
- enhancement of remote channels for contact with customers and implementation of measures to facilitate digital interaction (improving the remote offering, expanding the contract dematerialisation and digital signature processes, etc.);
- strengthening of IT security measures to reduce the risk of fraud attempts against customers;
- revision of operational processes at the head offices and the distribution network including, for example, revision of site access and travel management policies or changes to branch opening hours.

Many of the above measures have evolved from a tactical basis – aimed at ensuring a timely response to emergency – to a strategic vision oriented towards addressing structural change in work organisation, business processes, customer interaction, business opportunities and the related risk management. One of the key indicators of this evolution is the rapid growth in smart working, both in the sales network and the head office structures: compared to the "pre COVID" situation, the number of users enabled for smart working (including the figure for the former UBI Group) has risen from around 21,500 to around 79,000 as at 30 June 2021.
As a result, in the space of a few months, smart working has become a key element of a new model for work activity based on the dual notion of strengthening individual responsibility and improving work-life balance.
Again with a view to staff welfare, following the actions taken in 2020, rapid testing campaigns were carried out in 2021 for staff at several sites in areas with very high levels of COVID-19 virus infections. In the first six months, around 14% of staff signed up to the initiative, with around 25,000 rapid tests performed. In addition, after the end of the half year, in conjunction with the Italian COVID-19 vaccination campaign and in collaboration with Intesa Sanpaolo RBM Salute, the Intesa Sanpaolo Group offered a free insurance policy for all employees of the Group companies based in Italy to protect them against the remote possibility of any particularly serious adverse reactions to the vaccine.

Following the improvement in the health situation in Italy, the Group decided to implement the gradual return to the premises of the head office departments from June, up to a maximum presence per structure of 50% in the yellow and white zones, while obviously maintaining all the company's prevention and protection measures and special precautions for employees with certified conditions of vulnerability or disability. The company canteen and shuttle services have also consequently been gradually reinstated. A further sign that the national situation is improving is the sharp decrease in the number of branches closed due to COVID-19, down from an average of 82 branches closed due to COVID-19 in March to an average of 14 branches closed in June.

With regard to the extraordinary measures to support Italy's economy and its businesses and households, Intesa Sanpaolo was the first bank in Italy to grant moratoria, before the specific regulations came into force. At the end of June 2021, around 911,000 suspension applications had been processed, for a volume of around 109 billion euro, mainly related to the "*Cura Italia*" measures provided for in Article 56 of Law Decree 18/2020. Applications from business customers accounted for around 77% in terms of volume. For the suspensions under Law Decree 18/2020, the Budget Act (no. 178 of 30 December 2020) provided for the postponement of the expiry date of the moratoria to 30 June 2021, as further detailed below.

For the Parent Company, as at 30 June 2021, there were 15 billion euro of moratoria outstanding, a significant decrease on 30 billion euro as at 31 March, in addition to 11.7 billion euro of terminated moratoria that will reach the term for the resumption of payments within the next few months. For the aggregate of the outstanding moratoria, requests for further extensions under the "Sostegni bis" Law Decree, received by 15 June, amounted to around 6.4 billion euro, leading to a more gradual redistribution of maturities over the third and fourth quarters of the year. As a result of the phase-out of the EBA provisions concerning the exemption from forbearance classification (EBA compliant moratoria), the total outstanding moratoria that qualify as such under the guidelines are 2.8 billion euro.
With regard to the expired moratoria that have met the conditions for resumption of payments (25.5 billion euro), the rate of new defaults as at 30 June was less than 2% and the level of significant overruns was also low. Both indicators recorded a slightly upward trend over the six months compared to the beginning of the year.
With regard to the measures to support the production system, the Intesa Sanpaolo Group has provided an overall credit line of 50 billion euro dedicated to loans for businesses. ISP was the first bank in Italy to sign the collaboration protocol with SACE, thus providing immediate support to enterprises under the "Liquidity" Law Decree 23 of 8 April 2020. Overall, including the SME Fund as well, around 39.5 billion euro in loans backed by a government guarantee has been granted to date (around 10 billion euro from SACE and around 29.5 billion euro from SME Fund).
Lastly, the "Rilancio" Decree (Law Decree 34/2020) introduced a measure to support the relaunch of the construction sector and aimed at renovating real estate in terms of energy efficiency and seismic resistance (so-called 110% Superbonus). Specifically, the provision provides for the accrual of a tax credit of 110% for individual house owners and apartment building residents that carry out energy efficiency and seismic resistance renovation work. The novel feature of this provision is that this tax credit can be assigned directly by the commissioner or the executor of the work to a financial intermediary. The Group has set up specific solutions both for individual house owners and apartment building residents, as well as 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 commercial offering was launched from 13 August 2020, the date when the Italian Revenue Agency defined the operating procedures. As at the end of June 2021, around 2,300 applications had been processed for a total of 0.4 billion euro.
The Intesa Sanpaolo Group also supported the legislative and non-legislative measures adopted in the various countries where it operates in order to combat the crisis generated by the pandemic. At consolidated level, the exposure value of the outstanding moratoria as at 30 June 2021 was around 17 billion euro. As noted above in relation to the new EBA regulations, the total amount of outstanding moratoria that qualify as such under the guidelines was 3.5 billion euro, while the value of exposures subject to loans backed by government guarantee schemes – for which the process has been completed for both the acquisition of the guarantees and the disbursement, which may also not be concluded at the same time – was around 38 billion euro.

The pandemic also affected the dynamics of customer financial assets. The climate of uncertainty linked to the evolution of the health crisis and its repercussions on the economy have led to an increase in the preference for liquidity, reinforcing the trends already in place before the onset of the crisis: direct deposits from banking business, driven by the short-term component, grew by 6.5% compared to the "redetermined"[2] figure for March 2020, which did not yet reflect the effects of the pandemic.
Indirect customer deposits saw continued growth in assets under management in the first half of 2021, thanks to positive inflows partly driven by the recovery of the market indices. At the end of the first half, assets under management of the companies of the Asset Management Division were up 2.4% compared to 31 December 2020 and 8.5% compared to 30 June 2020.
The insurance business has also been impacted by the changes in the economic, financial and social environment resulting from the spread of the health emergency. In the first six months of 2021, in spite of the containment measures still in force, gross premiums grew by around 12% compared to the same period in 2020 (including the contribution from the former UBI companies), while net inflows were affected by an increase in liquidations partly due to the higher mortality linked to COVID-19.
In the non-life business, premiums grew in the first half of 2021 compared to the first six months of last year, mainly due to the performance of the non-motor business (around +18%). Furthermore, with regard to health policies specifically, there has been an increase in claims, mainly due to the end of lockdowns and to a recovery in claims for ordinary healthcare services.

With regard to the impacts of the pandemic on the Group's operating income in the first half of 2021, the increases in intermediated volumes related to the legislative and non-legislative measures implemented to combat crisis situations connected with the pandemic – together with the contribution from the TLTROs with the ECB, amounting to around 130 billion euro as at 30 June 2021 – had a positive impact on net interest income. However, the overall performance was affected by lower interest on non-performing assets (related to the deleveraging operations) and the lower contribution from the financial component. As detailed below, the net interest income for the first half of 2021, taking into account the "redetermined" figures[3], amounted to 3,947 million euro (-3.2%).

[2] The redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and the reallocation to non current assets held for sale and associated liabilities of the going concerns object of disposal. Further details are provided below in this Report and, in particular, in the Chapter "Balance sheet aggregates".

[3] The redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management data, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well

In contrast, net fee and commission income posted very strong performance (+547 million, +13.2%), after having been more significantly affected by the restrictions on personal mobility and economic activities in the first half of last year.
The Insurance Division's income from insurance business amounted to 825 million euro, slightly down (-1.4%) on the like-for-like figure for the same period of 2020. The increase in revenues from the life business, also driven by the strong performance of the financial markets, was more than offset by the slowdown in the non-life business, which was penalised by a rise in claims compared to last year, particularly in the healthcare business following the period of lockdown. The amount of fee and commission income paid to the Group's distribution networks increased (+11%, or around 811 million euro).
In terms of operating costs, the costs incurred by the Intesa Sanpaolo Group in the first half of 2021 for measures related to the pandemic amounted to around 12 million euro in current expenses and 2 million euro in investments, with a decrease of around 33 million euro in current expenses and 33 million euro in investments compared to the same period of the last year. Total operating costs fell by 124 million euro, or -2.3%, compared to the first half of 2020, thanks to the measures adopted to further strengthen the control of operating costs. The cost control and rationalisation prioritised the use of resources, while preserving the initiatives of strategic development and evolution of the business model with a view to the radically altered environment that will emerge once the health crisis has been overcome and that, in part, is already generating significant impacts. In this context, the operating costs also benefited from changes in customer behaviour and internal operational processes. Among the areas most impacted are the costs for business-related travel, cash transport and counting services, and mailing to customers, areas that are heavily affected by the extensive use of digital interaction and the dematerialisation of payments and contracts, which represent cost saving drivers that, combined with continued cost control activities, will be made stable and structural over time.
With regard to the cost of credit, the annualised value fell to 43 basis points in June, which is much lower than for the full year 2020 (97 basis points, 48 basis points excluding the impact of higher adjustments due to the COVID-19 epidemic). Net adjustments to loans in the first half of 2021 amounted to 1,001 million euro, down more than 50% on the same period in 2020, as detailed below.

With regard to the risk dynamics, the main impacts on the different types of risk for the Group in the wake of the COVID-19 epidemic, for the first half of 2021, are detailed below:

– for **credit risk**, the Board of Directors approved the updated Credit Risk Appetite Framework at the beginning of February. The aim of this update, in keeping with the approach adopted during 2020, is to include the forward-looking information needed to reflect the specific impacts of the COVID-19 crisis, particularly those concerning the risk and resilience drivers for the Corporate Real Estate and Foreign Corporate counterparties and the introduction of an early warning threshold for the sectors most affected by the pandemic. With regard to IFRS 9, as mentioned above, the Group has prudentially maintained, in the first half of 2021, the macroeconomic scenario used for the purposes of ECL assessments in the Financial Statements as at 31 December 2020, shifting the reporting period for the measurement of ECL by six months, in accordance with standard practice. In addition, the extraordinary Stage 2 triggers were revised, limiting them to only those moratoria that were still active and, at the same time, extending them to additional rating classes compared to those used for year-end reporting purposes.
  Actions in support of customers continued, in line with the initiatives implemented since the start of the pandemic, through:
  a) extensions of the legislative moratoria decided by the Government in the second quarter (May 2021, the so-called "Sostegni" Law Decree); in this regard, the Bank has adapted its processes to the different approach introduced by the "Sostegni" Law Decree with respect to previous legislative measures, i.e. the introduction of the requirement for an express payment extension application by the customer;
  b) proactive action by the Group based on in-depth diagnosis by the relationship managers (action plan).

  With specific reference to the moratoria, the following should be noted:
  – *corporate legislative moratoria*: Budget Act no. 178 of 30 December 2020 provided that, unless waived by the customer, the maturity dates already extended from 31 January 2021 to 31 March 2021 would be extended further "without formalities" to 30 June 2021. The Intesa Sanpaolo Group complied with this legislative provision through a centralised action which extended all credit maturities relating to the exposures meeting the legal requirements to 30 June 2021. Legislative Decree no. 73 (the so-called "Sostegni bis" Decree) adopted on 25 May 2021 further extended the measures already in place until 31 December 2021 with the following restrictions concerning the moratorium:
    o it is limited only to the principal amount, where applicable;
    o it is applicable only to companies already in receipt of the benefits under Article 56 of Law Decree no. 18 of 17 March 2020;
    o it is only granted on the customer's express request;
  - *moratoria under Italian Banking Association / industry sector agreements or the Bank's own initiative*: the Intesa Sanpaolo Group has provided support to its customers since the beginning of the COVID-19 emergency. More specifically, up to the first quarter of 2021, the support/moratoria initiatives continued for customers resident or operating throughout Italy not already covered by the legislative suspension initiatives, in line with the EBA Guidelines (with particular regard to the 9-month cap on suspension relating to the exemption from classification as forborne, introduced in the amendment of 2 December 2020) and the related Italian Banking Association agreements. For the moratoria that do not comply with the above-mentioned 9-month cap requirement, or that do not fall within the framework established by the EBA Guidelines on "general payment moratoria", the Group has adopted an approach that involves the application of ordinary credit processes with a case-by-case assessment of both the classification as forborne and classification as unlikely to pay. Since 1 April 2021 (the final phase-out date of the EBA Guidelines on general payment moratoria), all moratoria that do not fall within the scope of the legislative initiatives have followed the ordinary lending processes.

  In addition, the other support actions included:

as the inclusion of the contribution of insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal. Further details are provided below in this Report and, in particular, in the Chapter "Operating results".

- *30 thousand euro (30k) loans*: with regard to the loans for an amount up to 30 thousand euro to SMEs whose business activity has been harmed by the COVID-19 emergency, which are eligible for the guarantee from the Central Guarantee Fund for SMEs with 100% cover both through direct guarantee and reinsurance – pursuant to Conversion Law no. 40 of 5 June 2020 under Article 13, paragraph 1, letter m, of the “Liquidità” Law Decree no. 23 of 8 April 2020 – in the first half the Intesa Sanpaolo Group made the specific updates required by the 2021 Budget Act. In particular, the maximum repayment period has been extended from the previous 10 years to 15 years, both for new and existing loans. For these types of loans granted by 30 June 2021, the full guarantee (100%) is confirmed and remains unchanged even if the loan duration is rescheduled within the maximum permitted time limit. The “Sostegni bis” Decree has extended access to 30k loans to the end of 2021 for companies that have not yet taken advantage of this option, with the reduction of the related percentage of coverage from 100% to 90% (for loans taken out after 30 June 2021);
- *Refinancing*: on the basis of the provisions of the 178/2020 Budget Act in terms of the granting of guarantees from the Guarantee Fund for SMEs and the SACE Italy Guarantee, the Intesa Sanpaolo Group launched an initiative, aimed at supporting businesses in the current difficult environment, to make the debt servicing for the businesses compatible and affordable with respect to the current and prospective cash flows generated by the counterparties, where conditions allow.

The Group’s proactive actions included the following initiatives:

- Action Plan:
  - the Group has started a diagnosis on the moratoria portfolio, which is still underway, for priority clusters identified on a risk basis (rating class, guaranteed quota, exposure amount, etc.), both for Corporates and Retail Individuals. Through a single name analysis of the positions, the diagnosis has produced a “traffic light” clustering of the portfolio and it identified the perimeter that may need intervention to support the regular resumption of payments when the moratoria expire. The initiative has so far involved 80% of the portfolio of active moratoria and will be further extended in the third quarter, with the aim of covering the entire stock of existing moratoria. The result of the initiative shows that around 88%, in terms of exposures, have been clustered with a Green light (affordable resumption of payments without intervention or with refinancing), 10.1% with a Yellow light (need for moratoria extension or renegotiation), 1.5% with an Orange light (resumption of payments is currently not affordable, with position to be reviewed at a later date) and only 0.4% with a Red light, which denotes a possible increase in credit risk with reclassification as non-performing loans;
  - the re-rating initiative aimed at updating the customer risk assessment in view of the effects of the economic situation also continued and concerned 91% of the positions and 99% of the positions under moratoria. The results show a significant correlation between rating updating and deterioration and the outlook by sector of the economy, with a higher incidence of updated and deteriorated ratings among counterparties belonging to sectors with more negative prospects.

    The functions of the Chief Lending Officer Area continue to constantly monitor the Action Plan activities;
- *Individuals Payment Rescheduling Initiative:* the Intesa Sanpaolo Group has decided to implement an initiative aimed at supporting the Retail Individuals customer Segment. This initiative, launched in the first quarter of 2021, is targeted at the Retail customers of the Banca dei Territori Division and consists of the offer of a specific rescheduling of the repayment plans for loans whose moratoria are expiring. The offer consists of the exercise of the options to extend the repayment plans, referred to as “payment rescheduling”, contractually provided for in the Retail Individuals mortgages and consumer credit – “Loan transactions”;

- as to **market risk,** from a management perspective, the Group’s activities in the first half of the year, in a context of reduced volatility of the principal financial markets, were characterised by an overall increase of the securities portfolio. This increase is part of a broader portfolio management strategy (consistent with the Group's Risk Appetite) aimed at optimizing the risk profile, the degree of diversification and profitability. In this context, the managerial risk measures revealed average values for the first half of the year (average managerial VaR measured at Group level on all the financial assets belonging to the trading book and the hold-to-collect-and-sell business model) amounting to 175.6 million euro. For the Trading component only, the managerial VaR amounted to 33.5 million euro (average for first half of 2021) compared to an average 63.5 million euro in the first half of 2020: the decrease is mainly attributable to “rolling scenario” effects.

  As regards capital requirements (market risk), the last quarter saw the COVID-19 crisis scenarios exit the observation window. The various levels of volatility implicit in the VaR cyclical measure are now in line with those prior to the outbreak of the epidemic and have contributed to the reduction in RWAs observed in the first half-year, from around 17.2 to 14.2 billion euro;
- for **liquidity risk**, all indicators (regulatory and internal policy) confirm the solidity of the Group’s liquidity position. Both regulatory indicators (Liquidity Coverage Ratio – LCR – and Net Stable Funding Ratio – NSFR) are still well above the minimum regulatory requirements. Over the last 12 months, the Liquidity Coverage Ratio (LCR) of the Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average of 174%. The unencumbered liquidity reserves at the various Treasury Departments of the Group amounted to an average of 177 billion euro (based on the last 12 monthly observations) and reached a total of 181 billion euro as at 30 June 2021. The necessary preventive management and control measures, which have been adopted since March 2020 in response to the COVID-19 health emergency, remain in place to detect any signs of potential exacerbation of liquidity conditions;
- at the level of the **interest rate risk** generated by the banking book, the value shift sensitivity for a rate shock of +100 basis points amounted to -1,367 million euro at the end of June 2021, compared to -1,305 million euro at the end of December 2020. No significant changes were reported;
- at the level of **counterparty risk**, the pandemic crisis entailed an initial increase in exposures, mainly due to the decline in Euro area interest rates and the general, significant increase in the volatility of the main risk factors. However, no critical issues were encountered in the margining process with market counterparties, despite the sharp increase in collateral calls, by both number and volume, during the weeks of greatest stress on the markets. Clearing processes with central counterparties also did not generate any operating issues. The situation on the financial markets has gradually

stabilised. The level of exposure to customers gradually increased during 2020, followed by a decrease in the first half of 2021, driven by interest rate movements;

– with regard to **operational risks**, from the outset of the emergency the Group decided to adopt preventive initiatives to ensure business continuity, while also maintaining the maximum level of safety for its customers and employees. This was also done in the light of the rapid development seen in the realm of cyber-threats, which seek to exploit for fraudulent purposes the fears and sense of urgency of individuals and the opportunities offered by the remote-banking solutions adopted by financial institutions. In particular, the business continuity plan was activated and additional actions were immediately identified to respond effectively to the extensive spread of the pandemic (e.g., as already mentioned, the extension of smart working to almost all the staff of the head office functions and the online branches and part of the staff of the "physical" branches and enhancement of IT infrastructure for remote connectivity), the digital transformation process was expedited, moving forward significant investments intended to develop methods of interaction with customers (e.g., expansion of the services offered via Internet and mobile banking), security infrastructure for access to the company network and data and information protection measures were progressively enhanced to increase the ability to respond to the sharp rise in cyber-threats and attacks (e.g., distributed denial of service and malware), and numerous training and communications initiatives were launched to raise awareness amongst customers and employees of growing social-engineering and phishing campaigns. The long-term sustainability of the solutions of the most critical suppliers was also verified.

  With regard to measures to protect the health of employees and customers, protective devices such as masks and gloves were purchased and distributed, sanitising gel was supplied, all the workstations in the branches were fitted with plexiglass screens, and company premises were periodically sanitised. In addition, from the very outset of the emergency, access to the branches has been organised in accordance with precise rules on social distancing and the number of employees and customers in the premises, to ensure the protection of their health. This approach was then adapted over time based on the different government measures and the course of the contagion.

  A contagion risk model was also developed to protect personnel; it supports the decision-making for the measures to be adopted, such as plans for the return of head office personnel able to perform their duties remotely to company offices in accordance with safe distance regulations. A medical questionnaire was developed for employees to complete before they are authorised to return to the office, in addition to a tool that can be used to plan the presence of personnel in the office; this tool ensures centralised monitoring of total presences in the head offices.

  The calculation of the operational risk capital requirement took into account the costs incurred in the first phase of the emergency for the purchase of the above-mentioned health protection measures, as well as the additional IT costs, not already planned before the beginning of the emergency and required to ensure business continuity, in accordance with the document "EBA Report on the implementation of selected COVID-19 policies".

In volatile market environments, measuring the recoverable amount of intangible assets is also particularly delicate. No problematic issues requiring the remeasurement of the recoverable amounts of goodwill and other intangible assets were identified during the half year. In particular, compared to the scenario forecasts within the income projections used for the impairment testing as at 31 December 2020, the latest macroeconomic estimates are substantially in line with previous estimates for interest rates, whereas they contain upward revisions for the inflation rate and GDP growth in both the Eurozone and Italy. For the latter in particular, growth is expected to improve sharply in 2021 and 2022, with a slowdown in the subsequent years. In addition, the Group's earnings performance in the first six months of 2021 was higher than the forecasts and there were no significant changes to the main parameters and macroeconomic aggregates that could significantly affect the discounting rates underlying the models used to verify the carrying amount of the goodwill recognised. With regard to the brand name, no indicators of impairment were found that would lead to a new estimate of its recoverable amount with respect to the 2020 Annual Report, for which a specific valuation of this intangible asset was carried out by an independent expert. In addition, in April 2021, Brand Finance, a UK company specialising in brand value estimation, published the value of the top 50 Italian brands, updating the value of the Intesa Sanpaolo brand, which ranks 7th, to 6,301 million euro, up 3% on the previous report of February 2021. For the intangible assets with finite useful lives, no critical factors have emerged regarding the stability of the recoverable amount, thanks to both the positive trend in insurance reserves and in volumes.
The considerations regarding the Group's scenario and earnings performance also apply for the deferred taxation, whose values have slightly decreased compared to 31 December 2020, and therefore no impairment indicators have been identified.
The Group has further strengthened its sound capital base: at the end of the first half of 2021, the Common Equity Tier 1 capital amounted to 49 billion euro, within total Own Funds of 64.8 billion euro. The transitional Core Tier 1 Ratio rose to 14.9% from 14.7% at the end of 2020.
In general, after the high level of uncertainty in the early months of 2020 and the impacts on markets and economic growth of the lockdown rules, the pandemic is having a limited impact on the Group's risks, also thanks to the effects of the extraordinary measures implemented. With regard to credit risk in particular, the measures described above have limited the effects of the pandemic in the current period; however, there may be a deterioration as they are progressively phased out. The extent of the impacts for the Group will be closely related to the actual development of the macroeconomic environment, and in particular to the evolution of the COVID-19 situation, together with any new situations of uncertainty and the long-term effectiveness of the above-mentioned support measures. The Intesa Sanpaolo Group is carefully monitoring the development of the situation, including through specific scenario and stress analyses used to assess the related impacts in terms of profitability and capital adequacy. These analyses have shown that, even considering more severe scenarios than the market consensus or the estimates considered most likely by the Central Banks, the Group would nonetheless be able to ensure – including through specific actions – compliance with regulatory requirements and its own stricter internally set limits.

Intesa Sanpaolo in the first six months of 2021

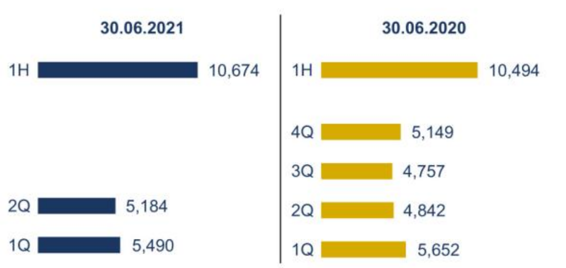
Consolidated results

Even in the continued difficult environment generated by the COVID-19 pandemic, combined with the effort for the integration with UBI Banca, successfully completed on 12 April, the Intesa Sanpaolo Group closed its income statement for the first half of 2021 with net income of 3,023 million euro, up around 18% on 2,566 million euro for the first half of the previous year (+457 million euro), a result that had benefited from the positive effects of the gain on the sale to Nexi of the business line consisting of the acquiring activities within the payment systems area, and despite the fact that the positive effects of the synergies expected from the integration of the UBI Group have not yet materialised.

For the analysis of the income performance, it should be noted that, following the acquisition of the UBI Group, and in view of the particular nature of the transaction, in 2020 the historical figures were not adjusted retrospectively during the quarters of the year to reflect the effects of the consolidation, which took effect from August. As a result, a comparison of the 2021 income statement figures, inclusive of the UBI Group, and the 2020 figures not including them would not be meaningful. Another difference with respect to the 2020 quarters relates to the effects of the sale of the branches to BPER and Banca Popolare di Puglia e Basilicata made during the current year and related to the acquisition of the UBI Group. In addition, in the second quarter of 2021, the scope of consolidation saw the entry of the wholly-owned investments in the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas – with which UBI had multi-year partnerships – previously consolidated using the equity method due to the smaller interests held.
In view of the above, to facilitate the interpretation of the performance of the income statement captions, a like-for-like comparison has been provided for the different periods. In view of the nature of the restatements needed – including the income results at the level of each branch object of disposal – this comparison also required the use of figures of a management nature. Accordingly, to present the figures "redetermined" on the basis of accounting and management records, schedules have been produced in addition to those constructed on the basis of the stated figures at the end of the various periods, presented in the chapter "Economic results" in the Notes to the Half-yearly condensed consolidated Financial statements, and the detail tables contained in that chapter have been expanded upon or duplicated with the "Redetermined figures" shown separately. Further details are provided below in the chapter "Economic results".
The comments below therefore refer to the "redetermined" values of the reclassified income statement in order to permit like-for-like comparison.

The improvement in consolidated net income noted above was mainly attributable to the operating margin, which benefited from both the growth in revenues and the ongoing control of operating costs. Gross income reflected a lower need for adjustments to the loan portfolio, after the provisions made in 2020 following the outbreak of the pandemic, but also the absence of the above-mentioned capital gain on the business line sold to Nexi. The final result for the first half of the year also benefited from the realignment of the tax values of certain intangible assets, while levies and charges for the banking system continued to have a significant, but decreasing, impact.
Operating income in the first half, totalling 10,674 million euro, increased by 180 million euro (+1.7%), as a result of contrasting performance across the various components.
Net interest income decreased to 3,947 million euro (-3.2%), reflecting lower interest on non-performing assets, due to the progressive reduction in stocks, as well as lower interest on financial assets, mainly those measured at fair value through other comprehensive income. In contrast, the contribution from customer dealing remained stable. Lastly, there was a significant increase in the contribution from transactions with banks, essentially related to the TLTROs with the ECB.

Operating income - Redetermined figures
(millions of euro)

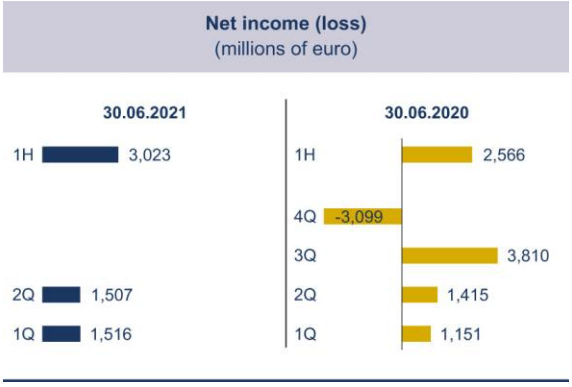


Net fee and commission income increased significantly to 4,683 million euro (+13.2%), reflecting both the Group's marketing efforts and the fact that the first six months of 2020 had seen a contraction in business due to the lockdown. The improvement was driven by management, dealing and consultancy activities (+16.5%), in particular dealing and placement of securities and individual and collective portfolio management schemes. Commercial banking returned to positive performance (+5.3%) linked to collection and payment services, as well as ATM and credit card services. Other fee and commission income, which accounts for around 10% of the total, was also up by 15.9%.
Income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, fell to 854 million euro (-4.7%), despite the positive net investment result, due to an increase in expenses related to claims.
Profits (losses) on financial assets and liabilities designated at fair value amounted to 1,139 million euro, down on 1,355 million euro for the first half of 2020 (-15.9%). This change reflected the negative performance of the Profits (losses) on trading and on financial instruments under fair value option and Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost, only partially offset by the improvement in Profits (losses) on assets mandatorily measured at fair value through profit or loss.
Other operating income (expenses) – a caption which comprises profits on investments carried at equity and other income and expenses from continuing operations – reported income of 51 million euro compared to income of 30 million euro recorded in 2020. The change was attributable to the earnings results of the investments carried at equity, which increased from 32 million euro to 49 million euro.

Operating costs, amounting to 5,255 million euro, continued their downward trend (-124 million euro, -2.3%), for all the components. Personnel expenses decreased by 0.8% to 3,282 million euro, reflecting the reduction in the average workforce (-3.4%), only partially offset by higher costs related to the renewal of the National Collective Bargaining Agreement (CCNL) and changes in the variable component. It should be noted that this caption has not yet fully incorporated the effects of the first voluntary redundancies (around 1,400), under the Agreement of 29 September 2020, which took place during the first half.
Administrative expenses (-5.4% to 1,365 million euro) benefited from both the management actions taken and the absence of some one-off expense items (for professional and advisory services) relating to the former UBI Group in the first half of 2020.
The decrease in depreciation and amortisation (-3.2% to 608 million euro) was due to the impairment loss on intangible assets of the former UBI Sistemi e Servizi recognised in the fourth quarter of 2020 under the PPA.
As a result of the positive revenue and cost performance described above, operating margin increased by 304 million euro to 5,419 million euro (+5.9% compared to the same period of 2020). The cost/income ratio for the first half decreased to 49.2% from 51.3% in the comparison period.

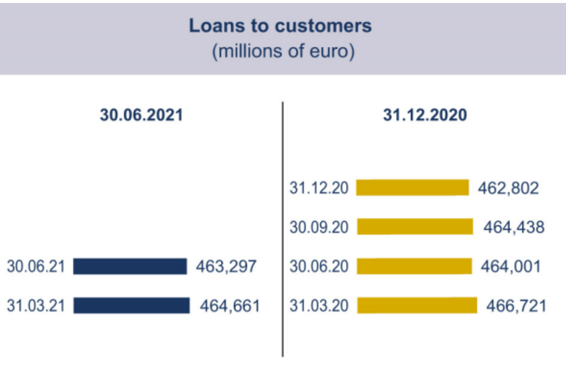
Net adjustments to loans more than halved to 1,001 million euro (-51.9%) compared to the first six months of 2020 when the application of the updated scenario for the COVID-19 impacts had resulted in a significant increase in ECLs on the Group's performing exposures. The overall decrease in 2021 (-1,080 million euro) consisted of 482 million euro for Stage 3 non-performing exposures (mainly unlikely-to-pay and past due exposures), due to lower net inflows from performing loans; 486 million euro for performing loans (380 million euro at Stage 2 and 106 million euro at Stage 1); 105 million euro for guarantees given and unsecured commitments, on which recoveries were recognised. The annualised cost of credit – expressed as the ratio of net adjustments to net loans – came to 43 bps in the first half of 2021, compared to 97 bps for the full year 2020 (48 bps excluding the provisions due to the revision of the scenario last year as a result of the pandemic).
Other net provisions and net impairment losses on other assets almost doubled to 354 million euro. This performance was driven by the net provisions, which included an allocation, in the second quarter, to the allowances for risks and charges for the insurance segment for a total of 126 million euro, representing the claims in excess of premiums accrued as at 30 June 2021, as well as the estimated provision for future charges on annual policies in force, determined in accordance with the provisions of the IVASS Regulation no. 22/2008, in relation to a financial imbalance which was also generated as a result of the greater use of benefits by insured persons at the end of the long periods of lockdown.
Other income (expenses), which includes realised profits (losses) on investments and income and expenses not strictly linked to operations, reported income of 191 million euro (13 million euro for the first six months of 2020) and included 194 million euro for the gain recognised in the first quarter from the sale by Fideuram Bank Luxembourg to State Street of the business line relating to its custodian bank services.
Income from discontinued operations amounted to 58 million euro and related to the reclassification of the results of the branches sold by UBI Banca and the Parent Company (recognised by convention under this caption). The comparative amount of 1,379 million euro, on the other hand, consisted of 1,110 million euro for the gain on the sale of the acquiring business line to Nexi, 53 million euro for the income statement components for that business line pertaining to the half year, and 216 million euro for the reclassification related to the income statement components of the branches sold by UBI Banca and the Parent Company.
As a result of the changes described above, gross income remained essentially stable at 4,313 million euro (+1.6%), conditioned by the comparison with the 2020 figure (4,246 million euro), which benefited from the above-mentioned capital gain for Nexi.

Income taxes for the half year amounted to 922 million euro, against the comparative figure of 997 million euro, with a tax rate of 21.4% (23.5% in 2020). As reported in the section on significant events below, to which reference is made, the taxation for the half year benefited from the net benefits of the realignment of the tax values of certain intangible assets, quantified at around 460 million euro.
Net of tax, the following were recognised: (i) charges for integration and exit incentives of 107 million euro, up from 37 million euro for 2020 and relating to costs of the Parent Company in terms of personnel expenses and depreciation and amortisation; and (ii) the effects of purchase price allocation of 34 million euro, down on the previous 50 million euro.

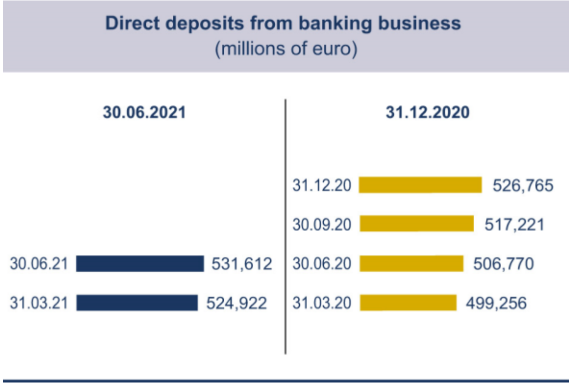


The charges aimed at maintaining the stability of the banking industry, although still significant, fell to a total of 279 million euro after tax, corresponding to 403 million euro before tax (297 million euro in the first half of 2020, corresponding to 425 million euro before tax), and essentially consisted of charges for the full year 2021 for ordinary and additional contributions to the resolution funds (total of 261 million euro, corresponding to 381 million euro before tax).
Income/loss attributable to minority interests reported income of 52 million euro.
As a result of the accounting entries described, the consolidated income statement for the first half of 2021 closed, as already noted, with net income of 3,023 million euro, compared to 2,566 million euro for the same period of 2020 (+17.8%).

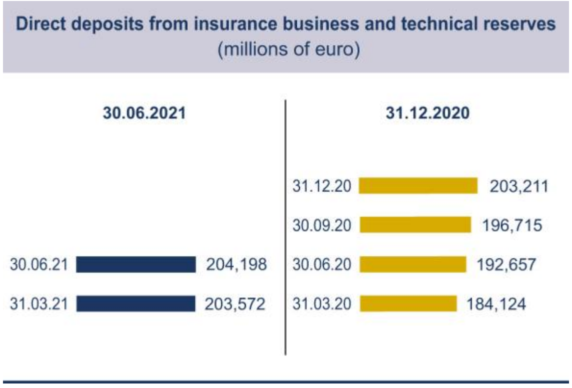
The consolidated income statement for the second quarter of 2021, in comparison to the previous quarter, reported a decline to 5,184 million euro in operating income (-306 million euro, -5.6%), due to the lower contribution of financial assets and liabilities designated at fair value (-451 million euro essentially attributable to trading activities, as well as dividends and the sale of financial assets). All the other main revenue items reported positive performance: net interest income rose by 2.2%, net fee and commission income by 2.5% and income from insurance business by 14.6%.
Operating costs rose by 3.1% to 2,668 million euro. This increase was attributable to personnel expenses (+1.7%) – within which the benefit from the reduction in the average workforce (-1%) was more than offset by the changes in the variable component – but above all to administrative expenses (+9%), also as a result of the integration of UBI Banca. In contrast, depreciation and amortisation decreased (-2%).
As a consequence of the changes described above, the operating margin fell to 2,516 million euro (-387 million euro, -13.3%).
Net adjustments to loans increased by 49% to 599 million euro as a result of the further acceleration of the de-risking process (in this regard, see the information provided in the section “Progress of the 2018-2021 Business Plan” below). However, the level is still significantly lower than in the 2020 quarters following the outbreak of the pandemic.
Other net provisions and net impairment losses on other assets totalled 220 million euro (+64%) and included, within the net provisions, the above-mentioned 126 million euro allocation to the allowances for risks and charges for the insurance segment, representing the claims in excess of premiums accrued as at 30 June 2021, and the estimated provision for future charges on annual policies in force, determined in accordance with the IVASS Regulation 22/2008.
Other income (expenses) reported an expense of 7 million euro, compared with income of 198 million euro in the first quarter, of which 194 million euro attributable to the aforementioned capital gain on the sale by Fideuram Bank Luxembourg to State Street of its custodian bank services business line.
Income (loss) from discontinued operations – relating to the branches sold by the former UBI Group and the Parent Company – amounted to 10 million euro compared to 48 million euro in the first three months of the year, which recorded the most significant transfer transaction in numerical terms.
As a result of the changes described above, gross income for the quarter amounted to 1,700 million euro compared to the previous 2,613 million euro. This performance, together with the above-mentioned benefits of the realignment of the tax values of certain intangible assets, contributed to determining income taxes for the period of 85 million euro, compared to the previous 837 million euro.



With regard to the balance sheet figures, as at 30 June 2021 loans to customers exceeded 463 billion euro, with no significant changes from the figure at the end of 2020 (+0.1%). The percentage changes in terms of quarterly performance were also small.
Within this aggregate, commercial banking loans remained substantially stable at 427.2 billion euro (-0.8 billion euro, -0.2%), with a partial shift away from shorter-term types (particularly advances and other loans) towards longer-term types (mortgages), reflecting the Group’s support for the Italian economy, also in relation to the extraordinary measures approved by the government, and its support for households as they come out of the emergency phase.
As a result of the ongoing de-risking actions, non-performing loans decreased by over 1 billion euro to 9.7 billion euro (-9.6%). Loans represented by securities also decreased to 7 billion euro (-0.2 billion euro, -2.7%). In contrast, loans of a financial nature, deriving from repurchase agreements, increased to 19.4 billion euro (+2.5 billion euro, +14.9%).



On the funding side, direct deposits from banking business continued to grow, reaching 531.6 billion euro in June 2021, up by 4.8 billion euro (+0.9%) compared to December. This positive performance was also seen at quarterly level, with the slight exception of the first three months of 2021.
Within this aggregate, current accounts and deposits rose to 416.4 billion euro (+6.8 billion euro, +1.7%), almost offsetting the decline for bonds (-5.7 billion euro, -8.1%) and certificates of deposit (-1.5 billion euro, -37.3%), as a result of new issuances that were lower than maturing stocks.
All other types increased: repurchase agreements, mainly with institutional counterparties, tripled to 2.9 billion euro; subordinated liabilities rose to 12.6 billion euro (+0.8 billion euro, +6.7%), as a result of the institutional placement carried out in June (1.5 billion USD); and other funding, including certificates and commercial paper, came to 32.8 billion euro (+2.4 billion euro, +8.1%).



Direct deposits from insurance business – which also include the technical reserves, namely the amounts owed to customers that have taken out traditional policies or policies with significant insurance risk – reached over 204 billion euro at the end of the first half, with an increase of around 1 billion euro (+0.5%) over the 6 months. This aggregate has seen a steady increase since the first quarter of 2020.
In the first half of 2021, financial liabilities designated at fair value, consisting entirely of unit-linked products, increased to 82.9 billion euro (+2.3 billion euro, +2.9%), as well as other insurance inflows – including subordinated liabilities – totalling 1.8 billion euro (+0.5 billion euro, +40%).
In contrast, technical reserves fell to 119.5 billion euro (-1.9 billion euro, -1.6%), due to the performance of the life business, which accounts for almost all the reserves.

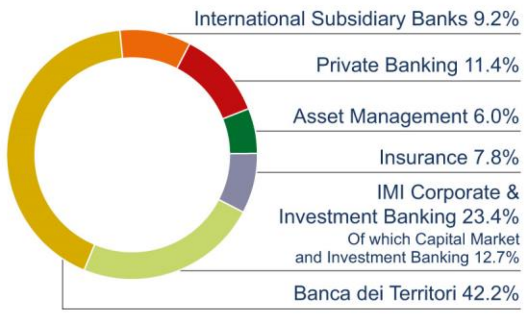
The positive performance of the financial markets during the first half, together with the strong results of the placement activities, supported the Group's indirect customer deposits, which reached just under 700 billion euro at the end of June 2021, up 5.8% (+38.4 billion euro) compared to December 2020. These numbers reflect a quarterly trend that has been consolidating since the final months of 2020. The change in the first half of the year involved both the main components: assets under administration reached 238.5 billion euro (+18.4 billion euro, +8.3%), while assets under management rose to 459.4 billion euro (+20 billion euro, +4.6%), accounting for 65.8% of total stocks. Within assets under management all the captions recorded positive changes, but the most significant increases in absolute terms concerned mutual funds, amounting to 168.9 billion euro (+9.9 billion euro, +6.2%); portfolio management schemes, 74 billion euro (+5.8 billion euro, +8.4%); relations with institutional customers, 19.8 billion euro (+2.5 billion euro, +14.2%); and insurance savings, 185.1 billion euro (+1.3 billion euro, +0.7%).

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. With regard to the UBI Group, following the integration of the processes, the income statement and balance sheet figures – previously represented as a separate business unit – have been assigned to the specific operating Divisions. For more details, see the chapter "Breakdown of consolidated results by business area and geographical area".
In addition, in the first half of 2021 a revision was carried out of the allocation methods for costs and revenues between the Business Units and Corporate Centre, also in relation to the need to integrate UBI Banca in accordance with the segment reporting approaches of the Intesa Sanpaolo Group. For more details, see the chapter Accounting Policies - General preparation principles.

The share of operating income attributable to each business segment confirmed that commercial banking activities in Italy continue to account for the majority (around 42% of the operating income of the business areas), although significant contributions were also provided by corporate and investment banking (around 23%), commercial banking activity abroad (around 9%), private banking (around 11%), insurance business (around 8%) and asset management (around 6%).
Where necessary and where material, the division figures have been restated to reflect the changes in scope of the business units to enable a like-for-like comparison.

Operating income:
Breakdown by business area[1]

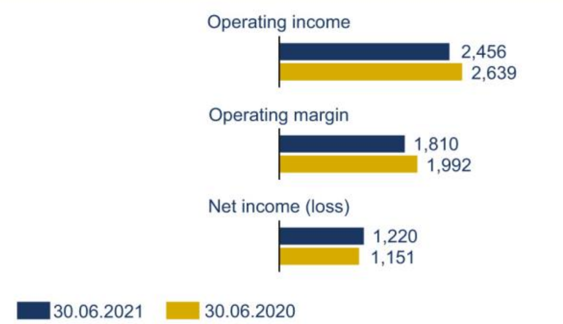


[1] Excluding Corporate Centre

Banca dei Territori
(millions of euro)

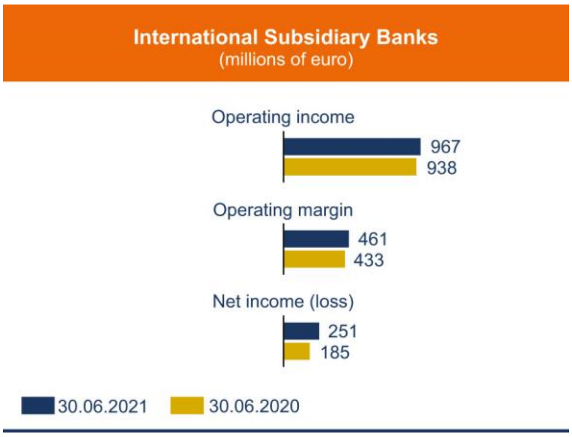
In the first half of 2021, Banca dei Territori – which oversees the traditional lending and deposit collecting activities in Italy and the related financial services – reported operating income of 4,434 million euro, up (+1.2%) compared to the same period of the previous year, essentially due to the increase in net fee and commission income (+9.6%), mainly from assets under management and bancassurance, and, to a lesser extent, from commercial banking. Net interest income, on the other hand, decreased compared to the levels in the first half of 2020 (-7.6%). Among the other revenue components, which in any case provide a marginal contribution to the Division's income, profits (losses) on financial assets and liabilities designated at fair value were up (+2.0%) as was other net operating income (+16.7%).
Operating costs fell (-2.9% to 3,187 million euro), both for personnel expenses (-2.8%), due to the savings resulting from the agreed redundancies, and for administrative expenses (-3.0%), thanks to savings on real estate and operational services. As a result of the changes described above, the operating margin amounted to 1,247 million euro (+13.4%). Gross income also increased to 556 million euro, as a result of lower adjustments for credit risk than in the previous period, which included higher provisions due to the scenario revision last year following the outbreak of the epidemic. Net income, after allocation to the Division of taxes and charges for integration, amounted to 352 million euro (-355 million in the first half of 2020).
The balance sheet figures of the Division at the end of June 2021 showed growth in total volumes of loans and deposits compared to the end of 2020. In detail, loans to customers, were up by almost 1 billion euro (+0.4% to 253 billion euro), due mainly to medium-/long-term loans to businesses and individuals, which reflect the Group's support to the Italian economy, also in relation to the extraordinary measures launched by the government, and the support to households during the current emergency.
Direct deposits from banking business were up by 14 billion euro (+5.2% to 281 billion euro) in the amounts due to customers, due to the higher liquidity on deposits held by businesses and individuals.

IMI Corporate & Investment Banking
(millions of euro)

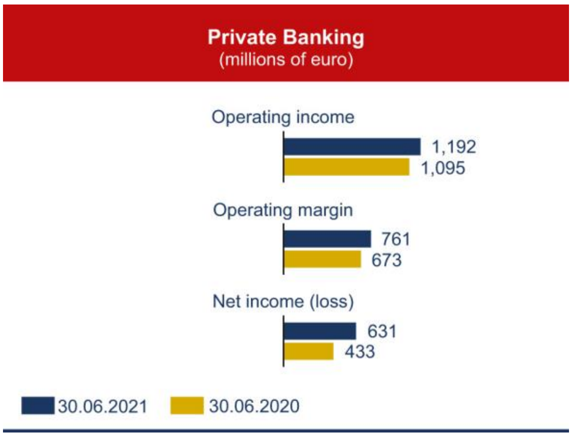


The IMI Corporate & Investment Banking Division – which oversees corporate banking, investment banking and public finance in Italy and abroad – posted operating income of 2,456 million euro in the first six months of 2021, down on the first half of 2020 (-6.9%). In detail, there was an increase in net interest income (+10.4% to 1,058 million euro), driven by the higher contribution from loans to customers, as well as net fee and commission income (+11% to 576 million euro), mainly due to the performance of the investment banking segment. Profits on financial assets and liabilities designated at fair value was the revenue caption that had the largest fall (-335 million euro to 821 million euro), essentially owing to the significant reduction of the valuation effects due to the debt value adjustment (DVA) correlated with liabilities comprised of certificates and lower profits on disposal on the securities portfolio. Operating costs were substantially stable (-0.2% to 646 million euro).
As a result of the above revenue and cost trends, the operating margin came to 1,810 million euro (+9.1%). Gross income was up (+1.7%) to 1,758 million euro, due to lower adjustments for credit risk compared to the previous period, which included higher provisions due to the scenario revision last year following the outbreak of the epidemic. Net income for the period came to 1,220 million euro (+6.0%).

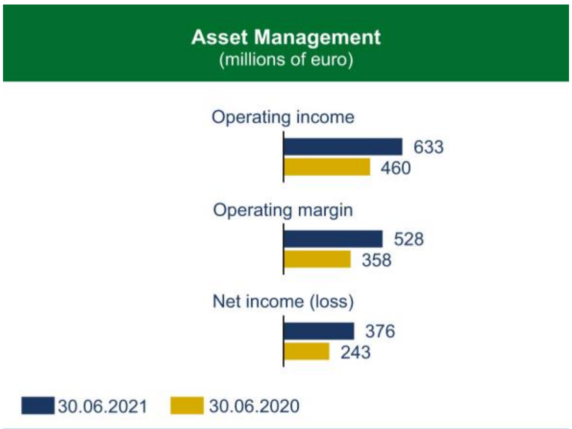
The Division's intermediated volumes were down slightly, overall, compared to the beginning of the year. In detail, loans to customers increased by 3.6 billion euro (+2.5% to 150 billion euro), attributable to loans for structured finance transactions and global markets transactions, which widely offset the reduction in global corporate loans. In contrast, direct deposits from banking business decreased by 4.8 billion euro (-5.2% to 88 billion euro) mainly due to the decrease in amounts due to global corporate customers, only partly offset by the increase in global markets operations and amounts due to financial institutions.



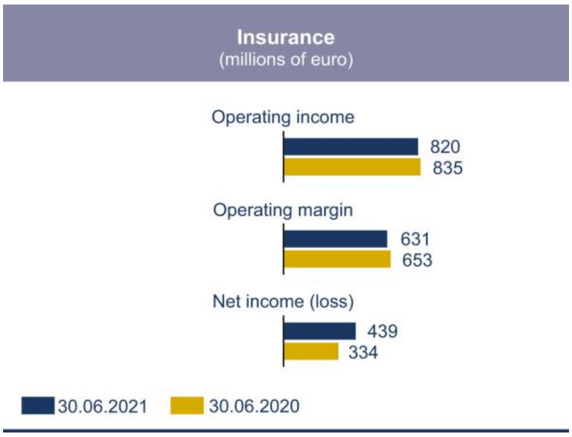
In the first half of 2021, the operating income of the Division – which is responsible for the Group's operations on international markets through commercial banking subsidiaries and associates – came to 967 million euro, up (+3.1%) on the same period of the previous year (+5.2% at constant exchange rates) due to the performance of net fee and commission income (+10% to 263 million euro) and profits (losses) on financial assets and liabilities designated at fair value (+15.9% to 73 million euro), only marginally offset by the performance of net interest income, which fell slightly (-0.5% to 649 million euro). Operating costs were essentially stable (+0.2% to 506 million euro, +2.2% at constant exchange rates) due to the modest growth in depreciation and amortisation and personnel expenses, almost entirely offset by the decrease in administrative expenses. As a result of the above revenue and cost trends, the operating margin increased (+6.5%) to 461 million euro. Gross income also increased (+18.2% to 371 million euro), as a result of lower adjustments for credit risk than in the previous period, which included higher provisions due to the scenario revision last year following the outbreak of the epidemic. The Division closed the half year with net income of 251 million euro (+35.7%).
The Division's intermediated volumes grew at the end of June 2021, compared to the beginning of the year owing to both loans to customers (+3.4%) and direct deposits from banking business (+3.1%), in both its components – amounts due to customers and securities issued.



The Private Banking Division – which serves the top customer segment (Private and High Net Worth Individuals) creating value by offering top products and services – generated gross income of 939 million euro in the first six months of 2021, up (+46.5%) on the first half of 2020, due to higher operating income (+97 million euro) and the increase in other income (+182 million euro), the latter related to the gain on the sale of the custodian bank business line by Fideuram Bank Lux. The trend in revenues was essentially attributable to the increase in net fee and commission income (+97 million euro), due to the growth in assets under management, as well as the increase in profits on financial assets designated at fair value (+11 million euro) and other net operating income (+12 million euro), offset by a decrease in net interest income (-23 million euro). The Division ended the first half with a net income of 631 million euro, up (+45.7%) on the first six months of 2020.
As at 30 June 2021, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to around 277 billion euro. This improvement compared to the end of 2020 (around +23 billion euro) was due to the revaluation of assets as well as the positive contribution of net inflows. The assets under management component amounted to around 156 billion euro (+10 billion euro).



The Asset Management Division – whose mission is to develop asset management solutions targeted at the Group's customers and is present on the open market segment through the subsidiary Eurizon Capital and its investees – posted operating income of 633 million euro in the first half of 2021, a significant increase (+37.6%) on the first half of 2020 mainly due to the positive contribution of net fee and commission income (+32.8%), thanks to the increase in incentive fees collected during the period, management fees and placement fees. Operating costs increased (+2.9%), due to personnel expenses. As a result of the above revenue and cost trends, the operating margin came to 528 million euro (+47.5%). The Division closed the first half with net income of 376 million euro (+54.7%).
Overall, assets managed by the Asset Management Division amounted to around 347 billion euro as at 30 June 2021, up on the end of 2020 (+8 billion euro, +2.4%), as a result of the revaluation of assets and net inflows (the latter totalling +4.2 billion euro).



In the first half of 2021, the Insurance Division – consisting of Intesa Sanpaolo Vita, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo RBM Salute (formerly RBM Assicurazione Salute), BancAssurance Popolari, Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas Assicurazioni, with the mission of synergically developing the insurance product mix targeting Group customers – posted income from insurance business of 825 million euro, down (-1.4%) on the first half of 2020. The increase in revenues from the life business, also driven by the strong performance of the financial markets, was more than offset by the slowdown in the non-life business, which was penalised by a rise in claims compared to last year, particularly in the healthcare business following the period of lockdown.
Gross income was down (-21.3% to 499 million euro), mainly due to the performance of other net provisions and net impairment losses on other assets (+113 million euro), in addition to the negative performance of operating income and the increase in operating costs.
Net income came to 439 million euro (+31.4%).

Highlights

Details are provided below of the significant events during the first half of 2021 and some of the key subsequent events.

Integration of the UBI Banca Group

The integration between the Intesa Sanpaolo Group and the UBI Banca Group (ISP-UBI) has three main objectives:
i) creating value through a rapid and successful business integration, able to achieve significant synergies;
ii) harnessing the talents of the two Groups (people, skills, distinctive assets);
iii) creating a European-scale champion that can play a leading role in the evolution of the post COVID-19 banking sector.
As already noted in the 2020 Annual Report, the ISP-UBI Integration Programme was launched in September 2020, involving the entire Group (over 400 Intesa Sanpaolo and UBI managers) and with robust governance ensured through guidance of the Programme by the Programme Managers and periodic dedicated meetings at both project and programme level (e.g. Steering Committee, Programme Progress Updates, Strategic Coordination Committee, Project Progress Updates).
In 2021, the Programme maintained its granular organisation consisting of 4 "staff" and 25 "vertical" projects with different durations (see the details provided in the corresponding section of the Report on operations in the 2020 Consolidated Annual Report), over 100 sub-projects and over 3,000 finished products monitored biweekly.
The Programme drew up a joint work plan whose main milestones concerned the sale of the UBI branches to BPER, successfully completed in February 2021, and the merger of UBI Banca into ISP (and completion of the related IT migration), carried out in April 2021, and the sales of the ISP branches to BPPB and BPER (respectively completed in May and June 2021). Details are provided in the 2020 Annual Report on all the main activities carried out in the latter part of 2020 and the initial weeks of the current financial year to enable the achievement of the three milestones described above. A summary is provided below of the most significant steps taken during 2021.

With regard to human resources, on 14 January 2021 Intesa Sanpaolo announced that it would hire a further 1,000 people, in addition to the 2,500 hires already envisaged in the agreement that the Bank signed on 29 September 2020. After having verified with the Trade Unions that the offer of voluntary exit under the Agreement had been taken up by at least 5,000 people, the Bank announced its intention to accept the total of over 7,200 voluntary exit applications duly submitted – in relation to which 1,432 exit had already been implemented by the first half of 2021, followed by an additional 1,171 on 1 July – and consequently, as sought by the Trade Unions, to hire 3,500 people in total by the end of the first half of 2024.

The transfer to BPER Banca of the former UBI Banca going concern, consisting of 455 branches and 132 operating points[4] and a business line owned by UBI Sistemi e Servizi SCpA (UBI.S, a consortium company controlled by UBI Banca) essentially focused on services to the branches being transferred, took effect on 22 February 2021, after completion of the IT migration over the weekend of 20-21 February. The transaction, one of the largest of its kind ever in Italy, was carried out ensuring full continuity of the branches' operations.
The transfer to BPER of the remaining 31 branches and 2 ISP operating points under the agreement became effective on 21 June 2021, following the completion of the IT migration over the weekend of 19-20 June.
The two migrations to BPER involved a total of around 1.4 million customers.
On 24 May 2021, the sale of 17 branches and 9 operating points of the former UBI Banca to Banca Popolare di Puglia e Basilicata (BPPB) became effective, following the IT migration over the weekend of 22 and 23 May. The transaction is one of the additional commitments required by the AGCM (Italian Competition Authority) when it authorised the Public Purchase and

[4] The term "Operating Points" refers to: 1) points of sale with a bank identification code but without accounting and commercial autonomy, dependent on a "Parent" Branch, and with no established customer relationships; or 2) for the former UBI Banca Network, "Mini-Treasury Points", i.e. points of sale with a bank identification code but without accounting autonomy, dependent on a Parent Branch, dedicated to the management of a significant Treasury agreement with an Entity and generally located at the Entity itself; or 3) Corporate/Private Corners, i.e. detached internal offices, without accounting autonomy, set up to look after value-added customers.

Exchange Offer for UBI Banca. The agreement for the transfer of the branches to BPPB was signed by Intesa Sanpaolo on 15 January 2021, while the related agreement with the Trade Unions was signed on 10 February 2021.
5,250 people in total were accompanied in the transfer to BPER and BPPB.

In its meeting of 23 March 2021, the Board of Directors of Intesa Sanpaolo approved the merger by incorporation of UBI.S pursuant to Article 2505 of the Italian Civil Code. The transaction took legal effect from 12 July 2021 with accounting and tax effects from 1 January 2021.

On 29 March 2021, UBI Banca, which was subsequently merged into Intesa Sanpaolo, completed the purchase of 35% of Pramerica SGR from Prudential Financial Inc. bringing its holding in the asset management company to 100%, with an investment of 386 million euro. In line with Intesa Sanpaolo's objective of becoming a wealth management and protection company at European level, confirming the business model based on the possession of its own product factories, the transaction was followed, after the incorporation of UBI Banca into Intesa Sanpaolo, by the submission to the Supervisory Authorities of the project for the integration between Eurizon and Pramerica, aimed at streamlining the Asset Management Division, and the start of the merger process between the two entities. On 25 May 2021, on the basis of the authorisation issued by the Bank of Italy on 28 April 2021, the extraordinary shareholders' meetings of the two companies approved the merger by incorporation of Pramerica SGR S.p.A. into Eurizon Capital SGR S.p.A. The merger deed was signed on 27 May, setting 1 July 2021 as the date of legal effect of the transaction. As a consequence, the amendments to the management rules of the funds became effective from that date, with renaming to Eurizon AM.
Lastly, the merger by incorporation into Eurizon Capital S.A. Luxembourg of Pramerica Management Company S.A., the management company of Pramerica's Luxembourg Sicavs, and the latters' renaming to Eurizon AM Sicav, approved by the Pramerica Sicav Shareholders' Meeting on 21 June 2021, took effect on 1 July 2021.

On 1 April 2021 and the following 12 April – having obtained the necessary authorisations from the competent supervisory authorities – the exercise of the options to acquire 100% of the capital of Aviva Vita S.p.A. (renamed Assicurazioni Vita S.p.A.) and Lombarda Vita S.p.A., respectively, was carried out.
As already stated in the 2020 Annual Report, on 23 November 2020, UBI Banca signed an agreement with the Aviva Vita Group for the early termination of the partnership in the distribution of life insurance products, in relation to which the Bank held a 20% interest in the share capital of Aviva Vita. The agreement also provided for the exercise of the call option held by UBI Banca to purchase the remaining 80% of the share capital of the subsidiary. The consideration paid upon completion of the transaction was around 413 million euro[5].
A similar agreement was signed on 23 December 2020 with the Cattolica Assicurazioni Group with which UBI Banca had life bancassurance agreements in place through the company Lombarda Vita in which the Bank had a 40% stake. This agreement was also aimed at the early termination of the partnership and the exercise of the option by UBI Banca to purchase the remaining 60% of the share capital. The agreed consideration was around 300 million euro.
The above agreements were concluded in the light of one of the cornerstones of the UBI Banca integration, namely the distribution of Intesa Sanpaolo Group insurance products to the customers acquired.
Accordingly, from the dates when the options were exercised, the ISP Group held the entire share capital of Aviva Vita and Lombarda Vita, acquiring control of those companies. The two companies became part of the Intesa Sanpaolo Vita Insurance Group in accordance with Article 1 r-bis) 1) of the Private Insurance Code. After having entered the group, Aviva Vita S.p.A. changed its name to Assicurazioni Vita S.p.A. on 30 May 2021.
The accounting acquisition date for consolidation purposes was assumed according to convention to be 1 April 2021 for both companies. Accordingly, the closing balances as at 31 March 2021 have been adopted for the purposes of the balance sheet subject to initial consolidation, and for the determination of the fair value of the assets acquired and liabilities assumed through the purchase price allocation envisaged by IFRS 3. The comparison between the acquisition cost and the net book value as at 31 March 2021 produced a residual difference of 147 million euro for Aviva Vita and 197 million euro for Lombarda Vita. For Intesa Sanpaolo's Consolidated Half-yearly Report as at 30 June 2021, this difference has been provisionally reported as goodwill, in accordance with IFRS 3, which allows 12 months to complete the purchase price allocation.

With regard to the non-life insurance segment, as already stated in the 2020 Annual Report, on 8 February 2021 Intesa Sanpaolo Vita (ISV) signed a memorandum of understanding with BNP Paribas Cardif, containing the essential elements of a definitive agreement, signed on 20 February 2021, aimed at governing the acquisition of 100% of Cargeas Assicurazioni S.p.A., a company operating in the bancassurance sector – mainly through the banking network of the former UBI Banca – which reported non-life premium income of around 226 million euro in 2020, having distributed solutions in the motor, property, health, credit protection, business and income protection segments to around 600,000 customers throughout Italy.
After the necessary IVASS authorisations had been received, the purchase of all the shares of the insurance company from BNP Paribas Cardif was completed on 27 May 2021. From that date Cargeas entered the Intesa Sanpaolo Vita Insurance Group, becoming subject to management and coordination by ISV, its sole shareholder. The final price paid by ISV was around 309 million euro, which, as contractually agreed, took into account the change in shareholders' equity compared to the provisional situation used as reference at the time when the agreements were signed.
The accounting acquisition date for consolidation purposes was assumed according to convention to be 1 June 2021. Also in this case, for the purposes of the Half-yearly Report as at 30 June 2021, the difference arising from the comparison between the acquisition cost and shareholders' equity as at 30 May 2021 of 193 million euro was reported as goodwill. This amount is to be considered provisional and will be determined definitively on completion of the purchase price allocation.
This initiative, which is consistent with Intesa Sanpaolo's strategy for growth in the non-life insurance business, is expected to generate significant synergies, in addition to alignment with the Intesa Sanpaolo Group's standards in terms of Corporate Governance, Risk Control and service levels.

[5] At the same time as the purchase of 80% of Aviva Vita, UBI Banca also acquired the 80% share held by Aviva Italia Holding of the subordinated loan issued by Aviva Vita in 2019, for a payment of around 40 million euro, corresponding to the nominal value of the loan.

On 12 April 2021, the merger of UBI Banca into the Parent Company Intesa Sanpaolo was completed, preceded – over the weekend of 10 and 11 April – by the IT migration to the Group IT system, which involved around 2.4 million customers and around 14,500 people. Full operation was ensured from the first day after the "Conversion Week-end" on all areas: distribution networks, digital channels (operational already from the Sunday), markets and former UBI companies. The merger – effective for accounting and tax purposes from 1 January 2021 – will enable the full exploitation of the UBI subgroup's potential, contributing to creating value for shareholders, the Group's customers and all other stakeholders, through the achievement of business and financial goals.
In the period immediately prior to the merger of UBI Banca into the Parent Company, the related transactions took effect consisting of the partial demerger of UBI Banca's Top Private Banking business line to Intesa Sanpaolo Private Banking, with consequent reallocation of the related branches, staff and customers, and the partial demerger from UBI Banca to Fideuram - Intesa Sanpaolo Private Banking of the equity interest held by UBI in IW Bank and the ancillary business line dedicated to administrative and online services.
In conjunction with the upcoming merger of UBI into ISP, all the representative offices of the former UBI Banca Group were closed, with the sole exception of Shanghai, which ceased operations on 20 May 2021.
Similarly, all the banking assets held in France by UBI Banca were liquidated, ahead of the merger. On 13 April 2021, following the expiry of the period of time allowed by law for the holders of accounts and other assets to close their accounts and transfer funds, UBI Banca's Nice branch ceased operations with the public and closed the accounts held. The related assets were transferred to the CDC - Caisse des Dépôts et Consignations in order to ensure maximum protection and security for former customers. In July, a request for closure by 31 August 2021 was submitted to the Italian, European and French authorities.

On 14 April 2021, after extensive and detailed discussions with the Group's National Secretariats and Trade Unions, an agreement was signed that sets out the path for the harmonisation of the financial/regulatory treatment for all the staff of the new Intesa Sanpaolo Group within a programme that identifies the stages and matters for discussion, also in view of the forthcoming expiry of the second-level bargaining agreement in 31 December 2021. The agreement has laid the foundations for the full integration of the staff into the Group, leveraging their expertise and ensuring their professional development.

Following the completion of the Public Purchase and Exchange Offer for the share capital of UBI Banca and in line with the strategic decision that led to the signing of the agreement with Nexi in 2020, the Board of Directors, in its meeting of 5 May 2021, also approved the plan to maximise the value of the acquiring payment systems business line of the former UBI Banca through its transfer to Nexi. The transaction is in keeping with the strategic partnership launched with the Nexi Group in June 2020 with the contribution of the ISP acquiring business line. As already stated in the 2020 Annual Report, the strengths of this partnership are: (i) the exclusivity of Nexi's partnership in the acquiring segment and (ii) ISP's commitment to distribute Nexi's acquiring services while maintaining the relationship with its customers (sales force dedicated to managing old customers and acquiring new customers).
Also in this case, the transfer of the former UBI Banca acquiring business line to the Nexi Group will take place by means of a contribution to Nexi Payments and the simultaneous sale of the holding in Nexi Payments resulting from the contribution to Nexi S.p.A. In view of its size, the business line to be contributed has not been considered a "discontinued operation" in accordance with IFRS 5 and, consequently, only the balance sheet figures for the business line to be contributed have been reclassified to assets held for sale in the Half-yearly Report as at 30 June 2021.
The transaction is expected to be completed in the fourth quarter of 2021, subject to obtaining the necessary approvals.

On 25 May 2021, the Board of Directors of Intesa Sanpaolo approved the merger by incorporation, in accordance with Article 2505 of the Italian Civil Code, of Unione di Banche Italiane per il Factor - UBI Factor S.p.A. and UBI Academy S.r.l., formerly UBI Academy Società consortile a responsabilità limitata into Intesa Sanpaolo. For operational reasons, UBI Academy was transformed into a limited liability company, abandoning its consortium status but without changing its business activity, registered office, capital, tax code and company registration number.
The merger of UBI Academy took legal effect from 30 June 2021, while the merger of UBI Factor will take place as of 25 October 2021. Both transactions will take effect for accounting and tax purposes from 1 January 2021.
The integration project has also been initiated for UBI Leasing S.p.A. and is expected to be completed in 2022, with the merger of the company into the Parent Company Intesa Sanpaolo.

Lastly, a plan has been agreed for the combination between the real estate companies IMMIT - Immobili Italiani S.r.l. (ISP Group) and BPB Immobiliare S.r.l. and Kedomus S.r.l. (former UBI Group). In the second quarter, the steps for the approval of the merger plan were completed in the respective Boards of Directors' and Shareholders' Meetings. On 20 July 2021, the deed of merger by incorporation of IMMIT into BPB Immobiliare was signed, which will take effect from 1 September 2021. On that date, the Absorbing company will take on the name of the Merged company. The completion of the next step, namely the merger of Kedomus into IMMIT (formerly BPB Immobiliare), is planned for the third quarter. The work has been initiated for the IT integration, alongside the corporate procedures.

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The events described above were accompanied, in the early months of 2021, by measures for the organisational development of the Governance Areas and Divisions of the Parent Company Intesa Sanpaolo aimed at integrating the staff and structures of the former UBI Banca Group, in conjunction with the completion of the interviews of all the former UBI personnel and the assignment of managerial roles in the new Group.
Of note in this regard were the changes, in line with the objectives and principles set out in the Integration Programme, to the central organisation and geographical coverage of the Banca dei Territori Division from 26 February 2021. More specifically:

- on 1 March 2021, the new Agribusiness Department became operational, which will be the centre of excellence for agriculture, whose aim is to tap the potential of one of the most important Italian production sectors, while also strengthening the link with local communities and leveraging the professional expertise brought in from UBI Banca. The department is based in Pavia and has 85 branches throughout Italy, with around 1,000 specialists serving over 80,000 customers. The Agribusiness network is focused in particular on Italy's most agricultural areas to promote their distinctive features and excellence. It is aimed at businesses operating in agriculture, livestock breeding, forestry and the use of forest areas, fishing, aquaculture and agri-tourism, as well as firms engaged in the processing and distribution of agricultural production[6];

- four new regional governance centres became operational from 12 April 2021 and the scopes of the existing regional governance centres have been redefined. The geographical redistribution of the Regional Governance Centres – which have increased from eight to twelve – confirms the effectiveness of the Banca dei Territori Division's service model, which has always focused on the specific local circumstance with a long-term perspective, and is also benefiting from the professional expertise coming from UBI, which is now an integral part of the Intesa Sanpaolo Group. The four new Regional Governance Centres – North Lombardy; South Lombardy; South Piedmont and Liguria; Basilicata, Apulia and Molise – are respectively located in Bergamo, Brescia, Cuneo and Bari, areas in which Intesa Sanpaolo's presence has been particularly strengthened by the acquisition of UBI. The twelve regional governance centres are headed by eight managers from Intesa Sanpaolo and four from UBI;
- a number of existing departments have also been reorganised, with the common aim of strengthening the Banking Group's main assets: customers, communities and staff. This reorganisation included the creation, within the Impact Department's Non-Profit Sector Commercial Department, of the Monte Pegni (pledge lending) Branches for the management of the disbursement of pledged loans, ensuring the custody of the pledged assets for the entire duration of the loan and selling them where they are not redeemed or renewed;
- from 12 April 2021, the Product Companies of the former UBI Group came under the coordination of the Enterprises Sales and Marketing Department (UBI Factor and UBI Leasing) and the Individuals and Retail Companies Sales & Marketing Department (Prestitalia, a company specialising in the provision of salary-and pension-backed loans, for which work is underway to merge the agency distribution network with the Agents4You network).

Lastly, the alignment of the ISP and UBI products in the Individuals, Retail Companies, Enterprises and Non-Profit Sector areas was completed and implemented during the half year.

Other highlights

On 31 March 2021, having obtained the necessary authorisations from the various competent authorities, the transaction was completed for the sale by Fideuram Bank Luxembourg of its custodian banking and fund administration business line to State Street. In this regard, you are reminded that – as already noted in the 2020 Annual Report – on 23 February 2021, as part of the broader strategy of increasing the focus on its core business, Fideuram – Intesa Sanpaolo Private Banking signed an agreement with State Street Bank International GmbH (Luxembourg Branch) for the latter to take over the custodian bank and fund administrator activities carried out by its subsidiary Fideuram Bank Luxembourg. Those functions, taken on by State Street, represent around 42 billion euro of assets under management that will remain with the Fideuram – Intesa Sanpaolo Private Banking Group. Fideuram – Intesa Sanpaolo Private Banking is assigning these services to State Street, in recognition of its ability to reduce operational risks, support the Group's growth plans, foster continuity and provide a high quality service, in keeping with its position as the main international partner that Intesa Sanpaolo Group has used for its securities services since 2010.
The gain on the transaction, recognised in the consolidated income statement for the first quarter of 2021, amounted to 194 million euro (139 million euro net of tax).

On 28 May 2021, following the completion of the authorisation process by the ECB and the various financial market supervisory authorities involved, the strategic partnership agreement was finalised between Fideuram – Intesa Sanpaolo Private Banking (Fideuram - ISPB), the Private Banking Division of the Intesa Sanpaolo Group, and Reyl & Cie SA (Reyl), a diversified group headquartered in Geneva with a presence, outside Switzerland, in London, Luxembourg, Malta, Dubai and Singapore.
As already mentioned in the 2020 Annual Report, the partnership agreement, signed between the parties on 7 October 2020, provided for the acquisition by Fideuram - ISPB of a 69% controlling interest in Reyl and the simultaneous transfer to Reyl & Cie of its interest held in Intesa Sanpaolo Private Bank (Suisse) Morval (ISPB Morval).
As a result of this transfer, following the completion of the transaction, 69% of the share capital of ISPB Morval is held indirectly by Fideuram, which therefore continues to control the Swiss company, although indirectly through Reyl. The agreed price of CHF 240 million for the acquisition of 69% of Reyl was paid in part (CHF 48 million) through the valuation of the 31% of ISPB Morval sold to Reyl's shareholders and for the remainder (CHF 192 million) in cash. The accounting acquisition date for consolidation purposes was assumed according to convention to be 1 June 2021. The comparison between the total acquisition cost and the shareholders' equity identified a residual difference of 287 million euro using the spot exchange rate as at 31 May 2021, which was recognised as goodwill in the Half-yearly Report as at 30 June 2021.
The parties also signed a shareholders' agreement that includes specific put & call option mechanisms relating to the remaining 31% interest in Reyl's share capital and regulates the governance of the new entity (Reyl and ISPB Morval, whose merger should become legally effective by the end of the year) with ISP maintaining control of all the functions to ensure full implementation of the ISP Group policies.
In addition to confirming the choice of Switzerland as the main hub for the international private banking operations, the partnership will enable Fideuram - ISPB to significantly strengthen its international asset management activities and to continue playing a leading role in the consolidation of the Swiss financial sector.

[6] See also in this regard the information provided in the Notes to the Half-yearly condensed consolidated financial statements, in the chapter "Breakdown of consolidated results by business area and geographical area".

In June, Intesa Sanpaolo and the Tinexta Group – an Italian group listed on the Star segment of the Italian Stock Exchange and a leader in the provision of specialist services to SMEs in the business areas of digital trust, cybersecurity, credit information & management, innovation & marketing services – launched a strategic partnership for the establishment of a hub for added value non-financial services for around 150,000 small and medium-sized enterprise customers of Intesa Sanpaolo's Banca dei Territori Division. In addition to the commercial agreement, the partnership involves the transfer by Intesa Sanpaolo of its 100% shareholding in Intesa Sanpaolo Forvalue S.p.A.[7] to Innolva S.p.A. (100% controlled by Tinexta) with the subscription of newly issued shares, deriving from a reserved capital increase. The transaction was completed on 21 July 2021 with the transferred company also changing its name to Forvalue on that date[8].
Following the completion of the transaction, Innolva's share capital is 75% owned by Tinexta, which has retained the majority of the corporate governance, and 25% owned by Intesa Sanpaolo. The value of the transfer was set at 55 million euro. Put and call options have also been established for the 25% interest in Innolva's share capital held by Intesa Sanpaolo, conditional on the termination of the partnership and/or particular results relative to the plan targets, and exercisable in two time windows, June 2025 and June 2026.

Also in June, the Group decided to make use of the voluntary realignment of certain tax values pursuant to Article 110, paragraphs 8 and 8 bis[9] of Law Decree 104 of 14 August 2020 ("August Decree"), which extended the possibility of adjusting the tax values of goodwill and other intangible assets to the higher values recorded in the financial statements for the year ending 31 December 2019 (and still present in the 2020 financial statements), against the payment of a 3% substitute tax.
Intangible assets recognised in the financial statements of the Parent Company Intesa Sanpaolo (and in the consolidated financial statements) were identified for a total realignable value of 1,518.6 million euro, almost entirely attributable to the Sanpaolo IMI brand name, recognised in 2007 at the time of the merger between Banca Intesa and Sanpaolo.
This option will be adopted for the 2020 tax return, i.e. for the tax period in which the realignment takes place (to be filed by 30 November 2021), and is subject to payment of the substitute tax totalling 45.5 million euro, payable in three equal annual instalments, the first of which was paid at the end of the half year. The tax recognition of the higher values will take place from the financial year 2021, from which the new tax values will be deductible over 18 tax periods.
The Board of Directors of ISP authorised the placing of a tax suspension constraint on the share premium reserve, in an amount equal to the difference between the realigned values and the substitute tax due (1,473.1 million euro), which will be subject to ratification by the next ordinary shareholders' meeting of Intesa Sanpaolo.
From an accounting perspective, the consolidated income statement for the second quarter recorded a net positive impact of 453.4 million euro, resulting from the derecognition of deferred tax liabilities of 498.9 million euro and the recognition of the full substitute tax of 45.5 million euro.
The realignable values identified for the Parent Company were accompanied by additional marginal tax realignments totalling around 26 million euro, relating to goodwill recognised in the financial statements of Intesa Sanpaolo Private Banking and Fideuram Asset Management SGR, authorised by the Boards of Directors of the two companies, which generated a net benefit of 7.5 million euro for the Fideuram sub-group in the consolidated income statement for the second quarter, in addition to that described above for Intesa Sanpaolo.

Lastly, another significant event after 30 June 2021 was the announcement by the ECB on 23 July 2021 that it will not extend its recommendation to all banks to limit dividend distributions and share buy-backs beyond 30 September 2021. Indeed, the latest macroeconomic projections confirm the economic recovery and point to reduced uncertainty, which is improving the reliability of banks' capital trajectories.
As a consequence the Supervisory Authorities will resume pre-pandemic supervisory practice, i.e. assess with each bank the evolution of the capital profile and the plans for distribution of dividends or share buy-backs in the context of the regular supervisory cycle.
You are reminded that in March 2020, the ECB asked banks not to pay dividends with the aim of boosting their capacity to absorb losses and to support lending to households, small businesses and corporates during the COVID-19 pandemic. A similar recommendation was made in July, while in December 2020 the ECB reiterated its instruction to banks to exercise extreme caution with respect to dividends and share buy-backs, setting specific limits on the amount that can be distributed and requiring prior discussion with their JST to assess the level of distribution envisaged in terms of prudence.
The ECB is therefore calling on banks to remain prudent, carefully considering the sustainability of their business model, without underestimating the risk that additional losses may later have an impact on their capital trajectory as support measures expire.

The progress of the 2018-2021 Business Plan

The 2018-2021 Business Plan, whose pillars and main initiatives continue to apply, seeks to maintain solid and sustainable value creation and distribution for Shareholders and to build the number 1 Bank in Europe.
As already stated in previous reports, the Group also aims to strengthen its leadership in Corporate Social Responsibility and leave a positive impact on society, while also increasing its own internal inclusion, without any discrimination.
In a highly digitalised and competitive world, the Bank continues to pursue its goals by leveraging its values and the proven ability of a results oriented delivery machine.
The pillars of the 2018-2021 Business Plan are:
- significant de-risking at no cost to Shareholders;
- cost reduction through further simplification of the operating model;

[7] The company held a 60% interest in Intesa Sanpaolo Rent Foryou S.p.A., which was not included in the scope of the transaction and was repurchased by Intesa Sanpaolo on 14 May 2021.
[8] In the consolidated financial statements as at 30 June 2021, the company was reclassified to discontinued operations in accordance with IFRS 5.
[9] Paragraph introduced by Article 1, paragraph 83, of Law 178/2020 ("2021 Budget Act").

– revenue growth capturing new business opportunities.

The enablers are our people, who are Intesa Sanpaolo's most important resource, and the completion of the digital transformation.

De-risking

De-risking is the first pillar of the Business Plan through which the Group aims to optimise the risk-return ratio for the total loans, both through asset disposals and risk mitigation strategies. Different instruments are used according to the degree of risk and type of customer.

The Group, with the help of the partnership with Intrum, has been able to reduce the level of NPLs both in relative and economic terms. In the first half, the proportion of non-performing loans considered before adjustments came to 4.1% (4.4% at the end of 2020), with respect to a stock that fell to 19.3 billion euro (20.9 billion euro in December 2020). In the same period the cost of risk stood at 43 basis points.

With regard to the containment of UTPs, the proactive management of loans to businesses has been aided by the partnership with Prelios. At the end of the first half, the gross stock of Corporate and SME UTPs was 7.9 billion euro.

The Pulse Unit is involved in the management of retail customer delinquencies, from the initial stages of difficulty to the proposal for transition to bad loan status, both through recovery operations and proposed negotiated solutions. In the first half of the year, the organisational structure was strengthened through the opening of the new Milan and Arezzo centres and the new Retail Support Management structure.

Lastly, the Active Credit Portfolio Steering Department is responsible for the active management of risk on loans to businesses, in particular by implementing projects and hedging transactions aimed at reducing RWAs and extending the application of specific pricing adjustments to direct the strategy of new disbursements towards sectors with a better risk/return profile (CSA - Credit Strategies Adjustment). Around 26.8 billion euro has been disbursed to the best portfolio clusters since the introduction of the CSA in 2019 to the first half of 2021.

In line with the 2018-2021 Business Plan, the ISP Group has undertaken several transactions involving the sale of non-performing loan portfolios. With a view to accelerating this process, in December 2020 the Boards of Directors of ISP and the former UBI Banca resolved to commence the preparation work for the sale, to be carried out in 2021, of non-performing loans (grouped into four separate saleable non-performing loan portfolios) for a total GBV of 5.9 billion euro (prior to the PPA for the loans originating from the former UBI Banca Group) and a NBV of 1.2 billion euro, with consequent reclassification of those positions to non-current assets held for sale in accordance with IFRS 5, where the conditions apply, already from the consolidated financial statements as at 31 December 2020. To further strengthen the risk reduction process and preventively address a potential increase in the stock of non-performing loans due to the imminent withdrawal of government support, an additional set of non-performing loans to be sold (divided into two separate portfolios, for a total GBV of approximately 1 billion euro) was identified in the second quarter of 2021, which was also reclassified as non-current assets held for sale in accordance with IFRS 5. Consequently, also considering the deleveraging for single name exposures, the amount of Group non-performing loans reclassified as assets held for sale as at 30 June 2021 totalled 5.2 billion euro in terms of GBV (7 billion euro prior to the PPA for the former UBI Group loans) and 1.5 billion euro in terms of NBV, with the latter already aligned to the estimated realisable prices in accordance with IFRS 9.

Cost reduction

Cost reduction is the Second Pillar of the 2018-2021 Business Plan, through which the Group aims to reduce the level of both fixed and variable costs on the income statement.

The staff reduction and renewal project sets a series of coordinated objectives in terms of reduction in labour costs, reskilling and staff renewal. As a result of the acquisition of UBI Banca, Group personnel numbers reached 99,112 in the first half, with a total cost of 3.282 billion euro, down by around 26 million euro on the pro-forma figure for the first half of 2020, despite the increase of around 46 million euro resulting from the latest renewal of the National Collective Bargaining Agreement (CCNL). The reskilling process has involved around 550 people since the beginning of the year (around 5,000 since the beginning of the Plan), while the renewal process has resulted in the hiring of 300 specialist professionals (around 1,550 since the beginning of the Plan). With regard to professional profiles with flexible work employment contracts, there are around 630 contracts and around 300 internships in place.

As already noted in the section above, within the framework of the strategic guidelines for the integration of UBI Banca into the Group, Intesa Sanpaolo reached an agreement with the trade unions on the basis of which it accepted more than 7,200 applications for voluntary redundancy by December 2023, around 1,400 of which already implemented in the first half, and at the same time planned 3,500 hires by the first half of 2024.

The branch strategy project involves the streamlining of the network of bank branches, their supplementation with alternative physical and virtual channels and the search for partnerships with non-captive networks.

The first half closed with 3,350 retail branches, including the branches not sold (4,492 pro forma at the end of 2020). With regard to the Bank's alternative channels, work continued on the renovation of the self-banking services (around 450 machines installed, consisting of ATMs, cash and deposit machines, and self-service tills) and development of virtual operations by strengthening both the Online Branch (around 800 new staff in the half-year) and the Remote Relationship Manager.

In relation to the integration with non-captive networks, the Group has implemented a series of initiatives to increase the level of service within the partnership with Poste Italiane. This was accompanied by the continued development of Mooney, originating from the agreement between SisalPay and Banca 5, which is Italy's leading Proximity Banking & Payments company with over 43,000 points of sale nationwide.

Overall, the branch strategy activities have extended the Group's coverage to 96% of the Italian population.

The Real estate scale back project aims to reduce the costs incurred for real estate properties through the disposal of redundant spaces, transfer to less costly locations, and renegotiation of leases for existing premises. In this context, 499 branches were absorbed in the first half (freeing up around 198,000 sqm of space) and 83 leases were renegotiated.

Lastly, the plan to reduce administrative expenses fosters the achievement of synergies, the improvement in the efficiency of structure costs, the control of advisory fees, the centralisation of purchasing decisions, and the extension of internal best practice to the International Subsidiary Banks.

Revenues

The third pillar of the Business Plan seeks to increase Operating Income by capturing significant business opportunities in all the Divisions.

To achieve the objective of becoming the top insurance company for non-motor retail products in Italy, Intesa Sanpaolo Assicura is continuing the integration of RBM Salute: work has begun on insourcing the management of complex claims and expanding the operations of new business lines to offer additional cover previously not provided by RBMS, for example for financial losses due to various types of unforeseen events. In terms of product renewal, the new Health RBMS offering has been released, while the evolution of the offering for individuals and businesses is continuing alongside the integration with UBI. With regard to the sales channels, the Intesa Sanpaolo Insurance Agency (ISIA) model has been set up for the sale of non-standard products of the Insurance Division to business customers and Retail Companies, for which specific marketing initiatives have been launched for the distribution of new policies. The after-sales service has benefited from the implementation of the new multi-channel digital platform and the complete redesign of operating processes, with a view to optimising and improving the efficiency of portfolio and claims management.

With regard to the consolidation of Private Banking's international growth, the streamlining of the international network is underway for the Swiss operations through the acquisition and control of the Reyl Group, and in Luxembourg the project for the integration of the Private business line of ISP Lux, scheduled for the second half of 2021, has been fully initiated.

In Italy, since the start of the Plan, the sales network of the Private Bankers has been strengthened by adding around 900 professionals and expanding the use of flexible banking employment contracts. The successful marketing of innovative products is continuing, including several portfolio management schemes and alternative funds, together with the use of new digital channels.

In the area of Asset Management, a rigorous and transparent process has been adopted to implement the new European rules on ESG (EU Regulation 2019/2088 - Sustainable Finance Disclosure Regulation – SFDR) through a Sustainability Policy that provides for the implementation of specific SRI (Sustainable and Responsible Investment)/ESG strategies within the investment process of each fund. This has enabled the achievement of a leadership position in the Italian market with 45% of the product volumes classified as sustainable in accordance with the above-mentioned Regulation. The ongoing development continued of products that meet the needs and investment objectives of the various customer segments, including excess reserve conversion products or window funds, designed to encourage the gradual entry into equities and currency diversification. The development and distribution also continued for new digital services such as “Smart Save”, the first digital saving service for investing in mutual funds via app.

The Banca dei Territori Division's strategy for SMEs is aimed at supporting them in their process of growth, particularly through the digitalisation of the product mix: several solutions are being adopted to support the development of remote customer relationships, both during and after sale. Four protection products have been created (Medical Expense Reimbursement Plan, Serious Illness Policy, Cyber Risk and Directors, Auditors and Executives Civil Liability) and an ESG advisory service has been introduced. Support for the international expansion of businesses continued, through customer development operations on the international ISP network and synergies between the International Subsidiary Banks and Banca dei Territori for a marketing campaign also targeting potential customers. Support was also provided to UBI customers already in the pre-migration phase for specific needs related to international expansion. The continued development of the “Dialogo Industriale” platform is enabling managers to liaise with entrepreneurs on an increasingly informed and effective basis. Within this area, developments have been planned in relation to ESG and specific analyses have been made available to relationship managers on the impacts of COVID on the macro-sectors.

To strengthen the IMI C&IB Division's leadership position in the Italian market, a number of initiatives have been implemented whose objectives include strengthening the Investment Banking business for Mid Corporate customers and identifying support measures for the businesses most affected by the COVID-19 emergency. New commercial initiatives have been launched in the areas of cash management and trade finance, and activities have been conducted in support of Italian production sectors. Lastly, development continued of the originate to share model[10], also by strengthening relations with institutional investors.

Work continued on the implementation of the strategy for the International Subsidiary Banks, aimed at optimising the international presence, maximising synergies within the Group, and the digital evolution. A new Core Banking System[11] has been adopted in the Czech Republic and a feasibility study is underway for its development in Slovakia.

The IT Services Company (ISP International Value Services) continues to focus on supporting and accompanying international subsidiary bank customers towards digital transformation by providing solutions and services, with an emphasis on generating value for all stakeholders. In this regard, the operating activities of the Serbian branch have been expanded, through the activation of the technical competence centre for the core banking system, and the Slovak branch, through the activation of the technical competence centre for credit and risk.

The Group's target distribution model is being extended to the sales networks in Slovakia, Croatia, Serbia, Hungary, Slovenia, Romania, Albania and Bosnia and the advanced advisory model for wealth management is being adopted for the “Affluent”, “Individual” and “Upper Mass” segments in Croatia, Slovenia, Slovakia and Hungary. Work is also underway for the integration of this model into the digital platform of the Slovenian and Croatian banks.

The functions and services of the digital channels are being activated, with interventions differentiated according to their state of progress in the Group's various international subsidiary banks. Lastly, the preparations have begun for the development of a renewed service model in the Bancassurance area and the strengthening of cooperation with the IMI C&IB and BdT Divisions of the Parent Company for the development of the commercial offering.

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[10] The originate to share business model covers financing arrangements with the twin objective of selling shares on the primary or post-primary market, within a holding period declared on origination, and holding the remaining shares.

[11] A back-end information system that processes daily banking transactions and produces updates on current accounts and other financial records. The core banking system generally includes information on current accounts, deposit accounts, loans and mortgages and interfaces with the general ledger systems and the reporting, credit and risk management tools, as well as the front-end platforms for customers or the sales channels.

With regard to the development of the wealth management services in China, Yi Tsai has started the recruitment of personnel and finalised the advanced advisory model. For the Security Company, on the other hand, preparations are underway for the start-up of the business.

People and Digital Transformation

The Business Plan envisages significant investments in digital transformation in all the Group's areas of operations, with a particular focus on developing multichannel, self-banking and remote services, expanding the use of smart working, strengthening cybersecurity, developing data management and the digital redesign of business processes (sales, credit, transaction and governance).
With regard to the distribution channels, the figures for first half confirm the increasing spread of digital services in terms of customers, products and sales. The number of users of multichannel services has reached around 12.1 million. Access to banking services via the Banking app is also growing, with 7.5 million users having logged on at least once since 2018, while the Online Branch now has around 60,200 customers.
The products available on multichannel platforms account for around 85% of the offering. Sales through remote channels, also due to the COVID-19 emergency, rose to 31% of the total (from 26% in 2020).
The growing use of digital channels by customers is being accompanied by increasing attention to IT security. The extension is therefore continuing of the target cyber security model, which currently comprises 42 Group companies.
The continuous advancement of knowledge in the field of data management, in particular the advanced analytics and artificial intelligence projects, enables the strengthening of commercial operations through more effective service customisation, process automation (for example the robot process automation for asset management) and the mitigation of credit risk (de-risking).
To promote innovation, the Group has developed tools and set up structures whose aims include identifying the most important trends in technology and finance and using new service design methods for project implementation. Lastly, special attention is given to the monitoring of the Fintech ecosystem, to identify best practices and potential partners for the development of high-tech products and services.
The Group continually implements a series of initiatives dedicated to the personnel of Intesa Sanpaolo. The People Care project is aimed at improving quality of life and wellbeing within the company, by enhancing employee engagement and sense of belonging. In particular, the CareLab initiative, focused on Wellbeing, has been expanded with over 500 content items published (including videos, podcasts, articles and theme-based packages) used by 38,000 employees. Under the Diversity & Inclusion project, aimed at creating equal opportunities and fostering a high level of people engagement, work is continuing on raising awareness and strengthening inclusion skills, in addition to drawing up the rules on sexual harassment. Intesa Sanpaolo is the first bank in Italy and one of the first in Europe to receive the Gender Equality European & International Standard (GEEIS-Diversity) certification, which assesses and promotes the commitment of companies to diversity and inclusion as strategic elements of an organisation.
The job-rotation is continuing for the people involved in the various editions of the International Talent Program, currently covering a total of 318 staff, 80 of whom have already identified the structure they will work for at the end of their development programme.
The enhancement of employee skills was ensured by providing around 5.7 million training hours in the first half of the year.
The use of smart working continued in response to the COVID-19 emergency, through the adoption of specific technological and IT measures and initiatives, with an overall total of around 79,000 staff participating at Group level.
With regard to the "Next Way of Working" project, aimed at developing new methods of working in the post COVID period, the first real estate and technological measures have been initiated that will help staff in the structural use of smart working, based on alternating work in the office and from home.

Sustainability

In a global scenario marked by the COVID-19 health emergency, the Intesa Sanpaolo Group, thanks to its financial solidity and its ability to create sustainable value for all its stakeholders, is continuing its commitment to Italy's revival, basing its strategy on sustainability and strong local presence, the pillars underlying the implementation and completion of the integration with UBI Banca, with a shared vision.
Intesa Sanpaolo continues to be a leading model for sustainability, as reflected by its positioning in the main indices and rankings: it is the only Italian bank included in the Dow Jones World and Europe Sustainability Indices and in the Corporate Knights ranking of the world's 100 most sustainable companies, and has been ranked first among its peers by MSCI and the Bloomberg ESG Disclosure Score. The Intesa Sanpaolo Group is one of the few European financial groups to have signed up to all the main United Nations initiatives, including the Global Compact, concerning sustainability in the financial sector, which form part of the achievement of the UN Sustainable Development Goals. These consist of the Principles for Responsible Banking, the Principles for Sustainable Insurance, and the Principles for Responsible Investment. The Group has also been supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since October 2018.
The internal ISP4ESG Programme, launched at the end of 2019 with the aim of consolidating Intesa Sanpaolo's leadership in sustainability, continued its activities in the areas of Governance and Sustainable Credit during the first half of 2021, alongside more intense operations on the Programme's other two streams: Sustainable Investment and Corporate Centre (including training and initiatives on key assets). Specifically, with regard to Governance, the ESG Control Room continued its fundamental role in supporting the Steering Committee in the strategic proposition for ESG issues, and in the area of Sustainable Credit, the process was finalised for the ESG reporting of the Group's loan portfolio by sector.
With regard to the Sustainable Investments stream, work was carried out for the implementation of the EU Regulation 2019/2088 (the Sustainable Finance Disclosure Regulation) and ESG scoring assessments were conducted. Within the Corporate Centre, training programmes have been developed for both employees and customer companies.

Financial inclusion and support to production
In the first half, Intesa Sanpaolo continued to support the numerous initiatives implemented to combat economic and social inequalities in the difficult circumstances related to the COVID-19 pandemic. As already noted in the specific section, Intesa Sanpaolo has supported the real economy by providing moratoria on mortgages and loans to households and businesses for a total of 109 billion euro granted, granting 29.5 billion euro of loans backed by government guarantees, around 10 billion euro of loans backed by SACE guarantees and 50 billion euro of loans to support businesses and professionals.
The Renaissance Programme, set up to support local communities in coping with the pandemic, provides non-repayable grants and impact loans to micro-enterprises and start-ups, for communities within the Bergamo and Florence areas, with a total commitment of 80 million euro for the initiatives, also in partnership with local entities.
The strong focus on financial inclusion was reflected in the establishment of the Fund for Impact, which enables the disbursement of 1.5 billion euro to categories that have difficulty in accessing credit. The most notable initiatives included "per Merito", which provides unsecured loans for young university students residing in Italy and enabled the disbursement of 32 million euro in the first half of 2021 (123 million euro since the launch of the programme in 2019) and "Mamma@work" aimed at working mothers to support them with their financial commitments after maternity (around 500 thousand euro disbursed since the launch in 2020). Three new initiatives were also launched in July 2021: "per Esempio", aimed at Community Service volunteers; "per Crescere", for parents with school-age children; and "per avere Cura", aimed at families with members that are not self-sufficient.
"XME StudioStation" is a loan for families with children who are studying through distance learning, to fund the purchase of computers and internet connectivity (around 500 thousand euro provided in the first half of 2021, 1.7 million euro since the launch in 2020).

Promoting jobs and the right to education
Intesa Sanpaolo has always been keen to invest in young people to promote employment and the right to education. In first half of 2021, the Youth and Work programme, in collaboration with Generation Italy, saw the participation of 5,000 young candidates (over 20,000 from 2019), around 800 students interviewed and 350 students trained/being trained in the first half (4,400 students interviewed and over 1,800 students trained/being trained since 2019), involving over 1,700 companies through local events.
Another key training initiative is "P Tech" by the IBM Foundation, in which the Intesa Sanpaolo Group is collaborating to combat school dropout. The aim of the project is to train young students in new digital skills through theme-based seminars and workshops aimed at job placement and involves 20 mentors from the Bank helping 40 young professionals.
"Generation4Universities" is the new project developed by Generation Italy and McKinsey & Company, sponsored by Intesa Sanpaolo, aimed at helping talented senior university students to embark on successful professional careers. The programme involves 69 students from 31 universities and 18 leading Italian companies.

Innovation and digital transformation
In recognition of the strategic role of digitalisation and multichannel services, Intesa Sanpaolo has continued to implement its strategic commitments, with the customer at the core, all the more so in view of the health emergency. This has allowed the Group's customers and staff to operate remotely with full security, efficiency and effectiveness, protected by cybersecurity aligned to the best international standards and certified at national level. Intesa Sanpaolo currently has around 12.1 million multi-channel customers.
In the knowledge of the fundamental value of innovation for the growth of the new economy, the Group has continued its start-up development programme. In the first half, 250 start-ups (around 2,900 since 2018) were analysed and 3 acceleration programmes were activated on 56 start-ups (over 440 since 2018) presented to selected investors and other ecosystem players (around 6,100 as at 30 June 2021).

Sustainable investment products and sustainable insurance
As already mentioned with reference to the 2018-2021 Business Plan, Intesa Sanpaolo continues to implement an offering of sustainable investment products, which combine financial criteria with environmental, social and governance (ESG) aspects. Specifically, Eurizon (including Pramerica) offers a diverse range of products across 155 funds in all the asset classes that include a focus on environmental or social issues, or have sustainable investment objectives, classified according to Articles 8 and 9 of the new Sustainable Finance Disclosure Regulation - SFDR, with around 100 billion euro of assets representing around 45% of the total assets of the Funds managed. Fideuram offers 3 funds classified according to Article 8 of the SFDR with a total of 1.3 billion euro of assets (2% of the total assets of the Funds managed).
On the insurance front, the commitment to sustainability consisted of the adoption of a Sustainability Policy by the Insurance Division that sets the guidelines for a responsible and sustainable business model.

Contributions to the community
In keeping with its commitment to social and community issues, and to combat the global crisis caused by the COVID-19 pandemic (over 100 million euro donated in 2020 to alleviate the impact of the health emergency), the Group has continued to implement projects to support the most vulnerable and disadvantaged groups.
One of the major initiatives for combating poverty has enabled the distribution of 19.9 million meals since 2018 and the provision of over 1.2 million beds, around 260,500 medicines and 212,000 items of clothing.

Support for the green economy and the circular economy
In support of the green economy, the circular economy and ecological transition, 76 billion euro in new funding has been allocated as part of the Group's commitment in support of the National Recovery and Resilience Plan (NRRP).
The commitment to the circular economy – developed in partnership with the Ellen MacArthur Foundation – involved the establishment of a dedicated credit plafond of 6 billion euro, for the period 2018-2021. In the first half of 2021, the disbursements totalled around 2.3 billion euro (4.5 billion euro since the launch of the plafond).
With a view to creating solutions for the ESG transition of enterprises, the Group has developed the S-Loan in Italy, which allows the Bank to support SMEs by identifying specific ESG KPIs, agreeing sustainability improvement objectives with the

borrower firms. It has been allocated a dedicated plafond of 2 billion euro and 650 million euro was disbursed in the first half of 2021 (780 million euro since the launch of the initiative). In April 2021, the offering was expanded with S-Loan Diversity, which promotes gender equality and female empowerment. In July 2021, thanks to the renewed partnership with SACE, the ESG offering for businesses was expanded with S-Loan Climate Change, the new loan that provides a combined 80% green guarantee to finance green investment projects up to a maximum amount of 15 million euro and for a maximum duration of 20 years. The guarantee, aimed at companies with revenues of up to 500 million euro, is designed to encourage businesses to take on key transformation projects for the future, such as climate change adaptation and mitigation through the prevention and reduction of polluting activities, the protection of water and marine resources, the protection and restoration of biodiversity and ecosystems, and circular economy projects.
In March 2021, a green bond for 1.25 billion euro was issued, focusing on loans granted for the construction or purchase of energy-efficient buildings. Three other green bonds were issued in 2019 and 2017 for a total of 1.75 billion euro (750 million euro for the circular economy, 500 million euro for renewable energy and energy efficiency and 500 million euro for the renewable energy sector issued by UBI Banca).
In July 2021, Intesa Sanpaolo updated the rules for the Group's lending operations in the coal sector and introduced specific rules for the unconventional oil and gas sector. The rules apply to all the Group companies in all the countries where they operate. The adoption of these measures represents an important additional step for the Bank in combating climate change. In particular, with the update of the "Rules for lending in the coal sector", the Group has committed to immediately ceasing new lending for coal mining and phasing out exposures by 2025. In addition, the limits and exclusions for the coal-fired power generation sector have been enhanced in support of companies' transition plans. The "Rules for Lending in the unconventional oil and gas sector" require the immediate cessation of new lending related to unconventional oil and gas resources and the phasing out of exposures by 2030.

The Group's People
All the results were achieved through the contribution of the people who work for Intesa Sanpaolo. They continue to be the Group's most important resource and helping these people develop and strengthen their sense of belonging to the company is a key factor for achieving the Group's strategic objectives.
As reported above, Intesa Sanpaolo has continued to respond to the health emergency by maintaining large-scale use of smart working for around 79,000 people to allow employees to work safely, guaranteeing business continuity and encouraging flexible training.
To promote diversity and policies of inclusion, in 2020 the Group published the Principles on Diversity & Inclusion and set up the D&I Operating Committee, responsible for coordinating, discussing and agreeing Diversity & Inclusion initiatives with all the Structures. In April 2021, the Rules for combating sexual harassment were published, a reflection of the strong commitment to preventing and combating all forms of harassment.
To promote female talent and inclusive working environments, the development initiatives for women aimed at facilitating female empowerment continued.
Intesa Sanpaolo was the first bank in Italy and one of the first in Europe to receive the Gender Equality European & International Standard (GEEIS-Diversity), an international certification aimed at assessing and promoting the commitment to diversity and inclusion.
Among the company welfare initiatives, under the People Care project, staff have access to the CareLab, an integrated virtual system of content and initiatives focused on people's physical and emotional wellbeing, with the aim of supporting them in the current complex emergency situation.

Progetto Cultura

Progetto Cultura is the multi-year programme of initiatives through which Intesa Sanpaolo actively expresses its commitment to promoting art and culture throughout Italy. Launched in 2011, the Project has grown in importance over the years in terms of the social value it generates, strengthening the ties with local communities and reinforcing the Group's role as an "impact bank". The initiatives are devised, implemented and organised by the Art, Culture and Historical Heritage Department, in collaboration with public and private entities, the Ministry of Culture, the main museums and local, national and international institutions, the Banking Foundations, schools and universities, and professionals in the culture sector. The plan is recognised as a distinctive feature of the Bank's identity and Gallerie d'Italia, the group of museum venues owned by the Bank, have been described as Intesa Sanpaolo's most iconic project.

Gallerie d'Italia
The Gallerie d'Italia in Milan, Naples and Vicenza promote the Group's historic buildings and art collections, hosting temporary exhibitions and offering various educational and cultural activities. In compliance with the anti-Covid measures, the Galleries were closed to the public for more than half of the first six months of the year. During the days when they were open (several weeks in February and permanently from 26 April), the Galleries received 31,986 people, who were ensured a high level of safety during their visit.
The exhibitions open in autumn 2020 and continued/extended in the first half of 2021 were: *Napoli Liberty. N'aria 'e primmavera* (Naples; curated by Fernando Mazzocca and Luisa Martorelli), 71 artworks of which 4 from the Intesa Sanpaolo collections, with 32 lenders; *Ma noi ricostruiremo. La Milano bombardata del 1943 nell'Archivio Publifoto Intesa Sanpaolo* (Milan; curated by Mario Calabresi), 70 historical photographs from the Intesa Sanpaolo Publifoto Archive and contemporary photographs by Daniele Ratti; *Futuro. Arte e società dagli anni Sessanta a domani* (Vicenza; curated by Luca Beatrice and Walter Guadagnini), 99 artworks on display, of which 25 from the Intesa Sanpaolo collections, with 33 lenders; *Tiepolo. Venezia, Milano, l'Europa* (Milan; curated by Fernando Mazzocca and Alessandro Morandotti; in collaboration with Gallerie dell'Accademia di Venezia and Turin University), 75 artworks, 34 lenders.
The new exhibitions opened were: *Carlo Mari. Io Milano. Aprile 2020. La città vista dai Carabinieri attraverso l'occhio di un fotografo* (Milan; in collaboration with the Carabinieri Police Force) 49 artworks; *Los Angeles. State of mind* (Naples; curated by Luca Beatrice with the patronage of the Consulate General of the United States of America in Naples), 36 artworks

including 2 from the Agrati-Intesa Sanpaolo collection, 14 lenders; 5,243 visitors in the first month of opening; *Painting is back. Anni Ottanta. La pittura in Italia* (Milan; curated by Luca Massimo Barbero), 57 artworks including 14 from the Intesa Sanpaolo collections, 23 lenders; 4,216 visitors in the first month of opening.
The exhibition catalogues have been produced under the Gallerie d'Italia - Skira publishing partnership.

Work continued at the two sites in Turin and Naples for the conversion of the buildings that will house the new, monumental venues of the Gallerie d'Italia, in cooperation with the Real Estate and Logistics Department, based on a project by the architect Michele De Lucchi. The museum in Turin (in Piazza San Carlo, in the historic Palazzo Turinetti and in its underground spaces: around 9,000 square metres) will be mainly dedicated to photography and the digital world. In Naples (in Via Toledo, in the historic headquarters of the Banco di Napoli: around 9,000 square metres) the museum, in addition to Caravaggio's masterpiece, will host collections ranging from archaeology to contemporary art and educational activities will be expanded. The development of the museum itineraries and the scheduling of exhibitions and accompanying events is currently underway for both museums.

In the six months under review, the production of digital initiatives continued on the platforms of Gallerie d'Italia, Intesa Sanpaolo and Progetto Cultura dedicated to the Bank's art collections, archives and exhibitions, with very encouraging results in terms of views and interactions, alongside the publication of content on the company intranet to encourage staff involvement.
Particular attention was given in the months of lockdown to the digital presentation of the *Tiepolo* exhibition (30 October 2020 - 2 May 2021): *immersive experience* (an innovative virtual experience, with immersive 3D audio technology and a dedicated mini-site, to explore the painter's life and 8 masterpieces on display); *virtual tour* (an interactive visit accompanied by 18 videos on the artworks accompanied by an engaging audio experience); *review* "*Sotto un unico cielo. Alla scoperta dei territori del Tiepolo*" (7 videos, narrated by experts, looking at the ties between Tiepolo and the Veneto and Friuli areas where the painter worked); *podcasts*: 8 audio tracks examining specific aspects. Overall, the organic and paid content dedicated to *Tiepolo* on the Gallerie d'Italia and ISP social channels attracted a total of 52.6 million views, with 1 million interactions.

Doxa conducted the survey "Gallerie d'Italia. Web Reputation Benchmark" (May 2021) on the online presence of the Gallerie d'Italia over the period 1 January 2020-30 April 2021, compared to a selection of important players (Reggia di Venaria Reale, Fondazione Prada, Galleria Borghese, MAMbo in Bologna, GAM in Turin, and Museo Poldi Pezzoli, Gallerie dell'Accademia in Venice). In the Open Web category, Gallerie d'Italia topped the ranking for engagement and was placed third for volume of posts. The Gallerie d'Italia channel plays an important role in the social media communications, especially through its temporary exhibitions. The sentiment was wholly positive, with a brand positioning that fully embodies the inclusive and nurturing value of culture.

Art Assets

The Group's art assets comprise more than 30,000 artworks. In terms of size and quality, it is considered one of the most important corporate collections in the world. Below are some of the main activities in the different areas during the half-year.
UBI Banca integration: the challenging process of integration of UBI Banca's art assets (around 6,000 artworks) into the Group's art collections continued. 936 UBI artworks were sold to BPER. The movement of 800 UBI art assets was managed following 42 moving operations (closure of venues, merger of structures, redefinition of spaces).
Fair Value Project: the company Open Care carried out the "scenario analysis" on the market trends in the first half of 2021 as part of the fair value remeasurement of the value of Intesa Sanpaolo artworks within the "valuable art assets" class – around 3,700 Intesa Sanpaolo artworks and 721 from the UBI collections – conducted with the Administration and Tax Head Office Department.
Restorations: restoration work began on artworks selected for the museum itineraries of the new Gallerie d'Italia in Turin and Naples.
Loans: 86 artworks (69 in the Intesa Sanpaolo collection, 3 in the Agrati-Intesa Sanpaolo collection, and 14 in the Fondazione Cariplo collection) participated in exhibitions at major Italian and international institutions (such as Castello di Rivoli-Museo d'Arte Contemporanea, Reggia di Venaria Reale, MART in Rovereto, Musei San Domenico in Forlì, Palazzo Ducale in Genoa, GAM in Verona, Fondazione Pistoia Musei in Pistoia, Palazzo Roverella in Rovigo, and Musée d'Orsay et de l'Orangerie in Paris). Sets of the Group's artworks are continually included in the itineraries of our temporary exhibitions at the Gallerie d'Italia.
Loans for use: the Fondazione Carivit has been loaned the series of 18 fifteenth and sixteenth century frescoes from the Oratorio di Bagnaia (Viterbo), returned to the community and on display to the public in a new exhibition at Palazzo Gallo in Bagnaia.

Historical archive

The Intesa Sanpaolo Historical Archive, one of the most important corporate archives in Europe, holds over 12 km of documentation consisting of papers from 1472 to the early 2000s. Among the photographic assets, it manages the significant collection of 7 million images in the Publifoto Archive. Below are some of the main activities in the different areas during the half-year.
UBI Banca integration: recovery, preservation and cataloguing of the UBI Historical Archives. A total of 28 archives were identified and secured, resulting in the acquisition of around 3 km of documentation of significant historical importance.
Inventory, cataloguing and restoration of archive materials: the core work of the Historical Archives continued. The completed inventories (and other documents, primarily the minutes of the Boards of Directors of the banks) are published online on the Archives' website. To date, 93,167 records have been published.
DAP-Digital Archives Project: significant progress has been made on the IT system for the preservation and sharing of native digital documentation produced by the offices of the various departments.
Promotion: through exhibitions (online exhibition *ViteAttraverso*. *Storie, documenti, voci di ebrei milanesi del '900*) and participation in events (including "Archivissima" in Turin and "Milano Digital Week") and conferences.

Relations with the academic world: in particular, teaching activities with the University of Milan and the *Italy/Argentina-Argentina/Italy* research project with the La Sapienza University of Rome and the University of Buenos Aires.
Collaboration with various institutions, including Fondazione 1563 per l'Arte e la Cultura in Turin, Fondazione CDEC-Centro di Documentazione Ebraica Contemporanea in Milan, and Fondazione CCR - Centro Conservazione e Restauro "La Venaria Reale".
Publifoto Archive: 3,740 photographs were restored and 11,611 images digitised, also in view of the forthcoming opening of the Gallerie d'Italia in Turin. The Publifoto website now provides access to around 6,000 catalogue entries describing over 26,000 images. The *Ma noi ricostruiremo* exhibition at the Gallerie d'Italia in Milan also represented a major occasion for the promotion of the collection.

Restituzioni
The restoration programme, curated by Intesa Sanpaolo since 1989, is a reflection of Intesa Sanpaolo's major contribution to the protection and promotion of Italy's artistic and architectural heritage. The 19th edition is currently underway, involving 218 artworks from all 20 Italian regions (in addition to one artwork from the Musée Jacquemart-André in Paris and one from the Museu Nacional in Rio de Janeiro), 52 conservation bodies (Inspectorates, Regional Museum Directorates and Independent Museums), 80 owner bodies (including museums, churches and archaeological sites), and 77 chief restorers. During the half-year, coordination and monitoring of the restoration campaign continued, in preparation for the organisation of the final exhibition to be held in spring-summer 2022.

National and international partnerships
Progetto Cultura builds and coordinates a network of relations with national and international cultural organisations, to support their initiatives and the joint production of activities (exhibitions, festivals, and projects relating to photography, art, archives, books and literature). The events, which were turned into digital events during the pandemic, were also relaunched on the Group's platforms. The following partnerships were of note during the half-year: Archivissima in Turin, Compagnia di San Paolo Foundation, CAMERA Foundation in Turin, GAM-Galleria d'arte moderna e contemporanea of Turin, Castello di Rivoli, Musei Reali in Turin, MAO-Museo d'Arte Orientale in Turin, Festival della Lettura in Ivrea, Pinacoteca di Brera in Milan, Circolo dei Lettori in Milan, Gallerie dell'Accademia in Venice, Musei di San Domenico in Forlì, Patto per la Cultura per Firenze, Palazzo Strozzi in Florence, International Festival of Photography - Cortona On The Move, Fondazione Ivan Bruschi in Arezzo, La Quadriennale in Rome, and MANN-Museo Archeologico Nazionale in Naples. These were accompanied by the international partnerships with the National Gallery in London and the Hermitage in St. Petersburg.

Officina delle idee
The focus on young people and their educational and professional growth is reflected in the projects within the Officina delle Idee, carried out in collaboration with universities, schools and other public and private institutions (Euploos Project with the Gallerie degli Uffizi; educational activities with the Fondazione CCR "La Venaria Reale" and the University of Turin; and Careers in (Sm)art under the student work experience programmes). In addition, 100 young art historians work permanently at the Gallerie d'Italia, under the partnership with Civita.

The experience gained by Progetto Cultura in the management and promotion of the Group's art collections and museums has led to the creation by Gallerie d'Italia Academy – with the support of Fondazione Compagnia di San Paolo and Fondazione Cariplo, in collaboration with Intesa Sanpaolo Formazione and Fondazione 1563 per l'Arte e la Cultura, and designed with the scientific contribution of Fondazione Scuola dei Beni e delle Attività Culturali – of the Executive Course in "Management of Art and Cultural Assets and Corporate Collections", for young managers of cultural assets.

Lastly, the prestigious *"Rosa di Brera 2021*" prize was awarded to Intesa Sanpaolo and its President Emeritus Giovanni Bazoli for their commitment and support for the activities of the Pinacoteca di Brera and the Braidense Library.

Half-yearly condensed consolidated Financial statements

Consolidated financial statements

Consolidated balance sheet

(millions of euro)

Assets		30.06.2021	31.12.2020	Changes amount	Changes %
10.	Cash and cash equivalents	9,319	9,814	-495	-5.0
20.	Financial assets measured at fair value through profit or loss	60,952	58,246	2,706	4.6
	a) financial assets held for trading	*55,720*	*53,165*	*2,555*	*4.8*
	b) financial assets designated at fair value	*4*	*3*	*1*	*33.3*
	c) other financial assets mandatorily measured at fair value	*5,228*	*5,078*	*150*	*3.0*
30.	Financial assets measured at fair value through other comprehensive income	67,263	57,858	9,405	16.3
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	206,138	177,170	28,968	16.4
40.	Financial assets measured at amortised cost	656,626	615,260	41,366	6.7
	a) due from banks	*154,650*	*110,095*	*44,555*	*40.5*
	b) loans to customers	*501,976*	*505,165*	*-3,189*	*-0.6*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	906	1,211	-305	-25.2
50.	Hedging derivatives	1,175	1,134	41	3.6
60.	Fair value change of financial assets in hedged portfolios (+/-)	1,231	2,400	-1,169	-48.7
70.	Investments in associates and companies subject to joint control	1,707	1,996	-289	-14.5
80.	Technical insurance reserves reassured with third parties	159	93	66	71.0
90.	Property and equipment	10,586	10,850	-264	-2.4
100.	Intangible assets	8,865	8,194	671	8.2
	of which:				
	- goodwill	*3,979*	*3,154*	*825*	*26.2*
110.	Tax assets	19,014	19,503	-489	-2.5
	a) current	*2,635*	*2,326*	*309*	*13.3*
	b) deferred	*16,379*	*17,177*	*-798*	*-4.6*
120.	Non-current assets held for sale and discontinued operations	1,566	28,702	-27,136	-94.5
130.	Other assets	12,088	10,183	1,905	18.7
Total assets		**1,057,595**	**1,002,614**	**54,981**	**5.5**

Consolidated balance sheet

(millions of euro)

Liabilities and Shareholders' Equity		30.06.2021	31.12.2020	Changes amount	Changes %
10.	Financial liabilities measured at amortised cost	685,622	630,146	55,476	8.8
	a) due to banks	*164,847*	*115,947*	*48,900*	*42.2*
	b) due to customers	*432,568*	*422,365*	*10,203*	*2.4*
	c) securities issued	*88,207*	*91,834*	*-3,627*	*-3.9*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,529	1,935	594	30.7
20.	Financial liabilities held for trading	57,335	59,033	-1,698	-2.9
30.	Financial liabilities designated at fair value	3,361	3,032	329	10.9
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	83,010	77,207	5,803	7.5
40.	Hedging derivatives	5,019	7,088	-2,069	-29.2
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	363	733	-370	-50.5
60.	Tax liabilities	2,490	3,029	-539	-17.8
	a) current	*440*	*284*	*156*	*54.9*
	b) deferred	*2,050*	*2,745*	*-695*	*-25.3*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	78	35,676	-35,598	-99.8
80.	Other liabilities	24,722	14,439	10,283	71.2
90.	Employee termination indemnities	1,098	1,200	-102	-8.5
100.	Allowances for risks and charges	5,943	5,964	-21	-0.4
	a) commitments and guarantees given	*548*	*626*	*-78*	*-12.5*
	b) post-employment benefits	*310*	*324*	*-14*	*-4.3*
	c) other allowances for risks and charges	*5,085*	*5,014*	*71*	*1.4*
110.	Technical reserves	119,475	96,811	22,664	23.4
120.	Valuation reserves	-476	-515	-39	-7.6
125.	Valuation reserves pertaining to insurance companies	661	809	-148	-18.3
130.	Redeemable shares	-	-	-	
140.	Equity instruments	6,269	7,441	-1,172	-15.8
150.	Reserves	19,495	17,461	2,034	11.6
160.	Share premium reserve	27,286	27,444	-158	-0.6
170.	Share capital	10,084	10,084	-	-
180.	Treasury shares (-)	-110	-130	-20	-15.4
190.	Minority interests (+/-)	318	450	-132	-29.3
200.	Net income (loss) (+/-)	3,023	3,277	-254	-7.8
Total liabilities and shareholders' equity		**1,057,595**	**1,002,614**	**54,981**	**5.5**

Consolidated income statement

(millions of euro)

		30.06.2021	30.06.2020	Changes amount	%
10.	Interest and similar income	5,207	4,747	460	9.7
	of which: interest income calculated using the effective interest rate method	*5,073*	*4,928*	*145*	*2.9*
20.	Interest and similar expense	-1,174	-1,272	-98	-7.7
30.	**Interest margin**	**4,033**	**3,475**	**558**	**16.1**
40.	Fee and commission income	5,884	4,507	1,377	30.6
50.	Fee and commission expense	-1,264	-1,083	181	16.7
60.	**Net fee and commission income**	**4,620**	**3,424**	**1,196**	**34.9**
70.	Dividend and similar income	82	60	22	36.7
80.	Profits (Losses) on trading	409	305	104	34.1
90.	Fair value adjustments in hedge accounting	45	-12	57	
100.	Profits (Losses) on disposal or repurchase of:	522	798	-276	-34.6
	a) financial assets measured at amortised cost	*123*	*-29*	*152*	
	b) financial assets measured at fair value through other comprehensive income	*428*	*620*	*-192*	*-31.0*
	c) financial liabilities	*-29*	*207*	*-236*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	99	109	-10	-9.2
	a) financial assets and liabilities designated at fair value	*-31*	*141*	*-172*	
	b) other financial assets mandatorily measured at fair value	*130*	*-32*	*162*	
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	2,362	1,413	949	67.2
120.	**Net interest and other banking income**	**12,172**	**9,572**	**2,600**	**27.2**
130.	Net losses/recoveries for credit risks associated with:	-1,076	-1,718	-642	-37.4
	a) financial assets measured at amortised cost	*-1,066*	*-1,697*	*-631*	*-37.2*
	b) financial assets measured at fair value through other comprehensive income	*-10*	*-21*	*-11*	*-52.4*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-2	-35	-33	-94.3
140.	Profits (Losses) on changes in contracts without derecognition	-19	-8	11	
150.	**Net income from banking activities**	**11,075**	**7,811**	**3,264**	**41.8**
160.	Net insurance premiums	4,989	4,461	528	11.8
170.	Other net insurance income (expense)	-6,532	-5,077	1,455	28.7
180.	**Net income from banking and insurance activities**	**9,532**	**7,195**	**2,337**	**32.5**
190.	Administrative expenses:	-5,650	-4,685	965	20.6
	a) personnel expenses	*-3,362*	*-2,743*	*619*	*22.6*
	b) other administrative expenses	*-2,288*	*-1,942*	*346*	*17.8*
200.	Net provisions for risks and charges	-141	-101	40	39.6
	a) commitments and guarantees given	*60*	*-39*	*99*	
	b) other net provisions	*-201*	*-62*	*139*	
210.	Net adjustments to / recoveries on property and equipment	-320	-256	64	25.0
220.	Net adjustments to / recoveries on intangible assets	-410	-365	45	12.3
230.	Other operating expenses (income)	475	331	144	43.5
240.	**Operating expenses**	**-6,046**	**-5,076**	**970**	**19.1**
250.	Profits (Losses) on investments in associates and companies subject to joint control	41	-33	74	
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-4	-	4	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	189	5	184	
290.	**Income (Loss) before tax from continuing operations**	**3,712**	**2,091**	**1,621**	**77.5**
300.	Taxes on income from continuing operations	-725	-668	57	8.5
310.	**Income (Loss) after tax from continuing operations**	**2,987**	**1,423**	**1,564**	
320.	Income (Loss) after tax from discontinued operations	-	1,136	-1,136	
330.	**Net income (loss)**	**2,987**	**2,559**	**428**	**16.7**
340.	Minority interests	36	7	29	
350.	**Parent Company's net income (loss)**	**3,023**	**2,566**	**457**	**17.8**
	Basic EPS - Euro	**0.16**	**0.15**		
	Diluted EPS - Euro	**0.16**	**0.15**		

Statement of consolidated comprehensive income

(millions of euro)

		30.06.2021	30.06.2020	Changes	
				amount	%
10.	**Net income (Loss)**	**2,987**	**2,559**	**428**	**16.7**
	Other comprehensive income (net of tax) that may not be reclassified to the income statement	**264**	**-166**	**430**	
20.	Equity instruments designated at fair value through other comprehensive income	230	-170	400	
30.	Financial liabilities designated at fair value through profit or loss (change in own credit rating)	9	-2	11	
40.	Hedging of equity instruments designated at fair value through other comprehensive income	-	-	-	
50.	Property and equipment	-6	-6	-	-
60.	Intangible assets	-	-	-	
70.	Defined benefit plans	31	12	19	
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	**-370**	**-1,224**	**-854**	-69.8
100.	Hedges of foreign investments	-	-	-	
110.	Foreign exchange differences	79	-149	228	
120.	Cash flow hedges	97	7	90	
130.	Hedging instruments (not designated elements)	-	-	-	
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	-422	-964	-542	-56.2
145.	Financial assets measured at fair value through other comprehensive income, pertaining to Insurance companies	-142	-112	30	26.8
150.	Non-current assets held for sale and discontinued operations	-	-	-	
160.	Share of valuation reserves connected with investments carried at equity	18	-6	24	
170.	**Total other comprehensive income (net of tax)**	**-106**	**-1,390**	**-1,284**	**-92.4**
180.	**Total comprehensive income (captions 10 + 170)**	**2,881**	**1,169**	**1,712**	
190.	**Total consolidated comprehensive income pertaining to minority interests**	**-34**	**-12**	**-22**	
200.	**Total consolidated comprehensive income pertaining to the Parent Company**	**2,915**	**1,181**	**1,734**	

Changes in consolidated shareholders' equity as at 30 June 2021

(millions of euro)

	30.06.2021												
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other								
AMOUNTS AS AT 31.12.2020	**10,241**	**-**	**27,463**	**16,790**	**992**	**-570**	**809**	**7,441**	**-130**	**3,285**	**66,321**	**65,871**	**450**
Changes in opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AMOUNTS AS AT 1.1.2021	**10,241**	**-**	**27,463**	**16,790**	**992**	**-570**	**809**	**7,441**	**-130**	**3,285**	**66,321**	**65,871**	**450**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)													
Reserves	**-**	**-**	**-**	**2,736**	**-**	**-**	**-**	**-**	**-**	**-2,736**	**-**	**-**	**-**
Dividends and other allocations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-549**	**-549**	**-549**	**-**
CHANGES IN THE PERIOD													
Changes in reserves	**-**	**-**	**-155**	**-**	**23**	**-**	**-**	**-**	**-**	**-**	**-132**	**-135**	**3**
Operations on shareholders' equity	-	-											
Issue of new shares	-	-	-	-	-	-	-	-	20	-	20	20	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	-	-1,172	-	-	-1,172	-1,172	-
Derivatives on treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-16	-	-	-801	-	-2	-	-	-	-	-819	-718	-101
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**42**	**-148**	**-**	**-**	**2,987**	**2,881**	**2,915**	**-34**
SHAREHOLDERS' EQUITY AS AT 30.06.2021	**10,225**	**-**	**27,308**	**18,725**	**1,015**	**-530**	**661**	**6,269**	**-110**	**2,987**	**66,550**	**66,232**	**318**
- Group	**10,084**	**-**	**27,286**	**18,480**	**1,015**	**-476**	**661**	**6,269**	**-110**	**3,023**	**66,232**		
- minority interests	**141**	**-**	**22**	**245**	**-**	**-54**	**-**	**-**	**-**	**-36**	**318**		

(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 30 June 2020

(millions of euro)

	30.06.2020												
	Share capital		Share premium reserve	Reserves		Valuation reserves	Valuation reserves attributable to insurance companies	Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity	Group shareholders' equity	Minority interests
	ordinary shares	other shares		retained earnings	other								
AMOUNTS AS AT 31.12.2019	**9,455**	**-**	**25,095**	**12,462**	**779**	**-251**	**504**	**4,103**	**-104**	**4,172**	**56,215**	**55,968**	**247**
Changes in opening balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AMOUNTS AS AT 1.1.2020	**9,455**	**-**	**25,095**	**12,462**	**779**	**-251**	**504**	**4,103**	**-104**	**4,172**	**56,215**	**55,968**	**247**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR (a)													
Reserves				**4,150**						**-4,150**	**-**	**-**	**-**
Dividends and other allocations				**-13**						**-22**	**-35**	**-12**	**-23**
CHANGES IN THE PERIOD													
Changes in reserves			**3**		**104**						**107**	**107**	**-**
Operations on shareholders' equity													
Issue of new shares									17		17	17	-
Purchase of treasury shares											-	-	-
Dividends											-	-	-
Changes in equity instruments								1,446			1,446	1,446	-
Derivatives on treasury shares											-	-	-
Stock options											-	-	-
Changes in equity investments											-	-	-
Other	-8		-	-108							-116	-125	9
Total comprehensive income for the period						**-1,289**	**-101**			**2,559**	**1,169**	**1,181**	**-12**
SHAREHOLDERS' EQUITY AS AT 30.06.2020	**9,447**	**-**	**25,098**	**16,491**	**883**	**-1,540**	**403**	**5,549**	**-87**	**2,559**	**58,803**	**58,582**	**221**
- Group	**9,086**	**-**	**25,078**	**16,545**	**883**	**-1,441**	**403**	**5,549**	**-87**	**2,566**	**58,582**		
- minority interests	**361**	**-**	**20**	**-54**	**-**	**-99**	**-**	**-**	**-**	**-7**	**221**		

(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)

	30.06.2021	30.06.2020
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**4,610**	**4,626**
Net income (loss) (+/-)	2,987	2,559
Gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit and loss (-/+)	450	-694
Gains/losses on financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (-/+)	-1,437	-183
Gains/losses on hedging activities (-/+)	-45	12
Gains/losses on hedging activities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (-/+)	-	-
Net losses/recoveries for credit risk (+/-)	1,476	1,933
Adjustments to/net recoveries on property, equipment and intangible assets (+/-)	731	620
Net provisions for risks and charges and other costs/revenues (+/-)	140	101
Net insurance premiums to be collected (-)	8	-1
Other insurance revenues/charges to be collected (-/+)	1,146	1,943
Taxes, duties and tax credits to be paid/collected(+/-)	662	354
Net adjustments to/recoveries on discontinued operations net of tax effect (-/+)	-	-
Other adjustments (+/-)	-1,508	-2,018
2. Cash flow from / used in financial assets	**-23,955**	**-47,944**
Financial assets held for trading	-1,362	-10,830
Financial assets designated at fair value	-8	145
Other financial assets mandatorily measured at fair value	-734	-479
Financial assets measured at fair value through other comprehensive income	-9,032	-2,171
Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	2,827	355
Financial assets measured at amortised cost	-16,251	-32,612
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	626	15
Other assets	-21	-2,367
3. Cash flow from / used in financial liabilities (*)	**21,274**	**39,482**
Financial liabilities measured at amortised cost	20,888	17,492
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	495	952
Financial liabilities held for trading	-2,547	9,922
Financial liabilities designated at fair value	305	2,194
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	-527	-201
Other liabilities	2,660	9,123
Net cash flow from (used in) operating activities	**1,929**	**-3,836**
B. INVESTING ACTIVITIES		
1. Cash flow from	**85**	**1,007**
Sales of investments in associates and companies subject to joint control	-	24
Dividends collected on investments in associates and companies subject to joint control	46	8
Sales of property and equipment	39	20
Sales of intangible assets	-	10
Sales of subsidiaries and business branches	-	945
2. Cash flow used in	**-441**	**-432**
Purchases of investments in associates and companies subject to joint control	-5	-17
Purchases of property and equipment	-44	-49
Purchases of intangible assets	-40	-41
Purchases of subsidiaries and business branches	-352	-325
Net cash flow from (used in) investing activities	**-356**	**575**
C. FINANCING ACTIVITIES		
Issues/purchases of treasury shares	20	17
Share capital increases	-1,395	1,381
Dividend distribution and other	-710	-35
Disposal/acquisition of minority interests in subsidiaries	-13	-9
Net cash flow from (used in) financing activities	**-2,098**	**1,354**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-525**	**-1,907**
RECONCILIATION		
Financial statement captions		
Cash and cash equivalents at beginning of period	9,814	9,745
Net increase (decrease) in cash and cash equivalents	-525	-1,907
Cash and cash equivalents: foreign exchange effect	30	-54
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**9,319**	**7,784**

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 +21.3 billion euro (cash flow used) and comprise +28.5 billion euro in cash flows, -8.6 billion euro in fair value changes and +1.4 billion euro in other changes.

Explanatory notes

Accounting policies

General preparation principles

The Half-yearly condensed consolidated financial statements as at 30 June 2021 have been prepared in compliance with the requirements of art. 154-ter of Legislative Decree 58 of 24 February 1998. Moreover, they have been prepared in compliance with the accounting standards issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS-IC) and endorsed by the European Commission and in force as at 30 June 2021, as provided for by EU Regulation 1606 of 19 July 2002.
In particular, the Half-yearly condensed consolidated financial statements are prepared in compliance with IAS 34 requirements, which regulate interim financial reporting.

The accounting standards adopted in preparation of these Half-yearly condensed consolidated financial statements, with regard to the classification, recognition, measurement and derecognition of the financial assets and liabilities, and the recognition methods for revenues and costs, have remained unchanged compared to those adopted for the Intesa Sanpaolo Group 2020 Annual Report, which should be consulted for the complete details, except as set out below with regard to the Criteria for the preparation of segment reporting.

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 insured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the basis for calculating integrative reserves provided for in insurance regulations, in addition to the shadow reserves, and liability adequacy test provided for in IFRS 4.

With regard to the main items subject to estimates:
- for the quantification of the impairment losses on loans, details are provided in the chapter “The first half of 2021” and the section “Risk management” of the Notes to the financial statements;
- for the models used for the fair value measurement, details are provided in the section “Risk management” in the Notes to the financial statements;
- with respect to the appropriateness of the value of goodwill and the intangible assets, as well as the recoverable amount of the deferred tax assets, there has been an improvement in the macroeconomic scenario, particularly in relation to the prospects for GDP growth, while the forecast scenario for interest rates and the performance of the banking aggregates has remained substantially stable, and there has also been a marginal increase in the cash flow discounting rates. These factors, combined with the Group’s higher than expected earnings performance, mean that there are no critical elements necessitating a redetermination of the recoverable amounts.

Finally, the indications provided by the authorities and the IASB, together with the application decisions made by Intesa Sanpaolo, as described in the chapter "The first half of 2021", should be consulted on the consequences of the impact of the COVID-19 health emergency.

With reference to the criteria for the preparation of segment reporting, it is worth noting that in the first half of 2021 a revision was carried out of the allocation methods for costs and revenues between the Business Units and Corporate Centre, also in relation to the need to integrate UBI Banca in accordance with the segment reporting approaches of the Intesa Sanpaolo Group.
More specifically, as regards revenues, the context featuring market interest rates that continue to be negative and the growth in the cost of excess liquidity led to the suspension of the management retrocession by the Corporate Centre to Banca dei Territori of the figurative model hedging of core deposits modelled for interest rate risk. Likewise, the introduction of a regulatory limit of NSFR of 100% entailed the introduction of an equivalent limit also for Global Market operations of the IMI C&IB Division, limiting the benefits in favour of the Division. Moreover, the Divisions were assigned certain fee and

commission expenses which, due to the fine-tuning of the reporting methods, were identified as pertinent to the business operations performed by the Divisions.
As part of a gradual fine-tuning of the approaches and allocation methods for costs, it was decided to fully allocate the costs connected to the provision of service activities and to charge back to the Divisions most of the costs connected with the "guidance and control activities".
Specifically regarding the latter category of costs, though not directly attributable to the Divisions, it was decided to allocate them to the Divisions to strengthen the approach of joint accountability for institutional, strategic or guidance and control initiatives, also to favour increased attention to the consumption of resources, irrespective of the nature of the expense considered in each case.
Lastly, it was decided to allocate to the Divisions the levies and charges for the banking system, relating to the Deposit Guarantee Scheme, which are a direct result of the level of guaranteed deposits.
The most significant impacts quantified on the Corporate Centre in the first half of 2021 regarded:

- around 345 million euro in higher net interest income, of which around 290 million euro relating to the elimination of the recognition to the Banca dei Territori Division of the benefit of the interest rate risk model on demand deposits, and around 55 million euro attributable to the increase to 100% of the internal NSFR assigned to the Global Markets area of the IMI C&IB Division;
- around 35 million euro due to lower fee and commission income paid to third parties for electronic services, loan recovery and other services, primarily attributable to the Banca dei Territori Division and, to a lesser extent, to the IMI C&IB Division, based on sustainable criteria of correlation with the business conducted by the Divisions;
- around 360 million euro in lower operating costs due to the full allocation to the Divisions of all costs connected with the provision of services (around 80 million euro), completing a fine-tuning process launched in 2020 in line with the business approach of the Internal Pricing Model, as well as the transfer to the Divisions, based on suitable drivers, of most of the costs connected with "guidance and control activities" (around 280 million euro);
- 17 million euro in lower charges relating to the Deposit Guarantee Scheme, represented in the reclassified income statement in the caption Levies and other charges concerning the banking industry (net of tax), referring to several banks in the International Subsidiary Banks Division.

With reference to changes in the accounting regulations, please note that from 2021, Regulation (EU) 2021/25 of 13 January 2021, endorsing the document "Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" published by the IASB on 27 August 2020 regarding issues pertaining to the second phase of the interest rate reform project (Interest Rate Benchmark Reform – IBOR Reform), became mandatory and applicable for the first time. The main amendments introduced concern the possible accounting impacts of the application of the new rates (so-called replacement issue), in particular the accounting treatment of amendments to existing contracts and of hedge accounting.
With regard to the first aspect – under IFRS 9, but also similarly in application of IFRS 16 to leases and IFRS 4 to insurance contracts – it is clarified that amendments resulting from the IBOR Reform relating to the replacement of the existing IBOR rate with the new risk-free rate, do not constitute a derecognition event but are to be considered a modification from an accounting standpoint. To this end, a practical expedient has been introduced allowing such amendments, if made as a direct consequence of the IBOR Reform and applied on equivalent economic bases, to be represented with a prospective adjustment of the effective interest rate, with impacts on net interest income in future periods.
In relation to the hedge accounting, several exceptions have been introduced to IAS 39 (and to IFRS 9 for those who have also adopted it for hedges) that make it possible not to apply 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) in the case of modifications required as a direct consequence of the IBOR Reform and applied on equivalent economic bases.
No impacts on the Intesa Sanpaolo Group are foreseen for the modifications with the characteristics envisaged by the standard, in line with the objective of the amendments introduced by the IASB aimed at preventing distortions in the financial statements as a result of the reform.

In addition, Regulation 2097/2020 of 15 December 2020, endorsing the extension of the temporary exemption from applying IFRS 9 (amendments to IFRS 4 Insurance Contracts) published by the IASB on 25 June 2020, came into force from 1 January 2021. In view of the IASB's decision to postpone the date of first-time adoption of IFRS 17 until 1 January 2023 – also made on 25 June 2020 – the authorisation to postpone the application of IFRS 9 (the "Deferral Approach") was also extended until 1 January 2023 in order to remedy the temporary accounting consequences of the mismatch between the date of entry into force of IFRS 9 Financial Instruments and that of the future IFRS 17 - Insurance Contracts.

Finally, on 9 February 2021, ESMA submitted a query to the IFRS Interpretations Committee (IFRS IC) regarding the methods of accounting of TLTRO III (Targeted Longer Term Refinancing Operations), with particular reference to the following aspects: applicability of the operations in question of IFRS 9 or IAS 20, method for the recognition of interest in the so-called "special interest period" and accounting treatment of the estimation changes (both following contractual amendments and concerning the achievement of benchmarks which provide benefits from improved rates), on which the IFRS IC has not given a definitive answer yet.
In preparing the Half-yearly Report, given the absence of specific and definitive instructions from the Regulators and considering the sound rationale behind the accounting policy adopted by Intesa Sanpaolo, TLTRO III continued to be recognised in line with the current practice.
As illustrated in the Accounting Policies of the 2020 Financial Statements, to which reference is made for more details, the Intesa Sanpaolo Group applies the accounting treatment determined in accordance with IFRS 9 to TLTRO III, treating the refinancing conditions established by the ECB as floating market rates within the Eurosystem's monetary policy measures.
With reference to the overall exposure of the Intesa Sanpaolo Group, as at 30 June there are advances for 130 billion euro against which, based on the close and constant monitoring of the volumes necessary to reach the benchmarks required by the ECB, interest income totalling 515 million euro was recorded.

The Half-yearly condensed consolidated financial statements, drawn up in euro as the functional currency, are prepared in condensed form as permitted by IAS 34, and contain the consolidated Balance sheet, the consolidated Income statement, the Statement of consolidated comprehensive income for the period, the Changes in consolidated shareholders' equity, the consolidated Statement of cash flows and the Explanatory notes. They are also complemented by information on significant events which occurred in the period, on the main risks and uncertainties to be faced in the remaining months of the year, as well as information on significant related party transactions.
With effect from the 2018 financial statements, following the Group's decision to exercise the option of adopting the Deferral Approach, also provided for banking-led financial conglomerates, specific balance sheet and income statement captions have been added to the consolidated financial statement layouts established in Circular 262 to present the valuation of assets and liabilities pertaining to insurance companies and the related profit or loss effects measured in accordance with IAS 39.
The amounts indicated in the financial statements and explanatory notes are expressed in millions of euro, unless otherwise specified.

The assets held for sale include the non-performing loan portfolios of Intesa Sanpaolo, including those from UBI Banca, merged into Intesa Sanpaolo from 12 April 2021, Intesa Sanpaolo Provis and UBI Leasing, which will be sold mainly during the second half of 2021 as part of the Group's de-risking strategies. Likewise, assets held for sale include single-name non-performing credit exposures subject to already approved transactions expected to be closed after 30 June 2021. Finally, discontinued operations include the shareholding in Intesa Sanpaolo Forvalue, subject to transfer to the Tinexta Group as part of the strategic partnership concerning non-financial services to companies, and the business line dedicated to the acquiring activity within the payment system relating to the scope of the former UBI Banca, which will be transferred to Nexi during the second half of 2021.

The Half-yearly condensed consolidated financial statements as at 30 June 2021 are complemented by certification of the Managing Director – CEO and the Manager responsible for preparing the Company's financial reports pursuant to Article 154-bis of the Consolidated Law on Finance and are subject to limited review by the Independent Auditors EY S.p.A.

Scope of consolidation and consolidation methods

Scope of consolidation

The Consolidated Half-yearly Report includes Intesa Sanpaolo and the companies that it directly and indirectly controls, jointly controlled or subject to significant influence, also including – as specified by IAS/IFRS – companies operating in sectors different from that of the Parent Company and private equity investments. Similarly, structured entities are included when the requisite of effective control recurs, even if there is no stake in the company.
Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital, and in any case of limited absolute amount, are excluded from the scope of consolidation and are classified based on the provisions of IFRS 9, since Intesa Sanpaolo, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, does not have access to management policies and may exercise limited governance rights to safeguard its economic interests. 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.

The amendments made in the consolidation scope in the first half of 2021 concern the inclusion in the line-by-line scope of consolidation of:
- RB Partecipationes S.A.;
- Reyl & CIE S.A.;
- Asteria Investment Managers S.A.;
- Cargeas Assicurazioni S.p.A.;
- Assicurazioni Vita S.p.A. (formerly Aviva Vita);
- Lombarda Vita S.p.A.;
- Exetra S.p.A.

Worth mentioning is also the exclusion from the line-by-line scope of consolidation in the first half of 2021 of UBI Banca S.p.A. (merged by incorporation into Intesa Sanpaolo since 12 April 2021) and the following companies, now consolidated with the equity method in relation to the poor materiality and significance of the investments held:
- UBI Finance CB 2;
- Morval Bank & Trust Cayman LTD;
- Intesa Sanpaolo ForValue;
- UBI Finance;
- ISP CB Ipotecario;
- ISP OBG;
- ISP CB Pubblico.

Finally, for completeness, please note the change of name of UBI Sicura to Intesa Sanpaolo Insurance Agency.

Consolidation methods

The methods used for the consolidation of subsidiaries and for the consolidation of associates and companies subject to joint control have remained unchanged with respect to those adopted for the 2020 Intesa Sanpaolo Group Annual Report, to which reference should therefore be made.
The financial statements of the Parent Company and of other companies used to prepare the Half-yearly condensed consolidated financial statements as at 30 June 2021 refer to the same date.
In certain limited cases, for subsidiaries which are not material, the latest official figures are used. Where necessary – and only in wholly 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.
The financial statements of non-Eurozone companies are translated into euro by applying the spot exchange rate at period-end to assets and liabilities in the Balance sheet, and the average exchange rate for the period to Income statement captions.
The following table lists the fully-owned subsidiaries included in the scope of consolidation as at 30 June 2021.

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
1	Assicurazioni Vita S.p.A. Capital Eur 155,000,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
2	Asteria Investment Managers S.A. Capital Chf 14,000,000	Geneva	Geneva	1	Reyl & CIE S.A.	80.00	
3	Banca 5 S.p.A. Capital Eur 30,000,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
4	Banca Comerciala Eximbank S.A. Capital Mdl 1,250,000,000	Chișinău	Chișinău	1	Intesa Sanpaolo	100.00	
5	Banca Intesa A.D. Beograd Capital Rsd 21,315,900,000	Novi Beograd	Beograd	1	Intesa Sanpaolo Holding International S.A.	100.00	
6	Bancassurance Popolari S.p.A. Capital Eur 61,080,900	Milano	Milano	1	Intesa Sanpaolo	100.00	
7	Bank of Alexandria Capital Egp 800,000,000	Cairo	Cairo	1	Intesa Sanpaolo	80.00	
8	Banka Intesa Sanpaolo d.d. (d) Capital Eur 22,173,218	Koper	Koper	1	Intesa Sanpaolo Privredna Banka Zagreb d.d.	48.13 51.00 99.13	
9	BPB Immobiliare S.r.l. Capital Eur 185,680,000	Bergamo	Bergamo	1	Intesa Sanpaolo	100.00	
10	Cargeas Assicurazioni S.p.A. Capital Eur 32,812,000	Milano	Milano	1	Intesa Sanpaolo Vita S.p.A.	100.00	
11	Cib Bank Ltd. Capital Huf 50,000,000,003	Budapest	Budapest	1	Intesa Sanpaolo	100.00	
12	CIB Insurance Broker Ltd. Capital Huf 10,000,000	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
13	CIB Investment Fund Management Ltd. Capital Huf 600,000,000	Budapest	Budapest	1	Eurizon Asset Management Slovakia Sprav. Spol. A.S.	100.00	
14	CIB Leasing Ltd. Capital Huf 53,000,000	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
15	CIB Rent Operative Leasing Ltd. Capital Huf 5,000,000	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
16	Compagnia Italiana Finanziaria - CIF S.r.l. Capital Eur 10,000	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture S.r.l.	61.45	
17	Consorzio Studi e ricerche fiscali Gruppo Sanpaolo (h) Capital Eur 258,228	Roma	Roma	1	Fideuram Intesa Sanpaolo Private Banking S.p.A. Eurizon Capital SGR S.p.A. Intesa Sanpaolo Vita S.p.A. Intesa Sanpaolo	7.50 5.00 7.50 80.00 100.00	
18	Duomo Funding Plc (e)	Dublin	Dublin	2	Intesa Sanpaolo	-	
19	Epsilon SGR S.p.A. Capital Eur 5,200,000	Milano	Milano	1	Eurizon Capital SGR S.p.A.	100.00	
20	Etoile François Premier S.a.r.l. (c) Capital Eur 5,000	Paris	Paris	1	Risanamento Europa S.r.l.	100.00	
21	Eurizon Asset Management Slovakia Sprav. Spol. A.S. Capital Eur 4,093,560	Bratislava	Bratislava	1	Eurizon Capital SGR S.p.A.	100.00	
22	Eurizon Asia Capital Limited (già Eurizon Capital (HK) Limited)(h) Capital Hkd 58,000,000	Hong Kong	West Kowloon	1	Eurizon Capital SGR S.p.A.	100.00	
23	Eurizon Capital Real Asset SGR S.p.A.(h) Capital Eur 2,500,000	Milano	Milano	1	Eurizon Capital SGR S.p.A. Intesa Sanpaolo Vita S.p.A.	51.00 49.00 100.00	
24	Eurizon Capital S.A. Capital Eur 7,557,200	Luxembourg	Luxembourg	1	Eurizon Capital SGR S.p.A.	100.00	
25	Eurizon Capital SGR S.p.A. Capital Eur 99,000,000	Milano	Milano	1	Intesa Sanpaolo	100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT		Votes available (b)
					Direct ownership	% held	
26	Eurizon Slj Capital Ltd. Capital GBP 1,001,000	London	London	1	Eurizon Capital SGR S.p.A.	65.00	
27	Exelia S.r.l.(h) Capital Ron 8,252,600	Brasov	Brasov	1	Intesa Sanpaolo Holding International S.A.	100.00	
28	Exetra S.p.A. Capital Eur 158,000	Milano	Milano	1	Intesa Sanpaolo	85.00	
29	Fideuram Intesa Sanpaolo Private Banking S.p.A. Capital Eur 300,000,000	Roma	Torino	1	Intesa Sanpaolo	100.00	
30	Fideuram Asset Management (Ireland) Dac (già Fideuram Asset Management (Ireland) Ltd.) Capital Eur 1,000,000	Dublin	Dublin	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
31	Fideuram Asset Management SGR Capital Eur 25,870,000	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	99.52	
32	Fideuram Bank (Luxembourg) S.A. Capital Eur 40,000,000	Luxembourg	Luxembourg	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
33	Fideuram Vita S.p.A. Capital Eur 357,446,836	Roma	Roma	1	Intesa Sanpaolo	80.01	
					Fideuram Intesa Sanpaolo Private Banking S.p.A.	19.99	
						100.00	
34	Financière Fideuram S.A. Capital Eur 346,761,600	Paris	Paris	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
35	Gap Manco Sarl (h) Capital Eur 12,500	Luxembourg	Luxembourg	1	Reyl & CIE S.A.	100.00	
36	Iberia Distressed Asset Manager Sarl (h) Capital Eur 12,500	Luxembourg	Luxembourg	1	REYL Finance (MEA) Ltd.	100.00	
37	IIF SME Manager Ltd. (h) Capital Usd 1,000	George Town	George Town	1	Asteria Investment Managers S.A.	100.00	
38	IMI Capital Markets USA Corp. Capital Usd 5,000	New York	New York	1	IMI Investments S.A.	100.00	
39	IMI Finance Luxemburg S.A. (h) Capital Eur 100,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
40	IMI Investments S.A. Capital Eur 21,660,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
41	IMMIT - Immobili Italiani S.r.l. (h) Capital Eur 100,000	Torino	Torino	1	Intesa Sanpaolo	100.00	
42	Immobiliare Cascina Rubina S.r.l.(c) Capital Eur 10,000	Milano	Milano	1	Risanamento S.p.A.	100.00	
43	IN.FRA - Investire nelle Infrastrutture S.r.l. Capital Eur 10,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
44	Iniziative Logistiche S.r.l. Capital Eur 10,000	Milano	Milano	1	IN.FRA - Investire nelle Infrastrutture S.r.l.	60.02	
45	Intesa Invest A.D. Beograd (h) Capital Rsd 236,975,800	Beograd	Beograd	1	Banca Intesa A.D. Beograd	100.00	
46	Intesa Leasing (Closed Joint-Stock Company) Capital Rub 3,000,000	Moscow	Moscow	1	Joint-Stock Company Banca Intesa	100.00	
47	Intesa Leasing d.o.o. Beograd Capital Rsd 960,374,301	Beograd	Beograd	1	Banca Intesa A.D. Beograd	100.00	
48	Intesa Sanpaolo (Qingdao) Service Company Limited Capital CNY 80,000,000	Qingdao	Qingdao	1	Intesa Sanpaolo	100.00	
49	Intesa Sanpaolo Agents4you S.p.A. (h) Capital Eur 120,000	Torino	Torino	1	Intesa Sanpaolo	100.00	
50	Intesa Sanpaolo Assicura S.p.A. Capital Eur 27,912,258	Torino	Torino	1	Intesa Sanpaolo Vita S.p.A.	100.00	
51	Intesa Sanpaolo Bank Albania Sh.A. Capital All 5,562,517,674	Tirana	Tirana	1	Intesa Sanpaolo	100.00	
52	Intesa Sanpaolo Bank Ireland Plc Capital Eur 400,500,000	Dublin	Dublin	1	Intesa Sanpaolo	100.00	

Companies		Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
53	Intesa Sanpaolo Bank Luxembourg S.A. Capital Eur 1,389,370,555	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
54	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina Capital Bam 44,782,000	Sarajevo	Sarajevo	1	Privredna Banka Zagreb d.d.	99.99	100.00
55	Intesa Sanpaolo Brasil S.A. - Banco Multiplo Capital Brl 334,114,545	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo Intesa Sanpaolo Holding International S.A.	99.90 0.10 100.00	
56	Intesa Sanpaolo Casa S.p.A. (h) Capital Eur 1,000,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
57	Intesa Sanpaolo Expo Institutional Contact S.r.l. (h) Capital Eur 50,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
58	Intesa Sanpaolo Formazione società consortile per azioni (h) Capital Eur 174,600	Milano	Milano	1	Intesa Sanpaolo	100.00	
59	Intesa Sanpaolo Forvalue S.p.A.(h)(n) Capital Eur 2,000,000	Milano	Torino	1	Intesa Sanpaolo	100.00	
60	Intesa Sanpaolo Funding LLC (già Intesa Funding LLC) Capital Usd 25,000	New York	Wilmington	1	Intesa Sanpaolo	100.00	
61	Intesa Sanpaolo Harbourmaster III S.A. Capital Eur 5,500,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
62	Intesa Sanpaolo Highline S.r.l. (h) Capital Eur 500,000	Torino	Torino	1	Intesa Sanpaolo	100.00	
63	Intesa Sanpaolo Holding International S.A. Capital Eur 2,157,957,270	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
64	Intesa Sanpaolo Imi Securities Corp. Capital Usd 44,500,000	New York	New York	1	IMI Capital Markets USA Corp.	100.00	
65	Intesa Sanpaolo Innovation Center S.c.p.a. Capital Eur 9,254,940	Torino	Torino	1	Intesa Sanpaolo Intesa Sanpaolo Vita S.p.A.	99.99 0.01 100.00	
66	Intesa Sanpaolo Insurance Agency S.p.A. Capital Eur 500,000	Milano	Torino	1	Bancassurance Popolari S.p.A.	100.00	
67	Intesa Sanpaolo International Value Services Ltd. Capital Hrk 100,000	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International S.A.	100.00	
68	Intesa Sanpaolo Life Designed activity company (già Intesa Sanpaolo Life Ltd.) Capital Eur 625,000	Dublin	Dublin	1	Intesa Sanpaolo Vita S.p.A.	100.00	
69	Intesa Sanpaolo Private Argentina S.A. (h) Capital Ars 13,404,506	Buenos Aires	Buenos Aires	1	Fideuram Intesa Sanpaolo Private Banking S.p.A. Intesa Sanpaolo Private Bank (Suisse) Morval S.A.	4.97 95.03 100.00	
70	Intesa Sanpaolo Private Bank (Suisse) Morval S.A. (f) Capital Chf 22,217,000	Geneva	Geneva	1	Reyl & CIE S.A.	98.68	
71	Intesa Sanpaolo Private Banking S.p.A. Capital Eur 117,497,424	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A. Intesa Sanpaolo	89.79 10.21 100.00	
72	Intesa Sanpaolo Private Monaco S.A.(h) Capital Eur 1,200,000	Monaco	Monaco	1	Intesa Sanpaolo Private Bank (Suisse) Morval S.A.	100.00	
73	Intesa Sanpaolo Provis S.p.A. Capital Eur 6,725,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
74	Intesa Sanpaolo RBM Salute S.p.A. (i) Capital Eur 160,000,000	Preganziol	Venezia	1	Intesa Sanpaolo Vita S.p.A.	50.00	
75	Intesa Sanpaolo RE.O.CO. S.p.A. Capital Eur 13,000,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
76	Intesa Sanpaolo Rent FORYOU S.p.A. (l) Capital Eur 630,000	Torino	Torino	1	Intesa Sanpaolo	60.00	
77	Intesa Sanpaolo Romania S.A. Commercial Bank Capital Ron 1,156,639,410	Bucharest	Bucharest	1	Intesa Sanpaolo Intesa Sanpaolo Holding International S.A.	99.73 0.27 100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
78	Intesa Sanpaolo Servicos e emprendimentos Ltda. em Liquidacao (h) Capital Brl 3,283,320	Sao Paulo	Sao Paulo	1	Intesa Sanpaolo	100.00	
79	Intesa Sanpaolo Servitia S.A. Capital Eur 1,500,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Holding International S.A.	100.00	
80	Intesa Sanpaolo Smart Care S.r.l. Capital Eur 1,633,000	Torino	Torino	1	Intesa Sanpaolo	51.01	
					Intesa Sanpaolo Vita S.p.A.	48.99	
						100.00	
81	Intesa Sanpaolo Vita S.p.A. Capital Eur 320,422,509	Milano	Torino	1	Intesa Sanpaolo	99.99	
82	Inveniam S.A. (h) Capital Chf 50,000	Geneva	Geneva		Reyl Private Office Luxemburg Sarl	100.00	
83	ISP CB Ipotecario S.r.l. (h) Capital Eur 120,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
84	ISP CB Pubblico S.r.l. (h) Capital Eur 120,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
85	ISP OBG S.r.l. (h) Capital Eur 42,038	Milano	Milano	1	Intesa Sanpaolo	60.00	
86	IW BANK S.p.A. Capital Eur 67,950,000	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
87	Joint-Stock Company Banca Intesa Capital Rub 10,820,180,800	Moscow	Moscow	1	Intesa Sanpaolo Holding International S.A.	53.02	
					Intesa Sanpaolo	46.98	
						100.00	
88	Kedomus S.r.l. Capital Eur 300,000	Brescia	Brescia	1	Intesa Sanpaolo	100.00	
89	Lombarda Vita S.p.A. Capital Eur 185,300,000	Brescia	Brescia	1	Intesa Sanpaolo	100.00	
90	Lux Gest Asset Management S.A. Capital Eur 200,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo Bank Luxembourg S.A.	100.00	
91	Mecenate S.r.l. in liquidazione (h) Capital Eur 10,000	Arezzo	Arezzo	1	Intesa Sanpaolo	95.00	
92	Milano Santa Giulia S.p.A. (c) Capital Eur 139,041	Milano	Milano	1	Risanamento S.p.A.	100.00	
93	Morval Bank & Trust Cayman Ltd. (h) Capital Eur 7,850,000	George Town	George Town	1	Intesa Sanpaolo Private Bank (Suisse) Morval S.A.	100.00	
94	Morval Vonwiller Advisors S.A. (h) Capital Uyu 495,000	Montevideo	Montevideo	1	Intesa Sanpaolo Private Bank (Suisse) Morval S.A.	100.00	
95	MSG Comparto Quarto S.r.l. (c) Capital Eur 20,000	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
96	MSG Comparto Secondo S.r.l. (c) Capital Eur 50,000	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
97	MSG Comparto Terzo S.r.l. (c) Capital Eur 20,000	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
98	Neva S.G.R S.p.A. (già Imi Fondi Chiusi S.p.A.) (h) Capital Eur 2,000,000	Torino	Bologna	1	Intesa Sanpaolo Innovation Center S.c.p.a.	100.00	
99	New CO 123 S.p.A. (h) Capital Eur 600,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
100	Obviam AG S.A. (h) Capital Chf 500,000	Bern	Bern	1	Asteria Investment Managers S.A.	100.00	
101	OOO Intesa Realty Russia (h) Capital Rub 10,000	Moscow	Moscow	1	Intesa Sanpaolo	100.00	
102	Oro Italia Trading S.p.A. in liquidazione (h) Capital Eur 500,000	Arezzo	Arezzo	1	Intesa Sanpaolo	100.00	
103	PBZ Card d.o.o. Capital Hrk 43,422,200	Zagreb	Zagreb	1	Privredna Banka Zagreb d.d.	100.00	
104	PBZ Invest d.o.o. Capital Hrk 5,000,000	Zagreb	Zagreb	1	Eurizon Asset Management Slovakia Sprav. Spol. A.S.	100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
105	PBZ Leasing d.o.o. Capital Hrk 15,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb d.d.	100.00	
106	PBZ Stambena Stedionica d.d. Capital Hrk 115,000,000	Zagreb	Zagreb	1	Privredna Banka Zagreb d.d.	100.00	
107	Porta Nuova Gioia Capital Eur 6,112,000	Milano	Milano	1	Intesa Sanpaolo	100.00	
108	Portugal Real Estate Opportunities Manager Sarl (h) Capital Eur 12,500	Luxembourg	Luxembourg		REYL Finance (MEA) Ltd.	100.00	
109	Pramerica Management Company S.A. Capital Eur 125,000	Luxembourg	Luxembourg	1	Pramerica SGR S.p.A.	100.00	
110	Pramerica SGR S.p.A. Capital Eur 19,955,465	Bergamo	Bergamo	1	Intesa Sanpaolo	100.00	
111	Pravex Bank Public Joint-Stock Company Capital Uah 979,089,724	Kiev	Kiev	1	Intesa Sanpaolo	100.00	
112	Prestitalia S.p.A. Capital Eur 205,722,715	Bergamo	Bergamo	1	Intesa Sanpaolo	100.00	
113	Private Equity International S.A. (g) Capital Eur 107,000,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo	94.39	100.00
114	Privredna Banka Zagreb d.d. Capital Hrk 1,907,476,900	Zagreb	Zagreb	1	Intesa Sanpaolo Holding International S.A.	97.47	
115	Qingdao Yicai Fund Distribution Co. Ltd. Capital Cny 491,000,000	Qingdao	Qingdao	1	Intesa Sanpaolo	100.00	
116	RB Partecipations S.A. Capital Chf 100,000	Geneva	Geneva		Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
117	Recovery Property Utilisation and Services Zrt. Capital Huf 20,000,000	Budapest	Budapest	1	Cib Bank Ltd.	100.00	
118	Reyl & CIE S.A. (m) Capital Chf 31,500,001	Geneva	Geneva		Fideuram Intesa Sanpaolo Private Banking S.p.A.	39.00	
					RB Partecipations S.A.	30.00	
						69.00	
119	REYL Overseas S.A. (h) Capital Chf 500,000	Zurich	Zurich		Reyl & CIE S.A.	100.00	
120	REYL Prime Solution S.A. en Liquidation (h) Capital Chf 100,000	Geneva	Geneva		Reyl & CIE S.A.	100.00	
121	Reyl Private Office Luxemburg Sarl (h) Capital Eur 50,000	Luxembourg	Luxembourg		Reyl & CIE S.A.	100.00	
122	REYL Singapore Holding Pte. Ltd.(h) Capital Sgd 1,201	Singapore	Singapore		Reyl & CIE S.A.	75.00	
123	REYL Singapore Pte. Ltd. (h) Capital Sgd 500,000	Singapore	Singapore		Reyl & CIE S.A.	76.00	
					REYL Singapore Holding Pte. Ltd.	18.00	
						94.00	
124	REYL & CO Holdings Ltd. (h) Capital Gbp 2,400,000	London	London		Reyl & CIE S.A.	100.00	
125	REYL & CO (UK) Llp. (h) Capital Gbp 2,500,00	London	London		REYL & CO Holdings Ltd.	100.00	
126	REYL & CIE (Malta) Holding Ltd. (h) Capital Eur 730,000	Valletta	Valletta		Reyl & CIE S.A.	100.00	
127	REYL & CIE (Malta) Ltd. (h) Capital Eur 730,000	Valletta	Valletta		Reyl & CIE S.A. (Malta) Holdings Ltd.	100.00	
128	REYL Finance (MEA) Ltd. (h) Capital Usd 2,850,000	Dubai	Dubai		Reyl & CIE S.A.	100.00	
129	Ri. Rental S.r.l. (c) Capital Eur 10,000	Milano	Milano	1	Risanamento S.p.A.	100.00	
130	Risanamento Europa S.r.l. (c) Capital Eur 10,000	Milano	Milano	1	Risanamento S.p.A.	100.00	
131	Risanamento S.p.A. (c) Capital Eur 197,951,784	Milano	Milano	1	Intesa Sanpaolo	48.88	
132	Romulus Funding Corporation (e)	New York	New York	2	Intesa Sanpaolo	-	
133	Sanpaolo Invest SIM S.p.A. Capital Eur 15,264,760	Roma	Torino	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
134	Società Benefit Cimarosa 1 S.p.A. (h) Capital Eur 100,000	Milano	Milano	1	Intesa Sanpaolo	100.00	

	Companies	Place of business	Registered office	Type of relation-ship (a)	INVESTMENT Direct ownership	% held	Votes available (b)
135	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital Eur 2,600,000	Milano	Milano	1	Fideuram Intesa Sanpaolo Private Banking S.p.A.	100.00	
136	SRM Studi e Ricerche per il Mezzogiorno (h) Capital Eur 90,000	Napoli	Napoli	1	Intesa Sanpaolo	60.00	25.00
137	Sviluppo Comparto 3 S.r.l.(c) Capital Eur 50,000	Milano	Milano	1	Milano Santa Giulia S.p.A.	100.00	
138	UBI Factor S.p.A. Capital Eur 36,115,820	Milano	Milano	1	Intesa Sanpaolo	100.00	
139	UBI Finance CB 2 S.r.l. (h) Capital Eur 10,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
140	UBI Finance S.r.l. (h) Capital Eur 10,000	Milano	Milano	1	Intesa Sanpaolo	60.00	
141	UBI Leasing S.p.A. Capital Eur 383,714,623	Brescia	Brescia	1	Intesa Sanpaolo	100.00	
142	UBI Sistemi e Servizi S.c.p.a. Capital Eur 36,149,949	Brescia	Brescia	1	Intesa Sanpaolo	100.00	
143	UBI Trustee S.A. (h) Capital Eur 250,000	Luxembourg	Luxembourg	1	Intesa Sanpaolo	100.00	
144	Vseobecna Uverova Banka A.S. Capital Eur 430,819,064	Bratislava	Bratislava	1	Intesa Sanpaolo Holding International S.A.	100.00	
145	VUB Leasing A.S. Capital Eur 46,600,000	Bratislava	Bratislava	1	Vseobecna Uverova Banka A.S.	100.00	

(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 not subject to the management and coordination activities pursuant to art. 2497 and following of the Italian Civil Code.

(d) Minority shareholders are subject to a legal commitment to purchase the remaining 0.8% of share capital.

(e) Company controlled pursuant to IFRS 10, although the Group does not hold any equity stake in the company capital.

(f) Please note that there are put and call option agreements on 1.32% of share capital held by minority shareholders.

(g) On 23 December 2016, the subsidiary Private Equity International issued a new category of class C shares, equal to 5.6% of the company's capital. These shares do not carry the right to vote in the shareholders' meeting and their return is dependent on the financial performance of certain investments held by Private Equity International.

(h) Company consolidated using the equity method given its limited materiality.

(i) Please note that there are put and call option agreements on 50% of share capital held by minority shareholders.

(l) Please note that there are put and call option agreements on 40% of share capital held by minority shareholders.

(m) Please note that there are put and call option agreements on 31% of share capital held by minority shareholders.

(n) The company was reclassified to Discontinued operations according to IFRS 5

Subsequent events

For the sake of completeness, listed below are the events occurring after the end of the half year, which are described in greater detail in the first chapter of this Report. In particular:

- on 23 July 2021, the ECB indicated that it would not extend beyond 30 September 2021 its recommendation aimed at all the banks to limit the distribution of dividends and the treasury share buy-back programmes. As a consequence the Supervisory Authorities will resume pre-pandemic supervisory practice, i.e. assess with each bank the evolution of the capital profile and the plans for distribution of dividends or share buy-backs in the context of the regular supervisory cycle;
- the merger by incorporation of Pramerica SGR S.p.A. into Eurizon Capital SGR S.p.A. took effect from 1 July. Therefore, from that date, the amendments to the regulations for the management of the funds concerned also became effective, with the renaming of the funds to Eurizon AM;
- from 1 July also the merger by incorporation of Pramerica Management Company S.A., the management company of Pramerica's Luxembourg Sicavs, with the latters' renaming to Eurizon AM Sicav, into Eurizon Capital S.A. Luxembourg took effect;
- from 12 July the merger by incorporation of UBI.S into Intesa Sanpaolo took legal effect, with accounting and tax effects starting from 1 January 2021;
- as part of the project of aggregation among the real estate companies of the Group, the deed of merger by incorporation of IMMIT into BPB Immobiliare was signed on 20 July and will take effect from 1 September 2021;
- in implementation of the partnership between the ISP Group and the Tinexta Group, on 21 July Intesa Sanpaolo contributed the 100% shareholding of Intesa Sanpaolo Forvalue S.p.A. to Innolva S.p.A. (wholly owned by Tinexta) with subscription of newly issued shares, originating from a reserved capital increase. At the same time, the transferred company changed its name to Forvalue.

On 30 July 2021, the results of the 2021 EU-Wide Stress Test were announced, conducted by the European Banking Authority (EBA), in collaboration with the Bank of Italy, the European Central Bank and the European Systemic Risk Board (ESRB), to which the Intesa Sanpaolo Group was also subject.
Intesa Sanpaolo noted the announcements made by the EBA and fully acknowledged the outcomes of the exercise. The Intesa Sanpaolo fully loaded CET1 ratio resulting from the stress test for 2023, the final year considered in the exercise, stands at 15.06% under the baseline scenario and 9.38% under the adverse scenario, compared to the starting-point figure of 14.04% as of 31 December 2020.
It should be noted that the 2021 EU-wide stress test does not contain a pass fail threshold and instead is designed to be used as an important source of information for the purposes of the SREP. The results will assist competent authorities in assessing Intesa Sanpaolo's ability to meet applicable prudential requirements under stressed scenarios.
Please note that: (i) the adverse stress test scenario was set by the ECB/ESRB and covers a three-year time horizon (2021-2023); (ii) the stress test was carried out applying a static balance sheet assumption as of December 2020; therefore, it does not take into account future business strategies and management actions.
The fully loaded CET1 ratio under the adverse scenario would be 9.97% restoring the actual neutral effect on capital ratios of the 2018-2021 Long-term Incentive Plan LECOIP 2.0 based on financial instruments, not captured by the stress test assumption of a static balance sheet, and considering the sale transactions of the going concerns - related to the acquisition of UBI Banca in 2020 - finalised in the first half of 2021, other things being equal.

Finally, again in July, an agreement was signed between the Intesa Sanpaolo Group and Poste Italiane aiming to reciprocally strengthen the investment activities in the real economy. The partnership includes the acquisition by Poste Italiane of 40% of Eurizon Capital Real Asset SGR ("ECRA"), a subsidiary of Eurizon that is active in alternative capital market investments.
Poste Vita will give ECRA a mandate for a value of about 2.5 billion euro which will take ECRA's assets above 6.5 billion euro, making it a leading player at national level. The joint venture will generate synergies that will enhance the activities of the two Groups and the distribution capacity of Eurizon in the institutional and private banking market.
The completion of the transaction, which is subject to the usual authorisations from the competent authorities, is expected by the end of the year and will make the share capital of ECRA as follows:

- 40% (corresponding to 24.5% of the voting rights) to the Poste Italiane Group;
- 40% (corresponding to 24.5% of the voting rights) to Intesa Sanpaolo Vita;
- 20% (corresponding to 51% of the voting rights) to Eurizon.

Assets under management will to all intents and purposes be fully attributable to Eurizon Capital SGR in which ECRA's financial statements will remain 100% consolidated.

Economic results

General aspects

A condensed reclassified consolidated income statement has been prepared to give a more immediate understanding of results. The figures are normally restated, where necessary and if they are material, for ease of comparison. In particular, the amounts are provided as uniformly 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, and through "redetermined" figures when, at the time of major or particular transactions, it is appropriate to display side-by-side/supplement the restated figures with redetermined figures, possibly also including management data.

In this Report, the restatement on a like-for-like basis of the comparative figures involved:

- the line-by-line income statement results of RBM Assicurazione Salute, which entered the line-by-line scope of consolidation in the second quarter of 2020 due to the finalisation of the acquisition of majority shareholding of the company;
- the line-by-line income statement results of the Reyl Group companies (Reyl & Cie S.A., RB Partecipationes S.A. and Asteria Investment Managers S.A.), which entered the line-by-line scope of consolidation in the second quarter of 2021 following the acquisition of control by Fideuram Intesa Sanpaolo Private Banking.

With regard to the acquisition of the UBI Group and the related transactions, it bears recalling that – given the particular nature of the transaction – in 2020 the historical figures were not adjusted to reflect the effects of the consolidation, which took effect from August, retrospectively during the quarters of the year concerned. However, a comparison of the 2021 income statement figures, inclusive of the UBI Group, and the 2020 figures not including them would not be meaningful. Another difference between the periods relates to the effects of the sale of branches to BPER and Banca Popolare di Puglia e Basilicata (BPPB), correlated to the acquisition transaction, carried in the first and second quarters of 2021. Lastly, again in the second quarter of 2021, the acquisition of 100% of the share capital of Cargeas (insurance company operating in the non-life business) by Intesa Sanpaolo Vita was finalised, along with the acquisition of control over Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita (insurance companies operating in the non-life business), with which UBI had started multi-year partnerships and which were previously consolidated using the equity method on account of the smaller stakes held. The income components of these insurance companies were also affected by the sale of the UBI branches to BPER and BPPB: the branch disposals have resulted in the loss of the margins on the policies sold to customers of those branches.

In consideration of the foregoing, it was decided to provide the reader with a like-for-like comparison in the various periods in the interest of a better understanding of income dynamics. In view of the nature of the necessary restatements, this comparison – which also includes income results at the level of each branch object of disposal – is also based on figures of a management nature. Accordingly, to present the figures "redetermined" (in the following tables the "Redetermined figures") on the basis of accounting and management records, schedules have been produced in addition to those determined on the basis of stated figures at the end of the various periods, and the detail tables have been expanded upon or duplicated with separate indication of the "Redetermined figures".

In particular, the "redeterminations" of the figures for the four quarters of 2020 related to:

- the inclusion of the UBI Group's figures on a line-by-line basis, with the attribution by convention of net income to the caption Minority interests in the "redetermined" income statement, and thus without an impact on net income for the period;
- the line-by-line exclusion of the income results relating to the UBI branches sold in the first quarter of 2021 and the UBI and ISP branches sold in the second quarter of 2021, which by convention have been synthetically allocated to the caption Income (loss) from discontinued operations of the "redetermined" income statement.
- the inclusion of the figures of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas on a line-by-line basis, suitably "redetermined" on the basis of management information to exclude the income statement results linked to production from the customers of the branches sold, with the attribution by convention of net income to the caption Minority interests in the "redetermined" income statement, and thus without an impact on net income for the period;
- the elimination of the contribution to the item Other operating income (expense) of the result attributable to the insurance companies Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita (previously consolidated using the equity method), with the attribution by convention to the caption Minority interests in the "redetermined" income statement (hence with no impacts on net income), already used to synthetically allocate the income effects of the line-by-line results of the above companies.

The redeterminations of the figures for the first quarter of 2021 related to:

- the line-by-line exclusion of the income results relating to the UBI branches sold in the first quarter of 2021 and the UBI and ISP branches sold in the second quarter of 2021, which by convention have been synthetically allocated to the caption Income (loss) from discontinued operations of the "redetermined" schedule;
- the inclusion of the figures of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas on a line-by-line basis, suitably "redetermined" on the basis of management information to exclude the income statement results linked to production from the customers of the branches sold to BPER, with the attribution by convention of net income to the caption Minority interests in the "redetermined" income statement, and thus without an impact on net income for the period;
- the elimination of the contribution to the item Other operating income (expense) of the result attributable to the insurance companies Assicurazioni Vita (formerly Aviva Vita) and Lombarda Vita (previously consolidated using the equity method),

with the attribution by convention of net income to the caption Minority interests in the “redetermined” income statement (hence with no impacts on net income), already used to synthetically allocate the income effects of the line-by-line results of the above companies.

The redeterminations of the figures for the second quarter of 2021 related to:

- the line-by-line exclusion of the income results relating to the UBI and ISP branches sold in the second quarter of 2021, which by convention have been synthetically allocated to the caption Income (loss) from discontinued operations of the “redetermined” schedule;
- the inclusion of the insurance company Cargeas’ figures on a line-by-line basis for the months of April and May, with the attribution by convention of net income to the caption Minority interests, and thus without an impact on net income for the period.

All comments below therefore refer to the “redetermined” values in order to permit uniform comparisons.

Breakdowns of restatements and reclassifications made as compared to the layout established in Bank of Italy Circular 262 – in addition to the aforementioned “redeterminations” – 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 the consolidated income statement are as follows:

- 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;
- Profits (losses) on financial assets and liabilities pertaining to insurance companies (measured pursuant to IAS 39, by virtue of the Group's exercise of the option to defer application of IFRS 9), which include the shares of Net interest income, Dividends and Income from financial assets and liabilities relating to insurance business, have been reclassified, along with net premiums and the balance of income and expenses from insurance business, to the specific caption Income from insurance business, to which the effect of the adjustment of the technical reserve has also been attributed, in respect of the component borne by the insured parties, relating to the impairment of the securities held in the portfolios of the Group's insurance companies. The claims in excess of premiums accrued as at 30 June 2021 have also been included in the caption Other net provisions and net impairment losses on other assets, as well as the estimated provision for future charges on annual policies in force, determined in accordance with the provisions of IVASS Regulation no. 22/2008, in relation to a financial imbalance which was also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown;
- differentials on derivatives, classified to the trading book and contracted to hedge transactions in foreign currencies, 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 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 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;
- 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 assets and liabilities designated at fair value 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 of entities operating in sectors entirely distinct from banking and finance, 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 administrative expenses relative to recoveries of expenses, taxes and duties, which are deducted from the caption instead of being included among Other income (expenses), and the expenses associated with the “bank tax” paid quarterly to the Hungarian treasury by the CIB Group, which - given the nature of the tax - are accounted for as taxes on income;
- 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 adjustments/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 reversal in the time value of Employee termination indemnities and Allowances for risks and charges, which was 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, such as 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;

- realised profits (losses) on financial assets measured at amortised cost other than loans, on equity investments and on other investments have been reallocated 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 in correlation with trading activity 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, Other administrative expenses and other captions of the income statement to a separate caption;
- the Effects of purchase price allocation, net of the tax effect, are indicated in a specific caption. They normally represent adjustments to and any impairment losses on financial assets and liabilities and property, equipment and intangible assets which were 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;
- 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)

	30.06.2021	30.06.2020	Changes	
			amount	%
Net interest income	4,013	3,505	508	14.5
Net fee and commission income	4,777	3,606	1,171	32.5
Income from insurance business	811	736	75	10.2
Profits (Losses) on financial assets and liabilities designated at fair value	1,140	1,265	-125	-9.9
Other operating income (expenses)	65	-3	68	
Operating income	**10,806**	**9,109**	**1,697**	**18.6**
Personnel expenses	-3,333	-2,764	569	20.6
Other administrative expenses	-1,358	-1,142	216	18.9
Adjustments to property, equipment and intangible assets	-606	-534	72	13.5
Operating costs	**-5,297**	**-4,440**	**857**	**19.3**
Operating margin	**5,509**	**4,669**	**840**	**18.0**
Net adjustments to loans	-1,007	-1,801	-794	-44.1
Other net provisions and net impairment losses on other assets	-351	-157	194	
Other income (expenses)	191	-12	203	
Income (Loss) from discontinued operations	-	1,163	-1,163	
Gross income (loss)	**4,342**	**3,862**	**480**	**12.4**
Taxes on income	-921	-875	46	5.3
Charges (net of tax) for integration and exit incentives	-107	-50	57	
Effect of purchase price allocation (net of tax)	-34	-50	-16	-32.0
Levies and other charges concerning the banking industry (net of tax)	-292	-277	15	5.4
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	35	-44	79	
Net income (loss)	**3,023**	**2,566**	**457**	**17.8**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

Reclassified income statement – Redetermined figures

(millions of euro)

	30.06.2021 Redetermined figures	30.06.2020 Redetermined figures	Changes amount	Changes %
Net interest income	3,947	4,077	-130	-3.2
Net fee and commission income	4,683	4,136	547	13.2
Income from insurance business	854	896	-42	-4.7
Profits (Losses) on financial assets and liabilities designated at fair value	1,139	1,355	-216	-15.9
Other operating income (expenses)	51	30	21	70.0
Operating income	**10,674**	**10,494**	**180**	**1.7**
Personnel expenses	-3,282	-3,308	-26	-0.8
Other administrative expenses	-1,365	-1,443	-78	-5.4
Adjustments to property, equipment and intangible assets	-608	-628	-20	-3.2
Operating costs	**-5,255**	**-5,379**	**-124**	**-2.3**
Operating margin	**5,419**	**5,115**	**304**	**5.9**
Net adjustments to loans	-1,001	-2,081	-1,080	-51.9
Other net provisions and net impairment losses on other assets	-354	-180	174	96.7
Other income (expenses)	191	13	178	
Income (Loss) from discontinued operations	58	1,379	-1,321	-95.8
Gross income (loss)	**4,313**	**4,246**	**67**	**1.6**
Taxes on income	-922	-997	-75	-7.5
Charges (net of tax) for integration and exit incentives	-107	-37	70	
Effect of purchase price allocation (net of tax)	-34	-50	-16	-32.0
Levies and other charges concerning the banking industry (net of tax)	-279	-297	-18	-6.1
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	52	-299	351	
Net income (loss)	**3,023**	**2,566**	**457**	**17.8**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development of the reclassified income statement

(millions of euro)

	2021		2020			
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	2,000	2,013	2,191	2,103	1,754	1,751
Net fee and commission income	2,382	2,395	2,597	2,141	1,752	1,854
Income from insurance business	438	373	319	298	367	369
Profits (Losses) on financial assets and liabilities designated at fair value	344	796	194	130	266	999
Other operating income (expenses)	16	49	14	1	12	-15
Operating income	**5,180**	**5,626**	**5,315**	**4,673**	**4,151**	**4,958**
Personnel expenses	-1,657	-1,676	-1,824	-1,608	-1,393	-1,371
Other administrative expenses	-708	-650	-889	-662	-585	-557
Adjustments to property, equipment and intangible assets	-300	-306	-321	-304	-269	-265
Operating costs	**-2,665**	**-2,632**	**-3,034**	**-2,574**	**-2,247**	**-2,193**
Operating margin	**2,515**	**2,994**	**2,281**	**2,099**	**1,904**	**2,765**
Net adjustments to loans	-599	-408	-1,475	-938	-1,398	-403
Other net provisions and net impairment losses on other assets	-218	-133	-122	-67	262	-419
Other income (expenses)	-7	198	62	23	-18	6
Income (Loss) from discontinued operations	-	-	-	-	1,134	29
Gross income (loss)	**1,691**	**2,651**	**746**	**1,117**	**1,884**	**1,978**
Taxes on income	-82	-839	-167	-319	-314	-561
Charges (net of tax) for integration and exit incentives	-55	-52	-1,485	-28	-35	-15
Effect of purchase price allocation (net of tax)	-18	-16	-1,227	3,237	-24	-26
Levies and other charges concerning the banking industry (net of tax)	-83	-209	-38	-197	-86	-191
Impairment (net of tax) of goodwill and other intangible assets	-	-	-912	-	-	-
Minority interests	54	-19	-16	-	-10	-34
Net income (loss)	**1,507**	**1,516**	**-3,099**	**3,810**	**1,415**	**1,151**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

Quarterly development of the reclassified income statement – Redetermined figures

(millions of euro)

	2021		2020			
	Second quarter Redetermined figures	**First quarter Redetermined figures**	**Fourth quarter Redetermined figures**	**Third quarter Redetermined figures**	**Second quarter Redetermined figures**	**First quarter Redetermined figures**
Net interest income	1,995	1,952	2,072	2,129	2,037	2,040
Net fee and commission income	2,370	2,313	2,442	2,147	2,014	2,122
Income from insurance business	456	398	436	353	456	440
Profits (Losses) on financial assets and liabilities designated at fair value	344	795	193	127	306	1,049
Other operating income (expenses)	19	32	6	1	29	1
Operating income	**5,184**	**5,490**	**5,149**	**4,757**	**4,842**	**5,652**
Personnel expenses	-1,655	-1,627	-1,744	-1,646	-1,662	-1,646
Other administrative expenses	-712	-653	-898	-744	-747	-696
Adjustments to property, equipment and intangible assets	-301	-307	-315	-313	-314	-314
Operating costs	**-2,668**	**-2,587**	**-2,957**	**-2,703**	**-2,723**	**-2,656**
Operating margin	**2,516**	**2,903**	**2,192**	**2,054**	**2,119**	**2,996**
Net adjustments to loans	-599	-402	-1,440	-972	-1,543	-538
Other net provisions and net impairment losses on other assets	-220	-134	-121	-64	251	-431
Other income (expenses)	-7	198	62	22	-	13
Income (Loss) from discontinued operations	10	48	129	80	1,230	149
Gross income (loss)	**1,700**	**2,613**	**822**	**1,120**	**2,057**	**2,189**
Taxes on income	-85	-837	-191	-322	-362	-635
Charges (net of tax) for integration and exit incentives	-55	-52	-1,485	-27	-22	-15
Effect of purchase price allocation (net of tax)	-18	-16	-1,227	3,237	-24	-26
Levies and other charges concerning the banking industry (net of tax)	-83	-196	-38	-178	-91	-206
Impairment (net of tax) of goodwill and other intangible assets	-	-	-912	-	-	-
Minority interests	48	4	-68	-20	-143	-156
Net income (loss)	**1,507**	**1,516**	**-3,099**	**3,810**	**1,415**	**1,151**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

As indicated in the introduction, in order to ensure a uniform comparison, the analysis of income performance below is based on figures redetermined to take into account the inclusion of the UBI Group and the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Operating income

Although in a context still characterised by the uncertainties caused by the pandemic, the Intesa Sanpaolo Group's operating income amounted to 10,674 million euro in the first half of 2021, up 1.7% from 10,494 million euro in the same period of 2020. This result was driven by the positive performance of net fee and commission income and, to a lesser extent, of other net operating income, only partly offset by the reductions in Profits (losses) on financial assets and liabilities designated at fair value, Net interest income and income deriving from insurance business.

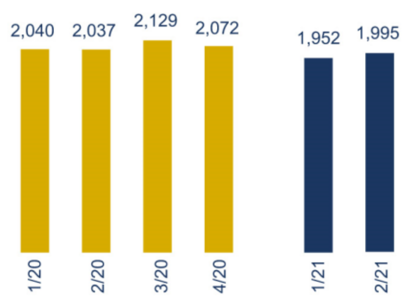
Net interest income

(millions of euro)

	30.06.2021	Adjustments	30.06.2021 Redetermined figures	30.06.2020	Adjustments	30.06.2020 Redetermined figures	Changes (Redetermined figures) amount	%
Relations with customers	3,969	-72	3,897	3,575	537	4,112	-215	-5.2
Securities issued	-835	-	-835	-853	-208	-1,061	-226	-21.3
Customer dealing	**3,134**	**-72**	**3,062**	**2,722**	**329**	**3,051**	**11**	**0.4**
Instruments measured at amortised cost which do not constitute loans	278	-	278	198	49	247	31	12.6
Other financial assets and liabilities designated at fair value through profit or loss	-7	-	-7	36	5	41	-48	
Other financial assets designated at fair value through other comprehensive income	310	-	310	391	44	435	-125	-28.7
Financial assets and liabilities	**581**	**-**	**581**	**625**	**98**	**723**	**-142**	**-19.6**
Relations with banks	**326**	**-**	**326**	**199**	**-14**	**185**	**141**	**76.2**
Differentials on hedging derivatives	**-312**	**-**	**-312**	**-360**	**61**	**-299**	**13**	**4.3**
Non-performing assets	**311**	**-**	**311**	**377**	**74**	**451**	**-140**	**-31.0**
Other net interest income	**-27**	**6**	**-21**	**-58**	**24**	**-34**	**-13**	**-38.2**
Net interest income	**4,013**	**-66**	**3,947**	**3,505**	**572**	**4,077**	**-130**	**-3.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Net interest income - Redetermined figures
(millions of euro)



Net interest income was 3,947 million euro, down by 3.2% on the first half of 2020. In a market context characterised by interest rates that remain well within negative territory, the decline was mainly due to financial assets, markedly those designated at fair value. Customer dealing remained largely stable, following the lower cost of funding from securities issued, offset by the decline in the contribution of relations with customers. Among the other components, there were significant declines in interest on non-performing assets, due to the deleveraging measures undertaken in the previous years and the decrease in new NPL flows, whereas there was an increase in net interest income on relations with banks due to the greater impact on the income statement of TLTRO operations with the ECB. The balance of differentials on hedging derivatives, which includes the contribution of hedging of core deposits, recorded a fall of 4.3%, while other net interest income, which was also negative, improved on the same period of the previous year.

(millions of euro)

	2021		Changes	
	Second quarter	First quarter	amount	%
Relations with customers	1,961	2,008	-47	-2.3
Securities issued	-414	-421	-7	-1.7
Customer dealing	**1,547**	**1,587**	**-40**	**-2.5**
Instruments measured at amortised cost which do not constitute loans	140	138	2	1.4
Other financial assets and liabilities designated at fair value through profit or loss	-4	-3	1	33.3
Other financial assets designated at fair value through other comprehensive income	153	157	-4	-2.5
Financial assets and liabilities	**289**	**292**	**-3**	**-1.0**
Relations with banks	**182**	**144**	**38**	**26.4**
Differentials on hedging derivatives	**-160**	**-152**	**8**	**5.3**
Non-performing assets	**149**	**162**	**-13**	**-8.0**
Other net interest income	**-7**	**-20**	**-13**	**-65.0**
Net interest income	**2,000**	**2,013**	**-13**	**-0.6**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

(millions of euro)

	2021		Changes	
	Second quarter Redetermined figures	First quarter Redetermined figures	amount	%
Relations with customers	1,956	1,941	15	0.8
Securities issued	-414	-421	-7	-1.7
Customer dealing	**1,542**	**1,520**	**22**	**1.4**
Instruments measured at amortised cost which do not constitute loans	140	138	2	1.4
Other financial assets and liabilities designated at fair value through profit or loss	-4	-3	1	33.3
Other financial assets designated at fair value through other comprehensive income	153	157	-4	-2.5
Financial assets and liabilities	**289**	**292**	**-3**	**-1.0**
Relations with banks	**182**	**144**	**38**	**26.4**
Differentials on hedging derivatives	**-160**	**-152**	**8**	**5.3**
Non-performing assets	**149**	**162**	**-13**	**-8.0**
Other net interest income	**-7**	**-14**	**-7**	**-50.0**
Net interest income	**1,995**	**1,952**	**43**	**2.2**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

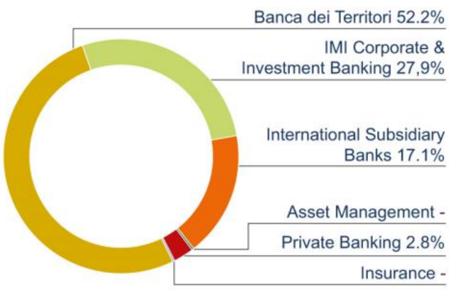
The flow of net interest income recorded in the second quarter of 2021 was 2.2% higher than the figure recorded in the first quarter, due to the higher contribution of interest on relations with banks and customers.

(millions of euro)

	30.06.2021	30.06.2020	Changes	
			amount	%
Banca dei Territori	1,976	2,138	-162	-7.6
IMI Corporate & Investment Banking	1,058	958	100	10.4
International Subsidiary Banks	649	652	-3	-0.5
Private Banking	106	129	-23	-17.8
Asset Management	-	-	-	-
Insurance	-	-	-	-
Total business areas	**3,789**	**3,877**	**-88**	**-2.3**
Corporate Centre	158	200	-42	-21.0
Intesa Sanpaolo Group (Redetermined figures)	**3,947**	**4,077**	**-130**	**-3.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Business areas
Net interest income



The Banca dei Territori Division, which accounts for 52.2% of operating business area results, recorded net interest income of 1,976 million euro, down on the first six months of 2020 (-7.6%, or -162 million euro). The net interest income of the IMI Corporate & Investment Banking Division recorded an increase (+10.4%, or +100 million euro), benefiting from the greater contribution from loans to customers, driven by structured finance and global market operations. By contrast, net interest income from the International Subsidiary Banks declined slightly (-0.5%), primarily due to the unfavourable performance reported by the subsidiaries operating in Slovakia and Croatia. The Private Banking Division, which in relative terms has a lesser impact on the consolidated accounts, reduced its contribution to net interest income by 23 million euro (-17.8%).

The performance of the net interest income of the Corporate Centre was attributable to the greater cost of excess liquidity in view of the decrease in short-term market rates, which remained in negative territory and the significant increase in customer deposits.

Net fee and commission income

(millions of euro)

	30.06.2021			30.06.2020			Changes	
	Income	Expense	Net	Income	Expense	Net	amount	%
Guarantees given / received	207	-103	104	179	-80	99	5	5.1
Collection and payment services	362	-81	281	290	-73	217	64	29.5
Current accounts	725	-	725	588	-	588	137	23.3
Credit and debit cards	358	-185	173	274	-143	131	42	32.1
Commercial banking activities	**1,652**	**-369**	**1,283**	**1,331**	**-296**	**1,035**	**248**	**24.0**
Dealing and placement of securities	735	-126	609	490	-130	360	249	69.2
Currency dealing	11	-1	10	7	-1	6	4	66.7
Portfolio management	1,934	-418	1,516	1,450	-374	1,076	440	40.9
Distribution of insurance products	804	-	804	677	-	677	127	18.8
Other	185	-85	100	146	-30	116	-16	-13.8
Management, dealing and consultancy activities	**3,669**	**-630**	**3,039**	**2,770**	**-535**	**2,235**	**804**	**36.0**
Other fee and commission	**573**	**-118**	**455**	**455**	**-119**	**336**	**119**	**35.4**
Total	**5,894**	**-1,117**	**4,777**	**4,556**	**-950**	**3,606**	**1,171**	**32.5**

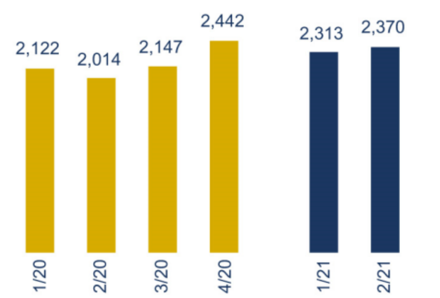
Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

(millions of euro)

	30.06.2021			30.06.2020			Changes (Redetermined figures)	
	Net fee and commission income	Adjustments	Redetermined figures	Net fee and commission income	Adjustments	Redetermined figures	amount	%
Guarantees given / received	104	-2	102	99	-	99	3	3.0
Collection and payment services	281	-5	276	217	20	237	39	16.5
Current accounts	725	-29	696	588	117	705	-9	-1.3
Credit and debit cards	173	-6	167	131	7	138	29	21.0
Commercial banking activities	**1,283**	**-42**	**1,241**	**1,035**	**144**	**1,179**	**62**	**5.3**
Dealing and placement of securities	609	-26	583	360	7	367	216	58.9
Currency dealing	10	-4	6	6	-4	2	4	
Portfolio management	1,516	-2	1,514	1,076	236	1,312	202	15.4
Distribution of insurance products	804	-15	789	677	76	753	36	4.8
Other	100	-2	98	116	17	133	-35	-26.3
Management, dealing and consultancy activities	**3,039**	**-49**	**2,990**	**2,235**	**332**	**2,567**	**423**	**16.5**
Other fee and commission	**455**	**-3**	**452**	**336**	**54**	**390**	**62**	**15.9**
Total	**4,777**	**-94**	**4,683**	**3,606**	**530**	**4,136**	**547**	**13.2**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Net fee and commission income - Redetermined figures
(millions of euro)



In the first half of 2021, net fee and commission income amounted to 4,683 million euro, recording a double-digit growth rate with respect to the same period in 2020 (+13.2%).

This performance was supported by the recovery of financial markets and the increase in the placement of financial products in this first half of the year, which were reflected in an increase in fee and commission income on management, dealing and financial consultancy (+16.5%, or +423 million euro); in particular, there was an increase in the contribution relating to individual and collective portfolio management schemes (+15.4%, or +202 million euro), dealing and placement of securities (+58.9%, or +216 million euro) and the distribution of insurance products (+4.8%, or +36 million euro). The commercial banking component also recorded an increase (+5.3%, or +62 million euro), driven by higher fee and commission income on collection and payment services (+39 million euro), on ATM and credit card services (+29 million euro) and on guarantees given and received (+3 million euro), against a decrease in fee and commission income on current accounts (-9 million). Lastly, there was a higher contribution from other net fee and commission income (+15.9%, or +62 million euro), including income on land financing.

(millions of euro)

	2021		Changes	
	Second quarter	First quarter	amount	%
Guarantees given / received	55	49	6	12.2
Collection and payment services	139	142	-3	-2.1
Current accounts	356	369	-13	-3.5
Credit and debit cards	107	66	41	62.1
Commercial banking activities	**657**	**626**	**31**	**5.0**
Dealing and placement of securities	291	318	-27	-8.5
Currency dealing	3	7	-4	-57.1
Portfolio management	781	735	46	6.3
Distribution of insurance products	385	419	-34	-8.1
Other	46	54	-8	-14.8
Management, dealing and consultancy activities	**1,506**	**1,533**	**-27**	**-1.8**
Other net fee and commission income	**219**	**236**	**-17**	**-7.2**
Net fee and commission income	**2,382**	**2,395**	**-13**	**-0.5**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

(millions of euro)

	2021		Changes	
	Second quarter Redetermined figures	First quarter Redetermined figures	amount	%
Guarantees given / received	55	47	8	17.0
Collection and payment services	139	137	2	1.5
Current accounts	352	344	8	2.3
Credit and debit cards	106	61	45	73.8
Commercial banking activities	**652**	**589**	**63**	**10.7**
Dealing and placement of securities	288	295	-7	-2.4
Currency dealing	3	3	-	-
Portfolio management	781	733	48	6.5
Distribution of insurance products	383	406	-23	-5.7
Other	45	53	-8	-15.1
Management, dealing and consultancy activities	**1,500**	**1,490**	**10**	**0.7**
Other net fee and commission income	**218**	**234**	**-16**	**-6.8**
Net fee and commission income	**2,370**	**2,313**	**57**	**2.5**

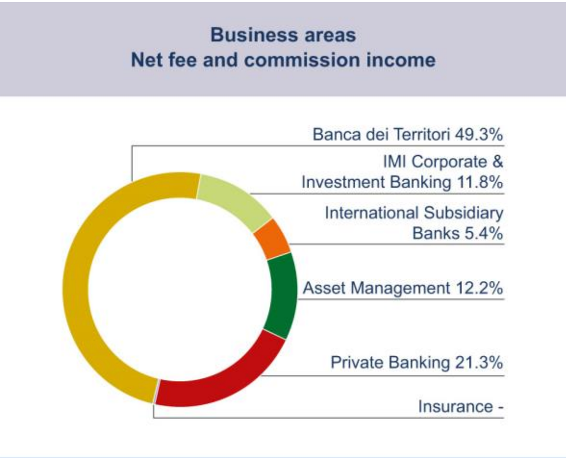
Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

The fee and commission income for the second quarter of 2021 shows a moderately higher value than in the first quarter, mainly thanks to the positive performance of the commercial banking segment, with particular reference to ATM and credit card services.

(millions of euro)

	30.06.2021	30.06.2020	Changes	
			amount	%
Banca dei Territori	2,401	2,190	211	9.6
IMI Corporate & Investment Banking	576	519	57	11.0
International Subsidiary Banks	263	239	24	10.0
Private Banking	1,040	943	97	10.3
Asset Management	595	448	147	32.8
Insurance	1	-1	2	
Total business areas	**4,876**	**4,338**	**538**	**12.4**
Corporate Centre	-193	-202	-9	-4.5
Intesa Sanpaolo Group (Redetermined figures)	**4,683**	**4,136**	**547**	**13.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.



With regard to business areas, the Banca dei Territori Division, which accounts for 49.3% of the total fee and commission income for the business areas, recorded an increase (+9.6%, or +211 million euro) in fee and commission income, specifically that from asset management and bancassurance and, to a lesser extent, from commercial banking. Increases in net fee and commission income were also recorded by IMI Corporate & Investment Banking (+11%, or +57 million euro), mainly due to the performance of the investment banking business, Asset Management (+32.8%, or +147 million euro), due to the increase in incentive fees collected during the period, management fees and placement fees, Private Banking (+10.3%, or +97 million euro), in relation to the development of average assets under management, and the International Subsidiary Banks (+10%, or +24 million euro), essentially due to the contributions of the subsidiaries operating in Egypt, Croatia, Slovakia and Serbia.

In application of IFRS 15, which requires a breakdown of revenues from contracts with customers, a breakdown of fee and commission income and expense by business area is provided below.

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre (a)	Total 30.06.2021 Redetermined figures	Total 30.06.2020 Redetermined figures	Changes amount	Changes %
Guarantees given	41	143	20	1	-	-	-	205	214	-9	-4.2
Collection and payment services	209	43	90	5	-	-	10	357	326	31	9.5
Current accounts	608	18	65	5	-	-	-	696	705	-9	-1.3
Credit and debit cards	232	2	98	5	-	-	15	352	293	59	20.1
Commercial banking activities	**1,090**	**206**	**273**	**16**	**-**	**-**	**25**	**1,610**	**1,538**	**72**	**4.7**
Dealing and placement of securities	720	132	9	176	323	-	-651	709	504	205	40.7
Currency dealing	2	1	2	2	-	-	-	7	3	4	
Portfolio management	58	4	10	877	1,119	-	-136	1,932	1,690	242	14.3
Distribution of insurance products	425	-	12	352	-	1	-1	789	753	36	4.8
Other	31	55	8	91	-	-	-2	183	174	9	5.2
Management, dealing and consultancy activities	**1,236**	**192**	**41**	**1,498**	**1,442**	**1**	**-790**	**3,620**	**3,124**	**496**	**15.9**
Other net fee and commission income	**205**	**228**	**39**	**18**	**72**	**-**	**8**	**570**	**538**	**32**	**5.9**
Fee and commission income	**2,531**	**626**	**353**	**1,532**	**1,514**	**1**	**-757**	**5,800**	**5,200**	**600**	**11.5**
Fee and commission expense	**-130**	**-50**	**-90**	**-492**	**-919**	**-**	**564**	**-1,117**	**-1,064**	**53**	**5.0**
Net fee and commission income	**2,401**	**576**	**263**	**1,040**	**595**	**1**	**-193**	**4,683**	**4,136**	**547**	**13.2**

(a) The Corporate Centre has been attributed the intersector netting.

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Income from insurance business

(millions of euro)

Captions (a)	30.06.2021			30.06.2020			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**100**	**171**	**271**	**97**	**223**	**320**	**-49**	**-15.3**
Net insurance premiums (b)	4,461	586	5,047	4,128	498	4,626	421	9.1
Net charges for insurance claims and surrenders (c)	-5,013	-307	-5,320	-3,041	-181	-3,222	2,098	65.1
Net charges for changes in technical reserves (d)	-376	-1	-377	-1,306	-1	-1,307	-930	-71.2
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	984	-	984	382	-	382	602	
Net fees on investment contracts (f)	186	-1	185	155	-	155	30	19.4
Commission expenses on insurance contracts (g)	-237	-85	-322	-234	-74	-308	14	4.5
Other technical income and expense (h)	95	-21	74	13	-19	-6	80	
Net investment result	**499**	**11**	**510**	**352**	**4**	**356**	**154**	**43.3**
Operating income from investments	5,203	11	5,214	-1,520	4	-1,516	6,730	
Net interest income	*910*	*1*	*911*	*820*	*1*	*821*	*90*	*11.0*
Dividends	*165*	*2*	*167*	*125*	*2*	*127*	*40*	*31.5*
Gains/losses on disposal	*1,166*	*8*	*1,174*	*-665*	*1*	*-664*	*1,838*	
Valuation gains/losses	*3,006*	-	*3,006*	*-1,759*	-	*-1,759*	*4,765*	
Portfolio management fees paid (i)	*-44*	-	*-44*	*-41*	-	*-41*	*3*	*7.3*
Gains (losses) on investments pertaining to insured parties	-4,704	-	-4,704	1,872	-	1,872	-6,576	
Insurance products (j)	*-970*	-	*-970*	*-432*	-	*-432*	*538*	
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*-39*	-	*-39*	*61*	-	*61*	*-100*	
Investment products (l)	*-3,695*	-	*-3,695*	*2,243*	-	*2,243*	*-5,938*	
Income from insurance business gross of consolidation effects	**599**	**182**	**781**	**449**	**227**	**676**	**105**	**15.5**
Consolidation effects	30	-	30	60	-	60	-30	-50.0
Income from insurance business	**629**	**182**	**811**	**509**	**227**	**736**	**75**	**10.2**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

(a) The table illustrates the economic components of the insurance business broken down into those regarding:
- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(k) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(l) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.

(millions of euro)

Captions (a)	30.06.2021 Redetermined figures			30.06.2020 Redetermined figures			Changes	
	Life	Non-life	**Total**	Life	Non-life	**Total**	**amount**	**%**
Technical margin	**64**	**214**	**278**	**173**	**280**	**453**	**-175**	**-38.6**
Net insurance premiums (b)	4,867	677	5,544	5,134	596	5,730	-186	-3.2
Net charges for insurance claims and surrenders (c)	-5,756	-334	-6,090	-4,478	-201	-4,679	1,411	30.2
Net charges for changes in technical reserves (d)	-149	3	-146	-901	-3	-904	-758	-83.8
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	1,088	-	1,088	572	-	572	516	90.2
Net fees on investment contracts (f)	199	-1	198	166	-	166	32	19.3
Commission expenses on insurance contracts (g)	-280	-105	-385	-328	-89	-417	-32	-7.7
Other technical income and expense (h)	95	-26	69	8	-23	-15	84	
Net investment result	**528**	**18**	**546**	**376**	**7**	**383**	**163**	**42.6**
Operating income from investments	5,093	18	5,111	-1,987	7	-1,980	7,091	
Net interest income	*1,012*	*4*	*1,016*	*1,032*	*5*	*1,037*	*-21*	*-2.0*
Dividends	*177*	*2*	*179*	*142*	*2*	*144*	*35*	*24.3*
Gains/losses on disposal	*1,071*	*8*	*1,079*	*-1,280*	*1*	*-1,279*	*2,358*	
Valuation gains/losses	*2,877*	*5*	*2,882*	*-1,833*	*-1*	*-1,834*	*4,716*	
Portfolio management fees paid (i)	*-44*	*-1*	*-45*	*-48*	*-*	*-48*	*-3*	*-6.3*
Gains (losses) on investments pertaining to insured parties	-4,565	-	-4,565	2,363	-	2,363	-6,928	
Insurance products (j)	*-1,074*	*-*	*-1,074*	*-639*	*-*	*-639*	*435*	*68.1*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*-39*	*-*	*-39*	*77*	*-*	*77*	*-116*	
Investment products (l)	*-3,452*	*-*	*-3,452*	*2,925*	*-*	*2,925*	*-6,377*	
Income from insurance business gross of consolidation effects	**592**	**232**	**824**	**549**	**287**	**836**	**-12**	**-1.4**
Consolidation effects	30	-	30	60	-	60	-30	-50.0
Income from insurance business	**622**	**232**	**854**	**609**	**287**	**896**	**-42**	**-4.7**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

(a) The table illustrates the economic components of the insurance business broken down into those regarding:
- products considered to be insurance products according to IAS/IFRS, which include contracts where the risk insured is considered significant or in which the decision of the return on the contracts is not market-based but depends on the insurance company's choices;
- investment products, which include financial products without a significant insurance risk. The latter are accounted for in the consolidated financial statements as financial movements.

(b) The caption includes premiums issued only for products considered to be insurance products according to IAS/IFRS, net of the portions ceded to reinsurers. For the non-life insurance business, the change in the premiums reserve is also included.

(c) The caption includes the amounts paid (claims, surrenders and maturities) and the change in claims reserves and reserves for amounts to be paid, net of portions ceded to reinsurers.

(d) The caption includes the change in technical reserves, net of the portions ceded to reinsurers.

(e) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, including the impact of shadow accounting.

(f) The caption includes net fees on investment products; specifically, charges paid by customers, management fees received by the financial units and fee expenses reversed by the insurance companies to the sales network and management companies.

(g) The caption includes commission expenses on insurance products (including unit and index-linked insurance products and pension funds) paid to the sales network.

(h) Residual caption comprising fee income on insurance product management fee income (unit and index-linked insurance products and pension funds), rebates, net interest income on current accounts of the insurance company and on subordinated loans and other income and technical charges.

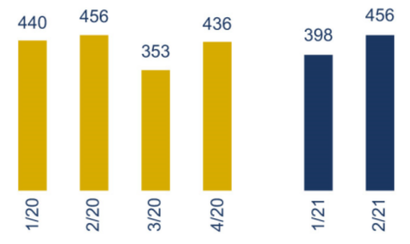
(i) The caption includes fees paid to management companies for the management of traditional insurance products (separate management) portfolios and pension funds. This also includes fees from consolidated funds underlying insurance units.

(j) The caption includes the portion of the profit/loss from investments (for insurance products) pertaining to insured parties, without the impact of shadow accounting.

(k) The caption includes the portion of unrealized capital gains/losses pertaining to insured parties on insurance products (shadow accounting).

(l) The caption refers to the valuation of financial liabilities designated at fair value which represent the amount payable to insured parties for investment products.

Quarterly development
Income from insurance business - Redetermined figures
(millions of euro)



Income from insurance business, which includes the cost and revenue captions of the insurance business of the Group's life and non-life companies, also includes the results of RBM Assicurazione Salute, following the finalisation of the acquisition of the majority shareholding of the company in May 2020, as well as the contribution of the insurance companies BancAssurance Popolari, Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas. In the first half of 2021, it was 854 million euro, down on the same period in 2020 (896 million euro). The performance is due to the decrease of the technical margin, which was affected by the higher charges relating to claims and surrenders that affected the life and non-life businesses. By contrast, the net investment result recorded an increase, thanks to the favourable trend in the financial markets, which translated into a significant rise in operating income from investments, net of the portion pertaining to insured parties.

(millions of euro)

Captions (a)	**2021**		**Changes**	
	Second quarter	**First quarter**	**amount**	**%**
Technical margin	**112**	**159**	**-47**	**-29.6**
Net insurance premiums (b)	2,505	2,542	-37	-1.5
Net charges for insurance claims and surrenders (c)	-3,016	-2,304	712	30.9
Net charges for changes in technical reserves (d)	84	-461	545	
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	542	442	100	22.6
Net fees on investment contracts (f)	83	102	-19	-18.6
Commission expenses on insurance contracts (g)	-158	-164	-6	-3.7
Other technical income and expense (h)	72	2	70	
Net investment result	**308**	**202**	**106**	**52.5**
Operating income from investments	2,781	2,433	348	14.3
Net interest income	*526*	*385*	141	*36.6*
Dividends	*105*	*62*	43	*69.4*
Gains/losses on disposal	*661*	*513*	148	*28.8*
Valuation gains/losses	*1,509*	*1,497*	12	*0.8*
Portfolio management fees paid (i)	*-20*	*-24*	-4	*-16.7*
Gains (losses) on investments pertaining to insured parties	-2,473	-2,231	242	10.8
Insurance products (j)	*-548*	*-422*	*126*	*29.9*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*-10*	*-29*	*-19*	*-65.5*
Investment products (l)	*-1,915*	*-1,780*	*135*	*7.6*
Income from insurance business gross of consolidation effects	**420**	**361**	**59**	**16.3**
Consolidation effects	18	12	6	50.0
Income from insurance business	**438**	**373**	**65**	**17.4**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

For notes, see the previous tables.

(millions of euro)

Captions (a)	2021		Changes	
	Second quarter Redetermined figures	First quarter Redetermined figures	amount	%
Technical margin	**123**	**155**	**-32**	**-20.6**
Net insurance premiums (b)	2,545	2,999	-454	-15.1
Net charges for insurance claims and surrenders (c)	-3,030	-3,060	-30	-1.0
Net charges for changes in technical reserves (d)	86	-232	318	
Gains (Losses) on investments pertaining to insured parties on insurance products (e)	542	546	-4	-0.7
Net fees on investment contracts (f)	83	115	-32	-27.8
Commission expenses on insurance contracts (g)	-172	-213	-41	-19.2
Other technical income and expense (h)	69	-	69	-
Net investment result	**315**	**231**	**84**	**36.4**
Operating income from investments	2,788	2,323	465	20.0
Net interest income	*527*	*489*	*38*	*7.8*
Dividends	*105*	*74*	*31*	*41.9*
Gains/losses on disposal	*661*	*418*	*243*	*58.1*
Valuation gains/losses	*1,513*	*1,369*	*144*	*10.5*
Portfolio management fees paid (i)	*-18*	*-27*	*-9*	*-33.3*
Gains (losses) on investments pertaining to insured parties	-2,473	-2,092	381	18.2
Insurance products (j)	*-548*	*-526*	*22*	*4.2*
Investment's unrealized capital gains/losses pertaining to insured parties on insurance products (k)	*-10*	*-29*	-19	*-65.5*
Investment products (l)	*-1,915*	*-1,537*	378	*24.6*
Income from insurance business gross of consolidation effects	**438**	**386**	**52**	**13.5**
Consolidation effects	18	12	6	50.0
Income from insurance business	**456**	**398**	**58**	**14.6**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

For notes, see the previous tables.

In the second quarter of 2021, income from insurance business, including both the life and non-life businesses, was higher than in the first quarter, reflecting the growth of the net investment result.

(millions of euro)

Business	30.06.2021				30.06.2020
	Periodic premiums	Single premiums	Total	*of which new business*	
Life insurance business	**185**	**4,279**	**4,464**	***4,179***	**4,129**
Premiums issued on traditional products	88	2,572	2,660	*2,476*	3,507
Premiums issued on unit-linked products	92	1,385	1,477	*1,382*	294
Premiums issued on capitalisation products	1	7	8	*6*	-
Premiums issued on pension funds	4	315	319	*315*	328
Non-life insurance business	**545**	**118**	**663**	***50***	**589**
Premiums issued	566	118	684	*212*	605
Change in premium reserves	-21	-	-21	*-162*	-16
Premiums ceded to reinsurers	**-68**	**-12**	**-80**	***-11***	**-92**
Net premiums from insurance products	**662**	**4,385**	**5,047**	***4,218***	**4,626**
Business on index-linked contracts	-	14	14	-	-
Business on unit-linked contracts	37	4,237	4,274	*4,252*	2,808
Total business from investment contracts	**37**	**4,251**	**4,288**	***4,252***	**2,808**
Total business	**699**	**8,636**	**9,335**	***8,470***	**7,434**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

(millions of euro)

Business	30.06.2021 Redetermined figures				30.06.2020 Redetermined figures
	Periodic premiums	Single premiums	Total	*of which new business*	
Life insurance business	**207**	**4,667**	**4,874**	***4,314***	**5,137**
Premiums issued on traditional products	110	2,921	3,031	*2,608*	4,358
Premiums issued on unit-linked products	92	1,418	1,510	*1,382*	390
Premiums issued on capitalisation products	1	9	10	*7*	52
Premiums issued on pension funds	4	319	323	*317*	337
Non-life insurance business	**545**	**213**	**758**	***50***	**678**
Premiums issued	566	181	747	*212*	674
Change in premium reserves	-21	32	11	*-162*	4
Premiums ceded to reinsurers	**-68**	**-20**	**-88**	***-12***	**-85**
Net premiums from insurance products	**684**	**4,860**	**5,544**	***4,352***	**5,730**
Business on index-linked contracts	-	14	14	-	-
Business on unit-linked contracts	43	4,342	4,385	*4,317*	3,063
Total business from investment contracts	**43**	**4,356**	**4,399**	***4,317***	**3,063**
Total business	**727**	**9,216**	**9,943**	***8,669***	**8,793**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

In the first six months of 2021, business in the insurance segment amounted to 9.9 billion euro, up on the 8.8 billion euro recorded in the first half of 2020. The growth is attributable to unit-linked policies, both those of a primarily insurance nature

(+1.1 billion euro) and those of a primarily financial nature belonging to class III (+1.3 billion euro). By contrast, there was a slowdown in traditional policies (-1.3 billion euro).
Non-life business increased progressively to 758 million euro from 678 million euro in the first six months of 2020.
Total new business amounted to 8.7 billion euro, around 87% of the total premium inflows of the Group's insurance companies, coming mainly from new single-premium contracts.

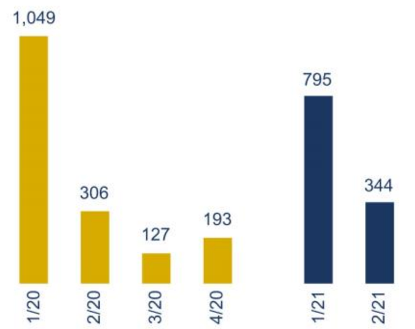
Profits (Losses) on financial assets and liabilities designated at fair value

(millions of euro)

	30.06.2021	Adjustments	30.06.2021 Redetermined figures	30.06.2020	Adjustments	30.06.2020 Redetermined figures	Changes (Redetermined figures) amount	Changes (Redetermined figures) %
Profits (losses) on trading and on financial instruments under fair value option	410	-	410	627	39	666	-256	-38.4
Profits (losses) on hedges under hedge accounting	45	-	45	12	-15	-3	48	
Profits (losses) on assets mandatorily measured at fair value through profit or loss	138	-1	137	-13	3	-10	147	
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	593	-	593	654	65	719	-126	-17.5
Profits (losses) on the buyback of financial liabilities	-46	-	-46	-15	-2	-17	29	
Profits (Losses) on financial assets and liabilities designated at fair value	**1,140**	**-1**	**1,139**	**1,265**	**90**	**1,355**	**-216**	**-15.9**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Profits (Losses) on financial assets and liabilities designated at fair value - Redetermined figures
(millions of euro)



In the first six months of 2021, profits on financial assets and liabilities designated at fair value, amounting to 1,139 million euro, declined significantly on the same period in 2020, which reflected the valuation effects due to the debt value adjustment (DVA) correlated with liabilities comprised of certificates.
The 15.9% decline was due to trading and financial instruments designated at fair value following the above-mentioned reduction in DVA only partially offset by the contribution of the profits on interest rate transactions, largely relating to derivative transactions as well as the disposal of assets measured at fair value through other comprehensive income, which was affected by lower profits on debt securities, primarily government securities. On the positive side was income from operations on assets designated at fair value through profit or loss, primarily as a result of higher capital gains on UCI funds, and the income (loss) on hedge accounting transactions.

(millions of euro)

	2021		Changes	
	Second quarter	**First quarter**	**amount**	**%**
Profits (losses) on trading and on financial instruments under fair value option	88	322	-234	-72.7
Profits (losses) on hedges under hedge accounting	1	44	-43	-97.7
Profits (losses) on assets mandatorily measured at fair value through profit or loss	83	55	28	50.9
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	191	402	-211	-52.5
Profits (losses) on the buyback of financial liabilities	-19	-27	-8	-29.6
Profits (Losses) on financial assets and liabilities designated at fair value	**344**	**796**	**-452**	**-56.8**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

(millions of euro)

	2021		Changes	
	Second quarter Redetermined figures	**First quarter Redetermined figures**	**amount**	**%**
Profits (losses) on trading and on financial instruments under fair value option	88	322	-234	-72.7
Profits (losses) on hedges under hedge accounting	1	44	-43	-97.7
Profits (losses) on assets mandatorily measured at fair value through profit or loss	83	54	29	53.7
Profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost	191	402	-211	-52.5
Profits (losses) on the buyback of financial liabilities	-19	-27	-8	-29.6
Profits (Losses) on financial assets and liabilities designated at fair value	**344**	**795**	**-451**	**-56.7**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

The result for the second quarter of 2021 was far below that of the first quarter, essentially as a result of the lower contribution of profits (losses) on trading and financial instruments under fair value option and profits (losses) on dividends and on disposal of assets measured at fair value through other comprehensive income and disposal of assets at amortised cost.

Other operating income (expenses)

In the first half of 2021, other net operating income came to 51 million euro, compared to 30 million euro in the same period of 2020. 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 investments carried at equity. The increase is mainly due to the increase in the caption dividends and profits on investments carried at equity, among which are the Chinese associates.

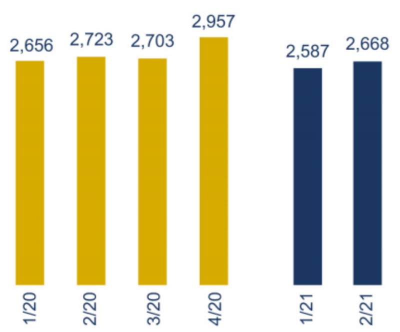
Operating costs

(millions of euro)

	30.06.2021	Adjustments	30.06.2021 Redetermined figures	30.06.2020	Adjustments	30.06.2020 Redetermined figures	Changes (Redetermined figures)	
							amount	%
Wages and salaries	2,306	-40	2,266	1,897	378	2,275	-9	-0.4
Social security charges	603	-11	592	491	99	590	2	0.3
Other	424	-	424	376	67	443	-19	-4.3
Personnel expenses	**3,333**	**-51**	**3,282**	**2,764**	**544**	**3,308**	**-26**	**-0.8**
Information technology expenses	420	6	426	335	90	425	1	0.2
Management of real estate assets expenses	169	-1	168	148	38	186	-18	-9.7
General structure costs	196	-1	195	182	20	202	-7	-3.5
Professional and legal expenses	147	7	154	115	60	175	-21	-12.0
Advertising and promotional expenses	49	-	49	49	9	58	-9	-15.5
Indirect personnel costs	22	-	22	22	6	28	-6	-21.4
Other costs	274	-3	271	250	61	311	-40	-12.9
Indirect taxes and duties	543	-1	542	437	130	567	-25	-4.4
Recovery of expenses and charges	-462	-	-462	-396	-113	-509	-47	-9.2
Administrative expenses	**1,358**	**7**	**1,365**	**1,142**	**301**	**1,443**	**-78**	**-5.4**
Property and equipment	291	-	291	245	51	296	-5	-1.7
Intangible assets	315	2	317	289	43	332	-15	-4.5
Adjustments	**606**	**2**	**608**	**534**	**94**	**628**	**-20**	**-3.2**
Operating costs	**5,297**	**-42**	**5,255**	**4,440**	**939**	**5,379**	**-124**	**-2.3**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Operating costs - Redetermined figures
(millions of euro)



Operating costs amounted to 5,255 million euro in the first six months of 2021, a decrease of 2.3% on the first half of 2020.
Personnel expenses of 3,282 million euro declined by 0.8%, mainly due to the savings on negotiated exits, largely offset by the higher costs related to the renewal of the National Collective Bargaining Agreement (CCNL) and the change in the performance of the variable component.
Administrative expenses, which amounted to 1,365 million euro, were down by 5.4% on the first six months of 2020, which included the expenses incurred by UBI Banca for various consultancy services and expenses for services provided by third parties relating to outsourcing contracts with UBI.S, not incurred in 2021.
There were also widespread savings on various captions, from legal and professional fees to property management expenses, from advertising and promotional expenses to general structure costs; indirect personnel costs benefited from the spread of smart working, which entailed a decrease in business trips.
Depreciation and amortisation of property and equipment and intangible assets, which in accordance with IFRS 16 also include the share relating to rights of use acquired under operating leases, declined (-3.2%) on the first half of 2020, mainly as a result of the write-off of the UBI Group's IT investments, which was carried out in the fourth quarter of 2020.

The cost/income ratio for the first half of 2021 came to 49.2%, an improvement compared to the same period of 2020 (51.3%), reflecting the positive performance of revenues combined with the reduction in costs.

(millions of euro)

	2021		Changes	
	Second quarter	First quarter	amount	%
Wages and salaries	1,145	1,161	-16	-1.4
Social security charges	296	307	-11	-3.6
Other	216	208	8	3.8
Personnel expenses	**1,657**	**1,676**	**-19**	**-1.1**
Information technology expenses	222	198	24	12.1
Management of real estate assets expenses	82	87	-5	-5.7
General structure costs	104	92	12	13.0
Professional and legal expenses	77	70	7	10.0
Advertising and promotional expenses	30	19	11	57.9
Indirect personnel costs	12	10	2	20.0
Other costs	137	137	-	-
Indirect taxes and duties	249	294	-45	-15.3
Recovery of expenses and charges	-205	-257	-52	-20.2
Administrative expenses	**708**	**650**	**58**	**8.9**
Property and equipment	143	148	-5	-3.4
Intangible assets	157	158	-1	-0.6
Adjustments	**300**	**306**	**-6**	**-2.0**
Operating costs	**2,665**	**2,632**	**33**	**1.3**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

(millions of euro)

	2021		Changes	
	Second quarter Redetermined figures	First quarter Redetermined figures	amount	%
Wages and salaries	1,143	1,123	20	1.8
Social security charges	295	297	-2	-0.7
Other	217	207	10	4.8
Personnel expenses	**1,655**	**1,627**	**28**	**1.7**
Information technology expenses	224	202	22	10.9
Management of real estate assets expenses	82	86	-4	-4.7
General structure costs	104	91	13	14.3
Professional and legal expenses	79	75	4	5.3
Advertising and promotional expenses	30	19	11	57.9
Indirect personnel costs	12	10	2	20.0
Other costs	137	134	3	2.2
Indirect taxes and duties	249	293	-44	-15.0
Recovery of expenses and charges	-205	-257	-52	-20.2
Administrative expenses	**712**	**653**	**59**	**9.0**
Property and equipment	143	148	-5	-3.4
Intangible assets	158	159	-1	-0.6
Adjustments	**301**	**307**	**-6**	**-2.0**
Operating costs	**2,668**	**2,587**	**81**	**3.1**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

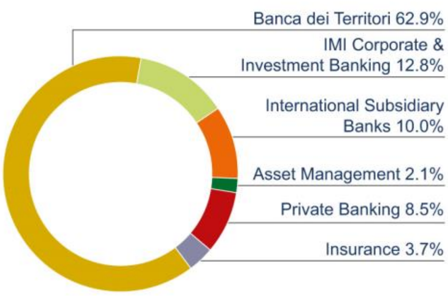
Operating costs in the second quarter of 2021 rose slightly over the first quarter, due to the trend in administrative and personnel expenses.

(millions of euro)

	30.06.2021	30.06.2020	Changes	
			amount	%
Banca dei Territori	3,187	3,283	-96	-2.9
IMI Corporate & Investment Banking	646	647	-1	-0.2
International Subsidiary Banks	506	505	1	0.2
Private Banking	431	422	9	2.1
Asset Management	105	102	3	2.9
Insurance	189	182	7	3.8
Total business areas	**5,064**	**5,141**	**-77**	**-1.5**
Corporate Centre	191	238	-47	-19.7
Intesa Sanpaolo Group (Redetermined figures)	**5,255**	**5,379**	**-124**	**-2.3**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Business areas
Operating costs



At the level of operating costs, the Banca dei Territori Division, which accounts for 62.9% of all costs of the business areas, reported significant savings compared to the first half of 2020 (-2.9%, or -96 million euro) thanks to lower personnel expenses, in relation to negotiated exits, and administrative expenses, achieved through savings on service costs in the real estate and operations sectors. The costs of the IMI Corporate & Investment Banking and International Subsidiary Banks Divisions remained largely stable (-0.2%, or -1 million euro and +0.2%, or +1 million euro, respectively). By contrast, there were moderate cost increases in the Private Banking Division (+2.1%, or +9 million euro), essentially attributable to administrative expenses, the Asset Management Division (+2.9%, or +3 million euro), due to the increase of personnel expenses, and the Insurance division (+3.8%, or +7 million euro). Lastly, the Corporate Centre reported a decline in costs on a like-for-like basis of 19.7%, or -47 million euro, following review of the cost allocation criteria, above all in relation to synergies on administrative expenses and amortisation/depreciation as a result of the integration of UBI.

Operating margin

The operating margin in the period under review amounted to 5,419 million euro, up by 5.9% on the first half of 2020, thanks to the increase in revenues and the reduction in operating costs.

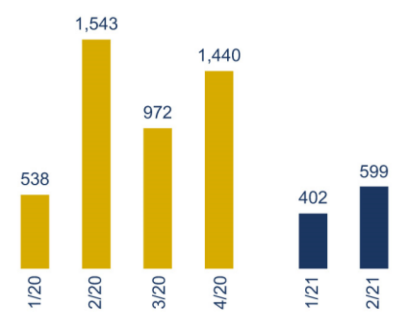
Net adjustments to loans

(millions of euro)

	30.06.2021	Adjustments	30.06.2021 Redetermined figures	30.06.2020	Adjustments	30.06.2020 Redetermined figures	Changes (Redetermined figures)	
							amount	%
Bad loans	-548	6	-542	-428	-120	-548	-6	-1.1
Unlikely to pay	-319	-	-319	-584	-115	-699	-380	-54.4
Past due loans	-85	-	-85	-177	-4	-181	-96	-53.0
Stage 3 loans	**-952**	**6**	**-946**	**-1,189**	**-239**	**-1,428**	**-482**	**-33.8**
of which debt securities	-	-	-	-	-	-	-	-
Stage 2 loans	**-103**	**-**	**-103**	**-461**	**-22**	**-483**	**-380**	**-78.7**
of which debt securities	*-1*	-	*-1*	*7*	-	*7*	*-8*	
Stage 1 loans	**5**	**-**	**5**	**-105**	**4**	**-101**	**106**	
of which debt securities	*9*	-	*9*	-	*-1*	*-1*	*10*	
Net losses/recoveries on impairment of loans	**-1,050**	**6**	**-1,044**	**-1,755**	**-257**	**-2,012**	**-968**	**-48.1**
Profits/losses from changes in contracts without derecognition	**-18**	**-**	**-18**	**-8**	**-17**	**-25**	**-7**	**-28.0**
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**61**	**-**	**61**	**-38**	**-6**	**-44**	**105**	
Net adjustments to loans	**-1,007**	**6**	**-1,001**	**-1,801**	**-280**	**-2,081**	**-1,080**	**-51.9**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Net adjustments to loans - Redetermined figures
(millions of euro)



Adjustments to loans amounted to 1,001 million euro, which included an allocation of around 200 million euro concerning specific portfolios to accelerate the reduction of non-performing loans, down by more than half on the first half of 2020 (2,081 million euro), which was impacted by higher provisions due to the revision of the scenario following the epidemic. The decrease was driven by lower adjustments to non-performing loans in Stage 3 (-33.8%, or -482 million euro) as well as by lower adjustments to loans in Stage 2 (-78.7%, or -380 million euro) and by recoveries for 5 million euro in Stage 1, compared with -101 million euro of adjustments in the first six months of 2020. The decline in adjustments to loans in Stage 3 is broken down as follows: -6 million euro to bad loans, -380 million euro to unlikely-to-pay loans and -96 million euro to past-due loans. In June 2021, there was a reduction in non-performing loans as a percentage of total loans to 4.1%, compared to 4.4% recorded in both March 2021 and December 2020.
The annualised cost of credit, represented by the ratio of net adjustments to net loans, amounted to 43 basis points in the first half of 2021, down on the value for 2020 (97 basis points, 48 excluding the provisions due to the revision of the scenario last year as a result of the epidemic).
The coverage of non-performing loans in June 2021 amounted to 49.7%. In detail, bad loans required net adjustments of 542 million euro – compared with 548 million euro in the same period of 2020 – with a coverage ratio of 60.3%. Net impairment losses on unlikely-to-pay loans, totalling 319 million euro, were down from 699 million euro recorded in the first half of 2020, with a coverage ratio of 41.2%. Net impairment losses on past-due loans amounted to 85 million euro (181 million euro in the first six months of 2020), with a coverage ratio of 20.3%. The coverage ratio for forborne positions within the non-performing loans category was 40.7%. Finally, coverage of performing loans was stable at 0.6% and incorporates the physiological risk inherent in the loan portfolio.

(millions of euro)

	2021		Changes	
	Second quarter	**First quarter**	**amount**	**%**
Bad loans	-393	-155	238	
Unlikely to pay	-152	-167	-15	-9.0
Past due loans	-65	-20	45	
Stage 3 loans	**-610**	**-342**	**268**	**78.4**
of which debt securities	*-*	*-*	*-*	*-*
Stage 2 loans	**-16**	**-87**	**-71**	**-81.6**
of which debt securities	*1*	*-2*	*3*	
Stage 1 loans	**5**	**-**	**5**	**-**
of which debt securities	*4*	*5*	*-1*	*-20.0*
Net losses/recoveries on impairment of loans	**-621**	**-429**	**192**	**44.8**
Profits/losses from changes in contracts without derecognition	**-6**	**-12**	**-6**	**-50.0**
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**28**	**33**	**-5**	**-15.2**
Net adjustments to loans	**-599**	**-408**	**191**	**46.8**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

(millions of euro)

	2021		Changes	
	Second quarter Redetermined figures	**First quarter Redetermined figures**	**amount**	**%**
Bad loans	-393	-149	244	
Unlikely to pay	-152	-167	-15	-9.0
Past due loans	-65	-20	45	
Stage 3 loans	**-610**	**-336**	**274**	**81.5**
of which debt securities	*-*	*-*	*-*	*-*
Stage 2 loans	**-16**	**-87**	**-71**	**-81.6**
of which debt securities	*1*	*-2*	*3*	
Stage 1 loans	**5**	**-**	**5**	**-**
of which debt securities	*4*	*5*	*-1*	*-20.0*
Net losses/recoveries on impairment of loans	**-621**	**-423**	**198**	**46.8**
Profits/losses from changes in contracts without derecognition	**-6**	**-12**	**-6**	**-50.0**
Net provisions for risks and charges for credit risk associated with commitments and financial guarantees given	**28**	**33**	**-5**	**-15.2**
Net adjustments to loans	**-599**	**-402**	**197**	**49.0**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly comparison shows that adjustments to loans were higher in the second quarter of 2021 compared to the first quarter of this year, although significantly lower than in the last three quarters of 2020, which included provisions due to the scenario revision carried out last year following the epidemic.

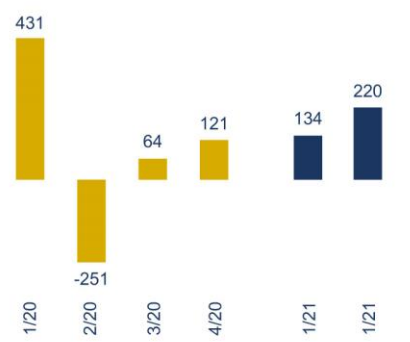
Other net provisions and net impairment losses on other assets

(millions of euro)

	30.06.2021	Adjustments	30.06.2021 Redetermined figures	30.06.2020	Adjustments	30.06.2020 Redetermined figures	Changes (Redetermined figures)	
							amount	%
Other net provisions	-317	-2	-319	-68	-	-68	251	
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	-2	-	-2	-7	-4	-11	-9	-81.8
Net impairment losses on other assets	-32	-	-32	-73	-9	-82	-50	-61.0
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-	-1	-1	-9	-10	-19	-18	-94.7
Other net provisions and net impairment losses on other assets	**-351**	**-3**	**-354**	**-157**	**-23**	**-180**	**174**	**96.7**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Quarterly development
Other net provisions and net impairment losses on other assets - Redetermined figures
(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 the first six months of 2021, other net provisions and net impairment losses on other assets amounted to 354 million euro, up sharply from 180 million euro in the same period of the previous year.

The increase recorded in the first half of the year was due to other net provisions, which include the provision of 126 million euro in the insurance sector representing the claims in excess of premiums accrued as at 30 June 2021 and the estimated future charges on annual policies in force, in relation to a financial imbalance which was also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown.

(millions of euro)

	2021		Changes	
	Second quarter	First quarter	amount	%
Other net provisions	-196	-121	75	62.0
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	7	-9	16	
Net impairment losses on other assets	-29	-3	26	
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-	-	-	-
Other net provisions and net impairment losses on other assets	**-218**	**-133**	**85**	**63.9**

Figures restated, where necessary and material, considering the changes in the scope of consolidation. The figures for the UBI Group and the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas have not been restated.

(millions of euro)

	2021		Changes	
	Second quarter Redetermined figures	First quarter Redetermined figures	amount	%
Other net provisions	-198	-121	77	63.6
Net impairment losses on instruments measured at amortised cost and on instruments designated at fair value through other comprehensive income	7	-9	16	
Net impairment losses on other assets	-29	-3	26	
Net Losses/Recoveries pertaining to insurance companies pursuant to IAS 39	-	-1	-1	
Other net provisions and net impairment losses on other assets	**-220**	**-134**	**86**	**64.2**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

The figure for the second quarter of 2021 was higher than that of the first quarter.

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.
Other income amounted to 191 million euro, compared with the 13 million euro recorded in the first half of 2020. The change is mainly attributable to the capital gain of 194 million euro on the sale to State Street of the business line related to the Custodian Bank and Fund Administration activities carried out by Fideuram Bank Luxembourg.

Income (Loss) from discontinued operations

In the first half of 2021, the caption amounted to 58 million euro of income, attributable to the reclassification of the profits from branch disposals by the UBI Group and the Parent Company. This figure compares with the 1,379 million euro recorded in the same period of the previous year, which included the income components relating to the business line consisting of the acquiring activities contributed to Nexi, as well as the above-mentioned reclassification linked to the disposal of branches.

Gross income (loss)

In the first six months of 2021, income before tax from continuing operations came to 4,313 million euro, up by 1.6% on the same period in 2020, which also benefited from the above-mentioned Nexi capital gain.

Taxes on income

Current and deferred taxes came to 922 million euro, for an effective tax rate of 21.4%, lower than in the first half of 2020 (23.5%). The caption benefited from a net benefit of approximately 460 million euro from the realignment of the tax values of intangible assets permitted by Law Decree no. 104/2020.

Charges (net of tax) for integration and exit incentives

This caption, the main component of which is provisions for risks and charges, climbed to 107 million euro, compared with 37 million euro in the first six months of 2020, due to an increase in the Parent Company’s charges for integration in terms of personnel expenses and amortisation/depreciation.

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 investments and/or aggregate assets. In the first half of 2021, these expenses came to 34 million euro, compared to the 50 million euro recorded in the first half of 2020.

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 the first half of 2021, relevant charges came to 279 million euro, of which 261 million euro relating to the European Resolution Fund, compared to the 297 million euro recorded in the same period of the previous year.

Minority interests

In the first six months of 2021, the minority interest share of net losses of companies within the scope of line-by-line consolidation amounted to +52 million euro. The figure recorded in the same period of 2020, which was negative by 299 million euro, included the reclassification into this caption of profit relating to the UBI Group, attributable to minority interests as it preceded the acquisition.

Net income (loss)

Despite the restrictions related to the continuation of the pandemic and the efforts devoted to integration activities, the Intesa Sanpaolo Group achieved excellent results in this first period of the year. In view of the factors described above, the first half of 2021 ended with a consolidated net income of 3,023 million euro, compared with the 2,566 million euro recorded in the same period of 2020. This increase of 17.8% bears out a sustainable, profitable business model that delivers robust revenues, accurate operating cost management and effective control of the cost of risk.

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.
The format adopted includes not only the figures for the reporting period, but also the comparative figures. In the interest of consistent comparison, the figures for previous periods are normally restated, where necessary and material, including to account for changes in the scope of consolidation.
In particular, the restatement concerned:

- the inclusion on a line-by-line basis of the balance sheet results of RBM Assicurazione Salute, which entered the line-by-line scope of consolidation, as already mentioned, in the second quarter of 2020;
- the inclusion on a line-by-line basis of the balance sheet results of Reyl & Cie S.A., RB Partecipationes S.A. and Asteria Investment Managers S.A. (Reyl Group), which entered into the scope of consolidation in the second quarter of 2021, as described above;
- the inclusion on a line-by-line basis of the balance sheet results of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, as specified in more detail below.

With regard to the UBI Group acquisition, given that the figures as at 31 December 2020 were already uniform, in order to permit a significant comparison at the quarterly level as well, for periods prior to the acquisition, and thus for the first three quarters of 2020, balance sheet figures were subject to line-by-line inclusion of the figures concerning the UBI Group and line by-line exclusion of balance sheet figures concerning the UBI and ISP branches sold in the first and second quarters of 2021, which in the quarterly reclassified balance sheet have by convention been allocated to the captions Non-current assets held for sale and Liabilities associated with non-current assets held for sale ("Redetermined" figures).
As regards the inclusion of the insurance companies Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas, whose balance sheet values were restated as illustrated above, please note that it was not deemed necessary to "redetermine" the balance sheet figures so as to exclude - on the basis of management data - the items (investments and technical reserves) linked to production from the customers of the branches sold to third parties, as was done in the income statement, since said items were of negligible amounts and hence not relevant for comparability.
Certain aggregations and reclassifications are then made with respect to the model provided in Circular 262/05 of the Bank of Italy. Breakdowns of restatements, aggregations and reclassifications are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.
Aggregations and reclassifications of captions refer to:

- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- 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 separate presentation of financial assets and liabilities pertaining to the insurance business, measured pursuant to IAS 39, in application of the deferral approach, by the Group's insurance companies;
- the aggregation in one single caption of Property and equipment and Intangible assets, broken down into the sub-captions Assets owned and Rights of use acquired under lease;
- the inclusion of Hedging derivatives and Fair value changes of financial assets/liabilities in hedged portfolios under Other assets/liabilities;
- the inclusion of the technical insurance reserves reassured with third parties under Other assets;
- 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 into one caption (Allowances for risks and charges) of allowances for specific purposes (Employee termination indemnities, Allowances for risks and charges, Allowances for commitments and financial guarantees given);
- the reclassification of Lease payables to a specific sub-caption of Other liabilities;
- the presentation of Reserves as an aggregate and net of any treasury shares.

Reclassified balance sheet

(millions of euro)

Assets	30.06.2021	31.12.2020	Changes	
			amount	%
Due from banks	152,688	108,310	44,378	41.0
Loans to customers	463,297	462,802	495	0.1
Loans to customers measured at amortised cost	*461,348*	*461,373*	*-25*	*-*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,949*	*1,429*	*520*	*36.4*
Financial assets measured at amortised cost which do not constitute loans	42,615	47,102	-4,487	-9.5
Financial assets at fair value through profit or loss	59,826	57,074	2,752	4.8
Financial assets at fair value through other comprehensive income	66,415	57,590	8,825	15.3
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	206,138	205,537	601	0.3
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	906	1,562	-656	-42.0
Investments in associates and companies subject to joint control	1,707	1,671	36	2.2
Property, equipment and intangible assets	19,451	19,131	320	1.7
Assets owned	*17,815*	*17,311*	*504*	*2.9*
Rights of use acquired under leases	*1,636*	*1,820*	*-184*	*-10.1*
Tax assets	19,014	19,777	-763	-3.9
Non-current assets held for sale and discontinued operations	1,566	28,702	-27,136	-94.5
Other assets	23,972	24,744	-772	-3.1
Total Assets	**1,057,595**	**1,034,002**	**23,593**	**2.3**

(millions of euro)

Liabilities	30.06.2021	31.12.2020	Changes	
			amount	%
Due to banks at amortised cost	164,840	115,944	48,896	42.2
Due to customers at amortised cost and securities issued	519,223	514,229	4,994	1.0
Financial liabilities held for trading	57,335	59,044	-1,709	-2.9
Financial liabilities designated at fair value	3,361	3,032	329	10.9
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,518	2,023	495	24.5
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	83,010	80,699	2,311	2.9
Tax liabilities	2,490	3,370	-880	-26.1
Liabilities associated with non-current assets held for sale and discontinued operations	78	35,676	-35,598	-99.8
Other liabilities	31,674	24,365	7,309	30.0
of which lease payables	*1,570*	*1,762*	*-192*	*-10.9*
Technical reserves	119,475	121,360	-1,885	-1.6
Allowances for risks and charges	7,041	7,194	-153	-2.1
of which allowances for commitments and financial guarantees given	*548*	*626*	*-78*	*-12.5*
Share capital	10,084	10,084	-	-
Reserves	46,671	44,775	1,896	4.2
Valuation reserves	-476	-515	-39	-7.6
Valuation reserves pertaining to insurance companies	661	809	-148	-18.3
Equity instruments	6,269	7,464	-1,195	-16.0
Minority interests	318	1,172	-854	-72.9
Net income (loss)	3,023	3,277	-254	-7.8
Total liabilities and shareholders' equity	**1,057,595**	**1,034,002**	**23,593**	**2.3**

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	2021		2020			
	30/6	31/3	31/12	30/9 Redetermined figures	30/6 Redetermined figures	31/3 Redetermined figures
Due from banks	152,688	132,423	108,310	85,578	76,486	77,211
Loans to customers	463,297	464,661	462,802	464,438	464,001	466,721
Loans to customers measured at amortised cost	*461,348*	*463,129*	*461,373*	*462,973*	*462,538*	*465,242*
Loans to customers designated at fair value through other comprehensive income and through profit or loss	*1,949*	*1,532*	*1,429*	*1,465*	*1,463*	*1,479*
Financial assets measured at amortised cost which do not constitute loans	42,615	44,857	47,102	43,453	41,926	35,744
Financial assets at fair value through profit or loss	59,826	55,455	57,074	61,248	62,151	57,190
Financial assets at fair value through other comprehensive income	66,415	60,778	57,590	80,626	83,536	81,220
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	206,138	206,388	205,537	197,806	194,504	186,749
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	906	920	1,562	1,444	1,101	944
Investments in associates and companies subject to joint control	1,707	1,708	1,671	1,536	1,517	1,324
Property, equipment and intangible assets	19,451	18,908	19,131	19,508	21,086	20,700
Assets owned	*17,815*	*17,158*	*17,311*	*17,744*	*19,299*	*18,877*
Rights of use acquired under leases	*1,636*	*1,750*	*1,820*	*1,764*	*1,787*	*1,823*
Tax assets	19,014	19,582	19,777	19,490	19,575	19,869
Non-current assets held for sale and discontinued operations	1,566	3,169	28,702	29,504	29,235	27,460
Other assets	23,972	23,132	24,744	22,575	27,502	28,087
Total Assets	**1,057,595**	**1,031,981**	**1,034,002**	**1,027,206**	**1,022,620**	**1,003,219**

Liabilities and Shareholders' Equity	2021		2020			
	30/6	31/3	31/12	30/9 Redetermined figures	30/6 Redetermined figures	31/3 Redetermined figures
Due to banks at amortised cost	164,840	151,746	115,944	118,555	125,315	134,613
Due to customers at amortised cost and securities issued	519,223	512,263	514,229	505,284	495,185	490,011
Financial liabilities held for trading	57,335	53,544	59,044	57,024	55,731	54,997
Financial liabilities designated at fair value	3,361	3,116	3,032	2,978	2,288	845
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,518	2,414	2,023	1,957	1,889	937
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	83,010	82,040	80,699	77,304	76,370	72,019
Tax liabilities	2,490	3,303	3,370	2,879	2,751	3,079
Liabilities associated with non-current assets held for sale and discontinued operations	78	3,585	35,676	34,737	33,858	30,038
Other liabilities	31,674	26,283	24,365	32,237	38,970	31,448
of which lease payables	*1,570*	*1,708*	*1,762*	*1,734*	*1,744*	*1,768*
Technical reserves	119,475	119,943	121,360	118,337	115,308	111,516
Allowances for risks and charges	7,041	7,437	7,194	6,529	5,163	5,784
of which allowances for commitments and financial guarantees given	*548*	*576*	*626*	*547*	*559*	*514*
Share capital	10,084	10,084	10,084	10,076	9,086	9,086
Reserves	46,671	47,529	44,775	44,787	42,419	42,380
Valuation reserves	-476	-738	-515	-894	-1,441	-1,833
Valuation reserves pertaining to insurance companies	661	777	809	596	403	182
Equity instruments	6,269	6,202	7,464	7,446	5,971	5,972
Minority interests	318	937	1,172	998	10,788	10,994
Net income (loss)	3,023	1,516	3,277	6,376	2,566	1,151
Total Liabilities and Shareholders' Equity	**1,057,595**	**1,031,981**	**1,034,002**	**1,027,206**	**1,022,620**	**1,003,219**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and the reallocation of the going concerns object of disposal to non-current assets held for sale and discontinued operations and associated liabilities.

BANKING BUSINESS

Loans to customers

Loans to customers: breakdown

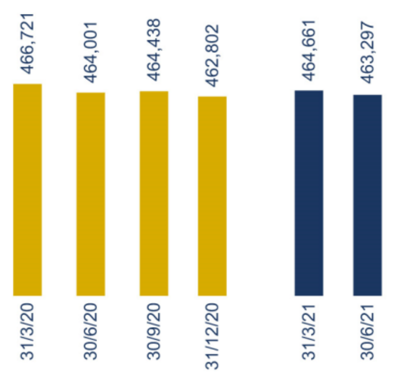
(millions of euro)

	30.06.2021		31.12.2020		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	21,136	4.6	21,006	4.5	130	0.6
Mortgages	250,638	54.1	248,802	53.8	1,836	0.7
Advances and other loans	155,429	33.5	158,193	34.2	-2,764	-1.7
Commercial banking loans	**427,203**	**92.2**	**428,001**	**92.5**	**-798**	**-0.2**
Repurchase agreements	**19,383**	**4.2**	**16,864**	**3.6**	**2,519**	**14.9**
Loans represented by securities	**6,998**	**1.5**	**7,194**	**1.6**	**-196**	**-2.7**
Non-performing loans	**9,713**	**2.1**	**10,743**	**2.3**	**-1,030**	**-9.6**
Loans to customers	**463,297**	**100.0**	**462,802**	**100.0**	**495**	**0.1**

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

The Group's loans to customers exceeded 463 billion euro as at 30 June 2021, remaining essentially stable on a like-for-like basis (+0.1%) since the beginning of the year. The change in the aggregate is the result of a reduction in non-performing loans (-9.6%, or -1 billion euro) and loans represented by securities (-2.7%), and a slight decline in commercial banking loans (-0.2%, or -0.8 billion euro), offset by an increase in repurchase agreements (+14.9%, or +2.5 billion euro). As regards commercial banking loans, there was a partial shift of short-term loans in the form of advances and other loans (-1.7%, or -2.8 billion euro), towards medium-/long-term loans, specifically mortgage loans, which increased (+0.7%, or +1.8 billion euro).

Quarterly development Loans to customers
(millions of euro)



In the domestic medium-/long-term loan market, disbursements to households in the first six months of 2021 (including the small business accounts having similar needs to family businesses) amounted to 12.3 billion euro, while disbursements to businesses under the Banca dei Territori scope (including customers with turnover of up to 350 million euro) came to 10.1 billion euro. Loans to the new agribusiness segment amounted to approximately 1.1 billion euro. The medium/long-term disbursements to customers of the IMI Corporate & Investment Banking Division amounted to 13.1 billion euro. Overall disbursements within Italy, inclusive of the loans to the non-profit sector, disbursements through third networks and through UBI Leasing and Prestitalia, were approximately 37.4 billion euro. If the activities of the international subsidiary banks are included, the Group's medium/long-term disbursements almost reached 43 billion euro.
As at 30 June 2021, the Intesa Sanpaolo Group's share of the Italian domestic market was estimated at 20.7% 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 June are not yet available.

(millions of euro)

	30.06.2021	31.12.2020	Changes	
			amount	%
Banca dei Territori	252,761	251,809	952	0.4
IMI Corporate & Investment Banking	149,554	145,974	3,580	2.5
International Subsidiary Banks	37,297	36,079	1,218	3.4
Private Banking	12,932	12,128	804	6.6
Asset Management	357	452	-95	-21.0
Insurance	-	-	-	-
Total business areas	**452,901**	**446,442**	**6,459**	**1.4**
Corporate Centre	10,396	16,360	-5,964	-36.5
Intesa Sanpaolo Group	**463,297**	**462,802**	**495**	**0.1**

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 55.8% of the aggregate of the Group's business areas, recorded a moderate increase year-to-date (+1 billion euro, or +0.4%), due to medium/long-term loans to SMEs and retail customers, which reflect the Group's support to the Italian economy, including in light of the extraordinary measures taken by the government. The IMI Corporate & Investment Banking Division reported growth of 3.6 billion euro (+2.5%), attributable to loans for structured finance transactions and global markets. The loans of the International Subsidiary Banks Division grew (+1.2 billion, or +3.4%), specifically due to the increase in the loans granted by the subsidiaries operating in Slovakia, Egypt, Serbia and Hungary. Turning to the other divisions, whose loans are of relatively modest amounts in light of their specific businesses, there were gains by the loans of the Private Banking Division (+6.6%), driven by the increase in current account facilities and mortgage loans, whereas those of the Asset Management Division declined (-21%). Repurchase agreements with central counterparties affected the decline of the Corporate Centre.

Loans to customers: credit quality

(millions of euro)

	30.06.2021		31.12.2020		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Bad loans	3,692	0.8	4,003	0.9	-311
Unlikely to pay	5,539	1.2	6,223	1.3	-684
Past due loans	482	0.1	517	0.1	-35
Non-Performing Loans	**9,713**	**2.1**	**10,743**	**2.3**	**-1,030**
Non-performing loans in Stage 3 (subject to impairment)	*9,656*	*2.1*	*10,686*	*2.3*	*-1,030*
Non-performing loans measured at fair value through profit or loss	*57*	*-*	*57*	*-*	*-*
Performing loans	**446,566**	**96.4**	**444,843**	**96.1**	**1,723**
Stage 2	*66,255*	*14.3*	*69,023*	*14.9*	*-2,768*
Stage 1	*379,286*	*81.9*	*374,742*	*81.0*	*4,544*
Performing loans measured at fair value through profit or loss	*1,025*	*0.2*	*1,078*	*0.2*	*-53*
Performing loans represented by securities	**6,998**	**1.5**	**7,194**	**1.6**	**-196**
Stage 2	*2,028*	*0.4*	*3,060*	*0.7*	*-1,032*
Stage 1	*4,970*	*1.1*	*4,134*	*0.9*	*836*
Loans held for trading	**20**	**-**	**22**	**-**	**-2**
Total loans to customers	**463,297**	**100.0**	**462,802**	**100.0**	**495**
of which forborne performing	***7,676***		***5,256***		***2,420***
of which forborne non-performing	***3,470***		***3,542***		***-72***
Loans to customers classified as discontinued operations (*)	**1,468**		**26,140**		**-24,672**

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

(*) As at 30 June 2021, the caption refers to the portfolio of bad and unlikely-to-pay loans soon to be sold (gross exposure of 5,199 million euro, adjustments of 3,731 million euro, net exposure of 1,468 million euro).

As at 30 June 2021, the Group's net non-performing loans amounted to 9.7 billion euro, an all-time low. The 9.6% reduction from the beginning of the year confirms the virtuous trend already recorded in previous years. The non-performing assets percentage of total net loans to customers amounted to 2.1%, a low proportion and down on the figure recorded in December 2020 (2.3%), with an increased coverage ratio for non-performing loans of 49.7%.
In further detail, at the end of June bad loans came to 3.7 billion euro net of adjustments (-7.8%) and represented 0.8% of total loans. During the same period, the coverage ratio came to 60.3% (78.9% including the write-offs applied). Loans included in the unlikely-to-pay category amounted to 5.5 billion euro, down by 11%, and accounted for 1.2% of total loans to customers, with a coverage ratio of 41.2%. Past due loans amounted to 482 million euro (-6.8%), with a coverage ratio of 20.3%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to approximately 3.5 billion euro, with a coverage ratio of 40.7%, while forborne exposures in the performing loans category amounted to 7.7 billion euro.
The coverage ratio of performing loans was 0.6%, in line with the figure at the end of 2020.

Other banking business financial assets and liabilities: breakdown

(millions of euro)

Type of financial instruments	Financial assets designated at fair value through profit or loss	Financial assets designated 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					
30.06.2021	28,288	49,653	25,641	**103,582**	X
31.12.2020	19,553	42,574	30,732	**92,859**	X
Changes amount	8,735	7,079	-5,091	**10,723**	
Changes %	44.7	16.6	-16.6	**11.5**	
Other debt securities					
30.06.2021	3,118	13,141	16,974	**33,233**	X
31.12.2020	3,368	11,311	16,370	**31,049**	X
Changes amount	-250	1,830	604	**2,184**	
Changes %	-7.4	16.2	3.7	**7.0**	
Equities					
30.06.2021	1,322	3,621	X	**4,943**	X
31.12.2020	1,058	3,705	X	**4,763**	X
Changes amount	264	-84	X	**180**	
Changes %	25.0	-2.3	X	**3.8**	
Quotas of UCI					
30.06.2021	3,228	X	X	**3,228**	X
31.12.2020	3,187	X	X	**3,187**	X
Changes amount	41	X	X	**41**	
Changes %	1.3	X	X	**1.3**	
Due to banks and to customers					
30.06.2021	X	X	X	**X**	-22,011
31.12.2020	X	X	X	**X**	-15,945
Changes amount	X	X	X	**X**	6,066
Changes %	X	X	X	**X**	38.04
Financial derivatives					
30.06.2021	22,225	X	X	**22,225**	-24,480
31.12.2020	28,292	X	X	**28,292**	-31,850
Changes amount	-6,067	X	X	**-6,067**	-7,370
Changes %	-21.4	X	X	**-21.4**	-23.1
Credit derivatives					
30.06.2021	1,645	X	X	**1,645**	-1,816
31.12.2020	1,616	X	X	**1,616**	-1,745
Changes amount	29	X	X	**29**	71
Changes %	1.8	X	X	**1.8**	4.1
TOTAL 30.06.2021	**59,826**	**66,415**	**42,615**	**168,856**	**-48,307**
TOTAL 31.12.2020	**57,074**	**57,590**	**47,102**	**161,766**	**-49,540**
Changes amount	**2,752**	**8,825**	**-4,487**	**7,090**	**-1,233**
Changes %	**4.8**	**15.3**	**-9.5**	**4.4**	**-2.5**

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 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 billion euro, up by 4.4% compared with the beginning of the year, whereas financial liabilities held for trading came to 48 billion euro, down by 2.5%.

Total financial assets were mainly due to the growth in government debt securities (+11 billion euro) and other debt securities (+2 billion euro), only partially offset by the decline in financial derivatives (-6 billion euro). The decline in financial liabilities held for trading was due to the performance of financial derivatives.

Financial assets measured at fair value through profit or loss amounted to 60 billion euro, recording an increase (+4.8%, or +2.8 billion euro) driven by the positive performance of government bonds (+9 billion euro), partly offset by the negative performance of financial derivatives (-6 billion euro).
Financial assets at fair value through other comprehensive income exceeded 66 billion euro, up by 15.3% year-to-date due to the increase in exposures to government bonds and other debt securities. HTCS debt securities have been classified almost exclusively to Stage 1 (98%).

On the other hand, instruments measured at amortised cost which do not constitute loans amounted to 43 billion euro, down by 9.5% due to the maturities of government debt securities. HTC debt securities have primarily been classified to Stage 1 (92%).

Debt securities: stage allocation

(millions of euro)

Debt securities: stage allocation	Financial assets designated at fair value through other comprehensive income	Instruments measured at amortised cost which do not constitute loans	TOTAL
Stage 1			
30.06.2021	61,642	39,135	**100,777**
31.12.2020	52,586	42,516	**95,102**
Changes amount	9,056	-3,381	**5,675**
Changes %	17.2	-8.0	**6.0**
Stage 2			
30.06.2021	1,152	3,467	**4,619**
31.12.2020	1,299	4,573	**5,872**
Changes amount	-147	-1,106	**-1,253**
Changes %	-11.3	-24.2	**-21.3**
Stage 3			
30.06.2021	-	13	**13**
31.12.2020	-	13	**13**
Changes amount	-	-	**-**
Changes %	-	-	**-**
TOTAL 30.06.2021	**62,794**	**42,615**	**105,409**
TOTAL 31.12.2020	**53,885**	**47,102**	**100,987**
Changes amount	**8,909**	**-4,487**	**4,422**
Changes %	**16.5**	**-9.5**	**4.4**

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

Customer financial assets

(millions of euro)

	30.06.2021		31.12.2020		Changes	
		% breakdown		% breakdown	amount	%
Direct deposits from banking business	531,612	43.1	526,765	44.4	4,847	0.9
Direct deposits from insurance business and technical reserves	204,198	16.6	203,211	17.1	987	0.5
Indirect customer deposits	697,912	56.7	659,529	55.5	38,383	5.8
Netting (a)	-202,352	-16.4	-201,892	-17.0	460	0.2
Customer financial assets	**1,231,370**	**100.0**	**1,187,613**	**100.0**	**43,757**	**3.7**

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

(a) Netting refers to components of indirect customer deposits which are also included in direct customer deposits (financial liabilities of the insurance business designated at fair value, technical reserves).

As at 30 June 2021 customer financial assets reached 1,231 billion euro, up year-to-date (+3.7%, or +44 billion euro), driven by indirect customer deposits (+5.8%, or +38 billion euro) and, to a lesser extent, by direct deposits from banking business (+0.9%, or +4.8 billion euro) and by direct deposits from insurance business (+0.5%, or +1 billion euro).

Direct deposits from banking business

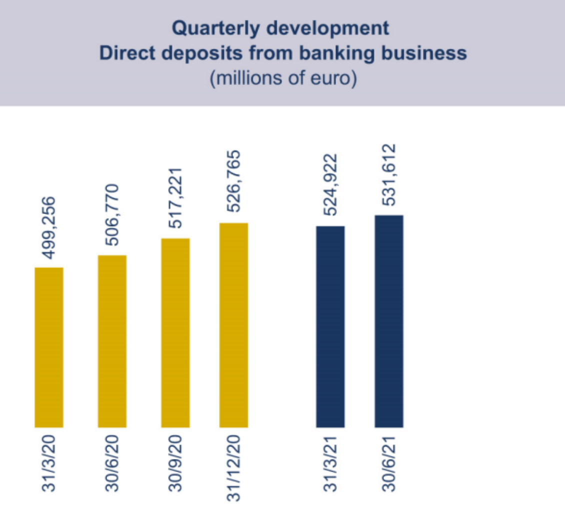
The table below sets out amounts due to customers, securities issued, including those designated at fair value and certificates, which represent an alternative form of funding to bonds.

(millions of euro)

	30.06.2021		31.12.2020		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	416,424	78.3	409,598	77.8	6,826	1.7
Repurchase agreements and securities lending	2,896	0.5	944	0.2	1,952	
Bonds	64,371	12.1	70,060	13.3	-5,689	-8.1
Certificates of deposit	2,492	0.5	3,976	0.7	-1,484	-37.3
Subordinated liabilities	12,580	2.4	11,786	2.2	794	6.7
Other deposits	32,849	6.2	30,401	5.8	2,448	8.1
of which designated at fair value (*)	*12,389*	*2.3*	*12,536*	*2.4*	*-147*	*-1.2*
Direct deposits from banking business	**531,612**	**100.0**	**526,765**	**100.0**	**4,847**	**0.9**

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

(*) Figures included in the Balance sheet under Financial liabilities held for trading e Financial liabilities designated at fair value.



The Group's direct deposits from banking business came to 532 billion euro, up by 4.8 billion euro on the beginning of the year. The performance was due to the growth in current accounts and deposits (+1.7%, or +6.8 billion euro), and other deposits (+8.1%, or +2.4 billion euro), inclusive of certificates, to which the growth is attributable, and in repurchase agreements and securities lending (+2 billion euro), partly offset by the decrease of bonds (-5.7 billion euro) and certificates of deposit (-1.5 billion euro). As at 30 June 2021, the Intesa Sanpaolo Group's direct deposits (deposits and bonds) represented an estimated 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)

	30.06.2021	31.12.2020	Changes	
			amount	%
Banca dei Territori	281,343	267,450	13,893	5.2
IMI Corporate & Investment Banking	88,117	92,938	-4,821	-5.2
International Subsidiary Banks	47,739	46,308	1,431	3.1
Private Banking	49,602	49,841	-239	-0.5
Asset Management	25	14	11	78.6
Insurance	-	-	-	-
Total business areas	**466,826**	**456,551**	**10,275**	**2.3**
Corporate Centre	64,786	70,214	-5,428	-7.7
Intesa Sanpaolo Group	**531,612**	**526,765**	**4,847**	**0.9**

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

In the analysis of funding by business segments, the Banca dei Territori Division, which accounts for approximately 60% of the aggregate of the Group's business areas, increased by +13.9 billion euro (+5.2%), in the amounts due to customers component, owing to the greater liquidity accumulated in deposits by retail customers and SMEs as they await a more favourable scenario. The IMI Corporate & Investment Banking Division recorded a decline of 4.8 billion euro (-5.2%) due mainly to the decrease in amounts due to global corporate customers. The International Subsidiary Banks Division reported an increase in funding (+1.4 billion euro, or +3.1%) attributable to the deposits of the subsidiaries operating in Egypt, Serbia, Slovakia, Croatia and Slovenia. The decrease in Corporate Centre funding is mainly attributable to wholesale securities transactions.

Indirect customer deposits

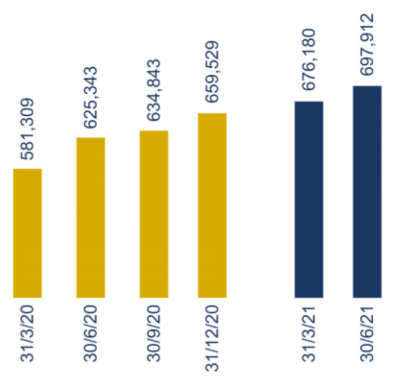
(millions of euro)

	30.06.2021		31.12.2020		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds (a)	168,933	24.2	159,003	24.1	9,930	6.2
Open-ended pension funds and individual pension plans	11,531	1.7	11,006	1.7	525	4.8
Portfolio management	74,029	10.6	68,268	10.3	5,761	8.4
Technical reserves and financial liabilities of the insurance business	185,053	26.5	183,708	27.9	1,345	0.7
Relations with institutional customers	19,820	2.8	17,350	2.6	2,470	14.2
Assets under management	**459,366**	**65.8**	**439,335**	**66.6**	**20,031**	**4.6**
Assets under administration and in custody	**238,546**	**34.2**	**220,194**	**33.4**	**18,352**	**8.3**
Indirect customer deposits	**697,912**	**100.0**	**659,529**	**100.0**	**38,383**	**5.8**

Figures restated, where necessary and material, considering the changes in the scope of consolidation and discontinued operations. The figures relating to the UBI Group's indirect customer deposits have been restated in accordance with the presentation criteria of the Intesa Sanpaolo Group.

(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 technical reserves, and the funds established by third parties and managed by Group companies, whose values are included in assets under administration and in custody.

Quarterly development
Indirect customer deposits
(millions of euro)



As at 30 June 2021, indirect customer deposits had risen to 698 billion euro, driven by the positive financial market performance and robust placement activity by the Group's distribution networks. The growth, attributable to the balanced development of the assets under management and administration components, was 5.8% year-to-date.

Assets under management, which at over 459 billion euro account for two-thirds of the total aggregate, increased significantly by 20 billion euro (+4.6%), mainly driven by mutual funds (+9.9 billion euro), portfolio management schemes (+5.8 billion euro), relations with institutional customers (+2.5 billion euro) and technical reserves and insurance financial liabilities (+1.3 billion euro). Pension funds also grew (+4.8%). In the first six months of 2021, the new life business of the insurance companies of the Intesa Sanpaolo Group, including pension products, amounted to 8.6 billion euro. Assets under administration, like assets under management, also increased (+8.3%, or +18.4 billion euro), concentrated in securities and third-party products in custody.

Net interbank position

As at 30 June 2021, net interbank position came to a negative balance of 12 billion euro, higher than the approximately 8 billion euro recorded at the beginning of the year, due to the increase in amounts due to banks, which reached 165 billion euro, primarily consisting of the exposure to the ECB (130 billion euro compared to debt of 83 billion euro at the end of December 2020).

INSURANCE BUSINESS

Financial assets and liabilities pertaining to insurance companies pursuant to IAS 39

(millions of euro)

Type of financial instruments	Financial assets measured at fair value through profit or loss			Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	TOTAL Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39 (*)
	Financial assets held for trading and hedging derivatives	Financial assets designated at fair value	Financial assets available for sale			
Debt securities issued by Governments						
30.06.2021	125	3,497	72,038	-	**75,660**	X
31.12.2020	128	3,888	77,230	-	**81,246**	X
Changes amount	-3	-391	-5,192	-	**-5,586**	
Changes %	-2.3	-10.1	-6.7	-	**-6.9**	
Other debt securities						
30.06.2021	692	1,028	20,429	-	**22,149**	X
31.12.2020	25	1,283	19,086	-	**20,394**	X
Changes amount	667	-255	1,343		**1,755**	
Changes %		-19.9	7.0		**8.6**	
Equities						
30.06.2021	-	3,126	2,110	-	**5,236**	X
31.12.2020	-	2,798	1,842	-	**4,640**	X
Changes amount	-	328	268	-	**596**	
Changes %	-	11.7	14.5	-	**12.8**	
Quotas of UCI						
30.06.2021	170	87,810	13,868	-	**101,848**	X
31.12.2020	185	84,178	13,545	-	**97,908**	X
Changes amount	-15	3,632	323	-	**3,940**	
Changes %	-8.1	4.3	2.4	-	**4.0**	
Due from banks and loans to customers						
30.06.2021	-	803	-	906	**1,709**	X
31.12.2020	-	818	-	1,562	**2,380**	X
Changes amount	-	-15	-	-656	**-671**	
Changes %	-	-1.8	-	-42.0	**-28.2**	
Due to banks						
30.06.2021	X	X	X	X	**X**	-672 (**)
31.12.2020	X	X	X	X	**X**	-704 (**)
Changes amount						-32
Changes %						-4.5
Financial derivatives						
30.06.2021	442	-	-	-	**442**	-133 (***)
31.12.2020	531	-	-	-	**531**	-167 (***)
Changes amount	-89	-	-	-	**-89**	-34
Changes %	-16.8	-	-	-	**-16.8**	-20.4
Credit derivatives						
30.06.2021	-	-	-	-	**-**	- (***)
31.12.2020	-	-	-	-	**-**	- (***)
Changes amount	-	-	-	-	**-**	-
Changes %	-	-	-	-	**-**	-
TOTAL 30.06.2021	**1,429**	**96,264**	**108,445**	**906**	**207,044**	**-805**
TOTAL 31.12.2020	**869**	**92,965**	**111,703**	**1,562**	**207,099**	**-871**
Changes amount	**560**	**3,299**	**-3,258**	**-656**	**-55**	**-66**
Changes %	**64.4**	**3.5**	**-2.9**	**-42.0**	**-**	**-7.6**

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

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

(**) Value included in the Balance Sheet under “Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39".

(***) Value included in the Balance Sheet under “Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39".

Financial assets and liabilities pertaining to insurance companies pursuant to IAS 39, summarised in the table above, amounted to 207 billion euro and 805 million euro, respectively. Financial assets remained stable year-to-date, essentially as a result of the growth of financial assets designated at fair value (+3.5%), in particular on quotas of UCI and equities, which was offset by the decrease in financial assets available for sale (-2.9%), particularly government bonds.

Direct deposits from insurance business and technical reserves

(millions of euro)

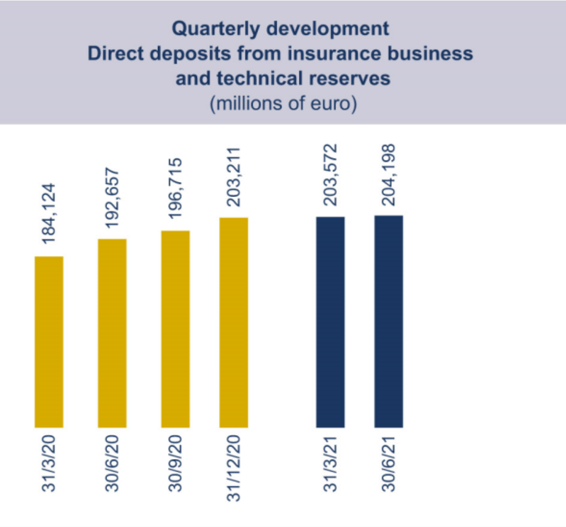
	30.06.2021		31.12.2020		Changes	
		% breakdown		% breakdown	amount	%
Financial liabilities of the insurance business designated at fair value (*)	**82,877**	**40.6**	**80,532**	**39.6**	**2,345**	**2.9**
Index-linked products	-	-	-	-	-	-
Unit-linked products	*82,877*	*40.6*	*80,532*	*39.6*	*2,345*	*2.9*
Technical reserves	**119,475**	**58.5**	**121,360**	**59.7**	**-1,885**	**-1.6**
Life business	117,716	57.6	119,632	58.8	-1,916	-1.6
Mathematical reserves	*97,266*	*47.6*	*99,920*	*49.2*	*-2,654*	*-2.7*
Technical reserves where the investment risk is borne by the policyholders (**) and reserves related to pension funds	*12,001*	*5.9*	*8,463*	*4.2*	*3,538*	*41.8*
Other reserves	*8,449*	*4.1*	*11,249*	*5.4*	*-2,800*	*-24.9*
Non-life business	1,759	0.9	1,728	0.9	31	1.8
Other insurance deposits (***)	**1,846**	**0.9**	**1,319**	**0.7**	**527**	**40.0**
Direct deposits from insurance business and technical reserves	**204,198**	**100.0**	**203,211**	**100.0**	**987**	**0.5**

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

(*) Values included in the Balance Sheet under Financial liabilities pertaining to insurance companies measured at fair value to IAS 39.

(**) This caption includes unit- and index-linked policies with significant insurance risk.

(***) Values included in the Balance Sheet under Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39. The caption includes subordinated liabilities.



Direct deposits from insurance business came to 204 billion euro as at 30 June 2021, up slightly (+0.5%, or +1 billion euro) compared to December 2020. On the positive side, financial liabilities measured at fair value, consisting of unit-linked products, increased by 2.3 billion euro (+2.9%), as did other deposits from insurance business, which include subordinated liabilities, up by 0.5 billion euro (+40%). Technical reserves, which constitute the amounts owed to customers taking out traditional policies or policies with significant insurance risk, recorded a decrease of 1.9 billion euro (-1.6%), attributable to the life business, which accounts for almost all reserves.

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 30 June 2021, assets held for sale amounted to 1.6 billion euro and the associated liabilities to 78 million euro. These amounts primarily refer to a non-performing loan portfolio whose sale was decided as part of the Group's de-risking strategy, already described above, after aligning their carrying amount to their estimated realisable price upon sale. The equity investment in ISP Forvalue and the business line of merchant acquiring activities belonging to the scope of the former UBI Banca, for which no IFRS 5 remeasurement effects emerged, are also included.

SOVEREIGN RISK EXPOSURE BY COUNTRY OF RESIDENCE OF THE COUNTERPARTY

The following table illustrates the value of the main exposures of the Intesa Sanpaolo Group to sovereign risk, based on management data.

(millions of euro)

	DEBT SECURITIES					LOANS
	BANKING GROUP			INSURANCE COMPANIES	TOTAL	
	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	**24,303**	**37,214**	**6,257**	**72,741**	**140,515**	**11,942**
Austria	-	76	-153	286	209	-
Belgium	790	1,989	-12	512	3,279	-
Bulgaria	-	-	-4	63	59	-
Croatia	11	1,026	171	229	1,437	1,236
Cyprus	-	-	-	100	100	-
Czech Republic	-	-	-	-	-	-
Denmark	-	-	-	-	-	-
Estonia	-	-	-	-	-	-
Finland	-	13	94	44	151	-
France	2,544	3,717	-483	2,110	7,888	4
Germany	513	1,481	-668	1,570	2,896	-
Greece	-	-	72	6	78	-
Hungary	217	813	11	43	1,084	112
Ireland	145	345	6	124	620	-
Italy	15,836	15,862	9,152	62,801	103,651	10,130
Latvia	-	-	3	21	24	29
Lithuania	-	-	-	-	-	-
Luxembourg	-	146	-	-	146	-
Malta	-	-	-	-	-	-
The Netherlands	52	241	-36	350	607	-
Poland	50	69	-	26	145	-
Portugal	84	1,069	-297	656	1,512	-
Romania	66	350	8	414	838	6
Slovakia	-	378	15	-	393	204
Slovenia	1	224	-16	63	272	174
Spain	3,994	9,391	-1,606	3,323	15,102	47
Sweden	-	24	-	-	24	-
Non-EU Countries						
Albania	190	384	1	-	575	1
Egypt	-	1,733	1	84	1,818	369
Japan	-	2,103	137	-	2,240	-
Russia	-	101	16	-	117	-
Serbia	2	706	6	-	714	77
United Kingdom	-	136	-3	106	239	-
U.S.A.	1,297	4,186	168	6	5,657	-

Management accounts

As illustrated in the table, the exposure to Italian government securities at the end of the first half of 2021 totalled approximately 104 billion euro (90 billion euro at 31 December 2020), in addition to another 10 billion euro represented by loans, largely unchanged compared to the end of 2020.

SHAREHOLDERS' EQUITY

As at 30 June 2021, the Group's shareholders' equity, including the net income for the period, came to 66,232 million euro, compared to the 65,894 million euro at the beginning of the year. The increase is mainly attributable to reserves (+1.9 billion euro), in part offset by the reduction in equity instruments; the aggregate includes the 3 billion euro of net income accrued in the half-year and the payment of 694 billion euro of cash dividends in May.

Valuation reserves

(millions of euro)

	Reserve 31.12.2020	Change of the period	Reserve 30.06.2021
Financial assets designated at fair value through other comprehensive income (debt instruments)	200	-423	-223
Financial assets designated at fair value through other comprehensive income (equities)	-112	229	117
Property and equipment	1,569	-6	1,563
Cash flow hedges	-781	103	-678
Foreign exchange differences	-1,184	78	-1,106
Non-current assets held for sale and discontinued operations	-	-	-
Financial liabilities designated at fair value through profit or loss (change in its creditworthiness)	-103	9	-94
Actuarial profits (losses) on defined benefit pension plans	-422	30	-392
Portion of the valuation reserves connected with investments carried at equity	10	19	29
Legally-required revaluations	308	-	308
Valuation reserves (excluding valuation reserves pertaining to insurance companies)	**-515**	**39**	**-476**
Valuation reserves pertaining to insurance companies	**809**	**-148**	**661**

Banking valuation reserves were negative (-476 million euro), decreasing compared to 31 December 2020, mainly due to an increase in the value of equity instruments (+117 million euro) and lower cash flow hedge reserves (-678 million euro) and foreign exchange difference reserves; on the other hand, the reserves on debt securities had a negative impact (-223million euro), against the positive value at the beginning of the year. The valuation reserves of the insurance companies amounted to 661 million euro, compared with 809 million euro at the end of 2020.

OWN FUNDS AND CAPITAL RATIOS

(millions of euro)

Own funds and capital ratios	30.06.2021 IFRS 9 "Fully loaded"	30.06.2021 IFRS 9 "Transitional"	31.12.2020 IFRS 9 "Transitional"
Own funds			
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	47,474	48,992	51,070
Additional Tier 1 capital (AT1) net of regulatory adjustments	6,265	6,265	7,486
TIER 1 CAPITAL	**53,739**	**55,257**	**58,556**
Tier 2 capital net of regulatory adjustments	10,431	9,519	9,377
TOTAL OWN FUNDS	**64,170**	**64,776**	**67,933**
Risk-weighted assets			
Credit and counterparty risks	288,392	287,425	299,564
Market and settlement risk	15,788	15,788	19,521
Operational risks	26,378	26,378	27,559
Other specific risks (a)	157	157	428
RISK-WEIGHTED ASSETS	**330,715**	**329,748**	**347,072**
% Capital ratios			
Common Equity Tier 1 capital ratio	14.4%	14.9%	14.7%
Tier 1 capital ratio	16.2%	16.8%	16.9%
Total capital ratio	19.4%	19.6%	19.6%

(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 30 June 2021 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) 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 the related Bank of Italy Circulars.
The regulations governing own funds, which provided for the gradual introduction of the Basel 3 framework, are now in full effect, following the conclusion in 2018 of the specific transitional period during which some elements to be fully included in or deducted from Common Equity when the framework is "fully loaded" only had a partial percent impact on Common Equity Tier 1 capital. The Intesa Sanpaolo Group chose to take the "static approach" to adopting IFRS 9 envisaged in Regulation (EU) 2017/2395. This approach permits the re-inclusion in Common Equity of a gradually decreasing amount, ending in 2022 (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022), of the impact of IFRS 9, calculated net of the tax effect, based on the comparison of the IAS 39 adjustments as at 31 December 2017 and the IFRS 9 adjustments as at 1 January 2018, excluding the reclassification of financial instruments, and after eliminating the shortfall as at 31 December 2017.
Regulation (EU) 2017/2395 also lays down the reporting obligations that entities are required to publish, while charging the EBA with issuing specific guidelines on this subject. In implementation of the Regulation, the EBA issued specific guidelines according to which banks that adopt a transitional treatment of the impact of IFRS 9 (such as the static approach mentioned above) are required to publish, with quarterly frequency, the fully loaded consolidated figures (as if the transitional treatment had not been applied) and the transitional consolidated figures for Common Equity Tier 1 (CET1) capital, Tier 1 capital, total capital, total risk-weighted assets, capital ratios and the leverage ratio.

Own funds

As at 30 June 2021, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, Own Funds amounted to 64,776 million euro; as at that same date, considering the full inclusion of the impact of IFRS 9, Own Funds stood at 64,170 million euro. Own funds calculated considering the full impact of IFRS 9 (i.e., on a "fully-loaded" basis) take account of the provisions of the 2019 Budget Act calling for 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 have been considered at 50% of their book value for the purposes of calculating transitional own funds, in accordance with Article 473bis of the CRR with regard to the application of the static approach, whereas they have been fully included among deductible elements in fully-loaded own funds. The impact of such DTAs on fully-loaded own funds is nonetheless temporary since they will be phased out by 2028.
In addition, the Group has not yet 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, both introduced by the European Commission in Regulation (EU) 2020/873 of 24 June 2020.
Own funds also take into account the applicable amount, subject to 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) 2019/630 of 17 April 2019.
For the purposes of calculating own funds as at 30 June 2021 the net income for the first half of 2021 was considered, less the related dividend, calculated according to the payout ratio envisaged in the 2018-2021 Business Plan (70% for 2021) and other foreseeable charges. With regard to the payout ratio on 2021 net income, on 15 December 2020, the European Central

Bank, following the previous guidance in this regard, had published a Recommendation on dividend policies during the COVID-19 epidemic, asking significant credit institutions to exercise utmost caution when making decisions on dividends or dividend distributions to remunerate shareholders and reserving the right to review the Recommendation before 30 September 2021, when, in the absence of significant adverse developments, it would repeal the Recommendation, resuming assessing banks' capital and distribution plans based on the outcomes of the normal supervisory cycle. In this regard, on 23 July 2021 the European Central Bank communicated its decision not to extend beyond 30 September 2021 its recommendation that all banks limit dividends. As a consequence, the supervisory authorities will resume the previous supervisory practice of evaluating each bank's capital trajectories and dividend distribution plans as part of the normal supervisory cycle; in any case, the European Central Bank recommended that the banks should remain prudent and not underestimate credit risk when deciding on dividends.

Risk-weighted assets

As at 30 June 2021, taking account of the transitional treatment adopted to mitigate the impact of IFRS 9, risk-weighted assets came to 329,748 million euro, resulting primarily from credit and counterparty risk and, to a lesser extent, operational and market risk. As at that same date, considering the full inclusion of the impact of IFRS 9, risk-weighted assets stood at 330,715 million euro. The decline on 31 December 2020 was largely due to the sale of the branches to BPER finalised in February 2021 and, residually, in June 2021.
Common Equity Tier 1 Capital and risk-weighted assets as at 30 June 2021 take account of the impact of the application of the "Danish Compromise" (Article 49.1 of Regulation (EU) No 575/2013), as per the specific authorisation received from the ECB in 2019, according to which insurance investments, excluding those not directly owned by Intesa Sanpaolo Vita, for which an extension of the "Danish Compromise" has not been sought yet, are treated as risk-weighted assets instead of being deducted from capital.

Solvency ratios

On the basis of the foregoing, solvency ratios as at 30 June 2021, calculated taking account of the transitional treatment of the impact of IFRS 9 (IFRS 9 Transitional), amounted to a Common Equity ratio of 14.9%, a Tier 1 ratio of 16.8% and a total capital ratio of 19.6%. Considering the full inclusion of the impact of IFRS 9 (IFRS 9 Fully Loaded), solvency ratios as at 30 June 2021 were as follows: a Common Equity ratio of 14.4%, a Tier 1 ratio of 16.2% and a Total capital ratio of 19.4%.
On 25 November 2020 Intesa Sanpaolo disclosed that it had received a communication from the ECB following the results of the Supervisory Review and Evaluation Process (SREP) concerning the capital requirement to be met on a consolidated basis, which was set equal to that for the previous year. The overall capital requirement the Bank has to meet in terms of Common Equity Tier 1 ratio in 2021 is 8.63%.
Lastly, it should be noted that Intesa Sanpaolo was subject to the 2021 EU-Wide Stress Test, conducted by the European Banking Authority (EBA), in cooperation with the Bank of Italy, the European Central Bank and the European Systemic Risk Board (ESRB). Intesa Sanpaolo takes note of the announcements made by the EBA on 30 July 2021 on the EU-Wide Stress Test and fully acknowledges the outcomes of this exercise. The fully loaded CET1 ratio for Intesa Sanpaolo resulting from the stress test for 2023, the final year considered in the exercise, stands at 15.06% under the baseline scenario and 9.38% under the adverse scenario, compared to the starting-point figure of 14.04% recorded as at 31 December 2020. In this regard, please see the chapter on "Subsequent events".

Reconciliation of Shareholders' equity and Common Equity Tier 1 capital

(millions of euro)

Captions	30.06.2021	31.12.2020
Group Shareholders' equity	66,232	65,894
Minority interests	318	1,172
Shareholders' equity as per the Balance Sheet	**66,550**	**67,066**
Adjustments for instruments eligible for inclusion in AT1 or T2 and net income for the period		
- Other equity instruments eligible for inclusion in AT1	-6,263	-7,480
- Minority interests eligible for inclusion in AT1	-2	-6
- Minority interests eligible for inclusion in T2	-3	-5
- Ineligible minority interests on full phase-in	-306	-408
- Ineligible net income for the period (a)	-2,203	-821
- Treasury shares included under regulatory adjustments	261	263
- Other ineligible components on full phase-in	-202	-147
Common Equity Tier 1 capital (CET1) before regulatory adjustments	**57,832**	**58,462**
Regulatory adjustments (including transitional adjustments) (b)	**-8,840**	**-7,392**
Common Equity Tier 1 capital (CET1) net of regulatory adjustments	**48,992**	**51,070**

(a) Common Equity Tier 1 capital as at 30 June 2021 includes the net income as at that date, less the related dividend, calculated taking into account the payout envisaged in the 2018-2021 Business Plan (70% for 2021) and other foreseeable charges (accrued coupon on Additional Tier 1 instruments).

(b) Adjustments for the transitional period as at 30 June 2021 take account of the prudential filter, which allows re-inclusion in Common Equity of a portion of the impact of IFRS 9 (50% in 2021) set to decrease progressively until 2022.

Breakdown of consolidated results by business area and geographical area

The Intesa Sanpaolo Group organisational structure is based on six 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

(*) Includes the Group's Treasury and the NPE Head Office Department

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.

As already mentioned in the Interim Statement as at 31 March 2021, following the integration of processes, UBI Group's income statement and balance sheet figures – previously represented as a separate Business Unit – were assigned to the specific operating Divisions.
In detail, the customers of the Parent Company UBI Banca were assigned to the Divisions based on the criteria defined in the Service Model adopted by the Intesa Sanpaolo Group, while the legal entities subject to line-by-line consolidation in the UBI Group were attributed to the Business Units of the Intesa Sanpaolo Group as shown below:
- Prestitalia, UBI Leasing and UBI Factor were included in the Banca dei Territori Division;
- Pramerica SGR and Pramerica Management Company were included in the Asset Management Division;
- IW Bank was included in the Private Banking Division;
- BancAssurance Popolari was included in the Insurance Division.

The income statement effects relating to the branches object of disposal were conventionally and synthetically allocated – based on the "redetermined" figures described for the consolidated figures – to the caption Income (loss) from discontinued operations of the Corporate Centre.

Moreover, division figures for the comparative periods have been restated to reflect the changes in scope of the Business Units, where necessary and if they are material. In particular, the restatement concerned:
- inclusion in the Insurance Division of the income statement and balance sheet results of Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas Assicurazioni (net of the effects attributable to the branches object of disposal, as indicated in the comments on the consolidated income statement results), which entered the line-by-line scope of consolidation due to the finalisation of the acquisition of 100% of the capital;
- inclusion in the Private Banking Division, of the income statement and balance sheet results of the Reyl Group, which entered the line-by-line scope of consolidation in the second quarter of 2021 due to the finalisation of the acquisition of the majority shareholding by Fideuram Intesa Sanpaolo Private Banking;
- revision of the allocation methods for costs and revenues between the Business Units and Corporate Centre, as previously indicated in the chapter Accounting policies - Criteria for the preparation of segment reporting, also in relation to the need to integrate UBI Banca in accordance with the segment reporting approaches of the Intesa Sanpaolo Group.
  More specifically, as regards revenues, the context featuring market interest rates that continue to be negative and the growth in the cost of excess liquidity led to the suspension of the management retrocession by the Corporate Centre to Banca dei Territori of the figurative model hedging of core deposits modelled for interest rate risk. Likewise, the introduction of a regulatory limit of NSFR of 100% entailed the introduction of an equivalent limit also for Global Market

operations of the IMI C&IB Division, limiting the benefits in favour of the Division. Moreover, the Divisions were assigned certain fee and commission expenses which, due to the fine-tuning of the reporting methods, were identified as pertinent to the business operations performed by the Divisions.
As part of a gradual fine-tuning of the approaches and allocation methods for costs, it was decided to fully allocate the costs connected to the provision of service activities and to charge back to the Divisions most of the costs connected with the "guidance and control activities".
Specifically regarding the latter category of costs, though not directly attributable to the Divisions, it was decided to allocate them to the Divisions to strengthen the approach of joint accountability for institutional, strategic or guidance and control initiatives, also to favour increased attention to the consumption of resources, irrespective of the nature of the expense considered in each case.
Lastly, it was decided to allocate to the Divisions the levies and charges for the banking system, relating to the Deposit Guarantee Scheme, which are a direct result of the level of guaranteed deposits.
The most significant impacts quantified on the Corporate Centre in the first half of 2021 regarded:

- around 345 million euro in higher net interest income, of which around 290 million euro relating to the elimination of the recognition to the Banca dei Territori Division of the benefit of the interest rate risk model on demand deposits, and around 55 million euro attributable to the increase to 100% of the internal NSFR assigned to the Global Markets area of the IMI C&IB Division;
- around 35 million euro due to lower fee and commission income paid to third parties for electronic services, credit recovery and other services, primarily attributable to the Banca dei Territori Division and, to a lesser extent, to the IMI C&IB Division, based on sustainable criteria of correlation with the business conducted by the Divisions;
- around 360 million euro in lower operating costs due to the full allocation to the Divisions of all costs connected with the provision of services (around 80 million euro), completing a fine-tuning process launched in 2020 in line with the business approach of the Internal Pricing Model, as well as the transfer to the Divisions, based on suitable drivers, of most of the costs connected with "guidance and control activities" (around 280 million euro);
- 17 million euro in lower charges relating to the Deposit Guarantee Scheme, represented in the reclassified income statement in the caption Levies and other charges concerning the banking industry (net of tax), referring to several banks in the International Subsidiary Banks Division.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first half of 2021 compared to the like-for-like comparison data, based on the "redetermined" figures approach described for the consolidated 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 half 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) 2019/876 of 20 May 2019, known as CRR II, in force as at 30 June 2019, 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 asset management and private banking, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total (Redetermined figures)
Operating income								
30.06.2021	4,434	2,456	967	1,192	633	820	172	10,674
30.06.2020	4,383	2,639	938	1,095	460	835	144	10,494
% change	1.2	-6.9	3.1	8.9	37.6	-1.8	19.4	1.7
Operating costs								
30.06.2021	-3,187	-646	-506	-431	-105	-189	-191	-5,255
30.06.2020	-3,283	-647	-505	-422	-102	-182	-238	-5,379
% change	-2.9	-0.2	0.2	2.1	2.9	3.8	-19.7	-2.3
Operating margin								
30.06.2021	1,247	1,810	461	761	528	631	-19	5,419
30.06.2020	1,100	1,992	433	673	358	653	-94	5,115
% change	13.4	-9.1	6.5	13.1	47.5	-3.4	-79.8	5.9
Net income (loss)								
30.06.2021	352	1,220	251	631	376	439	-246	3,023
30.06.2020	-355	1,151	185	433	243	334	575	2,566
% change		6.0	35.7	45.7	54.7	31.4		17.8

(millions of euro)

	Banca dei Territori	IMI Corporate & Investment Banking	International Subsidiary Banks	Private Banking	Asset Management	Insurance	Corporate Centre	Total
Loans to customers								
30.06.2021	252,761	149,554	37,297	12,932	357	-	10,396	463,297
31.12.2020	251,809	145,974	36,079	12,128	452	-	16,360	462,802
% change	0.4	2.5	3.4	6.6	-21.0	-	-36.5	0.1
Direct deposits from banking business								
30.06.2021	281,343	88,117	47,739	49,602	25	-	64,786	531,612
31.12.2020	267,450	92,938	46,308	49,841	14	-	70,214	526,765
% change	5.2	-5.2	3.1	-0.5	78.6	-	-7.7	0.9
Risk-weighted assets								
30.06.2021	99,991	109,467	33,744	11,967	1,925	-	72,654	329,748
31.12.2020	104,550	113,688	32,886	11,157	1,752	-	83,039	347,072
% change	-4.4	-3.7	2.6	7.3	9.9	-	-12.5	-5.0
Absorbed capital								
30.06.2021	8,589	9,407	3,553	1,042	196	4,113	4,437	31,337
31.12.2020	8,981	9,768	3,468	964	174	4,975	5,188	33,518
% change	-4.4	-3.7	2.5	8.1	12.6	-17.3	-14.5	-6.5

Figures restated, where necessary and material, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

BUSINESS AREAS

Banca dei Territori

(millions of euro)

Income statement	30.06.2021	30.06.2020	changes	
			amount	%
Net interest income	1,976	2,138	-162	-7.6
Net fee and commission income	2,401	2,190	211	9.6
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	50	49	1	2.0
Other operating income (expenses)	7	6	1	16.7
Operating income	**4,434**	**4,383**	**51**	**1.2**
Personnel expenses	-1,744	-1,795	-51	-2.8
Other administrative expenses	-1,440	-1,485	-45	-3.0
Adjustments to property, equipment and intangible assets	-3	-3	-	-
Operating costs	**-3,187**	**-3,283**	**-96**	**-2.9**
Operating margin	**1,247**	**1,100**	**147**	**13.4**
Net adjustments to loans	-667	-1,613	-946	-58.6
Other net provisions and net impairment losses on other assets	-24	-33	-9	-27.3
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**556**	**-546**	**1,102**	
Taxes on income	-185	196	-381	
Charges (net of tax) for integration and exit incentives	-16	-5	11	
Effect of purchase price allocation (net of tax)	-2	-	2	-
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)	**352**	**-355**	**707**	

(millions of euro)

	30.06.2021	31.12.2020	changes	
			amount	%
Loans to customers	252,761	251,809	952	0.4
Direct deposits from banking business	281,343	267,450	13,893	5.2
Risk-weighted assets	99,991	104,550	-4,559	-4.4
Absorbed capital	8,589	8,981	-392	-4.4

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

Despite the difficulties in coming out of the pandemic emergency, the revenues of the **Banca dei Territori Division** for the first half 2021, amounting to 4,434 million euro and accounting for over 40% of the Group's consolidated revenues, grew by 1.2% on the same period of the previous year, due to the efficacy of the sales network and the reinforcement of remote sales through digital channels in support of customers.
Specifically, there was a significant increase in net fee and commission income (+9.6%), particularly in the assets under management and bancassurance segments, due to the placement of funds and the distribution of insurance products and, to a lesser extent, and in the commercial banking segment in the collection and payment services component. Conversely, net interest income was down by 7.6%: even in the presence of high levels of liquidity, margins were impacted by interest rates at historical lows. Among the other revenue components, which also provide a marginal contribution to the Division's income, there was an increase both in profits (losses) on financial assets and liabilities designated at fair value (+2%) and in other operating income (+16.7%). Operating costs, equal to 3,187 million euro, were down by 2.9%, thanks to the savings in personnel expenses, mainly attributable to the negotiated exits, and to the decrease in administrative expenses, mainly due to savings on service costs in the real estate and operations sectors and lower expenditure on advertising and consulting. As a result of the foregoing, the operating margin amounted to 1,247 million euro, up 13.4% on the same period of the previous year. Gross income amounted to 556 million euro, compared to a net loss of 546 million euro in the first six months of 2020, impacted by significant adjustments to loans due to the revision of the scenario last year as a result of the epidemic. After

allocation to the Division of taxes of 185 million euro, charges for integration of 16 million euro and other captions for 3 million euro, net income came to 352 million euro, compared to -355 million euro in the first six months of 2020, redetermined based on the revision of the criteria of cost allocation to the Corporate Centre illustrated at the start of this chapter.

In quarterly terms, there was a decrease in gross income and net income compared to the first quarter 2021, essentially attributable to greater adjustments to loans.

The balance sheet figures at the end of June 2021 showed growth in total intermediated volumes of loans and deposits from the beginning of the year (+2.9%). In detail, loans to customers, equal to 252,761 million euro, recorded a moderate increase (+1 billion euro, equal to +0.4%), due to medium/long-term loans to businesses and individuals, which reflect the Group's support to the Italian economy, also in relation to the extraordinary measures taken by the government, and support for families in the current emergency phase. Direct deposits from banking business, amounting to 281,343 million euro, were up (+13.9 billion euro, or +5.2%) in the amounts due to customers component, due to the higher liquidity accumulated on deposits held by individuals and businesses awaiting a more favourable scenario.

Business

Traditional lending and deposit collection operations in Italy and associated financial services.

Mission

To serve Retail, Exclusive, and Small and Medium Enterprise customers, 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

Individuals and Retail Companies Sales & Marketing, SME Sales & Marketing	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).
Product companies	Banca 5: a "proximity bank", operating throughout the country in non-captive points of sale, focused on instant banking and targeting categories of customers who rarely use banking products and services. Prestitalia: a financial intermediary operating in the Italian market of consumer credit, specialising in the salary-backed loans segment.
Agribusiness Department	Serving agriculture and agribusiness.
Impact Department	Aimed at developing the initiatives of Impact Bank and serving non-profit organisations.

Distribution structure

Approximately 4,000 branches, including Retail 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. Since 12 April, the date of the merger by incorporation of UBI Banca into Intesa Sanpaolo, the territorial structure is divided into 12 Regional Governance Centres, in each of which there are (to favour the commercial focus and guarantee a better control of the service level) three Commercial Managers, specialised for "commercial territory" (Retail, Exclusive and SME), which report directly to the Regional Director and that coordinate around 320 commercial areas.

Individuals and Retail Companies Sales & Marketing, SME Sales & Marketing

Investment and Pension Funds

The advanced advisory paid service “Valore Insieme”, launched in 2017, proposes an innovative global advisory model, which focuses on structured listening to needs and a comprehensive vision over all of the customer’s assets, including real estate, also assisting customers in planning the transfer of wealth to their loved ones. The diversification of customer portfolios continued, specifically through products conceived to meet the needs of customers interested in gradually entering diversified investments, reducing their excess liquidity on current accounts in relation to their needs for reserves. The funds offering was expanded with Eurizon Strategia Inflazione, which aims for real growth in capital, protecting from the risk of unexpected inflation, and Eurizon Emerging Leaders ESG 50, for gradual entry into the stock market, with specific focus on issuers in the emerging countries area, with ESG connotations, and the asset management product “Eurizon GP Risparmio”, aimed at increasing the value of customers’ excess liquidity. In the bancassurance area, Risparmio Insurance, a multi-line policy aimed at assisting customers in moving onto the financial markets, was launched and the insurance product Patrimonio PerGiovani Insurance, dedicated to young people, to help them bring to life their future plans, was restyled. The placement of certificates continued, with a range differentiated in terms of type of structure, protection, time horizon and currency, and two placements of bonds in foreign currency of third-party issuers were carried out.
For the purpose of improving the efficiency and quality of advice on investments for individuals, project activities are under way for the adoption of the Blackrock “Aladdin Wealth” solution, to replace the current portfolio analysis engines and the introduce the new Robo4Advisor and RoboAdvisor functionalities.

Loans

“PerTe Prestito Diretto”, the special-purpose loan for multi-channel current account holders that can be applied for via Internet Banking and using the Intesa Sanpaolo Mobile App, based on agreements with merchants, further developed its range of goods and services from the best brands offered on the market, with zero APR and Annual Effective Global Rate due to the contribution of the merchant, offering a range focused on issues of innovation, sustainable mobility and the environment.

Mortgages

The “Green - Mutuo Domus” offer enables customers potentially interested in purchasing a property with energy class A or B or restructuring resulting in moving up by at least one class, to fulfil their dreams of purchasing a property with low environmental impact or energy requalification of their home.

Protection and Welfare

In response to the growing attention to the issue, the new Salute (Healthcare) range from XME Protezione, developed with Intesa Sanpaolo RBMS, offers innovative, wider protection that adapts to the customer’s lifestyle. It offers the option to choose for each insured person different guarantees and levels of protection (Base, Silver, Gold and Premium) with new guarantees and limits of liability for coverage of Hospitalisation and Surgery, Diagnostics and Tests, Prevention and Medications and Physical Therapy, as well as a wide range of other coverage, including Ophthalmology and eye health, a widespread network of clinics that can be used throughout the country and the possibility to obtain insurance until 70 years of age and remain protected up to 80 for many guarantees. In particular, concurrent with the COVID-19 vaccination campaign, insured persons or those who take out insurance through the Hospitalisation and Surgery module by 30 November will benefit from free insurance coverage of any adverse reactions to vaccinations or hospitalisation due to contagion of those already vaccinated.
In the area of developing insurance solutions for the Business world, the Group’s healthcare offering was expanded with the “Piano Sanitario Rimborso Spese Mediche” (Reimbursement of Medical Expenses) plan and the “Collettiva Malattie Gravi” (Collective Serious Illness) policy of Intesa Sanpaolo RBM, products dedicated to SMEs, Retail companies, non-profit organisations and VAT-registered individuals, which can offer, to homogeneous categories of workers (employees and other) access to medical services and indemnities in the event of serious illnesses. Moreover, in June the protection range for the business world expanded with the “Cyber Protection Business” policy, covering IT risks, and the “RC Amministratori, Sindaci e Dirigenti” policy, which provides companies and persons who hold managerial functions in companies with coverage for any request for compensation deriving from the commission of an actual or alleged unlawful act, even in the case of gross negligence, in exercising their duties.
In the area of Payment Protection Insurance, the ProteggiMutuo and Proteggiprestito policies were restyled in order to improve the commercial proposal to customers.
To strengthen the insurance offering of the Group and provide non-standard, tailor-made solutions in the area of protection, welfare and life insurance for Retail companies and SMEs, in May, Intesa Sanpaolo Insurance Agency began operations. This is a new agency with the purpose of providing tailor-made solutions to corporate customers, which have more complex insurance needs that cannot be addressed by the standard products distributed.

Young people

Intesa Sanpaolo continues to bring young people closer to the banking world through digital, smart and captivating solutions, such as “XME Conto UP!”, a current account for children and young people under the age of 18, thanks to the choice of partners loved by young people, such as Panini. With the intention of making the transactional offer for young people under 35 and under 18 completely free of charge, during the half year, additional costs and fees on the main transactions carried out by the target were eliminated. The “Giovani e Lavoro” project continued in 2021 with its extension to new regions. This project favours the employment of young people aged 18 to 29, offering targeted training, free of charge, both for young people and for the participating businesses, for professional positions the businesses concretely need to fill, aiding in the effective matching of labour demand and supply.

Transactional products and digital payments

The new Exclusive credit card is dedicated to customers seeking effective, prestigious solutions to their lifestyle needs. Made of white metal and delivered in an elegant package accompanied by a welcome card, it combines a high credit limit with a set of lifestyle services designed for people who enjoy spending time and money on travel, cultural activities, well-being and health, and demand effective, prestigious solutions capable of fulfilling their wishes and needs in real time. With the Exclusive credit card, customers have a dedicated concierge 24-7, wherever they are in the world, for assistance and bookings, a set of insurance coverage free of charge for travel, purchases, medical assistance and events, pet insurance coverage, and a "preferential" line for welcoming and assistance at the HUB branches, which is also extended to services of the online branch. In line with Intesa Sanpaolo's vocation to be an impact bank, 50% of interbank commissions received for purchases made using the Exclusive credit card will be donated to solidarity and social inclusion projects promoted by the For Funding crowdfunding platform.
To support the widespread use of cards and digital payments, the upgrading of existing products and the development of new services continued, such as the option to use digital cards immediately after obtaining them (Instant Issuing), and, in the area of Open Banking, the extension of the Parking payment service app to new municipalities and, in the area of Smart Cities, the extension to the municipality of Turin of the agreements to directly obtain certification of registry information for mortgage applications. The enabling of Bancomat Pay on Intesa Sanpaolo-Nexi POS also continued. This service allows merchant customers to expand the options of cashless collection also to e-commerce, by accepting e-commerce payments using the Bancomat Pay network ordered by customers with the service, at Intesa Sanpaolo or other banks, by confirming the push notification on the payer's smartphone and, through mobile or in-store payments, by generating a QR code directly on the collection app used by the merchant or on the display of the POS.

Multichannel Project

The development of multi-channel and digital banking continued, reaching 12.1 million multi-channel customers (91% of total customers) and 7.5 million active users on the App at the end of June 2021. Almost all the products in the retail catalogue, including current accounts, payment cards, personal loans and non-banking products as well, such as smartphones, tablets and PCs, can be purchased via Internet Banking and/or the Mobile App. During the half-year the multi-channel development of new customer journeys continued, to improve the offering and the customer experience, increasing the remote usability of the services offered by the digital channel. The development of digitisation of business customers continued with the upgrading of the Inbiz platform towards an increasingly multi-channel relationship with customers. Through the new digital identity and signature model My Key Inbiz, customers can remotely manage ordinary and extraordinary operations, also signing contracts with the Bank and access the remote document exchange service. Inbiz Start, a remote banking solution dedicated to companies that intend to manage their relationship with the bank 100% digitally, became available at the end of March. For companies operating on Inbiz Imprese Evoluto or Corporate, the new Export Module, an innovative digital platform dedicated to customers operating internationally and interested in exploring new markets, provides, in a single dashboard, the tools and information needed to optimise international business in order to develop the internationalisation of the customer's business.
The online branch, which, thanks to 19 offices throughout the country interacts with customers by remotely offering products, services and comprehensive support, continued to grow. In addition, the remote branches, through the remote managers, offer personalised remote advisory services, available during extended hours, in synergy with the physical branches and the online branch.

Agreements

Intesa Sanpaolo signed new agreements in the area of artisan companies and, in particular, with Confartigianato Imprese and CNA, the National Confederation of Artisans and SMEs, to support their member companies, renewing and expanding the process of cooperation and commitment initiated during the extreme stage of the health crisis to supplement the extraordinary measures implemented by the government with support actions implemented by the Bank, and to allow companies to best make use of the opportunities offered by the Superbonus 110% and other tax incentives introduced by the "Rilancio" Decree of 2020, also supporting them in executing renovation works and liquidating their tax credits through discounts on invoices. Support to liquidity, relaunch of investments for the Transition 4.0 plan, sustainable growth, company welfare solutions, initiatives for women entrepreneurs, social inclusion and extraordinary finance projects are the focus of these partnerships. Moreover, the agreements with the Confindustria member associations Federlegno Arredo and Anima Federazione Meccanica Varia and with the associations Confcommercio, Federalberghi and Fipe Federazione Pubblici Esercizi, were renewed and expanded, in line with the evolution of the regulatory framework regarding actions to support liquidity and the recovery of companies' investments, with attention also to the issues of sustainability and impact banking.

Loans

In order to aid businesses in investing in technological upgrades, the Bank made available solutions and services linked to the National Transition 4.0 Plan, introduced by the 2021 Budget Act, which envisages measures to stimulate investments in innovation, due to tax benefits granted, such as tax credits for companies investing in capital goods, research, development, innovation and training on innovative issues: from consulting to identify investment priorities in the area of digitisation, to the offer of loans to support investment, to solutions for renting capital goods, in alternative to purchases, to consulting on certification and tax benefits or for access to European financing programmes. To support the recovery of Italian SMEs and mid-caps in 2021, accompanying them in the phase of relaunching Italy following the difficulties caused by the pandemic crisis and assisting them in preparing for tomorrow's challenges, the Intesa Sanpaolo Group has developed the "Motore Italia" programme, a structured plan of measures and solutions providing a credit limit of 50 billion euro in new credit for liquidity and investments in the digital and sustainable transition, in line with the objectives of the Recovery Plan.
As part of the range of medium/long-term loans, the new version of "NOVA+", created with the objective of aligning with the Next Generation EU sustainability and digital strategies and capturing the opportunities offered by the Transition 4.0 plan,

meets the needs of companies interested in investing in green and digital research, development and innovation and enhancing intellectual property.
In line with the objective of acting as a point of reference for companies in integrating sustainability principles into their business models, thanks to specific agreements with top-level partners, Intesa Sanpaolo has made available to its corporate customers a specialised, modular ESG advisory service at favourable conditions, to provide companies with support to initially measure and improve their governance, social and environmental performance and promote and communicate the results achieved. “S-Loan”, an innovative loan that supports companies with the process of sustainable growth, making it possible to finance investments benefiting from a rate discount upon achieving the improvement objectives set and certified in the ESG arena, was enriched with four new options dedicated to gender equality, for companies that intend to commit to promoting and enhancing the role of women in the working world and in society. The Bank’s initiative of donations to charitable causes present on the For Funding platform for each S-Loan disbursed was also launched, with a view to expanding the positive impact on society generated by the loan: the first project funded is "A scuola di inclusione: giocando si impara" (Inclusion at School: learning through play), to equip 28 playgrounds with play structures accessible to children with disabilities.
The offering of Bonds, an innovative solution that enables companies interested in financing their investments and developing their business to use capital made available by institutional actors that otherwise would not be accessible, was expanded with the Guaranteed Bond, which, thanks to the guarantee from the Central Guarantee Fund, grants customers benefits in terms of price.
In the area of subsidised financing: the initiative “Fondo Emergenza Imprese – Regione Autonoma Sardegna” (SME Emergency Fund – Autonomous Region of Sardinia), under the Operating Agreement signed with the EIB using resources from the European Fund for Strategic Investments, supported SMEs in that area, specifically those in the tourism sector, in economic recovery following the effects generated by the COVID-19 health emergency; the provision of the funding assigned by the EIB continued; new products were activated with Finpiemonte with a portion financed using regional funding at zero interest rate; the creation of portfolios with Portfolio Guarantees from the Guarantee Fund and with FEI Innovfin Guarantees continued, and implementations of Crescita Impresa SACE were issued, for refinancing and mid-caps.

Sviluppo Filiere

The “Programma Filiere”, an innovative form of credit launched by Intesa Sanpaolo to favour access to credit for suppliers by taking advantage of their role in the production chain, reached over 780 participating lead companies, of which approximately 650 participating in confirming, a tool that can be used to finance receivables claimed by suppliers from lead companies, with a potential of 19,000 suppliers.

Agribusiness Department

Created in April 2021, the Agribusiness Department is composed of 224 branches located throughout Italy. The Department was created as a start-up dedicated to the world of agriculture and agribusiness, with customers that are Retail Companies and SMEs, both of the newly-merged UBI Banca and of Intesa Sanpaolo (around 83 thousand customers, of which 69 thousand Retail Companies and 14 thousand SMEs). The Department aims to act as the Group’s centre of excellence for a sector which accounts for over 11% of GDP, with numerous operators highly diversified in size and operations, with over 190 billion euro in turnover and 80 billion euro in imports/exports. The need to provide better responses to the specific needs of businesses that represent national excellence in terms of production and transformation - confirming the deep roots in local areas - led to the creation of an organisation that brings together different people and skills within the Bank, guaranteeing high added value and a specialised relationship, with high-tech contents that facilitate development in terms of innovation and expansion in the sector.
The activities of the new Department have already resulted in the finalisation of an important agreement with Agroqualità to support the wine sector through the offer of a “revolving pledge” for the valuation of stocks and their conversion into collateral that provides easier access to commercial credit lines.
The Department manages lending operations of around 12 billion euro with short-term loans representing around 23% of the total. The Department manages financial assets of around 6 billion euro, almost fully comprised of company liquidity.

Impact Department

The Impact Department is dedicated to managing non-profit customers and coordinating the activation and management of Social Impact Funds. With the merger of UBI, in April 2021 the number of branches reached 106. At the end of the first half of 2021, the number of customers came to approximately 102,000, financial assets amounted to 8.5 billion euro, of which 6.4 billion euro in direct deposits, while lending operations presented an approved amount of 3.8 billion euro (of which 2.8 billion euro had been used).
During the half year, the sales network continued to support organisations through the use of the Sollievo and Sostegno agreements (for a total disbursed in 2020/2021 of around 30 million euro), and took action to facilitate access to government credit measures.
Moreover, the cycle of meetings entitled “Noi ripartiamo” (Let’s Restart) was also launched, in order to concentrate skills and strategies of the non-profit sector to be developed within the National Recovery and Resilience Plan. Lastly, new Terzo Valore projects were once again published on the For Funding platform, including the initiative being implemented in Tanzania by Centro Mondialità Sviluppo Reciproco and the creation of a shelter home in Parma operated by the San Cristoforo association.

Product companies

Banca 5 (formerly Banca ITB), is the first online bank in Italy to operate in the payment system sector and dedicated exclusively to a non-captive network of points of sale. It is authorised for the deposit-taking activity and to exercise lending activities in their various forms, for all the financial and banking operations and services permitted.
At the end of 2019, the agreement between Banca 5 and SisalPay was finalised to set up a newco, which in November 2020 was named Mooney, with the objective of offering banking products and payment and transactional services at over 40,000 merchants located throughout the entire country. The new network, which has been fully operational since the beginning of 2020, adds to the offering of products and services of Banca 5 and SisalPay.
As at 30 June, around 43,000 non-captive points of sale were authorised to offer Banca 5 services. Moreover, during the second half of 2020 the merchants in the former SisalPay network began to provide certain services of Banca 5, including withdrawals and bank transfers (reserved to customers of Intesa Sanpaolo). To strengthen Mooney's sales network, the offer including "Smart POS" terminals - a technology that makes the provision of services simpler and quicker - ensures that authorised merchants can even more widely distribute the range of products and services of Banca 5. At the end of the half year, 910 non-captive points of sale participated in the "Smart POS" offer. There are also around 38,000 retail customers using the Banca 5 app, with 43,000 cards sold and 3,400 active payment accounts.

Prestitalia, acquired from UBI, is now (since 12 April) 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 a stock of around 1.8 billion euro. In the first half of 2021 it disbursed total volumes of 271 million euro, with around 14,000 applications approved.
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.

IMI Corporate & Investment Banking

(millions of euro)

Income statement	30.06.2021	30.06.2020	changes	
			amount	%
Net interest income	1,058	958	100	10.4
Net fee and commission income	576	519	57	11.0
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	821	1,156	-335	-29.0
Other operating income (expenses)	1	6	-5	-83.3
Operating income	**2,456**	**2,639**	**-183**	**-6.9**
Personnel expenses	-233	-222	11	5.0
Other administrative expenses	-402	-413	-11	-2.7
Adjustments to property, equipment and intangible assets	-11	-12	-1	-8.3
Operating costs	**-646**	**-647**	**-1**	**-0.2**
Operating margin	**1,810**	**1,992**	**-182**	**-9.1**
Net adjustments to loans	-54	-265	-211	-79.6
Other net provisions and net impairment losses on other assets	2	2	-	-
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**1,758**	**1,729**	**29**	**1.7**
Taxes on income	-548	-573	-25	-4.4
Charges (net of tax) for integration and exit incentives	-10	-5	5	
Effect of purchase price allocation (net of tax)	20	-	20	-
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**1,220**	**1,151**	**69**	**6.0**

(millions of euro)

	30.06.2021	31.12.2020	changes	
			amount	%
Loans to customers	149,554	145,974	3,580	2.5
Direct deposits from banking business (a)	88,117	92,938	-4,821	-5.2
Risk-weighted assets	109,467	113,688	-4,221	-3.7
Absorbed capital	9,407	9,768	-361	-3.7

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

(a) The item includes certificates.

In the first half of 2021, the **IMI Corporate & Investment Banking Division** recorded operating income of 2,456 million euro (representing around 23% of the Group's consolidated total), down 6.9% compared to the same period of last year.
In detail, net interest income of 1,058 million euro was up by 10.4%, benefiting from the greater contribution of loans to customers, supported by structured finance business and global markets. Net fee and commission income, amounting to 576 million euro, increased by 11%, driven by the performance of the investment banking segment. Profits on financial assets and liabilities designated at fair value, amounting to 821 million euro, performed negatively (-29%), mainly owing to the significant reduction of the valuation effects due to the debt value adjustment (DVA) correlated with liabilities comprised of certificates and lower profits on disposal on the securities portfolio. Operating costs amounted to 646 million euro, substantially stable (-0.2%) compared to the first six months of 2020. As a result of the above revenue and cost trends, the operating margin came to 1,810 million euro, down 9.1% compared to the value recorded in the first half of last year. Conversely, gross income, amounting to 1,758 million euro, was up 1.7% compared to 1,729 million euro in the first six months of 2020, when it was penalised by significant net adjustments to loans recorded due to the COVID-19 pandemic. Lastly, net income came to 1,220 million euro (+6%).
In the second quarter of 2021, the IMI Corporate & Investment Banking Division recorded an operating margin down on the first quarter, to be analysed along with the decrease in revenues attributable to net profits (losses) on financial assets and

liabilities designated at fair value and the increase in operating costs. This trend was reflected in the gross income and in the net income, partially mitigated by the reduction in net adjustments to loans.

The Division's intermediated volumes were down slightly compared to the beginning of the year (-0.5%). In detail, loans to customers of 149,554 million euro increased by 3.6 billion euro (+2.5%), attributable to loans for structured finance transactions and global markets transactions, which widely offset the reduction in global corporate loans. Direct deposits from banking business amounted to 88,117 million euro, down by 4.8 billion euro (-5.2%) mainly due to the decrease in amounts due to global corporate customers, only partly offset by the increase in global markets operations and amounts due to financial institutions.

Business

Corporate and transaction banking, investment banking, and 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

Global Corporate Department

The Department develops and manages relationships with Italian and foreign corporates with diverse needs and multinational presence, and with domestic Public Entities. It ensures the provision of a global, integrated offering of products and services by specific economic sector for customers under its remit, integrating traditional commercial banking products and services with those of investment banking and capital markets, pursuing cross-selling of products and services overseen by the IMI Corporate & Investment Banking Division, by other Divisions and by the Group's product Companies. It avails itself centrally of the commercial action of the Industry units, and locally of the Italian network (Areas) and of the international network of the International Department. The coverage is also completed through two units specifically dedicated to strategic investment banking deals to support industries (Global Strategic Coverage) and geographical areas (Network Origination Coverage).
The specialisation by industry includes all industrial sectors: Automotive & Industrials; Basic Materials & Healthcare; Energy; Food & Beverage and Distribution; Infrastructure & Real Estate Partners; Public Finance; Retail and Luxury; Telecom, Media and Technology.

International Department

The Department ensures the international development of the Division in agreement with the other relationship and product structures, ensures the correct management of operational and commercial activities of the hubs, international branches and representative offices and oversees the management of the international subsidiary banks (Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Brasil - Banco Multiplo and Banca Intesa - Russia and Intesa Sanpaolo IMI Securities Corp.), ensuring their overall coordination.

Global Banking & Sovereign Institutions Department (formerly Financial Institutions Department)

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).
Commercial development activity, which is particularly diversified and innovative, takes the form of proposing integrated solutions that facilitate the cross-selling of Capital Markets, Investment Banking, Commercial Banking and Transaction Banking products.

Global Transaction Banking Department

The Department is responsible for transaction banking products and services for the entire Group. It develops a wide range of digital products and services to meet customers' investment and working capital optimisation needs in Italy and abroad.

Global Markets & Investment Banking

The scope of the structure includes capital markets activities, including management of the portfolio and ownership risk through direct or indirect access to markets, structured finance, M&A advisory and primary markets (equity and debt capital markets).

Distribution structure

In Italy, the IMI Corporate & Investment Banking Division has a total of 27 branches 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.

Global Corporate Department

In the first half of 2021, the Global Corporate Department confirmed its role as strategic and financial partner to its Italian and international customers, supporting them by organising and participating in a number of financing and investment banking transactions. Owing to the specialised expertise linked to the Industry model and the origination capacity of the two teams dedicated to developing strategic investment banking and structured finance transactions, support continued to be provided to important international counterparties with a view to sector and geographical diversification.
During the half year, the various measures continued to support corporate customers to manage the economic and financial consequences of the COVID-19 health emergency, also continuing to ensure full operations of customers with dedicated remote processes. In addition, the bank intends to continue to play an active role in supporting the revival of the Italian economy in the delicate "back to business" phase, including through development of its production chains, an indispensable engine of the Italian economy and heart of the Italian economic and productive system. This includes, by way of example, the agreement signed during the half year with Tecnica Group to support companies in the supply chain. The Group participated in numerous syndicated loans, including those to Massimo Zanetti Beverage Group, Padania Acque, General Motors, Alstom, Acciona Energia Financiacion and VSMPO-AVISMA. Numerous syndicated loans were finalised in the ESG area, including those to Tod's, Ferrovie dello Stato Italiane, A2A, Telecom Italia, Iberdrola, Naturgy Energy, Southern Company, Vena Energy, Unibail-Rodamco-Westfield, America Movil and ABInbev, as well as numerous bilateral loans, including the Sustainability-Linked Term Loan to La Doria and Circular Economy loans for Campus Biomedico and Feralpi. Interest rate derivatives have been structured on some of these loans, which entail a reward mechanism that depends on the achievement of the ESG/Circular Economy targets set out in the loan. Attention should also be drawn to support for acquisition financing in important transactions completed during the half year, such as, for example, the acquisition of ordinary shares of ASTM by Nuova Argo Finanziaria and, in the role of sole lender, the acquisition of Soenergy by Sinergas. The Bank participated in various project financing transactions, including loans to F2i, Stafford, Invenergy, LightsourceBP, Q-Energy, OPDEnergy and Finerge. Regarding M&A, the Group acted, *inter alia*, as financial advisor in the acquisition of shares of Telepass by Partners Group, of FiberCop by KKR, and of a portfolio of solar plants of Octopus Renewables by A2A. In Debt Capital Markets, the Bank acted as bookrunner in numerous issues, including 2i Rete Gas, Atlantia, Carnival, Cemex, Cellnex, Cheniere Energy, Eni, EP Infrastructure, General Motors, Italgas, Merlin Properties, Saipem, Sasol, Stellantis, Vinci and WeBuild. Moreover, it also completed Green issues, including Acea, Ferrovie dello Stato and Iberdrola, a Social Hybrid issue with EDF, a Transition issue with Snam and a Sustainability-Linked issue with Enel. In the Equity Capital Markets business, the Bank acted as bookrunner in the capital increase of Cellnex.

International Department

During the half year, the International Department continued to monitor the COVID-19 emergency on the entire international network of the IMI C&IB Division, by activating all the technological and organisational solutions necessary to protect the health of employees and stakeholders, as well as for business continuity on the international markets. The Accelerate programme continued, and was also extended to Global Transaction Banking products. That programme was launched in the second half of 2019 by the IMI C&IB Division with the goal of boosting business with international customers, as part of the International Growth strategic initiative. Commercial and organisational development intensified also through the programme IMI C&IB International Next, launched in the last quarter of 2020, which envisages a number of initiatives to adapt the sales model and organisational structure of the international network to the new challenges posed by the changed scenario (e.g. Brexit). In that context, in the International Department of the IMI C&IB Division, the European Hub was set up. Based in Milan, it oversees the operations of the Intesa Sanpaolo branches in the European Union (Frankfurt, Madrid, Paris and Warsaw), while in the next few months, the Amsterdam branch of Intesa Sanpaolo Bank Luxembourg is planned to be transferred to Intesa Sanpaolo, and will be organisationally included in the European Hub. As planned, the foreign branch in Sydney launched its operations in the first half of 2021. The Division's current international network is present in 25 countries through 16 wholesale branches, 9 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) and 4 corporate banks (Intesa Sanpaolo Bank Ireland, Intesa Sanpaolo Bank Luxembourg, Intesa Sanpaolo Brasil S.A. and Intesa Sanpaolo IMI Securities Corporation).

Global Banking & Sovereign Institutions Department

In a challenging market scenario that is quickly evolving for all domestic and international operators, the Department continued to assist its customers in important operating and extraordinary finance deals, confirming the sharp growth in operations and results recorded over the last few years. In the domestic and international banking sectors, the Group provided advice, arranging and financing in transactions to optimise and strengthen capital structure, both on the equity and debt markets, as well as in the refinancing and sale of performing and problematic assets. Among others, as regards the Italian market, these included the roles of global coordinator and bookrunner in the issue of a 7-year convertible bond and a 5-year senior bond by Nexi, the role of bookrunner in the "green" covered bond of Credit Agricole Italia, in the covered bond of Mediobanca and in the Tier 2 issue of Banco BPM, as well as the role of sole arranger & underwriter of a term loan for Istituto di Credito Sportivo. On international markets, with positioning that is growing significantly, we note several roles of joint bookrunner in highly complex and strategically important deals, such as the senior issues by Natwest and the senior unsecured OpCo by UBS, as well as participation in dozens of issues in USD, EUR and GBP for leading North American banking groups, including Goldman Sachs, JP Morgan, Morgan Stanley, Citi and Toronto Dominion. Among these transactions, due to its systemic significance, large size and social and economic implications, the 20-billion-euro inaugural issue by the European Union under the Next Generation EU plan, in which the Group acted as joint lead manager and bookrunner, is worthy of note. Also as regards the debt markets, with regard to non-banking customers, operations were

carried out for new debt issues with the Ministry of the Economy and Finance, with the role of dealer in the placement of the BTP Futura and the roles of structuring advisor and joint lead manager & bookrunner in the inaugural BTP "Green" issue, the role of joint lead manager & bookrunner in the social bond issue by CDP and the role of joint global coordinator, lead manager & bookrunner in the hybrid subordinated perpetual bond issue by Poste Italiane.
In the near-banking sector, medium/long-term loans saw a recovery, confirming the phase of improvement in the scenario currently under way, specifically to the consumer credit operators Compass and Agos, and the Bank maintained its leading position in collection and payment services for the leading companies in the sector, which was subject to specific commercial actions during this period. Flows with asset management companies continued at good levels, with significant growth specifically in volumes with international operators. During this period, new alternative funds financing transactions were also concluded (specifically, the operation with ARES) and significant senior lending operations were developed for loans with government guarantees under the UK CBILLs programme, including the Nucleus deal with Pimco. Also at international level, commercial efforts were intensified in relationships with foreign governments, which led to the identification and finalisation of new business opportunities and the participation, as part of the acquisition by Euronext of Borsa Italiana, in the refinancing of Euronext through a capital increase, in which the Bank acted as joint bookrunner, as well as the placement of bonds on the international markets, with the role of joint active bookrunner. In the real estate sector, oversight of Italian and international institutional investors continued, with a focus on structured finance transactions, mainly to support core investments on traditional assets classes and, in a selective manner, on large-scale urban redevelopment projects. In this area, the group participated in financing the PwC tower at Citylife in Milan for Generali RE's Fondo Rubens. Lastly, of note is a significant new commercial focus on insurance customers, which led to the creation of a team with dedicated skills and the strengthening of coverage monitoring.
Transactions with financial institutions on emerging markets continued to be managed consistently with the reference context, taking account of the implications on the countries' growth outlook and the creditworthiness of counterparties, with a selective strategy focused on risk management. The pivotal role of the Bank's support to commercial operations and exports of its industrial customers was confirmed, with the assumption of risk concentrated mainly in Africa, former CIS countries and Asia. As regards Structured Deals, the recovery in commodity prices favoured the participation in several pre-export financing operations, while as regards export credit, the Bank was involved in negotiations relating to the financing of numerous infrastructure projects, especially in Sub-Saharan Africa and former CIS countries. The continuation of the pandemic is slowing the finalisation of the main loan contracts, many of which are now expected to be signed in the second half of 2021. Lending for supply chain financing remains significant, especially in the NY and London branches, but is gradually increasing in the rest of Europe and in Asia.
As regards Private Equity Funds, the Group was involved in a good number of significant transactions, also on foreign markets, continuing the trend of strengthening its positioning. On the Italian market, it is worth highlighting the role of joint bookrunner for the bond issue for the acquisition of Lutech, one of the leading Italian providers of IT services and solutions, to support Apax Partners, and the role of MLA in the acquisition financing to support Ardian in the acquisition of Jakala, the Italian leader and one of the top companies in Europe offering loyalty and digital marketing services. Transactions with private equity funds on international markets specifically include the role of bookrunner in the loan for the acquisition of Asda, a leading UK company in the large scale retail sector, by a consortium comprised of TDR Capital, the Issa family and Walmart, and the role of MLA & bookrunner in the loan for the acquisition of Advanz Pharma, a leading pharmaceutical company in the OTC sector in various treatment areas, by Nordic Capital. The Group also consolidated its position in the fund financing business, where, among the various transactions concluded, it acted as MLA & bookrunner in the 2.5 billion USD facility for the Vista Equity Capital Partner VII fund.
As regards sovereign wealth funds and pension funds, the Group further developed its relationships with leading international players, participating in numerous significant deals. In particular, it acted as MLA in the syndicated loans to PIF (the largest financing transaction to a sovereign fund realised to date), as MLA and bookrunner in the "green" secured term loan funding a significant real estate development of QIA in London, and the loan to the sovereign fund ADQ as part of the acquisition of the Egyptian company Amoun Pharmaceutical. Non-recourse financing of infrastructure also successfully continued. In this regard, the Bank acted as MLA and swap provider in the term loan to North Sea Midstream Partners, a company that manages the assets in the North Sea held by Wren House/KIA. It also participated, as MLA, in the acquisition and take-private transaction (by a pool of investors including Mubadala) of the UK company Calisen, operating in the smart meters sector. Lastly, it financed the joint-venture KPN/APG to develop fibre optic networks in the Netherlands. Lastly, also worthy of note are the deals realised with the corporate subsidiaries of sovereign funds, such as the refinancing of Global Foundries (Mubadala) and the financing of Cepsa (Mubadala), as well as the construction loan for a wind energy project in the US held by Invenergy (CDPQ).

Global Transaction Banking Department

During the first half of 2021, the Global Transaction Banking Department contributed to supporting domestic and international Corporates and SMEs in their development and in dealing with the period which continued to be marked by the pandemic. Due to the development of transactional business with a strong boost in the use of digital channels, integrated solutions were made available in Inbiz corporate banking (such as dedicated client journeys) and the development of real time query solutions continued thanks to various APIs on the open banking portal, to manage operating and information flows. Instruments were released to support the supply chains, such as dynamic discounting integrated into corporate banking and procurement solutions to pay suppliers by generating virtual credit cards. The Department also supported all the necessary activities to migrate corporate and SME customers deriving from UBI, both regarding their specialised relationships and products developed, as well as in terms of migration from the previous corporate banking system, defining suitable levels of support. The commercial trading company Exetra continued to support Italian companies that want to export to international markets.

Global Markets & Investment Banking

Operations in the first half of 2021 were marked by a wave of optimism linked to the trend in vaccinations and the fiscal measures implemented to overcome the pandemic crisis.
Regarding the Global Market Securities area, the sharp acceleration in inflation impacted all asset classes (Interest Rate, FX, Commodities, Equity and Credit), both due to the renewed need for hedging and due to the recomposition of portfolios: preference was granted to cyclical assets over subordinated assets and, in general, duration was reduced. Due to abundant liquidity, on the Equity market, intense consulting activities were carried out, involving Italian and European issuing companies. Liquidity provider activities in Brokerage were mainly aimed at satisfying the growth in operations online by banks and financial institutions, activating new customers and business lines on the domestic and international stock markets. The activities carried out by Global Market Solutions and Financing confirmed the leadership position in Italy both in support for customers in management of financial risk, including with innovative ESG-linked solutions, and in the securitisation and asset-based financing sectors. The area structured, financed and distributed (also through the conduit platform) solutions for its customers designed to optimise funding and economic and regulatory capital, deconsolidate performing and non-performing assets and improve the net financial position of customers. It also consolidated the international presence of IMI C&IB, supporting corporate and financial institution customers inside and outside Europe. The Finance & Investments Area adapted its strategy to the evolution of the COVID-19 pandemic and the related reopenings, as well as to the implementation of a series of new investments, with specific focus on ESG issuers. In the first half, investments of all asset classes in the trading books were focused on the new phase marked by significant volatility in US interest rates. Pricing of counterparty risk was also overseen, to support the distribution of derivatives, while collateral continued to be optimised to minimise capital and liquidity absorption. During the second quarter, prudent measures were implemented in compliance with the CRR2 regulations. Operations on the EMEA primary market doubled in volumes compared to the same period of 2020. In this area, the Equity Capital Markets team maintained its usual oversight of the Italian market, acting as joint global coordinator in the placement of the SPAC Revo, in the issue of the convertible bond by Nexi and in the capital increase of Autogrill. In the area of takeover bids, IMI C&IB confirmed its leading role, acting in the deals promoted by Crédit Agricole Italia on the ordinary shares of Credito Valtellinese and in the transaction with NB Renaissance on ordinary shares of Sicit. Internationally, it acted in various roles in the IPOs of Allfunds and Acciona Energia. As regards capital increases, IMI C&IB acted as joint bookrunner in the capital increase of Cellnex, the largest capital increase in the EMEA region in 2021. In the area of equity-linked issues, it acted as co-manager for the issues by Ford and Viacomcbs on the US market. Lastly, during the first half, it was specialist or corporate broker for over 50 companies listed on the Italian market. On the Italian bond market, IMI C&IB performed a leading role among issuers, with a sharp increase in the number of deals concluded compared to the same period of the previous year. In the Corporate Investment Grade and High Yield segment, it acted as joint bookrunner in the bond issues of leading Italian and foreign issuers, including Terna ADR, RWE and Constellium. In the Financial Institutions area, it acted as joint bookrunner in the green issues of Intesa Sanpaolo and leading Italian and foreign issuers. In the sovereign issuers segment, it was joint bookrunner for the Republic of Italy in various issues, including the inaugural BTP Green and the BTP Futura. It also handled, among others, the green issue of Ferrovie dello Stato and the hybrid bond of Poste Italiane. In the Retail segment, it handled the issues of Mediobanca and Citigroup. The IMI C&IB Division provided its M&A Advisory services in the Industrial sector: to Italcer in the acquisition of the Spanish manufacturer Equipe Cerámicas, to Giuliano Gnutti in the acquisition of 50% of the shares not yet held in Gnutti Cirillo, and to Reno de Medici in the acquisition of the Dutch company Eska. The M&A team also handled other transactions with private equity customers. In the Energy sector, it supported A2A in the acquisition of a photovoltaic portfolio and Amag in relation to possibly enhancing the value of Alegas. With regard to structured finance transactions, the first half of 2021 was marked by a high number of transactions, in a lively market context, in which deals were closed with increasingly favourable conditions for customers, while ensuring profitability for the Group. The Structured Finance team of IMI C&IB confirmed its leadership in the reference sectors, both at domestic and international level, continuing its selective approach to pursuing new opportunities in light of the prolonged risks connected with the pandemic. The IMI C&IB Division consolidated its domestic positioning, while expanding its business on the international market, with an originate to share approach and geographical diversification. In the first half of 2021, the Corporate Finance Mid-Cap Department was created, which operates horizontally at Group level, creating synergies with the Divisions of the sales network of Banca dei Territori and with the Group's international banks, making available the know-how of the IMI C&IB Division. In the first six months of 2021, the area worked on various ECM, M&A and Structured Finance deals.

International Subsidiary Banks

(millions of euro)

Income statement	30.06.2021	30.06.2020	changes	
			amount	%
Net interest income	649	652	-3	-0.5
Net fee and commission income	263	239	24	10.0
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	73	63	10	15.9
Other operating income (expenses)	-18	-16	2	12.5
Operating income	**967**	**938**	**29**	**3.1**
Personnel expenses	-264	-261	3	1.1
Other administrative expenses	-186	-190	-4	-2.1
Adjustments to property, equipment and intangible assets	-56	-54	2	3.7
Operating costs	**-506**	**-505**	**1**	**0.2**
Operating margin	**461**	**433**	**28**	**6.5**
Net adjustments to loans	-78	-125	-47	-37.6
Other net provisions and net impairment losses on other assets	-16	-	16	-
Other income (expenses)	4	6	-2	-33.3
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**371**	**314**	**57**	**18.2**
Taxes on income	-84	-67	17	25.4
Charges (net of tax) for integration and exit incentives	-19	-18	1	5.6
Effect of purchase price allocation (net of tax)	-	-	-	-
Levies and other charges concerning the banking industry (net of tax)	-17	-44	-27	-61.4
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-	-	-
Net income (loss)	**251**	**185**	**66**	**35.7**

(millions of euro)

	30.06.2021	31.12.2020	changes	
			amount	%
Loans to customers	37,297	36,079	1,218	3.4
Direct deposits from banking business	47,739	46,308	1,431	3.1
Risk-weighted assets	33,744	32,886	858	2.6
Absorbed capital	3,553	3,468	85	2.5

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 the first half of 2021, the Division's operating income came to 967 million euro, up by 3.1% compared to the same period of the previous year (+5.2% at constant exchange rates). A detailed analysis shows that net interest income came to 649 million euro (-0.5%), mainly due to the unfavourable trends reported by VUB Banka (-9 million euro), and PBZ - including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina (-8 million euro). Net fee and commission income, equal to 263 million euro, was up sharply (+10%), mainly due to the contribution of Bank of Alexandria (+6 million euro) and the higher contributions, each for 5 million euro, of PBZ - including Intesa Sanpaolo Bank (Slovenia) and Intesa Sanpaolo Banka Bosna i Hercegovina, VUB Banka and Banca Intesa Beograd, including Intesa Leasing Beograd. Among the other revenue components, profits on financial assets and liabilities designated at fair value increased (+15.9%) on the first six months of 2020, as did, in negative terms, also other net operating costs (+12.5%).
Operating costs of 506 million euro remained essentially stable compared to those of the same period of 2020 (+0.2%; +2.2% at constant exchange rates): the increase in personnel expenses and depreciation of property and equipment and amortisation of intangible assets was almost fully offset by the decrease in administrative expenses.

As a result of the above revenue and cost trends, the operating margin increased (+6.5%) to 461 million euro. Gross income, equal to 371 million euro, grew by 18.2%, also due to lower adjustments to loans. The Division closed the first half of the year with net income of 251 million euro (+35.7%).

At the quarterly level, in the second quarter of 2021 the operating margin grew compared with the first quarter, as a result of the favourable trend in revenues, which more than offset the increase in operating costs. Gross income and net income were also positively impacted by lower net adjustments to loans.

The Division's intermediated volumes grew at the end of June 2021 (+3.2%), compared to the beginning of the year, owing to direct deposits from banking business (+3.1%), both as regards amounts due to customers and securities issued, and loans to customers (+3.4%). The performance of deposits is mainly attributable to the subsidiaries operating in Egypt, Serbia, Slovakia, Croatia and Slovenia, while the performance of loans is attributable to subsidiaries active in Slovakia, Egypt, Serbia and Hungary.

In the first half of 2021, the International Subsidiary Banks Division continued the process of moving towards a common operating model in the areas of governance, control/support, commercial strategy, and information technology.
With the aim of reinforcing and optimising the international subsidiary banks' presence in their territories of reference, the development plan of the Slovenian bank continued, within the framework of the South-Eastern Europe Hub (Croatia, Bosnia and Slovenia). With regard to the Central Europe Hub (Slovakia, Czech Republic and Hungary), the alignment of the operating models and the strengthening of commercial synergies in the Retail and Corporate sectors continued. The refocusing process continues in Ukraine.
In commercial dealings, the extension of the advisory model for wealth management services dedicated to Affluent, Private and Upper Mass customer segments continued in Croatia, Slovenia, Slovakia and Hungary. Instead, with regard to the service model, the extension of the target distribution model of the Group in Slovakia, Croatia, Serbia, Hungary, Slovenia, Romania, Albania and Bosnia continued (with the conversion of 171 branches). There was also a full recovery in operations consistent with the redefinition of priorities following the impacts of COVID-19.
In the area of Information Technology, the stabilisation phase has been completed, with the resulting closure of the project of migration to the new Core Banking System (FlexCube) in the Czech Republic, while in Slovakia the feasibility study has been completed for the purpose of identifying new technological solutions to support the process of full technological and operational convergence.
In the first half of 2021, the activities regarding the evolution of the IT services company (ISP International Value Services – ISP IVS) also continued, through expansion of the operating activities of the Serbian branch, due to the activation of the technical competence centre for the Core Banking System, and the Slovak branch, through activation of the technical competence centre for Credit&Risk Management. The new corporate governance was also established, and the functional governance model was enhanced. The activities are under way to transfer the remaining IT services set out in the work plan.
With regard to digital evolution, functionalities and services offered continued to be expanded in Croatia, Hungary, Egypt, Slovenia and Albania. Moreover, the pilot phase ended and the commercial launch was carried out in Serbia, while the IT analyses and development regarding Digital integration continued in Slovakia and Romania.
Lastly, with regard to the development of wealth management operations in China, following the launch of the business in the first half of 2020, the sale of the financial products to High Net Worth Individual customers continued through the expansion of the range of products and the sales network. With regard to the establishment of the Securities Company, following the acceptance of the application to the CSRC (China Securities Regulatory Commission), contacts with the local regulator are ongoing, for the purpose of obtaining the necessary authorisations.

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 and 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.
Central Europe Hub (CE HUB)	Presence in Slovakia, Hungary and the Czech Republic.
Other banks	Presence in Albania, Romania, Serbia, Egypt, Ukraine and Moldova.
Distribution structure	941 branches in 12 countries.

South-Eastern Europe Hub (SEE HUB)

In the first half of the year, the operating income of the **Privredna Banka Zagreb** group amounted to 209 million euro, down slightly on the same period of 2020 (-0.3%), mainly due to the unfavourable performance of net interest income. Operating costs of 91 million euro decreased (-1.1%), mainly due to administrative expenses. The operating margin came to 118 million euro (+0.3%). Gross income amounted to 92 million euro (+12.5%), due to lower adjustments to loans, while net income was 69 million euro (+29.1%).

Intesa Sanpaolo Banka Bosna i Hercegovina closed the first half of 2021 with an operating margin of 12 million euro, up on the first half of the previous year (+8.4%). This performance is attributable to the increase in operating income, which more than offset the increase in operating costs. Gross income, amounting to 8 million euro, and net income, which came to 6 million euro, both recorded significant increases.

Intesa Sanpaolo Bank (Slovenia) reported an operating income of 33 million euro, in line with the same period of 2020, due to the increase in net fee and commission income, which offset the drop in net interest income and other net operating income. Operating costs declined (-3.4%) on the first half of 2020. Gross income and net income, amounting to 12 million euro and 7 million euro, respectively, recorded sharp increases.

Central Europe Hub (CE HUB)

The **VUB Banka Group** reported an operating margin of 119 million euro, up on the first half of 2020 (+8.5%) as a result of an increase in operating income (+2.4%) and a decrease in operating costs (-3.6%). Gross income amounted to 96 million euro, up by 29.9%. Net income, which also rose sharply, came to 61 million euro.

The **CIB Bank** Group had operating income of 96 million euro, up by 16.6% on the same period of 2020, mainly due to the positive performance of net interest income. Operating costs increased slightly (+0.4%). Net income amounted to 15 million euro.

Other banks

Intesa Sanpaolo Bank Albania (including Veneto Banka Sh.A.) reported an operating margin of 10 million euro, up on the first half of 2020, due to the increase in revenues, mainly driven by an increase in net interest income. Gross income, amounting to 10 million euro, and net income (6 million euro) were higher than in the same period of the previous year.

Intesa Sanpaolo Bank Romania reported an operating margin of 4 million euro, down on the same period of the previous year (-31.2%), due to both the decrease in operating income (-7.2%), mainly attributable to lower net interest income, and higher operating costs (+3.5%). The company closed the first half of 2021 with a loss of 7 million euro, mainly due to higher net adjustments to loans.

Banca Intesa Beograd, including Intesa Leasing Beograd, generated an operating margin of 81 million euro, up 4.4% on the first half of 2020. Operating income increased by 5.5%, mainly due to the favourable performance of net fee and commission income and net interest income. Operating costs increased (+7.2%) compared with the previous year. Gross income amounted to 71 million euro (+22.5%), while net income was 50 million euro (+21.3%).

Bank of Alexandria, which was penalised by the depreciation of the Egyptian pound, reported an operating margin of 109 million euro, up by 6.4% on the same period of the previous year (+14.8% at constant exchange rates). Operating income of 182 million euro increased (+1.8%; +9.9% at constant exchange rates), primarily due to the positive performance of net fee and commission income. Operating costs declined (-4.2%; +3.4% at constant exchange rates). Net income came to 64 million euro, down by 11% on the first half of 2020 (-3.9% at constant exchange rates).

Pravex reported a negative operating margin (-3 million euro), compared with -2 million euro in the same period of the previous year, as a result of the decrease in operating income (-13.2%), mainly attributable to the negative performance by other net operating income, despite a decrease in operating costs (-1.4%). The net loss, amounting to -3 million euro, was lower than in the first half of 2020 (-74.2%)

Eximbank generated a positive operating margin (+1 million euro), down 6.2% on the first six months of 2020 due to an increase in costs, which more than offset the growth in operating income. Net income, equal to 1 million euro, increased on the same period of the previous year, due to lower adjustments to loans.

Private Banking

(millions of euro)

Income statement	30.06.2021	30.06.2020	changes	
			amount	%
Net interest income	106	129	-23	-17.8
Net fee and commission income	1,040	943	97	10.3
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	32	21	11	52.4
Other operating income (expenses)	14	2	12	
Operating income	**1,192**	**1,095**	**97**	**8.9**
Personnel expenses	-226	-225	1	0.4
Other administrative expenses	-170	-163	7	4.3
Adjustments to property, equipment and intangible assets	-35	-34	1	2.9
Operating costs	**-431**	**-422**	**9**	**2.1**
Operating margin	**761**	**673**	**88**	**13.1**
Net adjustments to loans	1	-21	22	
Other net provisions and net impairment losses on other assets	-17	-23	-6	-26.1
Other income (expenses)	194	12	182	
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**939**	**641**	**298**	**46.5**
Taxes on income	-287	-197	90	45.7
Charges (net of tax) for integration and exit incentives	-10	-8	2	25.0
Effect of purchase price allocation (net of tax)	-11	-1	10	
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	-	-2	-2	
Net income (loss)	**631**	**433**	**198**	**45.7**

(millions of euro)

	30.06.2021	31.12.2020	changes	
			amount	%
Assets under management (1)	155,706	145,706	10,000	6.9
Risk-weighted assets	11,967	11,157	810	7.3
Absorbed capital	1,042	964	78	8.1

(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 aimed at excellence. The Division coordinates the operations of Fideuram, Intesa Sanpaolo Private Banking, Fideuram - Intesa Sanpaolo Private Banking Asset Management SGR (formerly Fideuram Investimenti), SIREF Fiduciaria, Intesa Sanpaolo Private Bank (Suisse) Morval, Fideuram Asset Management Ireland, Fideuram Bank (Luxembourg), Financière Fideuram and, starting from the second quarter, also IW Bank and the Swiss banking group Reyl. An equity investment of 69% of the share capital of Reyl & Cie SA was acquired, with the concurrent contribution to Reyl of the entire equity investment held by Fideuram in Intesa Sanpaolo Private Bank (Suisse) Morval.

In the first half of 2021, the Division achieved gross income of 939 million euro, up by 298 million euro (+46.5%) compared to the first six months of 2020. The significant increase is largely attributable to the capital gain of 194 million euro realised on the sale of the custodian bank business line of Fideuram Bank (Luxembourg), posted under other income. The operating margin also showed a positive performance (+88 million euro), thanks to the increase in operating income (+97 million euro) which largely offset the higher operating costs (+9 million euro), essentially attributable to other administrative expenses. The trend in revenues is mainly attributable to the growth in net fee and commission income (+97 million euro), primarily recurring income, supported by the development of the average assets under management, other net operating income (+12 million euro) and the profits on financial assets and liabilities designated at fair value (+11 million euro), which benefited from the capital gains associated with financial instruments held to service the incentive plans of risk takers and distribution networks.

The Division closed the first half of 2021 with net income of 631 million euro, up by 45.7% on the same period of 2020.

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 30 June 2021, assets gathered, which also include the contribution of the trust mandates for SIREF Fiduciaria, amounted to 276.6 billion euro (+23.4 billion euro compared to the beginning of the year). This performance was due to the revaluation of assets as well as the positive contribution of net inflows. The assets under management component amounted to 155.7 billion euro (+10 billion euro).

Lastly, the significant events occurring during the half year include the partial demerger to Intesa Sanpaolo Private Banking of the business line of UBI Banca comprised of the "TOP Private Banking" division, organised to provide operations and services for customers and companies with significant wealth, and the launch of the transformation of IW Bank into an investment company (SIM).

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	Improve and broaden the product portfolio and increase the service levels by allowing the customers to choose the network which best satisfies their needs; assist customers in the informed management of their wealth, based on a detailed analysis of their real requirements and risk profile; and offering fully transparent financial advice in accordance with the regulations.
Organisational structure	
Fideuram	Dedicated to the production, management and distribution of financial products and services to high profile customers, using a network of over 4,800 Fideuram and Sanpaolo Invest private bankers.
Intesa Sanpaolo Private Banking	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 around 1,100 private bankers, mostly employees.
IW Bank;	Bank specialising in financial advisory and planning services for individuals and households, with a distinctive commercial offering in trading and on digital channels, which operates using a network of around 650 financial advisors.
Reyl & Cie	Swiss bank dedicated to developing international private customers, which operates through a group of companies specialising in wealth management and private banking. In the second quarter of 2021, Fideuram contributed to Reyl its equity investment in Intesa Sanpaolo Private Bank (Suisse) Morval. It operates using a total network of 75 private bankers.
SIREF Fiduciaria	Company specialised in the provision of fiduciary services.
Distribution structure	Network of 267 branches in Italy, 8 branches abroad and 6,630 private bankers.

Asset Management

(millions of euro)

Income statement	30.06.2021	30.06.2020	Changes amount	%
Net interest income	-	-	-	-
Net fee and commission income	595	448	147	32.8
Income from insurance business	-	-	-	-
Profits (Losses) on financial assets and liabilities designated at fair value	-2	-4	-2	-50.0
Other operating income (expenses)	40	16	24	
Operating income	**633**	**460**	**173**	**37.6**
Personnel expenses	-50	-44	6	13.6
Other administrative expenses	-51	-54	-3	-5.6
Adjustments to property, equipment and intangible assets	-4	-4	-	-
Operating costs	**-105**	**-102**	**3**	**2.9**
Operating margin	**528**	**358**	**170**	**47.5**
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)	**528**	**358**	**170**	**47.5**
Taxes on income	-141	-94	47	50.0
Charges (net of tax) for integration and exit incentives	-1	-	1	-
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	-10	-21	-11	-52.4
Net income (loss)	**376**	**243**	**133**	**54.7**

(millions of euro)

	30.06.2021	31.12.2020	changes amount	%
Assets under management	346,734	338,752	7,982	2.4
Risk-weighted assets	1,925	1,752	173	9.9
Absorbed capital	196	174	22	12.6

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. It also includes Pramerica SGR and Pramerica Management Company, which were included in the Division in the second quarter, as part of the integration of asset management operations of the UBI Banca Group. In particular, during the half year, the process of mergers by incorporation of the two companies into Eurizon Capital SGR and Eurizon Capital SA, respectively, were completed, effective 1 July 2021.

Operating income in the first half of 2021, amounting to 633 million euro, showed a significant increase (+37.6%) on the same period of the previous year, attributable to the growth in fee and commission income (+147 million euro) and, to a lesser extent, the greater contribution from the subsidiaries consolidated at equity and other operating income (+24 million euro), which largely offset the negative contribution from the fair value measurement of the financial portfolio in which the liquidity of the Division is invested. In particular, net fee and commission income benefited from the growth of incentive fees collected during the period; placement fees also increased, as well as management fees, thanks to the increase of assets under management given by the positive responsiveness of financial markets. The evolution of operating costs (+2.9%) is attributable to the increase in personnel expenses, partly offset by the decrease in administrative expenses owing to both increased operating efficiency and the current pandemic situation that slowed down trends in expenditure. As a result of the above revenue and cost trends, the operating margin came to 528 million euro, up 47.5% on the first six months of 2020. The Division closed the first half of 2021 with net income of 376 million euro (+54.7%).

Overall, assets managed by the Asset Management Division amounted to 346.7 billion euro as at 30 June 2021, up by 8 billion euro (+2.4%) since the beginning of the year, as a result of the revaluation of assets and net inflows. Net inflows for the half amounted to 4.2 billion euro, driven by mutual funds (+5.2 billion euro) and, to a lesser extent, portfolio management schemes for retail and private customers (+0.3 billion euro), partly offset by outflows from products dedicated to institutional customers (-1.3 billion euro), deriving in particular from insurance mandates.

As at 30 June 2021, Eurizon Capital's Italian market share of assets under management (including Pramerica) was 16.8% (gross of duplications). Excluding the closed-end funds segment, in which the company has limited operations through Alternative Individual Savings Plans and the equity fund "Eurizon Italian Fund - Eltif", the share of assets under management at the end of June rose to 17.3%.

Business	Asset management.
Mission	To provide collective and individual asset management products to the Group's customers and develop its presence on the open market through specific distribution agreements with other networks and institutional investors.
Organisational structure	
Eurizon Capital SGR	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	Specialised in portfolio management on quantitative bases. It is a 100% subsidiary of Eurizon Capital SGR.
Eurizon Capital Real Asset SGR	Specialised in alternative investments. It is 51% owned by Eurizon Capital SGR, with the remaining 49% held by Intesa Sanpaolo Vita.
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 and money market products.
Eurizon Capital (HK) Ltd. (Hong Kong)	A company wholly owned by Eurizon Capital SGR, established to develop consulting activities on financial instruments, portfolio management 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 the Hungarian Eurizon Asset Management Hungary (formerly CIB IFM) and the Croatian PBZ Invest (Eastern European asset management hub).
PBZ Invest 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 (formerly CIB IFM) (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 retail and institutional customers.
Eurizon SLJ Capital Ltd (U.K.)	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	Chinese fund manager 49%-owned by Eurizon Capital SGR.

Insurance

(millions of euro)

Income statement	30.06.2021	30.06.2020	Changes amount	Changes %
Net interest income	-	-	-	-
Net fee and commission income	1	-1	2	
Income from insurance business	825	837	-12	-1.4
Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
Other operating income (expenses)	-6	-1	5	
Operating income	**820**	**835**	**-15**	**-1.8**
Personnel expenses	-71	-67	4	6.0
Other administrative expenses	-108	-105	3	2.9
Adjustments to property, equipment and intangible assets	-10	-10	-	-
Operating costs	**-189**	**-182**	**7**	**3.8**
Operating margin	**631**	**653**	**-22**	**-3.4**
Net adjustments to loans	-	-	-	-
Other net provisions and net impairment losses on other assets	-132	-19	113	
Other income (expenses)	-	-	-	-
Income (Loss) from discontinued operations	-	-	-	-
Gross income (loss)	**499**	**634**	**-135**	**-21.3**
Taxes on income	-110	-178	-68	-38.2
Charges (net of tax) for integration and exit incentives	-7	-8	-1	-13
Effect of purchase price allocation (net of tax)	-12	-8	4	50.0
Levies and other charges concerning the banking industry (net of tax)	-	-	-	-
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-
Minority interests	69	-106	175	
Net income (loss)	**439**	**334**	**105**	**31.4**

(millions of euro)

	30.06.2021	31.12.2020	changes amount	changes %
Direct deposits from insurance business (1)	204,215	203,214	1,001	0.5
Risk-weighted assets	-	-	-	-
Absorbed capital	4,113	4,975	-862	-17.3

(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, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo Assicura and Intesa Sanpaolo RBM Salute, with the mission of synergically developing the insurance product mix targeting Group customers. During the second quarter, BancAssurance Popolari, Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas Assicurazioni (net of the effects attributable to the branches object of disposal) entered the scope of the Insurance Division, due to the finalisation of the acquisition of 100% of the capital.

In the first half of 2021, the Division reported income from insurance business of 825 million euro, down 12 million euro (-1.4%) compared to the same period of 2020. The worsening of the result is mainly attributable to the fall in the technical margin, attributable to the increase in surrenders and claims, only partially offset by the improvement in the net investment result in relation to the favourable trend in the financial markets, which translated into higher profitability of investments, net of the portion pertaining to insured parties. Gross income, equal to 499 million euro, decreased by 135 million euro (-21.3%), attributable to other net provisions, which include the provision of 126 million euro representing the claims in excess of premiums accrued as at 30 June 2021 and the estimated future charges on annual policies in force, in relation to a financial imbalance which was also generated as a result of the greater use of benefits by insured persons on conclusion of the long periods of lockdown, as well as the reduction in operating income and the increase in operating costs (+3.8%).
The cost/income ratio, at 23.1%, remained at very good levels, slightly above those recorded in the first half of 2020.

Lastly, net income amounted to 439 million euro (+31.4%), after the attribution of taxes of 110 million euro, charges for integration and exit incentives of 7 million euro, effects of purchase price allocation for 12 million euro and minority interests recording 69 million euro losses relating to the portion pertaining to third parties of the losses recognised as a result of the provisions described above.

Direct deposits from insurance business, amounting to 204,198 million euro, were up slightly compared to the beginning of the year (+0.5%, or +1 billion euro), due to the growth of financial liabilities measured at fair value, comprised of unit-linked products, and other deposits, which include subordinated liabilities, partly offset by the decline in technical reserves.

The Division's collected premiums for life policies and pension products, amounting to 9.3 billion euro, increased by 13% compared to the first six months of last year, due to unit-linked products (+70%). On the other hand, traditional products were significantly reduced (-30%), in line with the strategy of focusing the offer on products with a lower capital impact, also considering the current level of government bond yields. Premiums on pension products were also down slightly.

Collected premiums for the protection business totalled 747 million euro, up by around 11% on the same period of 2020, restated to include Intesa Sanpaolo RBM Salute and Cargeas for a like-for-like comparison. There was an increase in non-motor products (excluding CPI - Credit Protection Insurance), which are the focus of the 2018-2021 Business Plan, equal to 18%.

Business	Life and Non-Life Insurance/Healthcare.
Mission	Develop the offering of insurance and social security 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 within Banca dei Territori. The company is the sole owner of Intesa Sanpaolo Life, Intesa Sanpaolo Assicura, BancAssurance Popolari, Assicurazioni Vita (formerly Aviva Vita), Lombarda Vita and Cargeas Assicurazioni, and has a 49% interest in Intesa Sanpaolo Smart Care, a 51%-owned subsidiary of Intesa Sanpaolo (Banca dei Territori Division) that markets hardware and software and provides remote assistance services. In May 2020, Intesa Sanpaolo Vita acquired control of RBM Assicurazione Salute.
Intesa Sanpaolo Life	Specialised in life insurance products with a higher financial content, such as unit-linked products.
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.
Fideuram Vita	Specialised in offering insurance, pension and personal and asset protection products in service of the Private Banking Division.
BancAssurance Popolari	Bancassurance company operating in the life business.
Lombarda Vita	Operates in bancassurance, with a commercial offering of products in the retail and private life business.
Assicurazioni Vita (formerly Aviva Vita)	Operates in the life business through the banking channel.
Cargeas Assicurazioni	Operates in the non-life business, with protection solutions for households, professionals and companies, offering motor, home and healthcare products, and coverage for SMEs.

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 income statement figures for the Corporate Centre were redetermined in light of the revision of the criteria of allocation of costs and revenues to the operating Divisions, illustrated in the introduction to this chapter.

The Corporate Centre Departments generated a negative operating margin of 19 million euro in the first half of 2021, compared to -94 million euro in the same period of the previous year. That performance is essentially attributable to the development of operating income, attributable to the growth in the profits (losses) on financial assets and liabilities designated at fair value and, only partly offset by the reduction in net interest income, due to the higher cost of excess liquidity in view of the decrease in short-term market rates, always on negative ground, and the significant increase in customer deposits. Operating costs were lower than in the first half of 2020 primarily in relation to synergies on administrative expenses and depreciation and amortisation resulting from the integration of UBI. The gross loss amounted to -338 million euro compared to 1,116 million euro gross income in the first six months of last year, which included income from discontinued operations of 1,379 million euro. The first half of 2021 ended with net loss of 246 million euro, compared to +575 million euro recorded in the same period of the previous year. The income statement of the Corporate Centre includes the charges imposed by legislative provisions and/or aimed at maintaining the stability of the banking industry and consequently outside the company management. These charges amounted - after tax - to 262 million euro, mainly attributable to resolution funds, compared with 253 million euro in the first half of 2020.

Treasury services

The Group Treasury and Finance includes treasury services in euro and foreign currencies, and the integrated management of liquidity requirements/surpluses, financial risks (ALM) and settlement risks.

In the first half of 2021 Intesa Sanpaolo confirmed its systemic role as a “critical participant” in the ECB’s settlement systems (Target2 and Target2 Securities). The slight normal decline in regulated volumes, due to the difficult economic situation caused by the pandemic, did not impact market shares.
In these first six months, the Bank remained in line with the implementation work on the new single European platform of "Target Services", which will see the centralisation, under the governance of the ECB, of all cash settlement (Target2 and TIPS for instant payments), securities (T2S) and collateral (ECMS), with project timelines up to 2023.
At the level of “Consolidation” (new Target2), Intesa Sanpaolo is completing the software development phase of the system, and in September it will launch the testing period, which will finish in November 2022. Instant payments (TIPS) also got to the heart with the drafting of the functional specifications, which will be followed by the technological implementations that will allow testing to begin shortly and to go live at the end of November 2021. Lastly, also the new Eurosystem collateral management system (ECMS), has begun the phase of drafting the impact assessment and the functional specifications that will take up all of 2021.
During the first half of the year, significant attention was focused on the vaccination campaigns, which had positive effects on containing the contagion from COVID-19 in most developed countries. Containment of the spread of the virus enables governments to ease the restrictive measures for the movement of people and for productive activities, favouring the first signs of recovery of the economy. The main Central Banks continued to support the markets, by injecting liquidity and using all the instruments available to limit the negative effects of the pandemic.
The economic indicators recorded in the first half of the year showed signs that a recovery had started, favoured by the positive results in containing the virus. The variants of the virus, specifically the delta variant, which is causing concern due to its high transmissibility, began to spread and, though under control, they confirm the uncertainties regarding the stability of the recovery.
At the beginning of the year, the new era of relations between the UK and the EU began, following the United Kingdom’s definitive exit from the European Union.
In this first half, the ECB maintained the accommodating measures to support the economy, confirming the flexibility of the instruments available, specifically the PEPP (Pandemic Emergency Purchase Programme). In the latest meeting in June, the Governing Council showed moderate optimism, revising upwards the expectations for growth and inflation.
The Euribor curve remained substantially stable, confirming the fixing at all-time lows, with all maturities, with the exception of 12 months, below the Deposit Facility rate (-0.50%). The €STR swap curve showed greater volatility near the end of the half, after the latest meetings of the ECB and the Fed, starting to price in an increase in the Deposit Facility rate in 2023.
The Fed maintained an accommodative policy, but surprised the market at its June’s meeting, signalling that it was ready to increase interest rates earlier than expected. Following the latest announcements, the US futures market has priced in the first hike in US interest rates between September and December 2022.
The Bank’s significant excess liquidity, which grew further following the integration of UBI, led it to limit the short-term securities fund-raising activity in euro and foreign currencies of Intesa Sanpaolo, merely renewing maturities to guarantee its presence on the market and relations with investors.

In the first half of the year, in terms of medium/long-term funding operations, the total amount of Group securities placed on the domestic market via its own networks and direct listings was 2.2 billion euro. Among the securities placed, there was a prevalence (87%) of the component consisting of structured financial instruments, mainly comprised of index-linked structures. A breakdown by average maturity shows that 44% is comprised of instruments with maturities up to 4 years, 47% is represented by 5- and 7-year securities, and the remaining 9% by 8- and 10-year securities.

During the period, institutional unsecured funding transactions were completed for a total of around 6.1 billion euro, of which 6.07 billion euro through senior preferred and senior non-preferred bond issues placed with institutional investors and 30 million euro through the issue of bonds and certificates by the IMI Corporate & Investment Banking Division placed with institutional investors.
In particular, the first issue of senior non-preferred bonds was finalised in February. This is a fixed rate bond for a total amount of 1.75 billion euro issued in two tranches, 750 million euro with a 10-year maturity and 1 billion with a 5-year maturity, respectively.
During the half year, several public transactions were also finalised: the first is a 7-year fixed-rate senior preferred bond issue of 1.25 billion euro, intended for institutional investors. The bond falls under the "green" category and is intended to finance green residential mortgages granted for the construction or purchase of energy-efficient properties (class A or B), as well as renovations that allow the improvement by at least two energy classes. The new bond follows the issue of Intesa Sanpaolo's first Green Bond in 2017 focused on renewable energy, as well as the next one in 2019 focused on the Circular Economy. The second is a 3-year fixed-rate senior preferred bond issue of 22.5 billion JPY (equivalent to approximately 174 million euro) on the Asian market and, lastly, the third is a fixed-rate T2 subordinated issue of 1.5 billion USD (equivalent to approximately 1.2 billion euro) on the US market. The bond was issued in June in two tranches of 750 million USD each, respectively 11-year and 21-year, both callable, on the tenth and twentieth year, respectively.
Moreover, in June, the issue of a 7-year floating-rate senior preferred bond for 1 billion euro was finalised, placed with Cassa Depositi e Prestiti. The proceeds from the bond will be used by Intesa Sanpaolo as part of the strategic programme of loans and initiatives named “Motore Italia”, to provide financial support to mid-caps and SMEs.
Finally, private placements were made in other currencies for a total value of 670 million euro. Within the latter, it is worth mentioning a deal concluded in March for 300 million GBP (equal to around 347 million euro) concerning 15-year fixed-rate senior preferred bonds targeted to the UK market.

In January, as part of the programme guaranteed by ISP OBG, the 17th and 18th series for 1.175 billion euro and 1.572 billion euro respectively were redeemed in advance.
Moreover, two additional new series were issued: the 45th and 46th, for an amount of 1.35 billion euro each. The securities are floating rate with a maturity of 15 years for the 45th series and 16 years for the 46th series, both listed on the Luxembourg Stock Exchange with a DBRS rating of A High. The securities were subscribed by the Parent Company and are eligible on the Eurosystem.
With regard to the covered bond issue programme guaranteed by ISP CB Pubblico, in January the 3rd series matured for an amount of 1.5 billion euro.
In February, the 14th series was issued for an amount of 1 billion euro. The security is a floating-rate, 5-year security listed on the Luxembourg Stock Exchange with an A2 rating from Moody’s. It was subscribed by the Parent Company and is eligible for the Eurosystem.
Under the covered bond issue programme guaranteed by ISP CB Ipotecario, the 11th series matured in January for an amount of 1.353 billion euro.
In April, following the merger of UBI Banca into the Intesa Sanpaolo Group, the Covered Bond CB1 programme was acquired. In June, under the issue programme, the 30th series was partially redeemed for an amount of 200 million euro[12].

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 30 June 2021, the outstanding amount, gross of haircuts applicable to loans lodged as pledge by the Group, came to around 16.1 billion euro.
During the first half, the launch of vaccination campaigns favoured a strong steepening of the US interest rate curve which has reached pre-pandemic levels on maturities over 10 years. On the other hand, with regard to the Eurozone, the delay in the spread of vaccines slowed down the normalization of rates, while credit spreads remained at extremely compressed levels thanks to monetary policy stimuli. In Italy, the market favourably accepted the new Draghi government, causing a decrease in the BTP spreads to the lowest levels since 2015.
During the first quarter, the compression of credit spreads made it possible to implement a rotation of the asset allocation on government and corporate markets, with a moderate increase in credit sensitivity in peripheral countries. The low exposure to interest rate risk meant that the portfolio's performance was not affected by the recovery of long-term maturities. In the second quarter, portfolio turnover remained low, also due to the lower volatility on the markets, and aimed at keeping a moderate risk profile.

With reference to the repo market, in the first half of 2021, volumes of Italian government bonds traded remained more or less unchanged compared to the previous half year, while interest rates reached slightly lower levels than the Deposit Facility.
During the half year, the spread between the rates of the core countries and Italian government bonds remained unchanged. At the end of the half year, interest rates decreased, associated with a significant widening of spreads.

[12] For more details on the Covered Bond programmes of the former UBI Banca, refer to the chapter “Risk management”, below, as part of the disclosure on the operations carried out through Special Purpose Entities (SPE).

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 under the supervision of the CRO Area. Interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve; moreover, specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group Financial Risk Committee within the limits established by the Board of Directors: the Group Treasury & Finance structure actively 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, by monitoring 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), as well as the loan-deposit gap targets of the Business Units.

GEOGRAPHICAL AREAS

(millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income (Redetermined figures)				
30.06.2021	8,593	1,655	426	10,674
30.06.2020	8,552	1,546	396	10,494
% change	0.5	7.1	7.6	1.7
Loans to customers				
30.06.2021	389,335	56,720	17,242	463,297
31.12.2020	392,185	55,217	15,400	462,802
% change	-0.7	2.7	12.0	0.1
Direct deposits from banking business				
30.06.2021	460,482	62,409	8,721	531,612
31.12.2020	453,127	65,981	7,657	526,765
% change	1.6	-5.4	13.9	0.9

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. Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

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. Excluding the UBI Group, Italy accounted for 81% of revenues, 84% of loans to customers and 87% of direct deposits from banking business.
With regard to operating performance in the first half of 2021, loans to customers were substantially stable in Italy, up in Europe and in the rest of the world, while direct deposits from banking business grew in Italy and in the rest of the world, with a decrease in Europe.
Revenues showed a marginal increase in Italy and growth in Europe and the 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).

Risk management

THE BASIC PRINCIPLES OF RISK MANAGEMENT

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 Risks 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.

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.

The Corporate Bodies also benefit from the action of some Management Committees on risk management. These committees, which include the Steering Committee, operate in compliance with the primary responsibilities of the Corporate Bodies regarding the internal control system and the prerogatives of corporate control functions, and in particular the risk control function.

Subject to the powers of the Corporate Bodies, the Chief Risk Officer Governance Area – reporting directly to the Managing Director and CEO – is responsible for: (i) 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; (ii) cooperating with the Corporate Bodies in setting the Group's risk management guidelines and policies in accordance with the company strategies and objectives; (iii) coordinating and verifying the implementation of those guidelines and policies by the responsible units of the Group, also within the various corporate departments; (iv) ensuring the management of the Group's overall risk profile by establishing methods and monitoring exposures to the various types of risk and reporting the situation periodically to the Corporate Bodies; and (v) carrying out level 2 controls on credit and other risks and ensuring the validation of internal risk measurement systems.

The Parent Company performs a guidance and coordination role with respect to the Group companies[13], 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 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.

Following the merger by incorporation of UBI Banca into Intesa Sanpaolo, approaches and tools for integrating the risk management framework are being shared in order to best take advantage of possible synergies.

The risk measurement and management tools contribute to defining a risk-monitoring framework at Group level, capable of assessing the risks assumed by the Group from a regulatory and economic point of view. The level of absorption of economic capital, defined as the maximum "unexpected" loss the Group might incur over a year, is a key measure for determining the Group's financial structure, risk appetite and for guiding operations, ensuring a balance between risks assumed and shareholder returns. It is estimated on the basis of the current situation and also as a forecast, based on the budget assumptions and projected economic scenario. The assessment of capital is included in business reporting and is submitted quarterly to the Steering Committee, the Risks Committee and the Board of Directors, as part of the Tableau de Bord of the Group Risks. Risk hedging, given the nature, frequency and potential impact of the risk, is based on a constant balance between mitigation/hedging action, control procedures/processes and capital protection measures.

THE BASEL 3 REGULATIONS

In view of compliance with the reforms of the previous accord by the Basel Committee ("Basel 3"), the Intesa Sanpaolo Group has undertaken adequate project initiatives, expanding the objectives of the Basel 2 Project in order to improve the measurement systems and the related risk management systems.

With regard to the acquisition of the former UBI Group and the impacts on risk management and Pillar 1 internal models for credit, market, counterparty and operational risk, the Group has carried out the necessary analyses and actions, and, with a view to the integration of the former UBI Group into Intesa Sanpaolo, in September 2020 it sent the strategic return to compliance plan to the competent Supervisory Authorities, aimed restoring regulatory compliance by extending the Parent Company's internal models to the portfolios of UBI Banca and, where appropriate, of its subsidiaries. In this context, the temporary use of the internal models for credit and operational risk (Pillar 1) of the former UBI Banca Group was also requested for supervisory reporting purposes at consolidated level until full integration; the activities indicated in the plan continue in the manner agreed with the Supervisory Authority.

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[13] 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.

With regard to credit risks, the ECB's authorisations to use the new Institutions and Retail SME models for regulatory purposes were implemented starting from June 2021.
The periodic updating and alignment to changes in regulations governing IRB systems and their extension to the Italian subsidiaries originating from the UBI Banca Group and the international subsidiaries (according to the Group's roll-out plan) continue in accordance with the Regulatory Roadmap agreed with the Supervisory Authorities.

The situation as at 30 June 2021 is shown in the following table:

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 (Banking; Leasing and Factoring)	CCF/K factor model (Banking) Regulatory parameters (Leasing and Factoring)	FIRB authorised since December 2008, AIRB LGD authorised since December 2010, EAD authorised since September 2017 (1)
	Simulation models (Specialised Lending)	Simulation models (Specialised Lending)	Regulatory parameters (Specialised Lending)	AIRB authorised since June 2012
	Expert-Based Model (Non-Banking Fin. Inst.)	Regulatory parameters (Non-Banking Fin. Inst.)	Regulatory parameters (Non-Banking Fin. Inst.)	Used for management purposes only; Standardised approach for reporting purposes
Retail	Default model (Retail)	Workout model (Retail)	CCF/K factor model (Retail)	AIRB Retail since September 2018 (2)
	Default model (Retail SME)	Workout model (Retail SME)	CCF/K factor model (Retail SME)	AIRB authorised since December 2012 (3)

1) ISP authorised for FIRB from December 2008, for LGD AIRB from December 2010 and for EAD from 2017, Banca IMI (2012, merged by incorporation into the Parent company since 2020), ISP Ireland (2010), VUB (2010), Intesa Sanpaolo Bank (2017), and ISP Luxembourg (2017). From 2017, the Corporate model has also been used to calculate the risk on the Banking book equity portfolio with LGD 65%/90%.
2) VUB authorised from June 2012 for PD and LGD of Retail Mortgage models.
3) VUB authorised from June 2014.
4) ISP and Banca IMI (merged by incorporation into the Parent company in 2020) authorised from 2017.

With regard to counterparty risk on derivatives (OTC and ETD) and SFTs, the Group has improved the measurement and monitoring, by refining the instruments required under Basel 3. For reporting purposes, Intesa Sanpaolo has been authorised to use internal models (both for the determination of Exposure at default for replacement risk and for the CVA capital charge for migration risk). With respect to 31 December 2020, the approval letter authorising the use of the initial margin simulation model for central counterparties and bilateral counterparties for reporting purposes was received on 6 April 2021. The model was applied starting from June 2021. Also from June 2021, the internal counterparty risk model also covers positions arising from the merger of UBI Banca. Given the small impact of the use of the internal model on these positions, the inclusion did not give rise to any authorisation procedures and will be communicated ex-post to the Supervisory Authorities. In addition, in compliance with the entry into force of Regulation (EU) 2019/876 (CRR II), starting from June 2021 Intesa Sanpaolo adopted the SA-CCR method in place of the Mark-to-Market method when calculating counterparty risk exposures on derivative transactions not covered by an internal model. The same method is used for the entire portfolio of derivatives for the purpose of determining the counterparty risk exposures used as inputs for the calculation of Leverage and reporting on Large Exposures. In compliance with the regulatory transaction thresholds, several of the Group's international subsidiary banks have adopted the simplified original exposure method.
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. Please note that, on 30 June 2021, the Group was authorised to extend its advanced model to some entities belonging to the former UBI Group, specifically to: UBI Banca (merged by incorporation into Intesa Sanpaolo S.p.A. on 12 April 2021), including the entities of the former Banca Marche, former Banca Etruria and former CariChieti, UBI Sistemi e Servizi and IW Bank Private Investments.
The annual Internal Capital Adequacy Assessment Process (ICAAP) Report, based on the extensive use of internal approaches for the measurement of risk, internal capital and total capital available, was approved and sent to the ECB in April 2021.
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 (group.intesasanpaolo.com) on a quarterly basis.

CREDIT RISK

The Intesa Sanpaolo Group's strategies, 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 and improving 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.

The Group has developed a set of techniques and tools for credit risk measurement and management which ensures analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.
In particular, with regard to loans to customers, risk measurement is performed by means of different internal rating models according to borrower segment (Corporate, Retail SME, Retail, Sovereigns, Italian Public Sector Entities and Banks). These models make it possible to summarise the counterparty's credit quality in a value, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. These ratings are then made comparable with those awarded by rating agencies, by means of a consistent scale of reference.
Ratings and credit-risk mitigating factors (guarantees, loan types and covenants) play a key role in the loan granting and managing process.

With respect to the situation as at 31 December 2020, the Group has obtained authorisation to use from June 2021, for regulatory purposes:

- new Institutions models (for the assessment of Banks and Public Entities) which include significant refinements of statistical methodologies, updating of the data used to build the models and a broader set of internal information used;
- a framework for the Margin of Conservatism (MoC) applicable to all portfolios;
- a new internal model to estimate the downturn component of the LGD parameter for corporate exposures in default;
- a new Retail SME model that involves the use of new data sources and new statistical methodologies.

Credit quality

Constant monitoring of the quality of the loan portfolio is also pursued through specific operating checks for all the phases of loan management.
The overall watch-list and non-performing loan portfolio is subject to a specific management process which, inter alia, entails accurate monitoring through a control system and periodic managerial reporting. In particular, this activity is performed using measurement methods and performance controls that allow the production of synthetic risk indicators. The quality of the loan portfolio is pursued through specific operating checks for all the phases of loan management, through the use of both IT procedures and systematic supervision of positions with the aim of promptly detecting any symptoms of difficulty and promote corrective measures to prevent possible deterioration of credit risk.
Positions are detected and automatically entered in the credit management processes by way of daily and monthly checks using objective risk indicators that allow timely assessments when any anomalies arise or persist and interact with processes and procedures for loan management and monitoring.
Within the Group, in accordance with pre-set rules, positions which are attributed a persistent high-risk rating are intercepted (manually or automatically) and classified to the following categories based on their risk profile, in accordance with the regulatory provisions on credit quality:

- Bad loans: the set of "on-" and "off-balance sheet" exposures to borrowers in default or similar situations;
- Unlikely to pay: "on-" and "off-balance sheet" exposures which the bank, based on its opinion, does not deem likely to be completely (as principal and/or interest) repaid by the borrowers without the implementation of actions such as enforcement of guarantees. This assessment is conducted regardless of the presence of any amounts (or instalments) due and unpaid.
- 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 reference reporting date, are past due or overdrawn by over 90 days on a continuous basis. The total exposure to a debtor must be recognised as Past Due if, at the reference reporting date, the amount of the principal, interest and/or fees not paid when due exceeds both of the following thresholds (hereinafter, collectively, the "Relevance Thresholds"):
    - the absolute limit of 100 euro for retail exposures and of 500 euro for non-retail exposures (the "Absolute Threshold"), to be compared with the total amount past due from the borrower;
    - the relative limit of 1%, to be compared with the ratio of the total amount past due to the total amount of all on-balance sheet exposures to the same borrower (the "Relative Threshold").

Lastly, non-performing exposures also include the individual forborne exposures which comply with the definition of "Non-performing exposures with forbearance measures" envisaged by the EBA ITS (European Banking Authority - Implementing Technical Standards), which are not a separate category of non-performing assets, but rather a sub-category. Similarly, exposures characterised by "forbearance measures" are also included among performing loans.
The management process for such exposures, in close accordance with regulatory provisions concerning classification times and methods, is assisted by automatic mechanisms that ensure pre-established, autonomous and independent management procedures.

(millions of euro)

Captions	30.06.2021			31.12.2020			Change
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Bad loans	9,293	-5,601	3,692	9,594	-5,591	4,003	-311
Unlikely to pay	9,413	-3,874	5,539	10,678	-4,455	6,223	-684
Past due loans	605	-123	482	627	-110	517	-35
Non-Performing Loans	**19,311**	**-9,598**	**9,713**	**20,899**	**-10,156**	**10,743**	**-1,030**
Non-performing loans in Stage 3 (subject to impairment)	*19,240*	*-9,584*	*9,656*	*20,818*	*-10,132*	*10,686*	*-1,030*
Non-performing loans designated at fair value through profit or loss	*71*	*-14*	*57*	*81*	*-24*	*57*	*-*
Performing loans	**449,476**	**-2,910**	**446,566**	**447,650**	**-2,807**	**444,843**	**1,723**
Stage 2	*68,318*	*-2,063*	*66,255*	*71,037*	*-2,014*	*69,023*	*-2,768*
Stage 1	*380,133*	*-847*	*379,286*	*375,535*	*-793*	*374,742*	*4,544*
Performing loans designated at fair value through profit or loss	*1,025*	*-*	*1,025*	*1,078*	*-*	*1,078*	*-53*
Performing loans represented by securities	**7,028**	**-30**	**6,998**	**7,231**	**-37**	**7,194**	**-196**
Stage 2	*2,051*	*-23*	*2,028*	*3,090*	*-30*	*3,060*	*-1,032*
Stage 1	*4,977*	*-7*	*4,970*	*4,141*	*-7*	*4,134*	*836*
Loans held for trading	**20**	**-**	**20**	**22**	**-**	**22**	**-2**
Total loans to customers	**475,835**	**-12,538**	**463,297**	**475,802**	**-13,000**	**462,802**	**495**
of which forborne performing	***8,110***	***-434***	***7,676***	***5,560***	***-304***	***5,256***	***2,420***
of which forborne non-performing	***5,852***	***-2,382***	***3,470***	***5,902***	***-2,360***	***3,542***	***-72***
Loans to customers classified as discontinued operations (*)	**5,199**	**-3,731**	**1,468**	**29,602**	**-3,462**	**26,140**	**-24,672**

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

(*) As at 30 June 2021, the caption refers to the portfolio of bad and unlikely-to-pay loans soon to be sold (gross exposure of 5,199 million euro, adjustments of 3,731 million euro, net exposure of 1,468 million euro).

As at 30 June 2021, the Group's net non-performing loans amounted to 9.7 billion euro, an all-time low. The 9.6% reduction from the beginning of the year confirms the virtuous trend already recorded in previous years. The non-performing assets percentage of total net loans to customers amounted to 2.1%, a low proportion and down on the figure recorded in December 2020 (2.3%), with an increased coverage ratio for non-performing loans, of 49.7%.
In further detail, at the end of June bad loans came to 3.7 billion euro net of adjustments (-7.8%) and represented 0.8% of total loans. During the same period, the coverage ratio came to 60.3% (78.9% including the write-offs applied). Loans included in the unlikely-to-pay category amounted to 5.5 billion euro, down by 11%, and accounted for 1.2% of total loans to customers, with a coverage ratio of 41.2%. Past due loans amounted to 482 million euro (-6.8%), with a coverage ratio of 20.3%. Within the non-performing loan category, forborne exposures, generated by forbearance measures for borrowers experiencing difficulty in meeting their financial obligations, amounted to approximately 3.5 billion euro, with a coverage ratio of 40.7%, while forborne exposures in the performing loans category amounted to 7.7 billion euro.
The coverage ratio of performing loans was 0.6% in line with the figure at the end of 2020.

The Group's Expected Credit Loss (ECL) at 30 June 2021 has been calculated in accordance with IFRS 9 and on the basis of the scenarios detailed in the chapter "The first half of 2021", to which reference is made.
In particular, even in the light of an improved prospective macroeconomic scenario in the updated ECB and Bank of Italy forecasts, the Group has decided, on a prudent basis, not to make any changes to the macroeconomic scenario used in the assessments for the Annual Report as at 31 December 2020, with the IFRS 9 forward-looking credit assessments consequently not benefiting from the effects of these improvements. This takes into account the continued uncertainties on the health front, as the degree of success of the vaccination campaign, at national and global level, may have an impact on expectations, consumption and investment, as well as the continuation in legislative moratoria initiatives in Italy, resulting in a reduction in the ability to fully assess the actual and real possibility of repayment of loans. In the second half of the year, when the effects of the expiry of the moratoria can be measured more accurately, it will also be possible to review the approach in the light of developments in the macroeconomic scenario.
With regard to the specific management overlays aimed at including the ad hoc adjustments, which are not captured by the current modelling, in order to better reflect the particular characteristics of the COVID-19 impacts and given that the underlying reasons continue to apply in substance, the choices already made at the time of the 2020 Annual Report have been maintained, with further calibrations and refinements made in light of the evolution of the overall health and economic situation.
This relates in particular to:

– the adoption of corrective factors on forecast default rates to include, on the one hand, the expected benefits of major economic support initiatives such as government guarantees not captured by satellite models and, on the other hand, to

incorporate the worsening effects of the moratoria during the period of their validity in postponing the transition to default status to future years;
- the one-off treatments to provide more granularity through extraordinary staging triggers for the impacts of the current scenario on counterparties most penalised by the crisis, also in light of the specific analyses on counterparties and the presence of moratoria measures.

With regard to the government guarantees, the mitigating effects on future risk not captured by the satellite models act as factors for the containment of the increase in system-wide default rates, thanks to the increase in the base of customers that can access credit and the increase in the liquidity in circulation in support of companies undergoing temporary difficulties. These effects, introduced in the 2020 Annual Report, have been maintained with the same methodology and limited time effect, even though – based on more up-to-date information, including the Credit Risk Appetite (CRA) analyses updated in February 2021 – the benefit envisaged in terms of decline in expected default rates is lower.
The overlay on the vulnerability of the moratorium/transfer of default flows was incorporated in the results of the forward-looking assessments in the satellite models, as it is aimed at "correcting" the estimated expected default flows (based on the application of the "COVID" macroeconomic scenarios described above) to incorporate the effect that the moratoria have on transfers to default during their period of validity. In substance, it reduces the forecast of default flows during the period of validity of the moratoria and transfers it (in addition to those estimated by the satellite model) to subsequent periods, when the legislative moratoria will expire.
In particular, these led to a postponement to 2021 of part of the defaults forecast by the model in 2020 leading to the potential cliff-edge effect. The persistence of this effect is highlighted by the extension of the moratoria to June 2021, together with the low levels of defaults in the first half of 2021. As a result, this behaviour has been recorded in the half-yearly report as follows:
- the downward effect was extended until the end of the first half of 2021, based on the parameter for the reduction of default flows already used so far (of around 70%) and considering that the moratoria will cease to be renewable en masse;
- defaults avoided through moratoria in the period May 2020 to June 2021 increased the future default flows projected by the satellite models in the period July 2021 to June 2022, i.e. by amplifying the expected cliff-edge effect in the first year of projection for IFRS 9 purposes, except for a portion that is estimated to survive, by taking advantage of the economic rebound to overcome the temporary difficulty, whose estimate has remained unchanged compared to the 2020 Annual Report (15% in the baseline scenario, 30% in the upside scenario and 0% in the downside scenario);

The effect of that overlay acts through the SICR logics of the PD Change, thus increasing the transfers to Stage 2 and ECLs.

Lastly, since the underlying reasons continue to apply, the Group has also substantially maintained the choices already made in the 2020 Annual Report in terms of one-off treatments using extraordinary staging triggers to increase the granularity of the impacts of the scenario considered for the counterparties most penalised by the crisis. These triggers act "downstream" on counterparties not already classified based on the criteria summarised above.
Compared to the Annual Report, the criteria adopted for the extraordinary triggers have been refined based on the developments observed in the first half of 2021, relating to the continuation of existing moratoria, the results of the credit risk monitoring conducted, also through specific action plans, and the progress of specific rating updates made to take account of the pandemic situation. The latter have also enabled the refinement of the assessment of the micro-sector vulnerabilities, where relevant, at individual counterparty level and according to the specific characteristics of the models used.
With the significant progression of rating updates that take into account the Covid situation (and which now cover 99% of positions in moratoria) and with the extension to the lower risk classes of the additional triggers for transition to stage 2, there was no longer a need for micro-sector differentiation, which, on the one hand, in the updated forecast scenarios shows less variance in the expected effects on revenue and earnings compared to the forecasts at the beginning of the crisis, and, on the other hand, is captured, together with other factors, at individual counterparty level by the ratings updated according to the specific characteristics of the models used.

The Group's Expected Credit Loss (ECL) as at 30 June 2021 was subject to sensitivity analysis aimed at analysing the variability with respect to the individual alternative scenarios, also in light of the strengthening of the indications provided in that sense by the Regulators, to increase financial entities' awareness of the need to include appropriate disclosure in the financial statements that allows the market to interpret the possible evolution – and potential impacts – of credit risk in the short/medium-term.
That analysis was conducted on a performing loan portfolio (Stage 1 and Stage 2) relating to the scope representing the Group (Parent Company and banks in the IMI C&IB Division that represent around 80% of the Group's total exposure), assuming as reference scenario the single alternative scenarios (upside and downside) used to determine the add-on, in place of the most-likely scenario, keeping valid the effects deriving from adopting managerial adjustments and overlays, used to consider - in the exceptional context of COVID-19 – the specific elements that make it possible to ensure more consistent estimates of expected losses.
The sensitivity of the portfolio to the downside scenario would see a number of counterparties sliding into Stage 2, with their exposure potentially increasing by 20%, and a resulting increase in the performing ECL estimated at around 16% (around 450 million euro) and greater average coverage by around 10 bps.
Vice versa, the sensitivity analysis of the portfolio in the upside scenario would see a reduction in the stock of positions in Stage 2, which would decrease by 15%, with a potential economic benefit on the performing ECL decreasing by 20% (approximately 600 million euro), and a resulting decrease in the coverage ratio of around 13 bps.

Counterparty risk

Counterparty risk is a particular type of credit risk, relating to OTC (over the counter) and ETD (exchange-traded derivatives) derivatives and SFTs (Securities Financing Transactions), which refers to the possible default of the counterparty before the expiry of a contract that has a positive market value.

The Group uses techniques to mitigate counterparty risk through bilateral netting arrangements which enable the netting off of credit and debit positions in the event of counterparty default.
This is achieved by entering into ISDA (International Swaps and Derivatives Association) agreements, for OTC derivatives, which also reduce the absorption of regulatory capital in accordance with supervisory provisions.
In addition, the Bank establishes collateral arrangements, where possible, typically calling for daily margins, to hedge bilateral OTC derivatives (credit support annexes - CSAs) and SFTs (Global Master Repurchase Agreements - GMRAs e General Market Securities Lending Agreements - GMSLAs).

For reporting purposes, Intesa Sanpaolo has been authorised to use the internal models approach to calculate the counterparty risk requirement for OTC and ETD derivatives and SFTs.
These advanced risk measurement methods are also used at operational level to perform the “use test”: the Market and Financial Risk Management Head Office Department calculates, validates and sends the metrics to the credit monitoring systems on a daily basis to measure the use of the credit lines for OTC and ETD derivatives and SFTs.
The Group’s other banks, which have operations that involve a residual counterparty risk requirement with respect to the Parent Company, apply the advanced metrics in a simplified manner at operational level.

To perform the use test of the model, the Group has implemented the processes required by the “Basel 3” regulations. In particular, stress tests are carried out to measure the impacts on risk measures under extreme market conditions. Backtesting is also conducted to ensure the robustness of the model.
In addition, to complete the risk analysis process, the following corporate processes have been activated:
- 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 margined OTC derivatives and SFTs;
- 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.

As mentioned, with respect to 31 December 2020, the approval letter authorising the use of the initial margin simulation model for central counterparties and bilateral counterparties for reporting purposes was received on 6 April 2021. The model was applied starting from June 2021. Also from June 2021, the internal counterparty risk model also covers positions arising from the merger of UBI Banca. Given the small impact of the use of the internal model on these positions, the inclusion did not give rise to any authorisation procedures and will be communicated ex-post to the Supervisory Authorities. In addition, in compliance with the entry into force of Regulation (EU) 2019/876 (CRR II), starting from June 2021 Intesa Sanpaolo adopted the SA-CCR method in place of the Mark-to-Market method when calculating counterparty risk exposures on derivative transactions not covered by an internal model. The same method is used for the entire portfolio of derivatives for the purpose of determining the counterparty risk exposures used as inputs for the calculation of Leverage and reporting on Large Exposures. In compliance with the regulatory transaction thresholds, several of the Group’s international subsidiary banks have adopted the simplified original exposure method.

MARKET RISKS

TRADING BOOK

The quantification of trading risks (managerial calculation scope) is based on daily and periodic analysis of the vulnerability of the trading portfolio of Intesa Sanpaolo, which represents the main portion of the Group's market risks, to adverse market movements of the following risk factors:
- interest rates;
- equities and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDSs);
- spreads in bond issues;
- correlation instruments;
- dividend derivatives;
- asset-backed securities (ABSs);
- commodities.

Some Group subsidiaries hold smaller trading portfolios with a marginal risk (approximately less than 2% 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.

Managerial VaR

The analysis of market risk profiles relative to the trading book (managerial scope) uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends, correlation, ABS).
VaR estimates are calculated daily based on simulations of weighted historical time-series, a 99% confidence level and 1-day holding period.
Please note that, in the first quarter of 2021, the approval of the ordinary annual update of the market risk managerial framework by the Board of Directors (as part of the 2021 Risk Appetite Framework) set a specific limit for trading within an overall limit for trading and the hold to collect and sell (HTCS) business model.

Sensitivity and greeks

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

Level measures are risk indicators which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. These are used to monitor issuer/sector/country risk exposures for concentration analysis, through the identification of notional value, market value or conversion of the position in one or more benchmark instruments (so-called equivalent position).

Stress tests

Stress tests measure the value changes of instruments or portfolios due to changes in risk factors of unexpected intensity and correlation, or extreme events, as well as changes representative of expectations of the future evolution of market variables. Stress tests for management purposes are applied periodically to market risk exposures, typically adopting scenarios based on historical trends recorded by risk factors, for the purpose of identifying past worst-case scenarios, or defining variation grids of risk factors to highlight the direction and non-linearity of trading strategies.

Internal model validation

For some of the risk factors included in the managerial VaR measurements, with regard to the Parent Company's regulatory trading book, the Supervisory Authority has validated the internal models for the capital requirement of Intesa Sanpaolo.
More specifically, concerning market risk, the risk profiles validated are: (i) generic/specific on debt securities and on equities; (ii) position risk on quotas of CIUs and the hedge fund portfolios with a look-through approach; (iii) position risk on dividend derivatives and (iv) commodity risk.

Stressed VaR

Capital requirement includes stressed VaR figures. The requirement derives from the determination of the VaR associated with a market stress period. This period was identified considering the following guidelines, on the basis of the indications presented in the Basel document "Revision to the Basel 2 market risk framework":
- 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 this document, the period for the measurement of Stressed VaR for Intesa Sanpaolo was from 11 October 2011 to 28 September 2012.

Incremental Risk Charge (IRC)

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 is additional to VaR and 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.

Daily managerial VaR of the trading book

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.

(millions of euro)

	2021				2020			
	average 2nd quarter	minimum 2nd quarter	maximum 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Total GroupTrading Book (a)	25.8	18.8	34.2	41.3	59.0	73.3	85.6	41.1
of which: Group Treasury and Finance Department	*2.8*	*2.3*	*4.6*	*3.2*	*3.4*	*9.9*	*37.9*	*15.0*
of which: IMI C&IB Division	*25.9*	*18.9*	*32.1*	*38.1*	*52.5*	*59.6*	*47.7*	*26.1*

Each line in the table sets out past estimates of daily VaR calculated on the historical quarterly time-series of the Intesa Sanpaolo Group (including other subsidiaries), the Group Treasury and Finance Department and the IMI C&IB Division respectively; minimum and maximum values for the overall perimeter are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

(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.

During the second quarter of 2021, there was a reduction in the overall trading risks compared to the averages for the first quarter of 2021 from 41.3 million euro (average for first quarter of 2021) to 25.8 million euro and, more generally, compared to the averages for the full year 2020. These reductions are mainly attributable to the scenario “rolling effect” due to the lower market volatility following the exceptional market shocks in March 2020 related to the spread of the COVID-19 pandemic.

In the interest of completeness, the table below shows the average, minimum and maximum managerial VaR for the first half of 2021 compared with the same period of 2020.

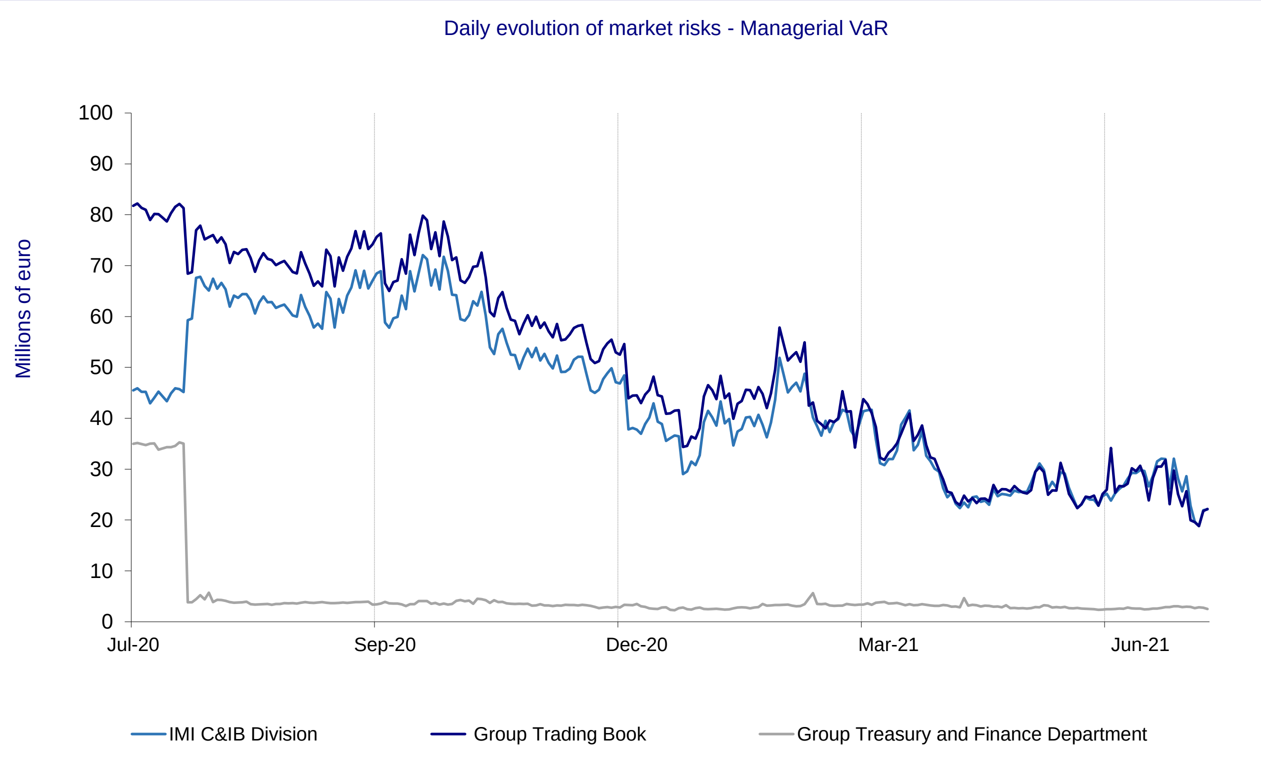
(millions of euro)

	2021			2020		
	average 1st half	minimum 1st half	maximum 1st half	average 1st half	minimum 1st half	maximum 1st half
Total GroupTrading Book (a)	33.5	18.8	57.8	63.5	31.0	97.4
of which: Group Treasury and Finance Department	*3.0*	*2.3*	*5.6*	*26.5*	*10.1*	*42.6*
of which: IMI C&IB Division	*32.0*	*18.9*	*51.9*	*37.0*	*20.7*	*57.0*

Each line in the table sets out past estimates of daily VaR calculated on the historical time-series of the first six months of the Intesa Sanpaolo Group (including other subsidiaries), the year respectively of the Group Treasury and Finance Department and the IMI C&IB Division; minimum and maximum values for the overall perimeter are estimated using aggregate historical time-series and therefore do not correspond to the sum of the individual values in the column.

(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.

With regard to the trend in the trading VaR in the first half of 2021, the change was mainly due to the IMI C&IB Division. In particular, the following changes were recorded:
- in the first quarter, increases in the indicator in January and February due to dealing in government bonds, followed by a reduction due to the rolling scenario effect caused by lower market volatility;
- in the second quarter, initially an increase in risk measures attributable to activity in government bonds and equity indices and subsequently, starting from the middle of June, a reduction in risks linked to interest rate and equity index transactions.



The breakdown of the Group's risk profile in the trading book in the second quarter of 2021 shows a prevalence of credit spread risk and interest rate risk, accounting for 45% and 24%, respectively, of the Group's total managerial VaR. Instead, the single risk-taking centres show a prevalence of interest rate risk and exchange rate risk for the Group Treasury and Finance Department (49% and 31%, respectively) and of credit spread and interest rate risk for the IMI C&IB Division (46% and 25%, respectively).

Contribution of risk factors to total managerial VaR[(a)]

2nd quarter 2021	Shares	Interest rates	Credit spreads	Foreign exchange rates	Other parameters	Commodities
Group Treasury and Finance Department	11%	49%	9%	31%	0%	0%
IMI C&IB Division	13%	25%	46%	2%	9%	5%
Total	**13%**	**24%**	**45%**	**5%**	**9%**	**4%**

(a) 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 second quarter of 2021, 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 and commodity prices at the end of June is summarised in the following table:

(millions of euro)

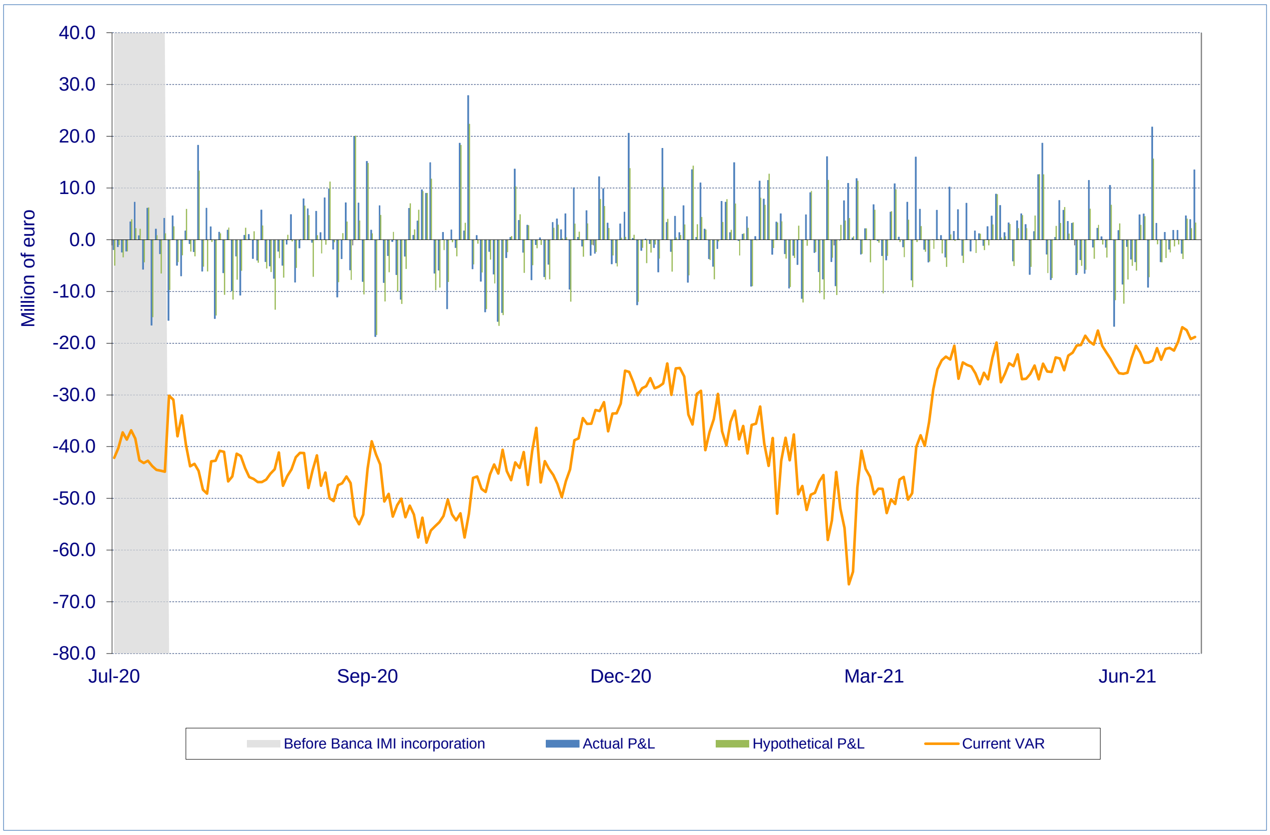
	EQUITY		INTEREST RATES		CREDIT SPREADS		FOREIGN EXCHANGE RATES		COMMODITIES	
	Crash	Bullish	+40bp	lower rate	-25bp	+25bp	-5%	+5%	Crash	Bullish
Total Trading Book	61	-3	46	-52	40	-49	18	10	-8	1

More specifically:
- for stock market positions, there would be potential losses of 3 million euro in the event of a sudden rise in equity prices and a concurrent sharp reduction in volatility;
- for positions in interest rates, there would be potential losses of 52 million euro in the event of a fall in interest rates;
- for positions in credit spreads, a widening of credit spreads of 25 bps would result in an overall loss of 49 million euro;
- for positions in exchange rates, there would be potential gains in both scenarios with greater impacts in the event of depreciation of the Euro against the other currencies;
- finally, for positions in commodities, there would be a loss of 8 million euro in the event of a fall in prices of commodities other than precious metals.

With regard 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 second quarter from 226 million euro (average managerial VaR first quarter 2021) to 126 million euro (average managerial VaR second quarter 2021). The reduction is mainly due to the rolling scenario effect, given the reduced volatility of the financial markets.

Backtesting

In the last year, there were no backtesting exceptions. After the increase following the upsurge of the COVID-19 crisis, the gradual reduction in market volatility ensured that the risk measure (Current VaR) was sufficiently conservative over the last four quarters[14].



[14] From 12 April 2021, estimates include former UBI's trading book. The shaded area refers to the period prior to the merger of Banca IMI (20 July 2020).

BANKING BOOK

Qualitative information

The “banking book” is defined as the trade portfolio consisting of all 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 Group's banking book due to adverse changes in interest rates, which are reflected in both economic value and net interest income.
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 Bank’s 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 (shift sensitivity 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 shift sensitivity limits are accompanied by a risk indicator, which constitutes an “early warning” threshold approved within the RAF, which makes 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 Financial and Market Risks Head Office Department and approved by the Group Financial Risk Committee (GFRC). These limits take account of the characteristics of the banks' portfolios, with particular reference to intermediated volumes, average durations, the type of instruments traded and the Company's strategic mission within the Group.

The Financial and Market Risks 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 **shift sensitivity of the economic value** (or fair value shift sensitivity) 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 contractual rate, FTP (internal fund transfer price) or risk-free rate (Euribor/Libor) and discounted according to risk-free discount curves. When calculating the present value of loans, the expected loss component is considered; it represents the amount of cash flow that the bank does not expect to recover on a given exposure and that thus reduces its value. The present value of the loan adjusted for credit risk is calculated for this purpose by deducting the corresponding level of expected loss from expected cash flows according to the "cash flow adjustment" ("CFA") method.
To control the exposure and monitor the limits, the calculation involves determining the algebraic sum of the equivalent in euro of the shift sensitivities of the positions in the various currencies by applying a parallel shock of +100 bps 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 must be estimated under expected scenarios as well as under potential interest rate shocks and stress scenarios. Further assumptions must also be 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 defined on the basis of an instantaneous and parallel interest rate shock of +/-50 bp, 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 GFRC is also tasked with allocating sub-limits on net interest income sensitivity to the individual Banks/Companies, and may also define sub-limits on net interest income sensitivity by currency. The limit assigned to each Company is defined on the basis of the historical volatility observed in individual net interest income, consistent with the strategies and limits defined for shift sensitivity.

The **Credit Spread Risk of the Banking Book** (**CSRBB**) is defined as the risk caused by changes in the market's perception of the price of credit risk, liquidity premium and potentially other components of instruments with credit risk that cause fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by the interest rate risk of the banking book or by the expected credit risk/jump-to-default risk. In line with the EBA Guidelines, which limit the reference area to assets only (i.e. excluding derivatives and liabilities), specific monitoring is envisaged for the HTCS securities portfolio, whose changes in value have an immediate impact on the Group's capital.

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 Financial and Market Risks 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 method developed estimates prepayment coefficients diversified according to the type of customer, financial characteristics of the transaction, such as the loan rate type (fixed or floating), the original term of the loan and the seasoning, understood as the age of the loan on the date of the prepayment event. The analysis refers to partial repayments, full repayments and refinancing. The prepayment model also examines the reasons that lead customers to make prepayments. With regard to this aspect, the phenomenon may be divided into a structural component ("Core Prepayment") and a scenario component ("Coupon Incentive"), primarily linked to market variations. Prepayment phenomena are monitored monthly and the prepayment coefficients to be applied to the model are re-estimated at least annually and are subject to periodic backtesting, in accordance with the specific model change document.
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 sets a limit on shift sensitivity loss of 20% of regulatory capital in the event of an instantaneous and parallel shock of +/-200 bps, but introduces an "early warning" 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);
- 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.

Impacts from the COVID-19 pandemic

In the first 6 months of 2021 the strategies and controls in place, aimed at managing interest rate risk, were implemented so as to keep the Group's total exposure stable and not significantly affected by the interest rate volatility triggered by the COVID-19 pandemic.

Quantitative information

In the first six months of 2021, interest rate risk generated by the Intesa Sanpaolo Group’s banking book, measured through shift sensitivity of value, averaged -1,291 million euro, with a minimum value of -1,470 million euro and a maximum value of -1,094 million euro, reaching a figure of -1,367 million euro at the end of June 2021 (-1,305 million euro at the end of 2020).
The sensitivity of net interest income – assuming a +50, -50 and +100 basis point change in interest rates – amounted to 1,272 million euro, -816 million euro and 2,467 million euro, respectively, at the end of June 2021. The last of these figures was down on the 2,581 million euro recorded at the end of 2020.
Interest rate risk, measured in terms of VaR, averaged 437 million euro in the first six months of 2021, with a maximum value of 498 million euro and a minimum value of 414 million euro, reaching a figure of 432 million euro at the end of June 2021 (492 million euro at the end of 2020).
Foreign exchange risk expressed by equity investments in foreign currency (banking book) and measured in terms of VaR averaged 59 million euro in the first six months of 2021, with a maximum value of 69 million euro and a minimum value of 48 million euro, with the latter coinciding with the value at the end of June 2021 (78 million euro at the end of 2020).
Price risk generated by minority stakes in listed companies, mostly held in the HTCS category and measured in terms of VaR, recorded an average level during the first six months of 2021 of 216 million euro, with maximum and minimum values of 278 million euro and 182 million euro, respectively, amounting to 216 million euro at the end of June 2021 (304 million euro at the end of 2020).

The table below shows the changes in the main risk measures

(millions of euro)

	1st half 2021			30.06.2021	31.12.2020
	average	minimum	maximum		
Shift Sensitivity of the Economic Value +100 bp	-1,291	-1,470	-1,094	-1,367	-1,305
Shift Sensitivity of Net Interest Income -50bp	-877	-1,044	-803	-816	-1,011
Shift Sensitivity of Net Interest Income +50bp	1,264	1,143	1,364	1,272	1,312
Shift Sensitivity of Net Interest Income +100bp	2,476	2,264	2,687	2,467	2,581
Value at Risk - Interest Rate	437	414	498	432	492
Value at Risk Exchange	59	48	69	48	78
Value at Risk - Equity investments in listed companies	216	182	278	216	304

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 abovementioned quoted assets recorded in the HTCS category.

Price risk: impact on Shareholders' Equity

(millions of euro)

		2nd quarter 2021 impact on shareholders' equity at 30.06.2021	1st quarter 2021 impact on shareholders' equity at 31.03.2021	Impact on shareholders' equity at 31.12.2020
Price shock	10%	208	152	155
Price shock	-10%	-208	-152	-155

LIQUIDITY RISK

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).
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.
These Guidelines illustrate the tasks of the various company 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.
In particular, a detailed definition is prepared of the tasks assigned to the corporate bodies and reports are presented to the senior management concerning certain important formalities such as the approval of measurement methods, the definition of the main assumptions underlying stress scenarios and the composition of early warning indicators 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.
The corporate functions of the Parent Company responsible for ensuring the correct application of these Guidelines are the Group Treasury and Finance Head Office Department and the Planning and Control Department, responsible, within the Chief Financial Officer (CFO) Area, for liquidity management, and the Market and Financial Risk Management Head Office Control Department, which is directly responsible, within the Chief Risk Officer (CRO) Area, for measuring liquidity risk on a consolidated basis.
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 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.
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 aim of the Intesa Sanpaolo Group's structural Liquidity Policy is to adopt 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 the continuity of operations under conditions of extreme liquidity emergency, the Contingency Liquidity Plan 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. Within this framework, the Group Treasury and Finance 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 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 the entire first half of 2021: both regulatory indicators, LCR and NSFR, were well above regulatory requirements. The Liquidity Coverage Ratio (LCR) of the Intesa Sanpaolo Group, measured according to Delegated Regulation (EU) 2015/61, amounted to an average[15] of 174%. As at 30 June 2021, the value of unencumbered HQLA reserves was 175 billion euro. Including the other marketable reserves and/or eligible Central Bank reserves, the Group's unencumbered liquidity reserves amounted to 181 billion euro.
The NSFR also was significantly higher than 100%, supported by a solid base of stable deposits from customers, adequate wholesale medium/long-term securities funding and the TLTRO funding from the ECB. At 30 June 2021, the Group's NSFR, measured in accordance with regulatory instructions, was 124%. This indicator remains significantly higher than 100%, even excluding the positive contribution from TLTRO funding. Considering the high amounts of unencumbered liquidity reserves (liquid or eligible), also 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.
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 various risk factors.

INFORMATION ON FINANCIAL PRODUCTS

In line with the requests for utmost transparency made by supranational and national Supervisory Authorities, the following information is provided on the fair value measurement methods adopted, structured credit products, activities performed through Special Purpose Entities (SPE), leveraged transactions, hedge fund investments and transactions in trading derivatives with customers.

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES, INDEPENDENT PRICE VERIFICATION AND PRUDENT VALUATION

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 are established by the CRR - Capital Requirement Regulation. The paragraphs below describe the methods applied by the Intesa Sanpaolo Group to implement and use those elements.

Fair value of financial instruments

The Intesa Sanpaolo Group governs and defines the fair value measurement of financial instruments through the Group's "Guidelines/Rules for Valuation of Financial Instruments at Fair Value", prepared by the Financial and Market Risks Head Office Department and applied by the Parent Company and all consolidated subsidiaries, including the Insurance Companies.
The "Rules for the Measurement of Equity Investments", drawn up by the Group M&A and Equity Investments Head Office Department, govern the fair value measurement of unlisted equities and financial instruments with unlisted equities as their underlying.
The methodologies for the fair value measurement of financial instruments, as well as any adjustments attributable to uncertainties in valuation, are governed by the Fair Value Policy of the Intesa Sanpaolo Group and are described in detail in the 2020 Annual Report, to which reference is made for more information.

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). More 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" of the Fair Value Policy 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 as level 1 financial instruments: contributed bonds (i.e. bonds for which the Composite

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

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 harmonised mutual funds (covered by EU directives), spot exchange rates, derivatives for which prices are available on an active market (for example, exchange traded futures and options) and hedge funds whose Net Asset Value (NAV) is available, according to the frequency established in the subscription contract, and in which assets classified as level 1 predominate among the assets invested in by the fund, as a percentage of the NAV, provided the level 3 instruments do not exceed a set threshold.
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 Fair Value Policy 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.
Such techniques include:
- the use of market values that are indirectly linked to the instrument to be measured, deriving from products with the same risk profile (level 2 inputs);
- valuations performed using – even partially – inputs not identified from parameters observed on the market, for which estimates and assumptions made by the valuator are used (level 3 inputs).

In case of level 2 inputs, 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;
- hedge funds in which Level 2 assets predominate, as a percentage of the NAV, 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 and real estate funds 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.

Independent price verification (IPV)

Independent Price Verification (IPV) is "a process by which market prices or marking to model inputs are regularly verified for accuracy and independence" (Article 4(1.70) EU Regulation 575/2013), carried out "in addition to daily marking to market or marking to model [...] by a person or unit independent from persons or units that benefit from the trading book" (Article 105(8) EU Regulation 575/2013).
The Intesa Sanpaolo Group has structured an IPV process with 3 levels of control in line with the provisions of Bank of Italy Circular 285/2013, 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.
The Intesa Sanpaolo Group governs and formalises its independent price verification process through the Group's "Guidelines/Rules for Independent Price Verification", which are described in detail in the 2020 Annual Report and to which reference is made for further information.

Prudent value of financial instruments

The framework of financial measurements is completed with the prudent valuation of financial instruments measured at fair value. 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 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. The prudent value corresponds to the exit price from the position with a level of certainty equal to 90%. The Group governs and formalises the measurement of the prudent value of financial instruments through the Group's "Guidelines/Rules for Prudent Valuation of Financial Instruments at Fair Value", which are described in detail in the 2020 Annual Report and to which reference is made for further information.
Since 1 January 2021, when the transitional provisions under Commission Delegated Regulation (EU) 2020/866 ceased to apply, the Group has used the AVAs aggregation factor established by Commission Delegated Regulation (EU) 2016/101.

Fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis: fair value by level
Excluding insurance companies

(millions of euro)

Assets / liabilities at fair value	30.06.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	31,613	25,865	3,474	22,890	31,994	3,362
a) Financial assets held for trading	30,508	24,929	283	21,861	30,900	404
of which: Equities	*765*	*-*	*16*	*663*	*-*	*1*
of which: quotas of UCI	*159*	*2*	*25*	*169*	*3*	*31*
b) Financial assets designated at fair value	-	1	3	-	1	2
c) Other financial assets mandatorily measured at fair value	1,105	935	3,188	1,029	1,093	2,956
of which: Equities	*162*	*165*	*215*	*10*	*191*	*193*
of which: quotas of UCI	*943*	*163*	*1,937*	*1,018*	*227*	*1,740*
2. Financial assets measured at fair value through other comprehensive income	58,546	8,326	391	49,681	7,747	430
of which: Equities	*1,776*	*1,475*	*370*	*1,559*	*1,754*	*387*
3. Hedging derivatives	-	1,163	12	1	1,118	15
4. Property and equipment	-	-	7,218	-	-	7,252
5. Intangible assets	-	-	-	-	-	-
Total	**90,159**	**35,354**	**11,095**	**72,572**	**40,859**	**11,059**
1. Financial liabilities held for trading	22,160	34,999	176	15,742	43,168	123
2. Financial liabilities designated at fair value	-	3,361	-	-	3,032	-
3. Hedging derivatives	9	5,007	3	1	7,084	3
Total	**22,169**	**43,367**	**179**	**15,743**	**53,284**	**126**

The Group's assets measured at fair value (excluding the insurance companies), primarily consisted of level 1 instruments (around 66% as at 30 June 2021 compared to around 58% at the end of 2020), measured using market prices and therefore without any discretion by the valuator.
Level 3 assets, which are subject to greater discretion in determining fair value, made up approximately 8% of the total assets measured at fair value.

The decrease in level 2 assets compared to 31 December 2020 was also driven by the reduction in exposures to OTC derivative contracts, which had a similar effect on liabilities.
The level 1 assets increased compared to December 2020, mainly due to changes in Debt securities.
With regard to liabilities specifically, level 3 instruments remained at essentially insignificant levels (well below 1% of total liabilities), while level 2 instruments, mostly OTC derivatives, continued to predominate.
In addition to the transfers that concerned financial assets and liabilities measured at level 3 as reported in the table "Half-yearly changes in assets measured at fair value on a recurring basis (level 3)" below, please note that the following transfers were recognised during the first half of 2021:

- from level 1 to level 2:
  - financial assets held for trading for 2 million euro (book value as at 30 June 2021);
  - other financial assets mandatorily measured at fair value for 1 million euro (book value as at 30 June 2021);
  - financial assets measured at fair value through other comprehensive income for 41 million euro (book value as at 30 June 2021);
- from level 2 to level 1:
  - financial assets held for trading for 342 million euro (book value as at 30 June 2021);
  - financial assets measured at fair value through other comprehensive income for 50 million euro (book value as at 30 June 2021);
  - financial liabilities held for trading for 201 million euro (book value as at 30 June 2021).

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.

Assets and liabilities measured at fair value on a recurring basis: fair value by level
Insurance companies

(millions of euro)

Assets / liabilities at fair value	**30.06.2021**			**31.12.2020**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets held for trading	303	378	386	321	33	47
of which: Equities	*-*	*-*	*-*	*-*	*-*	*-*
of which: quotas of UCI	*122*	*-*	*48*	*120*	*-*	*47*
2. Financial assets designated at fair value through profit or loss	95,047	669	548	86,779	51	377
of which: Equities	*3,126*	*-*	*-*	*2,749*	*-*	*-*
of which: quotas of UCI	*87,166*	*645*	*-*	*79,538*	*-*	*-*
3. Financial assets available for sale	93,749	11,143	3,553	82,076	4,845	2,192
of which: Equities	*2,057*	*-*	*53*	*1,713*	*-*	*43*
of which: quotas of UCI	*10,543*	*80*	*3,245*	*10,271*	*20*	*2,138*
4. Hedging derivatives	-	362	-	-	449	-
5. Property and equipment	-	-	8	-	-	8
6. Intangible assets	-	-	-	-	-	-
Total	**189,099**	**12,552**	**4,495**	**169,176**	**5,378**	**2,624**
1. Financial liabilities held for trading	2	131	-	4	54	-
2. Financial liabilities designated at fair value through profit or loss	-	82,877	-	-	77,149	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**2**	**83,008**	**-**	**4**	**77,203**	**-**

For the insurance companies, 92% of the financial assets measured at fair value were measured using market prices (level 1 inputs) and therefore without any discretion by the valuator.
Level 3 instruments, which are subject to greater discretion in determining fair value, made up 2% of the total assets, a slight increase compared to 31 December 2020.
Liabilities at fair value were almost entirely measured using level 2 inputs.
The most significant changes compared to December 2020 are due to the new entries into the consolidation scope of Assicurazioni Vita S.p.A. (formerly Aviva Vita), Lombarda Vita S.p.A., and Cargeas Assicurazioni S.p.A. (although the changes attributable to Cargeas are less significant).

In addition to the transfers that concerned financial assets and liabilities measured at level 3 as reported in the table "Half-yearly changes in assets measured at fair value on a recurring basis (level 3)" below, please note that the following transfers were recognised during the first half of 2021:

- from level 1 to level 2:
  - financial assets measured at fair value through profit and loss for 2 million euro (book value as at 30 June 2021);
  - financial assets available for sale for 130 million euro (book value as at 30 June 2021);
- from level 2 to level 1:
  - financial assets available for sale for 62 million euro (book value as at 30 June 2021).

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.

Half-yearly changes in assets measured at fair value on a recurring basis (level 3)
Excluding 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	**3,362**	**404**	**2**	**2,956**	**430**	**15**	**7,252**	**-**
2. Increases	**973**	**128**	**1**	**844**	**35**	**-**	**175**	**-**
2.1 Purchases	580	36	1	543	16	-	24	-
2.2 Gains recognised in:	85	52	-	33	5	-	-	-
2.2.1 Income statement	85	52	-	33	-	-	-	-
- of which capital gains	*81*	*52*	-	*29*	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	5	-	-	-
2.3 Transfers from other levels	98	17	-	81	3	-	-	-
2.4 Other increases	210	23	-	187	11	-	151	-
3. Decreases	**-861**	**-249**	**-**	**-612**	**-74**	**-3**	**-209**	**-**
3.1 Sales	-440	-87	-	-353	-1	-	-14	-
3.2 Reimbursements	-1	-	-	-1	-38	-	-	-
3.3 Losses recognized in:	-143	-31	-	-112	-1	-3	-17	-
3.3.1 Income statement	-143	-31	-	-112	-	-3	-16	-
- of which capital losses	*-141*	*-31*	-	*-110*	-	-	-	-
3.3.2 Shareholders' equity	-	X	X	X	-1	-	-1	-
3.4 Transfers to other levels	-117	-50	-	-67	-23	-	-	-
3.5 Other decreases	-160	-81	-	-79	-11	-	-178	-
4. Final amount	**3,474**	**283**	**3**	**3,188**	**391**	**12**	**7,218**	**-**

Half-yearly changes in assets measured at fair value on a recurring basis (level 3)
Insurance companies

(millions of euro)

	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Financial assets available for sale	Hedging derivatives	Property and equipment	Intangible assets
1. Initial amount	**47**	**377**	**2,192**	**-**	**8**	**-**
2. Increases	**339**	**179**	**1,573**	**-**	**-**	**-**
2.1 Purchases	-	7	305	-	-	-
2.2 Gains recognised in:	1	-	137	-	-	-
2.2.1 Income statement	1	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-
2.2.2 Shareholders' equity	X	X	137	-	-	-
2.3 Transfers from other levels	-	-	98	-	-	-
2.4 Other increases	338	172	1,033	-	-	-
3. Decreases	**-**	**-8**	**-212**	**-**	**-**	**-**
3.1 Sales	-	-7	-176	-	-	-
3.2 Reimbursements	-	-	-	-	-	-
3.3 Losses recognized in:	-	-1	-21	-	-	-
3.3.1 Income statement	-	-1	-1	-	-	-
- of which capital losses	-	-	*-1*	-	-	-
3.3.2 Shareholders' equity	X	X	-20	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-15	-	-	-
4. Final amount	**386**	**548**	**3,553**	**-**	**8**	**-**

The caption *Other increases* consists almost entirely of entries resulting from the *Business combinations* determined by the new entries into the scope of consolidation: Assicurazioni Vita S.p.A. (formerly Aviva Vita), Lombarda Vita S.p.A., and Cargeas Assicurazioni S.p.A. (although the changes attributable to Cargeas are less significant).

Half-yearly changes in liabilities measured at fair value on a recurring basis (level 3)
Excluding insurance companies

(millions of euro)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Initial amount	**123**	**-**	**3**
2. Increases	**80**	**-**	**-**
2.1 Issues	57	-	-
2.2 Losses recognised in:	9	-	-
2.2.1 Income statement	9	-	-
- of which capital losses	*9*	-	-
2.2.2 Shareholders' equity	X	-	-
2.3 Transfers from other levels	6	-	-
2.4 Other increases	8	-	-
3. Decreases	**-27**	**-**	**-**
3.1 Reimbursements	-	-	-
3.2 Repurchases	-	-	-
3.3 Gains recognised in:	-10	-	-
3.3.1 Income statement	-10	-	-
- of which capital gains	*-10*	-	-
3.3.2 Shareholders' equity	X	-	-
3.4 Transfers to other levels	-17	-	-
3.5 Other decreases	-	-	-
4. Final amount	**176**	**-**	**3**

Half-yearly changes in liabilities measured at fair value on a recurring basis (level 3)
Insurance companies

No financial liabilities are recorded at level 3 for Insurance companies.

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis
Excluding insurance companies

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30.06.2021		31.12.2020	
	Book value	Fair value	Book value	Fair value
1. Financial assets measured at amortised cost	656,626	667,734	615,260	631,031
2. Investment property	-	-	-	-
3. Non-current assets held for sale and discontinued operations	1,566	1,566	28,702	28,702
Total	**658,192**	**669,300**	**643,962**	**659,733**
1. Financial liabilities measured at amortised cost	685,622	687,832	630,146	632,495
2. Liabilities associated with non-current assets	78	78	35,676	35,676
Total	**685,700**	**687,910**	**665,822**	**668,171**

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis
Insurance companies

(millions of euro)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	30.06.2021		31.12.2020	
	Book value	Fair value	Book value	Fair value
1. Investments held to maturity	-	-	-	-
2. Due from banks	867	867	1,180	1,180
3. Loans to customers	39	39	31	31
4. Investment property	-	-	-	-
5. Non-current assets held for sale and discontinued operations	-	-	-	-
Total	**906**	**906**	**1,211**	**1,211**
1. Due to banks	672	677	609	609
2. Due to customers	546	546	428	428
3. Securities issued	1,311	1,311	898	898
4. Liabilities associated with non-current assets	-	-	-	-
Total	**2,529**	**2,534**	**1,935**	**1,935**

Sensitivity analysis for financial assets and liabilities measured at level 3
As required by IFRS 13, for the financial assets and liabilities measured at level 3, the following table lists the effects of a change in one or more non-observable parameters used in the valuation techniques adopted to determine the fair value.

Financial assets/liabilities	Non-observable parameters	Sensitivity (thousands of euro)	Change in non-observable parameter
FVTPL and FVTOCI securities and loans	Credit spread	-197	1 bp
FVTPL and FVTOCI securities and loans	JD parameters	1	1%
FVTPL and FVTOCI securities and loans	Correlation	-17	1%
FVTPL and FVTOCI securities	Recovery rate	-193	-1%
OTC Derivatives - Interest Rates	Correlation for spread options between swap rates	15	0.1
OTC Derivatives - Equity	Historical volatility	-2,424	10%
OTC Derivatives - Equity CPPI	Historical correlation	-62	0.1

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 coincides with the transaction price is usually intuitively verifiable in the case of transactions falling under level 1 of the fair value hierarchy.
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 differences between the price and the fair value are usually allocated to the so-called commercial margins, which are taken to the income statement when the financial instrument is initially measured.
Conversely, with respect to level 3 instruments, which have more discretion in fair value measurement, no definite reference benchmark is available to compare the transaction price with. 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. Subsequent measurement shall not include the difference between cost and fair value identified upon initial recognition (also defined as Day-One-Profit - 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 the instrument has a definite maturity and no model is available to monitor the changes to the factors over which prices are based, the DOP can be recognised in the income statement systematically over the life of such instrument.
When a level 3 instrument is reclassified to level 2, the residual deferred Day-One-Profits are recognised in the income statement. Similarly, in the event of "on the book" transactions falling under the Bank's activities, the Day-One-Profits earned on level 3 transactions (including in the above "on the book" management) are taken to the income statement when the Bank carries out transactions which substantially eliminate the risks of the level 3 instrument which generated the DOP.

The following table shows the changes in the DOP amount deferred in the balance sheet.

(millions of euro)

1. Initial amount	**1**
2. Increases	**-**
2.1 New transactions	-
3. Decreases	**-1**
3.1 Releases to the income statement	-1
4. Final amount	**-**

INFORMATION ON STRUCTURED CREDIT PRODUCTS

The risk exposure in structured credit products came to 3,224 million euro as at 30 June 2021, a net increase of 495 million euro compared to the stock of 2,729 million euro as at 31 December 2020. The exposure includes investments in ABSs (Asset-Backed Securities) of 1,554 million euro, in CLOs (Collateralised Loan Obligations) of 1,596 million euro and, to a residual extent, in CDOs (Collateralised Debt Obligations) of 74 million euro, for which activity during the first half of 2021 remained marginal.

(millions of euro)

Accounting categories	30.06.2021				31.12.2020	changes	
	Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total		absolute	%
Financial assets held for sale	473	529	-	1,002	849	153	18.0
Financial assets mandatorily measured at fair value	-	3	-	3	4	-1	-25.0
Financial assets measured at fair value through other comprehensive income	729	854	-	1,583	1,119	464	41.5
Financial assets measured at amortised cost	394	168	74	636	757	-121	-16.0
Total	**1,596**	**1,554**	**74**	**3,224**	**2,729**	**495**	**18.1**

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 strategy for transactions in structured credit products shows a prevalence of investments aimed at exploiting market opportunities over disposals of the portfolio during the period.
The exposure in ABSs and CLOs measured at fair value went from 1,972 million euro in December 2020 to 2,588 million euro in June 2021, a net increase of 616 million euro, mainly attributable to operations on positions of the IMI Corporate & Investment Banking Division, in the assets measured at fair value through other comprehensive income portfolio and to a lesser extent in the assets held for trading portfolio.
The exposure to debt securities classified as assets measured at amortised cost amounted to 636 million euro in June 2021, compared with an exposure of 757 million euro in December 2020.
From a profit or loss perspective, a profit of 8 million euro was posted for the first half of 2021, a significant improvement on the loss of 26 million euro recorded in the first half of 2020.
The profit on trading – caption 80 of the income statement – amounts to 7 million euro and relates to the exposures in ABSs and CLOs, as a result of valuation effects of +4 million euro and realised gains of +3 million euro, in line with the positive performance of the market segment. As at 30 June 2020, this caption showed a loss of 29 million euro, resulting mainly from valuation effects (-34 million euro) attributable to the downturn in the markets in the period due to the COVID-19 health emergency.
The profit from financial assets mandatorily measured at fair value was 1 million euro, compared to a loss of 1 million euro in the first half of 2020.
The exposures to debt securities classified as assets measured at fair value through other comprehensive income recorded a net increase in fair value of 3 million euro in the first half of 2021 through a shareholders' equity reserve (from a reserve of -4 million euro in December 2020 to -1 million euro in June 2021); on the other hand, there was no impact from sales from the portfolio as at 30 June 2021, against an impact of +4 million euro in the first half of 2020.
No adjustments were recognised on the debt securities classified as assets measured at amortised cost in the first half of 2021, the same as in the first half of 2020.

(millions of euro)

Income statement results broken down by accounting category	30.06.2021 Collateralized Loan Obligations	Asset Backed Securities	Collateralized Debt Obligations	Total	30.06.2020	changes absolute	%
Financial assets held for sale	2	5	-	7	-29	36	
Financial assets mandatorily measured at fair value	-	1	-	1	-1	2	
Financial assets measured at fair value through other comprehensive income	-	-	-	-	4	-4	
Financial assets measured at amortised cost	-	-	-	-	-	-	-
Total	**2**	**6**	**-**	**8**	**-26**	**34**	

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

For the purpose of this analysis, legal entities established to pursue a specific, clearly defined and limited objective (raising funds on the market, acquiring/selling/managing assets both for asset securitisations, acquisition of funding through self-securitisations and the issue of covered bonds, developing and/or financing specific business initiatives, undertaking leveraged buy-out transactions, or managing credit risk inherent in an entity's portfolio) are considered Special Purpose Entities.
The sponsor of the transaction is normally an entity which requests the structuring of a transaction that involves the SPE for the purpose of achieving certain objectives. In some cases, the sponsor may be the Bank itself, which establishes a SPE to achieve one of the aims mentioned above.
As to the SPE categories identified as non-consolidated structured entities, no changes have been made to the criteria applied by the Intesa Sanpaolo Group to decide whether to include said entities in the scope of consolidation, compared to the information already provided in the 2020 Annual Report.
In the first half of the year, under the programme guaranteed by ISP OBG, the 17th and 18th series were redeemed in advance in January for 1.175 billion euro and 1.572 billion euro respectively. Two new series were issued, still in January: the 45th and 46th, in the amount of 1.35 billion euro each. Both are floating-rate with maturity of 15 years for the 45th series and 16 years for the 46th series; they are listed on the Luxembourg Stock Exchange with a DBRS rating of A High. The securities were subscribed by the Parent Company and are eligible on the Eurosystem.
With regard to the covered bond issue programme guaranteed by ISP CB Pubblico, in January the 3rd series matured for 1.5 billion euro. In February, the 14th series was issued for 1 billion euro: the security, a floating rate with 5-year maturity and listed on the Luxembourg Stock Exchange with an A2 rating from Moody's, was subscribed by the Parent Company and is eligible for the Eurosystem.
Under the covered bond issue programme guaranteed by ISP CB Ipotecario, the 11th series matured in January for an amount of 1.353 billion euro.
Lastly, with regard to the former UBI Banca Group, it had a programme of Covered Bonds through the Vehicle Company UBI Finance Srl. This Programme was launched in 2008 and gave UBI Banca the right to issue bonds, to institutional investors, in the maximum amount of 15 billion euro. The programme was initially guaranteed by residential mortgage loans assigned by the Group's former network banks (later merged into UBI Banca); said banks had participated in the programme as Originator Banks and Lending Banks.
In the first half of 2021, as part of the reorganisation of the structured finance transactions following the entry of the UBI Banca Group into the Intesa Sanpaolo Group, IW Bank exited the UBI Finance Covered Bond Programme, repurchasing the entire portfolio that it had sold in its capacity as Originator. As a result, as at 31 March 2021, only UBI Banca was participating in the UBI Finance Covered Bond Programme as an Originator.
In January, the 6th series with a nominal value of 1 billion euro matured, and series no. 19 of 500 million euro and no. 32 of 1 billion euro, both held by the issuer UBI Banca, were redeemed in advance.
In June, the 30th series was partially redeemed in the amount of 200 million euro.
No new issues were carried out.
With regard to the second Covered Bond programme of the UBI Banca Group, a retained programme named UBI Finance CB 2, its early termination was initiated in December 2020, with the redemption of the bonds issued and the repurchase by the Originators of the entire portfolio sold. The actual termination of the Programme took place in January 2021 with the signing of the Termination Agreement by all the parties involved.

INFORMATION ON LEVERAGED TRANSACTIONS

In 2017, the ECB published specific Guidance on Leveraged Transactions, which applies to all the significant entities subject to direct supervision by the ECB. The stated purpose of the guidance is to strengthen company controls over "leveraged" transactions, in view of the global increase in leveraged finance activities and the highly competitive market, characterised by a prolonged period of very low interest rates and the ensuing search for yields.
The scope of the ECB Guidance includes exposures in which the borrower's level of leverage, measured as the ratio of total financial debt to EBITDA, is greater than 4, as well as exposures where the borrower is owned by one or more financial sponsors. Moreover, counterparties with Investment Grade ratings, private individuals, credit institutions, financial institutions and companies in the financial sector in general, public entities, non-profit entities, as well as counterparties with credit facilities below a certain materiality threshold (5 million euro), Retail SME counterparties and Corporate SME counterparties

(the latter if not owned by financial sponsors) are explicitly excluded from the scope of Leveraged Transactions. Specialised lending transactions (project finance, real estate and object financing) and certain other types of credit, such as trade finance transactions, are also excluded.
As at 30 June 2021, for the Intesa Sanpaolo Group, the transactions that meet the definition of Leveraged Transactions as per the ECB Guidance amounted to 29 billion euro (compared to 31 billion euro as at 31 December 2020, net of the positions classified as Leveraged Transactions and then sold in the context of the sale of branches associated with the merger of UBI Banca).
In accordance with the requirements of the ECB Guidance, as part of the Credit Risk Appetite a specific limit for the outstanding stock of leveraged transactions and limits on new transaction flows were submitted for approval to the Board of Directors, in line with the Bank's risk appetite on these types of operations.

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

The Hedge Fund portfolio as at 30 June 2021 amounted to 34 million euro in the trading book and 216 million euro in the banking book, compared to 39 million euro and 277 million euro respectively in December 2020.
The investments in the banking book are recognised under financial assets mandatorily measured at fair value and pertain to funds that adopt medium/long-term investment strategies and redemption times that are longer than those of UCITS (Undertakings for Collective Investment in Transferable Securities) funds.
During the first half of 2021, the stock of these investments decreased by 66 million euro compared to 31 December 2020. Of this decrease, 61 million euro concerned the banking book (mainly due to the disposals in the period) while 5 million euro concerned the trading segment.
In terms of income effects, in the first half of 2021, a profit of 12 million euro was recorded (compared to a loss of 22 million euro in the first half of 2020). This result comprised 10 million euro attributable to the valuation component of the funds in the portfolio, and 2 million euro attributable to the realisation component.
The profits (losses) on trading – caption 80 of the income statement (trading book) – showed a loss of 4 million euro as at 30 June 2021, mainly attributable to valuation losses, compared to a loss of 22 million euro in the first half of 2020, mainly attributable to sales during the period.
The net profit (loss) on financial assets mandatorily measured at fair value – caption 110 of the income statement (banking book portfolio) – recorded a profit of 16 million euro (compared to essentially zero in June 2020). This result is due as to 14 million euro to valuation effects and as to 2 million to realisation impacts.

INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

Considering relations with customers only, as at 30 June 2021, 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 7,470 million euro (8,934 million euro as at 31 December 2020). The notional value of these derivatives totalled 81,140 million euro (75,296 million euro as at 31 December 2020).
In particular, the notional value of plain vanilla contracts was 75,262 million euro (69,636 million euro as at 31 December 2020), while that of structured contracts was 5,878 million euro (5,660 million euro as at 31 December 2020).
The positive fair value of contracts outstanding with the 10 customers with the highest exposures was 4,843 million euro (5,802 million euro as at 31 December 2020).
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 1,541 million euro as at 30 June 2021 (1,460 million euro as at 31 December 2020). The notional value of these derivatives totalled 20,202 million euro (19,222 million euro as at 31 December 2020).
In particular, the notional value of plain vanilla contracts was 18,642 million euro (17,809 million euro as at 31 December 2020), while that of structured contracts was 1,560 million euro (1,413 million euro as at 31 December 2020).
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 30 June 2021, this led to a positive effect of 65 million euro being recorded under "Profits (Losses) on trading" in the income statement.
As regards the methodologies used in determining the fair value of financial instruments, see the specific paragraphs of the section on accounting policies in the Explanatory notes.
Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges agreed by the Group.

INTEREST RATE BENCHMARK REFORM

In recent years, the European benchmark rates have been undergoing extensive reform, largely due to the introduction of the European regulation on benchmarks (Benchmarks Regulation, Regulation (EU) 2016/1011), published in 2016 and in effect since January 2018. This regulation, which was partially revised at the end of 2020, establishes precise rules for contributors, users and administrators of benchmarks and also requires that the fixings for those benchmarks be determined, as far as possible, on the basis of actual transactions concluded on the relevant markets, in accordance with the recommendations from the Financial Stability Board and the IOSCO Principles, in view of the central role of the benchmark rates for the proper functioning of the global financial system.
In the specific case of the short-term benchmark rates declared critical by the European authorities, reforms relating to the following were required:

– Euribor: the revision by the EMMI (European Money Market Institute) of the method for determining fixings ("hybrid" method), using transactions concluded on the unsecured money market of up to 12 months by provider banks, where available, came into full effect from November 2019. The reform was managed in full continuity with regard to the

measurement of the market of reference, the determination and the use of fixing. As required by the Benchmark Regulation, the methodology is reviewed annually by the Administrator, who has implemented the updates from April 2021 with the aim of making it as robust as possible through a partial revision of the scope of the transactions included in the calculation;
- Eonia: from October 2019, the fixings are calculated using the new risk-free rate published by the European Central Bank (€STR rate), identified on the basis of the overnight transactions concluded by the major European banks and reported according to the rules imposed by the Money Market Statistical Reporting (EU 2014/1333). The Eonia fixing will be published until 3 January 2022 and will then be permanently replaced by €STR plus a fixed spread.

The €STR rate also constitutes the basis for the calculation of the Euribor fallback rate, to be indicated in the contracts and to be used in the event of any future permanent cessation of publication of the Euribor. To facilitate the calculation of replacement rates, since April 2021 the ECB has been publishing daily the Compounded €STR Index and compounded €STR average rates, which have been included as one of the possible alternatives in the recommendations of the Working Group on euro risk free rates published in May 2021.

Outside the Eurozone, at the beginning of March 2021, the British Financial Conduct Authority (FCA) - announced the dates for the discontinuation of Libor in the various currencies. The use of the Libor indices will remain possible until the end of 2021 with some limitations based on jurisdiction and with the progressive use of the new alternative risk free rate (RFR) indices. At the same time as the FCA's announcement, the International Swaps and Derivatives Association (ISDA) established the rules for the transition of derivative contracts between counterparties adhering to the ISDA protocol, at the same time defining the values of Credit Adjustment Spreads to be applied in the transition to RFR in the manner already established and approved for the calculation of the Libor fallbacks.

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 functions involved in various capacities.

The project work continued in 2021, focusing on the following aspects in particular:
- bilateral negotiations with counterparties for the migration of Credit Support Annexes (CSAs) from Eonia to €STR;
- progressive greater use of €STR derivatives;
- progressive discontinuation of the offer of products indexed to GBP Libor in the first half of the year and same plans for CHF, JPY and USD Libor products in the second half of the year to promote the transition to RFR;
- activities at all levels for the inclusion of robust fallback clauses in the outstanding contracts indexed to Libor;
- preparation of the IT structure necessary for the use of RFR in the Bank's accounting and management systems;
- constant information updates for the Group's international legal entities;
- monitoring of the ISDA developments by signing the documents that, from the beginning of the year, include the new market standards and monitoring contract updating activities also on a bilateral basis. In particular, Intesa Sanpaolo has adopted the ISDA 2020 IBOR Fallbacks Protocol and can therefore implement the IBOR Fallbacks Supplement rules for existing derivative contracts concluded before the Supplement's effective date with all counterparties that have adhered to the Protocol;
- collaboration with the Italian authorities to support the development of the new RFR rates market;
- participation in public consultations at international level, also providing input to the Italian Banking Association to produce feedback at national level;
- providing feedback on transition readiness for foreign authorities in countries where Group companies are present, and to the ECB Joint Supervisory Team for general aspects related to the Group;
- delivery of specialist training to staff via remote learning;
- provision of information to customers via dedicated pages on the Group's website on the benchmark transition process and webinars for financial area customers.

Intesa Sanpaolo has also continued to take part in various initiatives, including European working groups organised by EMMI, the European Central Bank and, recently, ESMA.

In this latter area in particular, Intesa Sanpaolo also acted in 2021 as a voting member and participant in individual project streams in the working group on euro risk free rates, in which it has also held the new role of Ambassador for Italy since 2020. The main activities of this working group include the designation of €STR as the new benchmark for the short-term money market and the publication of recommendations for the transition from Eonia to €STR and for the Euribor fallbacks.

As reported in the Chapter "Accounting Policies", in 2021, Regulation (EU) 2021/25 of 13 January 2021, adopting the document "Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16" published by the IASB on 27 August 2020 regarding issues pertaining to the second phase of the interest rate benchmark reform project (IBOR Reform), became binding and applicable for the first time. The main amendments introduced concern the possible accounting impacts of the application of the new rates (so-called replacement issue), in particular the accounting treatment of amendments to existing contracts and to hedge accounting. No impacts on the Intesa Sanpaolo Group are foreseen for the modifications with the characteristics envisaged by the standard, in line with the objective of the amendments introduced by the IASB aimed at preventing distortions in the financial statements as a result of the reform.

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.

In view of the regulatory measures and the actions taken by the Bank described above, no problem issues are envisaged in completing the transition within the deadlines set.

With specific regard to the hedging derivatives indexed to the Eonia, there was a downward trend in exposures compared to 31 December 2020, which is also attributable to the transition activities currently being completed.

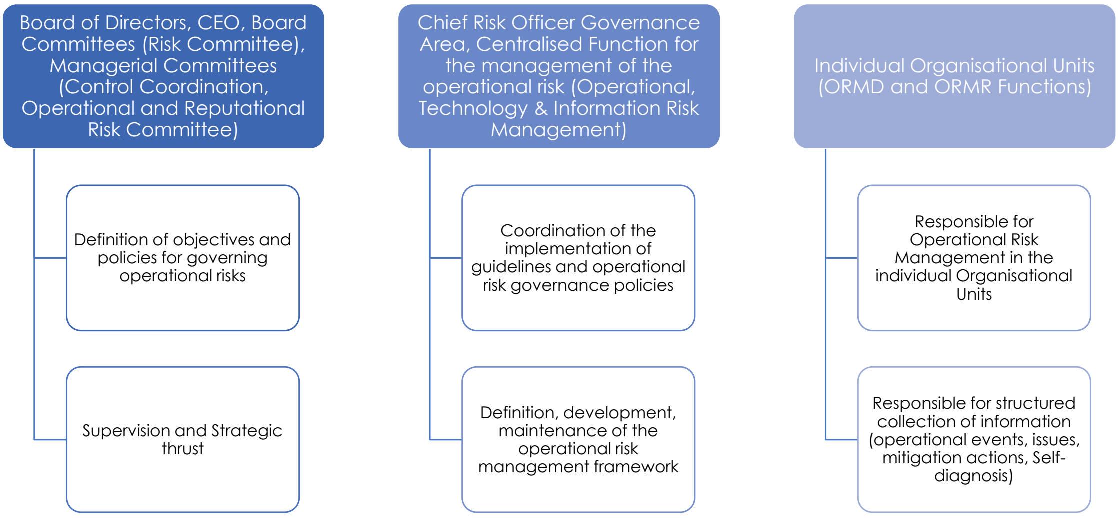
With regard to financial instruments other than hedging derivatives, the transition activities will be implemented mainly from the second half of 2021 in compliance with the deadlines envisaged by the reform.

OPERATIONAL RISK

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, people and systems or from external events[16].
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 risk governance framework, by setting up a Group policy and organisational processes for measuring, managing and controlling operational risk.

Governance Model

An effective and efficient framework for managing operational 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, central/support structures) of the Parent Company, the Banks and Group companies with direct responsibility in the operational risk management process.



The Intesa Sanpaolo Group's operational risk governance process is divided into the following phases:

- Identification: the detection and description of potential operational risk areas (e.g., operational events, presence of issues, applicability of risk factors, significant risk scenarios);
- Measurement and assessment: determination of exposure to operational risks (e.g., self-diagnosis[17], determination of economic and regulatory capital, preventive analyses of operational and ICT risks, assessment of the significance of the issues identified);
- Monitoring and control: continuous management of changes in the operational risk exposure, also to prevent the occurrence of harmful events and to promote active risk management;
- Mitigation: operational risk containment through appropriate mitigation actions and suitable risk-transfer strategies based on a risk-driven approach;
- Reporting: preparation of information flows related to operational risk management, designed to ensure adequate knowledge of the exposure to this risk.

ICT risk

ICT (Information and Communication Technology) risk means the risk of economic, reputational or market share losses related to the use of information and communication technology. In the integrated view of corporate risk for supervisory purposes, this risk is considered, according to specific aspects, as operational, reputational and strategic risk. ICT risk includes Cyber risk and IT 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 events and to protect its business, image, customers and employees.

[16] 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 risk and reputational risk are not included.

[17] Self-diagnosis is the annual process through which the Organisational Units identify their level of exposure to operational and ICT risk. It includes Operational Risk Assessment and ICT Risk Assessment, both of which are further broken down into Business Environment Assessment (BEA) and Scenario Analysis (SA).

The Group has therefore adopted a system of principles and rules intended to identify and measure the ICT risk to which company assets are exposed, assess the existing safeguards and identify adequate methods of managing such risks, in accordance with the operational risk management process.

Internal model for the measurement of operational risk

The Intesa Sanpaolo Group's internal model for calculating capital absorption (the "Advanced Measurement Approach" or "AMA") is designed to combine all the main sources of quantitative information (internal and external operational losses and estimates deriving from the Scenario Analysis) and qualitative information (Business Environment Evaluation - VCO).
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 both to quantitative data and to the results of the scenario analysis over a one-year 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 Competent Authority in June 2013 with immediate effect of its benefits on operations and on the capital requirements.

Operational risk capital requirement

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.
Please note that, on 30 June 2021, the Intesa Sanpaolo Group was authorised to extend its advanced model to some entities belonging to the former UBI Group, specifically to: UBI Banca (merged by incorporation into Intesa Sanpaolo on 12 April 2021), including the entities of the former Banca Marche, the former Banca Etruria, the former CariChieti, UBI Sistemi e Servizi and IW Bank Private Investments.
Consequently, the AMA approach is now being used by Intesa Sanpaolo and the main banks and companies in the Private Banking and Asset Management Divisions, as well as by VUB Banka, VUB Leasing and PBZ Banka.
The capital absorption resulting from this approach amounts to 2,110 million euro as at 30 June 2021, slightly down from 2,205 million euro as at 31 December 2020.

Legal risks

As at 30 June 2021, there were a total of about 34,900 disputes, other than tax disputes, pending at Group level (excluding those involving Risanamento S.p.A, which is not subject to management and coordination by Intesa Sanpaolo) with a total remedy[18] sought of around 3,973 million euro. This amount includes all outstanding disputes, for which the risk of a disbursement of financial resources resulting from a potential negative outcome has been deemed possible or probable 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 amount to around 25,000 with a remedy sought of 2,151 million euro and provisions of 743 million euro. The part relating to the Parent Company Intesa Sanpaolo is around 5,900 disputes with a remedy sought of 1,743 million euro and provisions of 568 million euro, the part relating to other Italian subsidiaries is around 1,000 disputes with a remedy sought of 270 million euro and provisions of 104 million euro, and the part relating to the international subsidiaries is around 18,100[19] disputes with a remedy sought of 138 million euro and provisions of 71 million euro.
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: disputes involving claims relating to banking and investment products and services or on credit positions and revocatory actions account for about 78% of the remedy sought and 71% of the provisions.
The number of ongoing disputes is strongly affected by several cases of "mass" disputes present in Italy, with regard to issues relating to anatocism and other conditions of accounts/credit facilities and investment services (3,700 disputes) and, at the international level, also relating to conditions of accounts/credit facilities and loans in currencies other than the local currency (17,500 disputes).

For the main pending disputes, the significant developments in the half year are described below; see the Notes to the 2020 Annual Report for further details.

Selari Bruno Raulet (formerly Dargent Tirmant Raulet) dispute – Following the exchange of briefs, a hearing was held in early March 2021 to discuss the case. The judgment is expected to be issued by the summer.

[18] 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.

[19] These include approximately 16,500 disputes (of which approximately 7,600 arising in 2021) relating to the subsidiary Banca Intesa Beograd and concerning actions brought by customers challenging the validity (1) of certain charges provided for in loan agreements and (2) of charges relating to insurance for real-estate loans (both types of dispute are common with other banks in the country). Although numerically significant, the average value of the claims is quite modest: overall, the remedy sought relating to the two types of disputes is approximately 2 million euro.

Offering of diamonds – With regard to the well-known criminal proceedings and in particular to the position of the Bank, which has been charged with administrative liability pursuant to Legislative Decree 231/2001 for the predicate offence of self-laundering, at the hearing of 1 July 2021, 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 judgment imposing 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 61,434 euro.

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 – In January 2021, the claims regarding the additional charges accrued up to 30 June 2020 were sent to the Banks in compulsory administrative liquidation.
No disputes have emerged with regard to the claims already served. The deadline for the submission of objections by the compulsory administrative liquidation has been set at 30 September 2021.

Florida 2000 S.r.l., Conte Anna and Esposito Guido – In 2018, Florida 2000 S.r.l., together with two directors of the company, challenged the lawfulness of the contractual terms and conditions applied to the accounts held with the Bank, requesting that the latter be ordered to pay back 22.6 million euro in interest and fees that were not due, plus compensation for damages calculated in the additional amount of 22.6 million euro.
In its ruling of 25 March 2021, the Court upheld the petition in part, ordering the Bank to repay 638 thousand euro, plus interest and costs, and rejecting the request for compensation.
The Bank appealed against the ruling before the Naples Court of Appeal; the first hearing is scheduled for 5 October 2021.

Ruling of the EU Court of Justice of 11 September 2019 on credit agreements for consumers - so-called Lexitor ruling – The general case law situation is still uncertain.
In the half-year, while there were a number of unfavourable rulings, mainly from Justices of the Peace, there were 5 judgments in favour of intermediaries. Of particular significance is the ruling of the Court of Rome, which held that the Lexitor ruling cannot be directly applied in our legal system in relations between private individuals.

The Parliament approved an amendment inserted in the "Sostegni bis" Law Decree that provides:
- as concerns the rules on mortgage lending to consumers, removal of the reference to Article 125-sexies and insertion of a specific provision on the early redemption of this type of loan, limiting repayment to only the interest and costs due for the remaining life of the loan agreement;
- as concerns the rules on consumer credit, the amendment of Article 125-sexies, so as to implement the principles of the Lexitor ruling, indicating, however, the amortised cost criterion as the preferred criterion for calculating repayment;
- these provisions only apply to loan agreements signed after the entry into force of the law converting the decree. On the other hand, it is specified that loan agreements signed before that date continue to be governed by the law as interpreted by the Supervisory and Transparency provisions in force at the time of signing.

Intermediaries will be required to repay the upfront costs for consumer credit agreements concluded before the entry into force of the new rule, even if the agreements expired after that date, only within the limits, if any, established in the agreement itself.
As concerns the pending dispute, the adoption of the above-mentioned amendment should induce the court to accept the Bank's arguments. However, it cannot be excluded that the plaintiffs may file motions with the Constitutional Court or the Court of Justice of the European Union challenging the lawfulness of the new legislation.

Ruling no. 8770/2020 of the Joint Sections of the Court of Cassation on derivatives entered into by local authorities – With regard to ruling no. 8770/2020 of the Joint Sections of the Court of Cassation on derivatives entered into by local authorities, two new disputes were registered.
- the Municipality of Augusta served a writ of summons asking the court to declare the contract null and void due to the lack of awareness of the risks and of adequate information on the costs and structure of the instrument, and ordering the repayment of 3 million euro;
- the Municipality of Cimadolmo initiated a mediation procedure with undetermined value, which ended with a negative outcome.

In addition, the Municipality of Perugia, after initiating a mediation procedure in 2019, served a writ of summons asking the court to declare null and void four derivative contracts entered into in 2006. The first court hearing was held in May 2021.
In relation to the dispute brought in December 2013 by the Municipality of Mogliano Veneto concerning an IRS collar derivative contract, the Bank lodged an appeal with the Court of Cassation against ruling no. 2393 of 28 September 2020 of the Court of Appeal of Milan. This ruling had confirmed the ruling issued against the Bank by the Court of Milan in 2017.
Lastly, in execution of the judgment in the plaintiff's favour delivered by the Court of Pavia on 16 September 2020, in February the amount of 10.1 million euro, taken from the specific provision, was paid to the Province of Pavia. However, this judgment is currently under appeal.

As regards the current disputes with companies owned by local authorities and Regional governments, it should be noted that, in May, a writ of summons was served by EUR S.p.A., a company held by the Ministry of the Economy and Finance and Roma Capitale. In addition to ISP, the company is also suing other credit institutions; the disputes concern derivative contracts entered into in relation to a syndicated loan. The claimant has claimed the repayment of approximately 57 million euro. Since the contracts are governed by the international ISDA rules, it is possible that the national courts lack jurisdiction. The first hearing is scheduled for 5 October 2021.

As concerns disputes with private individuals, in May the Bank was ordered to pay approximately 13 million euro as part of a dispute concerning currency options brought before the Court of Bologna. The Judge considered all the transactions null and void due to the failure to indicate the MTM and the relevant calculation formula in the contracts, and referred to the principles set out in the aforementioned ruling of the Court of Cassation. The Bank appealed against the ruling, highlighting its errors and inconsistencies, and asked to suspend enforcement of the judgment. The Bologna Court of Appeal granted the Bank's request and provisionally suspended enforceability of the judgment. The appealed judgment not only applies the principles upheld by the Court of Cassation for contracts entered into with Public entities to derivative contracts entered into with private customers, but fully assimilates the disclosure requirements for IRS intermediaries to currency option contracts, without taking into account the difference between these two instruments.

In general, the case law on this subject remains mixed, with rulings in favour and against the banks.

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Contingent assets

IMI SIR dispute – In a ruling filed on 5 June 2020, the Lazio Regional Tax Commission – Third Section rejected the appeal filed by the Italian Revenue Agency in the matter of registration tax (10.3 million euro) against the ruling issued by the Court of Appeal of Rome on 7 March 2013, upholding the ruling of the Court of First Instance and ordering each party to pay its own costs. The Italian Revenue Agency did not appeal to the Court of Cassation within the time limit and so the appeal ruling in favour of the Bank has become final. The tax refunded by the Italian Revenue Agency during 2018 can be considered to have been definitively acquired by the Bank.
Furthermore, as concerns the proceedings on the merits of the case, in May the Bank filed an appeal with the Court of Cassation against the Rome Court of Appeal's ruling of 16 April 2020.
The appeal relates primarily to two aspects:
– the reduction in non-financial damages made by the Court of Appeal is devoid of any sound legal or logical reasoning;
– apart from the reduction in non-financial damages, the Court made a miscalculation when redetermining the total damages awarded to the Bank.

Tax litigation

The Group's tax litigation risks are covered by adequate provisions to the allowances for risks and charges.
No new cases of significant amounts arose in the first half of the year.

As at 30 June 2021, the Parent Company Intesa Sanpaolo had 733 proceedings pending (687 as at 31 December 2020) for a total amount claimed (taxes, penalties and interest) of 150 million euro (139 million euro as at 31 December 2020), considering both administrative and judicial proceedings in both the lower and higher courts.
The increase in the value of tax litigation is mainly due to the dispute concerning the former UBI Banca (7.7 million euro), which was transferred to the Parent Company following the merger, and to new disputes over municipal property tax on property lease contracts terminated without repossession of the assets (2.6 million euro).
In relation to these proceedings, the actual risks were quantified for Intesa Sanpaolo at 62 million euro as at 30 June 2021 (57 million euro as at 31 December 2020).
With regard to the pending disputes, as to the dispute with the Brazilian Tax Administration (amount in dispute of approximately 35 million euro), on income taxes and social security contributions related to the year 1995, of the company Banco Sudameris Brasil (now Banco Santander Brasil), it should be noted that the civil court of first instance issued in April its judgment which, while accepting in part some of the Bank's objections, found on the whole in favour of the Brazilian Tax Administration. The judgment was appealed on 10 May 2021, and the case is now pending in the court of second instance. According to local advisors, the likelihood of an adverse ruling in relation to the interest component (approximately 21 million euro) is remote. On the other hand, the provision for taxes and penalties (amounting to a total of 13.6 million euro of the deposit recognised within the assets in the balance sheet) has been increased prudentially from 25% as at 31 March 2021 to 50% of that amount, thus setting aside a total of 6.8 million euro in the provision for risks.
With reference to the dispute regarding registration tax on rulings ordering the Bank to return compound interest (so called *interessi anatocistici*) and maximum overdraft charges to customers - for which the Bank believes that a fixed registration tax of 200 euro is due under Article 8(1) (e) of the Tariff annexed to Presidential Decree no. 131/86 and the Note to point (b) of the same article (i.e. under the principle of alternativity VAT registration tax) - an initial judgment was issued by the Court of Cassation in June. The judgment, the grounds of which are debatable in many respects, unexpectedly upheld the principle that tax applies at the proportional rate of 3%, supporting a restrictive interpretation of Article 8(1)(e) of the Tariff and stating that said article is only applicable in cases where the entire contract, and not individual clauses, is declared invalid/voidable in judicial proceedings. As concerns the applicability of the principle of alternativity VAT registration tax, the Court of Cassation referred the matter back to the lower court for an assessment of the matter since, in this specific case, this aspect had been always subsumed in all lower court proceedings. Given the prevalence of favourable rulings in the various instances of the case, and the fact that the Court of Cassation has not yet ruled on the Bank's last objection, there are still valid reasons to continue the dispute.
With regard to the merged company Mediocredito Italiano ("MCI"), and to the Tax Audit Report served on 13 October 2020 disputing the VAT exemption under Article 8-bis of Presidential Decree 633/72 for tax year 2015, applied by the company to boat leases, the Italian Revenue Agency - Lombardy Regional Directorate - Large Taxpayers Office has served the notice of tax assessment. Discussions are currently under way with the Italian Revenue Agency to settle not only the recently notified assessment for tax year 2015, but also the amounts claimed for tax year 2014 in a previous tax dispute. To this end, the Bank and the Italian Revenue Agency jointly requested postponement of the hearing before the Milan Provincial Tax Commission scheduled for 22 June, which has been postponed to 5 October.
As to disputes settled during the period, it should be noted that a ruling by the Court of Cassation definitively annulled an earlier notice of assessment (*avviso di rettifica e liquidazione*) of registration tax on the sale in 2008 by Intesa Sanpaolo S.p.A. of a business line to Credito Piemontese S.p.A. (now Credito Valtellinese S.p.A.). The total amount of the claim is approximately 1.7 million euro and, as a result of the favourable ruling, the provisional payment made during the proceedings

will be refunded. No provision had been set aside for this case.
With regard to the Intesa Sanpaolo branches located abroad, two VAT audits on the London branch are under way, the first for the years 2016, 2017 and 2018 and the second for 2020. Three audits are also under way on the New York branch for 2015, 2016 and 2018. No claims have been made for the time being.
The audit on the Madrid branch for the year 2015 ended with a tax assessment by the tax authorities disputing the deductibility of intercompany costs of 2.2 million euro and charging 93 thousand euro of tax, plus interest of 17 thousand euro and penalties of 20 thousand euro. The branch decided to accept the tax assessment.
By notice dated April 2021, the Madrid Revenue Agency also started a tax audit for the year 2016 concerning income tax on the Madrid branch of the merged company UBI Banca, which had been closed down on 31 December 2018. In their first contact on 5 July 2021, the Spanish tax officials requested a large number of accounting and tax documents, which will be delivered by our local advisors in the coming weeks.

At the level of the Group's other Italian companies, tax disputes totalled 72 million euro as at 30 June 2021 (63 million euro as at 31 December 2020), covered by specific provisions of 10 million euro (unchanged from 31 December 2020).
The increase in disputes compared to the end of 2020 mainly relates to new disputes that arose in the first half of 2021 for Intesa Sanpaolo Private Banking S.p.A. and Cargeas Assicurazioni S.p.A., net of closed disputes of Provis S.p.A. (1 million euro) and disputes of the former UBI Banca which, as a result of the merger, are now included in the figures of the Parent Company.
As to Intesa Sanpaolo Private Banking, on 29 April 2021 notices were served for the assessment of IRES and IRAP taxes for tax year 2016. The amount deducted by the company and now disputed by the Lombardy Regional Revenue Directorate for tax year 2016 is the same amount already adjusted for 2015, of 12.1 million euro, corresponding to higher IRES of 3.3 million euro and IRAP of 0.7 million euro, plus interest, and penalties (total amount 8.2 million euro); The assessments relate 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, which had been realigned by the transferee in accordance with Article 15, paragraph 10, of Law Decree 185 of 29 November 2008. The dispute currently concerns the years from 2011 to 2016 and the total amount claimed by way of tax, penalties and interest is 51 million euro. According to the opinion issued on 17 June 2021 by the advisor assisting the Bank in the cases pending before the Court of Cassation, 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 S.p.A., 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 loans secured by the assignment of one-fifth of salary 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 ultimate aim of the policy is to 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 recently 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.
After the audit, on 25 May 2021 Cargeas received an assessment notice for 2010 claiming an additional tax of 1.7 million euro, 0.6 million euro in interest and 3.4 million euro in penalties, equal to 200% of the assessed tax (minimum penalty prescribed by law), for a total of 5.6 million euro. The dispute was referred to an advisor for drafting of the appeal, which is currently being finalised. The legal advisors are studying the case to determine whether the potential charges arising from this dispute can be recovered in whole and/or in part from the seller, Cardif / BNP Paribas. Moreover, for the reasons clearly stated by ANIA, the risk of incurring a liability is considered possible. Lastly, a preliminary analysis was conducted on Cargeas to determine the potential impact of the dispute on all the years potentially subject to assessment: for the entire period 2011-2018 (the analysis is under way for the period 2019-2021) the total potential additional tax in the event of tax assessment would be 2.9 million euro and the potential penalties would amount to 5.8 million euro (plus interest).
Lastly, with regard to the same case, Intesa Sanpaolo Assicura received the following two questionnaires in April 2021: the first for 2012 and 2013 for the former Bentos Assicurazioni, merged into Intesa Sanpaolo Assicura in December 2013; the second for 2012 for Intesa Sanpaolo Assicura.
To date, the questionnaires have not been followed by any tax assessments by the Agency. According to the initial checks carried out, the potential impact of the dispute on Intesa Sanpaolo Assicura for all the years potentially subject to assessment would be of a small amount (less than one million euro).

The tax disputes involving foreign subsidiaries are of small amounts and are covered by provisions as to 75% of the risk. In particular, these are disputes having a total value of 8 million euro (9 million euro at the end of 2020) for which provisions of 6 million euro have been set aside (7 million euro at the end of 2020).
Alexbank has two pending tax audits concerning corporate income tax, referring to tax year 2018, and stamp duty, referring to

tax year 2019. 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 3.3 million euro for tax periods 1984 – 2008. The potential liability has been fully covered by provision.
A tax audit on Intesa Sanpaolo Brasil S.A. - Banco Multiplo is also under way, conducted by Sao Paulo City Municipality in relation to tax years 2016 and 2017. No tax assessment notices have been issued yet, but the company's accounting and financial documents have been requested.

INSURANCE RISKS

Investment portfolios

The investments of the insurance companies of the Intesa Sanpaolo Group (Intesa Sanpaolo Vita, Intesa Sanpaolo Assicura, Intesa Sanpaolo Life, Fideuram Vita, Intesa Sanpaolo RBM Salute, BancAssurance Popolari, Assicurazioni Vita - formerly Aviva Vita, Lombarda Vita and Cargeas) are made with their shareholder fund and to cover contractual obligations with customers. These refer to traditional revaluable life insurance policies, Index- and Unit-linked policies, pension funds and non-life policies.
The companies Assicurazioni Vita, Lombarda Vita and Cargeas became part of the Insurance Group during the second quarter, and a project for their integration into the Insurance Group has been launched, with the objective, among others, of achieving their gradual alignment with the Insurance Group's risk management framework. The analysis provided below already includes the effect of the acquisition.
As at 30 June 2021, the investment portfolios, recorded at book value, amounted to 204,199 million euro. Of these, a part amounting to 112,942 million euro relates to traditional revaluable life policies (the financial risk of which is shared with the policyholders by virtue of the mechanism whereby the returns on assets subject to segregated management are determined), non-life policies and free capital. The other component, whose risk is borne solely by the policyholders, consists of investments related to Unit-linked policies and pension funds and amounted to 91,257 million euro.
Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets held to cover traditional revaluable life policies, non-life policies and shareholder fund.
In terms of breakdown by asset class, net of derivative financial instruments, 84.7% of assets, i.e. approximately 95,371 million euro, were bonds, whereas assets subject to equity risk represented 2.6% of the total and amounted to 2,949 million euro. The remainder (14,312 million euro) consisted of investments relating to UCI, Private Equity and Hedge Funds (12.7%).
The carrying value of derivatives came to 310.4 million euro, of which -51.7 million euro relating to effective management derivatives[20], and the remaining portion (362.1 million euro) is attributable to hedging derivatives.
At the end of the first six months of 2021, investments made with the shareholder fund of Intesa Sanpaolo Vita and Fideuram Vita amounted to 1,351 million euro at market value, and presented a risk in terms of VaR (99% confidence level, 10-day holding period) of 19 million euro.
The breakdown of the bond portfolio in terms of fair value sensitivity to interest rate changes showed that a +100 basis points parallel shift in the curve leads to a decrease of approximately 6,704 million euro.
The distribution of the portfolio by rating class is as follows. AAA/AA bonds represented approximately 7.6% of total investments and A bonds approximately 6.5%. Low investment grade securities (BBB) were approximately 81.4% of the total and the portion of speculative grade or unrated securities was minimal (4.5%).
A considerable portion of the BBB area is made up of securities issued by the Italian Republic.
The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments and Central Banks made up 78.8% of the total investments, while financial companies (mostly banks) contributed 12.3% of exposure and industrial securities made up 8.9%.
At the end of the first half of 2021, the fair value sensitivity of bonds to a change in issuer credit rating, intended as a market credit spread shock of +100 basis points, was 6,776 million euro, with 5,683 million euro due to government issuers and 1.093 million euro to corporate issuers (financial institutions and industrial companies).

[20] 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.

Shareholder base, transactions with related parties and other information

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, pursuant to current Italian legislation (Art. 120 of the Consolidated Law on Finance "TUF") – are shown in the table below. It should be noted that JP Morgan Chase & Co. holds an aggregate investment equal to 6.854% as per form 120 B dated 2 June 2021. It is also worth mentioning that, when applying current legislation, shareholders by way of asset management could have requested the exemption from reporting until exceeding the threshold of 5%.

Shareholder	Ordinary shares	% held on ordinary share capital
Compagnia di San Paolo	1,188,947,304	6.119%
BlackRock Inc. (1)	972,416,733	5.005%
Fondazione Cariplo	767,029,267	3.948%

(1) BlackRock Inc. holds, as a fund management company, an aggregate investment equal to 5.066%, as per form 120 B dated 4 December 2020.

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 Persons 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 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 CICR (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 obligations for periodic reporting to the Bank of Italy for activities at risk in relation to Associated Entities;
- the rules governing organisational controls and safeguards;
- the general rules for disclosure and abstention about the management of the personal interests by board members and general managers, 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, Board Directors and General Managers 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 monitored significant bank or 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 controlled by the latter, also jointly with others; iii) board members and general managers and their relative close family members up to the second degree and significant subsidiary entities.
As a form of self-regulation, the Bank has extended the regulations on transactions with Related Parties, as well as those on risk assets and conflicts of interest with respect to Associated Entities, to: i) the shareholders of Intesa Sanpaolo and to the relative corporate groups with an equity investment in the Bank's voting capital 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 the companies jointly controlled by them; ii) the companies in which close family members of board members and general managers of the banks and the monitored significant intermediaries of the Group hold executive

offices; iii) the companies which the Group has notable investments in and financial links with, because they meet the conditions of at least two of the following indicators:

- 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;
- 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 - by subjecting them to the same requirements for analysis, decision-making process and subsequent disclosure to the Corporate Bodies and the market as transactions with Related Parties and Associated Entities - and keeps the risk activities carried out by the Group with said parties within the prudential limits set by the Bank of Italy.
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 Persons 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 transactions, their effects on the Bank's 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 3.2 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 of Intesa Sanpaolo S.p.A. and Associated Entities of the Group (hereafter 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, upon recommendation by 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 independent Committee.
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 and 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 officers to contract obligations, directly or indirectly, with the bank of which they act as officers.
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 30 June 2021 within the consolidated accounts – other than those 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.

	30.06.2021	
	Amount (millions of euro)	Impact (%)
Total financial assets (1)	9,984	1.0
Total other assets (2)	813	5.1
Total financial liabilities (3)	11,717	1.4
Total other liabilities (4)	1,541	1.0

(1) Includes captions 20, 30, 35, 40, 45 and 70 of balance sheet assets

(2) Includes captions 50, 60, 120 and 130 of balance sheet assets

(3) Includes captions 10, 15, 20, 30 and 35 of balance sheet liabilities

(4) Includes captions 40, 50, 70, 80, 90, 100 and 110 of balance sheet liabilities

	30.06.2021	
	Amount (millions of euro)	Impact (%)
Total interest income	22	0.4
Total interest expense (1)	35	0.0
Total fee and commission income	83	1.4
Total fee and commission expense	-97	7.7
Total operating costs (2)	-58	1.0

(1) The positive balance of interest expense is due to the differentials on hedging derivatives which adjust interest recognised on hedged financial instruments.

(2) Includes caption 190 of the income statement

In relation to associates, in the period a total of around 4 million euro of net adjustments to loans were recorded, partially offset by releases of allowances for commitments and guarantees given of around 3 million euro.
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 2 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 (**)
Financial assets measured at fair value through profit or loss	46	-	234	-	-	280	-	1,938
a) financial assets held for trading	*-*	*-*	*3*	*-*	*-*	*3*	*-*	*1,880*
b) financial assets designated at fair value	*3*	*-*	*-*	*-*	*-*	*3*	*-*	*-*
c) other financial assets mandatorily measured at fair value	*43*	*-*	*231*	*-*	*-*	*274*	*-*	*58*
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	21	-
Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	-	-	-	-	-	-	15	256
Financial assets measured at amortised cost	-	49	593	11	-	653	35	5,080
a) due from banks	*-*	*-*	*5*	*-*	*-*	*5*	*-*	*3,254*
b) loans to customers	*-*	*49*	*588*	*11*	*-*	*648*	*35*	*1,826*
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	-	-	-	-	-	-	-	-
Other assets	25	-	573	-	1	599	-	214
Investments in associates and companies subject to joint control	56	44	1,606	-	-	1,706	-	-
Financial liabilities measured at amortised cost	31	15	1,097	21	200	1,364	231	5,671
a) due to banks	*2*	*-*	*2*	*-*	*-*	*4*	*-*	*1,865*
b) due to customers	*29*	*15*	*1,095*	*21*	*200*	*1,360*	*231*	*3,806*
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	-	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	-	-	4,420
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	-	-	-	-	-	-	15	16
Other financial liabilities	6	-	28	19	522	575	6	960
Guarantees and committments given	23	23	520	2	1	569	16	2,497
Guarantees and committments received	-	19	62	6	-	87	1	102

(*) 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.

(**) 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 in the table mainly refer to Goldman Sachs Group, JP Morgan Group and Nexi Group.

For the sake 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: Intrum Italy S.p.A., Penghua Fund Management Co. Ltd., RSCT FUND - Loans Sub-fund, BACK2BONIS, Zhong Ou Asset Management, FI.NAV Comparto A1 Crediti, Equiter S.p.A., Autostrada Pedemontana Lombarda S.p.A., MONEY GROUP S.p.A., Cassa di Risparmio di Fermo S.p.A., CAMFIN S.p.A., NEVA FIRST-FCC, Bancomat S.p.A., Exelia S.r.l., Intesa Sanpaolo Agents4you S.p.A. and Morval Bank & Trust Cayman Ltd. The main joint ventures include: Mir Capital Sca Sicar, PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management and VUB Generali Dochodkova Spravcovska Spolocnost AS.

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.

Most significant transactions

During the period, 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 Persons 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 3.2 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.
The main less significant transactions concluded during the period by Intesa Sanpaolo Group Companies with related parties are reported below.

Relations between the Intesa Sanpaolo Group and the board members and general managers, key managers, their close family members and entities they invest 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 respect to transactions with Shareholders – which hold equity investments in Intesa Sanpaolo S.p.A. with voting rights 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, and with other significant shareholders because of the significant shareholding or financial relationships present, mainly ordinary lending transactions and transactions in financial instruments were undertaken at market conditions.
In particular, the transactions in OTC financial instruments carried out by Intesa Sanpaolo S.p.A. in the course of continuing operations included those with JP Morgan Securities PLC, JP Morgan Asset Management UK Ltd, JP Morgan AG, Goldman Sachs International, Goldman Sachs Asset Management International, Goldman Sachs Bank Europe SE, Goldman Sachs Bank USA, Blackrock Fund Managers Ltd and Fondazione Cassa di Risparmio di Firenze.
Again in the context of transactions with Shareholders, in line with what has already been subscribed by the Parent Company, the supply contracts by Fideuram - Intesa Sanpaolo Private Banking S.p.A. and Intesa Sanpaolo Private Banking S.p.A. with Blackrock Financial Management Inc. are worth noting, which are aimed at creating a single and integrated architectural solution at Group level for all the Asset, Risk and Wealth Management segments.

In the mentioned area, reference is also made to the transaction finalised with JP Morgan Ltd and JP Morgan AG to implement the amendments approved by the Ordinary Shareholders' Meeting of 28 April 2021 concerning the 2018-2021 POP (Performance Call Option) Long-Term Incentive Plan for Top Management, Risk Takers and Key Managers. In particular, the implementation of the amendments to this Plan required an update of the conditions of the Performance Call Options and the consequent obligations of delivery to the beneficiaries of Intesa Sanpaolo shares underlying them. This resulted in the need to amend the liability release agreement already signed by Intesa Sanpaolo, the Beneficiaries and JP Morgan Securities PLC, by virtue of which the latter became responsible for the obligation to deliver the Intesa Sanpaolo shares underlying the original POP Options to the beneficiaries. It is specified that in the mentioned agreement and in the other agreements implementing the POP Plan and the amendments, JP Morgan AG replaced JP Morgan Securities PLC. This transaction, not attributable to ordinary business operations, was finalised at market conditions, in compliance with the maximum cost of 65 million euro established by the Ordinary Shareholders' Meeting.

Regarding transactions with jointly-controlled subsidiaries and associates, as well as with significant investees due to the presence of important equity and financial ties, it is worth noting that Intesa Sanpaolo S.p.A. participated in the new bond issue of Nexi S.p.A., structured in two 5 and 8 year tranches, for a total amount of 1.7 million euro. Intesa Sanpaolo S.p.A. will act in the capacity of global coordinator for both the tranches and of bookrunner for the 5 year tranche. The transaction is connected to refinancing the debt of the companies SIA and Nets as part of the merger with Nexi S.p.A., aiming to create one of the largest European paytech companies.
Please also note the transfer to the RSCT Fund of the receivable due to Intesa Sanpaolo S.p.A. from Scarpe & Scarpe S.p.A. and Sagi Holding S.p.A.. The transaction - whose value equals 13.9 million euro - also includes the possibility to transfer further receivables in the future when certain conditions take place.
Transactions in OTC financial instruments were carried out by Intesa Sanpaolo S.p.A., as part of its ordinary operations, with Cassa di Risparmio di Fermo and the financial transactions included the early termination by Intesa Sanpaolo S.p.A. of the Apulia Finance n.4 S.r.l. securitisation.
In addition, the request to extend by one year the unsecured commitments in place between Intesa Sanpaolo S.p.A. and Alitalia Società Aerea Italiana in A.S., needed for the regular operation of business and, specifically, the continuation of lease agreements on airplanes, should also be noted.
Finally please note the loans and extensions of the facilities in favour of ISM Investimenti S.p.A., Gesa S.r.l., VUB Generali A.S., Intermarine S.p.A. and Trasporti Romagna S.p.A..
As regards the transactions with subsidiaries not consolidated on a line-by-line basis, it is worth mentioning that capital base interventions were finalised in the period in favour of Oro Italia Trading S.r.l. for an amount of 1.5 million euro and Eurizon Capital Asia Ltd for an amount of 2 million euro, as well as a commercial agreement between Intesa Sanpaolo S.p.A. and Intesa Sanpaolo Agent4You.

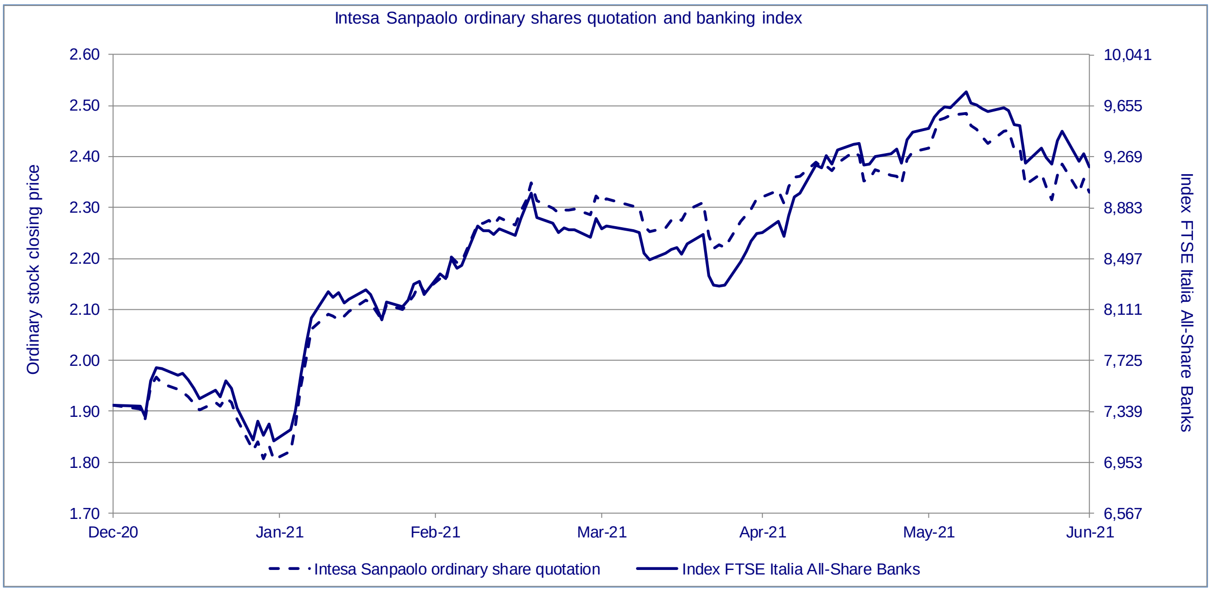
Transactions conducted with Pension funds for employees of Intesa Sanpaolo and other Group Companies included ordinary transactions in OTC financial instruments by Intesa Sanpaolo S.p.A. with Cariplo Pension Fund.

Other significant information

With regard to companies carried at equity, adjustments were posted in the equity investments in Oval Money Ltd, FI.NAV Comparto A1 Crediti, RSCT FUND - Loans Sub-fund, BACK2BONIS, Cassa di Risparmio di Fermo S.p.A. and PIETRA S.r.l.

Stock price performance

The first half of 2021 featured a rising trend in the international stock markets, beginning in November 2020 and following the news on the availability of COVID-19 vaccines. The subsequent acceleration of the vaccination campaign, first in the USA and the UK and then in the Eurozone countries, has allowed health restrictions to be gradually lifted, with positive effects on the economic recovery.
The finalisation of the National Recovery and Resilience Plans, as part of the Next Generation EU programme, President Biden's announcements of plans to support the US economy, and the still expansionary monetary policies of the major central banks are additional factors that helped support equity markets over the period.
The Euro Stoxx 50 index ended the half year up by 13.7%. Also the Italian market was positive (+12.9% for the FTSE MIB; +13.8% for the FTSE Italia All Share).
In the context described above, bank securities highly overperformed the broad market indices: in the first six months of 2021 at European level the progress of the Euro Stoxx Banks index was 27%, almost double that of the Euro Stoxx 50.
In Italy, the FTSE Italia Banks improved by 24.4%, driven by expectations of an economic recovery, the limited evidence of deteriorating asset quality and expectations of continued domestic consolidation, significantly outperforming general market indices (FTSE MIB and FTSE Italia All Share) though slightly underperforming the European banking index.
The performance of the Intesa Sanpaolo ordinary shares mirrored that of the banking sector indices, showing a downward trend in January, followed by a sharp recovery in February and an upward trend in the following months, ending the half year up 21.8% on the end of 2020.
As at 30 June 2021, Intesa Sanpaolo's capitalisation rose to 45.3 billion euro from 37.2 billion euro at the end of 2020.



Earnings per share

Intesa Sanpaolo's share capital consists solely of ordinary shares. Net income attributable to ordinary shares was determined considering the dividends assigned and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, 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 the shares outstanding; diluted EPS takes into account the effect of any future issues.

	30.06.2021	30.06.2020
	Ordinary shares	Ordinary shares
Weighted average number of shares	19,370,331,364	17,472,258,804
Income attributable to the various categories of shares (millions of euro)	3,023	2,566
Basic EPS (euro)	0.16	0.15
Diluted EPS (euro)	0.16	0.15
Basic EPS annualised (*) (euro)	0.31	0.29
Diluted EPS annualised (*) (euro)	0.31	0.29

(*) Income is not indicative of the forecast net income for the year, since it is obtained by annualising the net income for the period.

Price/book value

(millions of euro)

	30.06.2021	1st half 2021	2020	2019	2018	2017
Market capitalisation	45,263	43,145	34,961	36,911	44,947	44,820
Shareholders' equity	66,232	66,052	60,920	54,996	53,646	52,558
Price / book value	**0.68**	**0.65**	**0.57**	**0.67**	**0.84**	**0.85**

The index reflects the value attributed by the market to the share capital of a listed company, and hence indirectly to the company's overall assets. The index, while measuring the confidence which financial analysts and the financial community have in the company's income prospects and capital strength, is affected significantly by the external factors that influence stock prices. Also for the Intesa Sanpaolo Group, the performance of the index – as at 30 June 2021 indicated in relation to both average figures and year-end figures – was impacted by the dynamics of the market. The comparative figures for the years 2017 to 2020 are annual averages.

Rating

Summarised below are the main actions on the ratings of Intesa Sanpaolo decided by the international agencies in the first half of 2021:

– on 11 March, S&P confirmed Intesa Sanpaolo's rating of "BBB/A-2" and upgraded the outlook from negative to "stable", aligning it with Italy's rating. The rating action reflects Intesa Sanpaolo's proven resilience to the stress scenario represented by the pandemic and reduced probability of downgrading ratings in the absence of a similar action on the sovereign debt;
– on 12 May, Moody's upgraded the outlook on Intesa Sanpaolo's senior unsecured notes rating of "Baa1", from negative to "stable", to reflect the bank's proven ability to generate profit and the high capital buffers that will balance the expected moderate deterioration in credit quality;
– on 11 June, DBRS Morningstar confirmed its "BBB (high)"/"R-1 (low)" ratings for Intesa Sanpaolo with a "negative" trend. The trend and rating are in line with those of Italy.

The table below shows the ratings assigned to Intesa Sanpaolo by the main agencies as at 30 June 2021.

	RATING AGENCY			
	DBRS Morningstar	**Fitch Ratings**	**Moody's**	**S&P Global Ratings**
Short-term debt	R-1 (low)(1)	F3	P-2	A-2
Long-term senior debt	BBB (high)	BBB-	Baa1(2)	BBB
Outlook / Trend Long-term senior debt	Negative	Stable	Stable	Stable
Viability	-	bbb-	-	-

(1) Negative trend.

(2) Senior debt rating. The rating on deposits is "Baa1" with stable outlook.

Dividends paid

With value date of 26 May 2021 (ex-dividend date 24 May and record date 25 May) the dividend was paid for 2020 as resolved by the Shareholders' Meeting on 28 April 2021 for a total amount of 693,667,539.99 euro, equivalent to 0.0357 euro for each of the 19,430,463,305 ordinary shares making up the share capital. The amount not distributed with regard to treasury shares as at 24 May (25,426,951) was allocated to the extraordinary reserve.
The total dividend payout distributed equals 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.
See the chapter below "Forecast for the year", with regard to the dividend policy and in particular the expected (i) cash distribution of reserves supplementing the 2020 dividend paid in May and (ii) the interim dividend for the 2021 results.

Forecast for the year

The Italian economy is expected to continue to recover in the second half of 2021, boosted by the easing of the restrictions that had previously limited activity in the service sector, and by the expanding foreign and domestic demand for goods. The recovery to levels prior to the pandemic will continue to be supported by accommodating fiscal and monetary policies. The continuation of the pandemic keeps the degree of uncertainty about the outlook high, even though the rapid rollout of vaccines is expected to have further increased the resilience of the economy in the face of new waves of infection. Inflation should reach the maximum levels of this cycle in the second half.
The European Central Bank expects to keep official rates unchanged until a strong and sustainable convergence of inflation to the target can be observed. The markets deem this condition unlikely to be observable over the next two years. Furthermore, it has also suggested that inflation could be allowed to rise transiently above the level of 2%. Purchasing programmes will continue at current rates at least until September, but probably beyond. In the United States, the Federal Reserve could announce a future reduction in purchases of securities, probably from 2022.

In the second half of the year, the progress expected in administering vaccines should also allow major emerging economies to further ease restrictions on the dynamics of productive activities, particularly those most vulnerable to social distancing measures. If the spread of COVID-19, and in particular of its variants, is kept under control and the vaccination campaigns continue swiftly, the recovery of the economy in emerging areas could be robust, with the IMF seeing GDP growth exceeding 6% in the April WEO.
High-frequency indicators released in the second quarter of the year confirm overall prospects for a significant recovery. However, the uncertainties surrounding the pandemic's evolution still call for caution. The economy's path to growth will be differentiated by country according to the varying evolution of the contagion, the effectiveness of the vaccination campaign, and the degree of vulnerability to changes in the risk appetite of investors in international financial markets. In this context, the outlook is more favourable for most of the Asian countries and the MENA region and more uncertain with reference to the countries of Latin America and sub-Saharan Africa.
In countries with ISP subsidiaries, in 2021 overall GDP is expected to recover significantly in the CEE/SEE area. This recovery will be driven by external factors, in particular the growing international trade and the still expansionary monetary policy of the main central banks at global level, and internal factors, such as the expected rebound in consumption and investments, also due to the national recovery and resilience plans being implemented. An economic recovery is also expected in the CIS area, supported by price rises in the energy sector, and in Egypt.

With regard to the Italian banking system, in the second half of 2021 the flow of credit to companies will remain lower than the exceptional volumes of 2020. In particular, banks will continue at a moderate pace to provide companies with government guaranteed loans, which can be accessed until 31 December. The forecasts for mortgages for the rest of the year are supported by a renewed interest in the residential real estate sector, which envisages a recovery in sales and house prices. The performance of loans to households should also benefit from a gradual upswing in consumer credit. Moreover, interest rates remain very low and the supply of credit to households is still ample.
Customer deposits should see continued good growth, particularly for on-demand deposits. The preference for liquidity and still minimal market yields will continue to fuel the balances of current accounts, though in a context of a gradual normalisation of the liquidity situation of companies and a recovery in household consumption. The use of the extensive ECB refinancing will reduce the medium- to long-term funding needs, to the extent that the stock of bonds is expected to decline further. The inflow to current accounts and the substantial contribution from ECB refinancing will keep the cost of funding at lows. Further haircuts may be seen on deposit rates. As a result, interest rates on loans will still be very low, despite the foreseeable deterioration in credit quality, especially with the gradual phasing out of support measures for businesses and households. In any case credit conditions will remain favourable overall.

In 2021, the Intesa Sanpaolo Group is expected to deliver a full-year net income of minimum 4 billion euro.

As regards the Group's dividend policy, in addition to 694 million euro in cash dividends for 2020 paid out in May 2021, in line with the 2018-2021 Business Plan it is envisaged:
- for the 2020 results, a cash distribution from reserves that, in addition to the aforementioned dividends, leads to the payment of a total amount corresponding to a payout ratio of 75% of the 3,505 million euro adjusted net income[21];
- for the 2021 results, the payment of an amount of cash dividends corresponding to a payout ratio of 70%, to be partially distributed as interim dividend this year.

The Board of Directors will convene in due course an Ordinary Shareholders' Meeting - to be held in the first half of October 2021 - to submit a proposal regarding a cash distribution to be drawn from the Extraordinary reserve, for the 2020 results, of 1,935,274,145.18 euro deriving from 9.96 euro cents on each of the 19,430,463,305 ordinary shares. This is to ensure that the distribution, if it is approved at the Meeting, takes place on the first available date after 30 September 2021 - the deadline for the ECB recommendation of 15 December 2020 in respect of dividend policies - namely 20 October 2021 (with coupon presentation on 18 October and record date on 19 October).

[21] Excluding from the stated net income the items related to the acquisition of UBI Banca consisting of the effect of the purchase price allocation, including negative goodwill, and integration charges, as well as the write-off of goodwill of the Banca dei Territori Division.

The Board of Directors has preliminarily defined an amount of 1.4 billion euro as the cash interim dividend to be distributed for the 2021 results. The Board will pass the relevant resolution on 3 November 2021, when it meets to approve the consolidated results as at 30 September 2021, in the absence of any inconvenience due to the results of the third quarter 2021 or to those foreseeable for the fourth quarter 2021. Once the planned distribution has been approved, the interim dividend, equal to 1,400,936,404.29 euro, deriving from 7.21 euro cents on each ordinary share, will be paid out on the first available date following the Board of Directors' resolution, namely 24 November 2021 (with coupon presentation on 22 November and record date on 23 November).

Both the Board of Directors' proposal at the Meeting regarding the distribution from the Extraordinary reserve for the 2020 results and its resolution regarding the distribution of an interim dividend for the 2021 results are conditional on the compliance with all supervisory obligations, as well as any recommendations by Regulators regarding capital requirements applicable to Intesa Sanpaolo. Both the proposal and the resolution are, in any case, conditional on the verification, at the date of the foreseen board approval of the notice of call for the distribution from the Extraordinary Reserve and at the date of the foreseen Board resolution for the distribution of the interim dividend, that - even taking into account the respective distribution - the Group's fully loaded Common Equity Tier 1 ratio is no lower than 13% on a pro-forma basis[22] (12% fully phased-in[23]).

No distribution will be made to own shares held by the Bank at the record date. The distribution of reserves shall be subject to the same tax regime as the distribution of dividends.

The Board of Directors

Milan, 4 August 2021

22 Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of 1,285 million euro covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward and DTAs on the acquisition of UBI Banca.

23 Not taking into account the DTA absorption mentioned in the previous note.

Certification of the Half-yearly condensed consolidated financial statements pursuant to Article 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, also taking into account the provisions of Article 154 bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, hereby certify:
   - the adequacy in relation to the Company's features and
   - the actual application of the administrative and accounting procedures employed to draw up the Half-yearly condensed consolidated financial statements, in the first half of 2021.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the Half-yearly condensed consolidated financial statements as at 30 June 2021 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[24].

3. The undersigned also certify that:

   3.1. the Half-yearly condensed consolidated financial statements as at 30 June 2021:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 of 19 July 2002;
   - correspond to the results of the accounting books and records;
   - 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 Half-yearly report on operations contains a reliable analysis of the most significant events in the first six months of the year and their impact on the Half-yearly condensed consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The Half-yearly report on operations also includes a reliable analysis of significant transactions with related parties.

Milan, 4 August 2021

Carlo Messina
Managing Director and CEO

Fabrizio Dabbene
Manager responsible for preparing the Company's financial reports

[24] 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

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Intesa Sanpaolo S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows and the related explanatory notes of Intesa Sanpaolo S.p.A. (hereafter the "Bank") and its subsidiaries (together the "Intesa Sanpaolo Group") as at 30 June 2021 and for the six months then ended. The Directors of Intesa Sanpaolo S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of the Bank's personnel responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Intesa Sanpaolo Group as at 30 June 2021 and for the six months then ended are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 5 August, 2021

EY S.p.A.
Signed by: Guido Celona, Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers

EY S.p.A.
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Capitale Sociale Euro 2.525.000,00 i.v.
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Attachments

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2020 and adjusted consolidated balance sheet as at 31 December 2020

Reconciliation between published consolidated income statement for the period ended 30 June 2020 and adjusted income statement for the period ended 30 June 2020

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2020 and restated consolidated balance sheet as at 31 December 2020

Reconciliation between published consolidated income statement for the period ended 30 June 2020 and restated consolidated income statement for the period ended 30 June 2020

Reconciliation between consolidated income statement for the period ended 30 June 2021 and restated consolidated income statement for the period ended 30 June 2021

Restated consolidated financial statements

Restated 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

Reclassified consolidated income statement – Reconciliation with redetermined figures

Reclassified consolidated income statement - Reconciliation with redetermined figures

Reconciliation between published consolidated financial statements and adjusted consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2020 and adjusted consolidated balance sheet as at 31 December 2020

The published consolidated balance sheet as at 31 December 2020 did not require any adjustments.

Reconciliation between published consolidated income statement for the period ended 30 June 2020 and adjusted income statement for the period ended 30 June 2020

The published consolidated income statement as at 30 June 2020, did not require any adjustments.

Reconciliation between adjusted/published consolidated financial statements and restated consolidated financial statements

Reconciliation between published consolidated balance sheet as at 31 December 2020 and restated consolidated balance sheet as at 31 December 2020

(millions of euro)

Assets		31.12.2020	Changes in the scope of consolidation (a)	31.12.2020 Restated
10.	Cash and cash equivalents	9,814	366	10,180
20.	Financial assets measured at fair value through profit or loss	58,246	9	58,255
	a) financial assets held for trading	*53,165*	*9*	*53,174*
	b) financial assets designated at fair value	*3*	*-*	*3*
	c) other financial assets mandatorily measured at fair value	*5,078*	*-*	*5,078*
30.	Financial assets measured at fair value through other comprehensive income	57,858	5	57,863
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	177,170	28,367	205,537
40.	Financial assets measured at amortised cost	615,260	1,500	616,760
	a) due from banks	*110,095*	*270*	*110,365*
	b) loans to customers	*505,165*	*1,230*	*506,395*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,211	351	1,562
50.	Hedging derivatives	1,134	-	1,134
60.	Fair value change of financial assets in hedged portfolios (+/-)	2,400	-	2,400
70.	Investments in associates and companies subject to joint control	1,996	-325	1,671
80.	Technical insurance reserves reassured with third parties	93	91	184
90.	Property and equipment	10,850	17	10,867
100.	Intangible assets	8,194	70	8,264
	of which:			
	- goodwill	*3,154*	*-*	*3,154*
110.	Tax assets	19,503	274	19,777
	a) current	*2,326*	*8*	*2,334*
	b) deferred	*17,177*	*266*	*17,443*
120.	Non-current assets held for sale and discontinued operations	28,702	-	28,702
130.	Other assets	10,183	663	10,846
Total assets		**1,002,614**	**31,388**	**1,034,002**

(a) The restatement refers to the inclusion in the Group of the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas and the Reyl Group.

(millions of euro)

Liabilities and Shareholders' Equity		31.12.2020	Changes in the scope of consolidation (a)	31.12.2020 Restated
10.	Financial liabilities measured at amortised cost	630,146	1,777	631,923
	a) due to banks	*115,947*	*1*	*115,948*
	b) due to customers	*422,365*	*1,776*	*424,141*
	c) securities issued	*91,834*	-	*91,834*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	1,935	*100*	2,035
20.	Financial liabilities held for trading	59,033	*11*	59,044
30.	Financial liabilities designated at fair value	3,032	-	3,032
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	77,207	*3,492*	80,699
40.	Hedging derivatives	7,088	-	7,088
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	733	-	733
60.	Tax liabilities	3,029	341	3,370
	a) current	*284*	*2*	*286*
	b) deferred	*2,745*	*339*	*3,084*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	35,676	-	35,676
80.	Other liabilities	14,439	343	14,782
90.	Employee termination indemnities	1,200	1	1,201
100.	Allowances for risks and charges	5,964	29	5,993
	a) commitments and guarantees given	*626*	-	*626*
	b) post-employment benefits	*324*	*21*	*345*
	c) other allowances for risks and charges	*5,014*	*8*	*5,022*
110.	Technical reserves	96,811	24,549	121,360
120.	Valuation reserves	-515	-	-515
125.	Valuation reserves pertaining to insurance companies	809	-	809
130.	Redeemable shares	-	-	-
140.	Equity instruments	7,441	23	7,464
150.	Reserves	17,461	-	17,461
160.	Share premium reserve	27,444	-	27,444
170.	Share capital	10,084	-	10,084
180.	Treasury shares (-)	-130	-	-130
190.	Minority interests (+/-)	450	722	1,172
200.	Net income (loss) (+/-)	3,277	-	3,277
Total liabilities and shareholders' equity		**1,002,614**	**31,388**	**1,034,002**

(a) The restatement refers to the inclusion in the Group of the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas and the Reyl Group.

Reconciliation between published consolidated income statement for the period ended 30 June 2020 and restated consolidated income statement for the period ended 30 June 2020

(millions of euro)

		30.06.2020	Change in the scope of consolidation (a)	30.06.2020 Restated
10.	Interest and similar income	4,747	10	4,757
	of which: interest income calculated using the effective interest rate method	*4,928*	-	*4,928*
20.	Interest and similar expense	-1,272	-2	-1,274
30.	**Interest margin**	**3,475**	**8**	**3,483**
40.	Fee and commission income	4,507	25	4,532
50.	Fee and commission expense	-1,083	-7	-1,090
60.	**Net fee and commission income**	**3,424**	**18**	**3,442**
70.	Dividend and similar income	60	-	60
80.	Profits (Losses) on trading	305	8	313
90.	Fair value adjustments in hedge accounting	-12	-	-12
100.	Profits (Losses) on disposal or repurchase of:	798	-	798
	a) financial assets measured at amortised cost	*-29*	-	*-29*
	b) financial assets measured at fair value through other comprehensive income	*620*	-	*620*
	c) financial liabilities	*207*	-	*207*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	109	-	109
	a) financial assets and liabilities designated at fair value	*141*	-	*141*
	b) other financial assets mandatorily measured at fair value	*-32*	-	*-32*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	1,413	-	1,413
120.	**Net interest and other banking income**	**9,572**	**34**	**9,606**
130.	Net losses/recoveries for credit risks associated with:	-1,718	-	-1,718
	a) financial assets measured at amortised cost	*-1,697*	-	*-1,697*
	b) financial assets measured at fair value through other comprehensive income	*-21*	-	*-21*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-35	-	-35
140.	Profits (Losses) on changes in contracts without derecognition	-8	-	-8
150.	**Net income from banking activities**	**7,811**	**34**	**7,845**
160.	Net insurance premiums	4,461	165	4,626
170.	Other net insurance income (expense)	-5,077	-88	-5,165
180.	**Net income from banking and insurance activities**	**7,195**	**111**	**7,306**
190.	Administrative expenses:	-4,685	-41	-4,726
	a) personnel expenses	*-2,743*	*-30*	*-2,773*
	b) other administrative expenses	*-1,942*	*-11*	*-1,953*
200.	Net provisions for risks and charges	-101	-	-101
	a) commitments and guarantees given	*-39*	-	*-39*
	b) other net provisions	*-62*	-	*-62*
210.	Net adjustments to / recoveries on property and equipment	-256	-2	-258
220.	Net adjustments to / recoveries on intangible assets	-365	-1	-366
230.	Other operating expenses (income)	331	-	331
240.	**Operating expenses**	**-5,076**	**-44**	**-5,120**
250.	Profits (Losses) on investments in associates and companies subject to joint control	-33	6	-27
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
270.	Goodwill impairment	-	-	-
280.	Profits (Losses) on disposal of investments	5	-	5
290.	**Income (Loss) before tax from continuing operations**	**2,091**	**73**	**2,164**
300.	Taxes on income from continuing operations	-668	-22	-690
310.	**Income (Loss) after tax from continuing operations**	**1,423**	**51**	**1,474**
320.	Income (Loss) after tax from discontinued operations	1,136	-	1,136
330.	**Net income (loss)**	**2,559**	**51**	**2,610**
340.	Minority interests	7	-51	-44
350.	**Parent Company's net income (loss)**	**2,566**	**-**	**2,566**

(a) The restatement refers to the economic results of the first four months of 2020 of RBM Assicurazione Salute S.p.A. and the economic results of the first six months of 2020 of Reyl Group.

Reconciliation between consolidated income statement for the period ended 30 June 2021 and restated consolidated income statement for the period ended 30 June 2021

(millions of euro)

		30.06.2021	Changes in the scope of consolidation (a)	30.06.2021 Restated
10.	Interest and similar income	5,207	9	5,216
	of which: interest income calculated using the effective interest rate method	*5,073*	-	*5,073*
20.	Interest and similar expense	-1,174	-2	-1,176
30.	**Interest margin**	**4,033**	**7**	**4,040**
40.	Fee and commission income	5,884	25	5,909
50.	Fee and commission expense	-1,264	-5	-1,269
60.	**Net fee and commission income**	**4,620**	**20**	**4,640**
70.	Dividend and similar income	82	-	82
80.	Profits (Losses) on trading	409	7	416
90.	Fair value adjustments in hedge accounting	45	-	45
100.	Profits (Losses) on disposal or repurchase of:	522	-	522
	a) financial assets measured at amortised cost	*123*	-	*123*
	b) financial assets measured at fair value through other comprehensive income	*428*	-	*428*
	c) financial liabilities	*-29*	-	*-29*
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	99	-	99
	a) financial assets and liabilities designated at fair value	*-31*	-	*-31*
	b) other financial assets mandatorily measured at fair value	*130*	-	*130*
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	2,362	-	2,362
120.	**Net interest and other banking income**	**12,172**	**34**	**12,206**
130.	Net losses/recoveries for credit risks associated with:	-1,076	-	-1,076
	a) financial assets measured at amortised cost	*-1,066*	-	*-1,066*
	b) financial assets measured at fair value through other comprehensive income	*-10*	-	*-10*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-2	-	-2
140.	Profits (Losses) on changes in contracts without derecognition	-19	-	-19
150.	**Net income from banking activities**	**11,075**	**34**	**11,109**
160.	Net insurance premiums	4,989	-	4,989
170.	Other net insurance income (expense)	-6,532	-	-6,532
180.	**Net income from banking and insurance activities**	**9,532**	**34**	**9,566**
190.	Administrative expenses:	-5,650	-33	-5,683
	a) personnel expenses	*-3,362*	*-27*	*-3,389*
	b) other administrative expenses	*-2,288*	*-6*	*-2,294*
200.	Net provisions for risks and charges	-141	-	-141
	a) commitments and guarantees given	*60*	-	*60*
	b) other net provisions	*-201*	-	*-201*
210.	Net adjustments to / recoveries on property and equipment	-320	-1	-321
220.	Net adjustments to / recoveries on intangible assets	-410	-1	-411
230.	Other operating expenses (income)	475	-	475
240.	**Operating expenses**	**-6,046**	**-35**	**-6,081**
250.	Profits (Losses) on investments in associates and companies subject to joint control	41	2	43
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-4	-	-4
270.	Goodwill impairment	-	-	-
280.	Profits (Losses) on disposal of investments	189	-	189
290.	**Income (Loss) before tax from continuing operations**	**3,712**	**1**	**3,713**
300.	Taxes on income from continuing operations	-725	-	-725
310.	**Income (Loss) after tax from continuing operations**	**2,987**	**1**	**2,988**
320.	Income (Loss) after tax from discontinued operations	-	-	-
330.	**Net income (loss)**	**2,987**	**1**	**2,988**
340.	Minority interests	36	-1	35
350.	**Parent Company's net income (loss)**	**3,023**	**-**	**3,023**

(a) The restatement refers to the economic results of the first five months of 2021 of Reyl Group.

Restated consolidated financial statements

Restated consolidated balance sheet

Assets		30.06.2021	31.12.2020 Restated	Changes amount	%
10.	Cash and cash equivalents	9,319	10,180	-861	-8.5
20.	Financial assets measured at fair value through profit or loss	60,952	58,255	2,697	4.6
	a) financial assets held for trading	*55,720*	*53,174*	*2,546*	*4.8*
	b) financial assets designated at fair value	*4*	*3*	*1*	*33.3*
	c) other financial assets mandatorily measured at fair value	*5,228*	*5,078*	*150*	*3.0*
30.	Financial assets measured at fair value through other comprehensive income	67,263	57,863	9,400	16.2
35.	Financial assets pertaining to insurance companies, measured at fair value pursuant to IAS 39	206,138	205,537	601	0.3
40.	Financial assets measured at amortised cost	656,626	616,760	39,866	6.5
	a) due from banks	*154,650*	*110,365*	*44,285*	*40.1*
	b) loans to customers	*501,976*	*506,395*	*-4,419*	*-0.9*
45.	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	906	1,562	-656	-42.0
50.	Hedging derivatives	1,175	1,134	41	3.6
60.	Fair value change of financial assets in hedged portfolios (+/-)	1,231	2,400	-1,169	-48.7
70.	Investments in associates and companies subject to joint control	1,707	1,671	36	2.2
80.	Technical insurance reserves reassured with third parties	159	184	-25	-13.6
90.	Property and equipment	10,586	10,867	-281	-2.6
100.	Intangible assets	8,865	8,264	601	7.3
	of which:				
	- goodwill	*3,979*	*3,154*	*825*	*26.2*
110.	Tax assets	19,014	19,777	-763	-3.9
	a) current	*2,635*	*2,334*	*301*	*12.9*
	b) deferred	*16,379*	*17,443*	*-1,064*	*-6.1*
120.	Non-current assets held for sale and discontinued operations	1,566	28,702	-27,136	-94.5
130.	Other assets	12,088	10,846	1,242	11.5
Total assets		**1,057,595**	**1,034,002**	**23,593**	**2.3**

Liabilities and Shareholders' Equity		30.06.2021	31.12.2020 Restated	Changes amount	%
10.	Financial liabilities measured at amortised cost	685,622	631,923	53,699	8.5
	a) due to banks	*164,847*	*115,948*	*48,899*	*42.2*
	b) due to customers	*432,568*	*424,141*	*8,427*	*2.0*
	c) securities issued	*88,207*	*91,834*	*-3,627*	*-3.9*
15.	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,529	2,035	494	24.3
20.	Financial liabilities held for trading	57,335	59,044	-1,709	-2.9
30.	Financial liabilities designated at fair value	3,361	3,032	329	10.9
35.	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	83,010	80,699	2,311	2.9
40.	Hedging derivatives	5,019	7,088	-2,069	-29.2
50.	Fair value change of financial liabilities in hedged portfolios (+/-)	363	733	-370	-50.5
60.	Tax liabilities	2,490	3,370	-880	-26.1
	a) current	*440*	*286*	*154*	*53.8*
	b) deferred	*2,050*	*3,084*	*-1,034*	*-33.5*
70.	Liabilities associated with non-current assets held for sale and discontinued operations	78	35,676	-35,598	-99.8
80.	Other liabilities	24,722	14,782	9,940	67.2
90.	Employee termination indemnities	1,098	1,201	-103	-8.6
100.	Allowances for risks and charges	5,943	5,993	-50	-0.8
	a) commitments and guarantees given	*548*	*626*	*-78*	*-12.5*
	b) post-employment benefits	*310*	*345*	*-35*	*-10.1*
	c) other allowances for risks and charges	*5,085*	*5,022*	*63*	*1.3*
110.	Technical reserves	119,475	121,360	-1,885	-1.6
120.	Valuation reserves	-476	-515	-39	-7.6
125.	Valuation reserves pertaining to insurance companies	661	809	-148	-18.3
130.	Redeemable shares	-	-	-	
140.	Equity instruments	6,269	7,464	-1,195	-16.0
150.	Reserves	19,495	17,461	2,034	11.6
160.	Share premium reserve	27,286	27,444	-158	-0.6
170.	Share capital	10,084	10,084	-	-
180.	Treasury shares (-)	-110	-130	-20	-15.4
190.	Minority interests (+/-)	318	1,172	-854	-72.9
200.	Net income (loss) (+/-)	3,023	3,277	-254	-7.8
Total liabilities and shareholders' equity		**1,057,595**	**1,034,002**	**23,593**	**2.3**

Restated consolidated income statement

(millions of euro)

		30.06.2021	30.06.2020	Changes	
		Restated	Restated	amount	%
10.	Interest and similar income	5,216	4,757	459	9.6
	of which: interest income calculated using the effective interest rate method	*5,073*	*4,928*	*145*	*2.9*
20.	Interest and similar expense	-1,176	-1,274	-98	-7.7
30.	**Interest margin**	**4,040**	**3,483**	**557**	**16.0**
40.	Fee and commission income	5,909	4,532	1,377	30.4
50.	Fee and commission expense	-1,269	-1,090	179	16.4
60.	**Net fee and commission income**	**4,640**	**3,442**	**1,198**	**34.8**
70.	Dividend and similar income	82	60	22	36.7
80.	Profits (Losses) on trading	416	313	103	32.9
90.	Fair value adjustments in hedge accounting	45	-12	57	
100.	Profits (Losses) on disposal or repurchase of:	522	798	-276	-34.6
	a) financial assets measured at amortised cost	*123*	*-29*	*152*	
	b) financial assets measured at fair value through other comprehensive income	*428*	*620*	*-192*	*-31.0*
	c) financial liabilities	*-29*	*207*	*-236*	
110.	Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss	99	109	-10	-9.2
	a) financial assets and liabilities designated at fair value	*-31*	*141*	*-172*	
	b) other financial assets mandatorily measured at fair value	*130*	*-32*	*162*	
115.	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	2,362	1,413	949	67.2
120.	**Net interest and other banking income**	**12,206**	**9,606**	**2,600**	**27.1**
130.	Net losses/recoveries for credit risks associated with:	-1,076	-1,718	-642	-37.4
	a) financial assets measured at amortised cost	*-1,066*	*-1,697*	*-631*	*-37.2*
	b) financial assets measured at fair value through other comprehensive income	*-10*	*-21*	*-11*	*-52.4*
135.	Net losses/recoveries pertaining to insurance companies pursuant to IAS39	-2	-35	-33	-94.3
140.	Profits (Losses) on changes in contracts without derecognition	-19	-8	11	
150.	**Net income from banking activities**	**11,109**	**7,845**	**3,264**	**41.6**
160.	Net insurance premiums	4,989	4,626	363	7.8
170.	Other net insurance income (expense)	-6,532	-5,165	1,367	26.5
180.	**Net income from banking and insurance activities**	**9,566**	**7,306**	**2,260**	**30.9**
190.	Administrative expenses:	-5,683	-4,726	957	20.2
	a) personnel expenses	*-3,389*	*-2,773*	*616*	*22.2*
	b) other administrative expenses	*-2,294*	*-1,953*	*341*	*17.5*
200.	Net provisions for risks and charges	-141	-101	40	39.6
	a) commitments and guarantees given	*60*	*-39*	*99*	
	b) other net provisions	*-201*	*-62*	*139*	
210.	Net adjustments to / recoveries on property and equipment	-321	-258	63	24.4
220.	Net adjustments to / recoveries on intangible assets	-411	-366	45	12.3
230.	Other operating expenses (income)	475	331	144	43.5
240.	**Operating expenses**	**-6,081**	**-5,120**	**961**	**18.8**
250.	Profits (Losses) on investments in associates and companies subject to joint control	43	-27	70	
260.	Valuation differences on property, equipment and intangible assets measured at fair value	-4	-	4	
270.	Goodwill impairment	-	-	-	
280.	Profits (Losses) on disposal of investments	189	5	184	
290.	**Income (Loss) before tax from continuing operations**	**3,713**	**2,164**	**1,549**	**71.6**
300.	Taxes on income from continuing operations	-725	-690	35	5.1
310.	**Income (Loss) after tax from continuing operations**	**2,988**	**1,474**	**1,514**	
320.	Income (Loss) after tax from discontinued operations	-	1,136	-1,136	
330.	**Net income (loss)**	**2,988**	**2,610**	**378**	**14.5**
340.	Minority interests	35	-44	79	
350.	**Parent Company's net income (loss)**	**3,023**	**2,566**	**457**	**17.8**

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		30.06.2021	31.12.2020 Restated
Due from banks		**152,688**	**108,310**
Caption 40a (partial)	Financial assets measured at amortised cost - Due from banks	152,662	108,285
Caption 20a (partial)	Financial assets held for trading - Due from banks	-	-
Caption 20b (partial)	Financial assets designated at fair value - Due from banks	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Due from banks	26	25
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Due from banks	-	-
Loans to customers		**463,297**	**462,802**
Loans to customers measured at amortised cost		***461,348***	***461,373***
Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers	454,317	454,148
- Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (concession rights - financial component)	-	-
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (public entities, non-financial companies and others)	7,031	7,225
Loans to customers at fair value through other comprehensive income and through profit or loss		***1,949***	***1,429***
Caption 20a (partial)	Financial assets held for trading - Loans to customers	20	21
Caption 20b (partial)	Financial assets designated at fair value - Loans to customers	-	-
Caption 20c (partial)	Other financial assets mandatorily measured at fair value - Loans to customers	1,081	1,135
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income - Loans to customers	848	273
Financial assets measured at amortised cost which do not constitute loans		**42,615**	**47,102**
Caption 40a (partial)	Financial assets measured at amortised cost - Debt securities (banks)	1,987	2,080
Caption 40b (partial)	Financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	40,628	45,022
Financial assets at fair value through profit or loss		**59,826**	**57,074**
Caption 20a (partial)	Financial assets held for trading	55,700	53,152
Caption 20b (partial)	Financial assets designated at fair value - Debt securities	4	3
Caption 20c (partial)	Other financial assets mandatorily measured at fair value	4,122	3,919
Financial assets at fair value through other comprehensive income		**66,415**	**57,590**
Caption 30 (partial)	Financial assets measured at fair value through other comprehensive income	66,415	57,590
Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39		**206,138**	**205,537**
Caption 35	Financial assets pertaining to insurance companies measured at fair value pursuant to IAS 39	206,138	205,537
Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39		**906**	**1,562**
Caption 45	Financial assets pertaining to insurance companies measured at amortised cost pursuant to IAS 39	906	1,562
Investments in associates and companies subject to joint control		**1,707**	**1,671**
Caption 70	Investments in associates and companies subject to joint control	1,707	1,671
Property, equipment and intangible assets		**19,451**	**19,131**
Assets owned		***17,815***	***17,311***
Caption 90 (partial)	Property and equipment	8,950	9,047
Caption 100	Intangible assets	8,865	8,264
- Caption 100 (partial)	Intangible assets (concession rights - intangible component)	-	-
Rights of use acquired under leases		***1,636***	***1,820***
Caption 90 (partial)	Property and equipment	1,636	1,820
Tax assets		**19,014**	**19,777**
Caption 110	Tax assets	19,014	19,777
Non-current assets held for sale and discontinued operations		**1,566**	**28,702**
Caption 120	Non-current assets held for sale and discontinued operations	1,566	28,702
Other assets		**23,972**	**24,744**
Caption 10	Cash and cash equivalents	9,319	10,180
+ Caption 40b (partial)	Financial assets measured at amortised cost - Loans to customers (concession rights - financial component)	-	-
Caption 50	Hedging derivatives	1,175	1,134
Caption 60	Fair value change of financial assets in hedged portfolios (+/-)	1,231	2,400
Caption 80	Technical insurance reserves reassured with third parties	159	184
+Caption 100 (partial)	Intangible assets (concession rights - intangible component)	-	-
Caption 130	Other assets	12,088	10,846
Total Assets		**1,057,595**	**1,034,002**

(millions of euro)

Liabilities			30.06.2021	31.12.2020 Restated
Due to banks at amortised cost			**164,840**	**115,944**
	Caption 10 a)	Financial liabilities measured at amortised cost - Due to banks	164,847	115,948
	- Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	-7	-4
Due to customers at amortised cost and securities issued			**519,223**	**514,229**
	Caption 10 b)	Financial liabilities measured at amortised cost - Due to customers	432,568	424,141
	Caption 10 c)	Financial liabilities measured at amortised cost - Securities issued	88,207	91,834
	- Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	-1,552	-1,746
Financial liabilities held for trading			**57,335**	**59,044**
	Caption 20	Financial liabilities held for trading	57,335	59,044
Financial liabilities designated at fair value			**3,361**	**3,032**
	Caption 30	Financial liabilities designated at fair value	3,361	3,032
Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39			**2,518**	**2,023**
	Caption 15	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39	2,529	2,035
	- Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	-11	-12
Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39			**83,010**	**80,699**
	Caption 35	Financial liabilities pertaining to insurance companies measured at fair value pursuant to IAS 39	83,010	80,699
Tax liabilities			**2,490**	**3,370**
	Caption 60	Tax liabilities	2,490	3,370
Liabilities associated with non-current assets held for sale and discontinued operations			**78**	**35,676**
	Caption 70	Liabilities associated with non-current assets held for sale and discontinued operations	78	35,676
Other liabilities			**31,674**	**24,365**
	Caption 40	Hedging derivatives	5,019	7,088
	Caption 50	Fair value change of financial liabilities in hedged portfolios (+/-)	363	733
	Caption 80	Other liabilities	24,722	14,782
	Caption 10 a) (partial)	Financial liabilities measured at amortised cost - Due to banks (of which lease payables)	7	4
	Caption 10 b) (partial)	Financial liabilities measured at amortised cost - Due to customers (of which lease payables)	1,552	1,746
	Caption 15 (partial)	Financial liabilities pertaining to insurance companies measured at amortised cost pursuant to IAS 39 (of which lease payables)	11	12
Technical reserves			**119,475**	**121,360**
	Caption 110	Technical reserves	119,475	121,360
Allowances for risks and charges			**7,041**	**7,194**
	Caption 90	Employee termination indemnities	1,098	1,201
	Caption 100 a)	Allowances for risks and charges - Loan commitments and guarantees given	548	626
	Caption 100 b)	Allowances for risks and charges - Post-employment benefits	310	345
	Caption 100 c)	Allowances for risks and charges - Other allowances for risks and charges	5,085	5,022
Share capital			**10,084**	**10,084**
	Caption 170	Share capital	10,084	10,084
Reserves			**46,671**	**44,775**
	Caption 130	Redeemable shares	-	-
	Caption 150	Reserves	19,495	17,461
	Caption 160	Share premium reserve	27,286	27,444
	- Caption 180	Treasury shares	-110	-130
Valuation reserves			**-476**	**-515**
	Caption 120	Valuation reserves	-476	-515
Valuation reserves pertaining to insurance companies			**661**	**809**
	Caption 125	Valuation reserves pertaining to insurance companies	661	809
Equity instruments			**6,269**	**7,464**
	Caption 140	Equity instruments	6,269	7,464
Minority interests			**318**	**1,172**
	Caption 190	Minority interests	318	1,172
Net income (loss)			**3,023**	**3,277**
	Caption 200	Net income (loss) (+/-)	3,023	3,277
Total Liabilities and Shareholders' Equity			**1,057,595**	**1,034,002**

Reconciliation between restated consolidated income statement and reclassified consolidated income statement

(millions of euro)

Captions		30.06.2021 Restated	30.06.2020 Restated
Net interest income		**4,013**	**3,505**
Caption 30	Interest margin	4,040	3,483
- Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	-18	-9
- Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	4	53
- Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-	27
+ Caption 60 (partial)	Net fee and commission income (Fee and commission income negative rates)	20	-
- 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 (Dividends received and paid within securities lending operations)	6	-
+ Caption 80 (partial)	Hedging swap differentials	-32	-40
- Caption 30 (partial)	Charges related to the disposal of loans	-	-
+ Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	-7	-9
+ Caption 200 (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
Net fee and commission income		**4,777**	**3,606**
Caption 60	Net fee and commission income	4,640	3,442
- Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	124	96
- Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	2	2
- Caption 60 (partial)	Net fee and commission income (Effect of purchase price allocation)	-	-
- Caption 60 (partial)	Net fee and commission income (Fee and commission income negative rates)	-20	-
+ Caption 80 (partial)	Profits (Losses) on trading (Placement of Certificates)	27	26
+ 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)	25	61
+ Caption 110 b) (partial)	Profits (Losses) on 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)	3	-1
+ Caption 190 b) (partial)	Other administrative expenses (Recovery of other expenses)	-24	-20
Income from insurance business		**811**	**736**
Caption 115	Profits (Losses) on financial assets and liabilities pertaining to insurance companies pursuant to IAS 39	2,362	1,413
Caption 160	Net insurance premiums	4,989	4,626
Caption 170	Other net insurance income (expense)	-6,532	-5,165
+ Caption 30 (partial)	Interest margin - Intragroup transactions between Banks/Other companies and the Insurance Segment	18	9
+ Caption 60 (partial)	Net fee and commission income - Contribution of insurance business	-124	-96
+ Caption 80 (partial)	Intragroup transactions between Banks/Other companies and the Insurance Segment	-26	-23
+ Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	-1	-26
- Caption 160 (partial)	Net premiums (Annual policies: claims in excess of premiums accrued)	58	-
- Caption 170 (partial)	Other net insurance income (expense) (Annual policies: estimated provision for future charges)	68	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	-1	-2
Profits (Losses) on financial assets and liabilities designated at fair value		**1,140**	**1,265**
Caption 80	Profits (Losses) on trading	416	313
Caption 90	Fair value adjustments in hedge accounting	45	-12
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	-31	141
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	130	-32
Caption 100 b)	Profits (Losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income	428	620
Caption 100 c)	Profits (Losses) on disposal or repurchase of financial liabilities	-29	207
+ 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)	82	60
- 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 (Dividends received and paid within securities lending operations)	-6	-
+ Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-27	-26
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	26	23
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	32	40
- Caption 80 (partial)	Profits (losses) on trading (Components relating to Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	-	-47
- Caption 80 (partial)	Profits (Losses) on trading (Effect of purchase price allocation)	10	-
- Caption 90 (partial)	Fair value adjustments in hedge accounting - Reclassification of operations of entities not subject to management and coordination	-	4
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	154	27
- 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)	-29	-
- 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)	-25	-61
- Caption 110 b) (partial)	Profits (Losses) on 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)	-20	8
- 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)	2	-
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	-16	-
- Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities - Reclassification of operations of entities not subject to management and coordination (Effect of purchase price allocation)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	-2	-

(millions of euro)

Captions		30.06.2021 Restated	30.06.2020 Restated
Other operating income (expenses)		**65**	**-3**
Caption 70	Dividend and similar income	82	60
Caption 230	Other operating expenses (income)	475	331
+ Caption 30 (partial)	Interest margin - Reclassification of operations of entities not subject to management and coordination	-4	-53
+ Caption 60 (partial)	Net fee and commission income - Reclassification of operations of entities not subject to management and coordination	-2	-2
- 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)	-82	-60
+ Caption 80 (partial)	Profits (losses) on trading (Components relating to Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	-	47
+ Caption 90 (partial)	Fair value adjustments in hedge accounting - Reclassification of operations of entities not subject to management and coordination	-	-4
+ Caption 110 b) (partial)	Profits (Losses) on 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)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-13	-6
- Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	-445	-369
- Caption 230 (partial)	Other operating expenses (income) (Non-recurring expenses)	6	15
- Caption 230 (partial)	Other operating expenses (income) (Valuation effects of other assets)	-1	61
- Caption 230 (partial)	Other operating expenses (income) (Impairment losses on repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Effect of purchase price allocation)	-	-
- Caption 230 (partial)	Other operating expenses (income) (Trading and valuation of other assets)	2	-
+ Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-2	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-12	-
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	-2	-
+ Caption 250 (partial)	Profits (losses) on investments in associates and companies subject to joint control (carried at equity)	63	-23
Operating income		**10,806**	**9,109**
Personnel expenses		**-3,333**	**-2,764**
Caption 190 a)	Personnel expenses	-3,389	-2,773
- Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	49	-
- Caption 190 a) (partial)	Personnel expenses (Time value employee termination indemnities and other)	7	9
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	-	-
Other administrative expenses		**-1,358**	**-1,142**
Caption 190 b)	Other administrative expenses	-2,294	-1,953
- Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	22	22
- Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	419	394
- Caption 190 b) (partial)	Other administrative expenses (Recovery of other expenses)	24	20
- Caption 190 b) (partial)	Other administrative expenses (Effect of purchase price allocation)	-	-
- Caption 190 b) (partial)	Other administrative expenses (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	2	-
- Caption 190 b) (partial)	Other administrative expenses (taxes on income)	11	-
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of indirect taxes)	445	369
+ Caption 230 (partial)	Other operating expenses (income) (Recovery of expenses)	13	6
Adjustments to property, equipment and intangible assets		**-606**	**-534**
Caption 210	Net adjustments to / recoveries on property and equipment	-321	-258
Caption 220	Net adjustments to / recoveries on intangible assets	-411	-366
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment	1	2
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	17	11
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-	-
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Effect of purchase price allocation)	-	-
- Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	12	-
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Entities not subject to management and coordination - concession rights)	-	10
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	60	34
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-	-
- Caption 220 (partial)	Net adjustments to/recoveries on intangible assets (Effect of purchase price allocation)	34	33
- Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Reconciliation of non-banking, financial and insurance entity operations - operating leases)	2	-
Operating costs		**-5,297**	**-4,440**
Operating margin		**5,509**	**4,669**

(millions of euro)

Captions		30.06.2021 Restated	30.06.2020 Restated
Net adjustments to loans		**-1,007**	**-1,801**
Caption 140	Profits/losses from changes in contracts without derecognition	-19	-8
Caption 200 a)	Net provisions for risks and charges for credit risk related to commitments and guarantees given	60	-39
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans	-31	-56
+ 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)	-	-
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	50	14
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Loans	-1,083	-1,715
+ 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)	7	8
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost (Charges for integration)	-	-
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - (Effect of purchase price allocation)	-	-
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Loans	2	-5
+ Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	7	-
Other net provisions and net impairment losses on other assets		**-351**	**-157**
Caption 135	Net losses/recoveries pertaining to insurance companies pursuant to IAS 39	-2	-35
Caption 260	Valuation differences on property, equipment and intangible assets measured at fair value	-4	-
Caption 200 b)	Net provisions for risks and charges - Other net provisions	-201	-62
+ Caption 110 b) (partial)	Profits (Losses) on 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)	17	-7
+ 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)	9	13
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - Debt securities (Banks)	1	-3
+ Caption 130 b) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at fair value through other comprehensive income - Debt securities	-12	-16
- Caption 135 (partial)	Impairment of securities through other comprehensive income - share attributable to insured parties	1	26
+ Caption 160 (partial)	Net premiums (Annual policies: claims in excess of premiums accrued)	-58	-
+ Caption 170 (partial)	Other net insurance income (expense) (Annual policies: estimated provision for future charges)	-68	-
- Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Time value allowances for risks and charges)	-	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	-	-
- Caption 200 b) (partial)	Net provisions for risks and charges (Provisions for non-recurring expenses)	-7	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Impairment)	-	-
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Impairment)	-	-
+ 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)	1	-61
+ Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	-28	-12
Other income (expenses)		**191**	**-12**
Caption 250	Profits (Losses) on investments in associates and companies subject to joint control	43	-27
Caption 280	Profits (Losses) on disposal of investments	189	5
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	154	27
Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (Banks)	-	-
- 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 of purchase price allocation)	-	-
- Caption 30 (partial)	Charges related to the disposal of loans	-	-
- Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Debt securities (governments, financial and insurance companies)	-154	-27
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Entities not subject to management and coordination - concession rights)	-	-10
+ Caption 230 (partial)	Other operating expenses (income) (Profits/losses on disposal of repurchased property and equipment)	-	-
+ Caption 230 (partial)	Other operating expenses (income) (Non-recurring expenses)	-6	-15
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-63	23
- Caption 250 (partial)	Profits (Losses) on investments in associates and companies subject to joint control (Adjustments/recoveries due to impairment of associates)	28	12
- Caption 280 (partial)	Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	-
Income (Loss) from discontinued operations		**-**	**1,163**
Caption 320	Income (Loss) after tax from discontinued operations	-	1,136
+ Caption 320 (partial)	Income (Loss) after tax from discontinued operations (Taxes)	-	27
Gross income (loss)		**4,342**	**3,862**

(millions of euro)

Captions		30.06.2021 Restated	30.06.2020 Restated
Taxes on income		**-921**	**-875**
Caption 300	Taxes on income from continuing operations	-725	-690
+ Caption 190 b) (partial)	Other administrative expenses (taxes on income)	-11	-
- Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	-41	-17
- Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	-15	-24
- Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	-129	-117
- 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 (Taxes)	-	-27
Charges (net of tax) for integration and exit incentives		**-107**	**-50**
- Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost (Charges for integration)	-	-
+ Caption 190 a) (partial)	Personnel expenses (Charges for integration and exit incentives)	-49	-
+ Caption 190 b) (partial)	Other administrative expenses (Charges for integration)	-22	-22
+ Caption 200 (partial)	Net provisions for risks and charges (Charges for integration)	-	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Charges for integration)	-17	-11
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Charges for integration)	-60	-34
+ Caption 230 (partial)	Other operating expenses (income) (Charges/revenues from integration)	-	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Charges for integration)	41	17
Effect of purchase price allocation (net of tax)		**-34**	**-50**
+ Caption 30 (partial)	Interest margin (Effect of purchase price allocation)	-	-27
+ Caption 60 (partial)	Net fee and commission income (Effect of purchase price allocation)	-	-
- Caption 80 (partial)	Profits (Losses) on trading (Effect of purchase price allocation)	-10	-
+ Caption 100 a) (partial)	Profits (Losses) on disposal or repurchase of financial assets measured at amortised cost - Loans (Effect of purchase price allocation)	-50	-14
- 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 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 (Effect of purchase price allocation)	29	-
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities (Effect of purchase price allocation)	16	-
+ Caption 100 c) (partial)	Profits (Losses) on disposal or repurchase of financial liabilities - Reclassification of operations of entities not subject to management and coordination (Effect of purchase price allocation)	-	-
+ Caption 130 a) (partial)	Net losses/recoveries for credit risk associated with financial assets measured at amortised cost - (Effect of purchase price allocation)	-	-
+ Caption 190 b) (partial)	Other administrative expenses (Effect of purchase price allocation)	-	-
+ Caption 200 b) (partial)	Net provisions for risks and charges (Effect of purchase price allocation)	-	-
+ Caption 210 (partial)	Net adjustments to / recoveries on property and equipment (Effect of purchase price allocation)	-	-
+ Caption 220 (partial)	Net adjustments to / recoveries on intangible assets (Effect of purchase price allocation)	-34	-33
- Caption 230 (partial)	Other operating expenses (income) (Effect of purchase price allocation)	-	-
+ Caption 280 (partial)	Profits (Losses) on disposal of investments (Effect of purchase price allocation)	-	-
+ Caption 300 (partial)	Taxes on income from continuing operations (Effect of purchase price allocation)	15	24
Levies and other charges concerning the banking industry (net of tax)		**-292**	**-277**
+ 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)	-2	-
+ Caption 190 b) (partial)	Other administrative expenses (Resolution fund and deposit guarantee scheme)	-419	-394
+ Caption 300 (partial)	Taxes on income from continuing operations (Resolution fund and deposit guarantee scheme)	129	117
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		**35**	**-44**
Caption 340	Minority interests	35	-44
Net income (loss)		**3,023**	**2,566**

Reclassified consolidated income statement – Reconciliation with redetermined figures

Reclassified consolidated income statement – Reconciliation with redetermined figures

(millions of euro)

	30.06.2021 Restated	Going concerns object of disposal	Inclusion insurance companies	30.06.2021 Redetermined figures	30.06.2020 Restated	Inclusion of the UBI Group	Inclusion insurance companies	Going concerns object of disposal	30.06.2020 Redetermined figures
Net interest income	4,013	-66	-	3,947	3,505	821	-249	-	4,077
Net fee and commission income	4,777	-94	-	4,683	3,606	832	-302	-	4,136
Income from insurance business	811	-	43	854	736	9	-	151	896
Profits (Losses) on financial assets and liabilities designated at fair value	1,140	-1	-	1,139	1,265	93	-3	-	1,355
Other operating income (expenses)	65	-	-14	51	-3	45	-1	-11	30
Operating income	**10,806**	**-161**	**29**	**10,674**	**9,109**	**1,800**	**-555**	**140**	**10,494**
Personnel expenses	-3,333	65	-14	-3,282	-2,764	-697	170	-17	-3,308
Other administrative expenses	-1,358	13	-20	-1,365	-1,142	-307	39	-33	-1,443
Adjustments to property, equipment and intangible assets	-606	-	-2	-608	-534	-110	18	-2	-628
Operating costs	**-5,297**	**78**	**-36**	**-5,255**	**-4,440**	**-1,114**	**227**	**-52**	**-5,379**
Operating margin	**5,509**	**-83**	**-7**	**5,419**	**4,669**	**686**	**-328**	**88**	**5,115**
Net adjustments to loans	-1,007	6	-	-1,001	-1,801	-362	82	-	-2,081
Other net provisions and net impairment losses on other assets	-351	-	-3	-354	-157	-13	-	-10	-180
Other income (expenses)	191	-	-	191	-12	25	-	-	13
Income (Loss) from discontinued operations	-	58	-	58	1,163	-	216	-	1,379
Gross income (loss)	**4,342**	**-19**	**-10**	**4,313**	**3,862**	**336**	**-30**	**78**	**4,246**
Taxes on income	-921	6	-7	-922	-875	-104	10	-28	-997
Charges (net of tax) for integration and exit incentives	-107	-	-	-107	-50	13	-	-	-37
Effect of purchase price allocation (net of tax)	-34	-	-	-34	-50	-	-	-	-50
Levies and other charges concerning the banking industry (net of tax)	-292	13	-	-279	-277	-40	20	-	-297
Impairment (net of tax) of goodwill and other intangible assets	-	-	-	-	-	-	-	-	-
Minority interests	35	-	17	52	-44	-205	-	-50	-299
Net income (loss)	**3,023**	**-**	**-**	**3,023**	**2,566**	**-**	**-**	**-**	**2,566**

Redetermined figures have been prepared to take into account the inclusion of the UBI Group for the pre-acquisition period and, based on management figures, the reallocation of the contribution from the going concerns object of disposal to income (loss) from discontinued operations, as well as the inclusion of the contribution from the insurance companies Assicurazioni Vita (former Aviva Vita), Lombarda Vita and Cargeas, net of the effects attributable to the branches object of disposal.

Glossary

ABS – Asset-Backed Securities
Financial securities whose yield and redemption are guaranteed by a pool of assets (collateral) of the issuer (usually a Special Purpose Vehicle – SPV), exclusively intended to ensure satisfaction of the rights attached to said financial securities.
Examples of assets pledged as collateral include mortgages, credit card receivables, short-term trade receivables and auto loans.

ABS (receivables)
ABS whose collateral is made up of receivables.

Acquisition finance
Leveraged buy-out financing.

Additional return
Type of remuneration of the junior securities arising from securitisation transactions. In addition to a fixed dividend, such securities accrue periodic earnings (quarterly, semi-annual, etc.), whose amount is linked to the profit generated by the transaction (which in turn reflects the performance of the securitised assets).

Advisor
Financial broker assisting government authorities or companies involved in privatisation or other corporate finance transactions, whose tasks range from arranging appraisals to drawing up documents and providing general professional advice about specific transactions.

AIRB (Advanced Internal Rating Based) Approach
Approach to using internal ratings within the framework of the New Basel Accord, which provides for either the Foundation or the Advanced Approach. The Advanced Approach may be used only by institutions meeting more stringent requirements compared to the Foundation Approach. In this case, the Bank uses its own internal estimates for all inputs (PD, LGD, EAD and Maturity) for credit risk assessment, whereas for Foundation IRB it only estimates PD.

ALM – Asset & Liability Management
Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

ALT-A Agency
Securities whose collateral consists of Alt-A mortgages, guaranteed by specialised Government Agencies.

ALT- A - Alternative A Loan
Residential mortgages generally of “prime” category, but which, due to various factors such as LTV ratio, documentation provided, borrower’s income/employment situation, type of property etc., cannot be classified as standard contracts usable in subscription programmes.
Incomplete documentation is the main reason for a loan being classified as “Alt-A”.

Alternative investment
Alternative investments comprise a wide range of investment products, including private equity and hedge funds (see definitions below).

Other related parties – close relatives
An individual’s “close relatives” comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual’s non-separated spouse/domestic partner and the individual’s children, his/her spouse’s/domestic partner’s children, and the individual’s or his/her spouse’s/domestic partner’s dependents.

AP – Attachment Point
Level above which a protection seller will cover the losses of a protection buyer. It is typically used in synthetic CDOs.

Arrangement fee
A fee paid for professional advice and assistance provided in the loan structuring and arranging stage.

Arranger
In the structured finance sector, the arranger is the entity that – albeit in different forms and with different titles (mandated lead arranger, joint lead arranger, sole arranger etc.) – coordinates the organisational aspects of the transaction.

Asset allocation
The distribution of assets in an investment portfolio among different markets, geographical areas, sectors and products.

Asset management
The various activities relating to the management and administration of different customer assets.

AT1
Additional Tier 1 Capital (AT1). In general, the AT1 category includes equity instruments other than ordinary shares (which are eligible for Common Equity) and which meet the regulatory requirements for inclusion in that level of own funds (e.g. savings shares).

Intangible asset
An identifiable, non-monetary asset lacking physical substance.

Discounting
Process of determining the present value of a payment or payment flows to be received in the future.

Audit
In listed companies, it indicates the various examinations of the business activities and bookkeeping of a company, performed by both in-house staff (internal audit) and independent audit firms (external audit).

AVA (Additional Valuation Adjustment)
Additional valuation adjustments necessary to adjust the fair value to the prudent value of the positions. To perform a prudent valuation of the positions measured at fair value, the EBA envisages two approaches for calculating the AVA (the Simplified approach and Core approach). The prudent valuation requirements apply to all positions measured at fair value regardless of whether they are held in the trading book or not, where the term ‘positions’ refers solely to financial instruments and commodities.

AUM Assets under management
Overall market value of assets such as deposits, securities and funds managed by the Group on behalf of customers.

β
The beta coefficient of an issuer or a group of comparable issuers, an expression of the relationship between an equity's actual return and the total return of the market in question.

Back office
The unit of a bank or financial company that processes all the transactions performed by the operational units (front office).

Backtesting
Retrospective analyses performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually referred to securities or financial instruments in general, it identifies the portion of a portfolio dedicated to “proprietary” trading.

Basis swap
Contract providing for the exchange between two parties, of two floating-rate payments linked to a different index.

Best practice
It generally identifies conduct in line with state-of-the-art skills and techniques in a given technical/professional area.

Bid-ask spread
The difference between the buying and selling price of a given financial instrument or set of financial instruments.

Bookrunner
See Lead manager and Joint lead manager.

Brand name
IFRS 3 considers the “brand name” a potential, marketing related intangible asset, which may be recorded in the purchase price allocation process. The term "brand” is not used in accounting standards a restrictive sense as a synonym for “logo” and “name”; it is rather considered as a general marketing term which defines a set of complementary intangible assets (including, in addition to name and logo, the skills, the trust placed by the consumer, the quality of the services, etc.) which concur to form the so called “brand equity”.

Budget
Forecast of cost and revenue performance of a company over a period of time.

Business combinations
In accordance with IFRS 3, a transaction or other event in which an acquirer obtains control of one or more company assets.

Business model
The business model within which financial assets are managed.
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), Hold to Collect and Sell (HTCS), Others/Trading.

CAGR (Compound Annual Growth Rate)
Compound annual growth rate of an investment over a specified period of time. If n is the number of years, the CAGR is calculated as follows: (Ending value/Beginning value)^(1/n) -1.

Capital Asset Pricing Model (CAPM)
An economic model for determining the “opportunity cost” i.e. the amount of income for the period necessary to remunerate the cost of capital.

Capital structure
It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:
Equity Tranche (B): the riskiest portion of the portfolio, it is also known as “first loss” and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.
Mezzanine Tranche (B): the tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB-AAA.

Senior/Supersenior Tranche (B): the tranche with the highest credit enhancement, i.e. having the highest priority claim on remuneration and reimbursement. It is normally also called super-senior tranche and, if rated, it has a rating higher than AAA since it is senior with respect to the AAA mezzanine tranche.

Captive
Term generically referring to “networks” or companies that operate in the exclusive interest of their parent company or group.

Carry trade
The carry trade is a financial transaction in which funds are procured in a country with a low cost of money and then invested in a country with high interest rates to take advantage of the difference in returns.

Securitisation
A transaction in which the risk associated with financial or real assets is transferred to a special-purpose vehicle by selling the underlying assets or using derivative contracts. In Italy the primary applicable statute is Law 130 of 30 April 1999 as amended.

STS Securitisations
Securitisations, except for ABCP programmes and ABCP transactions, that meet the requirements set out in Articles 20, 21 and 22 of Regulation 2017/2402, are considered Simple, Transparent and Standardised Securitisations. For ABCP transactions and programmes, the requirements are set out in Articles 24 and 25-26 of that Regulation. As a result of their characteristics, STS securitisations can benefit from lighter prudential treatment in accordance with Regulation 2017/2401, which allows lower risk-weight floors than for other securitisations.

Cash flow hedge
Coverage against exposure to variability in cash flows associated with a particular risk.

Cash-generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash management
A banking service that in addition to informing companies on the status of their relations with the bank, is an operational tool enabling companies to transfer funds, thus leading to more efficient treasury management.

Certificates
Financial instruments which, based on their contracts, may be classified as optional derivatives that replicate the performance of an underlying asset. By purchasing a certificate, an investor acquires the right to receive – at a set date – an amount linked to the value of the underlying. In other words, through certificates investors can acquire an indirect position in the underlying asset. In some cases, investors can use the option structure to obtain full or partial protection of the invested capital, which takes the form of full or partial return of the premiums paid, irrespective of the performance of the parameters set in the contracts.
Certificates are securitised instruments and, as such, they can be freely traded as credit securities (traded on the SeDeX - Securitised Derivatives Exchange - managed by Borsa Italiana, and on the EuroTLX market).

Sale without recourse
Transfer of a loan or receivable in which the transferor does not offer any guarantees in the event of default by the debtor. The transferor thus only guarantees the transferee that the transferred loan or receivable exists, but not that the debtor is solvent.

Sale with recourse
Transfer of a loan or receivable in which the transferor guarantees payment by the debtor. The transferor thus guarantees the transferee both that the transferred loan or receivable exists and that the debtor is solvent.

CCF - Credit Conversion Factor
In determining credit risk, the CCF is the factor used to transform the EAD (Exposure At Default) of an off-balance sheet exposure into that of an on-balance sheet exposure. Where the Bank does not use internal models to estimate those factors (internal CCF), these are indicated as follows by the supervisory rules (regulatory CCF):
a) 100 % if it is a full risk item;
b) 50 % if it is a medium-risk item;
c) 20 % if it is a medium/low-risk item;
d) 0 % if it is a low-risk item.

CCP (Central Counterparty Clearing House)
A central counterparty is an institution interposed in securities trades between the two contracting parties, protecting the latter against default risk and guaranteeing the successful execution of the transaction. The central counterparty protects itself against its own risk by taking securities or cash collateral (margins) commensurate with the value and risk of the contracts guaranteed. Central counterparty services can be provided not only in the markets that expressly provide for them but also in respect of over-the-counter trading outside regulated markets.

CDO – Collateralised Debt Obligation
Financial instruments issued within the framework of securitisation transactions, backed by a pool of loans, bonds and other financial assets (including securitisation tranches). In the case of synthetic CDOs the risk is backed by credit derivatives instead of the sale of assets (cash CDOs).

CDSs on ABX
An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging to a specific ABS sector. Each ABX (there are five in total) reproduces a rating class (AAA, AA, A, BBB, and BBB-).

In particular, the ABX.HE index, launched on 19 January 2006 (Annex Date), is made up of reference obligations of the home equity segment of ABS (Residential Mortgage-Backed Security – RMBS). The CDS on an ABX.HE therefore hedges the credit risk of underlying RMBSs or the risk relative to the 20 reference obligations which make up the index.
For ABX, the market does not provide credit curves but directly price valuation. The settlement admitted for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pays the protection buyer the losses incurred as these emerge, without leading to termination of the contract.
Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

CLO - Collateralised Loan Obligation
CDOs backed by a portfolio of corporate loans.

CMBS - Commercial Mortgage-Backed Securities
Securitisations Debt instruments backed by mortgages on commercial real estate.

CMO - Collateralised Mortgage Obligation
Securities backed by mortgages in which the total amount of the issue is divided into tranches with different maturities and return. The tranches are repaid according to an order specified in the issue.

Commercial paper
Short-term notes issued in order to collect funds from third-party underwriters as an alternative to other forms of indebtedness.

Consumer ABS
ABS whose collateral is made up of consumer credits.

Core Business
Main area of business on which company's strategies and policies are focused.

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 normally lower funding cost compared to market parameters. Basically, the acquirer may use funding for its lending and investment activities which, under normal conditions, pays less than the market interest rate.

Common Equity Tier 1 Ratio (CET1 Ratio)
The ratio of Common Equity Tier 1 capital (CET1) to total risk-weighted assets.

Corporate
Customer segment consisting of medium- and large-sized companies (mid-corporate, large corporate).

Cost/income ratio
Economic indicator consisting of the ratio of operating costs to net operating income.

Amortised cost
Differs from "cost" in that it provides for the progressive amortisation of the differential between the book value and nominal value of an asset or liability on the basis of the effective rate of return.

Transaction costs
Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. It is a cost that would not have been incurred if the entity had not acquired issued or disposed of the financial instrument.

Covenant
A covenant is a clause, expressly agreed upon during the contractual phase, under which a lender is entitled to renegotiate and revoke a loan upon the occurrence of the events set out in the clause, linking the debtor's financial performance to events that trigger termination/amendment of contractual conditions (maturity, rates, etc.).

Coverage ratio
It represents the percentage coverage of the value adjustment with respect to the gross exposure.

Covered bond
Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle.

CPPI (Constant Proportion Portfolio Insurance)
A technique consisting of forming a portfolio of two assets, one without risk that offers a certain rate of return (risk-free) and one with risk that offers a generally higher return. The purpose of the re-balancing procedure is to prevent the value of the portfolio from falling below a predetermined level (floor), which rises at the risk-free rate over time and coincides with the capital to be guaranteed at maturity.

Credit default swap/option
Contract under which one party transfers to another - in exchange for payment of a premium - the credit risk of a loan or security contingent on occurrence of a default event (in the case of an option the right must be exercised by the purchaser).

Credit derivatives
Derivative contracts for the transfer of credit risks. These products allow investors to perform arbitrage and/or hedging on the credit market, mainly by means of instruments other than cash, to acquire credit exposures of varying maturities and intensities, to modify the risk profile of a portfolio and to separate credit risks from other market risks.

Credit enhancement
Techniques and instruments used by issuers to improve the credit rating of their issues (providing sureties, cash credit lines, etc.).

Credit/emerging markets (Funds)
Funds that invest in securities with credit risk exposure, since they are issued by financial or corporate entities, which may be located in emerging countries.

Credit-linked notes
Similar to bonds issued by a protection buyer or a special purpose vehicle whose holders (protection sellers) – in exchange for a yield equal to the yield of a bond with the same maturity plus the premium received for credit risk hedging – take the risk of losing (in whole or in part) the maturing capital and the related flow of interest, upon occurrence of a default event.

Credit Risk Adjustment (CRA)
A technique that aims to draw attention to the penalty resulting from the counterparty's creditworthiness used in determining the fair value of unlisted derivative financial instruments.

Credit spread option
Contract under which the protection buyer reserves the right, against payment of a premium, to collect from the protection seller a sum depending on the positive difference between the market spread and that fixed in the contract, applied to the notional value of the bond.

Past due loans
“Past due exposures” are non-performing exposures on which payments are past due on a continuing basis for over 90 days, in accordance with the definition set forth in current supervisory reporting rules.

CreditVaR
Value that indicates an unexpected loss with respect to a credit portfolio at a specified confidence interval and a specified time horizon. CreditVaR is estimated through loss distribution and represents the difference between the average value of the distribution and the value corresponding to a certain percentile (usually 99.9%), which reflects the Bank’s risk appetite.

Cross selling
Activity designed to increase customer loyalty through the sale of integrated products and services.

CRM – Credit Risk Mitigation
Techniques used by institutions to reduce the credit risk associated with their exposures.

CRP (Country Risk Premium)
Country risk premium: it expresses the component of the cost of capital aimed specifically at providing compensation for the risk implicit in a particular country (namely the risk associated with financial, political and monetary instability).

CR01
Referred to a credit portfolio, it indicates the change in portfolio value that would occur for a 1-basis-point increase in credit spreads.

CSA (Credit Support Annex)
A document through which counterparties trading in an over-the-counter derivative instrument establish the terms of contribution and transfer of the underlying guarantees to mitigate credit risk in the event of in-the-money position of the instrument. This document, although not mandatory for the transaction, is one of the four components that contribute to the establishment of the Master Agreement according to the standards established by the International Swaps and Derivatives Association (ISDA).

Reclassification date
The first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

Default
Declared inability to honour one’s debts and/or make the relevant interest payments.

Delinquency
Failure to make loan payments at a certain date, normally provided at 30, 60 and 90 days.

Delta
Value that expresses the sensitivity of the price of the underlying asset for an option. Delta is positive for call options because the price of the option rises along with the price of the underlying asset. Delta is negative for put options because a rise in the price of the underlying asset yields a decrease in the price of the option.

Embedded derivatives
Embedded derivatives are clauses (contractual terms) included in a financial instrument that generate the same effects as an independent derivative.

Desk
It usually designates an operating unit dedicated to a particular activity.

Dynamics of funding
Sum of deposits in a current account (free current accounts and bank drafts), returnable deposits upon prior notice (free savings deposits), time deposits (time current accounts and time deposits, certificates of deposit), repo agreements and bonds (including subordinated loans). All contract types, with the exception of bonds, refer to Italian customers, excluding the Central Administration, in euro and foreign currency. Bonds refer to the total amount issued, irrespective of residence and sector of the holder.

Directional (Funds)
Funds that invest in financial instruments that profit from directional market movements, also through macroeconomic forecasting.

Domestic Currency Swap
Contract settled in euro, whose economic effect is equal to that of a time purchase or sale of a foreign currency in exchange for domestic currency. On expiry, the difference between the forward and the spot exchange rates is settled in euro.

Duration
An indicator of the interest rate risk of a bond or bond portfolio. In its most frequent form, it is calculated as a weighted average of the due dates of interest and principal payments associated with a bond.

EAD – Exposure At Default
Relating to on- or off-balance sheet positions, it is defined as the estimated future value of an exposure upon default of a debtor. Only banks meeting the requirements for using the AIRB approach are entitled to estimate EAD. The others are required to make reference to statutory estimates.

ECAI – External Credit Assessment Institution
An external credit assessment institution.

EDF – Expected Default Frequency
Frequency of default, normally based on a sample internal or external to the bank, which represents the average risk level associable with a counterparty.

EHQLA (Extremely High Quality Liquid Asset)
Encumbered assets that are notionally eligible to be classified as extremely high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

ETD – Exchange Trade Derivatives
Standard derivative contracts (futures and options with various types of underlying) traded on regulated markets.

Embedded value
A measure of the underlying value of a life insurance company. It is the sum of the company's adjusted net asset value and the present value of the future income margins from the policies already in force over the period of their residual life.

Eonia (Euro overnight index average)
Weighted average of the overnight rates transmitted to the ECB by a sample of banks operating in the Euro area.

Equity hedge / long-short (Funds)
Funds that predominantly invest in stocks with the possibility of creating hedging strategies by means of short sales of the same stocks or strategies in derivative contracts involving securities or market indices.

Equity origination
Increase of a company's risk capital achieved by floating a new issue of stock.

ERP (Equity Risk Premium)
Risk premium demanded by investors in the market in question. ISP uses the risk premium calculated according to the historical approach (geometric average of the difference between equity and risk-free returns for the period 1928-2009) by New York University - Stern School of Business.

Exotics (derivatives)
Non-standard instruments unlisted on the regular markets, whose price is based on mathematical models.

EVA (Economic Value Added)
An indicator that provides a snapshot of the amount of value created (if positive) or destroyed (if negative) by enterprises. In contrast to other parameters that measure business performance, EVA is calculated net of the cost of equity capital, that is to say the investment made by shareholders.

Event-driven (Funds)
Funds that invest in opportunities arising out of significant events regarding the corporate sphere, such as mergers, acquisitions, defaults and reorganisations.

EVT – Extreme Value Theory
Statistical methodologies that deal with extreme hypothetical deviations from median of probability distributions of specific events.

Expected Credit Losses (ECL)
Expected credit risk adjustments, determined based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.
Calculated as the difference between all contractual flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls) discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

12-Month Expected Loss
Portion of the lifetime expected loss that arises if the default occurs within 12 months from the reporting date (or a shorter period if the expected life is less than 12 months), weighted by the probability of that default.

Facility (fee)
Fee calculated with reference to the disbursed amount of a loan.

Factoring
Sale of trade receivables to factoring companies, for credit management and collection, normally associated with the granting of a loan to the seller.

Fair value
The amount at which an asset could be bought or sold or a liability incurred or settled, in a current transaction between willing parties.

Fair value hedge
Hedging against the risk of change in the fair value of a financial statement item, attributable to a particular risk.

Fair Value Option (FVO)
The Fair Value Option is an option for classifying a financial instrument.
When the option is exercised, even a non-derivative financial instrument not held for trading may be measured at fair value through profit or loss.

Fairness/Legal opinion
An opinion provided on request by experts of recognised professionalism and competence, on the adequacy of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

"G" factor ("g" growth rate)
It is the factor used for perpetuity projection of cash flows in order to calculate "Terminal value".

FICO Score
In the US, a credit score is a number (usually between 300 and 850) based on the statistical analysis of an individual's credit report. The FICO score is an indicator of the borrower's creditworthiness. A mortgage lender will use the "score" to assess borrower default risk and to correctly price risk.

FIFO: First In First Out
Criterion used to recognise the expected credit losses (ECL) recorded on a security through profit or loss at the time of sale

Prudential filters
In schemes for calculating regulatory capital, corrections made to line items with the aim of safeguarding the quality of regulatory capital and reducing its potential volatility as a result of the application of international accounting standards (IAS/IFRS).

Harmonised mutual funds
Mutual funds within the scope of Directive 85/611/EEC of 20 December 1985, as amended, characterised by their open form, the possibility of offering units to the public and certain investment limits. Investment limits include the obligation to invest primarily in quoted financial instruments.

Forward Rate Agreement
See "Forwards".

Forwards
Forward contracts on interest rates, exchange rates or stock indices, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be executed at a specified future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

Front office
The divisions of a company designed to deal directly with customers.

Funding
The raising of capital, in various forms, to finance the company business or particular financial transactions.

Futures
Standardised forward contracts under which the parties agree to exchange securities or commodities at a specified price on a specified future date. Futures are normally traded on organised markets, where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying.

FVTOCI: Fair Value Through Other Comprehensive Income
Method of recognition of changes in the fair value of financial assets through other comprehensive income (therefore in shareholders' equity) and not through profit or loss.

FVTPL: Fair Value Through Profit or Loss
Method of recognition of changes in the fair value of financial assets through profit or loss

Global custody
An integrated package of services including, in addition to the custody of securities, the performance of administrative activities relating to the settlement of securities, collections and payments, acting as depositary bank and cash management, as well as various forms of portfolio performance reporting.

GMSLA
Global Master Securities Lending Agreement: these are margin agreements used to mitigate counterparty risk in securities lending transactions

GMRA
Global Master Repurchase Agreement: these are margin agreements used to mitigate counterparty risk in repurchase agreement transactions.

Goodwill
The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

Governance
The set of instruments, rules and standards regulating the life of the company, particularly as regards the transparency of documents and company records, and the completeness of information made available to the market.

Grandfathering
The new composition of own funds under Basel 3 and other less significant measures will enter into force following a transitional period. Specifically, old instruments included in Basel 2 regulatory capital, which are not included under Basel 3, will be gradually eliminated (referred to as the grandfathering period).

Greeks
Greeks are the quantities that identify the greater or lesser sensitivity of a derivative contract, typically an option, to changes in the value of the underlying asset or other parameters (e.g. intrinsic volatility, interest rates, stock prices, dividends and correlations).

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

Hedge funds
Mutual fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

HELs – Home Equity Loans
Loans granted up to the current market value of the real estate property used as collateral (therefore with a loan-to-value ratio higher than the ordinary thresholds), by means of first or second lien mortgages. Standard & Poor's considers Subprime and Home Equity Loan largely synonymous when the home equity loan borrowers have low credit score (FICO<659).

HQLA (High Quality Liquid Asset)
Encumbered assets that are notionally eligible to be classified as high quality liquid assets. Notionally eligible encumbered EHQLA and HQLA are the assets listed in Articles 11, 12 and 13 of Commission Delegated Regulation (EU) 2015/61.

HY CBO – High-Yield Collateralised Bond Obligation
CDOs with collateral represented by High-Yield securities.

IAS/IFRS
The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB). The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

IASB (International Accounting Standard Board)
The IASB (previously known as the IASC) is the entity responsible for issuing international accounting standards (IAS/IFRS).

ICAAP (Internal Capital Adequacy Assessment Process)
The "Second Pillar" provisions require that banks implement processes and instruments of Internal Capital Adequacy Assessment Process (ICAAP), to determine the amount of internal capital needed to cover all risks, including risks different from those covered by the total capital requirement ("First Pillar"), when assessing current and potential future exposure, taking into account business strategies and developments in the economic and business environment.

IFRIC (International Financial Reporting Standards Interpretations Committee)
A committee within the IASB that establishes official interpretations of international accounting standards (IAS/IFRS).

IMA (Internal Models Approach)
Approach for calculating the capital requirement for market risk using internal models.

IMM (Internal Model Method)
Method for calculating Exposure at Default, within the counterparty risk assessment, through internal models based on the concept of Expected Positive Exposure.

Impairment
When referred to a financial asset, a situation of impairment is identified when the book value of an asset exceeds its estimated recoverable amount.

Deferred tax (tax liabilities or assets)
Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.
Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:
(a) deductible temporary differences;
(b) the carry forward of unused tax losses; and
(c) the carry forward of unused tax credits.
Temporary difference is the difference between the carrying amount of an asset or liability and its tax base.
There are two types of temporary difference:
a) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled; or
b) deductible temporary difference: a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

Significant increase in credit risk "SICR"
Criterion used to verify the transition between stages: if the credit risk of the financial instrument has increased significantly since initial recognition, the value adjustments are equal to the lifetime expected credit losses of the instrument (lifetime ECL). The bank establishes whether there has been a significant increase in credit risk based on qualitative and quantitative information. Exposures are considered to have had a significant increase in credit risk when:
- the weighted average lifetime PD has increased beyond the threshold at the time of the origination. Other measures of PD deterioration can also be used. The relative thresholds are defined as percentage increases and set at a particular value or segment;
- exposures are determined to be of higher credit risk and subject to closer monitoring;

exposures are more than 30 days past due, used as a backstop rather than a primary driver.

Incurred loss
Loss already inherent in a portfolio, but not yet identifiable at the level of an individual loan or receivable, also known as an "incurred but not reported loss." It represents the risk level inherent in a portfolio of performing loans and is the basic indicator for determining the size of the stock of collective adjustments recognised in the financial statements.

Index-linked
Policies whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator.

CMBX index
The same as the ABX index, the only difference being that the reference entities are CMBSs.

Internal dealing
Transactions between different operating units of the same company. These transactions are recognised in the accounts and contribute to determining the position (trading or hedging) of the individual units involved.

Intraday
Used to refer to an investment/disinvestment transaction performed in the course of a single day involving the negotiation of a security. It is also used with reference to prices quoted during any one day.

Investment property
Real estate owned for the purpose of obtaining income and/or benefiting from an increase in their value.

Investment grade
Term used with reference to high-quality bonds that have received a medium/high rating (e.g., not less than BBB on Standard & Poor's index).

IRC – Incremental Risk Charge
The maximum potential loss in the trading book resulting from an upgrade/downgrade or bankruptcy of the issuers, over a 1-year period, with a 99.9% confidence level.

IRS – Interest Rate Swap
A binding agreement between two parties to exchange two flows calculated over a notional amount with fixed/floating or floating/floating rate.

ISDA - International Swaps and Derivatives Association
An association of participants in the over-the-counter derivatives market. It is based in New York and has created a standard contract for entering into derivatives transactions.

Joint venture
Agreement between two or more firms for the performance of a given economic activity, generally through the incorporation of a joint-stock company.

Junior
In a securitisation transaction, it is the lowest-ranking tranche of the securities issued, being the first to bear losses that may occur in the course of the recovery of the underlying assets.

Ke (Cost of Equity)
Cost of equity, the minimum return demanded for investments of the same risk level.

Ke – g
Difference between the cash flow discounting rate and the long-term growth rate. If cash flows remain equal, value in use increases as that difference decreases.

Lambda (λ)
Coefficient that measures the assessed item's specific exposure to country risk. In the model used by Intesa Sanpaolo, it is estimated to be 1, in that it is presumed that it is necessary to vary the country's risk level.

LCRE: Low Credit Risk Exemption
Exemption from the ordinary credit risk measurement according to which it can be assumed that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk (at least equal to investment grade) at the reporting date.

LDA - Loss Distribution Approach
Method of quantitative assessment of the risk profile through actuarial analysis of individual internal and external loss events; by extension, the term Loss Distribution Approach also refers to the calculation model for the historical capital per business unit.

Lead manager - Bookrunner
Lead bank of a bond issue syndicate. The lead manager deals with the debtor and is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the debtor. It also determines the terms and conditions of issue and coordinates its execution (usually placing the largest share of the issue on the market) and keeps the books (bookrunner); in addition to reimbursement of expenses and usual fees, the lead manager receives a special commission for its services.

Risk-based lending
A methodology applied to a credit portfolio to identify the most suitable pricing conditions taking into account the risk factor of each credit.

Leveraged & acquisition finance
See “Acquisition finance”.

Liquidity Coverage Ratio (LCR)
It aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that may be converted into cash to meet its liquidity needs within a period of 30 days under conditions of severe stress. The liquidity coverage ratio is equal to the ratio of liquidity reserves to net outflows of liquidity over a stress period of 30 calendar days.

LTV – Loan-to-Value Ratio
The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.
The LTV ratio measures the weight of the borrower’s own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower’s own funds used to buy the asset, the lower the creditor’s protection.

Cumulative loss
Cumulative loss incurred, at a certain date, on the collateral of a specific structured product.

Loss Given Default (LGD)
It represents the percentage of loans that are estimated to be irrecoverable in the event of default by the debtor.

M–Maturity
The remaining time of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Macro-hedging
Use of macro-hedging. Hedging procedure involving a single derivative product for various positions.

Mark to Market
Process of determining the value of a portfolio of securities or other financial instruments by reference to the prices expressed by the market.

Market dislocation
Turbulence in financial markets characterised by a strong reduction in volumes traded on financial markets with difficulties in finding significant prices on specialised information providers.

Market making
Financial activity carried out by brokerage houses that ensure market liquidity and depth, both through their ongoing presence and by means of their role as competitive guides in determining prices.

Market neutral
Operating strategies involving securities designed to minimise the relevant portfolios’ exposure to market volatility.

Mark-down
Difference between the 1-month Euribor and interest rates on household and business current accounts.

Mark-up
Difference between the overall interest rate applied to households and businesses on loans with a duration of less than one year and 1-month Euribor.

Merchant banking
A range of activities including the underwriting of securities – both equities and bonds – issued by corporate customers for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

Mezzanine
In a securitisation transaction it is the tranche ranking between junior and senior tranche.

Monoline
Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default risk is borne by the insurer.

Multistrategy / Funds of funds (Funds)
Funds that do not invest in a single strategy but in a portfolio reflecting different strategies, i.e. in a portfolio of investment funds managed by third parties.

NAV - Net Asset Value
The market value of one share of the fund's managed assets.

Net Stable Funding Ratio (NSFR).
It 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. Net stable funding requirement is equal to the ratio of the stable funding available to the entity to the stable funding required by the entity and is expressed as a percentage.

Non-performing
Term generally referring to loans for which payments are overdue.

Covered bond
See "Covered Bond".

Option
Against payment of a premium, the buyer acquires the right, but not the obligation, to purchase (call option) or to sell (put option) a financial instrument at a set price (strike price) within (American option) or on (European option) a given future date.

Outsourcing
The transfer of business processes to external providers.

Overnight Indexed Swap (OIS)
Contract involving the exchange of the net flow deriving from the difference between a fixed and floating interest rate applied to a notional principal amount. The fixed rate is set at the inception of the contract, while the floating rate is determined at maturity as the average of the overnight rates surveyed during the term of the contract, with compound interest.

Over-The-Counter (OTC)
It designates transactions carried out directly between the parties outside organised markets.

Packages
Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks can be hedged with financial derivatives.

Expected credit loss
It is calculated as the product of the Probability of Default (PD) and Loss Given Default (LGD) multiplied by the exposure value (EAD). It represents the ratio of the amount expected to be lost on the exposure, over a time horizon of one year, as a result of a potential default by the counterparty and the amount of the exposure at the time of default.

Lifetime expected loss
Expected credit loss that results from all possible default events over the expected life of a financial instrument.

Performing
Term generally referring to loans characterised by regular performance.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.
POCI: Purchased or Originated Credit-Impaired Assets – Assets for which the lifetime expected losses are recognised upon initial recognition and which are automatically classed as Stage 3.

Index-linked life insurance policies
Life insurance policies the benefits of which are based on indexes, normally drawn from equity markets. Policies may guarantee capital or offer a minimum return.

Pool (transactions)
See "Syndicated lending".

Held for trading
A financial asset or financial liability that:
- is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Pricing
Broadly speaking, it generally refers to the methods used to determine yields and/or costs of products and services offered by the Bank.

Prime broker
The Prime Broker is an international financial intermediary that operates as agent in the settlement process, carrying out the financial transactions ordered by the hedge fund's manager with the utmost confidentiality. The Prime Broker also acts as the fund's lender, providing credit lines and securities lending for short selling, and directly obtaining guarantees in respect of the financing granted to the fund. The Prime Broker also provides risk management services, monitoring the hedge fund's risk exposure to ensure conditions of financial stability. Other services provided by the Prime Broker are holding and deposit of the fund's cash and securities, handling of the netting and settlement process, and recording of all market transactions.

Prime loan
Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

One-year Probability of Default (PD)
The likelihood that a debtor will default within the space of 1 year.

Lifetime PD
The likelihood that a debtor will default within a period equal to the expected life of the financial instrument.

Asset-backed commercial paper programme or <<ABCP programme>>
Programme of securitisations the securities issued by which predominantly take the form of asset-backed commercial paper with an original maturity of one year or less, as defined by Reg.2017/2402.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risk and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

PV01
Measures the price value change of a financial asset following a one basis point shift in the yield curve.

Indirect customer deposits
The holding of third parties' securities and similar valuables not issued by the bank, at nominal value, excluding certificates of deposit and bank bonds.

Rating
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)
Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)
REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)
Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or financial contracts, neutralising the underlying market risk.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Counterparty risk
Counterparty risk is a particular type of credit risk, relating to OTC derivatives and SFTs (Securities Financing Transactions), which refers to the possible default of the counterparty before the expiry of a contract that has a positive market value.

Credit risk
The risk that an unexpected change in a counterparty's creditworthiness, in the value of the collateral provided, or in the margins used in case of default might generate an unexpected variation in the value of the bank's exposure.

Market risk
Risk deriving from the fluctuation in the value of quoted financial instruments (shares, bonds, derivatives, securities denominated in foreign currency) and of financial instruments whose value is linked to market variables (loans to customers as concerns the interest rate component, deposits in euro and in foreign currency, etc.).

Liquidity risk
The risk that a company will be unable to meet its payment obligations due to its inability to liquidate assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of rapidly converting financial assets into cash without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions (market liquidity risk).

Operational risk
Risk of incurring losses due to inadequacy or failures of processes, human resources or internal systems, or as a result of external events. Operational risk includes legal risk and compliance risk, model risk, ICT risk and financial reporting risk; strategic and reputational risk are not included.

Risk-free
Return on risk-free investments. For the Italy CGU and countries in the International Subsidiary Banks CGU with "normal" growth prospects, the return on 10-year Bunds has been adopted, while for countries with "strong" growth prospects, the return on 30-year Bunds has been used.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

ROE (Return On Equity)
It expresses the return on equity in terms of net income. It is the indicator of greatest interest to shareholders in that it allows them to assess the return on their equity investment.

RTS (Regulation Technical Standards)
Regulatory technical standards.

Risk-Weighted Assets (RWA)
On- and off-balance sheet assets (derivatives and guarantees) that are classified and weighted by means of several risk ratios, in accordance with the rules issued by regulatory authorities on the calculation of capital ratios.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SGR (Società di gestione del risparmio)
Joint-stock companies reserved the possibility of providing both collective and individual asset management service jointly. In particular, they are authorised to set up mutual funds, manage their own or others' mutual funds and the assets of SICAVs and provide individual investment portfolio management service.

Significant Risk Transfer (SRT)
The originator institution of a traditional securitisation may exclude underlying exposures from its calculation of risk-weighted exposure amounts where significant credit risk associated with the underlying exposures has been transferred to third parties. According to Article 244 of Regulation 2017/2401 there is a significant transfer of credit risk in any of the following cases: (i) the risk-weighted exposure amounts of the mezzanine securitisation positions held by the originator institution in the securitisation do not exceed 50% of the risk-weighted exposure amounts of all mezzanine securitisation positions existing in the securitisation; and (ii) if there are no mezzanine securitisation positions, the originator institution does not hold more than 20% of the exposure value of the first loss tranche in the securitisation. Article 245 of Regulation 2017/2401 sets out similar conditions for significant risk transfer through funded or unfunded credit protection securitisations also for synthetic securitisations.

SPE/SPV
A Special Purpose Entity or Special Purpose Vehicle is a company established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor’s index).

SPPI TEST
One of the two classification drivers (the other is the “business model”) that the classification of the financial assets and the measurement basis depend on. The objective of the SPPI test is to identify the instruments, which can be defined as “basic lending arrangements” in accordance with the standard, whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI - solely payment of principal and interest). Assets with contractual characteristics other than SPPI are mandatorily measured at FVTPL.

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security or the price an issuer of stocks and bonds pays above a benchmark rate.

SpreadVar
Value that indicates the maximum possible loss on a trading portfolio due to the market performance of CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stage 1
Represents the financial instruments whose credit risk has not significantly increased since the initial recognition date. A 12-month expected loss is recognised for these financial Instruments.

Stage 2
Represents the financial instruments whose credit risk has significantly increased since the initial recognition date. A lifetime expected loss is recognised for these financial Instruments.

Stage 3
Represents financial instruments that are credit impaired or in default. A lifetime expected loss is recognised for these financial Instruments.

Stakeholders
Subjects who, acting in different capacities, interact with the firm’s activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company’s shares at a certain price (strike price).

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank’s overall exposure to risk.

Structured export finance
Structured finance transactions in the goods and services export financing sector.

Financial instruments listed in an active market
A financial instrument is regarded as listed in an active market if listed prices are promptly 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.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or bad loans) or because their debt-to-income or loan-to-value ratio is high.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In an interest-rate swap, the parties exchange flows which may or may not be benchmarked on interest rates, calculated on a notional principal amount (e.g., one party pays a fixed-rate flow while the other pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Effective interest rate
The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.

Tax rate
The effective tax rate, determined by the ratio of income taxes to income before tax.

Terminal value
An enterprise's value at the end of an analytical cash-flow forecasting period, calculated by multiplying the analytical cash flow for the final period by (1 + g) and dividing that amount by (Ke-g).

Impairment test
The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets. Pursuant to IAS 36, the following assets should be tested for impairment annually:
- intangible assets with indefinite useful life;
- goodwill acquired in a business combination;
- any asset, if there is any indication of impairment losses.

Tier 1
Tier 1 Capital consists of Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1).

Tier 1 capital ratio
Ratio of Tier 1 Capital, which consists of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1), to total risk-weighted assets.

Tier 2
Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to IRB approaches.
Specific transitional provisions (grandfathering) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total capital ratio
Capital ratio referred to regulatory capital components of Own Funds (Tier 1 plus Tier 2).

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trustee (Real estate)
Real estate vehicles.

Trust-preferred Securities (TruPS)
Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting fee
Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

Value in use
Value in use is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

Collective assessment of performing loans
With reference to a homogeneous group of regularly performing financial assets, collective assessment defines the degree of credit risk potentially associated with them, though it is not yet possible to tie risk to a specific position.

Fundamental Valuation
Stock price analysis performed by estimating the fair value of stocks and comparing it with their market value.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega
Coefficient that measures the sensitivity of an option's value in relation to a change (increase or decrease) in volatility.

Vega 01
Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage
Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations.

Expected life
This refers to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolving financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the bank's exposure to credit losses to the contractual notice period. The expected life for these credit facilities is their behavioural life. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated

life, based upon other experienced cases or similar cases of peers. Potential future modifications of contracts are not taken into account when determining the expected life or exposure at default until they occur.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO's cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

Wealth management
See "Asset management".

What-if
Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking
Banking activity mainly consisting of high-value transactions concluded with major counterparties.

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Financial calendar

Approval of the Interim Statement as at 30 September 2021:	3 November 2021